Airbus Operations Limited (formerly Airbus UK Limited)

Directors' report and financial statements

Registered number 3468788

31 December 2009

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2009

Change of name

On 17 June 2009, Airbus UK Limited changed its name and is now incorporated under the name of Airbus Operations Limited

Principal activities

The company undertakes commercial aerospace activities comprising the design and production of wings and associated equipment for the Airbus range of aircraft and the manufacture of parts for the Hawker Executive Jet

Business review

Airbus Operations Limited made a loss in 2009, but is supported by the ultimate parent company, EADS N V The performance of Airbus Operations Limited should be taken in context with the performance of the Airbus business as a whole, the key results of which are detailed below

The Airbus group delivered a new record of 498 aircraft in 2009 (2008 483), consisting of 402 A320 family, 86 A330/340/350 family, and 10 A380 Airbus military, the military aircraft division of Airbus, delivered 16 light and medium transport aircraft

The order intake in a difficult year was remarkably strong In 2009, the Airbus group achieved 271 net orders including 228 A320-Family aircraft, 78 A330/A340/A350 XWB, and 4 A380s

Just three years after launch, Airbus also surpassed the 500th order milestone for the next generation A350XWB At the end of 2009, Airbus had a total order backlog of 3,488 aircraft, valued at US$437 1 billion, or equalling six years of full production

Further company streamlining saw the formation of Airbus Military, signalling the full integration of military aircraft programmes within Airbus The maiden flight of the A400M (MSN 1) in December 2009 was a proof-point of the successful re-organisation and new programme set-up

During 2009 the Hawker Programme experienced reduced deliveries from 95 to 33

On 5th January 2009, GKN Aerospace Services Limited, a wholly owned subsidiary of GKN Plc, purchased the wing component and assemblies manufacturing activities based at the Airbus Operations Limited's site at Filton, near Bristol This resulted in all operational business, employees, assets and activities, within the parameters agreed, being transferred to GKN Aerospace Services Limited

At the transaction date, Airbus Operations Limited entered into agreements for the long-term purchase of wing component and assemblies from GKN Aerospace Services Limited for the existing programmes

In 2009, there has been ongoing success with the Power 8 programme which was introduced in 2006 to make the Airbus group more integrated and cost efficient Since then, Airbus group to date has exceeded targets and secured €2bn of cost savings Power 8+ aims to add a further €650 million in savings for Airbus by 2012

Environmental and corporate responsibility risks are discussed at quarterly EHS Management Representative meetings and regular reports provided to the Airbus Operations Management Committee The most relevant corporate responsibility issues identified by the Company are

- Product Regulation – REACH
- Greenhouse gas emissions from manufacturing operations
- Airbus chromate-free project
- Occupational health and safety

Directors' report *(continued)*

- Employee relations
- Community relations

During the year, Airbus Operations Limited tracked REACH Substances of Very High Concern (SVHC's), produced inventory reports comparing substances with their usage, supported the development of the new Hazmat IT tool, supported and facilitated the replacement program for REACH affected substances in the UK with engineering and manufacturing and reduced the use of hazardous materials for new products

We also continued our efforts to integrate co-efficiency throughout the business Airbus Operations Limited continued to develop its position on greenhouse gas reduction through technological innovation and process improvements at our manufacturing facilities

In 2009, Airbus Operations Limited's Broughton and Filton sites continued to be certified to the ISO 14001 environmental management standard

In conjunction with the Communications department, Airbus Operations Limited organised a week of events for World Environment Day involving external organisations as well as internal examples of best practice All employees were given an Airbus branded 'bag for life' and provided with the opportunity to pledge how they were going to do their bit for the environment and enter a draw to win an eco eye energy monitor

Airbus Operations Limited aims to purchase products and services that are delivered in a cost-effective and environmentally and socially responsible manner Suppliers must demonstrate how they manage and minimise their environmental impacts, including the use of energy, water, materials and waste They should also be able to demonstrate how they impact society, including issues such as health and safety, labour rights, diversity and workplace equality

Key Performance Indicators

Key performance indicators against which Airbus Operations Limited measures the success of its strategy are turnover per employee £306,048 (2008 £278,500), R&D expenditure per employee £44,903 (2008 £50,900) and Capital expenditure per employee £15,339 (2008 £10,400)

Research and development

The Research & Technology programme is primarily targeted at maintaining the highest level of safety, creating innovative solutions to address market requirements, enabling the business to reduce its manufacturing costs, improve its products' performance and time to market, and to improve the in-service support required by our customers

The technology strategy and programme content is developed as part of a holistic approach consistent with Airbus group, and currently covers metallics, composites, advanced wing engineering and systems The work programme is developed to facilitate full co-operation with our research partners in government, industry, laboratories and universities

