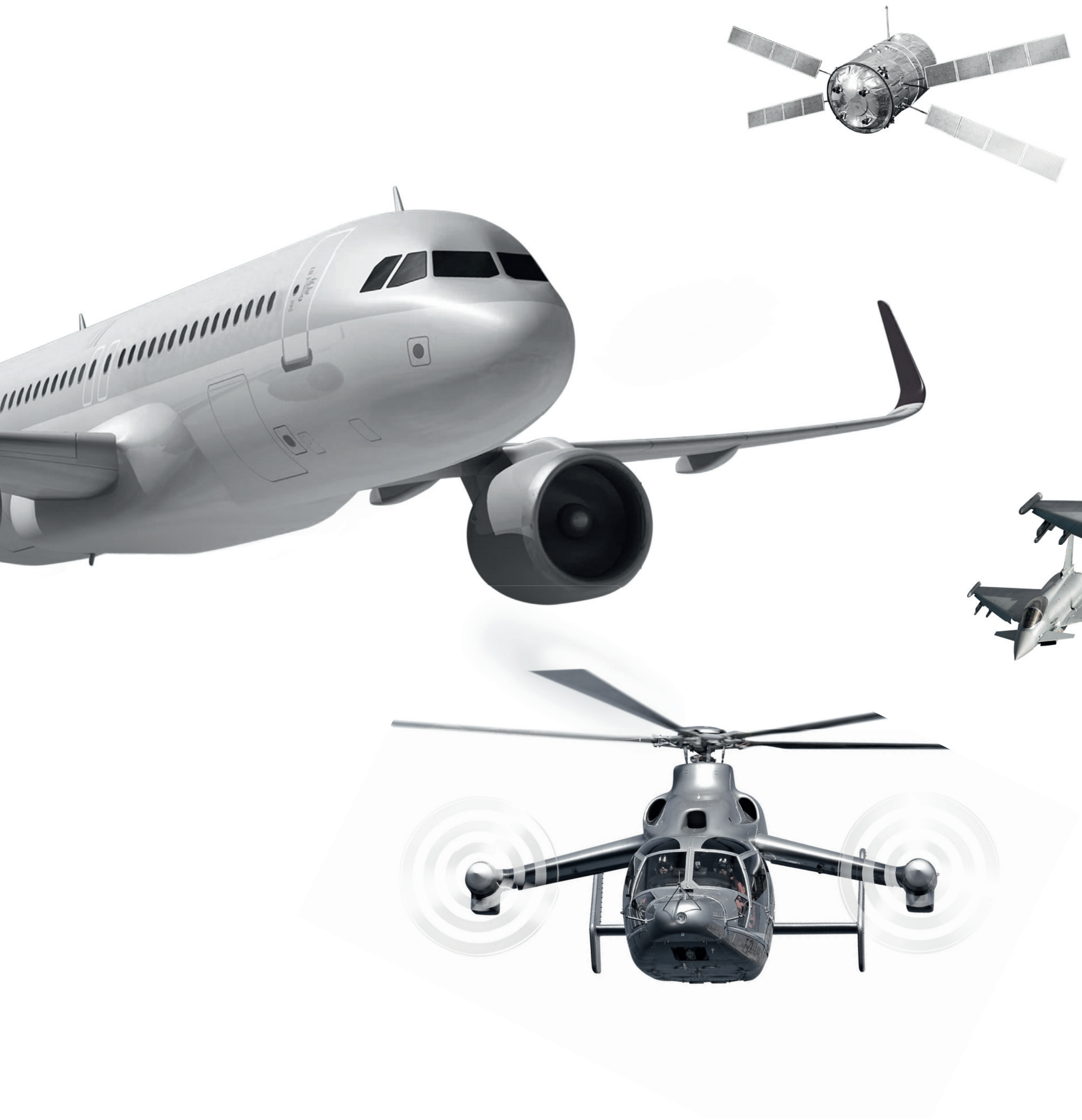
FINANCIAL STATEMENTS 2011



EADS

FINANCIAL
STATEMENTS 2011

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

EADS N.V. — Consolidated Income Statements (IFRS) for the years ended 31 December 2011, 2010 and 2009

(In € million)	Note	2011	2010	2009
Revenues	5, 6	**49,128**	**45,752**	**42,822**
Cost of sales	7	(42,285)	(39,528)	(38,383)
Gross margin		**6,843**	**6,224**	**4,439**
Selling expenses		(981)	(1,024)	(924)
Administrative expenses		(1,427)	(1,288)	(1,272)
Research and development expenses	8	(3,152)	(2,939)	(2,825)
Other income	9	359	171	170
Other expenses	10	(221)	(102)	(102)
Share of profit from associates accounted for under the equity method	11	164	127	115
Other income from investments	11	28	18	19
Profit (loss) before finance costs and income taxes	5	**1,613**	**1,187**	**(380)**
Interest income		377	316	356
Interest expense		(364)	(415)	(503)
Other financial result		(233)	(272)	(445)
Total finance costs	12	(220)	(371)	(592)
Income taxes	13	(356)	(244)	220
Profit (loss) for the period		**1,037**	**572**	**(752)**
Attributable to:				
Equity owners of the parent **(Net income (loss))**		1,033	553	(763)
Non-controlling interests		4	19	11
Earnings per share		€	€	€
Basic	38	1.27	0.68	(0.94)
Diluted	38	1.27	0.68	(0.94)

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

EADS N.V. — Consolidated Statements of Comprehensive Income (IFRS) for the years ended 31 December 2011, 2010 and 2009

(In € million)	2011	2010	2009
Profit (loss) for the period	**1,037**	**572**	**(752)**
Currency translation adjustments for foreign operations	(25)	119	(279)
Effective portion of changes in fair value of cash flow hedges	(365)	(2,983)	2,948
Net change in fair value of cash flow hedges transferred to profit or loss	(171)	(201)	(1,456)
Net change in fair value of available-for-sale financial assets	(20)	12	136
Actuarial gains (losses) on defined benefit plans	(747)	(127)	(594)
Unrealized gains (losses) from investments accounted for using the equity method	129	(161)	33
Tax on income and expense recognized directly in equity	331	1,096	(381)
Other comprehensive income, net of tax	**(868)**	**(2,245)**	**407**
Total comprehensive income of the period	**169**	**(1,673)**	**(345)**
Attributable to:			
Equity owners of the parent	163	(1,679)	(354)
Non-controlling interests	6	6	9

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

EADS N.V. — Consolidated Statements of Financial Position (IFRS) at 31 December 2011 and 2010

(In € million) Assets	Note	2011	2010
Non-current assets			
Intangible assets	14	12,745	11,299
Property, plant and equipment	15	14,159	13,427
Investment property	16	74	77
Investments in associates accounted for under the equity method	17	2,677	2,451
Other investments and other long-term financial assets	17	2,378	2,386
Non-current other financial assets	20	631	871
Non-current other assets	21	1,253	1,104
Deferred tax assets	13	4,309	4,250
Non-current securities	22	7,229	5,332
		45,455	**41,197**
Current assets			
Inventories	18	22,563	20,862
Trade receivables	19	6,399	6,632
Current portion of other long-term financial assets	17	172	111
Current other financial assets	20	1,739	1,575
Current other assets	21	2,253	1,712
Current tax assets		339	234
Current securities	22	4,272	5,834
Cash and cash equivalents	31	5,284	5,030
		43,021	**41,990**
Total assets		**88,476**	**83,187**
Equity and liabilities			
Equity attributable to equity owners of the parent			
Capital stock		820	816
Share premium		7,519	7,645
Retained earnings		471	46
Accumulated other comprehensive income		153	446
Treasury shares		(113)	(112)
		8,850	8,841
Non-controlling interests		20	95
Total equity	23	**8,870**	**8,936**
Non-current liabilities			
Non-current provisions	25	9,125	8,213
Long-term financing liabilities	26	3,628	2,870
Non-current other financial liabilities	27	8,193	8,624
Non-current other liabilities	28	9,814	9,264
Deferred tax liabilities	13	1,050	1,195
Non-current deferred income	30	290	315
		32,100	**30,481**
Current liabilities			
Current provisions	25	5,860	5,766
Short-term financing liabilities	26	1,476	1,408
Trade liabilities	29	9,630	8,546
Current other financial liabilities	27	1,687	1,234
Current other liabilities	28	27,670	25,772
Current tax liabilities		308	254
Current deferred income	30	875	790
		47,506	**43,770**
Total liabilities		**79,606**	**74,251**
Total equity and liabilities		**88,476**	**83,187**

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 2011, 2010 and 2009

(In € million)	Note	2011	2010	2009
Profit (loss) for the period attributable to equity owners of the parent (Net income (loss))		**1,033**	**553**	**(763)**
Profit for the period attributable to non-controlling interests		4	19	11
Adjustments to reconcile profit (loss) for the period to cash provided by operating activities:				
Interest income		(377)	(316)	(356)
Interest expense		364	415	503
Interest received		417	332	382
Interest paid		(307)	(278)	(331)
Income tax expense (income)		356	244	(220)
Income taxes (paid) received		(100)	(140)	4
Depreciation and amortization		1,884	1,582	1,826
Valuation adjustments		(408)	(366)	(254)
Results on disposals of non-current assets		(29)	(75)	(31)
Results of companies accounted for by the equity method		(164)	(127)	(115)
Change in current and non-current provisions (1)		230	(219)	1,594
Change in other operating assets and liabilities:		**1,386**	**2,819**	**15**
• Inventories		(1,640)	705	(1,961)
• Trade receivables		447	(345)	(478)
• Trade liabilities		806	(40)	192
• Advance payments received		1,965	1,698	2,925
• Other assets and liabilities		(327)	738	(257)
• Customer financing assets		246	169	(306)
• Customer financing liabilities		(111)	(106)	(100)
Cash provided by operating activities		**4,289**	**4,443**	**2,265**
Investments:				
• Purchases of intangible assets, Property, plant and equipment		(2,197)	(2,250)	(1,957)
• Proceeds from disposals of intangible assets, Property, plant and equipment		79	45	75
• Acquisitions of subsidiaries, joint ventures, businesses and non-controlling interests (net of cash)	31	(1,535)	(38)	(21)
• Proceeds from disposals of subsidiaries (net of cash)	31	18	12	13
• Payments for investments in associates, other investments and other long-term financial assets		(312)	(190)	(136)
• Proceeds from disposals of associates, other investments and other long-term financial assets		77	91	43
• Dividends paid by companies valued at equity		50	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	0	103
Change in securities	22	(378)	(3,147)	(821)
Cash (used for) investing activities		**(4,198)**	**(5,436)**	**(2,674)**
Increase in financing liabilities		813	99	1,114
Repayment of financing liabilities		(399)	(1,160)	(208)
Cash distribution to EADS N.V. shareholders		(178)	0	(162)
Dividends paid to non-controlling interests		(5)	(7)	(4)
Changes in capital and non-controlling interests		(65)	(48)	17
Change in treasury shares		(1)	(3)	(5)
Cash provided by (used for) financing activities		**165**	**(1,119)**	**752**
Effect of foreign exchange rate changes and other valuation adjustments on cash and cash equivalents		(2)	104	(50)
Net increase (decrease) in cash and cash equivalents		**254**	**(2,008)**	**293**
Cash and cash equivalents at beginning of period		**5,030**	**7,038**	**6,745**
Cash and cash equivalents at end of period		**5,284**	**5,030**	**7,038**

(1) In 2011, "contribution to plan assets for pensions" is shown in "change in current and non-current provisions" within cash provided by operating activities. Previously, "contribution to plan assets for pensions" was disclosed in cash used for investing activities. It amounts in 2011 to €(489) million (2010: €(553) million and 2009: €(173) million).

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

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

EADS N.V. — Consolidated Statements of Changes in Equity (IFRS) for the years ended 31 December 2011, 2010 and 2009

(In € million)	Note	Equity attributable to equity owners of the parent									Non-controlling interests	Total equity
		Capital stock	Share premium	Retained earnings		Accumulated other comprehensive income			Treasury shares	Total		
				Other retained earnings	Actuarial gains or losses	Available-for-sale financial assets	Cash flow hedges	Foreign currency translation adjustments				
Balance at 31 December 2008		**815**	**7,836**	**1,992**	**(1,270)**	**421**	**(184)**	**1,521**	**(109)**	**11,022**	**104**	**11,126**
Profit (loss) for the period				(763)						(763)	11	(752)
Other comprehensive income					(479)	140	1,012	(264)		409	(2)	407
Capital increase	23	1	14							15	2	17
Share-based Payment (IFRS 2)	35			19						19		19
Cash distribution to EADS N.V. Shareholders/dividends paid to non-controlling interests			(162)							(162)	(4)	(166)
Change in non-controlling interests										0	(5)	(5)
Change in treasury shares	23								(5)	(5)		(5)
Cancellation of treasury shares	23		(5)						5	0		0
Balance at 31 December 2009		**816**	**7,683**	**1,248**	**(1,749)**	**561**	**828**	**1,257**	**(109)**	**10,535**	**106**	**10,641**
Profit for the period				553						553	19	572
Other comprehensive income					(32)	(177)	(2,201)	178		(2,232)	(13)	(2,245)
Capital increase	23		5							5		5
Capital decrease	23		(43)							(43)	(6)	(49)
Share-based Payment (IFRS 2)	35			23						23		23
Dividends paid to non-controlling interests										0	(7)	(7)
Equity transaction (IAS 27)				3						3	(7)	(4)
Change in non-controlling interests										0	3	3
Change in treasury shares	23								(3)	(3)		(3)
Balance at 31 December 2010		**816**	**7,645**	**1,827**	**(1,781)**	**384**	**(1,373)**	**1,435**	**(112)**	**8,841**	**95**	**8,936**
Profit for the period				1,033						1,033	4	1,037
Other comprehensive income					(579)	182	(399)	(74)		(870)	2	(868)
Capital increase	23	4	59							63		63
Share-based Payment (IFRS 2)	35			15						15		15
Cash distribution to EADS N.V. Shareholders/dividends paid to non-controlling interests			(178)							(178)	(5)	(183)
Equity transaction (IAS 27)				(17)	(28)		(1)			(46)	(79)	(125)
Change in non-controlling interests										0	3	3
Change in treasury shares	23								(8)	(8)		(8)
Cancellation of treasury shares	23		(7)						7	0		0
Balance at 31 December 2011		**820**	**7,519**	**2,858**	**(2,388)**	**566**	**(1,773)**	**1,361**	**(113)**	**8,850**	**20**	**8,870**

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

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Notes to the Consolidated Financial Statements (IFRS)

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Contents

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). EADS' core business is the manufacturing of commercial aircraft, civil and military helicopters, commercial space launch vehicles, missiles, military aircraft, satellites, defence systems and defence electronics and rendering of services related to these activities. EADS has its listings at the European Stock Exchanges in Paris, Frankfurt am Main, Madrid, Barcelona, Valencia and Bilbao. The Consolidated Financial Statements were authorised for issue by EADS' Board of Directors on 7 March 2012, are prepared and reported in euro ("€"), and all values are rounded to the nearest million appropriately.

2. Summary of Significant Accounting Policies

Basis of preparation — EADS' Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB") and as endorsed by the European Union ("EU") and with Part 9 of Book 2 of the Netherlands Civil Code. They comprise (i) IFRS, (ii) International Accounting Standards ("IAS") and (iii) Interpretations originated by the IFRS Interpretations Committee ("IFRIC") or former Standing Interpretations Committee ("SIC"). The Consolidated Financial Statements have been prepared on a historical cost basis, except for certain items such as:

(i) derivative financial instruments, which are measured at fair value;

(ii) available-for-sale financial assets, which are measured at fair value;

(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, and are hence measured at fair value ("Fair Value Option", see Note 34 "Information about financial instruments");

(iv) assets and liabilities designated as hedged items in fair value hedges, which are either measured at fair value or at amortised cost adjusted for changes in fair value attributable to the risks that are being hedged;

(v) share based payment arrangements, which are measured using the fair-value based measure of IFRS 2; and

(vi) defined benefit obligations (or assets), which are measured according to IAS 19, and related plan assets, which are measured at fair value.

The measurement models used when historical cost does not apply are more fully described below.

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

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

New, revised or amended IFRS Standards and new Interpretations

The IFRS accounting principles applied by EADS for preparing its 2011 year-end Consolidated Financial Statements are the same as for the previous financial year except for those following the application of new or amended Standards or Interpretations respectively and changes in accounting policies as detailed below.

a) New, Revised or Amended Standards

The application of the following new, revised or amended standards is mandatory for EADS for the fiscal year starting 1 January 2011. If not otherwise stated, the following new, revised or amended Standards did not have a material impact on EADS' Consolidated Financial Statements as well as its basic and diluted earnings per share.

In November 2009, the IASB issued a revised version of **IAS 24** "Related Party Disclosures", which was endorsed in July 2010. The revised standard simplifies the disclosure requirements for government related entities and clarifies the definition of a related party.

The amendment to IAS 32 "Classification of Rights Issues – **Amendment to IAS 32** Financial Instruments: Presentation" (endorsed in December 2009) addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Specifically, the amendment states that, rights, warrants or options to acquire a fixed number of an entity's own equity instruments for a fixed price stated in a currency other than the entity's functional currency would be equity instruments, provided the entity offers the rights pro rata to all of its existing owners of the same class of its own non derivative equity instruments.

The third **omnibus of amendments to IFRS Standards (2010)** which were endorsed in February 2011 includes amendments to 9 IFRS Standards and 1 Interpretation. The amendments refer to IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 21, IAS 27, IAS 28, IAS 31, IAS 34 and IFRIC 13. Most of the amendments are mandatory for annual periods beginning on or after 1 January 2011 with separate transition provisions for each amendment.

b) New or Amended Interpretations

The following Interpretations became effective for EADS as of 1 January 2011. 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.

To correct an unintended consequence of IFRIC 14, the IASB issued in November 2009 **amendments to IFRIC 14** "Prepayments of a Minimum Funding Requirement (Amendments to IFRIC 14)". Without these amendments in some circumstances entities are not permitted to recognise some voluntary prepayments for minimum funding contributions as an asset. This was not intended when IFRIC 14 was issued, and the amendments correct this issue. The amendments were endorsed in July 2010 and had to be applied retrospectively.

IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" (issued in November 2009, endorsed in July 2010) provides guidance on how an entity shall account for a transaction when a creditor agrees to accept an entity's shares or other equity instruments to settle the financial liability fully or partially ("debt for equity swaps"). The Interpretation had to be applied retrospectively.

New, revised or amended IFRS Standards and Interpretations issued but not yet applied

A number of new or revised standards, amendments and improvements to standards as well as interpretations are not yet effective for the year ended 31 December 2011 and have not been applied in preparing these Consolidated Financial Statements. The potential impacts from the application of those newly issued standards, amendments and interpretations are currently under investigation. In general and if not otherwise stated, these new, revised or amended IFRS and their interpretations are not expected to have a material impact on EADS' Consolidated Financial Statements as well as its basic and diluted earnings per share.

In November 2009, the IASB issued **IFRS 9** "Financial Instruments" (not endorsed yet) as the first step of its project to replace IAS 39 "Financial Instruments: Recognition and Measurement". Amongst other changes to the accounting for financial instruments, IFRS 9 replaces the multiple classification and measurement models for financial assets and liabilities in IAS 39 with a simplified model that is based on only two classification categories: amortised cost and fair value. Further, the classification of financial assets under IFRS 9 is driven by the entity's business model for managing its financial assets and the contractual cash flow characteristics of these financial assets. In the next phases of the IAS 39 replacement project, the IASB will cover the current impairment methodology and the requirements for hedge accounting. IFRS 9 has to be applied starting 1 January 2015, with early adoption permitted, and offers various transition models. EADS is currently assessing the potential impacts from the expected application of IFRS 9.

In October 2010, the IASB issued amendments to **IFRS 7** "Financial Instruments: Disclosures" (endorsed in November 2011) as part of its comprehensive review of off balance sheet activities relating to transfers of financial assets. The objective of the amendments is to help users of financial statements evaluate the risk exposures relating to such transfers and the effect of those risks on an entity's financial position. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. For EADS, this amendment has to be applied prospectively for annual periods beginning on or after 1 January 2012, with earlier application permitted.

In December 2010, the IASB issued amendments to **IAS 12** "Income Taxes" (not yet endorsed) providing practical guidance for the measurement for deferred tax relating to an asset by introducing the presumption that recovery of the carrying amount of an asset will normally be through sale. Respective amendments supersede SIC 21 "Income Taxes – Recovery of Revalued Non Depreciable Assets". EADS will apply those amendments for annual periods beginning on 1 January 2012.

In May 2011, the IASB published its improvements to the accounting and disclosure requirements for consolidation, off balance sheet activities and joint arrangements by issuing **IFRS 10** "Consolidated Financial Statements", **IFRS 11** "Joint Arrangements", **IFRS 12** "Disclosure of Interests in Other Entities" and consequential **amendments to IAS 27** "Separate Financial Statements" and **IAS 28** "Investments in Associates and Joint Ventures". IFRS 10 supersedes the requirements related to Consolidated Financial Statements in IAS 27 "Consolidated and Separate Financial Statements" (amended 2008) as well as SIC 12 "Consolidation – Special Purpose Entities". IFRS 11 supersedes IAS 31 "Interests in Joint Ventures" (amended 2008) and SIC 13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers". IFRS 12 replaces disclosure requirements in IAS 27, IAS 28 and IAS 31. None of the new or amended standards has yet been endorsed.

IFRS 10 is based on existing principles and re-confirms control as the single determining factor in whether an entity should be in the scope of the Consolidated Financial Statements: An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The standard provides additional guidance to determine control in cases difficult to assess such as in situations where an investor holds less than a majority of voting rights, but has the practical ability to direct the relevant activities of the investee unilaterally by other means as well as in cases of agency relationships which were neither addressed by IAS 27 nor by SIC 12.

IFRS 11 provides guidance for the accounting of joint arrangements by focusing on the rights and obligations arising from the arrangement. The standard distinguishes between two types of joint arrangements: joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. IFRS 11 requires a joint operator to recognize and measure the assets and liabilities (and recognize the related revenues and expenses) in relation to its interest in the arrangement applicable to the particular assets, liabilities, revenues and expenses.

A joint venturer is required to recognize an investment and to account for that investment using the equity method. The proportionate consolidation method may no longer be used for joint ventures.

IFRS 12 provides disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates, structured entities (formerly referred to as "special purpose entities") and off balance sheet vehicles in one single standard. The standard requires an entity to disclose information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

IFRS 10 to 12 and amendments to IAS 27 and IAS 28 are applicable to annual periods beginning on or after 1 January 2013 with early application allowed. The abandonment of the partial consolidation method for joint ventures might have a significant impact on EADS Consolidated Financial Statements as EADS has opted to apply this method for the consolidation of its joint ventures. The impact from the application of IFRS 10, especially for the consolidation of structured entities, is currently under assessment.

In May 2011, the IASB issued **IFRS 13** "Fair Value Measurement". IFRS 13 (not yet endorsed) defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 does not determine when an asset, a liability or an entity's own equity instrument is measured at fair value. Rather, the measurement and disclosure requirements of IFRS 13 apply when another IFRS requires or permits the item to be measured at fair value (with limited exceptions).

With the issuance of IFRS 13 the requirements for measuring fair value and for disclosing information about fair values are comprehensively summarised in a single standard instead of having it spread over several standards not articulating a clear measurement or disclosure objective. IFRS 13 seeks to reduce complexity and improve consistency in the application of fair value measurement principles by having a single set of requirements for all fair value measurements; to communicate the measurement objective more clearly by clarifying the definition of fair value; and to improve transparency by enhancing disclosures about fair value measurements. The new standard defines fair value as an exit price, i.e. as the price that would be received to sell an asset or paid to transfer a liability in an orderly transactions between market participants at measurement date. It further introduces a three level fair value hierarchy regarding the inputs used for fair value determination. IFRS 13 is to be applied prospectively and is mandatory from 1 January 2013, early application is allowed.

In June 2011, the IASB issued an amended version of **IAS 19** "Employee Benefits" (not yet endorsed). In the amendment the option of a deferred recognition of actuarial gains and losses (known as the "corridor method") has been eliminated as well as the immediate recognition in profit or loss, to improve comparability of financial statements. EADS does not apply the corridor approach and recognizes changes in actuarial gains and losses within retained earnings. The amended IAS 19, in addition, replaces the expected return on plan assets and interest costs on the defined benefit obligation with a single net interest component and past service costs will be recognized fully in the period of the related plan amendment. The amended standard also changes the requirements for termination benefits and includes enhanced presentation and disclosure requirements. For EADS, the standard becomes applicable for annual periods beginning on 1 January 2013 with early application being permitted. The introduction of a single net interest component, *i.e.* the interest income (expense) resulting from multiplying the net defined benefit asset (liability) by the discount rate used to determine the defined benefit obligation ("DBO"), will impact EADS Consolidated Financial Statements as there will be no longer different rates applicable for plan assets and DBOs.

In June 2011, the IASB also issued amendments to **IAS 1** "Presentation of Financial Statements" (not yet endorsed). The amendments will improve and align the presentation of other comprehensive income ("OCI") by requiring to group together items within OCI that might be reclassified to the income statement. The amended standard becomes effective for financial periods beginning on or after 1 July 2012.

In December 2011, the IASB issued **amendments to IAS 32** "Financial Instruments: Presentation" clarifying the IASB's requirements for offsetting financial instruments. As part of the same offsetting project the IASB also issued respective **amendments to IFRS 7** "Financial Instruments: Disclosures". Both amendments are not yet endorsed and will have to be applied retrospectively for annual periods beginning on 1 January 2014 respectively on 1 January 2013.

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

Significant accounting policies

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

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

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

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

Goodwill is measured at the acquisition date as:

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

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

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

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

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

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

Acquisitions and disposals of non-controlling interests are accounted for as transactions with owners in their capacity as equity owners of EADS and therefore no goodwill or gain/loss is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

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

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

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

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

The effects of intercompany transactions are eliminated.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Leasing — The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of (i) whether the 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 (*e.g.* aircraft) is recorded as revenue on a straight-line basis over the term of the lease. Assets leased out under finance leases cease to be recognised in the Consolidated Statement of Financial Position after the inception of the lease. Instead, a finance lease receivable representing the discounted future lease payments to be received from the lessee plus any discounted unguaranteed residual value is recorded as other long-term financial assets (see Note 17 "Investments in associates accounted for under the equity method, other investments and other long-term financial assets"). Unearned finance income is recorded over time in "Interest result". Revenues and the related cost of sales are recognised at the inception of the finance lease.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Use of accounting estimates

EADS' significant accounting policies, as described in Note 2, are essential for the understanding of the Group's results of operations, financial positions and cash flows. Certain of these accounting policies require accounting estimates that involve complex and subjective judgements and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Such accounting estimates could change from period to period and might have a material impact on the Group's results of operations, financial positions and cash flows. The assumptions and estimates used by EADS' management are based on parameters which are derived from the knowledge at the time of preparing the Consolidated Financial Statements.

