

Year 2011 Report

Unaudited Condensed IFRS Consolidated Financial Information of EADS N.V. for the year ended 31 December 2011

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Unaudited Condensed IFRS Consolidated Income Statements

	1 January - 31 December 2011		1 January - 31 December 2010		Deviation
	M €	%	M €	%	M €
Revenues	49,128	100	45,752	100	3,376
Cost of sales	-42,285	-86	-39,528	-86	-2,757
Gross margin	6,843	14	6,224	14	619
Selling, administrative & other expenses and impairment of goodwill	-2,629	-5	-2,414	-5	-215
Research and development expenses	-3,152	-7	-2,939	-6	-213
Other income	359	1	171	0	188
Share of profit from associates under the equity method and other income from investments	192	0	145	0	47
Profit before finance result and income taxes	1,613	3	1,187	3	426
Interest income	377	1	316	1	61
Interest expense	-364	-1	-415	-1	51
Other financial result	-233	0	-272	-1	39
Finance result	-220	0	-371	-1	151
Income taxes	-356	-1	-244	-1	-112
Profit for the period	1,037	2	572	1	465
Attributable to:					
Equity owners of the parent (Net income)	1,033	2	553	1	480
Non-controlling interests	4	0	19	0	-15
Earnings per share	€		€		€
Basic and diluted	1.27		0.68		0.59

Unaudited Condensed IFRS Consolidated Statements of Comprehensive Income

in M €	1 January - 31 December 2011	1 January - 31 December 2010
Profit for the period	1,037	572
Foreign currency translation differences for foreign operations	-25	119
Net change in fair value of cash flow hedges	-536	-3,184
Net change in fair value of available-for-sale financial assets	-20	12
Actuarial losses on defined benefit plans	-747	-127
Unrealized changes from investments accounted for using the equity method	129	-161
Tax on income and expense recognized directly in equity	331	1,096
Other comprehensive income, net of tax	-868	-2,245
Total comprehensive income of the period	169	-1,673
Attributable to:		
Equity owners of the parent	163	-1,679
Non-controlling interests	6	6
Total comprehensive income of the period	169	-1,673

Unaudited Condensed IFRS Consolidated Statements of Financial Position

	31 December 2011		31 December 2010		Deviation	
	M €	%	M €	%	M €	%
Non-current assets						
Intangible assets	12,745	14	11,299	14	1,446	13
Property, plant and equipment	14,233	16	13,504	17	729	5
Investments in associates under the equity method	2,677	3	2,451	3	226	9
Other investments and long-term financial assets	2,378	3	2,386	3	-8	0
Other non-current assets	1,884	2	1,975	2	-91	-5
Deferred tax assets	4,309	5	4,250	5	59	1
Non-current securities	7,229	8	5,332	6	1,897	36
	45,455	51	41,197	50	4,258	10
Current assets						
Inventories	22,563	26	20,862	25	1,701	8
Trade receivables	6,399	7	6,632	8	-233	-4
Other current assets	4,503	5	3,632	4	871	24
Current securities	4,272	5	5,834	7	-1,562	-27
Cash and cash equivalents	5,284	6	5,030	6	254	5
	43,021	49	41,990	50	1,031	2
Total assets	88,476	100	83,187	100	5,289	6
Total equity						
Equity attributable to equity owners of the parent						
Capital stock	820	1	816	1	4	0
Reserves	7,990	9	7,691	9	299	4
Accumulated other comprehensive income	153	0	446	1	-293	-66
Treasury shares	-113	0	-112	0	-1	1
	8,850	10	8,841	11	9	0
Non-controlling interests	20	0	95	0	-75	-79
	8,870	10	8,936	11	-66	-1
Non-current liabilities						
Non-current provisions	9,125	10	8,213	10	912	11
Long-term financing liabilities	3,628	4	2,870	3	758	26
Deferred tax liabilities	1,050	1	1,195	2	-145	-12
Other non-current liabilities	18,297	21	18,203	22	94	1
	32,100	36	30,481	37	1,619	5
Current liabilities						
Current provisions	5,860	7	5,766	7	94	2
Short-term financing liabilities	1,476	2	1,408	2	68	5
Trade liabilities	9,630	11	8,546	10	1,084	13
Current tax liabilities	308	0	254	0	54	21
Other current liabilities	30,232	34	27,796	33	2,436	9
	47,506	54	43,770	52	3,736	9
Total liabilities	79,606	90	74,251	89	5,355	7
Total equity and liabilities	88,476	100	83,187	100	5,289	6