Proposed dividend

The directors do not recommend the payment of a dividend (2008 nil)

Directors' report *(continued)*

Policy and practice on payment of creditors

The company's supplier payment policy incorporates the requirements of the CBI Prompt Payment Code and supplier payments comply with this policy This policy is universally applied to all of the company's suppliers

As at 31 December 2009, the company's trade creditors were equivalent to 45 days' purchases (2008 48)

Directors and directors' interests

The directors who held office during the year were as follows

Harald Wilhelm
Fabrice Bregier
Patrick Gavin
Tom Williams
Thierry Baril
Klaus Richter (appointed 1 November 2009)

Employees

The company has a programme in place to assist employees to achieve their full potential and to develop the skills necessary to meet the current and future expectations of our customers The programme focuses on both personal and technological development within the company

All employment policies include a commitment to equal opportunities regardless of sex, race, colour, nationality, ethnic origin or disability, subject only to considerations of national security The company's policy is to provide, wherever possible, employment opportunities for disabled people and ensure that disabled people joining the company and employees who become disabled whilst in our employment benefit from training and career development opportunities

The company has put into place a number of ways of providing employees with information on the performance of the company and other matters that affect them The effectiveness of the communication process is assessed regularly with the aim of continually improving it so as to provide employees with the information they want by the most effective means

Employees are actively encouraged to become shareholders in EADS NV by way of an employee share ownership plan Alternative schemes are being evaluated for future years

Health and safety

The company is committed to high standards of health and safety at work and encourages active concern for the environment There are clearly structured procedures and initiatives in place that recognise the contribution employees can make in these areas

Airbus Operations Limited reported a 38% reduction in reportable accidents from 2008 to 2009 Risk reduction plans developed as part of the OHSAS18001 certification process supports the companies drive to continuously improve safety standards

Directors' report *(continued)*

Political and charitable contributions

The company made no political contributions during the year (2008 £nil) Donations to UK charities amounted to £51,663 (2008 £58,770)

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board

H. Wilhelm
Director

New Filton House
Filton
Bristol
BS99 7AR
30 April 2010

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period

In preparing these financial statements the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

KPMG LLP

100 Temple Street
Bristol
BS1 6AG
United Kingdom

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AIRBUS OPERATIONS LIMITED

We have audited the financial statements of Airbus Operations Limited for the year ended 31 December 2009 set out on pages 8 to 30 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work for this report or for the opinions we have formed

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 6 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc org uk/apb/scope/UKNP

Opinion on financial statements
In our opinion the financial statements
• give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its loss for the year then ended,
• have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
• have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AIRBUS OPERATIONS LIMITED *(continued)*

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if in our opinion

• adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us or

• the financial statements are not in agreement with the accounting records and returns, or

• certain disclosures of directors' remuneration specified by law are not made, or

• we have not received all the information and explanations we require for our audit

Philip Cotton.

P Cotton (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
100 Temple Street Bristol, BS1 6AG
30 April 2010

Profit and loss account

for the year ended 31 December 2009

	Note	2009		2008 Restated	Restated
		£m	£m	£m	£m
Turnover					
Continuing operations	*2*		**2,502**		2 702
Change in stocks of finished goods and work in progress		**9**		(17)	
Raw materials and consumables		**1,797**		1 475	
Other external charges		**182**		313	
Staff costs	*6*	**353**		413	
Depreciation and other amounts written off tangible fixed assets	*3*	**103**		93	
Other operating charges		**344**		413	
			(2,788)		(2 690)
Operating (loss)/profit	*2-3*		**(286)**		12
Profit on sale of fixed assets	*7*		**36**		-
Interest payable and similar charges	*4*		**(20)**		(79)
Loss on ordinary activities before taxation	*3*		**(270)**		(67)
Tax on loss on ordinary activities	*8*		**-**		-
Loss for the financial year			**(270)**		(67)

There is no difference between the results as reported above and those which would be reported on an unmodified historical cost basis Accordingly, no separate note of historical cost profit has been presented

There are no recognised gains or losses other than those reported above

The results for the current and preceding financial year all arise from continuing operations

The restatement in the prior year is to reclassify foreign exchange gains and losses from other operating charges to raw materials and consumables The directors deem it more appropriate to present the foreign exchange gains and losses within the category to which they relate and have restated the comparative accordingly The impact of the adjustment in the prior year is to decrease raw materials and consumables by £132m and increase other operating charges by £132m The prior year restatement has no impact on the loss for the year