In particular, the circumstances prevailing at this time and assumptions as to the expected future development of the global and industry specific environment were used to estimate the Company's future business performance. Where these conditions develop differently than assumed, and beyond the control of the Company, the actual figures may differ from those anticipated. In such cases, the assumptions, and if necessary, the carrying amounts of the assets and liabilities concerned, are adjusted accordingly.

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

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

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

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

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

Trade and other receivables — The allowance for doubtful accounts involves significant management judgment and review of individual receivables based on individual customer creditworthiness, current economic trends including potential impacts from the EU sovereign debt crisis and analysis of historical bad debts. See Note 19 "Trade receivables" for further information.

Foreign currency derivatives — Fair value measurements of foreign currency derivates are based on market assumptions relating to, among others, foreign exchange basis spreads and relevant interest rate levels. See Note 34 "Information about Financial Instruments" for further information.

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

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

Legal contingencies – EADS companies are parties to litigations related to a number of matters as described in Note 32 "Litigation and claims". The outcome of these matters may have a material effect on the financial position, results of operations or cash flows of EADS. Management regularly analyses current information about these matters and provides provisions for probable contingent losses including the estimate of legal expense to resolve the matters. Internal and external lawyers are used for these assessments. In making the decision regarding the need for provisions, management considers the degree of probability of an 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. See Note 32 "Litigation and claims" for further information.

Income taxes — EADS operates and earns income in numerous countries and is subject to changing tax laws in multiple jurisdictions within these countries. Significant 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 end of the reporting period, EADS assesses whether the realisation of future tax benefits is sufficiently probable to recognise deferred tax assets. This assessment requires the exercise of judgment on the part of management with respect to, among other things, benefits that could be realised from available tax strategies and future taxable income, as well as other positive and negative factors. The recorded amount of total deferred tax assets could be reduced if estimates of projected future taxable income and benefits from available tax strategies are lowered, or if changes in current tax regulations are enacted that impose restrictions on the timing or extent of the Group's ability to utilise future tax benefits. See Note 13 "Income Taxes" for further information.

3. Scope of Consolidation

Perimeter of consolidation (31 December 2011) — The Consolidated Financial Statements include, in addition to EADS NV:

- 2011: 245 (2010: 190) companies which are fully consolidated;
- 2011: 46 (2010: 41) companies which are proportionately consolidated;
- 2011: 18 (2010: 19) investments in associates accounted for using the equity method.

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

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

4. Acquisitions and Disposals

a) Acquisitions and other M&A Transactions

In addition to pursuing organic growth via its divisions, EADS has significantly strengthened its services and platform portfolio by several M&A transactions during 2011.

Acquisition of Vector Aerospace Group

On 30 June 2011, Eurocopter Holding S.A.S., a subsidiary of EADS N.V., acquired 98.3% of Vector Aerospace Corporation, Toronto (Canada), (hereafter referred to as "Vector") following a CAD 13.00 / share cash offer for all of the outstanding common shares of Vector, including all shares that may be issued on the exercise of options granted under Vector's share option plan. The remaining 1.7% shares of Vector were acquired via linked squeeze out procedures finalised on 4 August 2011.

Vector is an independent global provider of Original Equipment Manufacturer (OEM) approved Maintenance, Repair and Overhaul aviation services (MRO services) for aircraft and helicopter operators. The acquisition of Vector will help to increase the growth of support and services activities for Eurocopter and EADS in both the civil and governmental markets. Vector will also strengthen EADS' presence in North America and the UK, in alignment with the Company's strategic goals as outlined in EADS' Vision 2020 plan.

The total consideration includes the amount paid in cash for the acquisition of 98.3% of Vector's shares (€452 million) at the end of June 2011 as well as the amount of €8 million paid to the remaining shareholders within squeeze out procedures.

The acquired intangible assets of €158 million identified within a purchase price allocation include customer relationships, a brand name as well as supplier relationships. The goodwill of €185 million includes a control premium reflecting the expected synergies arising from the combination with the existing MRO business of Eurocopter and EADS, joint future market developments as well as the significant value of Vector's assembled workforce. The gross amount of the trade receivables acquired of €88 million reflects their fair value. None of the trade receivables have been significantly impaired and it is expected that the full contractual amounts can be collected.

Acquisition of Satair Group

On 5 October 2011, Airbus S.A.S., a subsidiary of EADS N.V., obtained control of Satair A/S, Copenhagen, Denmark (hereafter referred to as "Satair") via its subsidiary Airbus Denmark Holding ApS following a public voluntary conditional tender offer of DKr 580 / share for all of the outstanding shares of Satair, including an offer of DKr 378.66 / warrant for each warrant holder. As a result of the public voluntary offer EADS acquired 98.5% of Satair's shares during October and November 2011, while the remaining 1.5% of Satair's shares were acquired via linked squeeze out procedures finalised on 6 February 2012.

Satair is a Danish premier independent distributor of aircraft parts and services specialised in expendables and components. Through its worldwide supply chain network and its regional sales offices, Satair provides aviation parts and innovative services to a broad customer base around the world, supporting all major aircraft families in the commercial aviation market. The acquisition will facilitate the growth of Airbus' material management business and offers an opportunity to develop new services both in civil and governmental markets.

The total consideration of €351 million for this acquisition includes €346 million paid in cash for 98.5% of Satair's shares and 100% of warrants during October and November 2011 as well as an amount of €5 million paid to the remaining shareholders (1.5% of Satair's shares) within the linked squeeze out procedures finalised in February 2012.

Intangible assets of €139 million currently subject to a purchase price allocation primarily include supplier relationships and a brand name. The goodwill of €163 million reflects the assembled workforce of Satair as well as the expected business volume from the future expansion of aerospace supplier relationships.

At the acquisition date the trade and other receivables comprise gross contractual amounts due of €48 million of which €1 million were expected to be uncollectible resulting in a fair value of the trade receivables portfolio of €47 million.

Acquisition of Vizada Group

On 19 December 2011, Astrium Holding S.A.S., a subsidiary of EADS N.V., acquired 100% of MobSat Group Holding S.a.r.l., Munsbach, Luxemburg, being the ultimate parent company of Vizada group (hereafter referred to as "Vizada") from a consortium of investors led by Apax France, a French Private Equity fund and the former majority shareholder. The total consideration paid by Astrium included €413 million for the acquisition of Vizada's equity instruments as well as €325 million due to a mandatory extinguishment of the former Vizada debt structure.

Vizada – being a world leader in commercial satellite communications services – comprises Vizada Americas, Vizada Networks, Vizada EMEA & Asia and Marlink. By serving 200,000 end-customers across all major satcom sectors such as maritime, aero, land or media, but also non governmental organisations and various governmental/defence customers, Vizada offers mobile and fixed connectivity services from multiple satellite network operators both directly and through a network of currently 400 service provider partners. This acquisition will broaden the range of services offered globally by Astrium, as such strengthening also EADS' presence across Europe, the Middle East, Asia, Africa and the United States. As Astrium's existing satellite communications portfolio is heavily focused on governmental and secure civil satcom services, Vizada forms a perfect complement to Astrium's current service portfolio and will enable Astrium to be more innovative and to diversify its range of satcom services.

Intangible assets of € 101 million currently identified in a provisional purchase price allocation primarily include customer relationships, brand names as well as satcom licenses. The preliminary goodwill of €538 million includes a control premium reflecting expected synergies arising from the business combination as well as future customer relationships in the global satcom market. At the acquisition date the trade and other receivables comprise gross contractual amounts due of € 118 million of which €4 million are expected to be uncollectible resulting in a fair value of the trade receivables portfolio of € 114 million.

The following table summarises for all three significant M&A transactions described above (Vector, Satair and Vizada) as well as for all remaining individually insignificant M&A transactions mentioned below the consideration transferred, the fair value of identifiable assets acquired, liabilities assumed and any non-controlling interest as at the acquisition date. For all M&A transactions, fair values remain provisional due to ongoing purchase price allocation projects, but will be finalised within 12 months after each acquisition date.

Fair value recognised on acquisition (In € million)	**Acquisition of Vector Aerospace**	**Acquisition of Satair**	**Acquisition of Vizada**	**Remaining individually insignificant acquisitions**	**Total acquisitions**
Intangible assets (1)	158	139	101	124	522
Customer/supplier relationships (1)	*93*	*66*	*59*	*31*	*249*
Technologies/Licenses (1)	*16*	*5*	*1*	*86*	*108*
Trademarks (1)	*49*	*68*	*41*	*7*	*165*
Property, plant and equipment	85	8	74	54	221
Inventories	103	87	6	78	274
Trade receivables	88	47	114	143	392
Other assets	7	41	0	97	145
Cash and cash equivalents	28	4	29	35	96
	469	**326**	**324**	**531**	**1,650**
Provisions	10	0	11	104	125
Financing liabilities	19	52	0	132	203
Trade liabilities	66	35	106	81	288
Tax liabilities	53	31	7	17	108
Other liabilities	46	20	0	138	204
	194	**138**	**124**	**472**	**928**
Net assets acquired	**275**	**188**	**200**	**59**	**722**
Non-controlling interests	0	0	0	7 (4)	7 (4)
EADS' portion in net assets acquired	**275**	**188**	**200**	**52**	**715**
Preliminary badwill (2) arising on acquisition	0	0	0	(2)	(2)
Preliminary goodwill (3) arising on acquisition (see Note 14 "Intangible assets")	185	163	538	82	968
Total consideration (5)	**460**	**351**	**738**	**132**	**1,681**

(1) Depending on the specific fact pattern of each M&A transaction, customer/supplier relationships, technologies/licences and trademarks are expected to be amortised over a period between 3-28 years, 5-14 years and 1-8 years respectively (the latter only regarding product and specific corporate trademarks in connection with the ND SatCom, Signalis and Grintek transaction, as most of the acquired corporate trademarks are considered to have an indefinite life).
(2) The badwill of €2 million arose in the context of the ND SatCom acquisition and has been recognised as a gain in the current year, within 'other income' in the Consolidated Income Statement.
(3) None of the goodwill portions of EADS' 2011 M&A transactions is considered to be tax deductable in the respective local tax accounts.
(4) Except for the non-controlling interest in ND SatCom, which was measured at its fair value of €2 million with reference to the acquisition price of the shares acquired by Astrium, all remaining non-controlling interest portions in Grintek and i-cubed of €5 million in total were measured at their proportional share in net assets.
(5) The total consideration (€ 1,681 million) exceeds total consideration paid gross of acquired cash in 2011 (€ 1,631 million) by €50 million due to the inclusion of €5 million paid to non-controlling shareholders of Satair in a linked-squeeze out transaction in February 2012, the recognition of previously held shares within the step-acquisitions of Grintek and i-cubed at their fair values of €27 million (resulting in an included step-up gain of €6 million), a merger gain of € 14 million arisen in the Signalis transaction as well as due to impacts from the separate recognition of settlements of pre-existing relationships (€4 million). All gains related to business combinations were presented within 'other income' in the Consolidated Income Statement.

In addition to these three significant 2011 M&A transactions the following M&A activities of EADS' divisions are summarised in the column "remaining individually insignificant acquisitions" in the table above.

Additional M&A transactions of the Airbus Division

On 19 October 2011, Airbus Americas, Inc., Herndon, Virginia (USA), a subsidiary of EADS N.V., acquired 100% of the shares and voting rights of Metron Holdings, Inc., Dulles, Virginia (USA), the ultimate parent company of Metron Aviation (hereafter referred to as "Metron") from its management team and two institutional investors for a total consideration of €55 million. In general, Metron provides advanced research, Air Traffic Flow Management (ATFM), airspace design, energy and environmental solutions to Air Navigation Service Providers (ANSPs), airlines and airports worldwide. Especially, Metron is a US prime contractor on System Engineering 2020 (SE-2020), the FAA's strategic programme in connection with the US Next Generation Air Transportation System (NextGen) initiative to modernise the U.S. national airspace system. Metron also provides advanced research and development services related to SESAR - the Single European Sky ATM Research Programme of the European Commissions and EUROCONTROL. This acquisition strengthens Airbus' strategy to accelerate and support ATFM programmes that will significantly improve global air transportation capacity, efficiency and environmental sustainability. Metron reported revenues of €32 million for the full year 2011.

On 20 October 2011, Airbus Operations GmbH, a subsidiary of EADS N.V., acquired 74.9% of the shares and voting rights of PFW Aerospace AG, Speyer, Germany, the ultimate parent company of PFW Aerospace Group (hereafter referred to as "PFW") in a linked transaction for a total consideration of €4 million primarily arising from impacts due to the separate recognition of settlements of pre-existing relationships (€4 million). PFW is a specialised producer of tube and duct systems, aircraft on-board cargo loading systems as well as structural and assembly components. Airbus' investment is intended to stabilise PFW's financial position and operational set up during its current turnaround situation. EADS and Airbus are still in the process of assessing various implications of this transaction for EADS' financial reporting. PFW reported revenues of €167 million for the full year 2011.

Additional M&A transactions of the Astrium Division

On 28 February 2011 Astrium Services GmbH, Ottobrunn, Germany, a subsidiary of EADS N.V., obtained control of ND SatCom GmbH, Immenstaad (Germany), a supplier of satellite and ground systems equipment and solutions, by acquiring 75.1% of the shares and voting interests in the company for a total consideration of €5 million from SES ASTRA. With this acquisition, Astrium and SES ASTRA will further reinforce their long-term relationship, and will also explore the potential for the two companies to work together in the development of new business opportunities in the government and institutions sector, as well as other specific satellite infrastructure projects. This acquisition also provides an opportunity to Astrium to deploy a significantly wider product range by combining Astrium's secure satcoms, networks and terminals expertise with ND SatCom's for a stronger offering to the civil, governmental and military markets. ND SatCom reported revenues of €52 million for the full year 2011.

On 10 May 2011, the GEO Information Division of Astrium Services (formerly Spot Image and Infoterra, hereafter referred to as GEO) expanded its investment in i-cubed LLC, Fort Collins, Colorado (USA), (hereafter referred to as i-cubed) from 25.6% to 77.7% by a step-acquisition of additional 52.1% for €6 million via its US subsidiary SPOT Image Corporation, Chantilly, Virginia (USA). i-cubed is a leading worldwide provider of value-added imagery and geospatial data management technologies for commercial and governmental customers, including amongst others earth imaging satellite operators, wireless telecommunications companies, geo-related internet portals and various governmental agencies. This step acquisition strengthened GEO's longstanding relationships with i-cubed and will enable GEO to capitalise on combined resources across Astrium to assist in delivering i-cubed's innovative solutions for geospatial content management to the global market. i-cubed reported revenues of €8 million for the full year 2011.

Finally, Astrium announced on 21 December 2011, that Astrium Holding S.A.S. acquired 66.8% of Space Engineering, Rome (Italy), a specialist in digital telecommunications, RF and antenna equipment engineering for both space and ground based applications. This acquisition is expected to enhance Astrium's capability to develop and manufacture sophisticated telecommunications hardware and underlines Astrium's commitment to the Italian space market. The completion of this transaction is subject to customary conditions, including regulatory approvals.

Additional M&A transactions of the Cassidian Division

On 11 January 2011, Cassidian and Atlas Elektronik GmbH, Bremen, Germany (hereafter referred to as Atlas Elektronik), a joint venture of ThyssenKrupp AG and Cassidian, completed the merger of their maritime safety and security activities formerly carried out via their separate subsidiaries Sofrelog and Atlas Maritime Security. The new company named SIGNALIS was set up as a medium-sized corporation which will be co-owned by Cassidian (60%) and Atlas Elektronik (40%). SIGNALIS will address markets worldwide with innovative, reliable and cost effective maritime security products ranging from small-scale Vessel Traffic Service (VTS) systems to high-performance Coastal Surveillance Systems (CSS). It will also provide solutions for harbour security, port management and information systems, as well as other related radar processing applications. This merger will allow Cassidian and Atlas Elektronik to offer their customers solutions that will respond to even more complex safety and security needs covering land and sea based on SIGNALIS' proven capabilities to integrate the latest sensor systems, communications, and data processing technologies. For the full year 2011, SIGNALIS reported revenues of €39 million.

On 9 June 2011, Cassidian increased via EADS Deutschland GmbH, Ottobrunn, Germany, (hereafter referred to as Cassidian) its 45.0% shareholding in Grintek Ewation (Pty) Ltd., Pretoria, South Africa, (herafter referred to as GEW) by acquiring a 42.4% stake formerly held by Saab South Africa Ltd., Centurion, South Africa, for €21 million within a step-acquisition. A 12.6% shareholding is still held by Kunene Finance Company (Pty.) Ltd., Gauteng, South Africa, a South African private equity investor. GEW is a system engineering company for the design and production of sophisticated communication monitoring and direction finding systems, equipment for the management of frequency spectrums and related countermeasures as well as integrated security systems incorporating a wide range of surveillance and monitoring products. The new shareholding structure takes the long standing relationship between GEW and Cassidian to a new level and provides the opportunity for future growth and competitiveness on a global scale in the field of governmental intelligence and electronic protection. GEW reported revenues of €58 million for the full year 2011.

In addition, Cassidian and Rheinmetall Defence agreed on 22 December 2011 to pursue Rheinmetall's Unmanned Aerial Systems (UAS) activities within a new entity, which is expected to provide access to broader development resources and international markets for this Airborne Systems product unit. In addition, former Rheinmetall activities related to the development and production of cargo loading systems for the A380 and A400M programmes will also be carried out by this entity in the future.

For all these individually insignificant transaction mentioned, the preliminary goodwill of €82 million primarily reflects expected synergies from combining these acquired companies with the operations of the acquiring EADS' divisions as well as the expertise of their assembled workforces. At the acquisition date trade and other receivables of these acquired companies comprise gross contractual amounts due of €145 million of which €2 million are expected to be uncollectible resulting in a fair value of the trade receivables portfolio of €143 million.

The table attached summarises selected profit and loss related key figures of these 2011 M&A transactions, such as the contributions of all acquired entities to EADS Group's revenue, EBITDA and profit for the 2011 period since their acquisition dates as well as their revenues, EBITDA and profit during the 12 months period ended 31 December 2011.

(In € million) (1)	Vector Aerospace	Satair	Vizada	Remaining individually insignificant acquisitions	Total acquisitions
Acquisition date	30 June 2011	5 October 2011	19 December 2011	various dates	various dates
Acquisition costs (2)	8	6	7	5	26
2011 revenue contributions since acquisition date	210	86	0	159	455
2011 contributions to the EBITDA of EADS since acquisition date	13	1	0	0	14
2011 contributions to the profit of EADS since acquisition date	(13)	0	0	(13)	(26)
Revenues during the 12 months period ended 31 December 2011	411	326	447	378	1,562
Pro-forma EBITDA during the 12 months period ended 31 December 2011 (3)	40	28	61	4	133
Pro-forma profit (loss) during the 12 months period ended 31 December 2011 (3)	17	7	10	(60)	(26)

(1) If not stated otherwise.
(2) All acquisition related costs mentioned have been excluded from the consideration transferred and have been recognised as an expense in the current year, within 'other expenses' in the Consolidated Income Statement.
(3) EADS considers these 'pro-forma' profit figures to represent an initial approximate measure to determine the performance of the combined group on an annualised basis and to provide an initial reference point for comparisons in future periods without considering additional impacts arising from synergies, exceptionals and one-offs that related to the acquisition or will contribute to the future efficiency of the acquired companies as well as any unwinding effects on the profit for the period from amortisation impacts of intangible assets recognised within the purchase price allocations.

Transactions with non-controlling shareholders

On 7 June 2011, EADS N.V. purchased the remaining 25% of DADC Luft- und Raumfahrt Beteiligungs AG, Munich (Germany), from Daimler Luft- and Raumfahrt Holding AG, Ottobrunn, for a total consideration of €110 million.

Acquisitions and other M&A transactions during 2010

On 3 December 2010, Astrium GmbH, Ottobrunn, Germany, acquired Jena-Optronik GmbH, Jena (Germany), one of the international leading providers of space sensors and opto-electronic instruments. The acquisition of Jena-Optronik complemented Astrium's optical expertise in Germany and enhanced its reputation in the development and production of sophisticated earth observation satellites and sub-systems for space applications. During 2011, EADS and Astrium GmbH finalised the purchase price allocation of Jena-Optronik, resulting in the recognition of intangible assets of € 17 million in the form of customer relationships, technologies and a brand name as well as deferred tax liabilities of € 5 million and a final goodwill of € 22 million.

Apart from those mentioned, other acquisitions of EADS were not significant – neither individually nor collectively.

b) Disposals

On 13 May 2011, EADS North America, Inc., Herndon, Virginia (USA), sold its subsidiary EADS North America Defense Security and Systems Solutions, Inc., San Antonio, Texas (USA), to Camber Corporation, Huntsville, Alabama (USA), for a total consideration of € 18 million.

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

(In € million)	2011
Consideration received in cash and cash equivalents	18
Total selling price including contingent consideration	18
Net assets disposed of	(18)
Capital gain	**0**

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

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

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

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

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

2.2 Notes to the Consolidated Income Statements (IFRS)

5. Segment Reporting

Through the end of 2011, the Group operated in five reportable segments which reflect the internal organisational and management structure according to the nature of the products and services provided.

- **Airbus Commercial** — Development, manufacturing, marketing and sale of commercial jet aircraft of more than 100 seats; aircraft conversion and related services.
- **Airbus Military** — Development, manufacturing, marketing and sale of military transport aircraft and special mission aircraft and related services.

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

- **Eurocopter** — Development, manufacturing, marketing and sale of civil and military helicopters; provision of helicopter related services.
- **Astrium** — Development, manufacturing, marketing and sale of satellites, orbital infrastructures and launchers; provision of space related services.
- **Cassidian** — Development, manufacturing, marketing and sale of missiles systems, military combat aircraft and training aircraft; provision of defence electronics and of global security market solutions such as integrated systems for global border security and secure communications solutions and logistics; training, testing, engineering and other related services.

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

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

a) Business Segment Information for the year ended 31 December 2011

(In € million)	Airbus Commercial	Airbus Military	Eurocopter	Astrium	Cassidian	Other Businesses	Total Segments	HQ/Conso.	Consolidated
Total revenues	31,159	2,504	5,415	4,964	5,803	1,252	51,097	31	51,128
Internal revenues	(770)	(374)	(458)	(15)	(221)	(162)	(2,000)	0	(2,000)
Revenues	**30,389**	**2,130**	**4,957**	**4,949**	**5,582**	**1,090**	**49,097**	**31**	**49,128**
Segment result	**533**	**36**	**254**	**264**	**294**	**29**	**1,410**	**39**	**1,449**
Thereof additions to other provisions (see Note 25c)	*702*	*41*	*681*	*222*	*723*	*28*	*2,397*	*93*	*2,490*
Share of profit from associates accounted for under the equity method	(16)	12	4	(1)	18	0	17	147	164
Profit before finance costs and income taxes	**517**	**48**	**258**	**263**	**312**	**29**	**1,427**	**186**	**1,613**
Goodwill impairment/disposal	0	0	0	0	12	30	42	0	42
Exceptional depreciation/disposal	26	1	1	4	7	0	39	2	41
EBIT pre-goodwill impairment and exceptionals (see definition in Note 5c)	**543**	**49**	**259**	**267**	**331**	**59**	**1,508**	**188**	**1,696**
Total finance costs									(220)
Income tax expense									(356)
Profit for the period									**1,037**
Attributable to: Equity owners of the parent (Net income)									1,033
Non-controlling interests									4
OTHER INFORMATION									
Identifiable segment assets (incl. goodwill) (1)	32,439	4,086	8,467	8,169	10,100	1,035	64,296	70	64,366
Thereof goodwill	*6,657*	*12*	*319*	*1,171*	*2,551*	*35*	*10,745*	*15*	*10,760*
Investments in associates	0	0	4	1	117	3	125	2,552	2,677
Segment liabilities (2)	33,518	6,632	7,768	8,196	10,574	953	67,641	61	67,702
Thereof provisions (see Note 25)	*5,998*	*1,994*	*2,175*	*986*	*2,748*	*120*	*14,021*	*964*	*14,985*
Capital expenditures (excl. leased assets)	1,331	110	200	344	149	49	2,183	14	2,197
Depreciation, amortisation	1,065	120	140	235	167	58	1,785	99	1,884
Research and development expenses	2,467	14	235	109	275	10	3,110	42	3,152

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

b) Business Segment Information for the year ended 31 December 2010

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

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

As a rule, inter-segment transfers are carried out on an arm's length basis. Inter-segment sales predominantly take place between Airbus Commercial and Airbus Military and between Eurocopter and Airbus Commercial as well as between Cassidian and Airbus Military.

Capital expenditures represent the additions to property, plant and equipment and to intangible assets (excluding additions to goodwill of €968 million in 2011 and €34 million in 2010; for further details see Note 5e) "Capital expenditures").

c) EBIT Pre-Goodwill Impairment and Exceptionals

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

(In € million)	2011	2010	2009
Profit (loss) before finance costs and income taxes	**1,613**	**1,187**	**(380)**
Disposal and impairment of goodwill	42	0	0
Exceptional depreciation/ disposal	41	44	58
EBIT pre-goodwill impairment and exceptionals	**1,696**	**1,231**	**(322)**

d) Revenues by Destination

(In € million)	2011	2010	2009
Germany	5,074	5,381	5,018
France	4,762	4,422	3,807
United Kingdom	2,757	2,280	2,983
Spain	702	1,018	1,322
Other European Countries	7,359	8,301	8,310
Asia/Pacific	14,303	11,335	8,618
North America	5,852	3,507	6,138
Middle East	5,111	6,247	3,857
Latin America	2,874	2,537	1,893
Other Countries	334	724	876
Consolidated	**49,128**	**45,752**	**42,822**

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

e) Capital Expenditures

(In € million)	2011	2010	2009
France	951	882	1,001
Germany	576	693	509
United Kingdom	333	385	228
Spain	255	228	133
Other Countries	82	62	86
Capital expenditures excluding leased assets	**2,197**	**2,250**	**1,957**
Leased assets	**243**	**270**	**9**
Capital expenditures	**2,440**	**2,520**	**1,966**

f) Property, Plant and Equipment by Geographical Area

(In € million)	2011	2010	2009
France	4,992	4,698	4,448
Germany	3,963	3,846	3,635
United Kingdom	2,728	2,535	2,376
Spain	1,273	1,210	1,071
Other Countries	629	379	275
Property, plant and equipment by geographical area	**13,585**	**12,668**	**11,805**

Property, plant and equipment split by geographical area excludes leased assets (2011: €574 million, 2010: €759 million and 2009: €703 million).