Unaudited Condensed IFRS Consolidated Statements of Cash Flows

	1 January - 31 December 2011	1 January - 31 December 2010
	M €	M €
Profit for the period attributable to equity owners of the parent (Net income)	1.033	553
Profit for the period attributable to non-controlling interests	4	19
<i>Adjustments to reconcile profit for the period to cash provided by operating activities</i>		
Depreciation and amortization	1.884	1.582
Valuation adjustments	-104	-138
Deferred tax expense (income)	103	-15
Change in income tax assets, income tax liabilities and provisions for income tax	-54	44
Results on disposals of non-current assets	-29	-75
Results of companies accounted for by the equity method	-164	-127
Change in current and non-current provisions ¹⁾	230	-219
Change in other operating assets and liabilities	1.386	2.819
Cash provided by operating activities	4.289	4.443
<i>Investments:</i>		
- Purchase of intangible assets, PPE	-2.197	-2.250
- Proceeds from disposals of intangible assets, PPE	79	45
- Acquisitions of subsidiaries and joint ventures (net of cash)	-1.535	-38
- Proceeds from disposals of subsidiaries (net of cash)	18	12
- Payments for investments in associates and other investments and long-term financial assets	-312	-190
- Proceeds from disposals of associates and other investments and long-term financial assets	77	91
- Dividends paid by companies valued at equity	50	41
Change in securities	-378	-3.147
Cash (used for) investing activities	-4.198	-5.436
Change in long-term and short-term financing liabilities	414	-1.061
Cash distribution to EADS N.V. shareholders	-178	0
Dividends paid to non-controlling interests	-5	-7
Changes in capital and non-controlling interests	-65	-48
Change in treasury shares	-1	-3
Cash provided by (used for) financing activities	165	-1.119
Effect of foreign exchange rate changes and other valuation adjustments on cash and cash equivalents	-2	104
Net increase (decrease) in cash and cash equivalents	254	-2.008
Cash and cash equivalents at beginning of period	5.030	7.038
Cash and cash equivalents at end of period	5.284	5.030

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 M € (2010: -553 M €).

As of 31 December 2011, EADS' cash position (stated as cash and cash equivalents in the Unaudited Condensed IFRS Consolidated Statements of Cash Flows) includes 710 M € (735 M € as of 31 December 2010), which represents EADS' share in MBDA's cash and cash equivalents deposited at other shareholders. These funds are available for EADS upon demand.

Unaudited Condensed IFRS Consolidated Statements of Changes in Equity

in M €	Equity attributable to equity owners of the parent	Non-controlling interests	total
Balance at 1 January 2010	10,535	106	10,641
Profit for the period	553	19	572
Other comprehensive income	-2,232	-13	-2,245
Dividends to non-controlling interests	0	-7	-7
Capital decrease	-43	-13	-56
Capital increase	5	0	5
Change in treasury shares	-3	0	-3
Others	26	3	29
Balance at 31 December 2010	8,841	95	8,936
Balance at 1 January 2011	8,841	95	8,936
Profit for the period	1,033	4	1,037
Other comprehensive income	-870	2	-868
Cash distribution to shareholders / dividends to non-controlling interests	-178	-5	-183
Capital increase / change in non-controlling interests	63	3	66
Change in treasury shares	-1	0	-1
Equity transaction (IAS 27)	-46	-79	-125
Others	8	0	8
Balance at 31 December 2011	8,850	20	8,870