Balance sheet
At 31 December 2009

	Note	2009 £m	£m	2008 £m	£m
Fixed assets					
Intangible assets	*9*		**530**		530
Tangible assets	*10*		**959**		938
Investments	*11*		**1**		1
			1,490		1,469
Current assets					
Stocks	*12*	**237**		267	
Debtors	*13*	**274**		654	
Fixed assets held for sale	*14*	**4**		57	
Cash at bank and in hand		**3**		29	
		518		1,007	
Debtors: amounts falling due after more than one year	*15*	**42**		12	
Creditors: amounts falling due within one year	*16*	**(1,472)**		(1,612)	
Net current liabilities			**(912)**		(593)
Total assets less current liabilities			**578**		876
Creditors: amounts falling due after more than one year	*17*		**(607)**		(589)
Provisions for liabilities and charges	*18*		**(21)**		(67)
Net (liabilities)/assets			**(50)**		220
Capital and reserves					
Called up share capital	*19*		**225**		225
Share premium account	*20*		**534**		534
Capital contribution reserve	*20*		**572**		572
Profit and loss account	*20*		**(1,381)**		(1,111)
Equity shareholders'(deficit)/funds			**(50)**		220

These financial statements were approved by the board of directors on 30 April 2010 and were signed on its behalf by

H. Wilhelm
Director

Registered number 3468788

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2009

	2009 £m	2008 £m
Loss for the financial year	**(270)**	(67)
Capital contribution (see note 20)	-	572
Net (reduction)/increase in shareholders' (deficit)/funds	**(270)**	505
Opening shareholders' funds/(deficit)	**220**	(285)
Closing shareholders' (deficit)/funds	**(50)**	220

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

The company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group accounts These financial statements present information about the company as an individual undertaking and not about its group

In the current year financial statements, the company has taken advantage of the exemption within FRS1 not to prepare a cash flow statement as the parent undertaking includes the company in its own published consolidated financial statements

Going concern

The financial statements have been prepared on the going concern basis, notwithstanding net current liabilities of £912m and net liabilities of £50m (included within these amounts is net £978m owed to group undertakings), which the directors believe to be appropriate for the following reason The Directors have received a signed letter from Airbus SAS to confirm that they will continue to provide the necessary support for 12 months from the date that the Directors sign the company's accounts to enable Airbus Operations Limited to pay its debts as and when they fall due

At the balance sheet date, the company is dependent on the ultimate parent company, EADS N V for ongoing funding Accordingly, due to the current net liabilities situation, the Directors have obtained a signed letter from EADS N V, to acknowledge that they will not request repayment of the £917m loan to Airbus Operations Limited for 12 months from the date of the directors signing the company's accounts

At the date of approval of these financial statements, the directors have no reason to believe that the Group will not both be able to support, and will support, the company for the foreseeable future

Turnover and profit

Airbus has an inter-company trading process which involves the company invoicing, and being paid for, its Airbus costs each month and receiving an annual share of the total Airbus result At the end of 2009, Airbus Operations Limited issued a credit note to Airbus SAS for its share of the group loss

Turnover for activities outside the inter-company process are derived from the net value of deliveries made, work completed or services rendered during the period These amounts are recognised on an accruals basis

Fixed assets and depreciation

Depreciation is provided on a straight-line basis to write off the cost of tangible fixed assets over their estimated useful economic lives using the following rates

Buildings	- 33 years, or the remaining lease term if shorter
Computing equipment, motor vehicles and short life works equipment	-3 to 5 years
Other equipment (including jigs and tools)	-10 to 15 years, or the project life if shorter

A full year's depreciation has been charged in the year relevant to when the jigs and tools are brought into use

A380 jigs and tools	-Over 400 wing sets

No depreciation is provided on assets in the course of construction

Notes *(continued)*

1 Accounting policies (continued)

Research and development expenditure

Research and development expenditure that is funded internally by the Group, is written off as incurred and charged to the profit and loss account (with the exception of the amounts relating to the A380 test wing sets) Items that are not funded by the Group are capitalised up to the value of the launch investment received The amounts capitalised are held as intangible assets (See launch costs note below)

The cost of wing sets that are used on test aircraft in the A380 testing programme that will be retained by Airbus for the life of the aircraft are included in fixed assets as plant and machinery and depreciated over 10 years

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, where forward cover contracts have been arranged (generally with or via EADS NV), at the contracted rates Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rates ruling at the balance sheet date, or at a contracted rate if applicable, and any exchange differences arising are taken to the profit and loss account No hedge accounting was applied

Leases

Assets obtained under finance leases are included in tangible fixed assets at cost and are depreciated over their useful economic lives, or the term of their lease, whichever is shorter Future instalments under such leases, net of finance charges, are included within creditors Rental payments are apportioned between the finance element, which is charged as interest to the profit and loss account, and the capital element, which reduces the outstanding obligation for future instalments, so as to give a constant rate of charge on the outstanding obligation