6. Revenues

Revenues in 2011 reach €49,128 million compared to €45,752 million in 2010 and €42,822 million in 2009.

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 2011, the revenues comprise revenues from services including the sale of spare parts of €6,027 million compared to €5,113 million in 2010.

For a breakdown of revenues by business segment and geographical area, refer to Note 5 “Segment Reporting”.

Detail of **Revenues:**

(In € million)	2011	2010	2009
Total revenues	**49,128**	**45,752**	**42,822**
Revenues from sale of goods according to IAS 18	35,313	31,930	30,430
Revenues from rendering of services according to IAS 18	4,656	3,906	3,820
Revenues from construction contracts	8,808	9,716	8,377
Other revenues	351	200	195

Revenues of €49,128 million (2010: €45,752 million) increase by 7%. Airbus Commercial delivered more aircraft (534, but 536 with revenue recognition versus 510 in the previous year, thereof 508 with revenue recognition) and Eurocopter contributed also positively. Airbus Military includes revenues related to the A400M programme of €758 million (in 2010: €1,043 million). Cassidian and Astrium revenues decrease slightly.

7. Functional Costs

Inventories recognised as an expense during the period amount to €35,036 million (2010: €32,840 million; 2009: €30,274 million).

Further included in cost of sales are amortisation expenses of fair value adjustments of non-current assets in the amount of €40 million (2010: €44 million; 2009: €56 million); these are related to the EADS merger, the Airbus Combination.

Personnel expenses are:

(In € million)	2011	2010	2009
Wages, salaries and social contributions	10,286	9,625	9,094
Net periodic pension cost (see Note 25b)	424	452	424
Total	**10,710**	**10,077**	**9,518**

The **Gross Margin** increases by €619 million to €6,843 million compared to €6,224 million in 2010. This improvement is mainly related to better performance of legacy programmes at Airbus Commercial. The operational improvement at Airbus (including better pricing and positive volume/ mix effects) and Eurocopter is partly compensated by unfavourable foreign exchange rate effects at Airbus Commercial and onerous contract charges for the A350XWB.

8. Research and Development Expenses

Research and development expenses in 2011 amount to €3,152 million compared to €2,939 million in 2010 and €2,825 million in 2009, primarily reflecting R&D activities at Airbus Commercial. Most of the increase was attributable to higher expenses at Airbus Commercial and Eurocopter, due to the development of the A350 XWB programme and various helicopter programmes.

9. Other Income

(In € million)	2011	2010	2009
Other income	**359**	**171**	**170**
Thereof badwill and other gains related to business combinations	26	0	0
Thereof rental income	16	13	22
Thereof income from sale of fixed assets	9	33	42
Thereof release of allowances	2	1	3

The increase in **other income** in 2011 is mainly due to a release of refundable advances of €192 million at Airbus (see Note 27 “Other Liabilities”).

10. Other Expenses

(In € million)	2011	2010	2009
Other expenses	**221**	**102**	**102**
Thereof goodwill impairment charge	20	0	0
Thereof loss from disposal of fixed assets	18	7	19

Regarding the goodwill impairment charge please refer to Note 14 “Intangible assets”.

11. Share of Profit from Associates Accounted for under the Equity Method and Other Income from Investments

(In € million)	2011	2010	2009
Share of profit from associates	164	127	115
Other income from investments	28	18	19
Total	**192**	**145**	**134**

The **share of profit from associates accounted for under the equity method** in 2011 is mainly derived from the result of the equity investment in Dassault Aviation of € 146 million (2010: € 130 million; 2009: € 120 million). For the first semester 2011, Dassault Aviation published a net income of € 88 million which has been recognised by EADS in its half year financial statements 2011 with its share of 46.32% amounting to € 41 million. Since for the second half-year 2011 no published financial information is available yet from Dassault Aviation at the date of authorisation for issue of the 2011 Consolidated Financial Statements, EADS uses a best estimate for the net income of Dassault Aviation. Furthermore, EADS' net income includes an IFRS catch-up adjustment for its equity investment in Dassault Aviation.

For the first semester 2010, Dassault Aviation published a net income of € 141 million which has been recognised by EADS in its half year financial statements 2010 with its share of 46.32% amounting to € 65 million. Since for the second half-year 2010 no published financial information was available from Dassault Aviation at the date of authorisation for issue of the 2010 Consolidated Financial Statements, EADS used a best estimate for the net income of Dassault Aviation. Furthermore, EADS' net income included an IFRS catch-up adjustment for its equity investment in Dassault Aviation.

12. Total Finance Costs

Interest result in 2011 comprises interest income of €377 million (2010: €316 million; 2009: €356 million) and interest expense of €-364 million (2010: €-415 million; 2009: €-503 million). Included in interest income is the return on cash and cash equivalents, securities and financial assets such as loans and finance leases. Interest expense includes interests on financing liabilities and on European Government refundable advances of €-92 million (2010: €-132 million; 2009: €-235 million) which are positively impacted by the release of € 120 million following the termination of the A340 programme (see Note 27 "Other Financial Liabilities"). A similar positive impact was recorded in the previous year.

Other financial result in 2011 amounts to €-233 million (in 2010: €-272 million and in 2009: €-445 million) and mainly includes charges from the negative revaluation of financial instruments (€-94 million; 2010: €-184 million; 2009: €-147 million) and the unwinding of discounts by €-172 million (2010: €-176 million; 2009: €-307 million), partly compensated by the positive impact from foreign exchange translation of monetary items of €+109 million (2010: €+71 million; 2009: €+54 million).

As a result from the refinement of its hedging policy in 2010, EADS presents the fair value gains or losses of certain foreign exchange rate derivatives, which are not part of a formal hedge accounting relationship, in EBIT to better reflect the natural offset these derivatives provide to the remeasurement gains or losses of specific foreign currency balance sheet items ('natural hedge'). The foreign currency remeasurement impact of these derivatives recorded in EBIT instead of in financial result amounts to €+89 million as of 31 December 2011 (2010: €+125 million).

13. Income Taxes

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

(In € million)	2011	2010	2009
Current tax expense	(253)	(259)	(208)
Deferred tax benefit/ (expense)	(103)	15	428
Total	**(356)**	**(244)**	**220**

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 Group's parent company, EADS NV, legally seated in Amsterdam, The Netherlands, applies Dutch tax law using an income tax rate of 25.0% for 31 December 2011 and 25.5% for 31 December 2010 and 2009. In 2010, a new tax law was enacted reducing the income tax rates from 2011 onwards to 25.0%.

On 19 December 2011 a new tax law has been enacted in France increasing the income tax rate from previously 34.43% (in 2009 and 2010) to 36.10% for the years 2011 and 2012. For the years 2013 and following the previous rate of 34.43% will be applicable.

Regarding German subsidiaries, the German federal corporate tax rate amounts to 15%. In addition, there is a surcharge ("*Solidaritätszuschlag*") of 5.5% on the amount of federal corporate taxes. In addition to corporate taxation, the trade taxes amount to 14.2%. In aggregate, the enacted tax rate which has been applied to German deferred taxes amounts to 30% in 2011, 2010 and 2009.

With respect to the Spanish subsidiaries, the corporate income tax rate amounts to 30% in 2011, 2010 and 2009.

All other foreign subsidiaries apply their national tax rates.

The following table shows a reconciliation from the theoretical income tax benefit (expense) – using the Dutch corporate tax rate of 25.0% to the reported tax benefit (expense). The reconciling items represent, besides the impact of tax rate differentials and tax rate changes, non-taxable benefits or non-deductible expenses arising from permanent differences between the local tax base and the reported Consolidated Financial Statements according to IFRS rules.

(In € million)	2011	2010	2009
Profit (loss) before income taxes	1,393	816	(972)
* Corporate income tax rate	25.0%	25.5%	25.5%
Expected benefit (expense) for income taxes	(348)	(208)	248
Effects from tax rate differentials	(103)	(53)	122
Income from investments/ associates	58	42	48
Tax credit for R&D expenses	68	59	54
Change of tax rate	(45)	(1)	0
Change in valuation allowances	(12)	(73)	(236)
Non-deductible expenses and tax-free income	(10)	(5)	(12)
Other	36	(5)	(4)
Reported tax benefit (expense)	**(356)**	**(244)**	**220**

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. The amount of change in valuation allowances of €-12 million in 2011 excludes a positive impact of €22 million from a change in tax rates which is presented in the line "change of tax rate". Changes of tax rates mainly relates to changes in the tax laws in France and United Kingdom. In 2011, the line "Other" mainly reflects a release of an income tax provision related to a reassessment of tax audit proceedings.

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

Deferred income taxes as of 31 December 2011 are related to the following assets and liabilities:

	31 December 2010		Movement through equity		Movement through income statement		31 December 2011	
(In € million)	Tax assets	Tax liabilities	OCI/ IAS 19	Others [1]	R&D tax credits	Deferred tax benefit (expense)	Tax assets	Tax liabilities
Intangible assets	10	(281)	0	(89)	0	34	27	(353)
Property, plant and equipment	228	(937)	0	(26)	0	(34)	242	(1,011)
Investments and other long-term financial assets	331	(83)	17	0	0	173	541	(103)
Inventories	1,108	(140)	0	14	0	136	1,192	(74)
Receivables and other assets	740	(1,639)	(604)	32	0	(200)	229	(1,900)
Prepaid expenses	8	0	0	0	0	(11)	2	(5)
Provision for retirement plans	877	(172)	167	1	0	(274)	883	(284)
Other provisions	1,888	(162)	0	(1)	0	151	2,052	(176)
Liabilities	613	(641)	751	2	0	(227)	1,058	(560)
Deferred income	181	0	0	3	0	(26)	161	(3)
Net operating loss and tax credit carry forwards	2,058	0	0	29	28	165	2,280	0
Deferred tax assets/(liabilities) before offsetting	**8,042**	**(4,055)**	**331**	**(35)**	**28**	**(113)**	**8,667**	**(4,469)**
Valuation allowances on deferred tax assets	(932)	0	0	(17)	0	10	(939)	0
Set-off	(2,860)	2,860	0	0	0	0	(3,419)	3,419
Net Deferred tax assets/(liabilities)	**4,250**	**(1,195)**	**331**	**(52)**	**28**	**(103)**	**4,309**	**(1,050)**

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

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

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

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

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 €867 million (in 2010: €811 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 ("*régime d'intégration fiscale*" in France, "*steuerliche Organschaft*" in Germany) or (iii) via the "*loss surrender-agreement*" in Great Britain.

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

(In € million)	France	Germany	Spain	UK	Netherlands	Other countries	31 December 2011	31 December 2010
Net Operating Losses (NOL)	1,667	1,821	190	2,875	2	90	6,645	5,800
Trade tax loss carry forwards	0	2,048	0	0	0	0	2,048	1,490
Tax credit carry forwards	0	0	319	0	0	4	323	315
Tax effect	**575**	**578**	**376**	**719**	**0**	**32**	**2,280**	**2,058**
Valuation allowances	(12)	(79)	(119)	(444)	0	(3)	(657)	(653)
Deferred tax assets on NOL's and tax credit carry forwards	**563**	**499**	**257**	**275**	**0**	**29**	**1,623**	**1,405**

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 18 years and 15 years respectively. The first tranche of tax credit carry forwards (€13 million) will expire in 2017. In the Netherlands, NOLs and tax credit carry forwards expire after 9 years.

Roll forward of deferred taxes:

(In € million)	2011	2010
Net deferred tax asset beginning of the year	**3,055**	**1,905**
Deferred tax (expense) benefit in income statement	(103)	15
Deferred tax recognised directly in AOCI (IAS 39)	164	999
Variation of Defined benefit plan actuarial gains	167	97
Others	(24)	39
Net deferred tax asset at year end	**3,259**	**3,055**

Details of deferred taxes recognised cumulatively in equity are as follows:

(In € million)	2011	2010
Available-for-sale investments	(1)	(18)
Cash flow hedges	776	629
Defined benefit plan actuarial losses	635	468
Total	**1,410**	**1,079**

2.3 Notes to the Consolidated Statements of Financial Position (IFRS)

14. Intangible Assets

A schedule detailing gross values, accumulated depreciation and net values of intangible assets as of 31 December 2011 is as follows:

Cost

(In € million)	Balance at 1 January 2011	Exchange differences	Additions	Changes in consolidation scope	Reclassification	Disposals	Balance at 31 December 2011
Goodwill	10,934	33	0	968	0	(22)	11,913
Capitalised development costs	1,234	8	97	0	26	0	1,365
Other intangible assets	1,855	22	198	522	25	(70)	2,552
Total	**14,023**	**63**	**295**	**1,490**	**51**	**(92)**	**15,830**

Amortisation

(In € million)	Balance at 1 January 2011	Exchange differences	Amortisation charge	Changes in consolidation scope	Reclassification	Disposals	Balance at 31 December 2011
Goodwill	(1,125)	(8)	(20)	0	0	0	(1,153)
Capitalised development costs	(288)	(1)	(116)	0	(13)	0	(418)
Other intangible assets	(1,311)	(5)	(241)	0	(21)	64	(1,514)
Total	**(2,724)**	**(14)**	**(377)**	**0**	**(34)**	**64**	**(3,085)**

Net Book Value

(In € million)	Balance at 1 January 2011	Balance at 31 December 2011
Goodwill	9,809	10,760
Capitalised development costs	946	947
Other intangible assets	544	1,038
Total	**11,299**	**12,745**

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

Cost

(In € million)	Balance at 1 January 2010	Exchange differences	Additions	Changes in consolidation scope	Reclassification	Disposals	Balance at 31 December 2010
Goodwill	10,859	41	0	34	0	0	10,934
Capitalised development costs	1,052	6	145	0	32	(1)	1,234
Other intangible assets	1,694	12	192	1	18	(62)	1,855
Total	**13,605**	**59**	**337**	**35**	**50**	**(63)**	**14,023**

Amortisation

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

Net Book Value

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

The regular amortisation charge and impairments (if any) of capitalised development costs and other intangible assets are mainly accounted for in cost of sales.

Goodwill Impairment Tests

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

As of 31 December 2011 and 2010, goodwill was allocated to CGUs, which is summarized in the following schedule on segment level:

(In € million)	Airbus Commercial	Airbus Military	Eurocopter	Astrium	Cassidian	Other Businesses	HQ/Conso.	Consolidated
Goodwill as of 31 December 2011	6,657	12	319	1,171	2,551	35	15	10,760
Goodwill as of 31 December 2010	6,425	12	117	644	2,533	64	14	9,809

Due to internal reorganisations in 2011 the former CGUs Cassidian Air Systems, Cassidian Systems and Cassidian Electronics have been combined and a goodwill in the amount of € 1,895 million has been allocated to this new CGU. For MBDA the allocation of goodwill in the amount of € 656 million remains unchanged. The Astrium CGUs consist of Astrium Satellites, Astrium Space Transportation and Astrium Services. The increase in the goodwill of Astrium is mainly caused by the acquisition of Vizada (€538 million) in the CGU Astrium Services (€612 million). Furthermore, the increase in Airbus Commercial and Eurocopter mainly relates to the acquisition of Satair Group and Vector (for further details please refer to Note 4 Acquisition and Disposals).

General assumptions applied in the planning process

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

The operative planning - approved by the Board of Directors on 8 December 2011 - takes into account general economic data derived from external macroeconomic and financial studies. The operative planning assumptions reflect for the periods under review specific inflation rates and future labour expenses in the European countries where the major production facilities are located. Regarding the expected future labour expenses, an increase of 2 to 3% was implied. In addition, future interest rates are also projected per geographical market, for the European Monetary Union, Great Britain and the USA.

EADS follows an active policy of foreign exchange risk hedging. As of 31 December 2011, the total hedge portfolio with maturities up to 2017 amounts to US$75 billion and covers a major portion of the foreign exchange exposure expected over the period of the operative planning (2012 to 2016). The average US$/€ hedge rate of the US$/€ hedge portfolio until 2017 amounts to 1.37 US$/€ and for the US$/GBP hedge portfolio until 2017 amounts to 1.59 US$/GBP. For the determination of the operative planning in the CGUs management assumed future exchange rates of 1.35 US$/€ from 2012 onwards to convert in € the portion of future US$ which are not hedged. Foreign exchange exposure arises mostly from Airbus and to a lesser extent from the other EADS divisions.

The assumption for the perpetuity growth rate used to calculate the terminal values as of 31 December 2011 has been determined with 1% (previous year: 1%). This assumption is lower than experienced in past economic cycles in order to reflect current uncertainty regarding market developments in the long-term.

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

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

Airbus Commercial

The goodwill allocated to Airbus Commercial relates to the creation of EADS in 2000 and the Airbus Combination in 2001. In 2011 the goodwill increased mainly due to the acquisitions of Satair, PFW and Metron.

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

- projected cash flows for the next five years were presented to EADS Board of Directors in the frame of the operative plan. This planning scenario takes into account the decision to ramp-up in 2012 the production of the A320 programme to 42 a/c, of the Long Range-programme to 9.5 a/c and of the A380 - programme to 2.7 a/c. In the absence of long-term financial reference, expected cash flows generated beyond the planning horizon are considered through a terminal value. The terminal value reflects management's assessment of a normative operating year based on an outlook of a full aeronautic cycle over the next decade;
- Long-term commercial assumptions are based on General Market Forecast updated in 2011. The development of market share per segment considers enlargement of the competition as per current best assessment. Current market evolutions are considered through sensitivities. Cash flow projections include all of the estimated cost savings of the Power8/Power8 Plus programme as well as non-recurring cost improvement plan and benefits from initiatives already launched in the frame of "Future EADS";
- cash flows are discounted using a euro weighted average cost of capital pre-tax (WACC) of 10.4% (in 2010: 11.2%);
- carrying value as well as planned cash flows include impacts from the existing hedge portfolio as per end December 2011.

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

The recoverable amount is particularly sensitive to the following areas:

- change of the euro against the US$ (reference scenario at 1.35 US$/€): A change by 10 cents, + or - would however not imply an impairment charge in the EADS accounts;
- change of the WACC: An increase of 50 basis points in the WACC would not imply an impairment charge in the EADS accounts.

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

Airbus Military

For impairment testing purposes, the cash flows have been discounted using a weighted average cost of capital pre-tax (WACC) of 8.7% (in 2010: 9.1%).

A400M launch order from OCCAR is included as per assumptions used for the preparation of these Consolidated Financial Statements. A400M is based on the contract amendment negotiations with OCCAR and the seven A400M launch customer nations finalised on 7 April 2011.

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

Value in use of the CGU Airbus Military is above carrying value, indicating no goodwill impairment for 2011 and 2010.

Other Segments

In order to reflect the different underlying business risks, a segment specific WACC factor has been applied. For Eurocopter the cash flows were discounted using a weighted average cost of capital pre-tax (WACC) of 9.6% (in 2010: 9.1%), whereas Cassidian applied a weighted average cost of capital pre-tax (WACC) of 8.8% (in 2010: 8.8%) and Astrium applied a pre-tax WACC of 9.8% (in 2010: 8.8%). Cash flow projections are based on operative planning covering a five-year planning period.

For the Cassidian Division, a slight growth in revenues is assumed in the operative planning. This is driven by a strong order backlog and further key orders expected in the next years in the domestic market as well as in global markets, as for example Eurofighter contracts, ramp-up in Unmanned Aerial Vehicles ("UAV"), orders for Missile export, Security and Communication Solutions, Integrated Systems, Electronic Warfare and Radar business. In spite of additional efforts for globalisation and product renewal, the Division continuously expects a strong performance over the operative planning period thanks to the investment in new products and the transformation of the Division into a new global business model.

The strong order book of the Astrium Division as of 31 December 2011 (including satellites, launchers, ballistic missiles and military telecom services) supports the positive revenue development which is assumed for this Division over the operative planning period. Based on key achievements in 2011, like the successful launch of 13 Astrium-built satellites, including 5 telecommunication satellites and the first two Galileo In-Orbit-Validation satellites, as well as 5 successful Ariane 5 launches and the successful mission of the second Automated Transfer Vehicle spacecraft, the planning period is characterised by business development in telecom services and Earth observation services and further order intake in established key areas (e.g. M51, Ariane 5, telecom and Earth observation satellites). The operating margin and the Free Cash Flow are planned to increase continuously, supported by existing process improvement programmes.

The recoverable amounts of all CGU's in Cassidian, Astrium and Eurocopter have exceeded their carrying amounts, indicating no goodwill impairment for 2011 and 2010.

Due to the divestment of EADS NA Defense Security Systems Solutions Inc. a goodwill of € 10 million was disposed in Other Businesses. For impairment testing purposes, the cash flows have been discounted using a weighted average cost of capital pre-tax (WACC) of 8.9% (in 2010: 8.8%). The annual impairment test within Other Businesses resulted in an impairment charge of € 20 million in 2011.

Development Costs

EADS has capitalised development costs in the amount of € 947 million as of 31 December 2011 (€ 946 million as of 31 December 2010) as internally generated intangible assets mainly for the Airbus A380 programme. The amortisation for the A380 programme development costs is performed 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 2011:

Cost

(In € million)	Balance at 1 January 2011	Exchange differences	Additions	Changes in consolidation scope	Reclassification	Disposals	Balance at 31 December 2011
Land, leasehold improvements and buildings including buildings on land owned by others	7,364	23	88	79	490	0	8,044
Technical equipment and machinery	12,517	130	222	68	565	(115)	13,387
Other equipment, factory and office equipment	3,712	42	428	42	103	(443)	3,884
Construction in progress	2,517	29	1,404	32	(969)	(2)	3,011
Total	**26,110**	**224**	**2,142**	**221**	**189**	**(560)**	**28,326**

Depreciation

(In € million)	Balance at 1 January 2011	Exchange differences	Additions	Changes in consolidation scope	Reclassification	Disposals	Balance at 31 December 2011
Land, leasehold improvements and buildings including buildings on land owned by others	(3,192)	(7)	(266)	0	(82)	0	(3,547)
Technical equipment and machinery	(7,299)	(79)	(803)	0	(2)	38	(8,145)
Other equipment, factory and office equipment	(2,192)	(27)	(297)	0	(14)	55	(2,475)
Construction in progress	0	0	0	0	0	0	0
Total	**(12,683)**	**(113)**	**(1,366)**	**0**	**(98)**	**93**	**(14,167)**

Net Book Value

(In € million)	Balance at 1 January 2011	Balance at 31 December 2011
Land, leasehold improvements and buildings including buildings on land owned by others	4,172	4,497
Technical equipment and machinery	5,218	5,242
Other equipment, factory and office equipment	1,520	1,409
Construction in progress	2,517	3,011
Total	**13,427**	**14,159**

Schedules detailing gross values, accumulated depreciation and net values of property, plant and equipment show the following as of 31 December 2010:

Cost

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

Depreciation

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

Net Book Value

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

Property, plant and equipment include at 31 December 2011 and 2010, buildings, technical equipment and other equipment accounted for in fixed assets under finance lease agreements for net amounts of € 141 million and € 146 million, net of accumulated depreciation of € 60 million and € 49 million. The related depreciation expense for 2011 was € 11 million (2010: € 10 million; 2009: € 8 million).

Other equipment, factory and office equipment include the net book value of "aircraft under operating lease" for € 574 million and € 759 million as of 31 December 2011 and 2010, respectively; related accumulated depreciation is € 746 million and € 687 million. Depreciation expense for 2011 amounts to € 59 million (2010: € 31 million; 2009: € 49 million).

The "aircraft under operating lease" include:

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

The corresponding non-cancellable future operating lease payments (not discounted) due from customers to be included in revenues, at 31 December 2011 are as follows:

(In € million)	
Not later than 2012	46
Later than 2012 and not later than 2016	103
Later than 2016	2
Total	**151**

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

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

(In € million)	31 December 2011	31 December 2010
(i) Net book value of aircraft under operating lease before impairment charge	497	579
Accumulated impairment	(127)	(75)
Net book value of aircraft under operating lease	370	504
(ii) Aircraft under operating lease with the present value of the guarantee being more than 10%	204	255
Total Net Book value of aircraft under operating lease	**574**	**759**

For details please refer to Note 33 "Commitment and contingencies".

Contractual commitments for purchases of "Land, leasehold improvements and buildings including buildings on land owned by others" amount to € 161 million as of 31 December 2011.

16. Investment Property

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

(In € million)	Historical cost	Accumulated depreciation 31 December 2010	Book value 31 December 2010	Disposals Historical cost	Depreciation/ Amortisation	Accumulated depreciation 31 December 2011	Book value 31 December 2011
Book value of Investment Property	213	(136)	77	(2)	(1)	(137)	74

As of 31 December 2011, the fair value of the Group's investment property amounts to €80 million (in 2010: €81 million). For the purposes of IAS 40 "Investment property", the fair values have been determined by using external appraisal reports or using discounted cash flow projections for estimated rental income less rental expenses. Related rental income in 2011 is €9 million (in 2010: €8 million) with direct operating expenses amounting to €1 million (in 2010: €2 million).

17. Investments in Associates Accounted for Under the Equity Method, Other Investments and Other Long-Term Financial Assets

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

(In € million)	31 December 2011	31 December 2010
Investments in associates accounted for under the equity method	**2,677**	**2,451**
Non-current other investments and other long-term financial assets		
Other investments	466	415
Other long-term financial assets	1,912	1,971
Total non-current other investments and other long-term financial assets	**2,378**	**2,386**
Current portion of other long-term financial assets	**172**	**111**

Investments in associates accounted for under the equity method as of 31 December 2011 and 2010, mainly comprise EADS' interest in Dassault Aviation (46.32% at 31 December 2011 and 2010) of €2,552 million and €2,318 million. Since for the second half-year 2011 no published financial information is available yet from Dassault Aviation at the date of authorisation for issue of 2011 financial statements, EADS used a best estimate for the net income of the second half year 2011 of Dassault Aviation. In addition the equity investment income from Dassault Aviation includes an IFRS catch-up adjustment. The 30 June 2011 equity components have been used to estimate the 2011 year-end consolidated equity position of Dassault Aviation.