Explanatory notes to the Unaudited Condensed IFRS Consolidated Financial Statements as at 31 December 2011

1. The Company

The accompanying Unaudited Condensed Consolidated Financial Statements present the operations of **European Aeronautic Defence and Space Company EADS N.V.** and its subsidiaries ("EADS" or the "Group"), a Dutch public limited liability company (Naamloze Vennootschap) legally seated in Amsterdam (current registered office at Mendelweg 30, 2333 CS Leiden, The Netherlands), and are prepared and reported in Euros ("€"). EADS' core business is the manufacturing of commercial aircraft, civil and military helicopters, commercial space launch vehicles, missiles, military aircraft, satellites, defence systems and defence electronics and rendering of services related to these activities. The Unaudited Condensed IFRS Consolidated

Financial Statements for the year ended 31 December 2011 were authorized for issue by EADS' Board of Directors on 7 March 2012.

2. Accounting policies

These Unaudited Condensed Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and as endorsed by the European Union (EU) as at 31 December 2011 and Part 9 of Book 2 of the Netherlands Civil Code. They comprise (i) IFRS, (ii) International Accounting Standards ("IAS") and (iii) Interpretations originated by the IFRS Interpretations Committee ("IFRIC") or former Standards Interpretation Committee ("SIC").

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

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 was 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.

c) 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:

- ❑ **IFRS 9** “Financial Instruments” (not yet endorsed);
- ❑ Amendments to **IFRS 7** “Financial Instruments: Disclosures” (endorsed in November 2011) Amendments to **IAS 12** “Income Taxes” (not yet endorsed);
- ❑ **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”. None of the new or amended standards has yet been endorsed;
- ❑ **IFRS 13** “Fair Value Measurement”;
- ❑ Amended version of **IAS 19** “Employee Benefits” (not yet endorsed);
- ❑ Amendments to **IAS 1** “Presentation of Financial Statements” (not yet endorsed); and
- ❑ Amendments to **IAS 32** “Financial Instruments: Presentation”.

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

3. Changes in the consolidation perimeter of EADS

a) Acquisitions and other M&A Transactions

In addition to pursuing organic growth via its divisions, EADS has significantly strengthened its services & 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 public takeover offer. The remaining 1.7% shares of Vector were acquired via linked squeeze out procedures finalized 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 & 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 EADS' Vision 2020 plan.

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

The acquired intangible assets of 158 M € identified within a purchase price allocation include customer relationships, a brand name as well as supplier relationships. The goodwill of 185 M € includes a control premium reflecting the expected synergies arising from the combination with the existing MRO business of Eurocopter and EADS Group, 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 M € 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 takeover offer. As a result of this offer, EADS N.V. acquired 98.5% of Satair's shares during October and November 2011, while the remaining 1.5% shares 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 all major aircraft families in the commercial aviation market specialised in expendables and components. 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 M € for this acquisition includes the amount paid in cash for 98.5 % of Satair's shares and 100% of warrants (346 M €) during October and November 2011 as well as an amount of 5 M € paid to the remaining shareholders within the squeeze-out procedures.

Intangible assets of 139 M €, currently subject to a purchase price allocation, primarily include supplier relationships and a brand name. The goodwill of 163 M € 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 M € of which 1 M € were expected to be uncollectible resulting in a fair value of the trade receivables portfolio of 47 M €.

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 Apex France. The total consideration paid by Astrium included 413 M € for the acquisition of Vizada's equity instruments as well as 325 M € due to a mandatory extinguishment of the former Vizada debt structure.

Vizada - being a world leader in commercial satellite communications services - serves 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. 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.

Intangible assets of 101 M € currently identified in a provisional purchase price allocation primarily includes customer relationships, brand names as well as satcom licenses. The preliminary goodwill of 538 M € includes a control premium reflecting expected synergies arising from the 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 M € of which 4 M € are expected to be uncollectible resulting in a fair value of the trade receivables portfolio of 114 M €.