Rental payments under operating leases are charged to the profit and loss account on a straight-line basis in arriving at operating profit

Stocks

Stocks are stated at lower of cost, including all relevant overhead expenditure, and net realisable value

Government grants

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to operating profit over the estimated useful economic lives of the assets to which they relate

Post-retirement benefits

Employees of the company are members of several pension schemes operated in the United Kingdom and overseas by BAE SYSTEMS plc and EADS Astrium Ltd Under FRS 17, the company has taken advantage of the multi-employer exemption and the amounts charged to the profit and loss account represents the contributions payable to the schemes in respect of the accounting period Up until 2011, the employer's contribution is capped at 12 5% for the BAE SYSTEMS plc scheme

Launch costs

The costs of launching an aircraft project fall into two principal categories

Design, development and education – In the case where the project is fully funded by the Group, the expenditure is charged to the profit and loss account as incurred In the case where the project has specific external funding, the relevant expenditure is carried forward within intangible assets and amortised by reference to the requirement to repay levies to the government A levy will only arise on the A380 programme after 50 aircraft have been delivered

Jigs and tools – Expenditure on jigs and tools is capitalised into fixed assets and depreciated over its useful life A380 depreciation is based on the number of production or similar units expected to be obtained from the tools (sum of unit method)

Notes *(continued)*

1 Accounting policies (continued)

Externally funded launch investment

Externally funded launch investment has been provided for various Airbus projects from HM Government Repayment of the investment and the return thereon is made by way of levies on aircraft sales, with any outstanding amounts included in creditors

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

2 Segmental analysis

	By geographical market			
	2009	2008	**2009**	2008
	Europe		**United States of America**	
	£m	£m	**£m**	£m
Turnover	**2,450**	2,560	**52**	142
(Loss)/profit before interest and taxation	**(251)**	(99)	**1**	32
Net (liabilities)/assets	**(87)**	193	**37**	27

All turnover originated in the UK and relates to the company's one principal activity

3 Loss on ordinary activities before taxation

	2009	2008
	£m	£m
Loss on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation of tangible fixed assets	**81**	93
Hire of plant and machinery – rentals payable under operating leases	**6**	6
Hire of other assets – operating leases	**16**	16
Research and development expenditure	**367**	494
Exchange losses/(gains)	**187**	(132)

Auditor remuneration

	2009	2008
	£'000	£'000
Audit of these financial statements	**187**	232
Amounts receivable by the auditors in respect of		
- other services	**44**	76
- taxation services	**48**	50
	279	358

Notes *(continued)*

4 Interest payable and similar charges

	2009	2008
	£m	£m
Interest payable and other charges:		
On funding accounts with EADS NV	**10**	74
Other interest payable	**10**	5
	20	79

5 Remuneration of directors

	2009	2008
	£'000	£'000
Directors' emoluments for services to the company	**-**	-

There are no current members under a defined benefit scheme, and therefore no accrued pension at the year end (2008 £nil) There are no UK based directors The remuneration of directors is borne by other group companies

Notes *(continued)*

6 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows

	Number of staff	
	2009	2008
Manufacturing	**4,788**	6,178
Engineering	**1,770**	1,818
Administration and support	**1,617**	1,707
	8,175	9,703

The aggregate payroll costs of these persons were as follows

	2009	2008
	£m	£m
Wages and salaries	**293**	344
Social security costs	**29**	32
Other pension costs (see note 22)	**31**	37
	353	413

Share based payments

No amount has been recognised in the profit and loss account on the grounds that the FRS 20 charge is immaterial to the accounts The following information is taken direct from the EADS approved accounts for disclosure purposes, updated for Airbus Operations Limited where relevant

Long Term Incentive Plans (LTIP)

Airbus Operations Ltd is a wholly owned subsidiary of EADS NV and remunerates senior management within the EADS Group's share option plan Based on the authorisation given to it by the shareholders' meetings, the Group's Board of Directors approved stock option plans in each of the years from 2000 to 2006 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

At its November 13th, 2009 and 2008 meetings, 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 FRS 20

There were no options exercised during 2009

As the remuneration is by way of EADS share options, Airbus Operations has chosen to represent all figures in Euros

Notes *(continued)*

The fair value of units granted per vesting date is as follows (LTIP plan 2009)

In € (per unit granted)	FV of restricted and performance units to be settled in cash
May 2013	13 68
November 2013	13 62
May 2014	13 56
November 2014	13 51