Since for the second half-year 2010 no financial information was available from Dassault Aviation at the date of authorisation for issue of 2010 financial statements, EADS used a best estimate for the net income of the second half year 2010 of Dassault Aviation. In addition the equity investment income from Dassault Aviation included an IFRS catch-up adjustment. The 30 June 2010 equity components have been used to estimate the 2010 year-end consolidated equity position of Dassault Aviation.

EADS' 46.32% interest in Dassault Aviation's market capitalisation, derived from an observable free float of 3.5%, amounts to €2,673 million as of 31 December 2011 (as of 31 December 2010: €2,819 million).

The following table reflects summarised most recent published proportionate financial information of Dassault Aviation in which EADS holds 46.32%:

(In € million)	30 June 2011	31 December 2010
Share of the associate's financial position:		
Non-current assets	2,490	2,938
Current assets	2,250	2,148
Non-current liabilities	132	120
Current liabilities	2,548	2,923
Total equity	**2,060**	**2,043**
Share of the associate's revenues and profit:	**6 months**	**12 months**
Revenues	610	1,939
Net Income	41	124

(In € million)	31 December 2011	31 December 2010
Carrying amount of the investment at 31 December	**2,552**	**2,318**

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

(In € million)	31 December 2011	31 December 2010
Share of the associate's financial position:		
Non-current assets	1,079	697
Current assets	248	188
Non-current liabilities	1,165	735
Current liabilities	279	155
Total equity	**(117)**	**(5)**
Share of the associate's revenues and profit:	**12 months**	**12 months**
Revenues	571	396
Net Income	24	9

(In € million)	31 December 2011	31 December 2010
Carrying amount of the investments at 31 December	**109**	**59**

The cumulative unrecognized comprehensive loss in 2011 amounts to €-221 million (thereof €-158 million for the period).

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

Other investments mainly comprise EADS' participations, the most significant being at 31 December 2011 the participations in CARMAT SAS (EADS share: 30.7%) amounting to € 106 million (2010: € 35 million) and AviChina (EADS share: 5.0%) amounting to € 80 million (2010: € 88 million).

Other long-term financial assets of € 1,912 million (2010: € 1,971 million) and the **current portion of other long-term financial assets** of € 172 million (in 2010: € 111 million) encompass other loans in the amount of € 1,135 million and € 969 million as of 31 December 2011 and 2010 and the Group's sales finance activities in the form of finance lease receivables and loans from aircraft financing. They are reported net of accumulated impairments. These sales financing transactions are generally secured by the underlying aircraft used as collateral (see Note 33 "Commitments and contingencies" for details on sales financing transactions).

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

(In € million)	31 December 2011	31 December 2010
Outstanding gross amount of loans to customers	503	558
Accumulated impairment	(82)	(72)
Total net book value of loans	**421**	**486**

Finance lease receivables from aircraft financing are as follows:

(In € million)	31 December 2011	31 December 2010
Minimum lease payments receivables	697	809
Unearned finance income	(79)	(78)
Accumulated impairment	(90)	(104)
Total net book value of finance lease receivables	**528**	**627**

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

(In € million)	
Not later than 2012	124
Later than 2012 and not later than 2016	402
Later than 2016	171
Total	**697**

18. Inventories

Inventories at 31 December 2011 and 2010 consist of the following:

(In € million)	31 December 2011	31 December 2010
Raw materials and manufacturing supplies	1,980	1,654
Work in progress	14,803	13,631
Finished goods and parts for resale	1,719	1,618
Advance payments to suppliers	4,061	3,959
Total	**22,563**	**20,862**

The increase in work in progress of €+1,172 million is mainly driven by Eurocopter, Airbus Commercial and Astrium programmes. Raw materials were built-up at Airbus and at Eurocopter. Advance payments provided to suppliers mainly increase at Airbus and at Astrium partly compensated by lower advance payments made at Cassidian and Eurocopter.

The finished goods and parts for resale before write down to net realisable value amount to € 2,220 million in 2011 (2010: € 2,091 million) and work in progress before write down to net realisable value amounts to € 16,270 million (2010: € 14,766 million). Write downs for finished goods and services are recorded when it becomes probable that total estimated contract costs will exceed total contract revenues. In 2011, write downs of inventories in the amount of €-194 million (2010: €-249 million) are recognised in Cost of Sales, whereas reversal of write downs amounts to € 132 million (2010: € 81 million). At 31 December 2011 € 4,888 million of work in progress and € 1,239 million of finished goods and parts for resale were carried at net realisable value.

19. Trade Receivables

Trade receivables at 31 December 2011 and 2010 consist of the following:

(In € million)	31 December 2011	31 December 2010
Receivables from sales of goods and services	6,765	6,953
Allowance for doubtful accounts	(366)	(321)
Total	**6,399**	**6,632**

The **trade receivables** decrease by €-233 million mainly caused by Astrium (€-669 million) and Airbus (€-179 million), partly compensated by an increase at Eurocopter (€+527 million) and Cassidian (€+76 million).

Trade receivables are classified as current assets. As of 31 December 2011 and 2010, respectively, € 668 million and € 383 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 2011 an amount of € 2,170 million (in 2010: € 2,829 million) for construction contracts is included in the trade receivables net of related advance payments received.

The **aggregate amount of costs incurred and recognised profits (less recognised losses) to date** amounts to € 55,858 million comparable to € 50,305 million at year-end 2010.

The **gross amount due from customers** for construction work amounts to € 4,204 million (in 2010: € 3,973 million) and relates to construction contracts where incurred contract costs plus recognised profits less the sum of recognised losses exceed progress billings.

The **gross amount due to customers** amounts to € 1,688 million (in 2010: € 2,500 million) and corresponds to the construction contracts whose total of incurred contract costs plus recognised profits less the sum of recognised losses and progress billings is negative.

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

(In € million)	2011	2010
Allowance balance at 1 January	(321)	(364)
Utilisations/disposals	11	3
(Additions)/ release	(56)	41
Foreign exchange rate differences	0	(1)
31 December	**(366)**	**(321)**

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 € 4,125 million (in 2010: € 5,081 million).

20. Other Financial Assets

Other financial assets at 31 December 2011 and 2010 consist of the following:

(In € million)	31 December 2011	31 December 2010
Non-current other financial assets		
Positive fair values of derivative financial instruments	486	602
Option premiums	12	99
Others	133	170
Total	**631**	**871**
Current other financial assets		
Positive fair values of derivative financial instruments	404	364
Receivables from related companies	871	790
Loans	78	54
Others	386	367
Total	**1,739**	**1,575**

21. Other Assets

Other assets at 31 December 2011 and 2010 consist of the following:

(In € million)	31 December 2011	31 December 2010
Non-current other assets		
Prepaid expenses	1,050	887
Capitalised settlement payments to German Government	35	70
Others	168	147
Total	**1,253**	**1,104**
Current other assets		
Value added tax claims	1,130	805
Prepaid expenses	591	521
Others	532	386
Total	**2,253**	**1,712**

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

22. Securities

The Group's security portfolio amounts to € 11,501 million and € 11,166 million as of 31 December 2011 and 2010, respectively. The security portfolio contains a **non-current portion** of available-for-sale-securities of € 7,212 million (in 2010: € 5,035 million) and securities designated at fair value through profit and loss of € 17 million (in 2010: € 297 million) as well as a **current portion** of available-for-sale-securities of € 4,222 million (in 2010: € 5,834 million) and securities designated at fair value through profit and loss of € 50 million (in 2010: € 0 million).

Included in the securities portfolio as of 31 December 2011 and 2010, respectively, are corporate and government bonds bearing either fixed rate coupons (€ 10,075 million nominal value; comparably in 2010: € 9,307 million) or floating rate coupons (€ 1,057 million nominal value; comparably in 2010: € 1,138 million) as well as Structured Rate Notes (€ 175 million nominal value; 2010: € 265 million) and foreign currency Funds of Hedge Funds (€ 19 million nominal value; 2010: € 275 million).

With regard to the Consolidated Statements of Cash Flows, in 2011 the change of securities presented in cash used for investing activities comprises additions of €-11,091 million (2010: €-10,751 million) and disposals of €+10,713 million (2010: €+7,604 million) reflecting the investment in long-term securities.

23. Total Equity

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

(In number of shares)	2011	2010
Issued as at 1 January	**816,402,722**	**816,105,061**
Issued for ESOP	2,445,527	0
Issued for exercised options	1,712,892	297,661
Cancelled	(78,850)	0
Issued as at 31 December	**820,482,291**	**816,402,722**
Treasury shares as at 31 December	(5,585,780)	(5,341,084)
Outstanding as at 31 December	**814,896,511**	**811,061,638**

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 26 May 2011, 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 0.15% of the Company's authorised capital from time to time and to limit or exclude preferential subscription rights, in both cases for a period expiring at the Shareholders' General Meeting to be held in 2012. The mentioned powers include without limitation the approval of share-related long-term incentive plans (such as stock option, performance and restricted share plans) and employee share ownership plans. They may also include the granting of rights to subscribe for shares which can be exercised at a time that may be specified in or pursuant to such plans and the issue of shares to be paid up from freely distributable reserves.

The Shareholders' General Meeting on 26 May 2011 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 1 June 2010.

Furthermore, the Shareholders' General Meeting authorised both the Board of Directors and the Chief Executive Officer, with powers of substitution, to cancel up a maximum of 78,850 shares. As per decision of the Chief Executive Officer, on 9 August 2011, 78,850 shares have been cancelled.

On 26 May 2011, the Shareholders' General Meeting decided to add the net profit of the fiscal year 2010 of €553 million to retained earnings. It also decided to distribute a gross amount of €0.22 per share, which was paid on 6 June 2011. For the fiscal year 2011, the EADS Board of Directors proposes a cash distribution payment of €0.45 per share.

Capital stock comprises the nominal amount of shares outstanding. The addition to capital stock represents the contribution for exercised options of €1,712,892 (in 2010: €297,661) in compliance with the implemented stock option plans and by employees of €2,445,527 (in 2010: €0) under the Employee Stock Ownership Plans. In 2010 the usual Employee Stock Ownership Plan was replaced by a Free Share Plan, which did not lead to an issuance of new shares (see Note 35b) "Employee Stock Ownership Plan (ESOP)").

Share premium mainly results from contributions in kind in the course of the creation of EADS, cash contributions from the Initial Public Offering, capital increases and reductions due to the issuance and cancellation of shares as well as cash distributions to EADS NV shareholders. In 2011, €21 million are reclassified from currency translation adjustments to profit or loss. Treasury shares represent the amount paid for own shares held in treasury.

24. Capital Management

EADS seeks to maintain a strong financial profile to safeguard its going concern, financial flexibility as well as shareholders' and other stakeholders' confidence in the Group. Consequently, operating liquidity is of great importance.

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, cash flow ratios, profitability and liquidity ratios. EADS focuses on keeping them in a preferable range.

Standard & Poor's upgraded the outlook of EADS' long-term rating to A- positive outlook on 20 September 2011 and Moody's Investors Services reconfirmed the A1 long-term rating of EADS to A1 stable outlook on 24 August 2011. In accordance with its conservative financial policy it is essential for EADS to maintain a strong investment grade rating.

EADS' management uses a Value Based Management approach in order to guide the Company towards management for sustainable value creation. The key elements of the Value Based Management concept are:

- the measurement of value creation;
- prioritisation of actions based on the financial value drivers and operational business drivers; and
- the assessment of value creation with reference to the competition and the industry in total.

EADS developed the following guiding principles with regard to this value based management approach:
Financial value is created if profits exceed the cost of the capital. The Value Creation is measured through Economic Profit (EP) as the residual of: net operating profit after tax (NOPAT) after deducting the cost of capital employed (with the cost of the capital employed being derived from the Average Capital Employed multiplied with the weighted average cost of capital (WACC)).

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

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

EADS complies with the capital requirements under applicable law and its Articles of Association.

25. Provisions

Provisions are comprised of the following:

(In € million)	31 December 2011	31 December 2010
Provision for retirement plans (see Note 25b)	5,463	4,938
Provision for deferred compensation (see Note 25a)	358	283
Retirement plans and similar obligations	**5,821**	**5,221**
Other provisions (see Note 25c)	9,164	8,758
Total	**14,985**	**13,979**
Thereof non-current portion	9,125	8,213
Thereof current portion	5,860	5,766

As of 31 December 2011 and 2010, respectively, €5,628 million and €5,037 million of retirement plans and similar obligations and €3,497 million and €3,176 million of other provisions mature after more than one year.

a) Provisions for Deferred Compensation

This amount represents obligations that arise if employees elect to convert part of their remuneration or bonus into an equivalent commitment for deferred compensation which is treated as a defined benefit post-employment plan. The development in 2011 is as follows:

(In € million)	Balance at 1 January 2011	Utilisation	Transfer to other liabilities	Change in consolidated Group	Actuarial gains and losses	Additions	Increase from passage of time	Balance at 31 December 2011
Deferred Compensation	283	(1)	(6)	2	19	48	13	358

b) Provisions for Retirement Plans

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

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

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

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

In the UK, the EADS Astrium Pension Scheme was implemented by Astrium Ltd., Stevenage (UK). This plan comprises all eligible employees of Astrium Ltd. as well as all personnel, who is newly recruited by one of the EADS companies located in the UK. The majority of the Scheme's liabilities relates to Astrium Ltd. Moreover, EADS participates in the UK 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 Operations Ltd., UK and MBDA UK Ltd., UK. Participating Airbus Operations Ltd., 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) were capped until July 2011 for Airbus Operations Ltd., UK. Contributions exceeding the respective capped amounts were paid by BAE Systems. Even after the expiry of the contribution cap 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 Operations Ltd., UK to rates applicable to all participating employers.

Based on detailed information about the different multi-employer pension schemes provided by BAE Systems. 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 2011 and 2010, 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 2011, the share of Airbus in BAE Systems' main schemes amounts to 17.76% (in 2010: 17.88%). The impact of this change is mainly reflected in actuarial gains and losses of the period.

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

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

	Germany			France			UK			BAE Systems UK		
	31 December			31 December			31 December			31 December		
Assumptions in %	**2011**	**2010**	**2009**	**2011**	**2010**	**2009**	**2011**	**2010**	**2009**	**2011**	**2010**	**2009**
Discount rate	4.5	4.7	5.3	4.75	4.75	5.25	4.8	5.4	5.7	4.8	5.5	5.7
Rate of compensation increase	3.0	3.0	2.75	3.1	3.0-3.5	3.0-3.5	3.6	4.0	4.1	3.4	4.4	4.5
Inflation rate	2.0	1.75	1.75	2.0	2.0	2.0	2.9	3.3	3.5	2.9	3.4	3.5
Expected return on plan assets as of 1 January	6.5	6.5	6.5	6.5	6.5	6.5	5.8	5.8	5.8	6.9	7.1	7.1

The amount recorded as provision in the Consolidated Statement of Financial Position can be derived as follows:

Change in defined benefit obligations

(In € million)	2011	2010	2009
Defined benefit obligations at beginning of year	9,645	8,845	7,777
Service cost	265	237	189
Interest cost	472	483	450
Actuarial (gains) and losses	506	387	634
Acquisitions, curtailments and other	46	(19)	(21)
Benefits paid	(408)	(382)	(352)
Foreign currency translation adjustment	113	94	168
Defined benefit obligations at end of year	**10,639**	**9,645**	**8,845**

Included in the line "acquisitions, curtailments and others" are €61 million from acquisitions in 2011.

Actuarial losses which are related to the BAE Systems UK pension plans amount to €213 million (2010: €16 million) and foreign currency translation adjustment amounts to €99 million (2010: €84 million).

Change in plan assets

(In € million)	2011	2010	2009
Fair value of plan assets at beginning of year	4,662	3,706	3,335
Expected return on plan assets	317	272	221
Actuarial gains and losses on plan assets	(222)	283	49
Contributions	489	553	173
Acquisitions and other	47	13	0
Benefits paid	(244)	(230)	(202)
Foreign currency translation adjustments	86	65	130
Fair value of plan assets at end of year	**5,135**	**4,662**	**3,706**

The actuarial gains and losses on plan assets includes among others, also €-10 million (2010: €251 million; 2009: €42 million) relating to the BAE Systems' UK pension plans. Furthermore, €-136 million (2010: €-123 million; 2009: €-102 million) of benefits paid and €71 million (2010: €57 million; 2009: €116 million) of foreign currency translation adjustments relate to BAE Systems' UK pension plans.

In 2011, EADS companies contributed in total €489 million (2010: €553 million; 2009: €173 million) in cash. Main contributions were made into the CTA with €300 million (2010: €300 million; 2009: €0 million), into the relief fund in Germany with €94 million (2010: €125 million; 2009: €70 million) and the BAE Systems UK pension plans with €78 million (2010: €66 million; 2009: €66 million). In 2012, further contributions are intended.

Based on past experience, EADS expects for 2012 a rate of return for plan assets of 5.5% for Euro-countries.

In 2011, 38% (in 2010: 43%) of plan assets are invested in equity securities and 47% (in 2010: 40%) in debt securities. The remaining plan assets are mainly invested in cash and other securities.

Recognised Provision

(In € million)	2011	2010	2009	2008	2007
Funded status (1)	5,504	4,983	5,139	4,442	4,542
Unrecognised past service cost	(41)	(45)	(49)	(55)	(25)
Provision recognised in the statements of financial position	**5,463**	**4,938**	**5,090**	**4,387**	**4,517**

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

The defined benefit obligation at the end of the year is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods. The provision contains the funded status less any unrecognised past service cost.

The components of the net periodic pension cost, included in "Profit (loss) before finance costs and income taxes", are as follows:

(In € million)	2011	2010	2009
Service cost	265	237	189
Interest cost	472	483	450
Expected return on plan assets	(317)	(272)	(221)
Past service cost	4	4	6
Net periodic pension cost	**424**	**452**	**424**

The expected return on plan assets for BAE Systems' UK pension plans amounts to €-151 million (in 2010: €-141 million).

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

Actuarial gains and losses recognised directly in total equity (cumulative)

(In € million)	2011	2010	2009
Cumulative amount at 1 January	(2,277)	(2,140)	(1,545)
Recognised during the period	(746)	(137)	(595)
Cumulative value at 31 December	**(3,023)**	**(2,277)**	**(2,140)**
Deferred Tax Asset at 31 December	635	468	371
Actuarial gains and losses recognised directly in equity, net	**(2,388)**	**(1,809)**	**(1,769)**

Employer's contribution to state and private pension plans, mainly in Germany and France, are to be considered as defined contribution plans. Contributions in 2011 amount to €643 million (in 2010: €633 million).

c) Other Provisions

Movements in provisions during the year were as follows:

(In € million)	Balance at 1 January 2011	Exchange differences	Increase from passage of time	Additions	Reclassification/ Change in consolidated Group	Used	Released	Balance at 31 December 2011
Contract losses	3,429	1	80	458	(482)	(165)	(69)	3,252
Outstanding costs	1,718	2	0	854	(90)	(350)	(63)	2,071
Aircraft financing risks	976	18	60	49	0	(124)	(20)	959
Personnel charges	520	1	4	286	8	(227)	(22)	570
Obligation from services and maintenance agreements	424	0	23	117	(15)	(93)	(76)	380
Warranties	235	0	0	214	1	(54)	(23)	373
Restructuring measures/ pre-retirement part-time work	229	0	2	97	1	(78)	(27)	224
Litigations and claims	194	(1)	0	38	0	(12)	(34)	185
Asset retirement	100	0	3	1	0	0	0	104
Other risks and charges	933	0	5	376	143	(260)	(151)	1,046
Total	**8,758**	**21**	**177**	**2,490**	**(434)**	**(1,363)**	**(485)**	**9,164**

The provision for contract losses mainly relates to Airbus Military in conjunction with the A400M and to the A350 programme in Airbus Commercial.

The addition to provisions for outstanding costs mainly relates to Eurocopter and Cassidian 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 €224 million (€293 million at 31 December 2010) and asset value risks of €735 million (€683 million at 31 December 2010) related to Airbus, Eurocopter and ATR (see Note 33 "Commitments and contingencies").

The provision for restructuring measures/pre-retirement part-time work mainly relates to Cassidian, Eurocopter and Airbus.

"Reclassification / Change in consolidated Group" mainly relates to offsetting of contract provisions to respective inventories.

In general, as the contractual and technical parameters to be considered for provisions in the aerospace sector are rather complex, uncertainty exists with regard to the timing and amounts of expenses to be taken into account.

The majority of the Company's other provisions are generally expected to result in cash outflows during the next 1 to 13 years.

26. Financing Liabilities

In 2011, EADS entered into US$ 721 million long-term credit agreement with EIB (European Investment Bank) maturing in 2021 under which EADS pays variable interest rate of 3-month USD Libor +0.849%. Concurrently, EADS swapped the variable interest rate into fixed rate of 3.2%. In 2004, the EIB (European Investment Bank) granted a long-term loan to EADS in the amount of US$ 421 million maturing in 2014 and bearing a fixed interest rate of 5.1% (effective interest rate 5.1%). In 2011, EADS entered into a US$ 300 million credit facility maturing in 2021 with the Development Bank of Japan under which EADS drew the full amount and pays a variable interest rate of 3 month USD Libor +1.15%. Concurrently, EADS swapped the variable interest rate into fixed rate of 4.8%.

EADS issued under its EMTN Programme (Euro Medium Term Note Programme) two currently outstanding euro denominated bonds. The first issue of € 0.5 billion maturing in 2018 carries a coupon of 5.5% (effective interest rate 5.6%) which was swapped during 2005 into variable rate of 3M-Euribor +1.72%. The second issue of € 1 billion in 2009 maturing 2016 carries a coupon of 4.625% (effective interest rate 4.7%) which was swapped into variable rate of 3M-Euribor +1.57%. Furthermore, Airbus received in 1999 a Reinvestment Note from Deutsche Bank AG in the amount of US$ 800 million, bearing a fixed interest rate of 9.88% with an outstanding debt of € 224 million (2010: € 275 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 2011 amounted to € 0 million (2010: € 0 million). The programme has been set up in 2003 with a maximum volume of € 2 billion.

Financing liabilities include liabilities connected with sales financing transactions amounting to € 532 million (2010: € 631 million), mainly at variable interest rates.

Non recourse Airbus financing liabilities (risk is supported by external parties) amount to € 455 million (2010: € 532 million).

(In € million)	31 December 2011	31 December 2010
Bonds	1,605	1,535
thereof due in more than five years: 549 (31 December 2010: 1,535)		
Liabilities to financial institutions	1,480	783
thereof due in more than five years: 679 (31 December 2010: 135)		
Loans	372	375
thereof due in more than five years: 185 (31 December 2010: 161)		
Liabilities from finance leases	171	177
thereof due in more than five years: 112 (31 December 2010: 119)		
Long-term financing liabilities	**3,628**	**2,870**
Bonds	0	0
Liabilities to financial institutions	74	39
Loans	279	200
Liabilities from finance leases	13	13
Others	1,110	1,156
Short-term financing liabilities (due within one year)	**1,476**	**1,408**
Total	**5,104**	**4,278**

Included in "Others" are financing liabilities to joint ventures.

The aggregate amounts of financing liabilities maturing during the next five years and thereafter are as of 31 December 2011 as follows:

(In € million)	Financing liabilities
2012	1,476
2013	139
2014	482
2015	209
2016	1,273
Thereafter	1,525
Total	**5,104**

The aggregate amounts of financing liabilities maturing during the next five years and thereafter are as of 31 December 2010 as follows:

(In € million)	Financing liabilities
2011	1,408
2012	166
2013	134
2014	473
2015	147
Thereafter	1,950
Total	**4,278**

27. Other Financial Liabilities

(In € million)	31 December 2011	31 December 2010
Non-current other financial liabilities		
Thereof European Governments refundable advances	5,526	5,968
Thereof liabilities for derivative financial instruments	2,140	2,109
Others	527	547
Total	**8,193**	**8,624**
Current other financial liabilities		
Thereof liabilities to related companies	10	11
Thereof liabilities for derivative financial instruments	995	821
Others	682	402
Total	**1,687**	**1,234**

European Governments refundable advances including interest accretion for the total amount of € 406 million representing obligations arising out of contracts associated with the long-range programme in Airbus Commercial have been settled as a result of actions taken by Airbus in the third quarter 2011, due to the termination of the A340 programme. The release of the liabilities has positively affected the consolidated income statement before taxes by € 192 million in other operating income and by € 120 million in interest result. The settlement has further resulted in an associated operating cash outflow of € 94 million in the fourth quarter 2011.

Regarding the interest expenses on European Governments refundable advances see Note 12 "Total finance costs". Due to their specific nature, namely their risk-sharing features and the fact that such advances are generally granted to EADS on the basis of significant development projects, European Governments refundable advances are accounted for by EADS within "Non-current/current other financial liabilities" on the statement of financial position including accrued interests and presented within "cash provided by operating activities" in the Consolidated Statements of Cash Flows.

Included in "Other financial liabilities" are €1,753 million (2010: €1,228 million) due within one year and €4,526 million (2010: €4,697 million) maturing after more than five years.

28. Other Liabilities

(In € million)	31 December 2011	31 December 2010
Non-current other liabilities		
Thereof customer advance payments	9,256	8,817
Others	558	447
Total	**9,814**	**9,264**
Current other liabilities		
Thereof customer advance payments	25,006	23,285
Thereof tax liabilities (excluding income tax)	595	545
Others	2,069	1,942
Total	**27,670**	**25,772**

Included in "Other liabilities" are €23,617 million (2010: €20,608 million) due within one year and €3,493 million (2010: €5,512 million) maturing after more than five years.

Advance payments received relating to construction contracts amount to €9,586 million (2010: €8,403 million) mainly resulting from Airbus Military (€3,668 million), Astrium (€2,834 million) and Cassidian (€2,119 million).

29. Trade Liabilities

As of 31 December 2011, trade liabilities amounting to €74 million (€118 million as of 31 December 2010) mature after more than one year.

