

Business and Legal Description 2004



The step beyond

The complete EADS Annual Report Suite 2004 consists of:



EADS Annual Review 2004 (1)



EADS Financial Statements and Corporate Governance 2004 (2)



EADS Business and Legal Description 2004 (3)
(available upon request)



The online version of the EADS Annual Report Suite 2004 is available at the Investor Relations section of www.eads.com



This Reference Document was filed in French with the *Autorité des marchés financiers* on 19th April 2005 pursuant to Articles 211-1 to 211-42 of the General Regulations of the *Autorité des marchés financiers*. It may be used in support of a financial transaction only if it is supplemented by a transaction note approved by the *Autorité des marchés financiers*.

Warning

The AMF draws the attention of the public to the fact that:

European Aeronautic Defence and Space Company EADS N.V. ("EADS" or the "Company") is a Dutch company, which is listed in France, Germany and Spain. Given this fact, the applicable regulations with respect to public information and protection of investors, as well as the commitments made by the Company to securities and market authorities, are described in this Reference Document.

This document contains information which forms an integral part of EADS' Reference Document filed with the Autorité des marchés financiers on 19th April 2005. When used as a Reference Document, it must be read in conjunction with the document entitled Financial Statements and Corporate Governance – 2004 (Reference Document Part 1), containing, among other things, the Company's financial statements and the notes thereto.

Part 2 (Business and Legal Description)



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1.1 Presentation of the Group

1.1.1 Overview

Except where stipulated otherwise, all the data provided below were prepared on the basis of information from the Company.

With consolidated revenues of €31.8 billion in 2004, EADS is Europe's premier aerospace and defence company and the second largest aerospace and defence company in the world. In terms of market share, EADS is among the top two manufacturers of commercial aircraft, civil helicopters, commercial space launch vehicles and missiles systems, and a leading supplier of military aircraft, satellites and defence electronics. In 2004, it generated approximately 76% of its total revenues in the civil sector and 24% in the military sector.

2004 Highlights

EADS' business environment in 2004 was characterized by an upturn in international air traffic. While the upturn presents a promising perspective for future commercial aircraft sales, continuing instability in the Middle East, the ongoing global terror threat and high oil prices impacted airline profitability in 2004. Defence sector sales remained subject to constrained procurement budgets in EADS' home markets.

Over the course of the year, EADS continued to position itself for sustained growth and profitability, in line with its strategy of being a leading company in the major global aerospace and defence markets. The record order book of €184.3 billion at the end of 2004 constitutes a considerable asset for EADS: representing approximately five years of present level revenues in the commercial aircraft business and more than six years in the defence business.

For the second year in a row, Airbus delivered more aircraft and took in more orders than Boeing. Airbus received 370 gross orders in 2004, representing over 57% of gross new aircraft orders for the year. Airbus delivered 320 aircraft in 2004 (305 aircraft in 2003). In 2004, the A380 programme realized significant commercial and technical achievements, with a total of 139 firm orders from 13 customers at year-end. In December 2004, with a view towards complementing the long-range family of Airbus, the EADS Board of Directors approved the commercial launch of the A350 aircraft.

Although 2004 was marked by differences between the U.S. and the EU concerning government financing for commercial aircraft programmes, negotiations have resumed and EADS expects that the ultimate solution will lead to a level playing field on both sides of the Atlantic.

Expanding EADS' capabilities and business revenues in the defence sector is a core strategic priority for the EADS Group (the "Group"). The defence-related order book grew from €46 billion at year-end 2003 to €49 billion at year-end 2004, while defence-related revenues increased 8% to €8 billion. Contributing to this growth in 2004 were the Eurofighter Tranche 2 and M51 (French ballistic missile) contracts, the order of tanker aircraft by the Australian Armed Forces, the integrated border security system contract with the Romanian Interior Ministry, and the first non-European orders for the NH90 from Oman and Australia.

Turnaround at EADS Space was achieved in 2004, reflecting the results of ongoing restructuring activities at the Division. EADS Space finished the year with a positive EBIT* of €10 million (as compared to negative €400 million in 2003).

Strategy

In order to maximise value for its shareholders and to balance its portfolio, the management of EADS (the "Management") intends to position EADS as a leading company in major global aerospace and defence markets. The strategy is composed of four key elements:

- Further strengthen EADS' competitive position

EADS has established, and aims to maintain, its role as a global market leader in respect of commercial aircraft – through Airbus, helicopters – through Eurocopter, missiles systems – through MBDA and LFK and commercial space launchers – through EADS Space Transportation.

The target of approximately €10 billion in defence and homeland security-related sales annually by 2006, based on a year-end 2004 defence backlog of approximately €49 billion, reflects EADS' ongoing efforts to gain additional ground against its key competitors in the defence and space sectors. These efforts are supported by EADS' young and competitive portfolio, featuring programmes such as the A400M military transport aircraft, Eurofighter, Tiger and NH90 helicopters, the Meteor and Aster missile programmes and Skynet 5/Paradigm secure communications network.

To further strengthen its competitive position in the defence sector, EADS is expanding the scope of its business to include homeland security, military transport aircraft, large defence systems and service solutions, and is actively screening targeted acquisition opportunities in key markets.

- Become a global industrial group

EADS intends to make use of its established reputation as a technology leader and its growing credibility as a systems integrator to support its transition from a European industrial group with global export sales to a global industrial group relying on local industrial footholds and technological co-operations in key markets, notably the U.S., Asia and Russia.

1.1 Presentation of the Group (continued)

EADS will vigorously pursue opportunities to extend local “roots and branches” into these markets, a virtual prerequisite to entry. Global program partnerships involving local industry participants and acquisitions in target markets are not only critical levers in the capturing of international markets, but also a means of broadening EADS’ technology portfolio and permitting EADS to benefit from cost advantages and enhanced natural currency hedging opportunities. Furthermore, group-wide efforts in the area of global sourcing support EADS’ competitiveness and cost efficiency, especially against the background of favourable budgetary conditions for U.S. players.

The Group’s experience in Australia exemplifies the successful implementation of this strategy. In Management’s view, the local industrial foothold established through the acquisition of Australian Aerospace in 2001, created a competitive advantage for the Tiger contract and supported the contract signature of the A330 tanker aircraft and the NH90.

U.S.

In the U.S., EADS aims to be perceived as a valued corporate citizen in the world’s largest defence and homeland security market. To this end, it is pursuing a four-pillared strategic approach: creating a U.S. industrial presence (Eurocopter Mississippi, Airbus Wichita design centre), developing transatlantic relationships with the principal actors in the U.S. aerospace and defence market (EuroHawk®), acquiring small and mid-sized defence companies (Racal Instruments) and cooperating with U.S. primes.

By consolidating the different components of its U.S.-based defence business into EADS North America Defense Company (operating under a Special Security Agreement with the U.S. government) in 2004, EADS laid the organisational foundation on which it intends to develop the local footprint needed to successfully attract U.S. military customers.

Capitalizing on EADS’ technologically advanced product portfolio, including in particular its helicopters and transport and tanker aircraft, EADS North America is pursuing several key campaigns in the U.S., each within the framework of a partnership with a U.S. defence industry participant. The projects include the KC-330 tanker, the Utility Helicopter, the Future Cargo Aircraft and MEADS.

Asia

Management sees Asia, and in particular China and India, as a promising market for future growth. The rapid pace of economic growth in these countries drives demand for air travel and supports increasing governmental budgets. EADS aims to derive 30% of its revenues from Asia in 2015.

In 2003, EADS took an important step into the Chinese market through its stake in AviChina, localising Eurocopter manufacturing in north-eastern China. Airbus has set a sourcing target of U.S.\$120 million in China by 2010 and has plans for setting up an engineering center. EADS envisages further joint programme development partnerships with Chinese partners, following the model of the recent agreement for the joint development and production of a new multipurpose helicopter with AviChina (AVIC II). Overall, EADS is committed to developing long-term strategic partnerships with China’s industry and government in order to become their global partner of reference.

Russia

Management views the development of Russia’s economy as a promising opportunity, with the Russian aerospace and defence industry gaining new strength through restructuring and consolidation. As an initial foray into the Russian market, EADS is participating in this restructuring and consolidation process through a co-operation with IRKUT. Joint new programme developments, with a particular focus on export markets and technology partnerships, are at the core of the mutual interest shared by EADS and its Russian industrial partners.

– Deliver systems and service solutions

The transformation of U.S. and European defence forces and public safety agencies and the need for a more efficient use of existing defence budgets is driving EADS’ customers to demand complete systems and service solutions. In response, EADS aims to increase the competitiveness of its current programme offerings by emphasising its capabilities in lead system integration and service solutions.

Specifically, EADS is targeting a clear prime position in new growth areas of network enabled operations, manifested by its extended air defence, C4ISR¹, unmanned aerial vehicles and military space programmes.

¹ Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance.

1.1 Presentation of the Group (continued)

The contract for the provision of an integrated border surveillance system for Romania, awarded to EADS in 2004, represents a significant step in this direction. The NATO transformation contract, pursued together with U.S.-based SAIC, and the leading role of EADS in the NATO AGS team serve as further examples of the substantive development of EADS' systems and solution business.

In addition to systems, EADS is committed to extending its programme leadership through the provision of service solutions, including outsourcing, to defence forces and public safety agencies, such as the secure communication services of Paradigm and the in-fleet services provided by the Eurofighter system support centre.

– Focus on innovation and technology

By combining a wide range of products and expertise into high value-added, integrated systems, EADS will seek to enter new markets, maximise margins and offer strongly differentiated solutions that are tailored to increasingly complex customer needs in both the civil and defence sectors. New businesses such as complete homeland security systems, Galileo navigation satellites and military derivatives based on its existing Airbus platforms exemplify EADS' ability to combine know-how and products in the development of incremental businesses.

Continuous innovation has been the basis of EADS' success in the past, and Management expects that it will be even more important going forward. Innovation cycles are shortening and new competitors are emerging in all fields of EADS' business. EADS intends to position itself as a market-leading provider of innovative solutions covering a broad spectrum of technologies including new materials, manufacturing techniques, disruptive technologies, system integration, and quality control.

In absolute terms and as a percentage of sales, EADS has consistently devoted more of its own resources to research and development than its peers. Management firmly believes that this sustained investment in R&D is paying off in terms of competitive position and is resulting in positive return on investment. Shareholder value is founded on this long-term view.

Organisation of EADS Businesses

EADS businesses fall under five Divisions: (1) Airbus, (2) Military Transport Aircraft, (3) Aeronautics, (4) Defence and Security Systems and (5) Space. The chart at paragraph 3.3.6 illustrates the allocation of activities among these five Divisions.

Airbus

Airbus is one of the world's two leading suppliers of commercial aircraft of more than 100 seats. Since it was founded in 1970 up to the end of 2004, Airbus has received 5,252 orders for aircraft from 204 customers worldwide. Its market share of annual deliveries worldwide has grown from 15% in 1990 to 53% in 2004, surpassing its rival Boeing for the first time. At 31st December 2004, its backlog of orders (1,500 aircraft) stood at 74% of total EADS worldwide backlog. After accounting for cancellations, net order intake for 2004 was 366 aircraft. In 2004, the Airbus Division of EADS earned revenues of €20.2 billion, representing 64% of EADS total revenues. See “– 1.1.2 Airbus”.

Military Transport Aircraft

The Military Transport Aircraft Division (the “**MTA Division**”) manufactures and sells light and medium military transport aircraft and is responsible for the development of the European heavy military transport A400M project. In addition, the MTA Division produces and sells mission aircraft, which are derived from existing platforms and dedicated to specialised military tasks such as maritime surveillance, antisubmarine warfare and in-flight refuelling capabilities. The MTA Division also designs and manufactures aerostructure elements. The MTA Division earned consolidated revenues of €1.3 billion accounting for 4% of EADS' total revenues for 2004. The €19.7 billion contract to manufacture and deliver the A400M was signed in 2003, contributing to significant future revenue growth for EADS. See “– 1.1.3 Military Transport Aircraft”.

Aeronautics

The Aeronautics Division groups together a number of civil and military aviation-related businesses, including helicopters, regional and general aviation aircraft and aircraft conversion and maintenance. The Aeronautics Division is also involved in the manufacturing of aerostructures for Airbus. Management views the mix of young and mature civil and military programmes and services as an effective means of assuring consistent positive results in markets subject to cyclical or fluctuating demand. For 2004, the Aeronautics Division earned consolidated revenues of €3.9 billion representing 12% of EADS' total revenues. See “– 1.1.4 Aeronautics”.

Defence and Security Systems

The Defence and Security Systems Division (the “**DS Division**”) is active in the field of integrated systems including missile systems, combat aircraft, defence electronics, military communications and services. Based on 2004 revenues, EADS' subsidiary MBDA has become the largest manufacturer

1.1 Presentation of the Group (continued)

of tactical missile systems in the world. Its military aircraft Business Unit, which was transferred from the Aeronautics Division in 2003, is a leading partner in the Eurofighter consortium. EADS is the third largest supplier of defence electronics in Europe and plays a significant role in the secure and encrypted military communications market. On a consolidated basis, the DS Division earned revenues of €5.4 billion for 2004, representing 17% of EADS' total revenues. See “- 1.1.5 Defence and Security Systems”.

Space

EADS is the third largest space systems manufacturing company in the world after Boeing and Lockheed Martin and the leading European supplier of satellites, orbital infrastructures and launchers. The Space Division designs, develops and manufactures satellites, orbital infrastructures and launchers largely through its subsidiaries EADS Astrium and EADS Space Transportation (“EADS ST”), and provides space services through its EADS Space Services subsidiary. The Space Division also provides launch services, through its shareholdings in Arianespace, Starsem and Eurockot, as well as services related to telecommunications and earth observation satellites, through dedicated companies, such as Paradigm. For 2004, the consolidated revenues of the EADS Space Division amounted to €2.6 billion, or 8% of EADS' total consolidated revenues. See “- 1.1.6 Space”.

Investment

Among its significant investments, EADS holds a 46.03% stake in Dassault Aviation, a major participant in the world market for military jet aircraft and business jets. See “- 1.1.7 Investments”.

Summary Financial and Operating Data

The following tables provide summary financial and operating data for EADS for the years ended 31st December 2004 and 31st December 2003.

Consolidated Revenues for the Years Ended 31st December 2004 and 2003 by Division

	Year Ended 31st December 2004		Year Ended 31st December 2003	
	Amount in € bn	In Percentage*	Amount in € bn	In Percentage*
Airbus	20.2	60	19.0	61
Military Transport Aircraft	1.3	4	0.9	3
Aeronautics	3.9	12	3.8	12
Defence and Security Systems	5.4	16	5.2	16
Space	2.6	8	2.4	8
Total Divisional Revenues	33.4	100	31.3	100
Headquarters/ Eliminations**	(1.6)		(1.2)	
Total Consolidated Revenues	31.8		30.1	

* Percentage of total divisional revenues before headquarters/eliminations.

** Includes inter alia intercompany eliminations and headquarters sales.

Consolidated Revenues by Geographical Area for the Years Ended 31st December 2004 and 2003

	Year Ended 31st December 2004		Year Ended 31st December 2003	
	Amount in € bn	In Percentage*	Amount in € bn	In Percentage*
Europe	14.6	46	14.0	46
North America	8.7	27	8.1	27
Asia/Pacific	7.2	23	6.9	23
Rest of the World	1.3	4	1.1	4
Total	31.8	100	30.1	100

* Percentage of total revenues after eliminations.

1.1 Presentation of the Group (continued)

Consolidated Orders Booked for the Years Ended 31st December 2004 and 2003

	Year Ended 31st December 2004		Year Ended 31st December 2003	
	Amount in € bn	In Percentage***	Amount in € bn	In Percentage***
Orders booked:*				
Airbus**	25.8	57	39.9	52
Military Transport Aircraft	1.2	2	20.3	27
Aeronautics	4.3	9	3.7	5
Defence and Security Systems	8.5	19	6.3	8
Space	5.7	13	6.1	8
Total Divisional Orders	45.5	100	76.3	100
Headquarters/ Eliminations**	(1.4)		(15.1)	
Total	44.1		61.2	

* Without options.

** Based on catalogue prices.

*** Before headquarters/eliminations.

Consolidated Backlog for the Years Ended 31st December 2004 and 2003****

	Year Ended 31st December 2004		Year Ended 31st December 2003	
	Amount in € bn	In Percentage***	Amount in € bn	In Percentage***
Backlog:*				
Airbus**	136.0	70	141.8	73
Military Transport Aircraft	19.9	10	20.0	11
Aeronautics	10.2	5	9.8	5
Defence & Security Systems***	17.3	9	14.3	7
Space	11.3	6	7.9	4
Total Divisional Backlog	194.7	100	193.8	100
Headquarters/ Eliminations	(10.4)		(14.5)	
Total	184.3		179.3	

* Without options.

** Based on catalogue prices.

*** Before headquarters/eliminations.

**** For a discussion on the calculation of backlog, see "Part 1/1.1.4 Measurement of Management's Performance – Order Backlog".

Relationship Between EADS N.V. and the Group

EADS N.V. itself does not engage in the core aerospace, defense or space business of its Group but coordinates related businesses, sets and controls objectives and approves major decisions for its Group. As the parent company, EADS N.V. conducts activities which are essential to the Group activities and which are an integral part of the overall management of the Group. In particular, finance activities pursued by EADS N.V. are in support of the business activities and strategy of the Group. In connection therewith, EADS N.V. provides or procures the provision of services to the subsidiaries of the Group. General management service agreements have been put in place with the subsidiaries and services are invoiced on a cost plus basis.

For management purposes, EADS N.V. acts through its Board of Directors, Executive Committee, and Chief Executive Officers in accordance with its corporate rules and procedures detailed in "Part 1/Chapter 2 – Corporate Governance".

Within the framework defined by EADS, each Division, business unit ("Business Unit"), and subsidiary is vested with full entrepreneurial responsibility.

To the best knowledge of Management, there are no pledges over any of the assets of EADS N.V.

1.1 Presentation of the Group (continued)

1.1.2 Airbus

Introduction and Overview

Airbus is the leading supplier of commercial aircraft with more than 100 seats. Its market share of annual deliveries worldwide has grown from 15% in 1990 to 53% in 2004. At 31st December 2004, its backlog of orders (1,500 aircraft) stood at 74% of total EADS worldwide backlog. After accounting for cancellations, net order intake for 2004 was 366 aircraft. In 2004, the Airbus Division of EADS earned revenues of €20.2 billion, representing 64% of EADS total revenues.

Based on deliveries in 2004, Airbus was the largest supplier of commercial aircraft in the world, surpassing its rival Boeing for the second year in a row. Since it was founded in 1970 up to the end of 31st December 2004, Airbus has received orders for 5,252 aircraft from approximately 204 customers around the world.

Several factors have contributed to the success of Airbus: its portfolio of modern aircraft, its consistent technological innovation, its stable pool of highly skilled employees and its concept of aircraft “families” that offer customers cost savings in crew training, maintenance and supply for their fleets of different sized Airbus aircraft. In addition, Management believes that the international composition of Airbus represents a competitive advantage in the global marketplace.

The Airbus Group is jointly owned by EADS (80%) and BAE SYSTEMS (20%).

Strategy

The paramount strategic goal of Airbus is to deliver first-rate economic returns in a sustainable manner by continuing to develop a superior family of products and commanding half of the world commercial aircraft market over the long term. To achieve this end, Airbus is actively:

– **Completing the most comprehensive line of products targeted to customer needs**

This entails (i) a major effort to develop, test, manufacture and deliver the A380 by early 2006, (ii) the gradual extension of relevant freighter applications across the range of Airbus aircraft, and (iii) the continuous maintenance of existing models’ competitive edge in their respective markets.

– **Focusing on key geographic markets**

Airbus is seeking to penetrate certain key markets such as China and Russia, and to consolidate its position in the difficult U.S. airline market.

– **Expanding its offering of services to customers**

Expansion of its offering of customer services will enable Airbus to remain at the forefront of its industry by (i) designing answers to customers’ evolving needs, and (ii) ensuring optimal Airbus placement along the industry’s value chain.

– **Perfecting its industrial operations**

Management is focused on capturing the benefits of integration, to enhance its response to changes in volume and mix, and to carry out A380 related investments with a strong focus on flexibility and efficiency.

Market

Cyclicality and Market Drivers

The main factors affecting demand in the aircraft market include passenger demand for air travel, national and international regulation (and deregulation), and the rate of replacement and obsolescence of existing fleets. The performance, competitive posture and strategy of airlines, cargo operators and leasing companies, wars, political unrest and extraordinary events may act as a catalyst, precipitate changes in demand and lead to short term market imbalances.

2004 Airline Market Highlights. The market downturn, which started in 2001, driven by weakening world economies and exacerbated by the terrorist attacks on 11th September 2001, the subsequent war in Iraq and the outbreak of SARS in Asia was the focus of the industry. But in 2004, a market recovery occurred in all regions with a particularly positive trend in the Middle East and Asia, partially due to the post-SARS recovery. In Europe, Latin America and the U.S., traffic has returned and now exceeds pre-11th September levels. Nevertheless, higher costs due to elevated fuel prices had a negative impact on airlines’ financials and yields remain depressed in the U.S.

The no-frills/low-cost carriers continue to emerge as a significant sector within domestic markets. They have developed in the U.S. and Europe by following a business model that leverages the benefits of minimising costs while stimulating demand by offering low fares to and from short and medium range, often under-served, destinations. This business model, which proved to be particularly successful in the U.S. following market deregulation, is now being adopted by a growing number of airlines in Europe and Asia, resulting in increased demand and increasing market share for low-cost carriers. Airbus’ family of modern single aisle aircraft based on the A320 is well positioned to provide the operating cost base and flexibility demanded by this segment of the market. Airbus already has a strong presence in the U.S. no-frills/low-

1.1 Presentation of the Group (continued)

cost market with JetBlue, America West and Frontier, and has also been successful in penetrating airlines in the growing low cost sector in Asia, with sales and commitments from Cebu Pacific, Air Deccan, Kingfisher and Air Asia, for example.

Overall Growth. The market for passenger jetliners depends primarily on the demand for air travel, which is itself primarily driven by economic or GDP growth, fare levels and demographic growth. Measured in revenue passenger kilometres, air travel increased every year from 1967 to 2000, except for 1991 due to the Gulf War, resulting in an average annual growth rate of 7.9% for the period. In 2004, Airbus projected that air travel would grow at 5.3% per annum during the period 2004-2023.

Cyclical. Although those in the industry feel that long-term growth in air travel is secure, the market for aircraft has proven to be cyclical, due to the volatility of airline profitability and cycles of the world economy. When cyclical downturns have occurred in the past, aircraft manufacturers have typically experienced decreases in aircraft orders and lower deliveries followed by a period of sustained order and delivery activity. After the last downturn at the time of the Gulf War in 1991, this period of reduced orders and deliveries was followed by six years of strong activity, including the year 2000, which saw an industry record for new passenger jet aircraft orders. Despite the current business cycle, deliveries have been stable or have grown since 1994 due to Airbus' increasing customer base, market share and expanding product portfolio.

Management believes that it has been and will continue to be able to mitigate the impact of the market downturns by effective management, including outsourcing decisions. See “- Production - Adaptability to Changes in Demand”. In previous downturns, despite the decline in the aggregate market for aircraft, Airbus was able to capture a larger share of the reduced market, thereby cushioning the impact on its operations. Furthermore, a decrease in orders and backlog need not imply a reduction in immediate deliveries of the same magnitude.

Regulation/Deregulation. National and international regulation (and deregulation) of international air services and major domestic air travel markets affect demand for passenger jetliners. In 1978, the United States undertook the deregulation of its domestic air transportation system. Other regions have followed this model, notably Europe since 1985.

The Federal Aviation Authority (“FAA”) Stage 3 anti-noise regulations requiring operators to replace many older aircraft by the end of 1999 also had an impact on demand, resulting in a significant increase in North American orders in the years leading up to and following implementation of the regulations.

Airline Network Development: Hubs. As a consequence of deregulation policies, major airlines are constantly adapting their fleet, network and commercial strategies. This adaptation is possible because of the availability of new aircraft capable of meeting customer requirements in terms of cost and performance. In response to the price demands of passengers and competition of new no frills/low cost carriers, major airlines have organised their operations around strategically located “hub” airports enabling them to link more cities at lower fares. This affects demand as hubs permit fleet standardisation around both smaller aircraft types for the short, thin and high frequency routes feeding the hubs (between hubs and spokes) and larger aircraft for longer and higher density routes between hubs (hub-to-hub). As a result, worldwide deregulation has contributed to the diversification of airline strategies, which in itself has resulted in airlines requiring a wider range of aircraft to implement such strategies.