The lifetime of the performance and restricted units (2009) is contractually fixed (see within the description of the "eleventh tranche") The measurement is based on the share price as of the reporting date (€14 09 as of December 31st, 2009) and also takes into account the present value of the expected dividend payments

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

Input parameters for the Black Scholes Option Pricing Model

	SOP 2006
Share price (€)	25 34
Exercise price (€)	25 65[1)]
Risk-free interest rate (%) [2)]	4 13
Expected volatility (%)	30 7
Estimated Life (years)	5 5

1) The exercise price for the performance and restricted shares are 0 €

2) The risk-free interest rate is based on a zero coupon yield curve that reflects the respective life (years) of the options

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

The estimated option life of 5 5 years (in 2006 and 2005) was based on historical experience and incorporated the effect of expected early exercises

Notes *(continued)*

The principal characteristics of the options, performance and restricted shares as well as performance and restricted units as at December 31st, 2009 are summarized in the various tables below

	Fifth tranche	Sixth tranche
Date of shareholders' Meeting	May 6th, 2003	May 6th, 2003
Date of Board of Directors Meeting (grant date)	October 10th, 2003	October 8th, 2004
Number of options granted	197,520	320,580
Number of options outstanding	87,040	277,300
Total number of eligible employees	62	81
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	9th October 2013	7th 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	102,480	0

	Seventh tranche
Date of shareholders' Meeting	May 11th, 2005
Date of Board of Directors Meeting (grant date)	December 9th, 2005
Number of options granted	179,280
Number of options outstanding	150,560
Total number of eligible beneficiaries	58
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	December 8th, 2015
Conversion right	One option for one share
Vested	50%
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

Notes *(continued)*

	Eighth tranche
Date of shareholders' Meeting	May 4th, 2006
Date of Board of Directors Meeting (grant date)	December 18th, 2006
	Stock option plan
Number of options granted	11,000
Number of options outstanding	11,000
Total number of eligible beneficiaries	2
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")
Expiry date	December 16th, 2016
Conversion right	One option for one share
Vested	50%
Exercise price	€25 65
Exercise price conditions	110% of fair market value of the shares at the date of grant
Number of exercised options	0

	Performance units	Restricted units
Number of units granted	29,000	6,475
Number of units outstanding	22,875	5,350
Total number of eligible beneficiaries		42
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 The vesting schedule will end at the date of publication of the 2009 annual results, expected in March 2010	

Notes *(continued)*

	Ninth tranche	
Date of Board of Directors Meeting (grant date)	December 7th, 2007	
	Performance and restricted unit plan	
	Performance units	**Restricted units**
Number of units granted	28,720	13,300
Number of units outstanding	24,520	12,660
Total number of eligible beneficiaries	46	
Vesting dates	The performance and restricted units will vest if the participant is still employed by an EADS company at the respective vesting dates and, in the case of performance units, upon achievement of mid-term business performance Vesting schedule is made up of 4 payments over 2 years • 25% expected in May 2011 • 25% expected in November 2011 • 25% expected in May 2012 • 25% expected in November 2012	
	Tenth tranche	
Date of Board of Directors Meeting (grant date)	November 13th, 2008	
	Performance and restricted unit plan	
	Performance units	**Restricted units**
Number of units granted	33,600	25,480
Number of units outstanding	31,360	25,480
Total number of eligible beneficiaries	51	
Vesting dates	The performance and restricted units will vest if the participant is still employed by an EADS company at the respective vesting dates and, in the case of performance units, upon achievement of mid-term business performance Vesting schedule is made up of 4 payments over 2 years • 25% expected in May 2012 • 25% expected in November 2012 • 25% expected in May 2013 • 25% expected in November 2013	

Notes *(continued)*

	Eleventh tranche	
Date of Board of Directors Meeting (grant date)	November 13th, 2009	
	Performance and restricted unit plan	
	Performance units	Restricted units
Number of units granted	28,600	20,720
Total number of eligible beneficiaries	44	
Vesting dates	The performance and restricted units will vest if the participant is still employed by an EADS company at the respective vesting dates and, in the case of performance units, upon achievement of mid-term business performance Vesting schedule is made up of 4 payments over 2 years • 25% expected in May 2013 • 25% expected in November 2013 • 25% expected in May 2014 • 25% expected in November 2014	

The following table summarizes the movements in of the number of stock options

	Number of Options				
	Options granted	Balance at January 1	Exercised	Forfeited	Balance at December 31
Fifth tranche	197,520	88,440	-	1,400	87,040
Sixth tranche	320,580	294,420	-	17,120	277,300
Seventh tranche	179,280	167,280	-	16,720	150,560
Eighth tranche	11,000	11,000	-	-	11,000