30. Deferred Income

(In € million)	31 December 2011	31 December 2010
Non-current deferred income	290	315
Current deferred income	875	790
Total	**1,165**	**1,105**

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 (€198 million and €227 million as of 31 December 2011 and 2010, respectively).

2.4 Notes to the Consolidated Statements of Cash Flows (IFRS)

31. Consolidated Statement of Cash Flows

For 2011' Consolidated Financial Statements, EADS has changed the presentation of contributions to plan assets for pension obligations in the Consolidated Statement of Cash Flows and presents these contributions within the cash flow from operating activities rather than within the cash flow from investing activities. Given prevailing practice's presentation of contributions to plan assets in the operating section of the cash flow statement, this change in presentation seeks to provide more relevant financial information to investors as it will improve comparability with financial information of other users.

In accordance with IAS 8, EADS has applied this change in accounting policies retrospectively.

As of 31 December 2011, EADS' cash position (stated as cash and cash equivalents in the Consolidated Statements of Cash Flows) includes €710 million (€735 million and €751 million as of 31 December 2010 and 2009, respectively) which represent EADS' share in MBDA's cash and cash equivalents, deposited at BAE Systems and Finmeccanica and which are available upon demand.

The following chart provides details on cash flow for **acquisitions** (resulting in additional assets and liabilities acquired) of subsidiaries, joint ventures and businesses:

(In € million)	30 December 2011	30 December 2010	30 December 2009
Total purchase price	(1,631)	(45)	(21)
thereof paid in cash and cash equivalents	(1,631)	(45)	(21)
Cash and cash equivalents included in the acquired subsidiaries, joint ventures and businesses	96	7	0
Cash Flow for acquisitions, net of cash	**(1,535)**	**(38)**	**(21)**

In 2011, the aggregate cash flow for acquisitions, net of cash of €-1,535 million includes mainly the acquisition of Vizada (€-709 million), Vector (€-432 million) and Satair (€-342 million).

In 2010, the aggregate cash flow for acquisitions, net of cash results from the acquisition of Jena-Optronik GmbH amounted to €-38 million.

In 2009, the aggregate cash flow for acquisitions, net of cash of €-21 million includes the acquisition of the underwater systems business of QinetiQ, UK of €-14 million and additional non-controlling interests in Spot Image €-7 million.

(In € million)	30 December 2011	30 December 2010	30 December 2009
Intangible assets; property, plant and equipment	743	3	0
Inventories	274	9	1
Trade receivables	392	13	4
Other assets	145	1	0
Cash and cash equivalents	96	7	0
Assets	**1,650**	**33**	**5**
Provisions	(125)	(3)	(3)
Trade liabilities	(288)	(5)	(1)
Financing liabilities	(203)	0	0
Tax liabilities and other liabilities	(312)	(14)	0
Liabilities	**(928)**	**(22)**	**(4)**
Fair value of total net assets	**722**	**11**	**1**
Increase in non-controlling interests due to acquisitions	(7)	0	0
Fair value of net assets acquired	**715**	**11**	**1**
Goodwill arising on acquisitions	968	34	14
Badwill	(2)	0	0
Other gains related to business combinations	(24)	0	0
Non-cash effective consideration of investments held prior to the acquisitions	(21)	0	0
Linked non-controlling interests squeeze out transactions settled after the balance sheet date	(5)	0	0
Reduction in non-controlling interests	0	0	6
Less cash and cash equivalents of acquired subsidiaries, joint ventures and businesses	(96)	(7)	0
Acquisitions, net of cash	**1,535**	**38**	**21**

The following chart provides details on cash flow from **disposals** (resulting in assets and liabilities disposed) of subsidiaries:

(In € million)	30 December 2011	30 December 2010	30 December 2009
Total selling price	18	12	15
thereof received by cash and cash equivalents	18	12	15
Cash and cash equivalents included in the (disposed) subsidiaries	0	0	(2)
Cash Flow from disposals, net of cash	**18**	**12**	**13**

The aggregate cash flow from disposals, net of cash, in 2011 of € 18 million results from the sale of EADS NA Defense Security Systems Solutions Inc.

The aggregate cash flow from disposals, net of cash, in 2010 of € 12 million results from the sale of ASL Aircraft Services Lemwerder GmbH.

The aggregate cash flow from disposals, net of cash, in 2009 of € 13 million results from the sale of 70% of the interest in EADS Socata.

(In € million)	30 December 2011	30 December 2010	30 December 2009
Intangible assets; property, plant and equipment	(8)	(4)	(50)
Inventories	0	0	(78)
Trade receivables	(4)	(3)	(26)
Other assets	0	(14)	(37)
Cash and cash equivalents	0	0	(2)
Assets	**(12)**	**(21)**	**(193)**
Provisions	2	8	26
Trade liabilities	0	0	83
Financing liabilities	0	0	26
Other liabilities	2	12	43
Liabilities	**4**	**20**	**178**
Book value of net assets	**(8)**	**(1)**	**(15)**
Related disposal of Goodwill	(10)	0	0
Result from disposal of subsidiaries	0	(11)	0
Less cash and cash equivalents of disposed subsidiaries	0	0	2
Disposals, net of cash	**(18)**	**(12)**	**(13)**

2.5 Other Notes to the Consolidated Financial Statements (IFRS)

32. Litigation and Claims

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

WTO

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 31 March 2011, the final report was published in the case brought by the EU concerning subsidies to Boeing and has been appealed. On 1 June 2011, the WTO adopted the final report in the case brought by the US assessing funding to Airbus from European governments. On 1 December 2011, the EU informed the WTO that it had taken appropriate steps to bring its measures fully into conformity with its WTO obligations, and to comply with the WTO's recommendations and rulings. Because the US did not agree, the matter has now been referred to arbitration under WTO rules. 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.

Securities Litigation

Following the dismissal of charges brought by the French *Autorité des marchés financiers* for alleged breaches of market regulations and insider trading rules with respect primarily to the A380 delays announced in 2006, proceedings initiated in other jurisdictions have also been terminated. Nevertheless, following criminal complaints filed by several shareholders in 2006 (including civil claims for damages), a French investigating judge is still carrying out an investigation based on the same facts.

CNIM

On 30 July 2010, Constructions Industrielles de la Méditerrannée ("**CNIM**") brought an action against EADS and certain of its subsidiaries before the commercial court of Paris, alleging anti-competitive practices, breach of long-term contractual relationships and improper termination of pre-contractual discussions. CNIM is seeking approximately € 115 million in damages on a joint and several basis. On 12 January 2012, the court rejected all of CNIM's claims, following which CNIM has filed for appeal.

GPT

EADS has commissioned an independent investigation into compliance allegations made in connection with one of its subsidiaries, GPT Special Project Management Ltd. The independent investigation remains ongoing.

Regarding EADS' provisions policy, EADS recognises provisions for litigation and claims when (i) it has a present obligation from legal actions, governmental investigations, proceedings and other claims resulting from past events that are pending or may be instituted or asserted in the future against the Group, (ii) it is probable that an outflow of resources embodying economic benefits will be required to settle such obligation and (iii) a reliable estimate of the amount of such obligation can be made. EADS believes that it has made adequate provisions to cover current or contemplated general and specific litigation risks. For the amount of provisions for litigation and claims, see Note 25c) "Other provisions".

33. Commitments and Contingencies

Commitments and Contingent Liabilities

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

Depending on which party assumes the risks and rewards of ownership of a financed aircraft, the assets relating to sales financing are accounted for **on the statement of financial position** either as (i) an operating lease (see Note 15 "Property, plant and equipment") or (ii) a loan from aircraft financing or (iii) a finance lease receivable (see Note 17 "Investments in associates accounted for under the equity method, other investments and other long-term financial assets"). As of 31 December 2011, related accumulated impairment amounts to € 127 million (2010: € 75 million) for operating lease and to € 172 million (2010: € 176 million) for loans and finance lease receivables. As part of provisions for aircraft financing risks € 45 million (2010: € 37 million) are recorded (see Note 25c) "Other provisions").

Certain sales financing transactions include the sale and lease back of the aircraft with a third party lessor under operating lease. Unless the Group has sold down the relating operating lease commitments to third parties, which assume liability for the payments, it is exposed to future lease payments.

Future nominal **operating lease payments** that result from aircraft sales financing transactions are recorded **off balance sheet** and are scheduled to be paid as of 31 December 2011 as follows:

(In € million)	
Not later than 2012	103
Later than 2012 and not later than 2016	404
Later than 2016	82
Total	**589**
Of which commitments where the transaction has been sold to third parties	(336)
Total aircraft lease commitments where EADS bears the risk (not discounted)	**253**

Future nominal **operating lease payments** that result from aircraft sales financing transactions are recorded **off balance sheet** and are scheduled to be paid as of 31 December 2010 as follows:

(In € million)	
Not later than 2011	146
Later than 2011 and not later than 2015	474
Later than 2015	162
Total	**782**
Of which commitments where the transaction has been sold to third parties	(403)
Total aircraft lease commitments where EADS bears the risk (not discounted)	**379**

Total aircraft lease commitments of € 589 million as of 31 December 2011 (2010: € 782 million) arise from aircraft head-leases and are typically backed by corresponding sublease income from customers with an amount of € 443 million (2010: € 515 million). A large part of these lease commitments (€ 336 million and € 403 million as of 31 December 2011 and 2010) 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 € 179 million as of 31 December 2011 (2010: € 256 million), as part of the provision for aircraft financing risks (see Note 25c) "Other provisions").

As of 31 December 2011 and 2010, the total consolidated **– on and off balance sheet –** Commercial Aviation Sales Financing Exposure is as follows (Airbus Commercial, Eurocopter and 50% for ATR):

(In € million)	31 December 2011	31 December 2010
Total gross exposure	1,289	1,470
Estimated fair value of collateral (aircraft)	(766)	(926)
Net exposure (fully provided for)	**523**	**544**

Details of provisions/accumulated impairments are as follows:

(In € million)	31 December 2011	31 December 2010
Accumulated impairment on operating leases (see Note 15 "Property, plant and equipment")	127	75
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")	172	176
Provisions for aircraft financing risk (on balance sheet) (see Note 25c) "Other provisions")	45	37
Provisions for aircraft financing risk (commitment off balance sheet) (see Note 25c) "Other provisions")	179	256
Total provisions/accumulated impairments for sales financing exposure	**523**	**544**

Asset value guarantees — Certain sales contracts may include the obligation of an asset value guarantee whereby Airbus Commercial, Eurocopter or ATR guarantee a portion of the value of an aircraft at a specific date after its delivery. Management considers the financial risks associated with such guarantees to be manageable. Three factors contribute to this assessment: (i) the guarantee only covers a tranche of the estimated future value of the aircraft, and its level is considered prudent in comparison to the estimated future value of each aircraft; (ii) the asset value guarantee related exposure is diversified over a large number of aircraft and customers; and (iii) the exercise dates of outstanding asset value guarantees are distributed through 2022. If the present value of the guarantee given exceeds 10% of the sales price of the aircraft, the sale of the underlying aircraft is accounted for as an operating lease (see Note 15 "Property, plant and equipment" and Note 30 "Deferred income"). In addition, EADS is contingently liable in case asset value guarantees with less than 10% are provided to customers as part of aircraft sales. Counter guarantees are negotiated with third parties and reduce the risk to which the Group is exposed. As of 31 December 2011, the nominal value of asset value guarantees provided to airlines, that do not exceed the 10% criteria, amounts to € 1,117 million (2010: € 1,095 million), excluding

€354 million (2010: €406 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 €735 million (2010: €683 million) (see Note 25c) "Other provisions"). This provision covers a potential expected shortfall between the estimated value of the aircraft of the date upon which the guarantee can be exercised and the value guaranteed on a transaction basis taking counter guarantees into account.

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

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

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

Future nominal operating lease payments (for EADS as a lessee) for rental and lease agreements (not relating to aircraft sales financing) amount to €968 million (2010: €986 million) as of 31 December 2011, and relate mainly to procurement operations (*e.g.* facility leases, car rentals).

Maturities as of 31 December 2011 are as follows:

(In € million)	
Not later than 2012	131
Later than 2012 and not later than 2016	362
Later than 2016	475
Total	**968**

The respective maturities as of 31 December 2010 are as follows:

(In € million)	
Not later than 2011	130
Later than 2011 and not later than 2015	364
Later than 2015	492
Total	**986**

34. Information about Financial Instruments

a) Financial Risk Management

By the nature of the activities carried out, EADS is exposed to a variety of financial risks, as explained below: i) market risks, especially foreign currency exchange rate risks, interest rate risks, equity price risks and commodity price risks, ii) liquidity risk and iii) credit risk. EADS' overall financial risk management programme focuses on mitigating unpredictable financial market risks and their potential adverse effects on the Group's operational and financial performance. The Group uses derivative financial instruments and, to a minor extent, non-derivative financial liabilities to hedge certain risk exposures.

The financial risk management of EADS is generally carried out by the Central Treasury department at EADS Headquarters under policies approved by the Board of Directors or by the Chief Financial Officer. The identification, evaluation and hedging of the financial risks is in the responsibility of established treasury committees with the Group's Divisions and Business Units.

Market Risk

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

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

Significant parts of EADS' revenues are denominated in US dollars, whereas a major portion of its costs is incurred in euros and to a smaller extent in GBP. Consequently, to the extent that EADS does not use financial instruments to cover its current and future foreign currency exchange rate exposure, its profits are affected by changes in the euro-US dollar exchange rate. As the Group intends to generate profits only from its operations and not through speculation on foreign currency exchange rate movements, EADS uses hedging strategies to manage and minimise the impact of exchange rate fluctuations on these profits.

For financial reporting purposes, EADS mostly designates a portion of the total firm future cash flows as the hedged position to cover its expected foreign currency exposure. Therefore, as long as the actual gross foreign currency cash inflows (per month) exceed the portion designated as being hedged, a postponement or cancellation of sales transactions and corresponding cash inflows have no impact on the hedging relationship. As hedging instruments, EADS primarily uses foreign currency forwards, foreign currency options, some synthetic forwards and at Airbus Commercial to a minor extent non-derivative financial liabilities.

EADS 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 if not designated as hedging instrument. In addition, EADS hedges currency risk arising from financial transactions in other currencies than euro, such as funding transactions or securities.

Interest rate risk — The Group uses an asset-liability management approach with the objective to limit its interest rate risk. The Group undertakes to match the risk profile of its assets with a corresponding liability structure. The remaining net interest rate exposure is managed through several types of interest rate derivatives in order to minimise risks and financial impacts. Hedging instruments that are specifically designated to debt instruments have at the maximum the same nominal amounts as well as the same maturity dates compared to the hedged item.

The cash and cash equivalents and securities portfolio of the Group is invested mainly in non-speculative financial instruments, mostly highly liquid, such as certificates of deposits, overnight deposits, commercial papers, other money market instruments and bonds. For this portfolio, EADS holds on a regular basis an Asset Management Committee which aims at limiting the interest rate risk on a fair value basis through a value-at-risk approach. EADS is investing in short-term instruments as well as in mid-term bonds in order to manage any interest rate risk in this portfolio. Any related interest rate hedges qualify for hedge accounting as either fair value hedges or cash flow hedges.

Commodity price risk — EADS is exposed to risk relating to fluctuations in the prices of commodities used in the supply chain. EADS manages these risks in the procurement process and to a minor extent uses derivative financial instruments in order to mitigate the risks associated with the purchase of raw materials.

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

Sensitivities of Market Risks — The approach used to measure and control market risk exposure within EADS' financial instrument portfolio is amongst other key indicators the value-at-risk ("VaR"). The VaR of a portfolio is the estimated potential loss that will not be exceeded on the portfolio over a specified period of time (holding period) from an adverse market movement with a specified confidence level. The VaR used by EADS is based upon a 95 percent confidence level and assumes a 5-day holding period. The VaR model used is mainly based on the so called "Monte-Carlo-Simulation" method. Deriving the statistical 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, commodity contracts, 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 five-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period;
- a 95 percent confidence level does not reflect losses that may occur beyond this level. Even within the model used there is a five percent statistical probability that losses could exceed the calculated VaR;
- the use of historical data as a basis for estimating the statistical behaviour of the relevant markets and finally determining the possible range of future outcomes out of this statistical behaviour may not always cover all possible scenarios, especially those of an exceptional nature.

The Group uses VaR amongst other key figures in order to determine the riskiness of its financial instrument portfolio and in order to optimise the risk-return ratio of its financial asset portfolio. Further, the Group's investment policy defines a VaR limit for the total portfolio of cash, cash equivalents and securities. The total VaR as well as the different risk-factor specific VaR figures of this portfolio are measured and serve amongst other measures as a basis for the decisions of the Asset Management Committee.

A summary of the VaR position of EADS' financial instruments portfolio at 31 December 2011 and 31 December 2010 is as follows:

(In € million)	Total VaR	Equity price VaR	Currency VaR	Commodity price VaR	Interest rate VaR
31 December 2011					
FX hedges for forecast transactions or firm commitments	1,249	0	1,264	0	128
Financing liabilities, financial assets (incl. cash, cash equivalents, securities and related hedges)	192	164	71	0	37
Finance lease receivables and liabilities, foreign currency trade payables and receivables	61	0	10	0	56
Commodity contracts	8	0	1	7	0
Diversification effect	(219)	0	(27)	0	(44)
All financial instruments	**1,291**	**164**	**1,319**	**7**	**177**
31 December 2010					
FX hedges for forecast transactions or firm commitments	1,203	0	1,230	0	160
Financing liabilities, financial assets (incl. cash, cash equivalents, securities and related hedges)	102	85	53	0	25
Finance lease receivables and liabilities, foreign currency trade payables and receivables	49	0	9	0	48
Diversification effect	(186)	0	(106)	0	(41)
All financial instruments	**1,168**	**85**	**1,186**	**0**	**192**

The increase of total VaR compared to 31 December 2010 is mainly attributed to an increase of the foreign exchange portfolio and an increase of the investment portfolio in comparison to year end 2010. 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 € 1,249 million (2010: € 1,203 million) cannot be considered as a risk indicator for the Group in the economic sense. Beginning with 2011, EADS started to use financial instruments to mitigate its exposure to commodity risk.

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 2011, the related total VaR amounts to €70 million (2010: €91 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 2011 and 2010, respectively) in addition to the cash inflow generated by its operating business. The liquid assets typically consist of cash and cash equivalents. In addition, the Group maintains a set of other funding sources. Depending on its cash needs and market conditions, EADS may issue bonds, notes and commercial papers. EADS continues to keep within the asset portfolio the focus on low counterparty risk, however, adverse changes in the capital markets could increase the Group's funding costs and limit its financial flexibility.

Further, the management of the vast majority of the Group's liquidity exposure is centralised by a daily cash concentration process. This process enables EADS to manage its liquidity surplus as well as its liquidity requirements according to the actual needs of its subsidiaries. In addition, Management monitors the Group's liquidity reserve as well as the expected cash flows from its operations based on a quarterly rolling cash forecast.

(In € million)	Carrying amount	Contractual cash flows	< 1 year	1 year-2 years	2 years-3 years	3 years-4 years	4 years-5 years	More than 5 years
31 December 2011								
Non-derivative financial liabilities	(15,742)	(16,512)	(11,513)	(314)	(610)	(340)	(1,567)	(2,168)
Derivative financial liabilities	(3,135)	(3,556)	(919)	(1,052)	(769)	(597)	(144)	(75)
Total	**(18,877)**	**(20,068)**	**(12,432)**	**(1,366)**	**(1,379)**	**(937)**	**(1,711)**	**(2,243)**
31 December 2010								
Non-derivative financial liabilities	(13,732)	(14,567)	(10,197)	(365)	(271)	(690)	(424)	(2,620)
Derivative financial liabilities	(2,930)	(2,517)	(781)	(695)	(527)	(314)	(226)	26
Total	**(16,662)**	**(17,084)**	**(10,978)**	**(1,060)**	**(798)**	**(1,004)**	**(650)**	**(2,594)**

The above table analyses EADS financial liabilities by relevant maturity groups based on the period they are remaining on EADS Consolidated Statement of Financial Position to the contractual maturity date.

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

Non-derivative financial liabilities comprise financing liabilities at amortised cost and finance lease liabilities as presented in the tables of Note 34b) "Carrying amounts and fair values of financial instruments". Due to their specific nature, namely their risk-sharing features and uncertainty about the repayment dates, the European Governments refundable advances are not included in the above mentioned table with an amount of €5,737 million (2010: €6,020 million).

Credit Risk

EADS is exposed to credit risk to the extent of non-performance by either its customers (*e.g.* airlines) or its counterparts with regard to financial instruments. However, the Group has policies in place to avoid concentrations of credit risk and to ensure that credit risk is limited.

As far as central treasury activities are concerned, credit risk resulting from financial instruments is managed on Group level. Counterparts for transactions on cash, cash equivalents and securities as well as for derivative transactions are limited to highly rated financial institutions, corporates or sovereigns. For such financial transactions EADS has set up a credit limit system to actively manage and limit its credit risk exposure. This limit system assigns maximum exposure lines to counterparts of financial transactions, taking into account the lowest of their credit ratings as published by Standard & Poors, Moody's and Fitch IBCA. Besides the credit rating, the limit system takes into consideration fundamental counterparty data, as well as sectoral and maturity allocations and further qualitative and quantitative criteria such as credit risk indicators. The credit exposure of EADS is reviewed on a regular basis and the respective limits are regularly monitored and updated. Further, EADS constantly aims for maintaining a certain level of diversification in its portfolio between individual counterparts as well as between financial institutions, corporates and sovereigns in order to avoid an increased concentration of credit risk on only a few counterparts.

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

European financial markets have recently experienced significant disruptions. Such disruptions affected the credit markets and created uncertainty regarding the near-term economic prospects of countries in the EU as well as the quality of loans to sovereign debtors and banks in the EU. There has also been an indirect impact on financial markets worldwide. If economic conditions in the relevant European countries or in Europe more generally were to deteriorate or if more pronounced market disruptions were to occur, there could be a new or incremental tightening in the credit markets, low liquidity and extreme volatility in credit, currency and equity markets. This could have a number of effects on EADS' business, including:

- continued de-leveraging as well as mergers and bankruptcies of banks or other financial institutions, resulting in a smaller universe of counterparties and lower availability of credit, which may in turn reduce the availability of bank guarantees needed by EADS for its businesses or restrict its ability to implement desired foreign currency hedges; and
- default of investment or derivative counterparties and other financial institutions, which could negatively impact EADS' treasury operations.

EADS' financial results could also be negatively affected depending on gains or losses realised on the sale or exchange of financial instruments, impairment charges resulting from revaluations of debt and equity securities and other investments, interest rates, cash balances and changes in fair value of derivative instruments.

Sales of products and services are made to customers after having conducted appropriate internal credit risk assessment. In order to support sales, primarily at Airbus Commercial and ATR, EADS may agree to participate in the financing of customers, on a case-by-case basis, directly or through guarantees provided to third parties. In determining the amount and terms of the financing transaction, Airbus Commercial and ATR take into account the airline's credit rating and economic factors reflecting the relevant financial market conditions, together with appropriate assumptions as to the anticipated future value of the financed asset.

The booked amount of financial assets represents the maximum credit exposure. The credit quality of financial assets can be assessed by reference to external credit rating (if available) or internal assessment of customers' (e.g. airlines') creditworthiness by way of internal risk pricing methods.

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

(In € million)	2011	2010
Receivables, neither past due nor impaired	4,984	6,011
Not past due to negotiations and not impaired	52	48
Receivables impaired individually	18	3
Receivables not impaired and past due ≤ 3 months	1,139	788
Receivables not impaired and past due > 3 and ≤ 6 months	314	343
Receivables not impaired and past due > 6 and ≤ 9 months	331	86
Receivables not impaired and past due > 9 and ≤ 12 months	233	144
Receivables not impaired and past due > 12 months	835	531
Total	**7,906**	**7,954**

b) Carrying Amounts and Fair Values of Financial Instruments

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

The following tables present the carrying amounts and fair values of financial instruments according to IAS 39 measurement categories as of 31 December 2011 and 2010 respectively:

31 December 2011 (In € million)	Fair Value through profit or loss		Fair Value for hedge relations	Available for Sale		Loans and Receivables and Financial liabilities at amortised cost		Other (3)	Financial Instruments Total	
Assets	Held for trading	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	-	-	-	-	-	1,296	1,296	432	1,728	1,728
• thereof at cost	-	-	-	279	(1)	-	-	-	279	(1)
• thereof Fair value via OCI	-	-	-	371	371	-	-	-	371	371
Current portion of other long-term financial assets	-	-	-	-	-	76	76	96	172	172
Non-current and current other financial assets	412	-	490	-	-	1,468	1,468	-	2,370	2,370
Trade receivables	-	-	-	-	-	6,399	6,399	-	6,399	6,399
Non-current and current securities	-	67	-	11,434	11,434	-	-	-	11,501	11,501
Cash and Cash Equivalents	-	365	-	2,842	2,842	2,077	2,077	-	5,284	5,284
Total	**412**	**432**	**490**	**14,926**	**14,647**	**11,316**	**11,316**	**528**	**28,104**	**27,825**
Liabilities										
Long-term and short-term financing liabilities	-	-	-	-	-	(4,920)	(5,180)	(184)	(5,104)	(5,364)
Non-current and current other financial liabilities	(131)	-	(3,060)	-	-	(6,689)	(6,689) (2)	-	(9,880)	(9,880)
Trade liabilities	-	-	-	-	-	(9,630)	(9,630)	-	(9,630)	(9,630)
Total	**(131)**	**-**	**(3,060)**	**-**	**-**	**(21,239)**	**(21,499)**	**(184)**	**(24,614)**	**(24,874)**

(1) Fair value is not reliably measurable.
(2) The European Governments refundable advances of €5,737 million are measured at amortised cost; a fair value cannot be measured reliably due to their risk sharing nature and uncertainty about the repayment dates. They may be reassessed as relating programmes approach the end of production.
(3) This includes finance lease receivables and finance lease liabilities, which are not assigned to a measurement category according to IAS 39. The carrying amounts of these receivables/payables approximate their fair values.