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 of acquired intangible assets as well as the fair values of the other assets acquired and liabilities assumed 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 M €*	Acquisition of Vector Aerospace	Acquisition of Satair	Acquisition of Vizada	Remaining individually insignificant acquisitions	Total acquisitions
Intangible assets	158	139	101	124	522
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
	<u>469</u>	<u>326</u>	<u>324</u>	<u>531</u>	<u>1,650</u>
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
	<u>194</u>	<u>138</u>	<u>124</u>	<u>472</u>	<u>928</u>
Net assets acquired	275	188	200	59	722
Non-controlling interests	0	0	0	7 ⁽³⁾	7 ⁽³⁾
EADS' portion in net assets acquired	275	188	200	52	715
Preliminary badwill ⁽¹⁾	0	0	0	-2	-2
Preliminary goodwill ⁽²⁾ arising on acquisition	185	163	538	82	968
Total consideration⁽⁴⁾	<u>460</u>	<u>351</u>	<u>738</u>	<u>132</u>	<u>1,681</u>

- (1) The badwill of 2 M € 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.
- (2) None of the goodwill portions of EADS' 2011 M&A transactions is considered to be tax deductible in the respective local tax accounts.
- (3) Except for the non-controlling interest in NDSatCom, which was measured at its fair value of 2 M € 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 M € in total were measured at their proportional share in net assets.
- (4) The total consideration (1,681 M €) exceeds total consideration paid gross of acquired cash in 2011 (1,631 M €) by 50 M € due to the inclusion of 5 M € 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 M € (resulting in an included step-up gain of 6 M €), a merger gain of 14 M € arisen in the Signalis transaction as well as due to the settlement of various pre-existing relationships (4 M €). All M&A related gains were reflected within 'other income' in the consolidated income statement.

In addition to these three significant M&A transactions in 2011, additional individually insignificant M&A transactions of EADS group during 2011 include primarily

- the acquisition of the Air Traffic Flow Management (ATFM) solution provider Metron Aviation Group, Dulles, Virginia (USA), and the aerospace supplier PFW Aerospace Group, Speyer (Germany), by Airbus in October 2011,
- the acquisition of ND SatCom Group, Immenstaad (Germany), a supplier of satellite and ground systems equipment and solutions, as well as the step-acquisition of i-cubed LLC, Fort Collins, Colorado (USA), a provider of value-added imagery and geospatial data management technologies, by Astrium in February and May 2011 respectively,
- the merger of their maritime safety and security activities of Cassidian and Atlas Elektronik into the new entity Signalis in January 2011 and the step-acquisition of Grintek Ewation, Pretoria (South Africa), by Cassidian in June 2011.

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

During 2011, EADS and Astrium GmbH finalised the purchase price allocation of its 2010' acquisition Jena-Optronik GmbH, Jena (Germany), resulting in the recognition of intangible assets of 17 M € in the form of customer relationships, technologies and a brand name, related deferred tax liabilities of 5 M € as well as a corresponding decrease of 12 M € of the preliminary goodwill from 34 M € to a final amount of 22 M €.

Apart from those mentioned, other acquisitions of EADS Group 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 (USA) to Camber Corporation, Huntsville, Alabama (USA) for a total consideration of 18 M €, leading to a cumulative result from loss of control of this subsidiary of 0 M €.

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 consideration received for the disposed shares as well as the capital gain on sale amounted to 12 M € and 1 M € respectively, while the ASL transactions had a negative EBIT impact of -4 M € in 2010, thereof -15 M € were related to restructuring costs.

Apart from those mentioned, other disposals by the Group were not significant – neither individually nor collectively.