Fragmentation. The term “fragmentation” describes markets in which point-to-point services replace or take a share of traditional hub and spoke/connection traffic. Fragmentation of this type has primarily occurred on short and medium range domestic U.S. routes, in response to competition and as a means for airlines to differentiate their services from one another.

The trend towards fragmentation on long and very long haul routes, driven by the development of new routes between secondary cities, will be facilitated by the availability of more modern, efficient aircraft. In the trans-atlantic market, the development of new non-stop services between secondary cities is expected to drive demand for intermediate wide body aircraft such as the A330.

Airbus recognised and responded to the airlines' evolving demand for aircraft with ever greater range and capacity through the development of the very long range A340-500/600 aircraft launched eight years ago. These aircraft provide increased operational profitability not only in markets where demand for point-to-point service already exists, but also in markets that were not previously serviceable by older types of aircraft due to range/cost limitations. Market dynamics indicate that a combination of new routes (made possible by liberalisation, fragmentation and the need for hubs centred on dense population centres) and traditional markets will

1.1 Presentation of the Group (continued)

characterise the future. Airbus believes that it is, with its complete family of products from the 107-seat A318 to the 555-seat A380, well-positioned to meet future market requirements.

Alliances. The development of world airline alliances is reinforcing these strategies. According to data from Airclaims, a U.K.-based aviation industry consultancy, half of the world's jetliner fleet of over 100 seats was operated by 22 airlines as of December 2002. In the 1990s, the major airlines began to enter into alliances that give each alliance member access to the other alliance members' hubs and routings, allowing airlines to concentrate their hub investments while extending their product offering.

Governmental Funding. A 1992 bilateral agreement between the E.U. and the U.S. provided for ceilings on reimbursable launch investments (typically used by European governments) of 33% of the total development costs of new large civil aircraft programmes. It also set a ceiling at 3% of industry revenues for indirect support in relation to the development or production of large civil aircraft (typically the Department of Defense and NASA mechanisms used in the U.S.). This bilateral agreement had provided a level playing field for government support, reflecting the needs of both Europe and the U.S.

Following its unilateral withdrawal from the 1992 E.U.-U.S. Agreement on Trade in Large Civil Aircraft, on 6th October 2004, the U.S. government lodged a request to initiate settlement proceedings before the World Trade Organization ("WTO") against the E.U. over support for Airbus. The E.U. commenced a case against the U.S. over support for Boeing the next day. On 11th January 2005, the parties agreed to attempt to resolve their differences over industry support during a three-month negotiation period outside of the WTO framework, with the goal of concluding a new agreement establishing fair market competition for development and production of large civil aircraft in the U.S. and the E.U. However, as of 11th April 2005, the parties had not been able to reach a satisfactory agreement. Consequently, there is a risk that the legal proceedings before the WTO may recommence.

Market Structure and Competition

Market Segments. Currently, Airbus competes in each of the three principal market segments. "Single aisle" aircraft, such as the A320 Family, have 100-210 seats in two rows divided by one aisle and are used principally for short-range and medium-range routes. "Twin aisle" or "wide body" aircraft, such as the

A300/A310 and A330/A340 Families, have a wider fuselage with more than 210 seats in three rows divided by two aisles. Both the A300/A310 and A330/A340 Families are used on short-range and medium-range routes, with the A330/A340 Family being capable of ultra-long range operations. "Very large aircraft", such as the A380 Family, are designed to carry more than 400 passengers non-stop over very long-range routes with superior comfort standards and with significant cost-per-seat benefits to airlines. Freight aircraft, which form a fourth, related segment, are often converted ex-passenger aircraft. See "1.1.4 Aeronautics - Aircraft Conversion and Technical Services." In addition, the A300-600F has been a successful all-new freight aircraft with increasing popularity among major express courier providers and airlines, such as Federal Express, UPS and Air Hong Kong. Airbus also competes in the corporate, VIP business jet market with the ACJ an A319-based Corporate Jetliner, which has proved popular as a corporate shuttle and in government/VIP roles.

According to a study conducted by Airbus, a total of 10,800 aircraft with more than 100 seats were in service during December 2004.

The high proportion of single aisle aircraft in both North America and Europe reflects the predominance of domestic short-range and medium-range flights, particularly in North America due to the development of hubs following deregulation. In comparison with North America and Europe, the Asia-Pacific region uses a greater proportion of twin aisle aircraft, as populations tend to be more concentrated in fewer large urban centres than in the U.S. This distinction is compounded by the fact that many of the region's major airports limit the number of flights either due to environmental concerns or to infrastructure constraints limiting the ability to further increase flight frequency. These constraints necessitate higher average aircraft seating capacity per flight.

According to manufacturers' published figures, a total of 605 new aircraft with more than 100 seats were delivered in 2004. Of these aircraft, 76% were single aisle, while 24% were twin aisle aircraft.

Sales to leasing companies constitute a separate market sector accounting for approximately 28% of aircraft deliveries in 2004, since leased aircraft are frequently operated in a different region from that of the leasing company's home jurisdiction.

1.1 Presentation of the Group (continued)

Competition. Airbus has been operating in a duopoly since Lockheed's withdrawal from the market in 1986 and Boeing's acquisition of McDonnell Douglas in 1997. As a result, the market for passenger aircraft of more than 100 seats is now effectively divided between Airbus and Boeing. According to manufacturers' published figures, in 2004 Airbus and Boeing, respectively, accounted for 53% and 47% of total deliveries, 57% and 43% of total gross orders, and 58% and 42% of the total year-end backlog.

The significant barriers to entry into the market for passenger aircraft of more than 100 seats make it unlikely that a newcomer will be able to compete effectively with either of the established suppliers in the foreseeable future.

Customers

As of 31st December 2004, Airbus had approximately 204 customers, 3,752 Airbus aircraft had been delivered to operators worldwide since the creation of Airbus, and 1,500 aircraft were on order. The table below shows Airbus' most significant gross firm orders, by number of aircraft, for the year 2004.

Customer	Firm Orders*
Air Berlin	60
Etihad Airways	24
Turk Hava Yollari	36
Jet Blue	30
China Southern Airlines	21
China Eastern Airlines	20
American West Airlines	17

* Options are not included in orders booked or year-end backlog.
Source: Airbus

Organisation of Airbus

Integration of the Airbus Activities

On 11th July 2001, EADS and BAE SYSTEMS placed their Airbus-related design, engineering, manufacturing and production activities located in France, Germany, Spain and the U.K., and all their membership rights in GIE Airbus Industrie under the common control of Airbus S.A.S., and under the day-to-day control of a single management team. Airbus' management team is also responsible for marketing and customer support. The rationale was that the Airbus business, having outgrown the consortium *groupement d'intérêt économique* ("GIE") structure – which was well adapted to pooling skills and resources in order to gain market position – needed a new corporate organisation that would centralise management control over every aspect of the business.

EADS has an 80% interest in Airbus S.A.S., and has effective management control over its operations, while BAE SYSTEMS, holding the remaining 20%, enjoys specific minority rights. Certain strategic decisions, such as acquisitions and divestitures valued at more than U.S.\$500 million, approval of the three-year Business Plan (but not the annual budgets or the launch of new programmes) as well as certain actions which would dilute the ownership interest of BAE SYSTEMS in Airbus S.A.S., require unanimous agreement.

BAE SYSTEMS has been granted an option to sell its Airbus S.A.S. shares at market value to EADS, either for cash consideration or in exchange for EADS shares, as determined by EADS. However, BAE SYSTEMS may elect to receive cash where the issue of EADS shares would require prior burdensome regulatory authorisations impacting significantly the allocation of the EADS shares. During the initial three-year period, this put option can only be exercised in the event that BAE SYSTEMS disagrees with certain strategic decisions; thereafter, it is exercisable without cause. EADS benefits from a call option at market value on the Airbus S.A.S. shares in case of a change of control of BAE SYSTEMS in certain circumstances. Likewise, under certain circumstances, BAE SYSTEMS can require EADS to purchase its Airbus S.A.S. shares at market value in the event of a change in control of BAE SYSTEMS or EADS.

Beginning with the 2003 financial year, BAE SYSTEMS became entitled to receive enhanced dividends, subject to deliveries of A340-500/600 aircraft exceeding an agreed target rate. The enhanced dividends, which are indexed to Airbus' future growth, could represent a non-indexed value from zero up to a cap of €237.5 million (based on current economic conditions) over the following ten years.

Shareholder and strategic matters relating to Airbus S.A.S. are decided by a shareholders' committee, to which EADS has appointed five members and BAE SYSTEMS two members. Mr. Rainer Hertrich, Chief Executive Officer of EADS, is the chairman of the Shareholders' Committee. Mr. Noël Forgeard, as President and Chief Executive Officer of Airbus S.A.S., is responsible for the operational management of the Airbus business, together with the executive committee, consisting of himself and up to nine other members, two of whom are members proposed by BAE SYSTEMS, all of whom are agreed upon by the President and Chief Executive Officer of Airbus S.A.S. and appointed by the Shareholders' Committee.

As a consequence of its majority interest in Airbus S.A.S. and of the control provided by the shareholders' agreement related to Airbus S.A.S., EADS consolidates 100% of the integrated Group in its financial statements as from 1st January 2001.

1.1 Presentation of the Group (continued)

Products and Services

Technological Breakthroughs

Technological innovation has been at the core of Airbus' strategy since its creation. Many of the innovations that provided a distinct competitive advantage have subsequently become standard in the aircraft industry.

- **A300** – The A300 was the world's first twin-engine twin aisle commercial aircraft. This feature gave it a distinctive advantage in terms of fuel burn and maintenance costs over its three-engine and four-engine competitors for the short and medium range. The A300 B4, a derivative of the original A300, was the first twin aisle commercial aircraft certified for a two-member flight crew, resulting in lower operational costs as compared to three-member crew operated aircraft which was the industry standard at the time.
- **A310** – The A310, brought to the market in 1983, featured the first digitally imaged cockpit displays, using cathode ray tubes as opposed to the traditional mechanical display. This made it possible to provide the pilot with improved flight and navigation displays and unique centralised, easy access aircraft monitoring. The implementation of automated systems and the integration of Digital Flight Guidance both helped to further improve safety levels.

New efficient aerodynamic concepts were also introduced, such as a supercritical airfoil and the high aspect-ratio transonic wing, which brought a significant improvement in fuel burn. Carbon fibre reinforced composite materials were introduced for major structures such as the vertical fin and rudder, with significant weight savings as compared to aluminium, resulting in increased payload capability. The installation of a trim tank in the horizontal stabiliser increased operators' savings significantly by optimising aircraft conditions in flight.

- **A320** – Airbus was the first to introduce digital fly-by-wire controls with the A320 in 1988, introducing pilot commands through a side stick controller instead of the traditional control column. Flight-control computers translate these commands into electrical signals for the moving surface actuators and, at the same time, can prevent the aircraft going beyond the prescribed safe flight envelope. Compared to the traditional mechanical flight controls, this brought increased manoeuvrability, simplified operations through digital link-up with the autopilot system and weight reduction. The fly-by-wire concept is now featured on all A320 Family aircraft as well as the A330/A340 Family. Airbus' U.S. competitors did not introduce fly-by-wire controls for civil aircraft until later. Composite materials are also used extensively in the A320, in particular for the horizontal tail plane.

- **A330/A340** – Four models of this twin aisle family feature wing commonality for two and four-engine variants of an otherwise similar airframe – a unique concept that permits each model to be optimised around different market requirements. The ultra-long-range A340-500/-600 feature a larger wing and introduce further breakthroughs in the use of weight saving composite materials for a large primary structure (the 15m-long keel beam and rear cabin pressure bulkhead).
- **A350** – The A350 is conceived as a “sistership” to the A330, bearing full commonality with the rest of the Airbus aircraft family, while taking advantage of some of the technologies developed for the A380. With two versions (245 and 285 seats), the A350 is intended to offer more seats, longer range, a lower fuel burn per seat and a lower cash operating cost-per-seat than competing aircraft. Airbus received “Authorisation to Offer” (ATO) the A350 in December of 2004, and the aircraft is due to enter service in the first half of 2010.
- **A380** – The very large aircraft will bring further development of advanced technologies and allow for their broader application. Approximately 25% of the aircraft structure is to be manufactured using carbon composites and advanced metallic hybrid materials, while innovative manufacturing techniques such as laser beam welding will eliminate fasteners, reduce weight and provide enhanced fatigue tolerance.

The Family Concept – Commonality across the Fleet
Airbus' four aircraft families promote fleet commonality. This philosophy takes a central aircraft and tailors it to create derivatives to meet the needs of specific market segments. This approach means that all new-generation Airbus aircraft (i.e., excluding A300/310) share the same cockpit design, fly-by-wire controls and handling characteristics. Pilots can transfer among any aircraft within the Airbus family with minimal additional training. Cross-crew qualification (“CCQ”) across families of aircraft provides airlines with significant operational flexibility.

This commonality philosophy to reduce development costs also permits aircraft operators to realise significant cost savings in crew training, spare parts, maintenance and aircraft scheduling.

1.1 Presentation of the Group (continued)

The extent of cockpit commonality within and across families of aircraft is a unique feature of Airbus that, in Management's opinion, constitutes a sustainable competitive advantage.

Short- and medium-range single aisle aircraft: the A320 Family. Airbus' family of single aisle aircraft, based on the A320 (which entered service in 1988 following a development programme launched in 1984), includes the A318, A319 and A321 derivatives, as well as the A319-based Airbus Corporate Jetliner, a business jet derivative, which Airbus launched in June 1997.

At 3.96 metres, the A320 Family has the widest fuselage cross-section of any competing single aisle aircraft. This provides a roomy passenger cabin, a high comfort level and a more capacious underfloor cargo volume than its competitors. The A320 Family incorporates digital fly-by-wire controls, an ergonomic cockpit and a lightweight carbon fibre composite horizontal stabiliser, derived from the A310-300. The A320 Family's competitors are the Boeing 737, 757 and 717 aircraft.

The A318. The A318 aircraft is a shortened version of the A319, designed to satisfy demand for aircraft in the 100 to 120-seat range.

Single Aisle Technical Features

Model	Entry into service	Passenger capacity	Maximum range (km)	Length (meters)	Wingspan (meters)
A318	2003	107	6,000	31.4	34.1
A319	1996	124	6,800	33.8	34.1
A320	1988	150	5,700	37.6	34.1
A321	1994	185	5,600	44.5	34.1

* Two-class layout.

Source : Airbus 2003

In 2004, Airbus received 279 orders for A318, A319, A320 and A321 aircraft and delivered 233 A320 Family aircraft.

Short- and medium-range twin aisle aircraft: the A300/A310. The A300/A310 aircraft were the initial models of the Airbus product line and are designed for short-and-medium range routes. The A300, which entered into service in 1974, was the world's first twin aisle, twin-engine aircraft. Its current version A300-600 is also available in freighter and convertible passenger-freighter configurations, in service with both Federal Express and UPS.

In 1988, Airbus introduced the extended-range A300-600R, which incorporated the lightweight carbon fibre composite horizontal stabiliser developed for the A310. The A310, which was based on the A300, entered into service in 1983, and introduced the first electronic cockpit in civil aviation history.

A300/A310 Technical Features

Model*	Entry into service	Passenger Capacity**	Maximum range (km)	Length (meters)	Wingspan (meters)
A300	1974	266	7,500	54.1	44.8
A310	1983	220	9,600	46.7	43.9

* All versions of A300/A310 including freighters.

** Two-class layout.

Source: Airbus

In 2004, Airbus received two orders for A300 and A310 aircraft and delivered 12 A300 and A310 aircraft.

1.1 Presentation of the Group (continued)

Medium to ultra- long-range twin aisle aircraft: the A330/A340 Family. Airbus developed the twin-engine A330 and long-range four-engine A340 as a joint programme, using the same wing design for both aircraft and retaining the fuselage cross section of the existing A300/A310 to offer comprehensive and economic medium to ultra-long-range route coverage.

In 1997, Airbus began development of the ultra-long-range A340-500 and the high capacity A340-600 derivatives. The A340-500 is intended to offer more point-to-point routings over extremely long ranges. It is designed to allow non-stop flights such as Los Angeles – Singapore or Chicago – Auckland. The A340-600 made its first flight in April 2001 and deliveries began in July 2002.

The competitors of this family are the Boeing 767, 777 and 747 aircraft.

A330/A340 Technical Features

Model*	Entry into service	Passenger capacity*	Maximum range (km)	Length (meters)	Wingspan (meters)
A330-200	1998	253	12,500	59.0	60.3
A330-300	1994	295	10,500	63.7	60.3
A340-200	1993	240	14,800	59.4	60.3
A340-300	1992	295	13,700	63.7	60.3
A340-500	2002	313	16,700	67.8	63.6
A340-600	2002	380	14,600	75.3	63.6

* Three-class layout.

Source: Airbus

In 2004, Airbus received 79 orders for A330 and A340 aircraft and delivered 75 A330 and A340 aircraft.

Very large aircraft: the A380 Family. In 2004, Airbus estimated worldwide passenger traffic would grow at a sustained average annual rate of 5% during the 2004-2022 period, leading to two concurrent trends: rising fragmentation of a portion of the marketplace, characterised by the development of new markets, higher frequency on thinner routes and hub by-passing; and consolidation of the rest of the market, resulting in the concentration of the hub-to-hub traffic and hub-dominated traffic, typical of alliance networks. See “– Market”. Following five years of intensive pre-development with airlines, airports and regulatory authorities throughout the world, Airbus has defined a very large aircraft, the A380, to best serve the needs of the consolidated hub-dominated market.

2004 was a significant year from an industrial and programme point of view with final assembly of the first airframe starting in May. Four A380s, destined for use as test aircraft, are now assembled and production of major components for additional aircraft at Airbus’ sites around Europe is progressing as planned.

The first A380 to fly has completed many of the required ground and systems tests and will soon be handed over to the Airbus Flight Test Department for in-flight testing.

Three more aircraft have passed through the final assembly station at the purpose-built facility in Toulouse where major components such as wings, vertical and horizontal tailplanes and fuselage sections are joined.

Systems installation and testing are being completed on the second and third aircraft.

1.1 Presentation of the Group (continued)

In late January 2005, a set of wings and the horizontal tailplane for the fifth A380 (which will be one of the first A380s to enter service, in 2006) arrived at the final assembly line in Toulouse. The arrival of the three fuselage sections of the fifth aircraft in Toulouse in February marked the first time a “complete” A380 aircraft was delivered to the final assembly line by convoy.

The A380 final assembly line is currently geared to produce four A380s per month, with the capacity to produce more aircraft if required.

At year-end 2004, Airbus had received a total of 139 firm orders for the A380 from leading world airlines. The purchase agreements with Lufthansa, Emirates, Federal Express, Malaysia Airlines, Korean Air, Qatar Airways, Etihad and Thai Airways, totalling 91 orders, were signed post-11 September 2001, confirming the strong and robust demand for this aircraft from both passenger and freight operators.

The cost of developing the A380 programme, initially projected at U.S.\$10.7 billion, covers both R&D expenses and tooling for various versions of the A380. This estimate does not include certain infrastructure elements or general and administrative expenses.

Management presently intends to finance the programme by:

- Maximising contributions from risk-sharing partners, who have been found for up to U.S.\$3.1 billion of non-recurring costs, subject to the outcome of negotiations; to date, some ten manufacturers have agreed in principle to participate in the development and production of the A380 as risk-sharing partners; and
- Applying reimbursable launch investments from governments in compliance with the 1992 U.S.-Europe bilateral agreement and all other applicable regulations, estimated by Management at about U.S.\$2.5 billion under current assumptions; France, Great Britain and Spain have already committed, and Germany has agreed in principle, to such investments. See “- Market - Cyclicalities and Market Drivers - Governmental Funding”.

When deciding to launch the programme, Management set itself a 20% pre-tax internal rate of return target, together with a project break-even point of approximately 250 aircraft. It is satisfied that the terms and conditions presently agreed with its customers corroborate the business case.

Final assembly of the A380 takes place in Toulouse, while interior furnishing and customisation will be performed in Hamburg. The fuselage sections are being produced at the same sites in France and Germany as current Airbus aircraft. The wings are being produced at facilities in the U.K., while the horizontal stabiliser and other parts are being produced in Spain.

New Product Development: A400M.

Airbus’ Military Programme Directorate, headed by Mr. Francisco Fernandez, who is also the Executive Vice President in charge of the MTA Division, performs research and development related to the A400M project as an outsource provider to Airbus Military S.L. The Military Transport Aircraft A400M is described under “1.1.3 Military Transport Aircraft - Products - Heavy Military Transport Aircraft - Airbus A400M”.

Asset Management

The Airbus Asset Management Division was set up in 1994 to manage and re-market used aircraft acquired by Airbus, originally as a result of customer bankruptcies, and subsequently in the context of certain buy-back commitments. The Division operates with a dedicated staff and manages a fleet comprised of Airbus aircraft across the range of models. Through its activities, the Asset Management Division helps Airbus respond more efficiently to the medium and long-term fleet requirements of its customers.

Its key roles comprise the commercial and risk management of the Airbus portfolio of used aircraft. Most of the aircraft are available to customers for cash sale, while some can only be offered on operating lease, depending on the financing attached to such aircraft. At the end of 2004 the Airbus Asset Management portfolio contained 47 aircraft, a net reduction of six aircraft compared to the end of 2003. The Asset Management Division also provides a full range of support services, including assistance with entry into service, interior reconfiguration and maintenance checks.

Sales Finance

Airbus favors cash sales, and does not envisage sales financing as an area of business development; however, it recognizes the need for manufacturers to assist customers in arranging financing of new aircraft purchases, and in certain cases to participate in such financing itself. Extension of credit or assumption of exposure is subject to corporate oversight and monitoring, and follows stringent standards of discipline and caution. Airbus’ dedicated Sales Finance team has accumulated decades of expertise in aircraft finance. When Airbus finances a customer, the financed aircraft generally serve as collateral, with the engine manufacturer participating in the financing. These elements assist in reducing the risk borne by Airbus. Airbus’ sales financing transactions are designed to facilitate subsequent sell-down of the exposure to the financial markets third party lenders or lessors. Management believes, in light of its experience, that the level of protection from default costs is adequate and consistent with standards and practice in the aircraft financing industry. See “Part 1/1.1.6 Liquidity and Capital Resources - Sales Financing”.

1.1 Presentation of the Group (continued)

Customer Service

Airbus is dedicated to assisting customers with the operation of their Airbus fleets as efficiently as possible. With respect to aircraft operation, the Airbus Customer Services directorate Heads an engineering and technical support group, a technical documentation organisation, a network of training centres, spare parts stores and teams based at customer airlines. Through this single interface, Airbus aims to satisfy all of its customers' pre-delivery and in-service support requirements, including (1) engineering and technical support, (2) training and flight operations support and (3) material support.

Engineering and technical support provides Airbus operators with technical assistance on a 24-hour basis to ensure safe and reliable operations of their Airbus fleet. Customised cost reduction programmes are designed to reduce customers' maintenance costs to optimised levels.

The training and flight operations support service includes a permanent staff of over 200 instructors around the world to provide accessible and up-to-date training for Airbus flight and ground crews. Airbus has four training centres, one in Toulouse, France, one in Hamburg, Germany, one in Miami, U.S. and one in Beijing, China. A co-operation agreement with CAE has enlarged this network by 13 additional training locations world-wide. As part of its training services, Airbus offers Cross Crew Qualification programmes enabling pilots to take advantage of the high degree of commonality between Airbus aircraft families, representing considerable savings to airlines.

Airbus' spares support centres stock over 120,000 different part numbers, serving a worldwide distribution network from Hamburg, Frankfurt, Washington, D.C., Singapore and China. The 24-hour aircraft-on-ground service usually dispatches in-stock items within two hours of receipt of an order. A range of modular spares services is offered to the airlines to help them reduce costs by identifying and eliminating deficiencies in the supply chain.

Production

Workshare

Airbus aircraft are produced using an efficient and flexible system that has optimised the specialised skills developed during the last three decades. Each task in the building of the Airbus aircraft (from design, definition and production to product or operational support) is allocated to industrial sites

according to their specialised expertise. The nurturing and development of centres of excellence, although a legacy of the past, constitutes an original and competitive feature of Airbus manufacturing.

Engineering

Airbus engineers work on specific and non-specific aircraft designs to create solutions that ensure the company remains a market leader. Using an innovative working practice, known as Airbus Concurrent Engineering ("ACE"), teams are able to work together effectively in real time, regardless of geographical location.