Of the above balances as at December 31 2009 all share options are exercisable

Eighth Tranche	Number of Units				
	Units granted	Balance at January 1	Vested	Forfeited	Balance at December 31
Performance units in 2006	29,000	26,375	-	4,375	22,000
Restricted units in 2006	6,475	6,100	-	1,300	4,800
Total units	**35,475**	**32,475**	**-**	**5,675**	**26,800**

Notes *(continued)*

Ninth Tranche	Number of Units				
	Units granted	Balance at January 1	Vested	Forfeited	Balance at December 31
Performance units in 2007	28,720	27,040	-	2,520	24,520
Restricted units in 2007	13,300	12,660	-	-	12,660
Total units	**42,020**	**39,700**	**-**	**2,520**	**37,180**

Tenth Tranche	Number of Units				
	Units granted	Balance at January 1	Vested	Forfeited	Balance at December 31
Performance units in 2008	33,600	33,600	-	2,240	31,360
Restricted units in 2008	25,480	25,480	-	-	25,480
Total units	**59,080**	**59,080**	**-**	**2,240**	**56,840**

Eleventh Tranche	Number of Units				
	Units granted	Balance at January 1	Vested	Forfeited	Balance at December 31
Performance units in 2009	28,600	-	-	-	28,600
Restricted units in 2009	20,720	-	-	-	20,720
Total units	**49,320**	**-**	**-**	**-**	**49,320**

7 Profit on sale of fixed assets

	2009	2008
	£m	£m
Profit on sale of fixed assets	36	-

As mentioned in the business review on page 1, GKN Aerospace Services Ltd, a wholly owned subsidiary of GKN Plc, purchased the wing component and assemblies manufacturing activities based at the Airbus UK site at Filton, near Bristol on 5 January 2009

The assets sold as part of this transaction included fixed assets, stock and work in progress The total value of these assets was £86m, of which £48m relating to plant and machinery has been classified as an asset held for sale in current assets (see note 14) The initial consideration received from GKN Aerospace Services Ltd was £94m

A further £36m is receivable from GKN Aerospace Services Ltd over the next six years Half of this deferred consideration is subject to GKN achieving pre-agreed revenues from sales to Airbus UK Ltd The present value of this deferred consideration, £28m, is included in the calculation of profit on sale and held in debtors amounts due after more than one year (see Note 15)

Notes *(continued)*

8 Tax on loss on ordinary activities

	2009 £m	2008 £m
Current tax		
Tax charge	-	-
Deferred tax		
Deferred tax credit for the year	-	-
Deferred tax credit for prior year	-	-
Tax charge/credit on loss on ordinary activities for the year (see note 17)	-	-

Factors affecting the tax charge for the current year

The current tax charge for the year is different than the standard rate of corporation tax in the UK (28% for 2009 and 28 5% for 2008) The differences are explained below

	2009 £m	2008 £m
Current tax reconciliation		
Loss on ordinary activities before tax	**270**	67
Current tax at 28% (2008 28 5%)	**(76)**	(19)
Effects of		
Timing differences		
Capital allowances for period less than/(in excess of) depreciation	**(9)**	2
Losses not utilised in the period	**81**	12
Temporary differences arising from the share of Airbus result	**(2)**	(19)
Interest disallowed	**3**	21
Other differences	**3**	3
Total current tax charge	-	-

9 Intangible fixed assets

	2009 £m	2008 £m
Cost		
At beginning and end of year	**530**	530

The costs relate to A380 research and development expenditure Amortisation will commence on delivery of the 51st aircraft As at the end of 2009, 23 A380 aircraft have been delivered

Notes *(continued)*

10 Tangible fixed assets

	Land and Buildings – Short leasehold	Plant and machinery	Jigs and tools	Assets in course of construction	Total
	£m	£m	£m	£m	£m
Cost					
At beginning of year	258	352	789	160	1,559
Additions	-	-	4	122	126
Transfers	18	32	-	(50)	-
Disposals	(12)	(10)	(2)	-	(24)
At end of year	264	374	791	232	1,661
Depreciation					
At beginning of year	59	234	328	-	621
Charge for year	25	38	40	-	103
Disposals	(12)	(7)	(3)	-	(22)
At end of year	72	265	365	-	702
Net book value					
At 31 December 2009	**192**	**109**	**426**	**232**	**959**
At 31 December 2008	199	118	461	160	938

Included in the total net book value of plant and machinery is £46m (2008 £31m) in respect of assets held under finance leases During the year £20m of assets were sold and leased back as a finance lease to a value of £20m leaving the net book value unchanged The depreciation allocated for the year to these assets held under finance leases was £4m (2008 £2m) Accumulated depreciation on these assets was £10m (2008 £5m)