31 December 2010 (In € million)	Fair Value through profit or loss		Fair Value for hedge relations	Available for Sale		Loans and Receivables and Financial liabilities at amortised cost		Other [3]	Financial Instruments Total	
Assets	Held for trading	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	-	-	-	-	-	1,265	1,265	554	1,819	1,819
• thereof at cost	-	-	-	291	[1]	-	-	-	291	[1]
• thereof Fair value via OCI	-	-	-	276	276	-	-	-	276	276
Current portion of other long-term financial assets	-	-	-	-	-	38	38	73	111	111
Non-current and current other financial assets	313	-	752	-	-	1,381	1,381	-	2,446	2,446
Trade receivables	-	-	-	-	-	6,632	6,632	-	6,632	6,632
Non-current and current securities	-	297	-	10,869	10,869	-	-	-	11,166	11,166
Cash and Cash Equivalents	-	376	-	2,725	2,725	1,929	1,929	-	5,030	5,030
Total	**313**	**673**	**752**	**14,161**	**13,870**	**11,245**	**11,245**	**627**	**27,771**	**27,480**
Liabilities	Held for trading	Designated	Fair value	FV via OCI	At cost	Amortised Cost	Fair Value		Book Value	Fair Value
Long-term and short-term financing liabilities	-	-	-	-	-	(4,088)	(4,314)	(190)	(4,278)	(4,504)
Non-current and current other financial liabilities	(69)	-	(2,962)	-	-	(6,827)	(6,827) [2]	-	(9,858)	(9,858)
Trade liabilities	-	-	-	-	-	(8,546)	(8,546)	-	(8,546)	(8,546)
Total	**(69)**	**-**	**(2,962)**	**-**	**-**	**(19,461)**	**(19,687)**	**(190)**	**(22,682)**	**(22,908)**

(1) Fair value is not reliably measurable.
(2) The European Governments refundable advances of €6,020 million are measured at amortised cost; a fair value can not be measured reliably due to their risk sharing nature and uncertainty about the repayment dates. They may be reassessed as relating programmes approach the end of production.
(3) This includes finance lease receivables and finance lease liabilities, which are not assigned to a measurement category according to IAS 39. The carrying amounts of these receivables/payables approximate their fair values.

The fair value hierarchy consists of the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices that are observable for the asset or liability, either directly (*i.e.* as prices) or indirectly (*i.e.* derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data.

The following tables allocate the financial assets and liabilities measured at fair value to the three levels of the **fair value hierarchy** as of 31 December 2011 and 2010 respectively:

31 December 2011 (In € million)	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Financial assets measured at fair value through profit or loss	365	440	39	844
Derivative financial instruments for hedge relations	-	490	-	490
Available for Sale financial assets	11,649	2,998	-	14,647
Total	**12,014**	**3,928**	**39**	**15,981**
Financial liabilities measured at fair value				
Financial liabilities measured at fair value through profit or loss	-	(131)	-	(131)
Financial instruments for hedge relations	-	(3,004)	(56)	(3,060)
Total	**-**	**(3,135)**	**(56)**	**(3,191)**

The development of financial instruments of Level 3 is as follows:

Financial assets and liabilities on Level 3	Balance at 1 January 2011	Total gains or losses in profit or loss	Total gains or losses in Other comprehensive income	Purchases	Issues	Settlements	Transfer to liabilities	Balance at 31 December 2011
Financial assets								
Financial assets measured at fair value through profit or loss	-	39	-	-	-	-	-	39
Financial liabilities								
Financial instruments for hedge relations	(101)	(5)	(1)	-	-	51	-	(56)

31 December 2010 (In € million)	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Financial assets measured at fair value through profit and loss	376	610	-	986
Derivative financial instruments for hedge relations	-	752	-	752
Available for Sale financial assets	9,189	4,681	-	13,870
Total	**9,565**	**6,043**	**-**	**15,608**
Financial liabilities measured at fair value				
Financial liabilities measured at fair value through profit and loss	-	(69)	-	(69)
Financial instruments for hedge relations	-	(2,861)	(101)	(2,962)
Total	**-**	**(2,930)**	**(101)**	**(3,031)**

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 judgemental and involve various limitations like estimates as of 31 December 2011 and 2010, which are not necessarily indicative of the amounts that the Company would record upon further disposal/termination of the financial instruments. Unquoted other investments are measured at cost as their fair value is not reliably determinable.

The methodologies used are as follows:

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

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

Currency, Interest Rate and Commodity 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 2011 and 2010. EADS determines the fair values of derivative financial instruments using recognised valuation techniques such as option-pricing models and discounted cash flow models. The valuation is based on market data such as currency rates, interest rates and credit spreads as well as price and rate volatilities obtained from recognized vendors of market data.

Financial markets disruptions witnessed in recent years have been accompanied with dissolving of no-arbitrage relations, which impact the fair values of the financial instruments held by EADS. For this reason per year-end 2011, the Group changed the approach for the estimate of fair values of currency forwards and swaps from the zero coupon method towards the currency forward rate based par method. This represents a change of accounting estimate as defined in IAS 8.5. The zero coupon method derives forward exchange rates from differences in the relevant interest yield curves of the currencies involved and was used as a proxy for the forward rate based par method that uses quoted forward points, rather than interest rate quotes, to obtain forward exchange rates. In effect, had the Group applied the interest-rate differential method as of year-end 2011, total unrealised loss recognised in AOCI, net of tax, would have increased by €0.6 billion. The effect from using a refined fair value measure will reverse in AOCI over the life of the currency forwards and swaps outstanding at year end 2011.

The fair value of ***financing liabilities*** as of 31 December 2011 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 2011 and 2010 respectively are designated at fair value through profit or loss:

(In € million)	Nominal amount at initial recognition as of 31 December 2011	Fair value as of 31 December 2011	Nominal amount at initial recognition as of 31 December 2010	Fair value as of 31 December 2010
Designated at fair value through profit or loss at recognition:				
Money Market Funds (accumulating)	365	365	376	376
Foreign currency Funds of Hedge Funds	19	17	275	247
Uncapped Structured Interest Rate Notes	50	50	50	50
Total	**434**	**432**	**701**	**673**

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

In addition, EADS invests in Money Market Funds paying interest on a monthly basis. The fair value of those funds corresponds to their nominal amount at initial recognition date amounting to €2,609 million (2010: €2,281 million).

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

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

c) Notional Amounts of Derivative Financial Instruments

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

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

Year ended 31 December 2011	Remaining period								
(In € million)	2012	2013	2014	2015	2016	2017	2018	2019+	Total
Foreign Exchange Contracts:									
Net forward sales contracts	13,457	14,707	12,916	8,567	2,359	(92)	(235)	(275)	**51,404**
Foreign Exchange Options:									
Purchased USD call options	1,525	415	0	0	0	0	0	0	**1,940**
Purchased USD put options	2,814	1,222	0	0	0	0	0	0	**4,036**
Written USD call options	2,723	1,236	0	0	0	0	0	0	**3,959**
FX swap contracts	4,821	130	225	0	228	0	0	0	**5,404**

Year ended 31 December 2010	Remaining period								
(In € million)	2011	2012	2013	2014	2015	2016	2017	2018+	Total
Foreign Exchange Contracts:									
Net forward sales contracts	12,054	12,166	10,353	7,003	4,057	125	49	(365)	**45,442**
Foreign Exchange Options:									
Purchased USD call options	728	1,230	402	0	0	0	0	0	**2,360**
Purchased USD put options	2,122	2,585	402	0	0	0	0	0	**5,109**
Written USD call options	2,122	2,585	402	0	0	0	0	0	**5,109**
FX swap contracts	2,679	35	130	225	0	0	0	0	**3,069**

The notional amounts of interest rate contracts are as follows:

Year ended 31 December 2011 (In € million)	Remaining period										
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021 +	Total
Interest Rate Contracts	230	1,073	1,330	983	1,507	142	610	1,157	0	922	**7,954**

Please also refer to Note 26 “Financing Liabilities”.

Year ended 31 December 2010 (In € million)	Remaining period										
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 +	Total
Interest Rate Contracts	431	188	516	373	163	1,090	109	606	1,229	58	**4,763**

Notional amounts of commodity contracts:

Year ended 31 December 2011 (In € million)	Remaining period			
	2012	2013	2014	Total
Commodity contracts	283	104	6	**393**

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 2011 and 2010:

31 December 2011 Interest rate in %	EUR	USD	GBP
6 months	1.82	0.93	1.45
1 year	2.15	1.35	1.96
5 years	1.73	1.21	1.57
10 years	2.37	2.03	2.31

31 December 2010 Interest rate in %	EUR	USD	GBP
6 months	1.20	0.54	1.23
1 year	1.48	0.85	1.53
5 years	2.48	2.17	2.65
10 years	3.31	3.35	3.57

The development of the foreign exchange rate hedging instruments recognised in AOCI as of 31 December 2011 and 2010 is as follows:

(In € million)	Equity attributable to equity owners of the parent	Non-controlling interests	Total
1 January 2010	**828**	**2**	**830**
Unrealised gains and losses from valuations, net of tax	(2,090)	(1)	(2,091)
Transferred to profit or loss for the period, net of tax	(111)	0	(111)
Changes in fair values of hedging instruments recorded in AOCI, net of tax	(2,201)	(1)	(2,202)
31 December 2010 / 1 January 2011	**(1,373)**	**1**	**(1,372)**
Unrealised gains and losses from valuations, net of tax	(276)	1	(275)
Transferred to profit or loss for the period, net of tax	(124)	0	(124)
Changes in fair values of hedging instruments recorded in AOCI, net of tax	(400)	1	(399)
31 December 2011	**(1,773)**	**2**	**(1,771)**

In the year 2011 an amount of € 171 million (in 2010: € 201 million) was reclassified from equity mainly to revenues resulting from matured cash flow hedges. No material ineffectiveness arising from hedging relationship has been determined.

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

	31 December 2011		31 December 2010	
(In € million)	Assets	Liabilities	Assets	Liabilities
Foreign currency contracts – Cash Flow Hedges	233	(2,742)	603	(2,617)
Foreign currency contracts – not designated in a hedge relationship	361	(55)	202	(64)
Interest rate contracts – Cash Flow Hedges	0	(61)	0	(15)
Interest rate contracts – Fair Value Hedges	257	(116)	149	(138)
Interest rate contracts – not designated in a hedge relationship	0	(19)	0	0
Commodity contracts – not designated in a hedge relationship	39	(28)	0	0
Embedded foreign currency derivatives – Cash Flow Hedges	0	(85)	0	(91)
Embedded foreign currency derivatives – not designated in a hedge relationship	0	(29)	12	(5)
Total	**890**	**(3,135)**	**966**	**(2,930)**

e) Net gains or losses

EADS net gains or (losses) recognised in profit or loss in 2011 and 2010 respectively are as follows:

(In € million)	2011	2010
Financial assets or financial liabilities at fair value through profit or loss:		
Held for trading	71	35
Designated on initial recognition	4	22
Loans and receivables	19	(123)
Financial liabilities measured at amortised cost	105	97

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

Net gains or (losses) of loans and receivables contain among others impairment losses.

Net gains or (losses) of € -20 million (2010: €+12 million) are recognised directly in equity relating to available-for-sale financial assets.

In 2011, the net gains or (losses) of financial liabilities measured at amortised cost include among others the gains from the release of European government refundable advances due to the termination of the A340 programme (see Note 27 "Other financial liabilities").

f) Total interest income and total interest expenses

In 2011, the total interest income amounts to € 372 million (in 2010: € 309 million) for financial assets which are not measured at fair value through profit or loss. For financial liabilities which are not measured at fair value through profit or loss € -364 million (in 2010: € -415 million) are recognised as total interest expenses. Both amounts are calculated by using the effective interest method.

g) Impairment losses

The following impairment losses on financial assets are recognised in profit or loss in 2011 and 2010 respectively:

(In € million)	2011	2010
Available-for-sale financial assets	(12)	(39)
Loans and receivables	(156)	(60)
Other [1]	(2)	(6)
Total	**(170)**	**(105)**

(1) Concerns finance lease receivables.

35. Share-Based Payment

a) Stock Option Plans (SOP) and Long-Term Incentive Plans (LTIP)

Based on the authorisation given to it by the Shareholders' Meetings (see dates below), the Group's Board of Directors approved (see dates below) stock option plans in 2006, 2005, 2004, 2003, 2002 and 2001. These plans provide to the Members of the Executive Committee as well as to the Group's senior management the grant of options for the purchase of EADS shares.

For all of EADS' Stock Option Plans, the granted exercise price was exceeding the share price at grant date.

In 2011, 2010, 2009, 2008 and 2007, 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 2011, compensation expense for Long-Term Incentive Plans was recognised for an amount of € 99 million (in 2010 for Long-Term Incentive Plan and Stock Option: € 47 million). The fair value of units granted per vesting date is as follows (LTIP plan 2011):

In € (per unit granted) Expected vesting date	FV of restricted and performance units to be settled in cash
May 2015	23.25
November 2015	23.12
May 2016	23.00
November 2016	22.87

As of 31 December 2011 provisions of € 160 million (2010: € 61 million) relating to LTIP have been recognised.

The lifetime of the performance and restricted units (2011) is contractually fixed (see within the description of the "thirteenth tranche"). The measurement is based on an Option Pricing Model which is, next to other market data, mainly affected by the share price as of the end of the reporting period (€ 24.15 as of 31 December 2011) and the lifetime of the units.

The principal characteristics of the options as well as performance and restricted units as at 31 December 2011 are summarized in the various tables below:

	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	-	1,593,543
Total number of eligible employees	1,650	1,562
Exercise date	50% of options may be exercised after a period of two years and four weeks from the date of grant of the options; 50% of options may be exercised as of the third anniversary of the date of grant of the options (subject to specific provisions contained in the Insider Trading Rules — see "Part 2/3.1.3 Governing Law — Dutch Regulations").	
Expiry date	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	5,058,674

	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	3,165,988	5,269,000
Total number of eligible employees	1,491	1,495
Exercise date	50% of options may be exercised after a period of two years and four weeks from the date of grant of the options; 50% of options may be exercised as of the third anniversary of the date of grant of the options (subject to specific provisions contained in the Insider Trading Rules — see "Part 2/3.1.3 Governing Law — Dutch Regulations").	
Expiry date	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	3,771,068	5,900

(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	5,800,678
Total number of eligible beneficiaries	1,608
Exercise date	50% of options may be exercised after a period of two years from the date of grant of the options; 50% of options may be exercised as of the third anniversary of the date of grant of the options (subject to specific provisions contained in the Insider Trading Rules — see "Part 2/3.1.3 Governing Law — Dutch Regulations"). As regards to the seventh tranche, part of the options granted to the top EADS Executives are performance related.
Expiry date	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.

	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	1,639,500
Total number of eligible beneficiaries	221
Date from which the options may be exercised	50% of options may be exercised after a period of two years from the date of grant of the options; 50% of options may be exercised as of the third anniversary of the date of grant of the options (subject to specific provisions contained in the Insider Trading Rules — see "Part 2/3.1.3 Governing Law — Dutch Regulations").
Date of expiration	16 December 2016
Conversion right	One option for one share
Vested	100%
Exercise price	€25.65
Exercise price conditions	110% of fair market value of the shares at the date of grant
Number of exercised options	0

		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	0	234,508
Total number of eligible beneficiaries		1,617
Vesting dates		The restricted units will vest if the participant is still employed by an EADS company at the respective vesting dates. Vesting schedule is made up of 4 payments over two years: • 25% in May 2011; • 25% in November 2011; • 25% expected in May 2012; • 25% expected in November 2012.
Number of vested units	4,240	241,352

		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
Number of units outstanding	2,104,820	761,420
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 two years: • 25% expected in May 2012; • 25% expected in November 2012; • 25% expected in May 2013; • 25% expected in November 2013.
Number of vested units	5,600	3,780

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

		Eleventh tranche
Date of Board of Directors meeting (grant date)		13 November 2009
	Performance and restricted unit plan	
	Performance units	Restricted units
Number of units granted*	2,697,740	928,660
Number of units outstanding	2,612,380	910,360
Total number of eligible beneficiaries		1,749
Vesting dates		The performance and restricted units will vest if the participant is still employed by an EADS company at the respective vesting dates and, in the case of performance units, upon achievement of mid-term business performance. Vesting schedule is made up of 4 payments over two years: • 25% expected in May 2013; • 25% expected in November 2013; • 25% expected in May 2014; • 25% expected in November 2014.
Number of vested units	7,850	3,400

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

		Twelfth tranche
Date of Board of Directors meeting (grant date)		10 November 2010
	Performance and restricted unit plan	
	Performance units	**Restricted units**
Number of units granted*	2,891,540	977,780
Number of units outstanding	2,843,440	956,400
Total number of eligible beneficiaries		1,711
Vesting dates	The performance and restricted units will vest if the participant is still employed by an EADS company at the respective vesting dates and, in the case of performance units, upon achievement of mid-term business performance. Vesting schedule is made up of 4 payments over two years: • 25% expected in May 2014; • 25% expected in November 2014; • 25% expected in May 2015; • 25% expected in November 2015.	
Number of vested units	0	0

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

		Thirteenth tranche
Date of Board of Directors meeting (grant date)		9 November 2011
	Performance and restricted unit plan	
	Performance units	**Restricted units**
Number of units granted*	2,588,950	877,750
Number of units outstanding	2,588,950	877,750
Total number of eligible beneficiaries		1,771
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 two years: • 25% expected in May 2015; • 25% expected in November 2015; • 25% expected in May 2016; • 25% expected in November 2016.	
Number of vested units	0	0

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

The following table summarises the development of the number of stock options, shares as well as units:

	Number of Options				
Third Tranche	Options granted	Balance at 1 January	Exercised	Forfeited	Balance at 31 December
2001	8,524,250	-	-	(597,825)	7,926,425
2002	-	7,926,425	-	-	7,926,425
2003	-	7,926,425	-	(107,700)	7,818,725
2004	-	7,818,725	-	(328,500)	7,490,225
2005	-	7,490,225	(2,069,027)	(132,475)	5,288,723
2006	-	5,288,723	(1,421,804)	(10,400)	3,856,519
2007	-	3,856,519	(2,000)	(81,350)	3,773,169
2008	-	3,773,169	-	(273,250)	3,499,919
2009	-	3,499,919	-	(200,260)	3,299,659
2010	-	3,299,659	-	(267,900)	3,031,759
2011		3,031,759	-	(3,031,759)	0

	Number of Options				
Fourth Tranche	Options granted	Balance at 1 January	Exercised	Forfeited	Balance at 31 December
2002	7,276,700	-	-	(600)	7,276,100
2003	-	7,276,100	-	(70,125)	7,205,975
2004	-	7,205,975	(262,647)	(165,500)	6,777,828
2005	-	6,777,828	(2,409,389)	(9,250)	4,359,189
2006	-	4,359,189	(1,443,498)	(3,775)	2,911,916
2007	-	2,911,916	(189,532)	(15,950)	2,706,434
2008	-	2,706,434	-	(159,313)	2,547,121
2009	-	2,547,121	-	(87,845)	2,459,276
2010	-	2,459,276	(88,881)	(86,925)	2,283,470
2011		2,283,470	(664,727)	(25,200)	1,593,543

	Number of Options				
Fifth Tranche	Options granted	Balance at 1 January	Exercised	Forfeited	Balance at 31 December
2003	7,563,980	-	-	-	7,563,980
2004	-	7,563,980	(9,600)	(97,940)	7,456,440
2005	-	7,456,440	(875,525)	(87,910)	6,493,005
2006	-	6,493,005	(1,231,420)	(31,620)	5,229,965
2007	-	5,229,965	(386,878)	(24,214)	4,818,873
2008	-	4,818,873	(14,200)	(75,080)	4,729,593
2009	-	4,729,593	-	(113,740)	4,615,853
2010	-	4,615,853	(208,780)	(168,120)	4,238,953
2011		4,238,953	(1,044,665)	(28,300)	3,165,988

	Number of Options				
Sixth Tranche	Options granted	Balance at 1 January	Exercised	Forfeited	Balance at 31 December
2004	7,777,280	-	-	-	7,777,280
2005	-	7,777,280	-	(78,220)	7,699,060
2006		7,699,060	(2,400)	(96,960)	7,599,700
2007	-	7,599,700	-	(1,358,714)	6,240,986
2008	-	6,240,986	-	(183,220)	6,057,766
2009	-	6,057,766	-	(41,060)	6,016,706
2010	-	6,016,706	-	(419,680)	5,597,026
2011		5,597,026	(3,500)	(324,526)	5,269,000

	Number of Options				
Seventh Tranche	Options granted	Balance at 1 January	Exercised	Forfeited	Balance at 31 December
2005	7,981,760	-	-	-	7,981,760
2006	-	7,981,760	-	(74,160)	7,907,600
2007	-	7,907,600	-	(142,660)	7,764,940
2008	-	7,764,940	-	(1,469,989)	6,294,951
2009	-	6,294,951	-	(49,520)	6,245,431
2010	-	6,245,431	-	(149,040)	6,096,391
2011		6,096,391	-	(295,713)	5,800,678

	Number of Options				
Eighth Tranche	Options granted	Balance at 1 January	Exercised	Forfeited	Balance at 31 December
2006	1,747,500	-	-	-	1,747,500
2007	-	1,747,500	-	(5,500)	1,742,000
2008	-	1,742,000	-	(64,000)	1,678,000
2009	-	1,678,000	-	(11,000)	1,667,000
2010	-	1,667,000	-	(16,500)	1,650,500
2011		1,650,500	-	(11,000)	1,639,500
Total options for all Tranches	**40,871,470**	**22,898,099**	**(12,328,473)**	**(11,074,288)**	**17,468,709**

	Number of Units				
Ninth Tranche	Units granted	Balance at 1 January	Vested	Forfeited	Balance at 31 December
Performance units in 2007	1,693,940	-	-	-	1,693,940
Performance units in 2008	-	1,693,940	(1,680)	(38,760)	1,653,500
Performance units in 2009	-	1,653,500	(840)	(18,560)	1,634,100
Performance units in 2010	-	1,634,100	(1,720)	(29,100)	1,603,280
Performance units in 2011		1,603,280	-	(1,603,280)	0
Restricted units in 2007	506,060	-	-	-	506,060
Restricted units in 2008	-	506,060	-	(9,800)	496,260
Restricted units in 2009	-	496,260	-	(2,940)	493,320
Restricted units in 2010	-	493,320	(640)	(5,960)	486,720
Restricted units in 2011		486,720	(240,712)	(11,500)	234,508
Total units	**2,200,000**	**2,090,000**	**(245,592)**	**(1,719,900)**	**234,508**

Tenth Tranche	Number of Units				
	Units granted	Balance at 1 January	Vested	Forfeited	Balance at 31 December
Performance units in 2008	2,192,740	-	-	-	2,192,740
Performance units in 2009	-	2,192,740	(1,120)	(21,280)	2,170,340
Performance units in 2010	-	2,170,340	(2,520)	(29,120)	2,138,700
Performance units in 2011		2,138,700	(1,960)	(31,920)	2,104,820
Restricted units in 2008	801,860	-	-	-	801,860
Restricted units in 2009	-	801,860	-	(6,480)	795,380
Restricted units in 2010	-	795,380	(2,940)	(10,480)	781,960
Restricted units in 2011		781,960	(840)	(19,700)	761,420
Total units	**2,994,600**	**2,920,660**	**(9,380)**	**(118,980)**	**2,866,240**

Eleventh Tranche	Number of Units				
	Units granted	Balance at 1 January	Vested	Forfeited	Balance at 31 December
Performance units in 2009	2,697,740	-	-	-	2,697,740
Performance units in 2010	-	2,697,740	(4,250)	(29,400)	2,664,090
Performance units in 2011		2,664,090	(3,600)	(48,110)	2,612,380
Restricted units in 2009	928,660	-	-	-	928,660
Restricted units in 2010	-	928,660	(400)	(1,400)	926,860
Restricted units in 2011		926,860	(3,000)	(13,500)	910,360
Total units	**3,626,400**	**3,590,950**	**(11,250)**	**(92,410)**	**3,522,740**

Twelfth Tranche	Number of Units				
	Units granted	Balance at 1 January	Vested	Forfeited	Balance at 31 December
Performance units in 2010	2,891,540	-	-	(1,400)	2,890,140
Performance units in 2011		2,890,140	-	(46,700)	2,843,440
Restricted units in 2010	977,780	-	-	(460)	977,320
Restricted units in 2011		977,320	-	(20,920)	956,400
Total units	**3,869,320**	**3,867,460**	**-**	**(69,480)**	**3,799,840**

Thirteenth Tranche	Number of Units				
	Units granted	Balance at 1 January	Vested	Forfeited	Balance at 31 December
Performance units in 2011	2,588,950		-	-	2,588,950
Restricted units in 2011	877,750		-	-	877,750
Total units	**3,466,700**		**-**	**-**	**3,466,700**

b) Employee Stock Ownership Plan (ESOP)

In 2011, the Board of Directors approved an additional ESOP as in previous years. For the 2011 ESOP, eligible employees were able to purchase a fixed number of previously unissued shares at fair value (10, 30, 50, 100, 200 or 400 shares). EADS matched each fixed number of shares with a number of free EADS shares based on a determining ratio (10, 20, 30, 43, 67 and 107 free shares, respectively). During a lockup period of at least one year or, provided the purchase took place in the context of a mutual fund (regular saving plan), of five years, employees are restricted from selling the shares, but have the right to receive all dividends paid. Employees who purchased directly EADS shares have in addition the ability to vote at the annual Shareholder Meetings. The subscription price was equal to the opening price at the Paris stock exchange on 3 June 2011 and amounted to €21.49. Investing through the mutual fund led to a price which was the higher of the subscription price or the average opening price at the Paris stock during the 20 trading days immediately preceding 3 June 2011, resulting in a price of €22.15. EADS issued and sold 2,445,527 ordinary shares with a nominal value of €1.00 in total. Compensation expense of €15 million (in 2010: €21 million) was recognised in connection with ESOP.

In 2010, the normal ESOP plan was replaced through a worldwide 10 years EADS – Special Anniversary Free Share Plan for about 118,000 employees in 29 countries. Each eligible employee was granted 10 free shares in EADS, resulting in the distribution of 1,184,220 shares in total. Such shares were bought from the capital market and therefore had no impact on the issued share capital. This exceptional free share grant was implemented in order to celebrate the initial public offering of EADS ten years ago and to strengthen each employee's sense of belonging to EADS.