4. Segment information

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

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

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

- *Eurocopter* — Development, manufacturing, marketing and sale of civil and military helicopters; provision of helicopter related services.
- *Astrium* — Development, manufacturing, marketing and sale of satellites, orbital infrastructures and launchers; provision of space 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 table presents information with respect to the Group's business segments. "Other Businesses" mainly comprises the development, manufacturing, marketing and sale of regional turboprop aircraft, aircraft components as well as the Group's activities managed in the US. Consolidation effects, the holding function of EADS Headquarters and other activities not allocable to the reportable segments are disclosed in the column "HQ / Conso."

in M €	Airbus Commer- cial	Airbus Military	Euro- copter	Astrium	Cassidian	Other Busines- ses	Total segments	HQ/ Conso.	Consoli- dated
Year ended 31 December 2011									
Revenues	31,159	2,504	5,415	4,964	5,803	1,252	51,097	-1,969	49,128
Research and development expenses	-2,467	-14	-235	-109	-275	-10	-3,110	-42	-3,152
Profit before finance result and income taxes	517	48	258	263	312	29	1,427	186	1,613
EBIT pre-goodwill imp. and exceptionals (see definition below)	543	49	259	267	331	59	1,508	188	1,696
Year ended 31 December 2010									
Revenues	27,673	2,684	4,830	5,003	5,933	1,182	47,305	-1,553	45,752
Research and development expenses	-2,311	-10	-189	-85	-251	-10	-2,856	-83	-2,939
Profit before finance result and income taxes	264	19	182	279	450	25	1,219	-32	1,187
EBIT pre-goodwill imp. and exceptionals (see definition below)	291	21	183	283	457	25	1,260	-29	1,231

5. EBIT pre-goodwill impairment and exceptionals

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

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

in M €	1 January - 31 December 2011	1 January - 31 December 2010
Profit before finance result and income taxes	1,613	1,187
Goodwill and exceptionals:		
Disposal and impairment of goodwill	42	0
Exceptional depreciation/ disposal	41	44
EBIT pre-goodwill impairment and exceptionals	1,696	1,231

An impairment charge of 20 M € in Other Businesses is included in “disposal and impairment of goodwill” of 42 M €.

6. Significant income statement items

Revenues of 49,128 M € (2010: 45,752 M €) increase by +3,376 M €, mainly at Airbus Commercial (+3,486 M €) and Eurocopter (+585 M €). Airbus Military includes revenues related to the A400M program of 758 M (2010: 1,043 M €). Moreover, Cassidian and Astrium revenues decrease slightly.

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

Research and development expenses increase by -213 M € to -3,152 M € (2010: -2,939 M €) principally reflecting an increase for the Airbus A350XWB and some Eurocopter programs.

Other income increases by +188 M € to 359 M € (2010: 171 M €) mainly due to a release of refundable advances of +192 M € (please refer to “other non-current liabilities” in note 7 “Significant items of the statements of financial position”).

Share of profit from associates under the equity method and other income from investments of 192 M € (2010: 145 M €) mainly consists of the result of Dassault Aviation of 146 M € (2010: 130 M €). The Dassault Aviation equity accounted-for income in 2011 includes a catch-up on 2010 results.

Since for the second half-year 2011 no published financial information is available yet from Dassault Aviation at the date of authorization for issue of 2011 financial statements, EADS uses a best estimate for the net income of Dassault Aviation.

Finance result amounts to -220 M € (2010: -371 M €) comprising interest result of +13 M € (2010: -99 M €). It includes a positive impact of +120 M € related to a release of refundable advances (please refer to “other non-current liabilities” in note 7 “Significant items of the statements of financial position”). A similar positive impact was recorded in the previous year. The improvement in interest result is driven by lower interest expenses from refundable advances and a higher interest income. Other financial result amounts to -233 M € (2010: -272 M €) and mainly includes charges from the negative revaluation of financial instruments (-94 M €, 2010: -184 M €), the positive impact from foreign exchange valuation of monetary items (109 M €, 2010: 71 M €) and the unwinding of discounted provisions (-172 M €, 2010: -176 M €).