Notes *(continued)*

11 Investments

	Subsidiary undertakings £m	Total £m
Cost or carrying value		
At beginning and at end of the year	1	1

The companies in which the company's interest at the year-end is equal to or greater than 20% are as follows

	Country of incorporation	Principal Activity	Class and percentage of shares held
Subsidiary undertakings			
Airbus Filton Limited	England and Wales	Dormant	100% of ordinary share capital
Airbus UK Limited	England and Wales	Dormant	100% of ordinary share capital
Airbus UK Toulouse SAS	France	Commercial aerospace activities	100% of ordinary share capital
Airbus UK Fairlawn Limited	England and Wales	Property investment and development	100% of ordinary share capital
Airbus UK Haycroft Limited	England and Wales	Property investment and development	100% of ordinary share capital
Airbus UK Pegasus Limited	England and Wales	Property investment and development	100% of ordinary share capital
Airbus UK Rodney Limited	England and Wales	Property investment and development	100% of ordinary share capital

12 Stocks

	2009 £m	2008 £m
Raw materials and consumables	**31**	53
Work in progress	**206**	214
	237	267

13 Debtors : amounts due within one year

	2009 £m	2008 £m
Trade debtors	**26**	33
Amounts owed by group undertakings	**193**	563
Other debtors including taxation and social security	**25**	24
Prepayments and accrued income	**30**	34
	274	654

Notes *(continued)*

14 Fixed Assets held for sale at year end

	2009 £m	2008 £m
Fixed Assets	**4**	57
	4	57

In 2008, fixed assets with a net book value of £57m were transferred from tangible fixed assets to current assets £48m of these assets were sold to GKN on 5th January 2009 The remaining £9m relates to A350 assets to be sold to Airbus Spain In 2009, £5m of these A350 assets were transferred to Spain and the remaining £4m are still to be sold

15 Debtors: amounts due after more than one year

	2009 £m	2008 £m
Prepayments and accrued income	**42**	12
	42	12

£28m relates to the present value of deferred income from GKN Aerospace Services This is receivable over the next six years and is subject to GKN achieving pre-agreed revenues from sales to Airbus Operations Limited

16 Creditors: amounts falling due within one year

	2009 £m	2008 £m
Trade creditors	**307**	296
Amounts owed to group undertakings	**941**	1,068
Finance lease creditor	**1**	1
Amounts owed to group undertakings – AFS finance lease	**1**	1
Accruals and deferred income	**125**	153
Other creditors including social security	**97**	93
	1,472	1,612

Included in amounts owed to group undertakings is £917m (2008 £1,041m), which relates to EADS

Notes *(continued)*

17 Creditors: amounts falling due after more than one year

	2009 £m	2008 £m
Launch investment	**530**	530
Finance lease creditor	**9**	9
Amounts owed to group undertakings – AFS finance lease	**36**	18
Other creditors	**32**	32
	607	589

Amounts repayable in more than five years

Repayments of launch investment are made by way of levies on aircraft sales Launch investment is a risk sharing arrangement based upon the business case for a particular programme The repayment profile in these financial statements is based upon the most up to date sales forecasts available Based on this repayment profile, the launch investment repayable in more than five years represents approximately 43% (2008 40%) of the aggregate amount outstanding at the year-end

The interest payable on the Port of Mostyn finance lease is 6 036% and the debt is repayable over 15 years

The interest payable on the finance leases with Airbus Financial Services (AFS) is GBP LIBOR and the debt is repayable over 20 years AFS is a wholly owned subsidiary of Airbus S A S

Analysis of debt:

	2009 £m	2008 £m
In one year or less, or on demand	**919**	1,043
Between one and two years	**2**	1
Between two and five years	**7**	5
More than five years	**36**	21
	964	1,070

The maturity of obligations under finance leases and hire purchase contracts is as follows

	2009 £m	2008 £m
Within one year	**2**	2
Between one and two years	**2**	1
Between two and five years	**7**	5
More than five years	**36**	21
	47	29

Notes *(continued)*

18 Provisions for liabilities and charges

	Deferred Taxation £m	Other provisions £m	Total £m
At beginning of the year	-	67	67
Released during year	-	(11)	(11)
Utilised during the year	-	(35)	(35)
Created during the year	-	-	-
At end of year	-	**21**	**21**

Other provisions include £5m in respect of Power8 restructuring, £12m supplier claims and £4m other

The elements of deferred taxation are as follows

	2009 £m	2008 £m
Accelerated capital allowances	**89**	136
Losses	**25**	(39)
Temporary differences within share of Airbus result	**(113)**	(96)
Other timing differences	**(1)**	(1)
Provision for deferred taxation	**-**	-
Provision at start of year	-	-
Deferred tax in the profit and loss account for the year	-	-
Provision for deferred taxation	**-**	-