Engineering innovation at Airbus is driven by five Centres of Competence ("CoCs"), which develop general aircraft technologies and provide functional design leadership for specific aircraft components. The CoCs operate trans-nationally with engineers from each CoC present at all Airbus sites.

Drawing on the expertise of the CoCs, Engineering Integration Centres ("EICs") provide operational leadership for Airbus design teams that are based around sections of the aircraft. Located in France, Germany, Spain and the U.K., the design teams combine the most appropriate people with the best range of skills and expertise to meet the needs of the manufacturing plants and help deliver specific Airbus programmes.

Airbus engineers have also developed "Colleges of Experts" – teams of the most experienced specialists in each discipline that provide guidance and advice at senior levels. This approach not only delivers design solutions to meet the highest standards of technical quality and performance, but also ensures that both individual and collective knowledge is nurtured throughout the CoCs.

The engineering teams are supported by system tests and integration laboratories, structural test centres and the Airbus flight test centre.

This approach has enabled Airbus to open engineering centres in Wichita (Kansas), U.S. and in Moscow, Russia, enabling it to tap into a large pool of experienced aerospace engineers available in these two areas. The Wichita engineering centre began operations in early 2001 and has already made a significant contribution to Airbus wing design. The engineering centre in Russia, organised as a joint venture with Kaskol, was inaugurated at the end of 2002.

1.1 Presentation of the Group (continued)

Manufacturing Facilities and Production Flow

Airbus has established highly specialised centres of excellence (CoE) based on the core competencies of each site within its field of expertise. The CoEs are responsible for the design, procurement and manufacturing of fully equipped and tested deliverables, ranging from specific parts to major aircraft components.

The eight CoEs are (1) CoE Nose and Centre Fuselage at Toulouse, St. Nazaire, Nantes and Meaulte (France); (2) CoE Forward and Aft Fuselage at Hamburg, Nordenham, Bremen and Varel (Germany); (3) CoE Pylon and Nacelle at St. Eloi (France); (4) CoE Vertical Tailplane (VTP) at Stade (Germany); (5) CoE Cabin and Cargo Customisation at Hamburg, Bremen, Buxtehude and Laupheim (Germany) and Toulouse (France); (6) CoE Horizontal Tailplane and Belly Fairing (and certain sections of the A380) in Getafe, Illescas and Puerto Real (Spain); (7) CoE Electrics in Filton (U.K.), Hamburg (Germany) and Toulouse (France); and (8) CoE Wing in Broughton and Filton (U.K.), with a satellite design office in Wichita, Kansas (U.S.).

The CoEs deliver their specific components to one of the two Airbus final assembly lines. Toulouse is responsible for the final assembly of the A300/A310 Family, A320, A330/A340 Family and A380 Family, while Hamburg is responsible for the final assembly of the A318, A319 and A321, as well as major component assembly and cabin furnishing for the A380.

Aircraft components are transferred between the network of CoE sites and the final assembly lines using Airbus' five custom built A300-600 "Beluga" Super Transporters. To

support the A380 production flow, Airbus has integrated road, river and sea transport, including the specially commissioned "Ville de Bordeaux" barge. Typical production lead times for single-aisle aircraft are 8-9 months, and 12-15 months for long-range twin-aisle aircraft.

Adaptability to Changes in Demand

Airbus delivered 320 aircraft in 2004 (compared to 305 in 2003) and expects to deliver approximately 355 aircraft in 2005. Any major market disruption or economic downturn could lead to revision of these figures.

To meet its 2005 delivery target, Airbus has set various elements of its adaptable manufacturing process in motion; these include enhanced integrated intelligence of customer and market situation to provide early warning, repatriation of an array of outsourced tasks and adaptation of make or buy criteria. Additionally, Airbus is exploiting flexibility features of its labour structure by applying flexible time and overtime contractual provisions, and by optimising temporary and time-defined workforce. This allows Airbus to increase adaptability without paring the experienced and trained workforce which Management considers a most valuable Airbus asset to sustain long-term growth.

Airbus' unique manufacturing flexibility is imbedded within the organisation, implementing lessons learned from previous downturn.

1.1 Presentation of the Group (continued)

1.1.3 Military Transport Aircraft

Introduction and Overview

The Military Transport Aircraft Division (the “**MTA Division**”) produces and sells military derivatives aircraft, which are derived from existing transport aircraft platforms and are dedicated to specialised military tasks such as maritime surveillance, antisubmarine warfare and in-flight refuelling capabilities. Additionally, the MTA Division develops, manufactures and sells light and medium military transport aircraft and is responsible for the European heavy military transport A400M project. The MTA Division also designs and manufactures aerostructure elements.

The MTA Division earned consolidated revenues of €1.3 billion, accounting for 4% of EADS’ total consolidated revenues for 2004.

Strategy

The MTA Division’s strategic goals are to develop its core businesses, to leverage the EADS pool of technologies to gain share within its markets and to enhance profitability. To achieve these goals, the MTA Division has implemented a focused, two-pronged strategy to:

- **Consolidate its leadership position and address the growing demand for modern and dependable tactical military transport aircraft.**
EADS is the global leader in the market segments for light and medium-sized military transport aircraft. Through the addition of the A400M heavy transport aircraft, EADS expects to broaden its range of tactical military transport aircraft and to capture a market with high replacement potential which Lockheed Martin formerly dominated.
- **Optimise EADS’ capabilities to become a major supplier of military derivatives.**
The MTA Division relies on its own specialised technologies as well as those of the Defence and Security Systems Division, and on EADS’ wide range of platforms to promote aircraft satisfying customers’ mission-specific requirements.

Market

Military Transport Aircraft

Governments and multinational organisations constitute the MTA Division’s principal customers in the market for tactical military transport aircraft. This market consists of three segments: (1) light transport aircraft, with a payload of one to four tons, (2) medium transport aircraft with a payload of five to 14 tons; and (3) heavy transport aircraft with a payload of 15 tons or more. According to a study by the Teal Group, an

independent aerospace and defence industry consulting firm, the market for military transport aircraft between 2004 and 2013 will amount to an estimated U.S. \$ 42.2 billion.

Light Military Transport – This is a mature market that has diminished in size as countries develop economically and are able to afford medium military transport aircraft. The CASA C-212 has historically led this market segment, with an average market share of 15% over the last ten years. The C-212’s main competitors are manufactured by LET of the Czech Republic and Raytheon of the U.S.

Medium Military Transport – Management believes that this market will continue to experience moderate growth. EADS models are prominent in this market segment, with the CN-235 and C-295 models having an average market share of 45% over the last ten years, followed by their competitors, the C-27J produced by LMATTS, a joint venture of Alenia and Lockheed, and the An-32 produced by Antonov.

Heavy Military Transport – This market segment has historically been driven by U.S. policy and budget decisions and hence has been dominated by U.S. manufacturers and in particular, Lockheed Martin’s C-130 Hercules. While the U.S. is reducing and upgrading its existing fleet, European transport fleet replacement and growth needs represent an opportunity for the new A400M aircraft to effectively compete in this market.

EADS has chosen thus far not to compete in the separate market segment for super-heavy, strategic airlift aircraft, to which the Boeing C-17 belongs.

Military Derivatives

Military Derivatives are transport aircraft derived from existing platforms and adapted to particular missions, generally for military customers. According to a study by Forecast International, the market for military derivatives between 2004 and 2013 will amount to an estimated U.S.\$42.4 billion. It is a market of advanced technology and high added value solutions where customers are increasingly demanding comprehensive systems tailored to their respective operational requirements. Modern defence and warfare increasingly require independent access to complex forms of information in various theatres of operations. This development and Europe’s unsatisfied defence needs are expected to boost demand for European-produced mission aircraft in the near term. The MTA Division is well-positioned in this market, as it has access, through Airbus, to efficient platforms that are already well-established in the civil market. However, the market is currently dominated by U.S. companies.

1.1 Presentation of the Group (continued)

Because of the limited size of any single European market and the significant associated development costs, mission aircraft programmes in the Europe tend to be funded and developed on a multi-national basis, with an emphasis on proven technologies. EADS believes its strong position in Europe will allow it to exploit opportunities on a worldwide basis.

Products

Military Transport Aircraft – Medium and Light and Other Derivatives

C-212 – Light Military Transport. The C-212 was conceived as a simple and reliable unpressurised aircraft able to operate from makeshift airstrips and carry out both civilian and military tasks. The first model in the series, the S-100, entered into service in 1974. With a payload of 2,950 kg, the new version of the C-212, the Series 400, entered into service in 1997. It incorporates improvements such as new avionics and engines for enhanced performance in hot climates and high altitudes, as well as improved short take-off and landing (“STOL”) performance. The C-212’s rear cargo door provides direct access for vehicles, cargo and troops. Its configuration can be changed quickly and easily, reducing turnaround times. The aircraft can perform airdrops and other aerial delivery missions.

CN-235 – Medium Military Transport. The first model in the CN-235 family, the S-10, entered into service in 1987. The latest model in the CN-235 family, the Series 300, entered into service in 1998 and is a new-generation, twin turboprop, pressurised aircraft. The CN-235-300 is capable of transporting a payload of up to 6,000 kg, representing (1) 48 paratroopers; (2) 21 stretchers plus four medical attendants; (3) four of the most widely used type of freight pallet; or (4) oversized loads such as aircraft engines or helicopter blades. Paratroop operations can be performed through the two lateral doors in the rear of the aircraft or over the rear ramp. Variants of the CN-235-300 are used for other missions, including maritime patrol, electronic warfare and photogrammetric (mapping) operations.

C-295 – Medium Military Transport. Certified in 1999, the C-295 has the basic configuration of the CN-235, with a stretched cabin to airlift a 50% heavier payload at greater speed over similar distances. The C-295 is equipped with integrated avionics incorporating digital cockpit displays and flight management system, enabling tactical navigation, planning and the integration of signals from several sensors. Both the CN-235 and C-295 have been designed as complements to or replacements for ageing C-130 Hercules, accomplishing most of their missions at a lower operating cost; specialising the

C-130 for heavier cargo transport only extends its service life. The MTA Division has commenced the work necessary to deliver during 2005 the six C-295s ordered by Algeria for €130 million.

Pending government approval, a contract with the Brazilian Air Force for 12 Transport C-295 aircraft worth €230 million is expected to come into force in 2005.

As of 31st December 2004, 758 medium and light military transport aircraft had been ordered by 120 operators in 54 countries.

Maritime Patrol Aircraft

The MTA Division provides different solutions ranging from Maritime Surveillance to Anti-Submarine Warfare through aircraft based on the C-212, CN-235, C-295 or P-3 Orion platforms, for which EADS has already developed a new-generation, open architecture mission system called FITS (Fully Integrated Tactical System). The first flight of the modernised version of the Spanish P-3 Orion occurred in 2003.

In February 2004, in connection with the Deepwater Program for the U.S. Coast Guard, EADS signed a contract with Lockheed Martin for the sale of two CN-235 maritime patrol aircraft (including development), worth U.S.\$87.4 million. The contract also included options for spare parts and integrated logistic support as well as options for six additional aircraft. The value of the contract with all the options is approximately U.S.\$300 million. On 30th November 2004, one of the six options was exercised.

The MTA Division was selected by the Brazilian Air Force in 2003 to modernize their fleet of eight P-3 Orion aircraft. The contract, worth €325 million, is expected to enter into force during the first half of 2005.

In 2004, the Spanish Government Maritime Surveillance and Rescue Agency (SASEMAR) agreed to purchase three CN-235 maritime patrol aircraft, worth €82.5 million for sea rescue and anti-pollution missions.

Heavy Military Transport Aircraft

Airbus A400M. The A400M is designed to meet the Future Large Aircraft requirements set out by seven European nations to replace their ageing C-130 Hercules and C-160 Transall fleets. In addition to fast and flexible intercontinental force projection, the new aircraft is intended to respond to changing geopolitical requirements (including increased humanitarian and peacekeeping missions).

1.1 Presentation of the Group (continued)

The A400M will integrate a number of features from existing Airbus aircraft, including a two-person cockpit, fly-by-wire controls and advanced avionics. Additionally, the A400M will benefit from Airbus' maintenance procedures and worldwide customer support network.

Airbus Military is a Spanish *sociedad limitada* dedicated to the development, manufacture and delivery of the A400M aircraft. Shares in Airbus Military are currently held 69.44% by Airbus S.A.S, 20.56% by EADS CASA, 5.56% by Tusas Aerospace Industries Incorporated of Turkey and 4.44% by Flabel Corporation NVSA of Belgium. The Executive Vice President in charge of the MTA Division also acts as Chief Executive Officer of Airbus Military, bringing the MTA Division's experience in the management of military transport aircraft programmes and its extensive client network to the A400M programme.

Airbus Military has subcontracted to Airbus the overall management of the A400M development, to be exercised through a central programme management office ("CPMO") headquartered in Toulouse with additional offices in Madrid. For the production phase of the A400M programme, to be managed by the MTA Division, the CPMO will be headquartered in Spain.

In May 2003, the *Organisation Conjointe en Matière d'Armement* ("OCCAR") signed a contract with Airbus Military to order 180 A400M aircraft, mandated by seven nations: Belgium committed to eight aircraft (including one on behalf of Luxembourg), France to 50, Germany to 60, Spain to 27, Turkey to ten, and the U.K. to 25.

Management believes that the A400M programme will allow EADS to leverage its state-of-the-art commercial aircraft technology to access a new and attractive market, while mitigating the impact of civil aircraft market commercial cycles.

All planned contractual and internal milestones for 2004 were achieved, including the first metal cut, the completion of structural and system specifications, cockpit digital mock-up and launch of the engine development process. The overall programme's development remains on schedule. The construction of the final assembly line for the A400M in Seville has begun, with completion scheduled for December 2006.

The MTA Division has begun to focus on the export market for the A400M, which it estimates at more than 200 aircraft over the next 20 years.

The signature of a declaration of intent with the South African government on 15th December 2004, represents the first concrete step taken by a country outside the existing

group of seven launch nations to purchase the A400M. The agreement declares the intent of the South African government to participate in the A400M programme and to order eight aircraft, representing a minimum contract value of €720 million. Participation in the programme is subject to the allocation of work packages to South African industry reflective of the final number of aircraft purchased.

Military Derivatives on Airbus Platforms

Military Derivatives are transport aircraft derived from existing Airbus platforms and adapted to particular missions, generally for military customers. Adaptations to the platform require thorough knowledge of the basic airframe, which generally only the aircraft manufacturer possesses. The skills necessary for overall systems integration into such aircraft are extensive and the number of participants on the world market is very limited.

Strategic Tanker Aircraft. EADS seeks to provide a competitive alternative to the near-monopoly currently enjoyed by Boeing products in the market for strategic tanker aircraft. This should help to ensure Europe's ability to set up projects independently. In light of the estimated worldwide market of approximately 550 tanker aircraft, Management believes that strategic tanker aircraft offer an attractive opportunity for EADS.

The MTA Division is leading a technological programme to develop a new "air-to-air" refuelling boom system ("ARBS") based on the A330 derivative, a low-risk and cost-effective platform that offers a greater supply capacity than other competing solutions.

ARBS is designed to ensure a refuelling performance two to four times faster than that of the competition – a considerable advantage as aircraft are very vulnerable during the refuelling procedure. After a development period of nearly three years, the refuelling boom was installed on the test rig in November 2004.

– **A330 MRTT (Royal Australian Air Force)** – On 20th December 2004, the Royal Australian Air Force signed a €728 million contract with EADS to acquire five A330 multi-role tanker transports ("MRTT") equipped with ARBS to replace its existing Boeing 707 fleet. The MTA Division is the prime contractor to provide the fully-equipped aircraft. The first MRTT will be produced in Europe, with the remaining four aircraft to be converted into tankers by Qantas in Australia. Delivery of the first A330 MRTT to Australia is scheduled for 2008, with entry into service planned for 2009.

1.1 Presentation of the Group (continued)

- **A330 Future Strategic Tanker Aircraft (FTSA) (United Kingdom Royal Air Force)** - EADS, Rolls Royce, Cobham, VT and Thales are cooperating through the AirTanker consortium as the single bidder for the U.K. MoD's Future Strategic Tanker Aircraft ("FSTA") programme. Likely to be structured as a Private Finance Initiative, this programme would replace ageing VC10 and Tristar tankers, currently operated by the Royal Air Force, with a system based on the long-range family of Airbus aircraft. The programme will provide for the delivery of 17 aircraft to render the air refuelling service for 27 years. MTAD's participation in the programme will amount to €2.2 billion.

Additionally, Management views the KC-X programme for the replacement of the ageing U.S. fleet of strategic tanker aircraft as a market opportunity. A capture team has been established to act on the U.S. tanker campaign.

- **A310 MRTT (German Air Force/Canadian Air Force)** - Two A310 MRTT were delivered in September 2004, one to the German and one to the Canadian Air Force. The second aircraft for the German Air Force is expected to be finished early in 2005. In its entirety, the programme involves four aircraft for the German Air Force and two aircraft for the Canadian Air Force.

Customised and Converted Platforms. In this category, EADS is able to offer logistics transport aircraft such as Airbus cargo variants and aircraft offering protection to government executives such as the A310 VIP.

Airborne Early Warning and Sky Surveillance ("AEW"). EADS is currently studying the commercial feasibility of developing an AEW aircraft with advanced active module radar. This project would allow EADS to provide a new generation of high-performance AEWs that are more cost-effective to operate than the current generation. EADS expects that such AEW systems could be offered in the future on several different platforms.

Airborne Ground Surveillance ("AGS"). Within the framework of NATO, France, Germany, Italy and The Netherlands have expressed interest in the development of an AGS System. The MTA Division could provide solutions based on the Airbus A321 platform, integrating systems provided by the DS Division.

Aerostructures

EADS-CASA has inherited CASA's longstanding tradition of expertise in the utilisation of composite materials for aerostructure manufacturing and advanced automation processes. This expertise is now applied throughout EADS.

Based on its expertise, the Aerostructures Business Unit is actively involved in the design, manufacture and certification of complex aeronautical structures. During 2004, the Business Unit delivered the first fan cowls for the Trent900 and GP7200 engines and the belly-fairing for the A380, and the first phase of assembly tooling for the Dassault Falcon FNX was completed at the Tablada plant.

Production

The C-212, CN-235 and the C-295 are manufactured in the factory located within the San Pablo Airport in Seville. Aerostructures are produced in Puerto Real (Cadiz) and at the Tablada plant in Seville. The final assembly of the A400M will take place at the San Pablo Airport facility.

1.1 Presentation of the Group (continued)

1.1.4 Aeronautics

Introduction and Overview

The Aeronautics Division groups together a number of civil and military aviation related businesses, including helicopters, regional and general aviation aircraft, and aircraft conversion and maintenance. The Aeronautics Division also participates in the manufacturing of aerostructures for Airbus. Management views the mix of young and mature civil and military programmes and services as an effective means of assuring consistent positive results in markets subject to cyclical or fluctuating demand. For 2004, the Aeronautics Division earned consolidated revenues of €3.9 billion representing 12% of EADS' total revenues.

Through Eurocopter, EADS is one of the world's leading producers of helicopters and the leader in the European civil and military helicopter market. Management expects Eurocopter sales in the military market to increase substantially due to the commencement of delivery of the Tiger attack helicopter, the strong backlog of the NH90 military transport helicopter with a number of European governments and the increasing demand in military and para-military export markets.

In addition to Eurocopter, the Aeronautics Division has significant businesses in the areas of regional aircraft (ATR), light aircraft (EADS Socata), aircraft conversion and technical services (EFW and EADS Sogerma Services) and aerostructures.

Strategy

The Aeronautics Division aims to further develop those businesses which Management views as having potential for continued and future growth:

– **Maintain leadership in the market for civil helicopters.**

The Aeronautics Division has renewed its comprehensive product line of modern civil helicopters and will improve its civil helicopter operations, in particular through the exploitation of synergies with its military helicopter activities. Because customer services are an important source of revenues and a key component of value for clients, the Aeronautics Division will continue to strengthen its network of marketing, distribution and support systems, which services approximately 9,320 Eurocopter aircraft with 2,400 operators worldwide.

– **Leverage EADS' role as an original equipment manufacturer ("OEM") to benefit from the steadily growing conversion and customer service markets.**

Exploiting EADS' exceptional knowledge of Airbus aircraft and relationships with Airbus customers, the Aeronautics Division continues to expand its Airbus conversion and maintenance business. EFW offers the only OEM solution for converting existing Airbus passenger aircraft to freighter aircraft. Additionally, the Aeronautics Division capitalises on its strong position in industrial maintenance for Air Forces and diversifies its services to include training and expand the logistics support value chain for its governmental customers.

Eurocopter

Overview

Eurocopter is one of the world's largest manufacturers of helicopters, producing a very wide range of civil and military helicopters. In 2004, Eurocopter captured 52% of the worldwide market for civil helicopters and 18% of the export market for military helicopters. Through its helicopter manufacturing and servicing operations and its contribution to the aerostructure business, Eurocopter generated 72% of total revenues of the Aeronautics Division in 2004.

Market

In 2002, the value of helicopters delivered worldwide was estimated at over €7 billion; a figure Management expects will grow to €10 billion by 2010. 5,300 civil and 5,100 military helicopters are expected to be built globally from 2005 to 2014. This forecast, particularly with respect to the military segment, depends to a large extent on the future of large U.S. development programmes.

Military demand for new helicopters is principally driven by budgetary and strategic considerations, and the need to replace ageing fleets. Management believes that the advanced age of current fleets, the emergence of a new generation of helicopters equipped with integrated technology systems and the ongoing introduction of combat helicopters into many national armed forces will contribute to increased military helicopter procurement over the next several years. Recent large-scale military programmes, such as those conducted by Australia, Brazil, Indonesia, Spain, and the Nordics Standard Helicopter Project have confirmed this trend. Demand from the military segment has historically been subject to large year-to-year variations, due to evolving strategic considerations.

Military helicopters, which are usually larger and have more sophisticated systems than commercial helicopters, accounted for 47% of the total value of deliveries in 2004. In 2004 outside France, Germany and Spain, helicopter orders for the export market reached 70%.

The military segment is highly competitive and is characterised by competitive restrictions on foreign manufacturers' access to the domestic defence bidding process, sometimes to the virtual exclusion of imports. Consequently, Eurocopter's past share of the global market for military helicopters has been relatively small. However, EADS aims to increase this share in the future with the introduction of the Tiger and NH90.

1.1 Presentation of the Group (continued)

In the military segment, Eurocopter's principal competitors are the four major helicopter manufacturers operating worldwide, including Agusta-Westland in Europe and Bell Helicopter, Boeing and Sikorsky in the U.S. Additionally, a number of domestic manufacturers compete in these four manufacturers' respective national markets.

The helicopters sold in the civil sector provide transport for corporate executives, offshore oil drillers, diverse commercial applications and state agencies, including coast guard, police, medical and fire-fighting services. Management believes that the value of global civil deliveries will grow at an average rate of 3% in the next ten years. Market data indicates that in 2004, worldwide deliveries of civil turbine helicopters stood at 493 units.

Eurocopter's principal civil competitor globally is Bell Helicopter, a division of Textron Inc. of the U.S. The civil helicopter segment is relatively concentrated, with Eurocopter and Bell Helicopter together accounting for approximately 75% of total civil helicopter sales in 2004 (i.e., roughly as follows: EC 52%; Bell 22%; Agusta 10%; Siko; 10%).

Products and Services

Existing Products. Management believes that Eurocopter currently offers the most complete and modern helicopter product range, covering more than 85% of the overall civil and military market spectrum. The Eurocopter product range includes light single-engine, light twin-engine, medium and medium-heavy helicopters. Eurocopter's product line is based

on a series of new-generation platforms that are designed to adapt to both military and civil applications. The table below illustrates Eurocopter's existing product line:

Helicopter Type	Typical Uses	Entry into Service
Light Single Engine		
<i>EC120</i>	Corporate/Private	1998
Single Engine		
<i>AS350</i>	Utility, Law Enforcement, Corporate/Private	1975
<i>EC130</i>	Shuttle, Tourism, Offshore, Corporate/Private	2001
Light Twin Engine		
<i>AS355N</i>	Parapublic*, Utility, Corporate/Private	1988
<i>EC135</i>	Emergency Medical, Parapublic*	1996
<i>EC635</i>		2003
<i>EC145</i>	Emergency Medical, Parapublic*, Shuttle	2002
Medium		
<i>Dauphin</i>	Offshore, Parapublic*	1977
<i>EC155</i>	Corporate/Private, Offshore, Parapublic*, Shuttle	1999
Medium Heavy		
<i>Super Puma/Cougar</i>	Offshore, Shuttle	1980
<i>MK II</i>	Offshore, Shuttle	1993

* Parapublic includes law enforcement, fire fighting, border patrol, coast guard and public agency emergency medical services.