36. Related Party Transactions

Related parties — The Group has entered into various transactions with related companies in 2011 and 2010 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 government and its related entities, Daimler AG, Lagardère and the Spanish government (SEPI). Except for the transactions with the French and Spanish government and the transaction with the Daimler AG mentioned below, the transactions are not considered material to the Group either individually or in the aggregate. The transactions with the French government include mainly sales from Eurocopter, Astrium, Cassidian and Airbus Military for programmes like Tiger, M51/M45 ballistic missiles, SCALP naval cruise missiles and A400M. The transactions with the Spanish government include mainly sales from Airbus Military and Cassidian 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 2011:

(In € million)	Sales of goods and services and other income in 2011	Purchases of goods and services and other expense in 2011	Receivables due as of 31 December 2011	Payables due as of 31 December 2011	Other Liabilities/ Loans received as of 31 December 2011 (1)
French government	1,252	139	1,484	0	2,351
Spanish government (SEPI)	63	0	67	0	535
Daimler AG	2	16	1	3	0
Lagardère group	0	6	0	0	0
Total transactions with shareholder	**1,317**	**161**	**1,552**	**3**	**2,886**
Total transactions with French government related entities	**714**	**509**	**92**	**151**	**0**
Total transactions with joint ventures	**2,110**	**39**	**723**	**18**	**1,526**
Total transactions with associates	**1,005**	**25**	**339**	**14**	**0**

(1) Including European Governments refundable advances from the French and Spanish government.

As of 31 December 2011, EADS granted guarantees to the Spanish State in the amount of €181 million mainly relating to advance payments received and performance bonds and in the amount of €334 million to Air Tanker group in the UK, a loan to Daher-Socata SA in the amount of €24 million and as well as a loan to OnAIR B.V. in the amount of €23 million.

Regarding the acquisition of 25% in DADC Luft- und Raumfahrt Beteiligungs AG, Munich (Germany) from Daimler AG, please refer to Note 4 “Acquisitions and Disposals”.

The following table discloses the related party transactions on a full EADS’ share as of 31 December 2010:

(In € million)	Sales of goods and services and other income in 2010	Purchases of goods and services and other expense in 2010	Receivables due as of 31 December 2010	Payables due as of 31 December 2010	Other Liabilities/ Loans received as of 31 December 2010 (1)
French government	1,365	102	1,021	6	2,665
Spanish government (SEPI)	53	0	24	0	221
Daimler AG	3	14	1	3	0
Lagardère group	0	0	0	0	15
Total transactions with shareholder	**1,421**	**116**	**1,046**	**9**	**2,901**
Total transactions with joint ventures	**2,002**	**21**	**816**	**14**	**1,394**
Total transactions with associates	**815**	**30**	**330**	**11**	**0**

(1) Including European Governments refundable advances from the French and Spanish State.

As of 31 December 2010, EADS granted guarantees to the Spanish government in the amount of €211 million mainly relating to advance payments received and performance bonds and in the amount of €325 million to Air Tanker group in the UK as well as a loan to Daher-Socata SA in the amount of €24 million.

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:

2011	Compensation expense	Pension	
(In € million)		Defined benefit obligation (1)	Pension expense (2)
Non-Executive Board Members (3)	1.6	-	-
Executive Board Member (4)	3.0	2.9	0.6
Other Executive Committee Members (5)	17.0	32.0	3.1

(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 2011.
(3) Non-Executive Board Members in office as at 31 December 2011.
(4) The Chief Executive Officer was the sole Executive Board Member in office as at 31 December 2011.
(5) Executive Board Members in office as at 31 December 2011, including specific exceptional bonus if any and EADS NV compensation.

2010	Compensation expense	Pension	
(In € million)		Defined benefit obligation (1)	Pension expense (2)
Non-Executive Board Members (3)	1.7	-	-
Executive Board Member (4)	2.6	2.3	0.6
Other Executive Committee Members (5)	15.7	27.0	2.7

(1) Amount of the net pension defined benefit obligation.
(2) Aggregated amount of current service and interest costs related to the defined benefit obligation accounted for during fiscal year 2010.
(3) Non-Executive Board Members in office as at 31 December 2010.
(4) The Chief Executive Officer was the sole Executive Board Member in office as at 31 December 2010.
(5) Executive Board Members in office as at 31 December 2010, including specific exceptional bonus if any and EADS NV compensation.

Additionally, performance units granted in 2011 to the Chief Executive Officer and to the other Executive Committee Members represented 356,350 units.

The amounts detailed above do neither comprise the termination package nor the estimated cost of long-term incentives granted to Executive Committee Members.

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

EADS has not provided any loans to / advances to / guarantees on behalf of Directors, former Directors or Executive Committee Members except for salary and reimbursement advances and an undertaking to potentially assume certain legal defence costs for certain of its Executive Committee Members in relation with certain regulatory or judicial proceedings.

The Executive Committee Members are furthermore entitled to a termination indemnity when the departure results from a decision by the Company. The maximum termination indemnity comprises 18 months of an annual total target salary.

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

Under the LTIP 2011, the Chief Executive Officer, as well as all Executive Committee Members will have to own EADS shares equal to a minimum of 20% of the number of vested units until the end of their mandate.

The Company grants the Members of the Executive Committee appropriate insurance coverage, in particular D&O insurance.

Executive Committee Members are also entitled to a company car.

37. Interest in Joint Ventures

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

The following amounts represent the Group's proportional share of the assets, liabilities, income and expenses of the significant joint ventures (MBDA, Atlas, ATR and since 2011 also including Signalis and Emiraje Systems) in aggregate:

(In € million)	2011	2010
Non-current assets	564	528
Current assets	3,049	2,989
Non-current liabilities	490	437
Current liabilities	2,607	2,608
Revenues	1,876	1,783
Profit for the period	154	144

The Group's proportional share in contingent liabilities of these joint ventures as of 31 December 2011 amounts in aggregate to €391 million (2010: €333 million).

38. Earnings per Share

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

	2011	2010	2009
Profit (loss) for the period attributable to equity owners of the parent (Net income (loss))	€1,033 million	€553 million	€(763) million
Weighted average number of ordinary shares	812,507,288	810,693,339	809,698,631
Basic earnings (losses) per share	€1.27	€0.68	€(0.94)

Diluted earnings per share – For the calculation of the diluted earnings per share, the weighted average number of ordinary shares is adjusted to assume conversion of all potential ordinary shares. After the end of the vesting period of the performance and restricted shares granted under the 8th tranche, the Group's only remaining category of dilutive potential ordinary shares is stock options. In 2011, the average share price of EADS exceeded the exercise price of the 4th and the 5th stock option plan (in 2010: the 5th stock option plan, in 2009: none of the stock option plans). Hence, 1,194,624 shares related to stock options (in 2010: 242,591 shares, in 2009: no shares) were considered in the calculation of diluted earnings per share. Since the average price of EADS shares during 2009 exceeded the price for performance and restricted shares, 1,491,482 shares related to performance and restricted shares granted under the 8th tranche were considered in the calculation of the year 2009.

	2011	2010	2009
Profit (loss) for the period attributable to equity owners of the parent (Net income (loss))	€ 1,033 million	€ 553 million	€ (763) million
Weighted average number of ordinary shares (diluted)	813,701,912	810,935,930	811,190,113
Diluted earnings (losses) per share	€ 1.27	€ 0.68	€ (0.94)

39. Number of Employees

The number of employees at 31 December 2011 is 133,115 as compared to 121,691 at 31 December 2010.

40. Events after the Reporting Date

On 15 February 2012, Airbus, EADS EFW and ST Aerospace, a subsidiary of ST Engineering based in Singapore (Singapore), signed a Heads of Agreement for a strategic partnership to develop the A330 Passenger-to-Freighter (P2F) conversion programme. For this conversion programme, ST Aerospace is expected to lead the A330P2F engineering development, while EADS EFW will subsequently be responsible for this conversion programme during the industrial phase and will undertake most of the conversions at its facilities in Dresden, Germany. Under the agreement it is also planned that EADS EFW will become the European center for ST Aerospace's global maintenance, repair and overhaul operations.

These Consolidated Financial Statements have been authorised for issuance by the Board of Directors on 7 March 2012.

2.6 Appendix "Information on Principal Investments" — Consolidation Scope

2011	%	2010	%	Company	Head office
Airbus Commercial					
F	100.00	F	100.00	AD Grundstückgesellschaft mbH & Co. KG	Pullach i. Isartal (Germany)
F	100.00	F	100.00	Aerolia S.A.S.	Toulouse (France)
F	100.00	F	100.00	AFS Cayman 11 Ltd.	Cayman Islands
F	100.00	F	100.00	AIFS (Cayman) Ltd.	Cayman Islands
F	100.00	F	100.00	AIFS Cayman Liquidity Ltd.	Cayman Islands
F	100.00	F	100.00	AIFS Leasing Company Ltd.	Dublin (Ireland)
F	70.00	F	70.00	Airbus (Beijing) Engineering Centre Company Limited	Beijing (China)
F	100.00			Airbus (China) Enterprise Management & Services Company Ltd.	Beijing (China)
F	100.00	F	100.00	Airbus (TIANJIN) Delivery Center Ltd.	Tianjin (China)
P	51.00	P	51.00	Airbus (TIANJIN) Final Assembly Company Ltd.	Tianjin (China)
P	51.00	P	51.00	Airbus (TIANJIN) Jigs & Tools Company Ltd.	Tianjin (China)
F	100.00	F	100.00	Airbus Americas Sales, Inc.	Herndon, VA (USA)
F	100.00	F	100.00	Airbus Americas Customer Services, Inc.	Herndon, VA (USA)
F	100.00	F	100.00	Airbus Americas Engineering, Inc.	Herndon, VA (USA)
F	100.00	F	100.00	Airbus Americas, Inc.	Herndon, VA (USA)
F	100.00	F	100.00	Airbus China Ltd.	Hong Kong (China)
F	100.00	F	100.00	Airbus Corporate Jet Centre S.A.S. (ACJC)	Toulouse (France)
F	100.00			Airbus Denmark Holdings ApS	Copenhagen (Denmark)
F	100.00	F	100.00	Airbus Financial Service Unlimited	Dublin (Ireland)
E	50.00	E	50.00	Airbus Freighter Conversion GmbH	Dresden (Germany)
F	100.00	F	100.00	Airbus Invest	Blagnac (France)
F	100.00			Airbus Invest II S.A.S.	Blagnac (France)
F	100.00	F	100.00	Airbus Operations GmbH	Hamburg (Germany)
F	100.00	F	100.00	Airbus Operations Ltd.	Filton (United Kingdom)
F	100.00	F	100.00	Airbus Operations S.A.S.	Toulouse (France)
F	100.00	F	100.00	Airbus Operations S.L.	Madrid (Spain)
F	100.00			Airbus Prosky S.A.S.	Blagnac (France)
F	100.00	F	100.00	Airbus Real Estate Premium AEROTEC Nord GmbH & Co. KG	Pullach i. Isartal (Germany)
F	100.00	F	100.00	Airbus S.A.S	Blagnac (France)
F	100.00	F	100.00	Airbus Transport International S.N.C. (ATI)	Blagnac (France)
E	18.18	E	18.18	Aviateur Capital Ltd.	Dublin (Ireland)
F	100.00	F	100.00	Aviateur Finance Ltd.	Dublin (Ireland)
F	100.00	F	100.00	Aviateur International Ltd.	Dublin (Ireland)
F	100.00	F	100.00	Aviateur Leasing Ltd.	Dublin (Ireland)
E	33.33			Blue Sky Alliance GmbH	Kaltenkirchen (Germany)
F	100.00	F	100.00	CIMPA GmbH	Hamburg (Germany)
F	100.00	F	100.00	CIMPA Ltd.	Bristol (United Kingdom)
F	100.00	F	100.00	CIMPA S.A.S.	Blagnac (France)

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	2011	%	2010	%	Company	Head office
	F	100.00	F	100.00	CTC GmbH	Stade (Germany)
	F	100.00	F	100.00	EADS Real Estate Premium AEROTEC Augsburg GmbH & Co. KG	Augsburg (Germany)
	F	100.00	F	100.00	Elbe Flugzeugwerke GmbH	Dresden (Germany)
	P	50.00	P	50.00	Hua-Ou Aviation Support Centre Limited	Beijing (China)
	P	50.00	P	50.00	Hua-Ou Aviation Training Centre Limited	Beijing (China)
	F	100.00			IFR France S.A.S.	Colomiers (France)
	F	100.00			Metron Aviation, Inc.	Dulles, VA (USA)
	F	100.00			Metron Holdings, Inc.	Dulles, VA (USA)
	E	30.05	E	30.04	OnAIR N.V.	Amsterdam (Netherlands)
	F	74.90			PFW Aerospace AG	Speyer (Germany)
	F	100.00	F	100.00	Premium AEROTEC GmbH	Augsburg (Germany)
	F	100.00			Satair A/S	Kastrup (Denmark)
	F	100.00			Satair China	Beijing (China)
	F	100.00			Satair Pte Ltd.	Singapore
	F	100.00			Satair UK Ltd.	Heston (United Kingdom)
	F	100.00			Satair USA, Inc.	Atlanta, GA (USA)
	F	100.00	F	100.00	Star Real Estate S.A.S.	Toulouse (France)
	E	29.50			Telair International Services Pte Ltd.	Singapore (Singapore)
			F	100.00	Total Airline Service Company	Dubai (United Arab Emirates)
Additionally consolidated are 28 SPEs.						
Airbus Military						
	F	90.00	F	90.00	Airbus Military S.L.	Madrid (Spain)
	E	40.00	E	40.00	AirTanker Holdings Ltd.*	London (United Kingdom)
	F	100.00	F	100.00	EADS CASA North America, Inc	Chantilly, VA (USA)
	F	100.00	F	100.00	EADS CASA S.A. (Unit: Airbus Military)	Madrid (Spain)
	F	78.54	F	78.54	EADS PZL "WARSZAWA-OKECIE" S.A.	Warsaw (Poland)
Eurocopter						
	F	100.00	F	100.00	AA Military Maintenance Pty. Ltd.	Brisbane (Australia)
	F	100.00	F	100.00	AA New Zealand Pty. Ltd.	Bankstown (Australia)
	F	100.00	F	100.00	American Eurocopter Corp.	Dallas, TX (USA)
			F	60.00	American Eurocopter LLC	Dallas, TX (USA)
	F	100.00			Australian Aerospace Composites Pty Ltd.	Sydney (Australia)
	F	100.00	F	100.00	Australian Aerospace Ltd.	Bankstown (Australia)
	F	100.00			EADS Seca S.A.S.	Le Bourget (France)
	F	90.00	F	90.00	Eurocopter Japan Co. Ltd.	Tokyo (Japan)
	F	90.00	F	90.00	Eurocopter Japan RG Co. Ltd.	Tokyo (Japan)
	F	100.00	F	100.00	EIP Holding Pty. Ltd.	Bankstown (Australia)
	F	75.00	F	75.00	Eurocopter South East Asia Pte. Ltd.	Singapore (Singapore)
	F	100.00	F	100.00	Eurocopter Canada Ltd.	Ontario (Canada)
	F	100.00			Eurocopter de Mexico Planta Queretaro S.A. de C.V.	Queretaro (Mexico)
	F	100.00	F	100.00	Eurocopter de Mexico S.A.	Mexico D.F. (Mexico)
	F	100.00	F	100.00	Eurocopter Deutschland GmbH	Donauwörth (Germany)
	F	100.00			Eurocopter Deutschland Real Estate GmbH & Co. KG	Pullach i. Isartal (Germany)
	F	100.00	F	100.00	Eurocopter España S.A.	Madrid (Spain)
	F	100.00	F	100.00	Eurocopter Financial Services Ltd.	Dublin (Ireland)
	F	100.00	F	100.00	Eurocopter Holding S.A.	Paris (France)

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F	100.00			Eurocopter International Services Ltd.	Dublin (Ireland)
F	90.00	F	54.00	Eurocopter Japan T&E Co. Ltd.	Osaka (Japan)
F	100.00			Eurocopter Malaysia Sdn Bhd	Subang Selongor (Malaysia)
F	95.00	F	100.00	Eurocopter S.A.S.	Marignane (France)
F	100.00	F	100.00	Eurocopter South Africa Pty. Ltd.	Lanseria (South Africa)
F	100.00	F	100.00	Eurocopter Training Services S.A.S	Marignane (France)
F	100.00			Eurocopter UK Ltd.	Oxford (United Kingdom)
F	85.66	F	85.66	Helibras - Helicopteros do Brasil S.A.	Itajuba (Brazil)
F	50.00			Heliescuela S.A.P.I. de C.V.	Mexico D.F. (Mexico)
E	25.00	E	25.00	HFTS Helicopter Flight Training Services GmbH	Hallbergmoos (Germany)
F	100.00	F	100.00	Korean Helicopter Development Support Ltd.	Sacheon-si (South Korea)
F	100.00			The Sigma Aerospace Pension Trustee Ltd.	Croydon (United Kingdom)
F	100.00			Vector Aerospace (UK-Holdings) Ltd.	Aberdeen (United Kingdom)
F	100.00			Vector Aerospace Africa (PTY) Ltd.	Lanseria (South Africa)
F	100.00			Vector Aerospace Corporation	Toronto (Canada)
F	100.00			Vector Aerospace Engine Services UK Ltd.	Croydon (United Kingdom)
F	100.00			Vector Aerospace Engine Services-Atlantic, Inc.	Toronto (Canada)
F	67.70			Vector Aerospace Helicopter Services California, Inc.	Sacramento, CA (USA)
F	100.00			Vector Aerospace Helicopter Services, Inc.	Toronto (Canada)
F	100.00			Vector Aerospace Holdings Ltd.	Toronto (Canada)
F	100.00			Vector Aerospace International Ltd.	Gosport (United Kingdom)
F	100.00			Vector Aerospace USA Holdings, Inc.	Las Vegas, NV (USA)
F	100.00			Vector Aerospace USA, Inc.	Montgomery, AL (USA)
F	100.00			Vector Holding S.A.S.	Marignane (France)
F	25.00			Vector-Hawk Aerospace LLC	Sacramento, CA (USA)
Cassidian					
E	24.01			Advanced Lithium Systems Europe S.A.	Athens (Greece)
F	100.00	F	100.00	Apsys S.A.	Suresnes (France)
E	14.70	E	14.70	Atlas Defence Technology SDN.BHD	Kuala Lumpur (Malaysia)
P	49.00	P	49.00	Atlas Elektronik Finland Oy	Helsinki (Finland)
P	49.00	P	49.00	Atlas Elektronik GmbH	Bremen (Germany)
P	49.00	P	49.00	Atlas Elektronik Pty. Ltd.	St. Leonards (Australia)
P	49.00	P	49.00	Atlas Elektronik UK (Holdings) Ltd.	Newport, Wales (United Kingdom)
P	49.00	P	49.00	Atlas Elektronik UK Ltd.	Newport, Wales (United Kingdom)
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 Engineering Company	Kyungnam (South Korea)
P	49.00	P	49.00	Atlas Naval Systems Malaysia SDN.BHD.	Kuala Lumpur (Malaysia)
P	49.00	P	49.00	Atlas North America LLC	Virginia Beach, VA (USA)
F	43.89	F	43.89	Aviation Defense Service S.A.	Saint-Gilles (France)
P	37.50	P	37.50	Bayern-Chemie Gesellschaft für flugchemische Antriebe mbH	Aschau/Inn (Germany)
F	100.00	F	100.00	Cassidian Aviation Training Services S.A.S.	Paris (France)
F	100.00	F	100.00	Cassidian Belgium N.V.	Oostkamp (Belgium)
F	100.00	F	100.00	Cassidian Communications GmbH	Ulm (Germany)
F	100.00	F	100.00	Cassidian Communications, Inc.	Temecula, CA (USA)

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F	100.00	F	100.00	Cassidian Finland Oy	Helsinki (Finland)
F	100.00	F	100.00	Cassidian Ltd.	Newport, Wales (United Kingdom)
F	100.00	F	100.00	Cassidian Ltd. - Holding	Newport, Wales (United Kingdom)
F	100.00	F	100.00	Cassidian Real Estate Manching GmbH & Co. KG	Pullach i. Isartal (Germany)
F	100.00	F	100.00	Cassidian Real Estate Ulm/Unterschleissheim GmbH & Co. KG	Pullach i. Isartal (Germany)
F	100.00	F	100.00	Cassidian S.A.S.	Elancourt (France)
F	100.00	F	100.00	Cassidian Solutions S.A.U.	Madrid (Spain)
F	100.00	F	100.00	Cassidian Test & Services Ltd.	Wimborne, Dorset (United Kingdom)
F	100.00	F	100.00	Cassidian Test & Services S.A.S.	Velizy (France)
E	19.60	E	19.60	CybiCOM Atlas Defence Pty. Ltd.	Umhlanga Rocks (South Africa)
F	100.00	F	100.00	Dornier Consulting 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 and Security Saudi Ltd.	Riyadh Olaya District (Saudi Arabia)
F	100.00	F	100.00	EADS Deutschland GmbH (Unit: Cassidian)	Ottobrunn (Germany)
F	100.00	F	100.00	EADS Operations & Services UK Ltd.	Newport, Wales (United Kingdom)
F	100.00	F	100.00	EADS Secure Networks S.A.S.	Elancourt (France)
F	100.00	F	100.00	EADS Telecom Mexico SA de CV	Mexico D.F. (Mexico)
P	49.00			Emiraje Systems LLC	Abu Dhabi (United Arab Emirates)
E	30.00	E	30.00	ESG Elektroniksystem- und Logistikgesellschaft GmbH	Munich (Germany)
E	24.50	E	24.50	ET Marinesysteme GmbH	Wilhelmshaven (Germany)
F	100.00	F	100.00	Fairchild Controls Corporation	Frederick, MD (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.S.	Castres (France)
F	87.40	E	45.00	Grintek Ewation Pty. Ltd.	Pretoria (South Africa)
P	49.00	P	49.00	Hagenuk Marinekommunikation GmbH	Flintbek (Germany)
		F	100.00	IFR France S.A.	Blagnac (France)
P	37.50	P	37.50	LFK – Lenkflugkörpersysteme GmbH	Schrobenhausen (Germany)
P	50.00	P	50.00	Maîtrise d'Oeuvre Système S.A.S.	Issy les Moulineaux (France)
P	37.50	P	37.50	Matra Électronique S.A.S.	Le Plessis Robinson (France)
E	49.00	E	49.00	Matrium GmbH	Karlsruhe (Germany)
P	37.50			MBDA España S.L.	Madrid (Spain)
P	37.50	P	37.50	MBDA France S.A.S.	Velizy (France)
P	75.00	P	75.00	MBDA Holding S.A.S.	Velizy (France)
P	37.50	P	37.50	MBDA International Ltd.	Stevenage (United Kingdom)
P	37.50	P	37.50	MBDA Italy SpA	Roma (Italy)
P	37.50	P	37.50	MBDA Reinsurance Ltd.	Dublin (Ireland)
P	37.50	P	37.50	MBDA S.A.S.	Velizy (France)
P	37.50	P	37.50	MBDA Services S.A.	Velizy (France)
P	37.50	P	37.50	MBDA Treasury Ltd.	Jersey (United Kingdom)
P	37.50	P	37.50	MBDA UK Ltd.	Stevenage (United Kingdom)
P	37.50	P	37.50	MBDA, Inc.	Westlack, CA (USA)

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E	26.80	E	26.80	Patria Oyj	Helsinki (Finland)
F	80.00	F	80.00	Pentastar S.A.	Paris (France)
E	18.75	E	18.75	Roxel S.A.	Saint-Médard-en-Jalles (France)
P	79.60	P	49.00	Signalis GmbH	Bremen (Germany)
P	79.60			Signalis Holding GmbH	Unterschleißheim (Germany)
P	79.60	F	100.00	Signalis S.A.S.	Bozons (France)
P	49.00	P	49.00	Sonartech Atlas Pty. Ltd.	St. Leonards (Australia)
P	25.13	P	25.13	TAURUS Systems GmbH	Schrobenhausen (Germany)
P	37.50	P	37.50	TDW - Ges. für verteidigungstechnische Wirksysteme GmbH	Schrobenhausen (Germany)
E	50.00	E	50.00	United Monolithic Semiconductors Holding*	Orsay (France)
F	90.00	F	90.00	UTE CASA y Aeronautica industrial S.A.	Madrid (Spain)
Astrium					
F	100.00	F	100.00	Astrium GmbH (Unit: Satellites)	Munich (Germany)
F	100.00	F	100.00	Astrium GmbH (Unit: 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. (Unit: Satellites)	Stevenage (United Kingdom)
F	100.00	F	100.00	Astrium Ltd. (Unit: Services)	Stevenage (United Kingdom)
F	100.00	F	100.00	Astrium S.A.S. (Unit: Satellites)	Toulouse (France)
F	100.00	F	100.00	Astrium S.A.S. (Unit: Services)	Paris (France)
F	100.00	F	100.00	Astrium S.A.S. (Unit: Space Transportation)	Les Mureaux (France)
F	100.00	F	100.00	Astrium Services GmbH	Ottobrunn (Germany)
F	100.00	F	100.00	Astrium Services UK Ltd.	Stevenage (United Kingdom)
F	98.86	F	98.86	Axio-Net GmbH	Hannover (Germany)
F	54.40	F	54.40	Beijing Spot Image Co Ltd.	Beijing (China)
F	100.00	F	100.00	Computadoras, Redes e Ingenieria SA (CRISA)	Madrid (Spain)
F	99.99	F	99.99	DMC International Imaging Ltd.	Surrey (United Kingdom)
F	100.00	F	100.00	Dutch Space B.V.	Leiden (Netherlands)
F	100.00	F	100.00	EADS Astrium N.V.	The Hague (Netherlands)
F	100.00	F	100.00	EADS Astrium S.L.	Madrid (Spain)
F	100.00	F	100.00	EADS CASA Espacio S.L.	Madrid (Spain)
F	100.00	F	100.00	GPT Special Project Management Ltd.	Riyadh (Saudi Arabia)
F	77.70	E	25.58	I-Cubed (I3C)	Fort Collins, CL (USA)
F	100.00	F	100.00	Imass Holding Limited Group	Newcastle (United Kingdom)
F	100.00	F	100.00	Imass Ltd.	Newcastle (United Kingdom)
F	100.00	F	100.00	Infoterra GmbH	Friedrichshafen (Germany)
F	100.00	F	100.00	Infoterra Ltd.	Leicester (United Kingdom)
		F	100.00	Infoterra S.A.S.	Toulouse (France)
F	100.00	F	100.00	Jena-Optronik GmbH	Jena (Germany)
F	100.00			Marlink AS	Lysaker (Norway)
F	100.00			Marlink FZ LLC (Dubai)	Dubai (United Arab Emirates)
F	100.00			Marlink Hellas MEPE	Athen (Greece)
F	100.00			Marlink KK Ltd. (Japan)	Tokyo (Japan)
F	100.00			Marlink Pte Ltd. (Singapore)	Singapore (Singapore)
F	100.00			Marlink S.A.	Brussel (Belgium)
F	100.00			Marlink, Inc.	Rockville, MD (USA)
F	100.00	F	100.00	Matra Marconi Space UK Ltd.	Stevenage (United Kingdom)