The **income tax** expense of -356 M € (2010: -244 M €) corresponds to an effective income tax rate of 26% (2010: 30%). The decrease of the tax rate reflects, among others, a positive impact from the reassessment of tax provisions.

7. Significant items of the statements of financial position

Non-current assets

Intangible assets of 12,745 M € (prior year-end: 11,299 M €) include 10,760 M € (prior year-end: 9,809 M €) of goodwill, which is mainly allocated to Airbus Commercial (6,657 M €), Cassidian (2,551 M €), Astrium (1,171 M €) and Eurocopter (319 M €). The increase of goodwill primarily relates to the acquisition of Vizada, Vector and SatAir (please refer to note 3 "Changes in the consolidation perimeter of EADS"). The annual impairment tests, which were performed in the fourth quarter, led to an impairment charge of 20 M € in Other Businesses.

Eliminating foreign exchange-rate effects of +111 M €, **property, plant and equipment** increase by +618 M € to 14,233 M € (prior year-end: 13,504 M €), including leased assets of 574 M € (prior year-end: 759 M €). Property, plant and equipment also comprise "Investment property" amounting to 74 M € (prior year-end: 77 M €).

Investments in associates under the equity method of 2,677 M € (prior year-end: 2,451 M €) mainly reflect the increase in the value of the equity investment in Dassault Aviation, amounting to 2,552 M € (prior year-end: 2,318 M €).

Other investments and other long-term financial assets of 2,378 M € (prior year-end: 2,386 M €) are related to Airbus for an amount of 1,659 M € (prior year-end: 1,765 M €), mainly concerning the non-current portion of aircraft financing.

Other non-current assets mainly comprise non-current derivative financial instruments and non-current prepaid expenses. The decrease by -91 M € to 1,884 M € (prior year-end: 1,975 M €) is mainly caused by the negative variation of fair values of derivative financial instruments (-116 M €) and the decrease of paid option premiums (-87 M €) partly compensated by an increase of non-current prepaid expenses (+163 M €).

Deferred tax assets of 4,309 M € (prior year-end: 4,250 M €) are presented as non-current assets as required by IAS 1. The increase is mainly due to the variation of fair values of derivative financial instruments.

The fair values of **derivative financial instruments** are included in other non-current assets (486 M €, prior year-end: 602 M €), in other current assets (404 M €, prior year-end: 364 M €), in other non-current liabilities (2,140 M €, prior year-end: 2,109 M €) and in other current liabilities (995 M €, prior year-end: 821 M €) which corresponds to a total net fair value of -2,245 M € (prior year-end: -1,964 M €). The volume of hedged US dollar-contracts increases from 70.2 billion US dollar as at 31 December 2010 to 75.1 billion US dollar as at 31 December 2011. The US dollar spot rate became more favorable (USD / € spot rate of 1.29 at 31 December 2011 vs. 1.34 at 31 December 2010). The average US dollar hedge rate for the hedge portfolio of the Group improves from 1.38 USD / € as at December 31, 2010 to 1.37 USD / € as at December 31, 2011. 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.

Current assets

Inventories of 22,563 M € (prior year-end: 20,862 M €) increase by +1,701 M €. This is partly driven by higher unfinished goods and services for Eurocopter (+403 M €), Airbus (+333 M €) and Astrium (+244 M €) programs. Moreover, there are also increases in raw materials (+326 M €), advance payments made (+102 M €) and finished goods (+101 M €) for the Group.

Trade receivables decrease by -233 M € to 6,399 M € (prior year-end: 6,632 M €), mainly caused by Astrium (-669 M €) and Airbus (-179 M €), partly compensated by an increase at Eurocopter (+527 M €) and at Cassidian (+76 M €).

Other current assets include "Current portion of other long-term financial assets", "Current other financial assets", "Current other assets" and "Current tax assets". The increase of +871 M € to 4,503 M € (prior year-end: 3,632 M €) relates, among others, to VAT receivables and receivables from related companies

Cash and cash equivalents increase from 5,030 M € to 5,284 M € (see also note 8 "Significant cash flow items").