- *The Tiger.* In 1987, the French and German governments launched the Tiger combat attack helicopter programme. Development is nearing completion, with two variants based on the same airframe; an antitank variant and a support and protection variant. Initially, the antitank variants are to be built for both the French and German armies, while the French army alone has expressed requirements for the support and protection variant. Total requirements of 215 aircraft for France and 182 for Germany were confirmed. In 2004, the first two Tiger attack helicopters, out of a total of 22, were delivered under a contract signed with the Australian MoD in 2002. In 2003, Spain signed a memorandum of understanding for the purchase of 24 aircraft.

1.1 Presentation of the Group (continued)

In recent years Eurocopter has invested in the renewal of its civil product line, enhancing its competitive position in the civil segment so that its share of the world market currently stands above 50%. Eurocopter has successfully introduced into the international markets such newly developed products as the light, single-engine EC120 and the light, twin-engine EC135, and such major product upgrades as the EC155, the latest evolution of the medium class Dauphin, and the EC145 light helicopter, a derivative of the BK117. Deliveries of the EC130, the latest single engine member of the Ecureuil family started in 2001.

Products in Development. Current product development projects in the military segment include (1) the NH90, a military transport helicopter with different versions for tactical, naval and combat-search and rescue applications, (2) the Tiger attack helicopter and (3) the EC725, the latest member of the Cougar family.

– *The NH90.* The NH90 was developed as a multi-role helicopter for both tactical transport and naval applications. The project, principally financed by the governments of France, Germany, Italy and the Netherlands, was jointly developed by Eurocopter, Agusta of Italy and Fokker Services of the Netherlands as joint partners in Nato Helicopter Industries (“NHI”) in direct proportion to their countries’ expressed procurement commitments. Eurocopter’s share of NHI is 62.5%. Confirmed requirements for the NH90 are for 325 helicopters and 85 options. Production of the first lot of 243 helicopters and 55 optional helicopters to be delivered to the four partner countries started in 2000, with first deliveries expected at the end of 2005. In 2001, Portugal booked ten NH90 helicopters; Finland, Sweden and Norway also jointly chose the NH90, with 52 firm units plus 17 options. Of these firm orders, 38 were booked in 2001, while 14 were booked in 2002. Greece ordered 20 aircraft in 2003, plus 14 options. Following these successes, in 2004 Oman ordered 20 NH90 TTH’s and Australia ordered 12 NH90’s (AIR 9000). These orders confirm the NH90’s significant export potential as a military platform with possible civil applications in the future.

Development activities represent 11% of Eurocopter’s total revenues for 2004. These sales derive principally from externally funded development of the Tiger and NH90 programmes.

Customer Support. As of 31st December 2004, Eurocopter products constituted the world’s second largest manufacturer fleet, with approximately more than 9,320 helicopters in service worldwide. Consequently, customer support activities

represented 34% of Eurocopter’s revenues for 2004.

Eurocopter’s customer support activities consist principally of training, maintenance, repairs and spare part supply. To provide efficient worldwide service, Eurocopter has established an international service network of subsidiaries, authorised distributors and service centres. Additionally, to extend the range of services offered to customers, Eurocopter and Thales have together established HELISIM, a helicopter training centre, which opened in 2002. A consortium consisting of Eurocopter, CAE, Rheinmetall Defence Electronics, and Thales was awarded the contract for the Helicopter Flight Training Services (HFTS), a first Private Finance Initiative (PFI) project to design, build and operate three NH90 training centres in Germany.

Customers and Marketing

Eurocopter’s principal military clients have been the governments of European countries, followed by clients in Asia and the Middle East. Eurocopter’s penetration of the civil and parapublic market is globally well distributed, and its penetration of the civil and parapublic market in Europe, the U.S. and Canada places it first among manufacturers in these markets.

Eurocopter’s global strategy is reflected in its development of a large international network. Eurocopter’s network currently comprises 15 foreign subsidiaries, complemented by a network of authorised distributors and service centres geared to the largest number of potential clients.

Additionally, Eurocopter has developed expertise in production licensing, joint production and subcontracting agreements and has been developing links with industrial partners and suppliers in more than 35 different countries.

Approximately 2,400 operators worldwide currently operate Eurocopter helicopters, forming a broad established base for Eurocopter’s customer support activities. 85% of Eurocopter’s customers have fleets of between one and four helicopters.

The versatility and reliability of Eurocopter products have made them the preferred choice of the most prominent customers. The U.S. Coast Guard operates 95 Dolphin (Dauphin) helicopters and the world’s largest offshore operators (Norwegian Helicopter Services and PHI) use Eurocopter helicopters for passenger transport and offshore oil industry support. In the Emergency Medical Service market segment, Eurocopter helicopters dominate the fleets of large operators such as Rocky Mountain Helicopter in the U.S. and ADAC in Germany. Agencies with high serviceability requirements, including police and armed forces, rely on Eurocopter products.

1.1 Presentation of the Group (continued)

Production

Eurocopter's manufacturing development activities are carried out primarily in four locations, two in France and two in Germany. The French sites are located at Marignane, in southern France, and La Courneuve, near Paris. The German sites are located at Donauwörth and Ottobrunn, near Munich.

The opening of an AS350 final assembly line plant in Mississippi (targeting the parapublic sector in the U.S.) and a Tiger final assembly plant in Australia (relating to specific Australian version development under the AIR 87 program) reflect Eurocopter's commercial strategy to increase its presence in these key countries.

Regional Aircraft – ATR

Overview

ATR is a world leader in the market for regional turboprop aircraft of 40 to 70 seats. ATR Integrated is a consortium composed of EADS and Alenia, in which they each hold a 50% stake. EADS' 50% share of ATR Integrated generated 5.3% of the Aeronautics Division's total revenues in 2004.

Market

The regional aircraft industry has experienced concentration in recent years. During the 1990s, a number of manufacturers merged, closed or ceased production of regional aircraft, leading to the withdrawal from the market of BAE Jetstream, Beechcraft, Fokker, Saab and Shorts. As of 31st December 2004, the worldwide market for turboprop aircraft of 40-70 seats in production was dominated by two manufacturers: ATR (with 39% of total market deliveries) and Bombardier. In 2004, ATR registered orders for 12 new aircraft, and it delivered 13 new aircraft and sold 19 used aircraft. From 2003 to 2004, the market increased by 38%.

Products and Services

ATR 42 and ATR 72 Series Aircraft. Commencing with the ATR 42, which entered service in 1985, ATR has developed a family of high-wing, twin turboprop aircraft in the 40-70 passenger market that are designed for optimal efficiency, operational flexibility and comfort. In 1996, in order to respond to operators' increasing demands for comfort and performance, ATR launched a new generation of aircraft designated the ATR 72-500 and ATR 42-500. Like Airbus, the ATR range is based on the family concept, which provides for savings in training, maintenance operations, spare parts supply and CCQ.

Customer Service. ATR has established a worldwide customer support organisation committed to supporting the aircraft over its service life. Service centres and spare parts stocks are located at Toulouse, in the vicinity of Washington D.C. and in Singapore. An e-market place designed to enhance support services developed with Embraer was made available to customers in 2004.

ATR Asset Management. Consistent with industry practice, a significant portion of orders received by ATR is conditional on its assistance in financing the purchase either through leasing or loan guarantee arrangements. The ATR Asset Management manages the resulting risk and responds to the growing market for second-hand aircraft. By assisting in the placement and financing of used and end-of-lease aircraft, ATR Asset Management has helped broaden ATR's customer base, notably in emerging markets, by providing quality reconditioned aircraft at attractive prices and has helped maintain residual values of used aircraft. In the past, clients for such used aircraft have subsequently purchased new aircraft as they have gained experience in the operation of ATR turboprops. Returned aircraft generally remain out of service for approximately five months awaiting reconditioning and resale or leasing, subject to market conditions. ATR has been successful in implementing its strategy of consistent reduction of sales financing exposure.

Production

The ATR production facilities are located near Naples, Italy and at Merignac and Saint-Martin near the Toulouse airport in France. Final assembly, flight-testing, certification and delivery occurs at the Toulouse site. ATR outsources certain areas of responsibility to the Airbus Division, including wing design and manufacture, flight-testing and information technology.

General Aviation

EADS Socata

EADS Socata manufactures a range of light aircraft for both the private civil aircraft market and governmental fleet, and is also engaged in aerostructure subcontracting, and producing materials and subassemblies for major international aviation programmes, including, but not limited to, EADS' programmes.

In the general aviation field, EADS Socata has developed over the past 20 years a range of piston engine aircraft, the TB family, and the monotorboprop pressurised TBM 700. Continuous development and use of innovative technologies keep these products well-positioned on their market. These new-generation aircraft compete with products based on models that date back to the 1950s. Many aircraft in the general aviation market are nearing the end of their service life. To improve its penetration of the U.S. market, which represents 60% of its general aviation sales, EADS Socata is developing an U.S. distributor network.

1.1 Presentation of the Group (continued)

Since launching its aerostructures activity in the early 1960s, EADS Socata has positioned itself as a first-line global subcontractor for complete assemblies. Its engineering department carries out development and design for key components for major aviation programmes, including Airbus (A400M, A380...), Dassault (F7X), Eurocopter and Embraer. EADS Socata is experienced in the use of sheet metal forming and stretching, composite materials and semi-manual structural assembly for aeronautic programs. EADS Socata is also experienced in the use of composite materials for aircraft structural elements; in particular for the Airbus A330/A340, as well as metal-composite combination technology and forming of large-dimension metal panels. Additionally, EADS Socata carries out design work for a number of European aviation programmes, including Airbus, Eurocopter, Mirage and Falcon aircraft.

Global Support Solutions

EADS Sogerma

With 25% of its employees located outside of Europe, and 11 locations worldwide, EADS Sogerma is internationally present. It focuses primarily on two business lines: (1) global support and maintenance, and (2) aircraft and cabin customisation and aerostructures, primarily for Airbus. Revenues from EADS Sogerma Services in 2004 represented 15.8% of the Aeronautics Division's total revenues.

Global Support and Maintenance. EADS Sogerma provides global support solutions such as engineering, fleet management and airframe and components maintenance services. These services are carried out in facilities in Bordeaux, France; Lake Charles, U.S.; and Monastir, Tunisia. EADS Sogerma also provides maintenance services for military transport aircraft, including C-130 checks in Casablanca, Morocco.

EADS Sogerma also specialises in small engines (SECA in Le Bourget, France), landing gear, APU (in Rouen, France) and avionics MRO (Bordeaux, France; Miami, Florida; and Hong Kong).

Aircraft & Cabin Customisation and Aerostructures. EADS Sogerma is an approved outfitter for Airbus' corporate jets, with services currently performed in Toulouse and in Bordeaux. Additionally, Bordeaux has dedicated hangar bays

for large aircraft VIP completion. EADS Sogerma designs and manufactures high-end cabin interior components and first and business class passenger seats. Aircraft customisation also includes military transport and mission aircraft (e.g., C-130 life extension).

In the aerostructures field, EADS Sogerma is involved in the design and manufacture of fuselage panels and sections for Airbus aircraft and in composite components for aeronautical and general industrial applications. Metal work is conducted in Rochefort, France, while composites activities are conducted in France and Canada.

Aircraft Conversion and Floor Panels

Overview

EADS is a major provider of aircraft conversion and technical services for airlines.

In the fields of aircraft conversion and technical services, EADS combines the operations of EADS Sogerma Services and Elbe Flugzeugwerke GmbH ("EFW"). Management believes that the concentration of expertise in a stable pool of highly skilled workers enables EADS' aircraft conversion and technical services group to perform services on a wide range of aircraft, including all of the aircraft produced by EADS. Additionally, the exchange of skilled workers in response to cyclical variations in the market occurs increasingly within the aircraft conversion and technical services group, generating synergies. Moreover, EADS can use knowledge gained through maintaining Airbus aircraft to improve initial product quality and reduce maintenance costs.

In the field of commercial aircraft technical services, knowledge exchange within EADS will benefit maintenance of early-generation Airbus aircraft and facilitate maintenance activities for newer aircraft such as the A320 or A330/A340. Management believes that integrated packages, designed to meet customers' full range of service requirements, will be particularly attractive to small and medium-sized airlines.

Management believes that joint marketing of maintenance and conversion work has been beneficial, since EADS has been retained to perform maintenance for a large number of converted aircraft.

1.1 Presentation of the Group (continued)

Commercial Aircraft Conversion – EFW

Conversion of passenger aircraft into freighter aircraft (“P to F”), which generally requires 30,000 to 40,000 working hours and requires highly-skilled workers to modify the aircraft structure as well as passenger related systems, such as air conditioning, heating and lighting, is the modification most proposed to commercial aircraft owners. Conversion kits comprise original parts, known as Original Equipment Manufacturer or “OEM” parts from the corresponding Airbus serial freighter versions, and result in a converted aircraft that is very similar to a freighter from the series production.

Market. The market for civil aircraft freighter conversion encompasses freight service airlines such as UPS or Federal Express, airlines with small aircraft fleets and finance groups. Two considerations drive the aircraft operators’ decision to convert existing passenger aircraft to freighters: first, conversion is the most efficient way to obtain a relatively modern freighter; second, it maintains residual values of the aircraft at relatively high levels by extending revenue-generating service life.

According to Airbus estimates, airfreight is expected to grow faster than passenger traffic in the next 20 years. Given the retirement of older aircraft, an estimated 2,850 dedicated cargo aircraft should meet this demand, of which roughly 75% would come from the conversion of passenger aircraft.

EADS’ main competitor in the freighter conversion business is Boeing, which now offers P to F conversions for its complete range of aircraft except B777 and ex-MD aircraft. With BAE Services’ discontinuation of its A300 B4 and A300-600 conversion programmes, EFW has a strong market position for Airbus P to F conversions.

Products. In the field of P to F conversions, EADS specialises in the conversion of Airbus A300 and A310 passenger aircraft to cargo usage. EADS is building on this specialisation by adding versions such as, in 2001, the A310-300, and in 2002, the A300-600, to position itself for future upcoming conversion programmes. In addition to Airbus freighter conversions, EFW is also the supplier of Airbus passenger cabin floor panels for all Airbus models.

1.1 Presentation of the Group (continued)

1.1.5 Defence and Security Systems

Introduction and Overview

The Defence and Security Systems Division (“DS” or the “DS Division”) was created in 2003 to serve as the main pole of EADS’ defence and security activities. By combining Missile Systems (MBDA and EADS/LFK), Defence and Communications Systems (DCS), Defence Electronics (DE), Military Aircraft (MA) – including EADS’ shares in the Eurofighter programme – and Services activities within one Division, EADS has equipped its defence business to better meet the needs of customers requiring integrated defence and security solutions.

In its first full year of operation, the DS Division succeeded in significantly expanding its order book, while making considerable progress in its integration and transformation, both streamlining its businesses and building its capabilities in Large Systems Integration (LSI). Its portfolio of innovative products and integrated solutions – covering electronics, missiles, platforms, systems and services – is designed to meet growing and changing requirements for all military forces and homeland security needs. DS intends to continue the process of strengthening its LSI role in EADS’ Systems and Solutions provider concept by increasing the focus on core businesses and fostering further efficiencies and adaptations. On a consolidated basis, the DS Division generated revenues of €5.4 billion for 2004, representing 17% of EADS’ total revenues.

2004 Highlights for the Division

Several factors contributed to the progress in 2004: major highlights include the Eurofighter Tranche 2 contract award, border surveillance system contracts, deliveries of the Storm Shadow/Scalp long-range cruise missile to the U.K. and France and Acropol communications network deployment for the French police. The German-Spanish government-to-government agreement to procure Taurus was also achieved at the end of 2004. DS also made significant progress in its UAV strategy with the received Request for Proposal (RfP) for the procurement of EuroHawk® in September, industrial participation on the Dassault-led UCAV project NEURON and appointment as prime contractor for the EuroMALE drone demonstrator programme. DS is also joint-lead member in the TIPS consortium, which NATO downselected in April 2004 to develop the Alliance Ground Surveillance System (AGS). In the MEADS (Medium Extended Air Defense System) programme, a clear example of a dynamic and successful transatlantic cooperation, a letter contract was signed for the launch of the design and development phase in September.

Strategy

DS has recognised that its customers increasingly require LSI, requesting full-service packages and integrated solutions from industry for all branches of the armed forces and Homeland Security. Another focus for the DS Division to sustain profitable growth is to gain further ground with its defence strategy in its home markets U.K., France, and Spain. A long term goal remains to increase market share in these countries to the level in Germany, where DS currently enjoys a 30% market share. Further consolidation of the missiles business is also planned for 2005.

– Actively supporting the defence and security transformation process

Through already existing programmes with the NATO Supreme Allied Command Transformation, French Defence Ministry, U.K.’s NITeworks and Germany’s national integrated test bed (NITB), DS is actively supporting NATO’s forces in the transformation process. DS also participates in the Network Centric Operations Industry Consortium (NCOIC), an industry-based collaborative forum, formed to recommend an architectural approach that systems and platforms developers may follow to enable each to participate in a global network environment. The focus for the future will be to continue to work closely with industry and customer working groups to help define, influence and most importantly deliver system solutions geared towards an intensified transformation process.

– Streamlining and focusing the Division

In the DS Division’s first year of operation, special focus was put on increasing efficiency and adapting capacity to defence budget constraints, withdrawing from business areas that were either non-core or insufficiently profitable, and developing core businesses. Several shared services were established to increase DS’ efficiency.

– Profitable growth in the U.K., France and Spain

DS is also focusing on its customer orientation in the U.K., France and Spain. Within these respective markets, further efforts in the area of naval and land systems, technology demonstrators, UAVs, combat aircraft and training, and Test & Services will continue to be one of EADS’ strategic goals towards profitable growth in defence. In particular, EADS seeks to raise its visibility in the U.K. defence market and extend its industry technology programme’s scope in France and Spain:

- Among European nations, the U.K. has the largest and fastest-growing defence procurement budget. To capitalise on the opportunities that the U.K. market provides, the DS Division aims to become a market leader through projects such as ground based air defence (GBAD) emphasising LSI solutions.

1.1 Presentation of the Group (continued)

- Further inroads have been made in France in the area of UAV technology partnerships and command control systems.
- As an important partner in the Eurofighter consortium through EADS CASA, Spain continues to be a significant market for profitable growth for the DS Division. Involvement in the NEURON demonstrator is also coordinated through Spain.

- Profitable Growth in the U.S.

Penetration of the U.S. defence market remains a key objective for the DS Division, which seeks to expand its current U.S. industrial presence in missiles, defence electronics, telecommunications, and test and services. The creation of EADS North America Defense Company (NA DefCo) is part of an overall U.S. strategy to increase business with the U.S. Department of Defense and the U.S. industrial primes. NA DefCo is a legal entity managed by U.S. citizens and is acting in the same scope of business as DS. EADS actively supports the development of DefCo in close cooperation with the DS Business Units to maximise transatlantic synergies and initiate a smooth development of both businesses. NA DefCo is, however, a legal entity and remains outside of the DS organisation. The acquisition in October 2004 of Racal Instruments, a leader in the development, production, and integration of systems and instruments to test electronics, aerospace, and defence systems, marked the initiation of a core strategic element of growth for NA DefCo. Other methods for expanding into the U.S. include:

- Pursuing specific market segments where the DS Division can offer superior products and technologies, such as the Hellas obstacle avoidance system for helicopters and the TRS-3D radar for the U.S. Coastguard;
- Building on its strong transatlantic industrial partnerships with U.S. prime contractors, including Northrop Grumman (NATO AGS, Ballistic Missile Defence, EuroHawk® Lockheed Martin (MEADS, Deepwater, Littoral Combat Ship, COBRA, Ballistic Missile Defence) and Raytheon (Ballistic Missile Defence) to explore new opportunities driven by military transformation; and
- Seeking acquisitions and new partnerships to enhance the DS Division's U.S. operational footprint across several market sectors including platform systems, operational support, and defence electronics.

Defence and Communications Systems (DCS)

DCS is the EADS "Systems House", and offers its customers comprehensive and tailored solutions, combining the know-how to design, develop and implement LSI to link the widest possible range of individual platforms and subsystems into a single effective network. System integration is also increasingly important for non military customers in areas such as homeland security. Information and secured communication system solutions in these fields as well as systems enabling effective border control and coastal surveillance constitute another major focus for DCS.

The DCS vocation is to create complete systems solutions of communication and information including platforms and means to implement them. To make these technological changes tangible and demonstrate the strengths of this paradigm, EADS has created simulation tools such as NETCOS (Network Centric Operations Simulation). With its competencies in system solutions, DCS fulfils all requirements of the customers in the area of air and naval defence, intelligence, surveillance and reconnaissance, as well as advanced command, control and communication (C3I) systems, professional mobile radio and homeland security.

In 2004, the DCS business generated 22% of DS's total external revenues.

Markets

In this market, EADS faces competition from large U.S. and European companies such as Raytheon, Lockheed Martin, Thales, BAE SYSTEMS, Motorola and SAIC, which also specialise in homeland security solutions and LSI. MoDs, interior ministries, fire brigades, health services and civil protection organisations primarily in France, Germany and the U.K. are key customers for DCS' business.

Products

Air and Naval Defence (AND). AND unifies all capabilities of a turn-key systems supplier of Tactical Air Defence, Air Operations, Naval Combat, Electronic Warfare and Coastal Surveillance. Based on advanced Command & Control capabilities, AND provides integrated networks from sensor to effector. Air forces, ground forces and navies as well as shipyards, coast guards and services worldwide rely on AND's solutions for powerful action within complex and multinational scenarios.

The GBAD programme for the U.K. is a key example of DCS' success in this area. An EADS/MBDA team, comprising DCS and MBDA, has been selected by the U.K. MoD to develop a new integrated air defence command and control

1.1 Presentation of the Group (continued)

system. At the culmination of the two-year assessment phase, EADS will be required to submit a proposal for demonstration and manufacture. The assessment phase (Phase 1) is split into two parts: a competitive part between EADS and Lockheed Martin from January 2005 until May 2006 and a non-competitive part with just one prime contractor until April 2007. Under a second phase (Phase 2), the missile systems will be systematically updated or replaced.

Intelligence, Surveillance and Reconnaissance Systems (ISR). ISR focuses on the development of complete air-based systems with integrated sensors for strategic, operational and tactical missions primarily for information procurement, i.e. the surveillance and reconnaissance process. The ISR product portfolio comprises the complete spectrum of manned mission aircrafts and Unmanned Air Vehicles (UAVs).

In June 2004, the French MoD launched an initiative to close the gap in European defence capacity in the area of MALE drones with a system designed and manufactured by European industry. The French Minister of Defence subsequently appointed EADS as the prime contractor for the EuroMALE drone demonstrator programme. EADS' main French partners in the project will be Dassault and Thales.

The transatlantic EuroHawk® project was initiated by EADS and Northrop Grumman in July 2000. The two companies signed an agreement to develop an unmanned aerial wide-area surveillance and reconnaissance system by bringing together their respective expertise and company-funded developments in UAV and mission system ISR technology. This cooperation initiated a bilateral project agreement between the U.S. Air Force and the German MoD signed in October 2001. The first phase of the project includes the proof of operation of the high altitude long endurance (HALE) UAV concept, the integration of the Defence Electronics (DE) signal intelligence (SIGINT) sensor and a flight demonstration programme in Germany successfully concluded in 2003 to the customer's continuing satisfaction. Further milestones include the request for proposal from the German Procurement Agency (delivered in September 2004) and the expected Design and Development Contract award in 2005.

The Transatlantic Industry Proposed Solution (TIPS) Consortium, made up of EADS, Galileo Avionica, General Dynamics Canada, Indra, Northrop Grumman, and Thales, was down-selected by NATO in April 2004 to provide a NATO-owned common ground picture for battlefield planning with a mixed fleet of manned wide body jets (A321) and high altitude long endurance UAVs (Global Hawk). The radar, which will be used to equip both the manned and unmanned platforms, is the Transatlantic Cooperative AGS radar (TCAR).

The TCAR consortium under the lead of DE is composed of Dutch Space, EADS, Galileo Avionica - FIAR, Indra, Northrop Grumman, Raytheon and Thales. The TCAR programme will be integrated into the NATO AGS bid, acting as a subcontractor within TIPS. The Design and Development Contract award from NATO is expected in 2005.