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2011	%	2010	%	Company	Head office
F	100.00			MCG Marlink Comm Gmbh	Hamburg (Germany)
F	74.90	F	74.90	MilSat Services GmbH	Bremen (Germany)
F	100.00			Mobsat Holding 1BV	Amsterdam (Netherlands)
F	100.00			Mobsat Holding 2BV	Amsterdam (Netherlands)
F	100.00			Mobsat Holding Norway AS	Lysaker (Norway)
F	100.00			Mobsat Holding US Corp.	Rockville, MD (USA)
F	100.00			Mobsat Group Holding S.A.R.L.	Munsbach (Luxembourg)
F	100.00			MobSat S.A.S.	Paris (France)
		E	57.10	Nahuelsat S.A.	Buenos Aires (Argentina)
F	75.10			ND SatCom Defence GmbH	Immenstaad (Germany)
F	75.10			ND Satcom GmbH	Immenstaad (Germany)
F	75.10			ND SatCom Products GmbH	Immenstaad (Germany)
F	75.10			ND SatCom Satellite Commuication Systems (Beijing) Co. Ltd.	Beijing (China)
F	75.10			ND SatCom ZFE	Dubai (United Arab Emirates)
F	75.10			ND Satcom, Inc.	Richardson, TX (USA)
F	100.00	F	100.00	Paradigm Secure Communications Ltd.	Stevenage (United Kingdom)
F	100.00	F	100.00	Paradigm Services Ltd.	Stevenage (United Kingdom)
F	89.98	F	89.98	Sodern S.A.	Limeil Brevannes (France)
F	69.23	F	69.23	Spot Asia Pte Ltd.	Singapore (Singapore)
F	98.91	F	98.91	Spot Image Brasil Servicios en Image	Sao Paulo (Brazil)
F	98.91	F	98.91	Spot Image Corporation, Inc.	Chantilly, VA (USA)
F	98.91	F	98.91	Spot Image S.A.S.	Toulouse (France)
F	98.90	F	98.90	Spot Imaging Services Pty. Ltd.	Weston Creek (Australia)
F	99.99	F	99.99	Surrey Satellite Investments Ltd.	Surrey (United Kingdom)
F	99.99	F	99.99	Surrey Satellite Services Ltd.	Surrey (United Kingdom)
F	99.99	F	99.99	Surrey Satellite Technology Holdings, Inc.	Delaware (USA)
F	99.99	F	99.99	Surrey Satellite Technology Ltd.	Surrey (United Kingdom)
F	99.99	F	99.99	Surrey Satellite Technology US LLC	Delaware (USA)
F	100.00			TD Com S.A.S.	Choisy Le Roi (France)
F	100.00	F	100.00	TESAT-Spacecom Geschäftsführung GmbH	Backnang (Germany)
F	100.00	F	100.00	TESAT-Spacecom GmbH & Co. KG	Backnang (Germany)
F	98.91	F	50.44	Tokyo Spot Image	Tokyo (Japan)
F	100.00			Vizada AS	Lysaker (Norway)
F	100.00			Vizada B.V.	's-Gravenhage (Netherlands)
F	100.00			Vizada GmbH	Köln (Germany)
F	100.00			Vizada, Inc.	Rockville, MD (USA)
F	100.00			Vizada Network Slovakia S.r.o.	Bratislava (Slovakia)
F	100.00			Vizada Networks AS	Holmestrand (Norway)
F	100.00			Vizada Networks B.V.	Hoofddorp (Netherlands)
F	65.00			Vizada Networks Ltd.	Dar es Salaam (Tansania)
F	100.00			Vizada S.A.S.	Paris (France)
F	100.00			Vizada Services LLC	Rockville, MD (USA)
Other Businesses					
P	50.00	P	50.00	ATR Eastern Support Pte. Ltd.	Singapore (Singapore)
P	50.00	P	50.00	ATR G.I.E.	Blagnac (France)
P	50.00	P	50.00	ATR India Customer Support Pte. Ltd.	Bangalore (India)

F: Fully consolidated P: Proportionate consolidated E: At equity consolidated
The stated percentage of ownership is related to EADS N.V.
* Regarding associated investments, only the parent company is stated in this list.

2011	%	2010	%	Company	Head office
P	50.00	P	50.00	ATR International S.A.S.	Blagnac (France)
P	50.00	P	50.00	ATR North America, Inc.	Dulles, VA (USA)
P	50.00			ATR North American Training Center, Inc.	Montreal (Canada)
P	50.00			ATR South African Training Center (Proprietary) Ltd.	Illovo (South Africa)
P	50.00	P	50.00	ATR Training Center S.A.R.L.	Blagnac (France)
P	50.00	P	50.00	ATRiam Capital Ltd.	Dublin (Ireland)
F	100.00	F	100.00	Composites Aquitaine S.A.	Salaunes (France)
F	100.00	F	100.00	Composites Atlantic Ltd.	Halifax (Canada)
E	30.00	E	30.00	Daher - Socata S.A.*	Louey (France)
F	100.00	F	100.00	EADS ATR S.A.	Colomiers (France)
		F	100.00	EADS North America Defense Security Systems Solutions, Inc.	San Antonio, TX (USA)
F	100.00	F	100.00	EADS North America, Inc.	Arlington, VA (USA)
		F	100.00	EADS Seca S.A.S.	Le Bourget (France)
F	100.00	F	100.00	EADS Sogerma S.A.	Mérignac (France)
F	100.00			EADS Supply Services, Inc.	Rockville, MD (USA)
F	100.00	F	100.00	Maroc Aviation S.A.	Casablanca (Morocco)
		F	100.00	Noise Reduction Engineering B.C.	Washington, D.C. (USA)
Headquarters					
F	100.00	F	100.00	Aero Reassurance	Luxembourg (Luxembourg)
F	100.00	F	100.00	Aeroassurance	Paris (France)
F	99.73	F	99.73	AL Objekt Taufkirchen Grundstücks-Verwaltungsgesellschaft mbH & Co. KG	Grünwald (Germany)
F	100.00	F	75.00	DADC Luft- und Raumfahrt Beteiligungs AG	Munich (Germany)
E	46.32	E	46.32	Dassault Aviation*	Paris (France)
F	100.00	F	99.12	Dornier GmbH – Zentrale	Friedrichshafen (Germany)
F	100.00	F	100.00	EADS CASA France	Paris (France)
F	100.00	F	100.00	EADS CASA S.A. (Unit: Headquarters)	Madrid (Spain)
F	100.00	F	100.00	EADS Deutschland GmbH (Unit: Headquarters)	Munich (Germany)
F	100.00	F	100.00	EADS Finance B.V.	Amsterdam (Netherlands)
F	100.00	F	100.00	EADS France Headquarters	Paris (France)
F	100.00	F	100.00	EADS Management Service GmbH	Munich (Germany)
F	100.00	F	100.00	EADS North America Holdings, Inc.	Herndon, VA (USA)
F	100.00	F	99.12	EADS Real Estate Dornier Grundstücke GmbH & Co. KG	Taufkirchen (Germany)
F	100.00	F	100.00	EADS Real Estate Taufkirchen GmbH & Co. KG	Pullach (Germany)
F	100.00	F	100.00	EADS UK Ltd.	London (United Kingdom)
F	100.00	F	100.00	Manhattan Beach Holding Company	Herndon, VA (USA)
F	100.00	F	100.00	Matra Aerospace, Inc.	Herndon, VA (USA)
F	100.00	F	100.00	Matra Défense	Velizy (France)
F	100.00	F	100.00	Matra Holding GmbH	Kehl (Germany)
F	100.00	F	100.00	OBRA Grundstücks-Verwaltungsgesellschaft mbH	Grünwald (Germany)
F	100.00	F	100.00	OOO "EADS"	Moscow (Russia)

F: Fully consolidated P: Proportionate consolidated E: At equity consolidated
The stated percentage of ownership is related to EADS N.V.
* Regarding associated investments, only the parent company is stated in this list.

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Auditors' report on the Consolidated Financial Statements (IFRS)

3

To: The EADS N.V. Shareholders:

Report on the Consolidated Financial Statements

We have audited the accompanying Consolidated Financial Statements 2011 which are part of the financial statements of European Aeronautic Defence and Space Company EADS N.V., Amsterdam, and comprise the consolidated statement of financial position as at 31 December 2011, the consolidated statements of income, comprehensive income, cash flow and changes in equity for the year then ended and notes, comprising a summary of the significant accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of 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. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Consolidated Financial Statements.

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

Opinion

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 2011 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.

Report on other legal and regulatory requirements

Pursuant to the legal requirements under Section 2:393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the report of the Board of Directors, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and if the information as required under Section 2:392 sub 1 at b-h has been annexed. Further, we report that the report of the Board of Directors, to the extent we can assess, is consistent with the Consolidated Financial Statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

Utrecht, 7 March 2012

KPMG Accountants N.V.

J.C.M. van Rooijen RA

Rotterdam, 7 March 2012

Ernst & Young Accountants LLP

C.T. Reckers RA

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Company Financial Statements

Balance Sheet of the Company Financial Statements

(In € million) Assets	Note	At 31 December 2011	At 31 December 2010
Fixed assets			
Goodwill	2	4,354	4,354
Financial fixed assets	2	9,802	7,960
Non-current securities	4	7,103	5,172
		21,259	**17,486**
Non-fixed assets			
Receivables and other assets	3	6,362	4,874
Current securities	4	4,140	5,756
Cash and cash equivalents	4	3,394	3,199
		13,896	**13,829**
Total assets		**35,155**	**31,315**
Liabilities and stockholders' equity			
Stockholders' equity (1)	5		
Issued and paid up capital		820	816
Share premium		7,519	7,645
Revaluation reserves		(1,207)	(989)
Legal reserves		3,544	3,532
Treasury shares		(113)	(112)
Retained earnings		(2,746)	(2,604)
Result of the year		1,033	553
		8,850	**8,841**
Non-current liabilities			
Financing liabilities	6	3,090	2,194
		3,090	**2,194**
Current liabilities			
Financing liabilities	7	0	29
Other current liabilities	7	23,215	20,251
		23,215	**20,280**
Total liabilities and stockholders' equity		**35,155**	**31,315**

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

Income Statement of the Company Financial Statements

(In € million)	Note	2011	2010
Income from investments		1,010	463
Other results		23	90
Net result	8	**1,033**	**553**

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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 2011 financial statements of EADS N.V.

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

1.2 Principles for the measurement of assets and liabilities and the determination of the result

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

Subsidiaries, over which significant influence is exercised, are stated on the basis of the Net Asset Value.

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

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

2. Fixed assets

At the end of 2011, goodwill acquisition cost amounts to €5,676 million (2010: €5,676 million) and the cumulative amortization and impairments to €1,322 million (2010: €1,322 million).

The movements in financial fixed assets are detailed as follows:

(In € million)	Subsidiaries	Participations	Loans	Total
Balance at 31 December 2009	**7,805**	**127**	**1,646**	**9,578**
Additions			305	305
Redemptions			(102)	(102)
Share-based payments	43			43
Net income from investments	462	1		463
Actuarial gains/losses IAS 19	(32)			(32)
Dividends received	(182)			(182)
Translation differences/other changes	(2,194)	21	60	(2,113)
Balance at 31 December 2010	**5,902**	**149**	**1,909**	**7,960**
Additions	110		1,625	1,735
Redemptions			(109)	(109)
Share-based payments	16			16
Net income from investments	1,004	6		1,010
Actuarial gains/losses IAS 19	(579)			(579)
Dividends received	(75)			(75)
Translation differences/other changes	(252)	(6)	102	(156)
Balance at 31 December 2011	**6,126**	**149**	**3,527**	**9,802**

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.

The loans provided to subsidiaries increased to €2,981 million (2010: €1,476 million) and the loans provided to participations increased to €63 million (2010: €44 million). The increase of loans is mainly driven by loans provided to the subsidiaries Airbus SAS, EADS Astrium NV and Astrium Holding SAS. The item redemptions mainly reflects the repayment of a loan provided to EADS Astrium NV. An amount of €2,916 million has a maturity between five and ten years and an amount of €361 million matures after ten years. On average, the interest rate of the loans is 3.5%.

3. Receivables and other assets

(In € million)	2011	2010
Receivables from subsidiaries	5,907	4,619
Other assets	455	255
Total receivables and other assets	**6,362**	**4,874**

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

Other assets include deferred tax assets amounting to €20 million (2010: nil).

The receivables and other assets in the current year and in the previous year are due within one year.

4. Securities, Cash and cash equivalents

The securities comprise mainly available-for-sale securities. The available-for-sale security portfolio contains a non-current portion of €7,103 million (2010: €5,172 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 € million)	Capital stock	Share premiums	Revaluation reserves	Legal reserves	Treasury shares	Retained earnings	Result of the year	Total equity
Balance at 31 December 2009	**816**	**7,683**	**1,389**	**3,116**	**(109)**	**(1,597)**	**(763)**	**10,535**
Capital increase		5						5
Net income							553	553
Share-based payments		(43)				23		(20)
Transfer to legal reserves				239		(239)		
Purchase of treasury shares					(3)			(3)
Others			(2,378)	177		(28)		(2,229)
Appropriation of result						(763)	763	
Balance at 31 December 2010	**816**	**7,645**	**(989)**	**3,532**	**(112)**	**(2,604)**	**553**	**8,841**
Capital increase	4	59						63
Net income							1,033	1,033
Cash distribution		(178)						(178)
Share-based payments						15		15
Transfer to legal reserves				86		(86)		
Purchase/sale of treasury shares		(7)			(1)			(8)
Others			(218)	(74)		(624)		(916)
Appropriation of result						553	(553)	
Balance at 31 December 2011	**820**	**7,519**	**(1,207)**	**3,544**	**(113)**	**(2,746)**	**1,033**	**8,850**

For further information to the Stockholders' equity, please see Note 23 of the Consolidated Financial Statements.

As of 31 December 2011, the item "Revaluation reserves" relates to €566 million (2010: €384 million) resulting from unrealized positive fair values of securities classified as available-for-sale and fair values of cash flow hedges, recognised directly in equity with a negative amount of €1,773 million (2010: €1,373 million negative fair values). The cash flow hedges are included in "Subsidiaries".

The legal reserves are related to EADS' share in the undistributed results from investments for €1,237 million (2010: €1,152 million), internally generated capitalised development costs of €947 million (2010: €946 million) and €1,360 million (2010: €1,434 million) resulting from currency translation effects of affiliated companies.

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

The retained earnings include actuarial losses arising from defined benefit plans, recognised in equity, with an amount of €2,388 million (2010: €1,781 million).

Pursuant to Dutch law, limitation exist relating to the distribution of stockholders' equity with an amount of €4,930 million (2010: €4,732 million). The limitations relate to capital stock of €820 million (2010: €816 million) and to legal reserves of €3,544 million (2010: €3,532 million). In 2011, unrealised gains related to revaluation reserves with an amount of €566 million (2010: 384 million) were not distributable. In general, gains related to available-for-sale securities, fair values of cash flow hedges, currency translation effects of affiliated companies and capitalised development costs reduce the distributable stockholders' equity.

6. Non-current financing liabilities

The non-current financing liabilities include a long-term loan, granted by the European Investment Bank to EADS with an amount of US$1,142 million, a loan granted by EADS Finance B.V. with an amount of €1,493 million and an US$300 million loan granted in 2011 by the Bank of Japan. In 2011, the loan granted by the European Investment Bank increased by US$721 million. For further details, please see Note 26 of the Consolidated Financial Statements.

7. Current liabilities

(In € million)	2011	2010
Financing liabilities	0	29
Liabilities to subsidiaries	21,609	18,651
Liabilities to participations	1,392	1,437
Other liabilities	214	163
Total	**23,215**	**20,280**

The financing liability in 2010 of €29 million related to a shareholder loan granted by SOGEADE. The loan was repaid in 2011.

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

8. Net income

The net income in 2011 amounts to €1,033 million (2010: net income of €553 million).

9. Financial instruments

By the nature of the activities carried out, EADS is exposed to a variety of financial risks, especially foreign currency exchange rate risks and interest risks. EADS uses financial instruments in order to limit these financial risks. Information to the terms and conditions of the financial instruments and the respective fair values is provided in Note 34 of the Consolidated Financial Statements.

10. Commitments and contingent liabilities

EADS N.V. issues guarantees on behalf of consolidated companies with an amount of € 1,348 million. The commitments of these companies to third parties mainly relate to their operating business as described in Note 33 and Note 36 to the Consolidated Financial Statements. The Company is heading a fiscal unity, which also includes EADS Finance B.V., EADS Astrium N.V. and Dutch Space B.V. and therefore the Company is several and jointly liable for income tax liabilities of the fiscal unity as a whole.

11. Remuneration

The total **remuneration** of the Non-Executive and the Executive Members of the Board of Directors and former Directors related to the reporting periods 2011 and 2010 can be summarized as follows:

Non-Executive Members of the Board

(In €)	2011	2010
Fixum	1,170,000	1,170,000
Fees	425,000	520,000

Executive Members of the Board

(In €)	2011	2010
Base Salary	990,000	900,000
Annual Variable Pay	1,993,475	1,732,500

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 related to 2011*		Directors' remuneration related to 2010*	
	Fixum (in €)	Attendance Fees (in €)	Fixum (in €)	Attendance Fees (in €)
Current Non-Executive Board Members*				
Bodo Uebber	210,000	90,000	210,000	120,000
Rolf Bartke	100,000	45,000	100,000	50,000
Dominique D'Hinnin	120,000	45,000	120,000	60,000
Juan Manuel Eguiagaray Ucelay	80,000	40,000	80,000	60,000
Arnaud Lagardère	100,000	30,000	100,000	20,000
Hermann-Josef Lamberti	130,000	35,000	130,000	45,000
Lakshmi N. Mittal	80,000	30,000	80,000	40,000
Sir John Parker	130,000	35,000	130,000	45,000
Michel Pébereau	100,000	35,000	100,000	35,000
Wilfried Porth	120,000	40,000	120,000	45,000
Total	**1,170,000**	**425,000**	**1,170,000**	**520,000**

* The Fixum related to 2010 was paid in 2011; the Fixum related to 2011 will be paid in 2012.

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

Summary table of the remuneration of the current and former Executive Directors

	Directors' remuneration in respect of 2011		Directors' remuneration in respect of 2010	
	Base Salary (in €)	Annual Variable Pay (in €)	Base Salary (in €)	Annual Variable Pay (in €)
Executive Board Members				
Louis Gallois	990,000	1,993,475	900,000	1,732,500

The bonus conditions are disclosed in the Board Report, chapter 4.3.1.2.

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

Stock option plans

Number of options							
Year of plan	Initially granted	As at 1 Jan 2011	Granted in 2011	Exercised during 2011	As at 31 Dec 2011	Exercise price (in €)	Expiry date
Louis Gallois							
2006	67,500	67,500	-	-	67,500	25.65	Dec. 16, 2016

Performance units plan

Number of performance units:**	**Granted in 2007**	**Forfeited in 2011**
Louis Gallois	33,700	33,700 Performance conditions were not met. Consequently, the units are forfeited.

	Granted in 2008	Vesting date
Louis Gallois	40,000	Vesting schedule is made up of 4 payments over two years: • 25% expected in May 2012 • 25% expected in November 2012 • 25% expected in May 2013 • 25% expected in November 2013

	Granted in 2009	Vesting date
Louis Gallois	46,000	Vesting schedule is made up of 4 payments over two years: • 25% expected in May 2013 • 25% expected in November 2013 • 25% expected in May 2014 • 25% expected in November 2014

	Granted in 2010	Vesting date
Louis Gallois	54,400	Vesting schedule is made up of 4 payments over two years • 25% expected in May 2014 • 25% expected in November 2014 • 25% expected in May 2015 • 25% expected in November 2015

	Granted in 2011	Vesting date
Louis Gallois	51,400	Vesting schedule is made up of 4 payments over two years: • 25% expected in May 2015 • 25% expected in November 2015 • 25% expected in May 2016 • 25% expected in November 2016

** 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 17,468,709 at 31 December 2011 (2010: 22,898,099).

During the year 2011, none of the Executive Committee Members, have exercised options granted under the various EADS stock option plans. 18,000 options were exercised by former Executive Board Directors. 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 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 13,890,028 at 31 December 2011 (2010: 12,458,890).

The expense accounted for in 2011 for performance shares and performance units granted to the Chief Executive Officer was € 1.1 million (2010: € 0.9 million for long-term incentive plans and stock options).

For further information on these various plans, please see Note 35 of the consolidated IFRS financial statements.

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

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

These rights can gradually increase to 60% after a second term, usually after ten years of service in the EADS Executive Committee. However, in order to reach the replacement ratio of 60% as mentioned before, the respective Member of the Executive Committee must also have 12 years of Seniority within the Group.

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

For the Chief Executive Officer, the amount of the pension defined benefit obligation (i.e. the book cash value) amounted to €2.9 million as of 31 December 2011, while the amount of current service and interest cost related to his pension promise accounted for the fiscal year 2011 represented an expense of € 0.6 million. This obligation has been accrued in the financial statements.

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Other benefits

All amounts reported above for the Executive Board Directors (current and former) are free of benefits in kind, as explained below, they are entitled to, as well as all national social and income tax impacts. The Company grants to the Members of the Executive Committee appropriate insurance coverage, in particular a Directors and Officers liability insurance.

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

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

For further information on the remuneration, please see Note 36 of the Consolidated Financial Statements.

12. Employees

The number of persons employed by the Company at year end 2011 was 2 (2010: 2).

13. Related party transactions

An interest free loan was granted by Lagardère and the French State to EADS in 2007. The amount of €29 million was repaid in 2011.

14. Auditor Fees

Services of Statutory Auditors and Members of their Network rendered to the Group for the financial years 2011 and 2010:

	KPMG Accountants N.V.				Ernst & Young Accountants LLP			
	2011		2010		2011		2010	
	Amount in €K	%	Amount in €K	%	Amount in €K	%	Amount in €K	%
Audit								
Audit process, certification, examination of individual and consolidated accounts	5,675	70.0	5,710	81.1	5,851	69.2	4,493	70.8
Additional tasks	1,678	20.7	516	7.4	2,338	27.6	1,607	25.4
Sub-total	**7,353**	**90.7**	**6,226**	**88.5**	**8,189**	**96.8**	**6,100**	**96.2**
Other services as relevant								
Legal, tax, employment	715	8.8	628	8.9	201	2.4	123	1.9
Information Technology	37	0.5	12	0.2	70	0.8	121	1.9
Other (to be specified if > 10% of the fees for the audit)	6	0.1	172	2.4	0	0		
Sub-total	**758**	**9.3**	**812**	**11.5**	**271**	**3.2**	**244**	**3.8**
Total	**8,111**	**100.0**	**7,038**	**100.0**	**8,460**	**100.0**	**6,344**	**100.0**

Supplementary Information

Independent Auditors' report

To: The EADS N.V. Shareholders:

Report on the Company Financial Statements

We have audited the accompanying company financial statements 2011 which are part of the financial statements of European Aeronautic Defence and Space Company EADS N.V., Amsterdam, and comprise the Company balance sheet as at 31 December 2011, the Company profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of the Company financial statements and for the preparation of the report of the Board of Directors, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the Company financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these company financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Company financial statements are free from material misstatement.

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

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

Opinion

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 2011 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirements under Section 2:393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the report of the Board of Directors, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and if the information as required under Section 2:392 sub 1 at b-h has been annexed. Further, we report that the report of the Board of Directors, to the extent we can assess, is consistent with the Company financial statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

Utrecht, 7 March 2012

KPMG Accountants N.V.
J.C.M. van Rooijen RA

Rotterdam, 7 March 2012

Ernst & Young Accountants LLP
C.T. Reckers RA

Other Supplementary Information

1. Appropriation of result

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

It will be proposed at the Annual General Meeting of Shareholders that the net income of € 1,033 million as shown in the income statements for the financial year 2011 is to be added to retained earnings and that a payment of a gross amount of € 0.45 per share shall be made to the shareholders.

2. Subsequent events

For further information please see Note 40 of the Consolidated Financial Statements.

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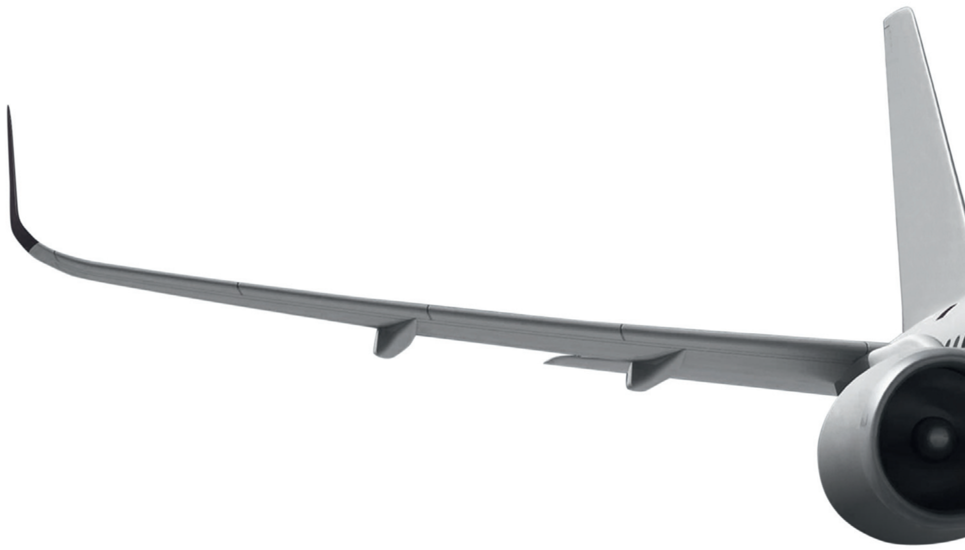

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