Total equity

Equity attributable to equity owners of the parent (including purchased treasury shares) amounts to 8,850 M € (prior year-end: 8,841 M €). The increase in equity is mainly due to total comprehensive income for the period of +163 M €. It includes the profit for the period, which is partly compensated by changes of fair values in cash flow hedges and actuarial losses on defined benefit plans. The cash distribution to EADS NV shareholders of -178 M € also reduces equity.

Non-controlling interests decrease by -75 M € to 20 M € (prior year-end: 95 M €), mainly due to the purchase of the remaining 25% of DADC Luft- und Raumfahrt Beteiligungs AG, Munich by EADS.

Non-current liabilities

Non-current provisions of 9,125 M € (prior year-end: 8,213 M €) comprise the non-current portion of pension provisions with an increase of +591 M € to 5,628 M € (prior year-end: 5,037 M €) mainly resulting from actuarial losses on defined benefit plans due to lower discount rates.

Moreover, other provisions, which are part of non-current provisions, increase by +321 M € to 3,497 M € (prior year-end: 3,176 M €). The increase mainly reflects provisions for contract losses (+233 M €). The increase of provisions for contract losses is mainly related to the A350XWB programme reflecting the Entry-into-Service now scheduled for the first half-year 2014.

Long-term financing liabilities, mainly comprising bonds, increase by +758 M € to 3,628 M € (prior year-end: 2,870 M €). This increase is mainly related to new loans, which are granted by the European Investment Bank (721 M USD) and the Development Bank of Japan (300 M USD).

Other non-current liabilities, comprising “Non-current other financial liabilities”, “Non-current other liabilities” and “Non-current deferred income”, increase in total by +94 M € to 18,297 M € (prior year-end: 18,203 M €), due to higher advance payments and an increase in fair values for financial instruments, partly compensated by a decrease of refundable advances in “non-current other financial liabilities”.

Refundable advances including interest accretion for the total amount of 406 M € representing obligations arising out of contracts associated with the long-range program 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 program. The release of the liabilities has positively affected the consolidated income statement before taxes by 192 M € in other operating income and by 120 M € in interest result. The settlement has further resulted in an operating cash outflow of 94 M € in the fourth quarter 2011.

Current liabilities

Current provisions increase by +94 M € to 5,860 M € (prior year-end: 5,766 M €) and comprise the current portion of pension provisions (193 M €) and of other provisions (5,667 M €). An increase of provisions for outstanding costs (+345 M €) and of provisions for aircraft financing (+54 M €) is partly compensated by a decrease of provisions for loss making contracts (-410 M €), mainly following a reclassification to inventories.

Other current liabilities include “Current other financial liabilities”, “Current other liabilities” and “Current deferred income”. They increase by +2,436 M € to 30,232 M € (prior year-end: 27,796 M €). Other current liabilities mainly comprise current customer advance payments of 25,006 M € (prior year-end: 23,285 M €), increasing by +1,721 M €.

8. Significant cash flow items

Cash provided by operating activities decreases by -154 M € to +4,289 M € (2010 adjusted: +4,443 M €). Gross cash flow from operations (before changes in other operating assets and liabilities) of +2,903 M € improves compared to the prior period's level (2010 adjusted: +1,624 M €). Changes in other operating assets and liabilities amount to +1,386 M € (2010: +2,819 M €), mainly reflecting a ramp-up of inventories and of other assets and liabilities, partly compensated by an increased positive development of trade liabilities and trade receivables. Contributions to plan assets for pensions of -489 M € (2010: -553 M €) are reclassified retrospectively from “Cash used for investing activities” to “Cash provided by operating activities”.