Command, Control, Communication and Information (C3I) Systems. C3I encompasses command system business and specific defence market telecommunications business. C3I provides complete solutions offering continual command chain capability from staff down to the forces on the ground. The portfolio of EADS in the area of C3I systems encompasses: battlespace management solutions for military customers for all levels (strategic, operative, and tactical) and military communication networks. EADS is a major designer and supplier of C3I systems to the armed forces in France and Germany, and the Joint Staffs in France, Germany and NATO. DCS signed a contract worth €60 million with the French armaments procurement agency (DGA) in March to supply additional SIR (regimental information system) command and communication systems. In 2004, the FAUST command and control information system for the German Army thoroughly demonstrated its suitability for mission-critical multinational operations in the Balkans and more recently in Afghanistan.

Homeland Security (HS). The HS line of business provides fully integrated solutions and services to mitigate risk exposure in the areas of: border security, crisis management, large event protection and critical infrastructure. Taking into account the increased interconnection between different areas of threat and particularly in view of the growing interdependencies of internal and external security, seamless collaboration of the different security organisations involved is imperative for the sake of freedom and liberty of citizens and nations. EADS proposes maximised efficiency through optimal use of data and information together and across the relevant security organisations.

The contract between Romania and EADS, signed in August 2004, provides for the delivery of an integrated system for surveillance and securing of the Romanian border. This will enable Romania to meet the increased security requirements after its planned EU entry. The first phase of the project can be launched with completion due for the end of 2006, shortly before Romania officially joins the EU. Completion of the overall project is planned for December 2009.

Professional Mobile Radio (PMR). PMR provides integrated security solutions for public safety and civil defence entities, including TETRAPOL standard secure communication

1.1 Presentation of the Group (continued)

networks, and systems for use in border security and crisis management. Thanks to its large installed base of TETRAPOL networks, PMR is a world leader in providing high level communications systems for law enforcement and civil safety organisations. Today, 80 networks in 34 countries – including 15 European countries – have selected TETRAPOL as their secure communication network. At completion of deployment of current contracts, these networks will cover four million km, for one million users.

Defence Electronics (DE)

As the Sensors and Avionics House of EADS, DE provides mission-critical elements for data gathering, data processing and distribution, and self-defence. Its dominant business is based on sensors and subsystems as a second-tier supplier and addresses the market for surveillance and reconnaissance, military mission management, platform self-protection, network-enabled capabilities and forces support.

In 2004, the DE business generated 10% of DS's total external revenues.

Markets

EADS' main competitors in defence electronics are large and medium sized U.S. and European companies (i.e., Raytheon, Northrop-Grumman, Thales, BAE SYSTEMS, Galileo Avionica, Indra, and Saab) as well as competitors from Israel. Growth in Electronic Warfare (EW) is a key strategic measure for DE. MoDs, interior ministries, military services, security forces, the in-house EADS systems suppliers and other LSI's worldwide are DE's key customers. Through various joint ventures, participations and cooperation, EADS has access to the MoDs of all NATO countries, particularly in Germany, France, the U.K., Spain and Italy. Export markets, especially in the Middle East and the Asia-Pacific region, also offer growth opportunities.

Products

Sensors. DE is a principal partner for airborne multi-mode radars such as the Captor radar in the Eurofighter programme, and also conducts significant activities in systems logistics, maintenance and upgrades. DE is also heavily involved in the technology development and application of next generation active phased array radars for air, naval and ground applications, such as Eurofighter, the Tactical Radar for Ground Surveillance (TRGS) and MEADS. In the area of air defence, EADS produces mid-range radars on ships (TRS-3D) and on land (TRML-3D). As subcontractor for the K-130 corvettes of the German Navy and the Finnish Squadron-2000 programme, EADS is responsible for major shipboard sensor

subsystems. A success in the U.S. market was a bilateral agreement for a long-term partnership with Lockheed Martin to evaluate opportunities for joint development, marketing and production of the TRS-3D in other shipbuilding programmes worldwide. The implementation of this agreement began with the signing of two radar contracts.

DE also takes a lead role in developing and manufacturing synthetic aperture radars (SAR), which are considered essential for future reconnaissance and surveillance operations. In this field, EADS has developed MiniSAR, the European stand-off SAR sensor for wide-area surveillance (SOSTAR-X) as well as in the TCAR AGS Radar for the NATO AGS programme. DE's radar competence is underscored by the Microwave Factory, a highly automated assembly line for the manufacturing of high frequency components forming an integral part of radar sensors and electronic warfare applications. EADS holds a 50% stake in United Monolithic Semiconductors (UMS), a joint venture with Thales. UMS provides EADS with the success-critical access to gallium arsenide technology for the SAR.

Electronic Warfare and Self Defence. DE supplies passive electronic warfare units like laser warning, missile warning, and active electronic countermeasure units, such as directed infrared countermeasures, self-protection jammers and towed decoys. EADS also delivers core components to the "EuroDASS" defensive aids subsystem on Germany's 180 Eurofighters and supplies further avionics components to the wider Eurofighter programme. For military mission aircraft helicopters (NH90, Tiger) and commercial airliners, EADS is developing solutions to counter threats from infrared-guided missiles. To date, DE has sold to more than 4,000 units of its missile warning sensor (MILDS) deployed on a variety of helicopters and transport aircraft. Based on MILDS, DE has developed a version MILDS F designed to meet specific requirements for the Royal Danish Navy's fighter aircraft. EADS also offers self-defence equipment for ships and armoured vehicles.

Mission Systems. As a major partner in the field of military mission avionics for the A400M, DE assumes the sub-system responsibility for mission management and the defensive aids sub-system. The EADS portfolio also comprises avionics equipment, such as digital map units (EuroGrid), flight data recording units and obstacle warning systems for helicopters.

Additionally, EADS is developing multi-sensor integration and data fusion technology, which is a key future technology for network-enabled capabilities. For example, EADS is in charge

1.1 Presentation of the Group (continued)

of sensor fusion software on the NATO AWACS E3A programme and was awarded a contract in 2004 to develop a Multi-Sensor Tracking system for the Finnish Air force.

Additional products offered by EADS in the field of communication and identification include wide-band modular data links and MIDS (multi-function information distribution system), both core elements of network-centric operations.

For infantry, DE is developing soldier system modernisation programmes for dismounted infantry sections. In this field, DE assumes system responsibility for the German *Infanterist der Zukunft (IdZ)* programme, which increases decisively the protection of dismounted troops and makes the single soldier part of a defence network. In December 2004, a €60 million series order from Germany was awarded for 196 *IdZ* Future Soldier basic systems. These are envisaged for around 2,000 soldiers of all services, including the NATO Response Force and the German ISAF contingent in Afghanistan. 15 *IdZ* systems were delivered in 2004 to the German ISAF troops in Afghanistan.

Military Aircraft

The DS Division's Military Aircraft business focuses on development and manufacturing of the Eurofighter combat aircraft, maintenance, repair & overhaul (MRO), logistic support, upgrade of existing combat air systems, provision of training services as well as construction and manufacturing of Airbus aerostructures. Additionally, Military Aircraft designs light combat/training aircraft and unmanned combat aircraft (UCAV).

In 2004, the Military Aircraft business generated 29% of DS's total external revenues.

Markets

The platforms presently in contention for fighter procurement by the majority of the world's MoDs are:

Manufacturer	Aircraft Type	Date of First Delivery
U.S.		
Boeing (McDonnell Douglas)	F-15 (Eagle)	1973
Lockheed Martin	F-16	1976
Boeing (McDonnell Douglas)	F/A-18C/D (Hornet)	1980
Boeing	F/A-18E/F (Super Hornet)	1997
Mitsubishi/Lockheed Martin	F-2	2000
Boeing/Lockheed Martin	F-22 (Raptor)	2003
Lockheed Martin	F-35 (Joint Strike Fighter)	2009
Europe		
Dassault Aviation	Mirage 2000	1983
Saab	Gripen	1993
Dassault Aviation	Rafale	2000
Eurofighter Consortium	Eurofighter (Typhoon)	2003
Russia		
VPK/MAPO	MiG-29	1983
Sukhoi	Su-27 Series	1986

According to the Teal Group, "fly away" prices for fighters, depending on model and specification, range from U.S.\$30 to U.S.\$100 million, of which each of the major constituent parts of a fighter platform (i.e., the airframe, the engine and the aircraft systems/equipment), typically represents approximately one-third of the total per unit cost. The Teal Group estimates the worldwide fighter market to be U.S.\$142 billion between 2003 and 2012, and assigns a 17% share to Eurofighter. Two major U.S. suppliers (Lockheed Martin, Boeing), along with several smaller European and Russian competitors, serve the global market for combat aircraft. Eurofighter has already sold 18 aircraft to Austria and has been selected in Greece. Further export opportunities are believed to exist in Europe, the Middle East and the Far East.

Products and Services

Eurofighter. Eurofighter, known as "Typhoon" for export outside of Europe, is a high-performance multi-role combat aircraft optimised for air superiority in complex air combat scenarios. It is fully compatible with state-of-the-art NATO weapon systems. Known as Europe's largest collaborative

1.1 Presentation of the Group (continued)

programme, Eurofighter is designed to enhance fleet efficiency through a single platform responsible for supersonic beyond visual range combat, subsonic close combat, air interdiction, close air support, air defence suppression and maritime attack roles. The tactical requirements of the aircraft include all-weather capability, short take-off and landing capability, high survival capability, and operational rates. The Eurofighter was designed to adapt and improve over the long-term, as avionics and weapons systems evolve, providing for an extended service life potential.

The Eurofighter programme is organized through the NATO Eurofighter and TORNADO Management Agency (NETMA) via the participating nations. NETMA contracts with *Eurofighter Jagdflugzeug GmbH* (Eurofighter GmbH), the programme management company for the Eurofighter programme. The Eurofighter GmbH shareholders and subcontractors are EADS (46% share), BAE Systems (33% share) and Alenia Aerospazio, a division of Finmeccanica (21%). With regard to series production, the respective production workshares of the participating partners within the Eurofighter consortium stand at 43% for EADS, 37.5% for BAE SYSTEMS and 19.5% for Alenia, reflecting the relative number of aircraft ordered by each country's programme participant. EADS is responsible for the centre fuselage, the flight control systems, the manufacturing of the right wing and leading edge slats, and the final assembly of the 180 aircraft destined for the German Air Force plus 87 aircraft ordered by the Spanish Air Force. The final assembly of the Eurofighter takes place in the relevant contracting country: Manching in Germany, Getafe in Spain, Warton in the U.K. and Torino in Italy.

In January 1998, NETMA signed the umbrella Eurofighter contract for 620 aircraft: U.K. 232 (with 65 options); Germany 180; Italy 121 (with nine options); Spain 87 (with 16 options). The umbrella contract, while fixing a maximum price for the overall programme, also stipulates that production agreements are to be awarded in three tranches. The programme includes the development, production investment and series production of the aircraft.

Eurofighter's first tranche of 148 aircraft is being delivered between 2003 and 2005. The production is expected to continue until 2015. 37 Tranche 1 aircraft have already been delivered as of the end of 2004 with 49 additional aircraft in final assembly. The first German flight of a single-seater aircraft was completed in October 2004. Introduction into service occurred on 30th April 2004 in Germany and in Spain on 27th May 2004. The contract for Tranche 2, comprised of 236 aircraft with enhanced operational capabilities, primarily

for air-to-surface roles and with state-of-the-art precision-guided stand-off missile systems, was signed in December 2004 with a total share of €4.3 billion for the DS Division.

Unmanned Combat Aerial Vehicles (UCAV). The success of the next generation European combat air system programme requires that it be jointly developed with EADS' European competitors. Through the six-nation European Technology Acquisition Programme (ETAP), the principal European defence contractors are working on multi-use technologies, with the aim of developing the fifth-generation Combat Air System, with entry into service forecast to be between 2018 and 2020.

Training and Light Combat Aircraft. For training and light combat aircraft, the competition is intense, with offerings from BAE SYSTEMS (Hawk 128), KAI/Lockheed Martin (T-50), AerMacchi (AM-346) and others. The Mako High Energy Aircraft Trainer (HEAT) is the focus of training activities at EADS with the vision of becoming a genuine European programme to cover not only European requirements but also worldwide requirements. Mako HEAT will close the growing gap between the demands made on pilots by modern fighter aircraft and the training opportunities provided by aging in-service trainers while providing expanded training capabilities and achieving cost savings in the training of fighter pilots. Management believes that there is a requirement to train 300 pilots per year, supporting a demand for approximately 150 trainer aircraft. This is one key figure of the Advanced European Jet Pilot Training (AEJPT) business concept which will provide military jet pilot training in Europe through a Private Finance Initiative (PFI) solution.

Military Aircraft Upgrades and Support Services. In addition to providing a profitable after-market service to existing customers, aircraft modernisation operations provide access to new export markets for future sales of all types of aircraft, both military and commercial. The upgrading of military airframes is particularly attractive for countries with limited national defence budgets, such as those in the former "Eastern Bloc", Latin America, North Africa and some Asian regions. For these nations, the purchase of new multi-role aircraft is either politically or economically impractical, making upgrading the most cost-effective alternative.

EADS has developed expertise in the field of military aircraft upgrades through programmes for such aircraft as Tornado, F-4 Phantom, F-18, F-5, MiG-29, Mirage F-1, C101 Aviojet, Harrier AV-8B, E-3A AWACS, P-3A Orion, C-160 Transall and Breguet Atlantic 1. These capabilities will be particularly valuable in capturing new markets, such as further upgrades of central European air force aircraft and future support contracts for Eurofighter.

1.1 Presentation of the Group (continued)

Missile Systems

The Missile Systems group within the DS Division (consolidating 50% of MBDA and 100% of EADS/LFK) offers outstanding and unique capacities in missile systems and covers the whole range of solutions for air superiority, land control and sea power missions, while also providing the most evolved technological solutions in strike weapons and missile defence for all three services. The further development of export market access and consolidation of the business will remain main goals for 2005. Negotiations are progressing in the planned integration of EADS/LFK into MBDA. Enhancing the missile technology and product portfolio, including the low-price segment, will help MBDA continue to offer an unrivalled range of products and services. In 2004, the Missiles Systems business generated 37% of DS's total external revenues.

Markets

Missile Systems have a geographically diverse customer portfolio. Together and through a multinational network of subsidiaries, this business has direct access to the major European domestic markets in France, Germany, Italy, Spain and the U.K. It also has a stable foothold in growing export markets such as Asia and the Gulf region, and benefits from transatlantic cooperation on programmes such as MEADS and Patriot.

Four principal defence contractors are active in the worldwide market for tactical missiles and missile systems. As measured by revenues in U.S. \$, MBDA ranks first in 2004 sales figures, for the first time, together with Raytheon, and ahead of Lockheed Martin and Boeing missile activities.

The current worldwide market for missile systems is estimated to exceed €10 billion. This market is expected to increase due to:

- the development of new products (such as ground based air defence systems and precision stand-off guided missile systems);
- new missile carrying platforms entering into service (Mirage 2000³/₉, Rafale, Eurofighter/Typhoon, Gripen, Tiger helicopter, new frigates and aircraft carriers); and
- different requirements for future weapon systems derived from new operational tasks and lessons learned from the most recent conflicts.

1.1 Presentation of the Group (continued)

Products

The EADS Missile Systems group, with its broad range of MBDA and LFK products, is active in all of the six principal missile system categories: air-to-air, air-to-surface, ground-to-air, surface-to-air, anti-ship and surface-to-surface. The table below lists the programmes in which EADS participates as prime or major contractor either directly or through joint ventures.

Type of Missile	Purposes	Key Products or Projects
Air to Air	Short range	ASRAAM
	Medium range	MICA
	Long range	Meteor
Air-to-Ground	Stand-off guided	Taurus KEPD 350, AFDS, DWS (for fighter aircraft)
	Long range	LR TRIGAT (for TIGER helicopter)
Air to Surface	Short range	Diamond Back – Bang
	Stand-off with sub-munitions	Apache
	Stand-off unitary warhead	Scalp EG/Storm Shadow – Taurus
	Prestrategic stand-off	ASMP – ASMP A/VESTA
Ground-to-Air	Anti-radar	ALARM
	Tactical air defence	Stinger, LFK NG, Roland, Gepard, Patriot/PAC 3, MEADS
Ground to Air/ATBM	Very short range	Mistral – Stinger (under license)
	Short range	VL Mica – Roland – Rapier – Spada
	Medium range	Aster SAMP/T – MEADS – Patriot/PAC 3
Ground-to-Ground	Medium range	Milan/Milan ADT, HOT
Subsystems		Warheads (TDW)
		Propulsion Systems (Bayern Chemie) e.g., Meteor/ramjet
Surface to Air/Naval	Very short range	Mistral
	Short range	VL Mica – VL Seawolf
	Medium range	Albatros – RAM
Anti-ship	Light	Aster/PAAMS – Aster/SAAM – ESSM
	Heavy	Sea Skua – AS 15 TT – NSM – Marte
	Anti-submarine	Exocet family – TESEO
Anti-tank	Short range	Milas
	Medium range	Eryx
	Long range	Milan
Surface to Surface, Deep Attack	Ground-to-ground	HOT – LR Trigat – Brimstone
	Sea-to-land	G-MLRS
		Scalp Naval

The most significant programmes under development and production are currently Aster, Storm Shadow/Scalp EG, Taurus, and Meteor with the bulk of deliveries scheduled between 2003 and 2007.

Aster Family. The FSAF Phase 3 contract signed with OCCAR (*Organisation Conjointe de Coopération en Matière d'Armement*) in November 2003 is worth €3 billion (thereof €2.3 billion MBDA). This contract covers the series production of approximately 1400 Aster missiles and associated missile systems and represents Europe's first advanced naval and ground-based air defence missile system using Anti Tactical Ballistic Missiles (ATBM).

1.1 Presentation of the Group (continued)

Storm Shadow/Scalp EG. 2004 was a highly successful year for this cruise missile, which proved itself in combat when the Royal Air Force used it in Iraq in March 2003. Already selected by the U.K., France, Italy and the UAE, the Storm Shadow/Scalp EG was also selected by Greece in January 2004. The Hellenic Air Force has ordered a total of 34 Storm Shadow/Scalp EG (SS/EG) missile systems. Having reached full production during the year, the SS/EG has now been delivered to the U.K. and France, and will be delivered to Italy, Greece and the UAE in 2005.

Taurus KEPD 350. EADS/LFK and SAAB Bofors are working together under the roof of Taurus Systems GmbH to create and deliver this precision stand-off guided missile system for Tornado, Griphen and Eurofighter aircraft. Taurus KEPD 350 is starting series production for the German Air Force and first deliveries to the German customer are under preparation. Spain has also declared its intention to procure Taurus KEPD 350 for its F/A-18 and Eurofighter.

METEOR. In April 2004 in Linköping, Sweden, MBDA and its Meteor (Beyond Visual Range Air to Air Missile (BVRAAM)) partner SAAB, undertook the first trial fit of a geometrically representative Meteor missile with the JAS 39 Gripen combat aircraft. The trial fit was a complete success with all objectives fully met. Work is also underway for the fitting of Meteor under the other scheduled platforms, Rafale and Eurofighter.

MEADS. The MEADS Medium Extended Air Defence System, a ground-based tactical air defence system, provides a good example of a dynamic and successful transatlantic cooperation. MEADS will protect troops during out-of-area missions and objects within the scope of homeland defence. The financial share of the programme is U.S. 58%, Germany 25% and Italy 17%. The technical workshare of the companies involved – EADS/LFK (Germany), MBDA-IT (Italy) and Lockheed Martin (U.S.) – is in line with the percentages of the respective contributions to the costs. The European companies control their activities through the joint venture company euroMeads GmbH which, like Lockheed Martin, has a 50% share in MEADS International Inc. The MEADS International industrial consortium signed a letter contract for the launch of design and development for a future air defence system from the NATO agency NAMEADSMA in September 2004. The overall volume of this development project, which is due to run until 2012, will amount to approximately €3 billion.

Ballistic Missile Defence. EADS is the only company in Europe with the full range of skills and technologies needed to develop, deploy and support Ballistic Missile Defence (BMD) systems, whether for the protection of armed forces or entire countries and their populations. As part of the U.S.' efforts to develop a defence against missile attack, NATO has selected EADS as a member of a transatlantic consortium to conduct a Theatre Missile Defence feasibility study. In September 2004, EADS and Raytheon signed a co-operative agreement to begin collaborating on ballistic missile defence interceptor programmes in Europe, the U.S. and around the world. EADS has signed further Memoranda of Understandings in the field of BMD with Lockheed Martin and Northrop Grumman.

Services

The DS Division's Service activities are organized around outsourced services, test and related services, and system engineering services. The growing complexity of modern systems and engineering tools and the requirement for cost-effectiveness has led customers to demand turn-key solutions instead of stand-alone equipment. Because of its technical and organisational capabilities, EADS can pool the resources and products of its various subsidiaries and external suppliers to offer such solutions.

For armed forces, outsourcing is an effective solution to the problems of tight public budgets and to the reduction of military personnel. To maintain its position as prime contractor with military customers and to generate profitable growth in stable defence markets, EADS aims to play a key role in such outsourcing of defence activities.

The acquisition of Racal Instruments makes the group's Test & Services unit the leader in the market for testing equipment, solutions and services in Europe. Major challenges will be to implement and develop synergies between Racal Instruments and the former Test & Services unit and to generate new customers in different countries through partnerships or industrial presence.

In 2004, Services generated 4% of DS's total external revenues.

1.1 Presentation of the Group (continued)

Products

Outsourced Services. This operating unit provides training services to the German and French navies and air forces for air defence, in addition to other services in Europe. Services was selected by the German MoD for a 5-year flight operations contract (€95 million) from 2004 until 2008 (target towing, ELOKA training). Altogether, Outsourced Services operates 26 aircraft.

Services, together with other EADS Business Units and partners in the U.K., is also participating in the operating activity of the Air Tanker consortium. The FSTA project represents the largest Private Financing Initiative (PFI) project in Europe. Services also participates in various outsourcing projects for the French, German, Spanish and U.K. military customers in the field of logistics, training, telecommunications and flight operations.

In a 50/50 consortium with Serco, Services was also short-listed by the U.K.'s MoD to participate in the tender for CATS, a U.K. MoD tri-service (Army, Navy, Air Force) ten year project to provide an aerial target service. Services will also participate in the Atlas consortium, which was shortlisted against one competitor in the DII (Defence Information Initiative in military telecommunications) project.

Test Solutions and Related Services. The increasingly complex electronics used both in civil and military aircraft and weapon systems require continuous equipment maintenance testing solutions.

Services, through its Test & Services unit, confirmed its leading position worldwide in terms of market share for multi-purpose civil aviation test systems and related services as well as its leading position in Europe as supplier of multi-purpose defence test equipment. In 2004, Test & Services sustained its level of orders from airlines worldwide. This is consistent with Test & Services' strategy to develop a scalable technical standard providing airlines with continuous solutions.

System Engineering Services. In 2004, Services became the French leader in risk management on advanced technology projects. This operating unit offers different types of services (consulting, studies, training, software, audit) along all phases of a project life-cycle and with various technical approaches: reliability, availability, maintainability and safety studies; human factor analysis; industrial, environmental and nuclear risk assessment, software and system quality. Major markets are aeronautics, defence, the petroleum industry and transportation systems. Services' APSYS unit plans to continue its long-term partnerships with EADS customers (Airbus, Eurocopter and Space Launchers), representing the majority of its revenues, with plans to diversify and enhance business with its other customers.

1.1 Presentation of the Group (continued)

1.1.6 Space

Introduction and Overview

EADS is the third largest space systems manufacturing company in the world after Boeing and Lockheed Martin and the leading European supplier of satellites, orbital infrastructures, launchers and associated services. In 2004, the Space Division's consolidated revenues amounted to €2.6 billion, or 8% of EADS' total revenues.

The Space Division ("EADS Space") designs, develops and manufactures satellites, orbital infrastructures and launcher systems and provides space services. EADS Space is composed of three main entities – EADS Astrium, EADS SPACE Transportation ("EADS-ST") and EADS SPACE Services. EADS Space also provides launch services, through its shareholdings in Arianespace (Ariane 5 launcher), Starsem (Soyuz launcher) and Eurokot (Rockot launcher), as well as services related to telecommunications and earth observation satellites, through dedicated companies such as Paradigm and Infoterra or joint ventures such as Spot Image.

Following two years of major industrial re-engineering, EADS Space posted a positive EBIT* of €10 million in 2004, surpassing its previously announced break-even target. Over the course of the re-engineering process, key changes were implemented to increase efficiency and boost the Division's profitability in the face of the challenging competitive environment in which it operates. Notably, (1) the activities of EADS Space were organized under EADS Astrium, EADS S-T and EADS SPACE Services; (2) EADS acquired control of 100% of Astrium; (3) the workforce was streamlined and (4) a trans-national competence centre organisational structure was implemented.

