

Letter from the Chief Financial Officer

1 2 3

[Back to Contents](#)



DEAR SHAREHOLDERS,

In 2007, EADS took important steps to overcome challenges and risks. At the same time we demonstrated commercial and technology excellence by converting opportunities into sales successes. Indeed, 2007 was a record year for sales, thanks to a favourable market and the strength of our products. Yet we still have much work to do to return EADS to financial strength.

Frankly, the 2007 financial results are unsatisfactory - heavily burdened by the A380 loss due to delays, the cost of the A350 XWB relaunch, the A400M provision resulting from the development delay, and the restructuring provision for the Power8 programme. Moreover, the weakness of the U.S. dollar and the anticipation of a downturn in the market weighed down EADS stock price performance.

The Management responded in multiple ways to these challenges:

First, by capturing a record commercial order intake, Airbus registered 1,341 net orders, and airlines recognised the competitiveness of the A350 XWB with 290 firm orders. Eurocopter also reached an unprecedented order intake of 802 helicopters. Finally, Astrium for the first time became market leader with orders for eight telecom satellites.

This record backlog totalling 339.5 bn€ should provide us headroom even in a tougher market in the years to come. Additionally, we anticipate further positive momentum from being chosen by the U.S. Air Force — with Northrop Grumman — to provide the KC-45 Tanker.

Second, we continued to hedge against the unprecedented weakness of the U.S. dollar. Although the hedged portion of our exposure has decreased - mainly due to the huge order intake and the very long-term order book, especially on A350 - it gives us protection over the next years at decreasing rates, and buys us time to react. Unfortunately, dollar weakness constitutes a continuing threat that cannot be fully addressed through hedging.

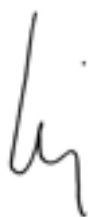
This environment has led to a new phenomenon for programmes like the A380 and A350 where early contracts in the production plan are suffering losses, fluctuating with the quarterly development of the dollar rates. Consequently, we are developing counter-measures, beyond our Power8 cost savings and restructuring programme. This will inevitably mean drastic measures, including the need specifically to further “dollarise” our cost base so as to be less vulnerable against currency fluctuations.

Third, management is reaping the benefits of the restructuring and cost saving programmes. Eurocopter, Defence & Security and Astrium all made significant contributions to operational results. Based on the strong order book we expect further profitable growth of top and bottom line. The Airbus legacy programs continue to deliver and the Power 8 programme contribution in 2007 delivered good early results. This led to a solid free cash flow performance and an unprecedented net cash position of €7 billion: a capital increase is not anticipated.

Finally, Louis Gallois initiated the development of Vision 2020 to have a clear flight plan for the coming years. Each Division and each Function will contribute to making Vision 2020 a reality. And so will Corporate Finance. The Finance Improvement Initiative, which I launched in 2007, streamlines and integrates the Finance function across the Divisions. Together with my Finance Leadership Team, we are driving finance process improvements, transparency, efficiency, and sharing best practices. We are particularly looking at sharing resources. We also address incentivisation schemes to drive ambition and value creation, and focus more on the efficient use of our assets. We need to implement our Vision as soon as possible. We must enhance non-Airbus revenues, increase our services offering and make globalisation a reality. Proactive portfolio management through selective acquisitions, and possible divestments of non-core or non-strategic assets, will further support the Vision goals.

In view of the cash performance of the Group and despite the registered net loss, the Board will propose to the Annual General Meeting of Shareholders a dividend of 12 cents per share. While acknowledging the turbulent macro-economic conditions and capital market environment, the Board wishes to recognise and reward the importance of shareholder loyalty, and the management wishes to express confidence in EADS' short- and medium-term prospects. We expect the conditions for a more substantial dividend will be met for the full year 2008.

Yours truly,



Hans Peter Ring
Chief Financial Officer