Cash used for investing activities amounts to -4,198 M € (2010 adjusted: -5,436 M €). This mainly comprises purchases of intangible assets and property, plant and equipment of -2,197 M € (2010: -2,250 M €), namely in Airbus division, acquisitions of subsidiaries of -1,535 M € (2010: -38 M €), primarily due to the purchase of Vizada, Vector Aerospace and SatAir and a change in securities of -378 M € (2010: -3,147 M €).

Cash provided by (used for) financing activities improves by +1,284 M € to +165 M € (2010: -1,119 M €). While the outflow in 2010 primarily comprised the repayment of the first tranche of the EMTN bond (1 billion €) (included in change in long-term and short-term financing liabilities), in

2011 the cash distribution to shareholders of -178 M € as well as the purchase of the remaining 25% of the DADC Luft- und Raumfahrt Beteiligungs AG (shown in changes in capital and non-controlling interests) are included. Moreover, in 2011 new loans were granted to EADS by the European Investment Bank and the Development Bank of Japan.

9. Number of shares

The total number of shares outstanding is 814,896,511 and 811,061,638 as of December 31, 2011 and 2010, respectively. EADS' shares are exclusively ordinary shares with a par value of 1.00 €.

During the year 2011, the number of treasury shares held by EADS increased from 5,341,084 as of 31 December 2010 to 5,585,780 as of 31 December 2011.

In 2011, EADS issued 1,712,892 new shares (in 2010: 297,661 new shares) as a result of the exercise of stock options in compliance with the implemented stock option plans. Under the 2011 Employee Stock Ownership Plan, which was granted in June 2011, 2,445,527 shares were issued in July 2011. In 2010, no Employee Stock Ownership Plan was implemented.

10. Earnings per share

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

	1 January to 31 December 2011	1 January to 31 December 2010
Net income attributable to equity owners of the parent	1,033 M €	553 M €
Weighted average number of ordinary shares outstanding	812,507,288	810,693,339
Basic earnings per share	1.27 €	0.68 €

For calculation of the **diluted earnings per share**, the weighted average number of ordinary shares is adjusted to assume conversion of all potential ordinary shares. After the end of the vesting period for the performance and restricted shares, the Group's only remaining category of dilutive potential ordinary shares is stock options. Since in 2011 the average price of EADS shares exceeded the exercise price of the 4th and the 5th stock option plan (in 2010: the 5th stock option plan), 1,194,624 potential shares (in 2010: 242,591 shares) were considered in the calculation of diluted earnings per share.

	1 January to 31 December 2011	1 January to 31 December 2010
Net income attributable to equity owners of the parent	1,033 M €	553 M €
Weighted average number of ordinary shares outstanding (diluted)	813,701,912	810,935,930
Diluted earnings per share	1.27 €	0.68 €

11. Related party transactions

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 it is the Group's policy, all related party transactions have to be carried out at arm's length. Transactions with related parties include the French government, Daimler AG, Lagardère and Spanish government (SEPI). Except for the transactions with the French and Spanish government (SEPI) and the transaction with the Daimler AG mentioned below, such transactions are not considered material to the Group either individually or on aggregate. The transactions with the French government include mainly sales from the Eurocopter, Astrium, Cassidian and Airbus Military. The transactions with the Spanish government include mainly sales from Airbus Military and Cassidian. The French and Spanish government are also customers of the A400M programme.

In 2011, EADS purchased the remaining 25% of DADC Luft- und Raumfahrt Beteiligungs AG, Munich from Daimler AG for a consideration of 110 M €.

12. Number of employees

The number of employees as at 31 December 2011 is 133,115 as compared to 121,691 as at 31 December 2010. Merger & acquisition transactions contributed about 60% to this increase.

13. 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 Méditerranée ("CNIM") brought an action against EADS and certain of its subsidiaries before the commercial court of Paris, alleging anti-competitive practices, breach of long term contractual relationships and improper termination of pre-contractual discussions. CNIM is seeking approximately €115 million in damages on a joint and several basis. 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.

14. Subsequent events

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.