Strategy

As part of EADS, with an established presence in the four European space powers (France, Germany, Spain and the U.K.), EADS Space is the only European company to benefit from the full range of competencies in all fields of the space industry (satellites, launchers and orbital infrastructure, services). EADS Space's strategy is to build on these key strategic assets and to strengthen its position in the market, while remaining focused on stabilisation of the new organisation of the Division described above.

– Secure EADS' position in the commercial launch services market.

As the main industrial shareholder and prime supplier of Arianespace, and with the backing of European governments (illustrated by the implementation of the European Guaranteed Access to Space (EGAS) initiative), EADS

intends to lead the restructuring of the European space transportation industry in response to an increased competition in the launch vehicle field and a weak commercial telecommunications satellite launch market. To assure long-term competitiveness of the Ariane programme, the Space Division has positioned itself as the prime contractor for Ariane development and production, and is in the process of overhauling the current manufacturing organisation, in order to reduce costs and to increase launcher performance and reliability. The contract for delivery of 30 Ariane 5 to Arianespace, signed in May 2004, and the successful launch of the Ariane ECA in February 2005, illustrate the fruits of these efforts. Reinforced links with the Russian (Starsem joint venture) and Italian (proposed New Generation Launcher company with Finmeccanica) space industries, further buttress EADS' position in the commercial launch services market.

– Extend EADS' leadership in European military space programmes.

Management views national and European space programmes, such as the Paradigm programme, as an important future growth segment for the Company. Taking full control of Paradigm (as a result of the acquisition of BAE SYSTEMS' 25% stake in Astrium) allows EADS to expand its services offerings via military telecommunications satellites, highlighted by the contracts concluded in 2004 with Portugal, NATO and other governments for their secure satellite communications requirements. EADS Space is also well positioned in military reconnaissance systems (Helios II and Pleiades) and other military-specific capabilities (Spirale, Lola and Essaim). Management believes that European governments realise the increasing importance of space systems following the Iraq, Afghan and Kosovo military campaigns and can be expected to commit greater resources to independent use of space based systems, triggering potential export opportunities for EADS.

– Become the European leader in navigation systems and services.

Management believes that the Galileo satellite-based navigation system offers numerous development opportunities to EADS, in the civilian (e.g., air traffic control) and security (e.g., precision positioning) markets. EADS SPACE is the largest member of Galileo Industries, the hardware provider for the Galileo project, and is positioned, as a stakeholder of the iNavSat consortium, to operate the concession, expected to be awarded by the Joint Undertaking (ESA and the European Commission) in 2005.

1.1 Presentation of the Group (continued)

Satellites – EADS Astrium

Overview

EADS Astrium is the leading European company in the design and manufacture of satellite systems, spanning all major segments of the satellite market (platforms, payloads, equipment). It provides (1) telecommunications satellites to leading telecommunications service providers, (2) earth observation, navigation and science satellites systems to major national and international agencies and (3) military applications satellite systems to European MoDs. EADS Astrium also designs and manufactures payload equipment and subsystems for the global space industry market.

EADS Astrium's business covers the four categories of satellite systems described below.

Telecommunications satellites have multiple applications, such as long distance and mobile telephone links, television and radio broadcasting, data transmission, multimedia and Internet trunking. They may be used for civil or military applications.

Observation satellites allow the gathering of information for various fields such as cartography, weather forecasting, climate monitoring, agricultural and forestry management, mineral, energy and water resource management and military surveillance applications.

Scientific satellites are tailor-made products adapted to the specific requirements of the mission assigned to them. They have applications such as astronomical observation of the sources of radiation of the universe, planetary exploration and earth sciences.

Navigation satellite systems deliver signals that enable users to determine their geographic position with high accuracy, and are increasingly significant in many sectors of commercial activity – airlines, transport operators on land, sea and air, emergency services, agriculture and fisheries, tourism and telecommunications networks.

Market

The commercial telecommunications satellite manufacturing market is highly competitive, with customer decisions based principally on price, technical expertise and track record. EADS' main competitors worldwide are Boeing, Lockheed Martin and Loral of the United States and Alcatel Space-AleniaSpazio (France-Italy). EADS Astrium has an approximately 15-20% share of this market. Management expects that the telecommunications satellite segment, presently depressed due to the consolidation of satellite operators, could progressively and gradually recover due to such factors as: (1) increased telecommunications demand, including Internet, multimedia and military needs, and (2) a greater demand to replace aging fleets. EADS intends to remain a significant player in this field to participate in the anticipated market recovery.

EADS benefits from its long term, close relationships with institutional customers in France, Germany, Spain and the U.K. with access to their respective national budgets.

In Europe, the market for observation, scientific and navigation satellites is organised either on a national or on a multilateral (European Space Agency ("ESA"), Eumetsat) basis and in accordance with the fair return policy under which contracts are awarded to domestic suppliers in proportion to the respective contributions of the suppliers' countries.

There is emerging export demand for earth observation systems, for which EADS Space is currently the sole significant European provider. Furthermore, civil state agencies, including the ESA, are likely to display increased needs for earth observation satellites in the framework of European environmental programmes, identified as a key focus of the EU/ESA framework agreement on European Space Policy in 2003. EADS expects the scientific satellite market to remain stable over the medium term.

The agreements reached in 2003 at the E.U. level and among ESA member states regarding the development and implementation of Galileo, the new European global satellite navigation system led to the establishment of the Galileo Joint Undertaking (the legal entity which will have the task of coordinating ESA and E.U. involvement in Galileo). The Galileo programme comprises 30 navigation satellites and a potential equipment contract valued at more than €3 billion. Full deployment of the system is expected around 2008. For the space industry and its customers, the Galileo programme's economic, industrial and strategic importance is paramount. This programme is likely to be a driver of innovative user- and customer-oriented solutions, creating new markets for navigation-related services.

In the market for military satellites, EADS expects increased demand for telecommunications and observation satellites. In recent conflicts, the shortcomings of European military capabilities in that field have become increasingly visible, while the need for preparedness in the face of elusive threats has promoted such means to a higher level of priority. The Skynet 5 contract in the U.K., the Helios 2, Spirale, Lola and Essaim contracts in France and the on-going negotiations for the German MilSatcom confirm the growth trend in this market.

1.1 Presentation of the Group (continued)

Products

EADS Astrium manufactures satellite systems, platforms, payloads, major sub-systems and a wide range of equipment. EADS Astrium Spain, a wholly-owned subsidiary of EADS Astrium, supplies platforms, space-borne antennas, deployment mechanisms and harness sub-systems for telecommunication satellites. Tesat, another wholly-owned subsidiary of EADS Astrium, is in charge of telecommunication electric equipment and sub-systems. EADS Astrium Spain and EADS Sodern also contribute to EADS' work on earth observation satellites. EADS is thus able to offer turnkey satellite systems to its customers.

Telecommunications Satellites. EADS Astrium produces telecommunication satellites for fixed and mobile applications and direct-to-home broadcast services. EADS' geostationary telecommunications satellites are based on the EUROSTAR family platforms (38 ordered to date), the latest version of which is EUROSTAR 3000. Three commercial service satellites based on the new E3000 platform were placed into orbit in 2004: Eutelsat W3A, Intelsat 10-02 and Hispasat-Amazonas.

In 2004, EADS Astrium signed a contract for the Anik F3 Telecommunication satellite for the Canadian company Telesat.

In the field of military telecommunications satellites, EADS Astrium is responsible for the new-generation Skynet 5 system as part of the Paradigm project awarded to EADS Space Services in 2003. Following a system review in 2004, definition of the specifications for the ground and space segments of the Paradigm programme was finalised.

Observation Satellites. EADS is the leading European supplier of earth observation satellite systems, for both civil and military applications. In this field, EADS derives significant benefits from the common elements of its civil and military programmes.

EADS Astrium designs and manufactures a wide range of highly versatile platforms, optical and radar instruments and ground segment equipment for the complete scope of remote-sensing applications, operations and services. EADS Astrium is one of the global market leaders in the field of earth observation satellites, and the prime contractor for many of ESA's and CNES' principal observation programmes. Specifically, it is the prime contractor for (1) the Spot multi-mission platform series, in use in 15 European earth observation satellites and recognised as an industry standard (the latest generation, Spot 5, with enhanced coverage capability was launched in May 2002); (2) Envisat, a European environmental monitoring satellite launched in March 2002; (3) Metop, a next-generation polar-orbiting meteorological satellite system to be operational in 2005; and (4) Pleiades, two small and highly agile earth observation satellites for civil and military applications, expected to be launched in 2008 and 2009.

2004 witnessed the launch of Helios 2, part of the sole European optical military observation satellite system in operation and of the Essaim micro satellites, for military observation of electromagnetic activity. EADS Astrium designed and built both systems.

In the export market, Rocsat, an earth observation satellite built by EADS Astrium for the Republic of China (Taiwan) was successfully launched in 2004. EADS Astrium also signed a contract with the Thai authorities to provide the earth observation satellite Theos, together with the associated ground segment.

Science Satellites. EADS Astrium is the prime contractor for the spacecraft in ESA major scientific programmes including the four Cluster II spacecraft, the vast XMM-Newton space telescope, Mars Express, (the first European mission to Mars), the comet explorer Rosetta, and Venus Express.

In February 2004, ESA Mars Express, designed and built by EADS Astrium, reached final orbit around Mars, providing important new scientific data on the planet's environment, and garnering a high level of public interest.

In March 2004, ESA's interplanetary probe Rosetta, built by EADS Astrium, was successfully launched by Ariane 5. This mission marked two firsts: Rosetta is the first spacecraft which will accompany a comet as it travels, and it was the first time that an Ariane 5 upper stage reached the escape speed required to boost a satellite into deep space.

EADS Astrium signed two important contracts with the ESA in 2004: Lisa Pathfinder, a scientific mission for measuring gravitational waves, and NIRSPEC, part of the James Webb Space telescope, the successor of the Hubble telescope, due to be launched in 2011.

Navigation Satellites. EADS Astrium, together with Alcatel Space, Alenia Spazio and GSS has established a dedicated company to build and implement the European navigation system Galileo. EADS Astrium hold a 38% stake in Galileo Industries S.A. ("**Galileo Industries**"), which was awarded a contract for the first of two test satellites for the European navigation system in July 2003. The system's launch date is scheduled for end 2005. At the end of 2004, EADS Astrium was also awarded a pre-contract for the construction of four satellites needed for the validation phase. EADS Astrium Germany will supply the avionics system and parts of Galileo's test satellites' solar arrays, while EADS Astrium U.K. is responsible for payload development and ground segment lead.

1.1 Presentation of the Group (continued)

Military Satellites. In addition to the military earth observation activity, EADS Astrium has been awarded a contract for an airborne laser optical links demonstrator (LOLA) and, together with Alcatel Space, a contract for the early warning satellite demonstrator Spirale. These systems demonstrate EADS' leading role in complex systems offers, reflecting the efficient use of synergies between EADS' space and defence activities. Essaim, a set of micro-satellites demonstrators for the observation of electromagnetic activity, was successfully launched on the same Ariane flight as Helios 2.

Orbital Infrastructure/Launchers and Launch Services – EADS-ST

EADS-ST is the European space infrastructure and space transportation specialist. It designs, develops and produces Ariane launchers, the Columbus laboratory and the ATV cargo carrier for the International Space Station, ballistic missiles for France's deterrent force, propulsion systems and space equipment.

Orbital Infrastructure

In the field of orbital infrastructures, EADS-ST is prime contractor under an ESA contract relating to two key elements of the International Space Station (ISS): the Columbus Orbital Facility laboratory (COF) and the Automated Transfer Vehicle (ATV).

The orbital infrastructure segment in which EADS-ST operates comprises manned and unmanned space systems. The ISS, together with related vehicle and equipment development programmes and services, constitutes the predominant field of activity in this segment. The Columbia shuttle accident in 2002 led to the postponement of the launch of the European Columbus module for two years that is now planned for late 2006/early 2007.

Market

The demand for orbital infrastructure systems originates solely from publicly funded space agencies, and in particular from ESA, NASA, Roscosmos (Russia) and NASDA (Japan). Such systems are usually built in cooperation among international partners. In addition to the COF and ATV projects, the ESA is also responsible for additional ISS components for the station's construction and operational phases. Additionally, national space agencies, such as DLR and CNES, are involved in the field of experiment facilities to be used on board the ISS.

Products

EADS-ST is the prime contractor for the development and integration of the Columbus Orbital Facility. Columbus is a pressurised module with an independent life-support system. It will provide a full-scale research environment in microgravity conditions (material science, medicine, human physiology, biology, earth observation, fluid physics, astronomy) and serve as a test-bed for new technologies.

In addition to the Columbus laboratory module, including all facilities required for energy supply, communications, and interfaces to other station elements, EADS-ST is responsible for the Columbus on-board Data Management System. It also participates in the construction of the ISS robotic system European Robotic Arm to be used by astronauts in the assembly and maintenance of exterior station elements during the construction and operational phases.

EADS-ST is also the prime contractor for the development and manufacture of the ATV (Automated Transfer Vehicle), designed to carry fuel and supplies to the ISS and to provide reboost capability and a waste disposal solution. The ATV will be the first European vehicle to carry out a rendezvous in space and dock automatically with an orbital station. The first ATV, called Jules Verne, will be launched by Ariane 5 in 2005, with six additional ATV missions scheduled through 2013.

Under contract with ESA and DLR, EADS-ST supplies experiment facilities to be used in various station modules for research in microgravity conditions (MSL laboratory, MCS system, RFR refrigerator, CFR rack, MSG glove box, PCDF and Cardiolab laboratories). It also supplies CNES with a Declic experiment facility for experiments in the field of fluid physics.

Launchers & Launch Services

Space systems (including satellites, orbital infrastructure elements and interplanetary probes) depend on rocket propelled multi-stage launchers to place them into orbit; the launcher is consumed during the launch process. EADS-ST is active in two distinct businesses: (1) designing and manufacturing launchers for both civil and military purposes; and (2) providing launch services through its interests in Arianespace, Starsem and Eurockot.

EADS-ST is the sole prime contractor for the Ariane 5 system, with responsibility for the delivery to Arianespace of a complete and fully tested vehicle. EADS also supplies all Ariane 5 stages, the equipment bay, the flight software, as well as numerous sub-assemblies. Additionally, EADS-ST is the prime contractor for ballistic missile systems to the French State. It is responsible for the development and manufacturing of the M45 and M51 submarine-launched missiles as well as their operating systems.

1.1 Presentation of the Group (continued)

Market

Management estimates that the average open commercial market for launch services will likely remain low, at approximately 20 payloads per year, mostly made up of geostationary telecommunications satellites. However, due to various factors (e.g., technology advances, consolidation of customers), this figure is highly volatile. This market does not include institutional launch services for the American, Russian and Chinese military and governmental agencies.

The advent of an increasingly large, profit-driven private customer base for satellites has in recent years encouraged the development of launch services companies that are willing to compete on price and quality of service. Among them, certain ventures have been organised, combining access to low-cost military rockets from former Soviet Union companies with the marketing capabilities of western manufacturers. The presence of such ventures creates strong competition on the commercial launches market.

In defence, France follows an independent policy to have its own deterrent force which is currently based on submarine launched ballistic missile systems. In 1998, the French State decided to develop a new generation of ballistic missiles. In addition to production and state-financed development work, the ballistic missile segment entails substantial maintenance work to ensure system readiness over the life span of the equipment, which may stretch over several decades. EADS Space' ballistic missile segment activities are conducted through EADS-ST, which is the exclusive supplier of ballistic missiles to the French State, its sole customer in this area.

Products and Services

Launch Services. EADS-ST is active in the field of launch services through its shareholdings in Arianespace for heavy-lift launchers, Starsem for medium-lift launchers and Eurokot for small-lift launchers.

- *Arianespace* - EADS-ST, with a 28.70% stake in Arianespace (direct and indirect), is Arianespace's second largest shareholder (after CNES) and its largest industrial shareholder. Arianespace is the world's largest commercial launch service provider in terms of total order book. At the end of 2004, Ariane had launched 221 satellites. EADS-ST markets and sells European launchers worldwide and carries out launches from the Kourou space centre in French Guyana.

In 2004 Arianespace won seven new commercial contracts, representing 40% of the accessible market. It also won five governmental launch contracts in 2004. Three Ariane 5 launches (one commercial and two institutional) were carried out in 2004.

The currently in-service version of Ariane 5 is able to launch one or more payloads with a total mass of up to 6.9 tons into geostationary transfer orbit. Since 1999, when the first Ariane 5 commercial launch occurred, 15 Ariane 5 have been successfully launched.

In May 2004, a contract valued at €3 billion was signed between Arianespace and EADS-ST for the delivery of 30 increased lift versions of Ariane 5, capable of carrying up to a ten-ton payload. Additionally, Europe's commitment to support a European launcher has been demonstrated with the signature between ESA and Arianespace of the "European Guaranteed Access to Space" (EGAS) in March 2004.

- *Starsem* - EADS-ST directly owns 35% of Starsem, a French corporation, along with Arianespace (15%), the Russian space agency (25%) and the Russian state-owned Central Specialised Design Bureau "Progress" (25%). Through Arianespace, Starsem markets launch services by Soyuz launchers for medium-weight spacecrafts into low or sun-synchronous orbits as well as for interplanetary missions. Following the ESA Ministerial Conference in May 2003 which approved the offering of Soyuz launches from Kourou, work has begun on the launch pad and one of the two Soyuz versions due to be used has been successfully qualified. The first launch is scheduled for the end of 2007 and will be operated by Arianespace. In 2004, two launch contracts were signed.
- *Eurokot* - EADS-ST (51%) and Khrunichev (49%) jointly control Eurokot Launch Services, which procures launch services for small, low earth orbit satellites with Rocket launchers derived from the SS-19 ballistic missiles. In 2004, Eurokot won the SMOS launch contract from ESA.

Commercial Launchers. EADS-ST manufactures launchers and performs research and development for the Ariane programmes. Member-states, through ESA, fund the development cost for Ariane launchers and associated technology. Once ESA certifies the launcher, Arianespace markets and sells launch services worldwide.

In 2004, efforts were focused on preparation for the return to flight of the ten-ton version of Ariane and implementation of the organisation of Ariane production under a single prime contract, EADS-ST, in accordance with the decisions of the ESA ministerial conferences in November 2001 and May 2003.

1.1 Presentation of the Group (continued)

As regards the return to flight, major qualification work was completed in 2004, leading to the successful qualification flight in February 2005. As regards the streamlining and rationalisation of the Ariane production, EADS-ST and Arianespace signed a €3 billion contract in May 2004 pursuant to which EADS-ST is the prime contractor to Arianespace of the next batch of 30 Ariane (PA batch). The signature of this contract underscores EADS-ST's leading position in the European launcher industry.

Management remains committed to reducing production costs, and to optimising EADS' launcher activities to be able to take full responsibility for prime contracting of Ariane's development and production.

Ballistic Missiles. EADS-ST is the only company in Europe that designs, manufactures, tests and maintains ballistic missiles. Under its contracts with the French State, EADS-ST has produced the sub-marine launched MSBS family (M1, M2, M20, M4, and M45) and launch facilities at the Brest naval base. The M45 is deployed onboard France's new-generation nuclear-powered ballistic missile submarine. The Company manages the operational maintenance of the M45 missile system, assisting the French armed forces during test firing and with missile integration until the end of its operational service. EADS-ST is under contract to develop the M51, a new submarine-based strategic missile system with increased technical and operational capabilities. At the end of 2004, the French MoD awarded EADS-ST a contract for the M51 production phase and test range facilities with a frame-contract in excess of €3 billion.

Management believes that the development and production of the M51 will provide EADS with high quality work over the long term. In addition, the relative predictability of the demand provides some stability to the otherwise volatile launcher market.

Space Services – EADS SPACE Services

Overview

EADS SPACE Services is a dedicated entity of EADS Space for the development and promotion of satellite services, with a focus on telecommunication and navigation services. EADS SPACE Services includes wholly-owned subsidiaries Paradigm Secure Communications and Paradigm Services (“**Paradigm**”). The first commercial provider of secure military communications services with the Skynet 5 programme for the U.K. MoD, Paradigm currently owns and operates the Skynet 4 system. Paradigm enlarged its customer base in 2004 through contracts with NATO, Portugal and several other governments. In the navigation sector, EADS SPACE Services, together with Inmarsat and Thales has established the Innavsat consortium, one of two candidates for the operation of the Galileo system under a concession contract with the Galileo Joint Undertaking (ESA and European Commission). The Galileo Joint Undertaking is expected to select a preferred bidder in 2005.

EADS SPACE Services also manages holdings in satellite telecommunication service and operation companies: Nahuelsat in Argentina, Globalstar in Brazil and Hispasat and Hisdesat in Spain.

Products and Services

Military Communications. The U.K. MoD selected Paradigm in 2003 to deliver a global secure satellite communications service over a 15-year period for its next-generation Skynet 5 programme under a Private Finance Initiative contract. In addition, Paradigm took over the U.K.'s existing Skynet 4 fleet. This ground-breaking contract, under which Paradigm now owns and operates the U.K. military communication satellite infrastructure, allows the U.K. MoD to place orders and pay for services as required. Offering a catalogue of services, Paradigm delivers tailored in-theatre and back-to-base communication solutions for voice, data and video services, from a single voice channel to a complete turn-key system incorporating terminals and network management. Paradigm also provides welfare services, ensuring that deployed troops can call home and use the Internet. The introduction of two new Skynet 5 satellites and upgraded ground infrastructure is scheduled to occur prior to 2010.

1.1 Presentation of the Group (continued)

In 2004, the German *Bundeswehr* issued a request for proposal for secure satellite communication capacity, comprising a complete military satellite communication infrastructure including a fleet of satellites and a number of tactical and strategic ground stations as well as a network control system. The system is expected to be fully operational in 2008. In response to this request for proposal, EADS SPACE Services has set-up a consortium, together with Astrium as satellite provider and ND SatCom as a communication network specialist. Management believes that EADS SPACE Services is well-positioned in the competition, and expects the winner to be announced in the first half of 2005.

Navigation. EADS SPACE Services has formed the Inavsat consortium, together with Inmarsat and Thales, and is competing against Eurely (Alcatel, Finmeccanica and Vinci) for the concession phase of the Galileo navigation project. Following an international competition, Inavsat is short-listed

for the role of Galileo operating company, the entity which will deploy and operate the satellite system over a 20-year period. The Galileo project is a major step forward for Europe, representing the first major European-level infrastructure procurement programme with a global dimension that will bring numerous benefits to the continent and the rest of the world. The market potential is promising, as global demand for satellite navigation services and derivative products is growing at approximately 25% a year.

Production and Suppliers

EADS Space currently operates production facilities that are located in France (Vélizy, Les Mureaux, Bordeaux, Toulouse), Germany (Backnang, Bremen, Friedrichshafen, Lampoldshausen, Ottobrunn, Rostock, Trauen), Spain (Madrid), the United Kingdom (Portsmouth, Stevenage) and French Guyana (Kourou).

1.1 Presentation of the Group (continued)

1.1.7 Investment

Dassault Aviation

EADS holds a 46.03% stake in Dassault Aviation – listed on the *Marché Eurolist* of Euronext Paris – along with Groupe Industriel Marcel Dassault (“GIMD”) (50.22%) and free float (3.75%).

Dassault Aviation is a major participant in the world market for military jet aircraft and business jets. Founded in 1945, Dassault Aviation has delivered more than 7,500 military and civil aircraft to purchasers in more than 73 countries.

On the basis of its experience as designer and industrial architect of complex systems, Dassault Aviation designs, develops and produces a range of military aircraft and business jets.

In order to avoid any potential conflict between the military products of Dassault Aviation and EADS (Rafale and Eurofighter) and to facilitate a “Chinese wall” approach, EADS’ Dassault Aviation shareholding is managed by Strategy Coordination, whereas the Eurofighter program is managed by EADS’ Aeronautics Division.

Military Aircraft. Dassault Aviation offers two multi-role combat aircraft, the Rafale and the Mirage 2000 family.