The gross deferred tax asset relating to losses and other timing differences of £303m (2008 £194m) has not been recognised due to uncertainty regarding future recoverability

Notes *(continued)*

19 Called up share capital

	2009	2008
	£	£
Authorised		
Equity 225,002,000 Ordinary shares of £1 each	**225,002,000**	225,002,000
Allotted, called up and fully paid		
Equity 225,001,548 Ordinary shares of £1 each	**225,001,548**	225,001,548

20 Share premium and reserves

	Capital Contribution	Share premium account	Profit and loss account
	£m	£m	£m
At beginning of year	572	534	(1,111)
Retained loss for the year	-	-	(270)
Capital Contribution	-	-	-
At end of year	**572**	**534**	**(1,381)**

During 2008, £572m of intercompany debt was waived by Airbus Holding SA, the ultimate parent company This has been classed as a capital contribution in these accounts

Notes *(continued)*

21 Commitments

a) Capital commitments at the end of the financial year, for which no provision has been made, are as follows

	2009 £m	2008 £m
Contracted	**124**	140

(b) Annual commitments under non-cancellable operating leases are as follows

	2009 Land and buildings £m	2009 Other £m	2008 Land and buildings £m	2008 Other £m
Operating leases which expire				
Within one year	-	-	1	-
In the second to fifth years inclusive	-	3	-	4
Over five years	18	2	17	3
	18	**5**	18	7

22 Pension scheme

Certain employees of the company, in the United Kingdom and overseas, are members of the BAE SYSTEMS Pension Schemes operated in the United Kingdom by BAE SYSTEMS plc The BAE SYSTEMS Pension Schemes are funded defined benefit schemes and the assets are held in separate trustee administered funds

The BAE SYSTEMS Pension Schemes provide benefits on final pensionable pay In accordance with IAS 19, BAE SYSTEMS has disclosed for its UK defined pension schemes a net (pre tax) pension liability of £5,006m as at 31 December 2009 (2008 £2,913m)

The company has been unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis for the years ended 31 December 2004 - 2009 and, as permitted under FRS 17 - Accounting for pension costs, the scheme has been accounted for by the company as if the scheme were a defined contribution scheme

Additionally, certain employees of the company, in the United Kingdom and overseas are members of the EADS Astrium Pension Scheme operated in the United Kingdom by EADS Astrium Ltd The EADS Astrium Pension Scheme is based on two types of pension provision, these are final salary and money purchase

Of the pension contributions disclosed in note 6, £2m (2008 £1m) out of £31m (2008 £37m) relate to contributions made in respect of the Astrium scheme Since only a small proportion of the company employees are in the EADS Astrium scheme, the Directors believe that the company's share of any deficit would not be material to the financial statements

Notes *(continued)*

23 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a wholly owned subsidiary of Airbus Operations SAS, which is a merged company of Airbus Holding SA and Airbus France SAS, which in turn is a wholly owned subsidiary of Airbus SAS ("Airbus"), an EADS NV company, incorporated in France EADS NV owns 100 percent of the Airbus stock The consolidated financial statements of EADS NV, a company incorporated and registered in The Netherlands, within which this company is included, can be obtained from Drentestraat 24, 1083 HK, Amsterdam

24 Financial instruments

The company entered into five interest rate swap arrangements during 2000 £100 million 30 March, £100 million 31 March, £200 million 3 April, £150 million 26 May and £150 million 30 May These were to fix the future interest rate exposure on the repayment of £530 million A380 Launch Investment, and are in place until 2018 In the event that the A380 is substantially delayed, the company is exposed to movements in interest rates

The market value of these swaps as at 31 December 2009 is £30m adverse (2008 £70m adverse)

The forward contracts hedge book was transferred for management purposes from Airbus Operations Limited to Airbus SAS as at 31 December 2004 Airbus Operations Limited still retains the legal title to certain of the forward contracts

25 Events after the balance sheet date

Airbus have recently decided to increase production rate from 34 to 36 aircraft per month on A320 single aisle family This is decision reflects the strong order book and increased optimism in the market

A350XWB Repayable Investment Agreement was signed by Airbus Operations Limited, EADS and Department of Business Innovation and Skills (DBIS) on 8 March 2010 in respect of the design and development of the wing of the A350XWB in the UK

26 Related Party Transactions

As 100% of the company's voting rights are controlled within the group headed by EADS NV, the company has taken advantage of the exemption in Financial Reporting Standards 8, from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent undertaking