- *Rafale.* The Rafale program includes three versions of a twin-engine, multi-role combat aircraft designed for both Air Force and Navy applications. According to government budgetary documents, France is considering the acquisition of 294 Rafale, 234 for the Air Force and 60 for the Navy, for a total program cost of €32.3 billion, including €9.5 billion for development. 61 aircraft have already been ordered; of these, 36 are destined to the Air Force, and 25 to the Navy. In 2001, the first operational group of Navy Rafale was commissioned on the Charles De Gaulle aircraft carrier. 12 Rafale were delivered by the end of 2002.
- *Mirage 2000.* The Mirage 2000 family is offered in two versions:
 - (1) The Mirage 2000-5, its latest version, is a multi-role combat aircraft designed for air to air multiple-target combat, as well as air to ground missions. The Mirage 2000-5 can be armed with the MBD MICA air to air interception and combat missile; and
 - (2) The Mirage 2000-D, an all-weather penetration aircraft used by the French Air Force is being adapted to fire the new MBD SCALP EG stand-off air to ground missile. The last aircraft ordered by the French Air Force in 1996 were delivered in 2001.

More than 600 Mirage 2000 aircraft have already been ordered, nearly half of them by foreign countries.

Business Aircraft. Dassault Aviation offers a wide range of products at the top end of the business jet sector. Over 1,400 Falcon business jets have been delivered since the first Falcon 20 delivery in 1965. In-service Falcons currently operate in over 60 countries worldwide, filling corporate, VIP and government transportation roles. The family of Falcon jets currently includes four tri-jets: the Falcon 50EX, 900C, 900EX and 7X; the twin-engine Falcon 2000 and the Falcon 2000EX, launched in October 2000. The turn of the century saw Dassault Falcon Jet clearly emerge as the industry leader in its category. In 2001, the latest project in the Falcon family, the tri-jet long range Falcon 7X was unveiled to the public at Dassault’s Teterboro, New Jersey, plant. Flight testing is scheduled to begin at the beginning of the second quarter of 2005. Certification and first deliveries are expected before the end of 2006.

Dasa-Dornier Luftfahrt

DADC, which is 75% held by EADS, holds a 93.6% stake in Dornier GmbH, which in turn holds a 1.58% stake in the capital of Fairchild Dornier Luftfahrt Beteiligungs GmbH, which is the sole shareholder of Dornier Luftfahrt GmbH. Through this minority interest, EADS is not involved in any business decision regarding Dornier Luftfahrt.

1.2 Recent Developments

AirTanker Selected as Preferred Bidder for the U.K. Future Strategic Tanker Aircraft

On 28th February 2005, the British Defence Secretary announced the selection of the EADS-led AirTanker consortium as the preferred bidder for the U.K.'s £13 billion air-to-air refuelling programme. The selection confirms the competitiveness of the A330-200 tanker offer, and paves the way for the AirTanker consortium to commence the final stage of contract negotiations on the largest ever defence sector private financing initiative.

Successful Launch of Ariane 5 ECA

On 12th February 2005, the new Ariane 5 ECA was successfully launched from the European spaceport in Kourou, French Guyana. The launch confirmed the improvements that have been realised since the maiden flight of the Ariane 5 ECA in December 2002, and removed many of the uncertainties associated with the continuation of the Ariane 5 ECA programme. According to the CEO of the Space Division, as a result of the successful launch, "Arianespace now has the reliable high-performance launcher that will allow it to meet market demands".

ATR Signs Contracts with Indian Low-Cost Airline for 30 New Aircraft

On 11th February 2005, Air Deccan, the first Indian low-cost airline, signed a contract with ATR to purchase 30 new ATR 72-500 aircraft (72-seat configuration). Deliveries will be spread over a five-year period commencing in May 2005, at the rate of approximately six to eight aircraft per year.

New Customers for the A380

On 28th January 2005, China Southern Airlines entered into an agreement to purchase five A380s from Airbus. The agreement represents the first commitment from a Chinese carrier for the A380 aircraft, marking a significant breakthrough for EADS in this important and strategic market.

Earlier in January, UPS became the third U.S. based customer for the A380, with its agreement to purchase ten freighter versions of the new aircraft, plus an option for ten additional aircraft. The UPS A380F will carry a freight load of 150 tons on three decks, with a cargo volume capacity of 1,130 cubic metres and a range of approximately 10,400 kilometres. UPS will take delivery of its first A380 F in 2009.

EADS is a global company offering aerospace and defence products and services which is driven by the ambition to set the industry's standards. Setting the benchmark in the sector implies long-term value creation and the recognition of the Group's corporate social and ethical responsibility. As such, the Group strategy envisages a sustainable balance between economic performance, consideration of stakeholders' interests and respect of the environment.

EADS' corporate social responsibility ("CSR") approach is based on the Group's nature, strategy and activities. For example, its long-term vision is driven by product specificities, such as their average lifecycle of over 30 years. Furthermore, the EADS Group has been created from the integration of existing businesses. The Corporate functions are there to determine guidelines and to give support to the Business Units that are responsible for the day to day business. They also ensure dialogue with their direct stakeholders.

As a defence company, EADS Group specifically acknowledges its responsibility in selling defence products and providing services to nations that contribute to the security of those nations during peace time. EADS delivers products and integrated solutions pursuant to customer specification. These products have to comply with the applicable laws put in place by the responsible government (arms export laws, embargo rules and Ottawa agreements, anti-corruption policy).

In 2004, EADS undertook to work towards demonstrating its corporate social responsibility in the conduct of its day to day business. In order to achieve this vision, EADS has established a CSR policy that identifies areas in which the whole Group aims to continually improve.

EADS' vision is in line with internationally recognized frameworks such as the Universal Declaration of Human Rights, International Labour Organization's Declaration and

OECD Convention. EADS, as a signatory of the United Nations Global Compact, is committed to promoting, within its sphere of influence, the application of fundamental values regarding Human Rights, Labour, Environment and Anti-corruption. EADS is willing to report on the Group's success in implementing its sustainable development strategy.

The EADS CSR policy embraces its way forward on key CSR items which are common for the entire Group. These relate as far as possible to existing best practices, as well as to the EADS Code of Ethics which is designed to give guidance for operational managers and employees.

EADS realises that in addition to the implementation of good practices regarding CSR within its businesses, reporting on these practices is becoming more and more important for its stakeholders. EADS therefore started to report on its activities in the field of CSR in the Annual Report 2002. In the 2002 and 2003 reports mainly qualitative information was included, due to the fact that CSR practices are mostly carried out within the Business Units and their respective sites and up to this point no centralized reporting procedure had been implemented.

The 2002 report sets out the existing practices at group level, whereas the 2003 report already contained a first qualitative analysis of the existing best practices amongst EADS' Business Units.

In early 2004, EADS' top management decided to launch an extensive project in order to gradually provide more detailed and quantitative reporting on CSR at Group level and to ensure that the existing best practices in certain Business Units are communicated within the Group.

2.1 Creating a Common Understanding on Corporate Social Responsibility

2.1.1 Aims of the 2004 Corporate Social Responsibility Initiative

The aim of the CSR initiative in 2004 was to define a CSR common understanding at a corporate level and to establish policies and systems that will allow EADS not only to comply with potential forthcoming legislation, but first and foremost to achieve more transparent and proactive communication in the future.

With these objectives in mind, the EADS CEOs launched a comprehensive initiative during the second semester of 2004 and the beginning of 2005, which aimed at developing EADS' CSR policy, based on underlying vision and EADS values, and formulating an implementation plan for such policy. In order to achieve this, EADS worked with a consultant team specialized in the areas of CSR.

The aim of the initiative was to establish policies which are shared by everyone in EADS and are the basis of the common Group vision on those key issues. This initiative therefore required the active support of each division, Business Unit and Corporate functions heads.

2.1.2 Methodological Approach

The initiative was conducted in four phases and for every phase, a "project core team" composed of representatives of EADS' corporate functions and major Business Units was involved, in order to ensure a coherent approach and establish concepts that could be implemented by every unit and function.

- Phase 1 - Initial Stage

The first phase of the project was the assessment of EADS' environment in terms of existing and new regulations and a benchmarking of the practices in terms of CSR in the aeronautics and defence sector. Another objective was to identify the high priority CSR-topics for EADS, to be addressed as soon as possible internally as well as in terms of reporting to EADS' stakeholders. A list of priority issues was required as (i) it was deemed unrealistic to address all topics at once and (ii) some topics traditionally covered in CSR reporting are not necessarily of high relevance for EADS' sector of activity.

- Phase 2 - Identification of Practices and Corporate Social Responsibility Policy

The second phase of the project aimed, on the one hand, at establishing an EADS' CSR status report based upon the experiences and practices of the Business Units that are

responsible for a certain number of topics that cannot, due to the diversity of businesses within EADS, be addressed at the group level. A second objective was to establish EADS' policies in respect of the high priority items identified in the first phase.

The work was conducted in an interactive process so that the results and identified best practices from the discussions with the Business Units were integrated into the CSR policy of EADS.

- Phase 3 - Reporting Agenda

The aim of phase 3 was to establish the next steps in terms of reporting, both internally and externally.

It was agreed that a CSR reporting system should be put in place. Within the group, a number of functional reporting networks were identified, which (with the exception of environment) were already established within the Group and were operating beforehand:

- Human Resources ("HR")
- Environment
- Sourcing
- International Compliance Program
- Donations and Sponsoring
- Quality and Customer Satisfaction
- Research and Development ("R&D")
- Legal Reporting
- Financial Reporting

In parallel, a number of quantitative and qualitative Key Performance Indicators ("KPI"), based upon the Global Reporting Initiative ("GRI"), the Global Compact principles and the French *Nouvelles Régulations Economiques* and tailored to EADS' business were agreed upon.

These KPIs are not included in full in this 2004 report, as EADS chose an incremental approach, which envisages adding KPIs every year to EADS' publications, as data becomes available and its quality can be controlled.

- Phase 4 - Approval

After thorough and critical discussion, the CEOs approved the results of the initiative and the next steps, which include the present publication.

2.2 EADS Code of Ethics

At the time of the creation of EADS, a code of ethics (the “**Code of Ethics**”) was established and communicated to the employees of the Group. This Code of Ethics aims at emphasizing values that are key success factors for achieving an efficient integration of different companies into one group.

More than four years after the creation of EADS, in light of its establishment as a market leader in many of its businesses, and in light of the evolving legal environment relating to business ethics, EADS is in the process of updating the Code of Ethics in order to reflect practices recommended by various codes and laws and to align with best practice.

The enhanced EADS Code of Ethics will set out in one single, comprehensive document the Group guidelines related to the ethical standards that the Group adheres to. It will thus give guidance to all employees about appropriate conduct in their professional environment.

All employees will be sensitised through a systematic information campaign, aimed at raising the awareness of the importance of an ethical business conduct and emphasizing underlying values.

The text of the enhanced EADS Code of Ethics will be available on the Internet under www.eads.com.

In the meantime, the existing Code of Ethics remains in full force and effect.

2.3 Corporate Social Responsibility Policies and Operations

EADS policies have been designed to support and implement EADS' long-term vision and strategy in terms of CSR. They give guidance for day-to-day business and are in accordance with EADS' underlying values.

CSR Policies on Domains Identified as Most Relevant for EADS.

CSR Domains	Specific Policy Items
Business Ethics	Proper business practices Compliance with the laws regulating all EADS' activities Corporate Governance standards
Sustainable Growth	Product quality and customer satisfaction Sustaining and protecting innovation Fostering a mutually beneficial relationship with EADS' suppliers
Environmental Care	Minimizing environmental impacts of EADS' activities Taking into account environmental impacts of EADS' products throughout their lifecycle
Employer-Employee Relationship	Providing a safe workplace for EADS' employees and subcontractors Ensuring equal opportunity for all EADS employees Ensuring efficient management of skills and know-how Promoting a proactive dialogue with EADS' employees
Corporate Citizenship	Maintaining an open dialogue with EADS' stakeholders Encompassing community interests in EADS' global strategy

The policies and related practices are set out in more detail below².

2.3.1 Business Ethics

2.3.1.1 Proper Business Practices

Doing international business requires being especially vigilant so as to ensure that all companies belonging to the Group always comply with applicable laws and regulations relating to international sales. For the Group, this is fundamental insofar as EADS, as a global company, recognizes its responsibility to always act in accordance with the standards of business ethics and integrity worldwide.

To achieve this aim, EADS International has been implementing rules and processes since 2000 aiming at ensuring compliance with such laws and regulations.

Policy

- *“We are active in sectors which are strictly ruled by national and international regulations. EADS is committed to absolute compliance with applicable regulations wherever its entities operate.*
- *Fighting against corruption in foreign trade is a major challenge for all international companies. In order to meet this challenge, EADS is fully committed to complying with all relevant national and international legislation, including the OECD Convention of November 1997, as incorporated into the legislation of 35 countries. EADS' International Compliance Program is a corporate policy, applicable to all international operations of EADS and its affiliated companies, intended to detect and prevent bribery and unfair dealing.*
- *EADS is often involved in proposals, bid preparations or contract negotiations with governmental authorities because of the nature of its products and services. The Group's policy is to compete fairly and legally for all business opportunities as well as to conduct negotiations and perform contracts when awarded in compliance with all applicable requirements, specifications and contractual obligations.”*

EADS has implemented a detailed corporate policy, the “Foreign Trade Rules”, which apply to all international operations of the Group entities, and which is intended to detect and prevent bribery risks in international sales. This policy has been published in EADS' Corporate Handbook, which is available to all employees through the company intranet.

² The following presentation sets forth key aspects of EADS' ongoing Corporate Social Responsibility efforts and does not purport to be an exhaustive description thereof.

2.3 Corporate Social Responsibility Policies and Operations (continued)

This policy entails effective control of international operations, through the conduct of appropriate due diligence of business partners, regular audit and reporting mechanisms and enhanced training sessions within all Business Units. It also sets out appropriate guidelines regarding the acceptance of gifts and hospitality.

Organisation

EADS has developed a set of policies and procedures intended to ensure that its international business do not infringe any applicable laws and regulations relating to international trade and that they comply with the applicable standards of business ethics and integrity.

The main pillars of these policies and procedures are the following:

- Transparency in the selection of its business partners. All business partners engaged by an EADS company have undergone a strict engagement procedure, based on (i) a due diligence aimed at confirming that the prospective business partner is reputable and qualified to work for EADS, (ii) internationally recognized standards (location, credentials, ethical track record, etc.) and (iii) a commitment to abide by the Group policies prohibiting corruption and payment of bribes;
- “Appropriate remuneration for legitimate services”. EADS is very keen to ensure that all payments due and payable to any business partner are justified by legitimate services rendered and do not exceed sound market practices; and
- Monitoring of the contractual relationships with such business partners (and the related payments) until satisfaction of all contractual duties.

Those policies and procedures normally apply to all operations directly or indirectly relating to foreign trade. The Group business partners must respect these policies and procedures.

Furthermore, EADS conducts regular audits of all related agreements within the Business Units to verify that the Group policies and procedures are properly implemented and the Business Units are instructed to report on a yearly basis on the implementation of such policies and procedures.

In addition, the Group has developed a comprehensive training policy so as to disseminate an “awareness” culture within all Business Units. All employees dealing with international business attend such training sessions.

In 2004, around 20 training sessions took place within each Business Unit, sometimes with the attendance of third parties (prosecutors, representatives of international bodies, lawyers, etc.), in order to communicate the corporate values and policies to all concerned.

Since October 2002, EADS has set up a network of International Compliance Officers (“ICO”) representing each Business Unit. ICOs are responsible for ensuring the correct application of the policies and procedures within the Group.

EADS has also developed relationships with international bodies such as the OECD, the International Chamber of Commerce (“ICC”) and the European Union (“GRECO”).

At the same time, EADS International has developed various relationships with stakeholders:

- Signature in 2003 of a convention with the French Corruption Monitoring Council, also signed by other French companies;
- Establishment, with certain other companies, of a set of principles regarding anti-corruption practices in the aerospace and defence sector;
- Dialogue with the ICC and the OECD anti-corruption working groups; and
- Assessment by external qualified advisors of the EADS international business ethics policy.

Performance and Best Practices

EADS conducts regular investigations and audits to detect and promote the “best practices” in force within the Group regarding the proper implementation of the Group international business ethics policy, the objective being to disseminate such “best practices” throughout the rest of the Group.

The Group issued a leaflet “EADS International Business Ethic Policy For Consultant Agreements: Transparency & Substantiation” in January 2004, which was given to all prospective international marketing consultants. This leaflet summarizes the Group policies and procedures regarding selection of international business partners. Such consultants are invited to attend specific training sessions when deemed appropriate.

The Group’s ICOs meet periodically to share concerns and best practices. An annual ICO Conference has been organized since 2003 involving more than 100 people involved in foreign trade business and operations.

2.3 Corporate Social Responsibility Policies and Operations (continued)

EADS also issues on a regular basis Group-wide internal bulletins “ICO information letters” focusing on the evolution of the regulatory environment of foreign trade and highlighting information reported by the international media regarding the fight against corruption worldwide. These bulletins are intended to complete and update the information given to EADS employees during the training sessions.

Key Performance Indicators	GRI Ref.	2004	2003
Consultant files audited	–	93.10%	Not available
Number of ICO information letters issued	–	3	2
Number of training sessions held by ICO	–	20	12

Scope: EADS and consultant agreements under EADS leadership

2.3.1.2 Compliance with Law Regarding All EADS' Activities

Compliance with law is a very vast field for companies which operate on an international level such as EADS. In addition, as a company dealing with defence products, EADS has to fulfil a number of specific requirements imposed by the customers for such defence products.

For international sales, dealings in defence material are subject to laws and regulations established in the countries from which EADS defence products are to be exported. Those are *inter alia* for France the “*Décret-loi du 18 avril 1939*” and all its subsequent amendments, for Germany the “*Kriegswaffenkontrollgesetz*” and for Spain the “*Real Decreto No. 491/1998 de 27 de Marzo de 1998*”, as well as the established national guidelines for the granting of export licenses.

Policy

- “EADS is committed to complying with the antitrust and, competition as well as humanitarian law, when applicable, in all of its activities and throughout the Group.
- EADS is also committed to complying with all applicable legislation relating to Foreign Trade. EADS Group companies comply with all export control and import regulations that govern the exports and imports of commodities and technical data.
- EADS always obtains export licenses and other government approvals prior to exporting products and technology controlled by local governments.

- EADS screens new customers and suppliers to ensure that they do not do business with banned entities as per the local requirements.”

Organisation

EADS is subject to a myriad of legal regimes in each jurisdiction in which it conducts business. The EADS Legal Affairs directorate, in coordination with the Division and Business Unit legal departments, is responsible for implementing and overseeing the procedures designed to ensure that EADS' activities comply with all applicable laws, regulations and requirements. It is also responsible for overseeing all litigation affecting the Group, as well as for the legal safeguarding of the Group's assets, including intellectual property.

The Corporate Secretary and Legal Affairs departments also play an essential role in the setting up and administration of (i) EADS Corporate Governance procedures and (ii) legal documentation underlying delegation of powers and responsibilities and defining the EADS management and the internal control environment.

As all countries from which EADS exports defence material have different legislation in terms of arms export control, the organisation of compliance is de-centralized within EADS.

There are national responsibilities for dealing with defence goods within the EADS home countries.

The matters covered by those organisations are:

- Purchase of classified or export restricted components or subsystems (in cooperation with the purchasing organisation);
- Dealing with classified material and data within EADS (in cooperation with the security officers and IT organisation); and
- The application for export licenses in the countries from which material is to be exported.

All those activities are regularly subject to verifications by the Internal Audit department.

Performance and Best Practices

In order to be close to the operational businesses, EADS has implemented a decentralized process. Export control officers were appointed and dedicated resources or procedures at Business Unit and site level were created so as to ensure compliance with laws relating to arms export activities

2.3 Corporate Social Responsibility Policies and Operations (continued)

(Astrium, Space Transportation, Eurocopter, Defence) through persons responsible for export involved in the day-to-day business on the sites.

In respect of other national and international regulations, one example are the Space Business Units which ensure compliance with the European Space Agency (“ESA”) rules by integrating these rules with customers’ rules by way of long term strategic plans.

Key Performance Indicators	GRI ref.	2004
Court decisions regarding cases pertaining to anti-trust and monopoly regulations	SO6	None
Descriptions of policy, procedures/management systems, and compliance mechanisms for preventing anti-competitive behaviour	SO7	i) EADS Code of Ethics including but not limited to all relevant provisions of Code relating to compliance with competition law; and ii) Regular legal risk analysis as issues come up.

Scope: EADS

2.3.1.3 Corporate Governance Standards

In 2004, the EADS Board of Directors continued to uphold the driving principle of maximizing shareholder value and conformity with applicable law and the Corporate Governance principles in the countries relevant for the Company, while also enhancing its focus on Corporate Governance best practices.

The EADS management structure has proved efficient and well adapted to fulfil its commitment to a sustainable and balanced relationship with stakeholders. Ensuring development of employee and supplier relationships, as well as ensuring customer satisfaction, remain a foundation of EADS’ success, operations and culture.

Policy

- “EADS is determined to set the standard of excellence in the field of Corporate Governance. We are committed to meet and even exceed social, legal and statutory requirements to ensure transparent management and recording.
- EADS commits to providing the most accurate and reliable information and records in all decision-making processes and business relations, both inside and outside EADS. To achieve the highest standard of reliability, EADS continuously improves its Internal Control and Risk Management procedures.”

Organisation

See “Part 1/Chapter 2 Corporate Governance”.

2.3.2 Sustainable Growth

EADS supplies some of today’s most advanced technology in the field of aerospace and defence. EADS strives to meet the customers’ requirements for competitive, cost effective and innovative technology. The Group’s development relies on its ability to deliver product and services that perform. Sustaining this development requires focus on the product quality, continuous innovation and the best supplier management.

2.3.2.1 Product Quality and Customer Satisfaction

As an industry leader in the Aerospace and Defence sector, EADS is constantly striving to build upon its solid reputation for excellence in its products, its processes and its people. With a focus on continual improvement and on building customer confidence by improving On-Time and On-Quality Delivery (“OTOQD”), EADS demands that every area of its operational business challenges and improves its levels of Quality and Operational Excellence, internally and throughout the supply chain.

Policy

- “EADS is fully committed to achieving the highest levels of customer satisfaction, driving continuous improvements in the quality of its products, processes and people and deploying the most demanding Quality Management Systems.
- EADS actively seeks key customer feedback through a structured Group wide process of Customer Reviews.”

Organisation

The Chief Quality Officer (“CQO”) is in charge of stimulating, coaching and supporting the Business Units to implement continual improvements in operational level OTOQD performance and to maintain and improve customer confidence in EADS.

The CQO:

- Provides a unified EADS methodology, training and associated implementation support for a company wide Customer Confidence measurement and improvement programme.
- Provides state-of-the-art expertise and implementation support to Business Units on diagnosing and correcting flow deficiencies in Industrial Supply Chain processes.

2.3 Corporate Social Responsibility Policies and Operations (continued)

- Provides a unified EADS methodology and tool kit, with associated training, coaching and deployment support to Business Units in developing “EADS BlackBelt” improvement experts.
- Provides best practice sharing and implementation support to Business Units on deployment of Quality Gates to improve discipline and robustness of key industrial processes.
- Provides simple EADS high level metrics and implementation support for consistent reporting of OTOQD internally and throughout the supply chain.
- Chairs an EADS Quality Council with senior level representatives of each Business Unit to agree actions and priorities and to drive OTOQD deployment in all Business Units.
- Operates in a dynamic and flexible manner through a small core team, supplemented by high potential managers, seconded from the Business Units, and bringing in state-of-the-art external expertise where needed in each action area.
- Animates supports and drives a network of Business Unit operational level experts to ensure that the Quality and Operational Excellence Programme (“**QOEP**”) is tuned directly to the needs, priorities and maturity of each Business Unit.
- Provides added value directly to the Business Units by bringing in, and initially funding, the external expertise to help the Business Units with improvement skills training and coaching.
- Provides added value directly to the Business Units by bringing in, and initially funding, the external expertise to help the Business Units in diagnosing and designing corrective actions for the Industrial Supply Chain Process deficiencies.
- Represents EADS in relevant Quality, Standards and Regulatory bodies at both National and International level commensurate with the status of EADS as a global aerospace and defence company.
- Represents Environment network in the EADS CSR Programme.

Performance and Best Practices

The quality network focuses on building Customer Confidence through improving OTOQD and is driven by the following motto: *“No matter how good we are today, we will be even better tomorrow”*.

In June 2004, two strategic workshops (Top Executive Forum format) were held on the subject of Quality and Operational Excellence. These provided invaluable input from senior executives representing all Business Units for the design phase of a Group wide Quality improvement initiative. Following these workshops, in the second half of 2004, a major initiative was launched to deliver enhanced customer confidence and satisfaction through driving operational improvements in those industrial processes which contribute to achieving OTOQD of its products and services to end customers. This Quality and Operational Excellence programme has now completed the set up phase and is moving into operational deployment directly within the EADS Business Units.

The Quality and Operational Excellence programme acts on five key areas for improvement:

- Measuring Customer Confidence levels and acting on the results to bring customer driven prioritisation to its improvement actions;
- Rigorously assessing and improving its Supply Chain Process performance, both internally within EADS and externally with its suppliers, as compared to Supply Chain best practices from world class companies in other industrial sectors;
- Investing significantly in the problem solving skills of its people, through development of a custom built and world class “EADS Black Belt” training and development programme, to enable effective and continual improvements to be sustained on a widespread basis at all levels in the company;
- Introducing Quality Gates as key checkpoints in critical industrial processes to ensure early anticipation and elimination of potential operational problems in downstream activities; and
- Measuring and reviewing, at top level, OTOQD performance and Customer Confidence levels from around the EADS Business Units to drive priority on these subjects from the top of EADS to every level in the Company.

The Quality policy and guidelines are communicated to the suppliers for the implementation of EADS standards.

Key Performance Indicators will be available from report on Financial Year 2005.

2.3 Corporate Social Responsibility Policies and Operations (continued)

2.3.2.2 Sustaining and Protecting Innovation

Innovation Strategy

Policy

- “Our innovation strategy aims at increasing competitiveness through continuously improving quality of services and products as well as efficiency of processes. The two main pillars of our strategy are the EADS Research & Technology (“R&T”) network and the Corporate Research Centre” (“CRC”).”

Organisation

The EADS innovation strategy is both centralised and decentralised. R&D is under the responsibility of each of the Business Units to ensure the development of products and services that meet customer needs and offer competitive solutions in line with market expectations. The centralized efforts are highlighted by both the EADS R&T Network and the CRC.

The R&T Network coordinates shared research and technology activities among the Business Units. It facilitates the circulation of information and research results within the Group and permits the setting up of a common R&T programme, providing long-term innovation potential. The network is organized around 18 technology domains of transversal interest such as Materials and Structures, Electronics, Navigation and Control and Image Processing. It is structured to facilitate exchanges between technical experts and business management, to encourage the exchange of best practices and to save costs. This network also cooperates with external stakeholders, companies, industrial organisations, research laboratories and universities.

The CRC supports the R&T Network by providing a platform for the exchange of know-how and by highlighting possible synergies throughout the Group. The CRC has two main sites in Paris and Munich. It maintains research proximity centres in Toulouse and Hamburg to serve its largest customer, Airbus. Other offices have been opened in 2003 (Moscow) and 2004 (Singapore). The CRC employs about 600 people including doctorates and university interns.

See also “Part 1/1.1.1 Management’s Discussion and Analysis of Financial Condition and Results of Operations”.

Performance and Best Practices

Technological innovation programs are managed in conjunction with the EADS R&T Network and the EADS CRC as well as through a strong network of top experts in the Business Units.

In 2004, the R&T network generated approximately €89 million (€85 million in 2003) of shared activities, with 127 projects involving more than 1,200 experts of the Group.

In terms of self-financed R&D investment of aerospace companies worldwide, EADS was ranked No. 1 on the R&D Scoreboard 2004 of the Department of Trade and Industry in the United Kingdom.

Key Performance Indicators	GRI Ref.	2004		2003	
		In € bn	In percentage of revenues	In € bn	In percentage of revenues
R&D expenses	-	~5.0	15.7	4.8	15.9
Self-financed R&D	-	2.1	6.6	2.2	7.3
R&T expenses	-	0.51	1.6	0.45	1.5

Scope: EADS

The **Advanced Technology Initiative** was launched in 2004 to create a cross-company drive to increase efficiency in innovation and R&T. It works along two main lines of activity: one focuses on benchmarking and forecasting of technologies to develop a technological action plan and the other on increasing external partnerships. The benchmarking and forecasting process is dedicated to the identification of future technologies trends, on the basis of product evolution requirements and on the analysis of new emerging technologies. External expertise will be sought to provide perspective and vision.

By focusing on external partnerships, the company aims to make better use of available resources by looking to interact more with European initiatives and with those in the EADS home countries. To improve its links to public research laboratories and universities, the EADS Company Foundation for Research (Fondation d’Entreprise) was launched in France. It aims to promote multidisciplinary research in aerospace technologies and establish exchanges between researchers in government, private industry and higher education research institutes. Other initiatives are contemplated in Germany, Spain, the U.K. and the U.S. to improve links with public research institutes and universities.

Protecting Innovation: Intellectual Property

Policy

- “One of EADS’ most valuable assets is its intellectual property (“IP”) which includes patents, trade secrets, trademarks, copyrights and other proprietary information. It is EADS’ policy to establish, protect, maintain and defend its rights in all commercially significant IP and to use those rights in responsible ways.

2.3 Corporate Social Responsibility Policies and Operations (continued)

- EADS also respects the valid intellectual property rights of others and will not reproduce or use software or other technology licensed from other suppliers except as permitted by the applicable license agreement or by law.”

Organisation

IP, such as patents, trademarks and know-how, plays an important role in the production and protection of EADS technologies and products. The use of IP rights enables EADS to remain competitive in the market and to manufacture and sell its products freely.

Each of the subsidiary companies of the Group owns the IP which is specific to its particular business. IP used throughout the Group may be owned either directly by the subsidiary which generated it or under license from EADS where such IP is of common interest to the Group. EADS also owns IP directly or under license agreements with its subsidiaries.

EADS centralises and coordinates the Group’s IP portfolio, participates with the subsidiaries in its management and promotes licensing of common IP between the subsidiaries. EADS also ensures that procedures are in place to protect the confidentiality of the Group’s IP and to ensure contractually that third party rights are protected (in the case of joint ventures).

In this respect, suppliers’ contract terms and conditions are currently being strengthened and adapted when dealing with countries with weaker IP laws. The sourcing strategy is also to integrate a segmentation of parts of the contract in order to minimize the risk of industrial espionage.

Performance and Best Practices

To increase the added value of the Group, EADS Industrial Research & Technology promotes the sharing within the Group of all the knowledge of the Business Units and the sharing of resources, skills and research means and budget to develop new knowledge.

For example, all the contracts between Business Units of the Group concerning R&D must have IP provisions allowing for the flow of knowledge (EADS R&T Network rules). In 2004, the EADS IP portfolio was comprised of approximately 4,400 inventions, which are covered by over 13,000 patents.

Key Performance Indicators	GRI Ref.	2004
Patents and inventions	-	In 2004, the EADS Group filed 521 new inventions, some of which were covered by several patents. At the end of 2004, the overall EADS portfolio was comprised of 13,515 patents.

Scope: EADS

2.3.2.3 Supplier Management: Fostering a Mutually Beneficial Relationship with EADS’ Suppliers

Policy

- “Suppliers represent a high proportion of the value of EADS’ products, and play an important part in the customer satisfaction. As such, EADS endeavours to fully integrate them in its ethical way of doing business.
- Fostering a mutually beneficial relationship with suppliers, EADS’ sourcing principles impose all suppliers to be responsible and to implement its standards and requirements across all levels of the supply chain.
- EADS is committed to long term relationships and partnerships with its suppliers, in particular in the engagement in the development of technological know-how.”

The EADS Sourcing Vision is to deliver competitive advantage by winning, integrating and developing relationships with the world’s best suppliers. Its Sourcing Strategy is designed to support this vision.

Organisation

Each EADS Business Unit has its own Sourcing Function with the Procurement Director being a member of the Business Unit Management Team.

The Procurement Directors of all Business Units and members of the Corporate Sourcing Function form the Procurement Directors Board. This group, chaired by the EADS Chief Procurement Officer, meets regularly to discuss and decide on initiatives to further implement the EADS Sourcing Strategy and on issues of cross Business Unit interest.

EADS Corporate Sourcing is the strategic architect of Sourcing functions and provides overall direction for all sourcing activities groupwide, in particular regarding the key elements of the Sourcing Strategy, which are Procurement Marketing, Joint Sourcing, Supplier Evaluation and Risk and Opportunity Sharing.

2.3 Corporate Social Responsibility Policies and Operations (continued)

Procurement Marketing aims to identify the best potential suppliers worldwide and to evaluate them with regard to their capabilities and their certifications. Procurement Marketing is becoming increasingly important as EADS targets new global supply markets to support EADS Global Industrial Strategy.

Joint Sourcing activities allow the purchasing power to be leveraged across EADS. A group of lead buyers bundles procurement volumes of selected material groups for common negotiation. This also encourages all EADS Business Units to have one contact with a supplier.

EADS Corporate Sourcing identifies best practice in procurement and communicates common processes and supporting tools across the Group. In recent years, this team has initiated the deployment of e-procurement tools across the Group. State of the art systems for electronic calls for tender are the most efficient methods for both EADS and suppliers and guarantee equal and fair treatment of all suppliers. Electronic catalogues harmonize, simplify, accelerate and automate the ordering process for every day commodities for the benefit of EADS and the supplier.

Corporate Sourcing also facilitates the relationship with major suppliers which are in business with several Business Units. The Common supplier approach serves to drive Group initiatives and to ensure supplier relationship is discussed at Top Management level. It also means that all Business Units receive adequate attention from the supplier in respect of their individual issues.

The EADS Supplier Evaluation and Development process guarantees that suppliers' performance is regularly evaluated. Suppliers can expect that the same process and the same criteria are applied by all Business Units: Commercial, Logistics, Quality, Technical, and Customer Support. Evaluations are shared with suppliers as a basis to discuss further improvement and development needs and plans.

With regard to the high proportion of sourcing required for products and the complexity of the procured systems, equipment and structures, EADS favours long-term, mutually beneficial, reliable and stable relationships with key suppliers. Consideration for partnerships is limited to suppliers who continuously show excellence in their performance, who can demonstrate a credible long term interest and who are able to support their business interest with their own developments and investments.

It is a principle for such partnerships that suppliers are involved and integrated at the early stages of development. Both business risks and opportunities should also be

adequately shared with suppliers. Procurement Policies of EADS Business Units address all typical business risks and suggest how they should be dealt with in EADS contractual agreements.

Procurement Policies also set out the principles and guidelines for conducting business with current and prospective suppliers. These guidelines describe how partnership relations should be handled in an equitable manner in the interest of all parties concerned and how disputes should be dealt with professionally and as quickly as possible in accordance with agreed partnership arrangements.

Procurement Policies also reflect the requirements of the UN Global Compact. As a member of the UN Global Compact, EADS has accepted responsibility to apply these principles in its supply chain and requires its suppliers to adhere to common standards in the areas of human rights, environment and employment.

As most of its suppliers are located in the E.U. and North America, EADS can expect them to apply laws and regulations on environmental and social performance. As it is the intention to increase global sourcing activities, EADS is considering adding specific CSR criteria to the supplier evaluation process.

Performances and Best Practices

With two thirds of its revenues being sourced from external suppliers, efficient and effective supplier relationship management is a key factor for EADS success. For this, EADS concentrates on its major suppliers. EADS' top 60 suppliers already account for 60% of the sourcing volume, the top 250 suppliers account for 75% of the business.

Complex systems and equipment account for 40% of EADS procurement. Structures, material and product related services also account for 40%, while indirect material account for 20%.

While EADS likes to see itself as an important customer for its key suppliers, EADS wants them to be independent and at the edge of technological development. On average, EADS suppliers make no more than 10% of their revenues from EADS.

Most of EADS' sourcing volume is provided by large companies. The rest is spread across a large number of small and medium sized enterprises, as per the European Commission definition, i.e. with less than 250 employees or less than €40 million turnover.

2.3 Corporate Social Responsibility Policies and Operations (continued)

Sourcing activities focus on the EADS home countries France, Germany, U.K. and Spain and on the U.S. Sourcing outside the E.U. and North America is still limited. However, EADS sees its Global Sourcing activities increasing to better exploit Global Sourcing opportunities and to support sales.

Key Performance Indicators	GRI Ref.	2004	2003
		In percentage of total sourcing volume	In percentage of total sourcing volume
Sourcing volume: breakdown by country for top 10 countries	EC11		
France		32	31
Germany		22	24
U.S.		22	21
U.K.		12	12
Spain		4	4
Italy		2	2
Netherlands		1	2
Belgium		1	1
Canada		1	1
Switzerland		1	1

Scope: EADS

Key Performance Indicators	GRI Ref.	2004	2003
		In percentage of revenues	In percentage of revenues
Importance of sourcing	EC3	68	67

Scope: EADS

Key Performance Indicators	GRI Ref.	2004	2003
		In percentage	In percentage
Strategic suppliers level of dependency (average % of EADS sourcing volume per supplier to supplier's revenues for top 25 suppliers)	–	Supplier data not available at date of printing	15
Strategic suppliers level of dependency (average relation of EADS sourcing volume per supplier to supplier's revenues)	–	Supplier data not available at date of printing	10

Scope: EADS

Key Performance Indicators	GRI Ref.	2004	2003
		In percentage of total purchase	In percentage of total purchase
Purchasing breakdown by Geography	–		
Europe		76	77
U.S.		22	22
Rest of the World*		2	1

Scope: EADS, * including < 1% in non-OECD countries

2.3.3 Environmental Care

EADS environmental policy embraces all phases of a product life cycle, from conception and design, manufacturing and product support, including environmental impact of its sites. It seeks to ensure that each of its Business Units complies with the laws and regulations of each country in which it operates, EADS being subject to numerous E.U., national, regional and local environmental laws and regulations concerning emissions into the environment, discharges to surface and subsurface water and the disposal and treatment of waste materials.

Policy

"Minimizing environmental impacts of our activities"

- EADS is fully conscious of its operations' impact on the environment and therefore considers that monitoring and reducing those impacts is fundamental for its approach to CSR.
- EADS is committed to continuous improvement of its environmental impact, beyond the simple fulfilment of legal obligations. It is EADS' subsidiaries and sites' role to ensure compliance with the laws and regulations of the countries in which they operate. The Group encourages environmental certification of its manufacturing processes.

2.3 Corporate Social Responsibility Policies and Operations (continued)

Taking into account environmental impacts of products along their lifecycle

- Improving environmental performance of products throughout their life cycle is of significant importance for EADS and our customers.
- EADS encourages the active consideration of environmental criteria, through implementation of Eco-Design approaches, in all phases of our products' life cycles in order to improve the environmental performance of our products."

Organisation

The management of environmental aspects of the Group operations is traditionally the responsibility of the Business Units and sites. Each of EADS' businesses are strictly controlled and audited by authorities, in respect of manufacturing processes and product certification. Furthermore, customers include environmental criteria in their specifications.

EADS has engaged towards implementing standardized reporting and compliance levels at all of its sites and is investing in research and development projects devoted to environmental improvements and processes.

Managing environmental reporting has been placed under the responsibility of the CQO. Environmental reporting is to be built on networks that already existed in the founding companies of EADS. There needs to be a periodic follow up on the Group's environment performance and the exchanges of best practices and dissemination of relevant European and national information need to be facilitated.

EADS is participating in environmental working groups of the industry organisations such as the GIFAS in France, BDLI in Germany and the SBAC in the U.K.

Performance and Best Practices

In 2003, the Military Aircraft Business Unit received the "Environment Certificate" recognising compliance and good practice with respect to environmental protection.

Several initiatives to reduce emissions, including the use of virtual flight testing simulation techniques (which decreases the number of test flights), the replacement of fuel-oil by natural gas for heating (which limits sulphur derivatives, solid waste, CO (carbon monoxide), and other emissions) and the use of renewable energy sources (like solar panels for water heating) were recognised by this award.

In the Military Transport Aircraft Division, besides replacing fuels with cleaner ones and using renewable energy for water heating, EADS is controlling energy losses and using

hydrofluorocarbons to replace chlorofluorocarbons in cold-chambers and air-conditioning systems. EADS is also eliminating the use of materials containing asbestos and making use of selective waste collection to allow more efficient subsequent treatment, as well as increasing the use of recycled materials.

In Eurocopter, over the past four years, action in relation to the environment has reduced water consumption by almost 5% and energy burn by almost 9% despite an increase in turn over. Over the same period, metal pollution in water waste was virtually halved.

In total, over €30 million is currently being spent by EADS on R&T projects specifically devoted to environmental improvements in products and processes.

There is also, for example, a cooperation between Sogerma and Airbus to anticipate future regulatory constraints over the management of airplanes' end of lives. In addition, environment aspects are included in all R&D projects.

Key Performance Indicators	GRI Ref.	2004
ISO 14001 certification/EMAS registration – List of sites covered by a certificate	–	20
List of sites covered by EU ETS	–	12
Total CO ₂ emissions	EN8	~334,000 t
Total CO ₂ emissions declared under EU ETS	EN8	200,000 t
Direct energy use segmented by primary source (Electricity, Fuel, Gas)	EN3	~2,900,000 MWh
Volatile Organic Compound Emissions	EN10	~3,000 t
Total Water use	EN5	~4,700,000 m ³
Total Water Discharge volumes	EN12*	~2,700,000 m ³
Total hazardous waste production	EN11	~39,000 t
Total non hazardous waste production	EN11	54,000 t

* reference GRI is in kg/year

Scope: covering 85% of EADS staff, 2004 figures generated on available material, definitions need harmonization between the various countries in which EADS operates.

For the third time this year, Airbus has published an environmental report which is available on its website www.airbus.com.

2.3 Corporate Social Responsibility Policies and Operations (continued)

2.3.4 Human Resources: Employer – Employee Relationship

2.3.4.1 Organisation of Work

As of 31st December 2004, the EADS workforce was composed of 110,662 employees. It has increased by 1.4% as against 2003, mainly at Airbus and in spite of the Space restructuring.

In 2004, 4,952 employees worldwide entered employment with EADS (7,877 in 2003) of which 2,643 were employed by Airbus. At the same time 4,108 employees left EADS (vs. 5,543 in 2003).

In total, 97% of EADS' total workforce is located in Europe on more than 80 industrial sites.

The tables below set out the number of EADS employees by business sector and by geographic region. Employees of companies accounted for by the proportionate method (such as ATR, MBDA and Astrium) are included in the tables on the same proportionate basis.

Key Performance Indicators	GRI Ref.	31st December 2004	31st December 2003
EADS Employees by Division	LA1		
Airbus		51,959	49,520
Military Transport Aircraft		3,856	3,428
Aeronautics		18,244	18,031*
Defence and Security Systems		24,268	24,844*
Space		11,053	11,991**
HQ and Research Centre		1,282	1,321***
Total EADS		110,662	109,135

* Military Aircraft Business Unit was moved from Aeronautics to Defence and Security Systems in September 2003.

** In 2003, the consolidation quota for Astrium changed from 75% to 100%, resulting in 2,279 additional employees.

*** Including employees from EADS North America since December 2003.

Key Performance Indicators	GRI Ref.	31st December 2004		31st December 2003	
		Amount	In Percentage	Amount	In Percentage
EADS Employees by Geographic Region	LA1				
France		42,807	38.7	42,858	39.3
Germany		40,325	36.4	41,103	37.7
Spain		8,435	7.6	8,063	7.4
U.K.		14,045	12.7	13,125	12.0
Italy		734	0.7	682	0.6
U.S.		2,166	2.0	2,554	2.3
Rest of the World*		2,110	1.9	750	0.7
Total EADS		110,662	100.0	109,135	100.0

* The "Rest of the World" figure includes employees from 12 other countries.

2.3 Corporate Social Responsibility Policies and Operations (continued)

Key Performance Indicators	GRI Ref.	2004
		In percentage
Part time contracts	LA1	
France		3.7
Germany		3.2
Spain		0.02
U.K.		0.82
U.S.		0.0
Rest of the World		1.3
Total EADS		2.87

Key Performance Indicators	GRI Ref.	2004
		In percentage of total workforce
Breakdown per employee type	LA1	
permanent employees		98.1
temporary employees		1.9

Key Performance Indicators	GRI Ref.	31st December 2004
Number of employees per age group	LA1	
18-25		6,812
26-35		26,081
36-45		37,544
46-55		34,565
56-65		10,984
Total EADS		115,986*

* consolidated companies are counted 100%

Key Performance Indicators	GRI Ref.	31st December 2004
Average age of employees	LA1	
France		41.58
Germany		42.14
Spain		42.9
U.K.		41.73
U.S.		42.41
Rest of the World		39.47
Total EADS		41.89

Key Performance Indicators	GRI Ref.	2004
Average weekly working time	–	depending on country and hierarchy level, 35 – 40 hours
Total wage bill*	EC5	€7.9 bn
EADS success sharing	–	€200 m

* including employee and salary cost, success and profit sharing, restructuring cost, pensions and other costs.

EADS has developed an innovative HR management, defining a European policy while taking into account national legislation.

2.3.4.2 Human Resources Organisation

The key mission of the HR Group is to ensure that EADS, as an integrated Group, attracts, develops and retains a world class workforce. It also facilitates continuous integration and internationalisation of the Group and builds a common spirit across the Group's organisational and operational structures. The HR department is under the responsibility of Jussi Itävuori, member of the Executive Committee.

The HR Group operates worldwide as the HR Strategic leader and works in close cooperation with the divisions and Business Units which have the operational HR responsibility for most of the employees, except for the Management which is under the HR Group's operational responsibility.

The HR communities work closely together and coordinate and share best practises at functional level. Regular meetings of HR heads are organised at both European and national levels. A global HR database is now available.

At corporate level, four support departments make up the global EADS HR management: Planning and Policy, Compensation and Benefits, Corporate Business Academy ("CBA") and Management Development. They are responsible for:

- Managing HR Development for the top 200 key positions;
- Designing policies, guidelines and tools for all group wide HR processes, such as appointments, job rotation, international mobility, compensation and benefits, e-HR, etc.;

2.3 Corporate Social Responsibility Policies and Operations (continued)

- Organising and delivering Executive Education for all Executives and potential future executives through the CBA and coordinating the training activities within the Group for all employees; and
- Improving the sharing of best practises within the EADS HR community.

2.3.4.3 Human Resources Policies

Health and Safety: Providing a Safe Workplace for EADS Employees and Subcontractors

Policy

- “EADS considers that protection of the health and safety of employees in the work-place is key and a top priority for the Group.
- EADS is committed to maintaining safe and healthy working conditions for its employees. It is EADS Business Units’ and subsidiaries’ role to implement Health and Safety policies based on evaluation, anticipation and risk management and taking into account all specificities as well as people’s needs.”

Organisation

The management of Health and Safety is dealt with at site level accordingly to applicable national regulations.

Caring for EADS Employees and EADS Know How

Policy

- “Given the specific nature of the facilities of the EADS Group which are used for many activities relating to national defense and sensitive civil markets, the conditions governing access to and movements inside the plants and facilities are specified in ministerial orders and are based on two main principles:
 - Access to a plant is subject to prior authorization by the company; and
 - Entry into restricted and sensitive areas is regulated in accordance with national and company regulations.”

Organisation and Performance

EADS has set up a security policy to improve the security of its employees and to protect EADS expertise. A Security Committee has been set up which reports to the HR Committee. Security leaders in each country supervise local security officers at Business Unit and plant level and deal with national security authorities and European security organisations.

The network of Security managers is there to ensure information exchange and sharing of best practices. Working groups are created to facilitate constant adaptation of security

measures to actual threats. Access to EADS facilities is subject to prior authorization and entry into restricted and sensitive areas is regulated in accordance with national and company regulations.

Diversity: Commitment to Ensure Equal Opportunity for all EADS Employees

Policy

- “EADS commits to offering equal opportunities for all its employees and to refraining from any discrimination against its employees based on gender, race, religion, nationality, political opinion, sexual orientation, social origins, age and handicap with regard its personnel.
- EADS commits to developing access for women to all of its activities and shall ensure fair professional development as well as equal remuneration for men and women employees for skill and work of equivalent value.”

Performance and Best Practices

EADS has always promoted diversity through its existing culture of cross-border collaboration. More than 15 nationalities work within EADS. For example, Airbus signed up in 2004 to a “charter of diversity” and has joined forces with a number of major French companies to fight discrimination on cultural, ethnic or social grounds when hiring employees.

Women at EADS

The percentage of women in 2004 in the Group is about 15%. It slightly increased in all Divisions but Space from 2003.

Key Performance Indicators	GRI Ref.	31st December 2004	31st December 2003
		In Percentage	In Percentage
Women at EADS by Division	LA11		
Airbus		12.4	12.2
Military Transport Aircraft		12.1	11.8
Aeronautics		12.1	11.5
Defence and Security			
Systems		18.9	18.9
Space		19.4	19.6
HQ and Research Centre		33.2	32.9
Total EADS		14.8	14.9

As aerospace business did not traditionally attract women, EADS has committed to a long term plan for the promotion of women in aerospace and has set two priorities: (i) at least 20% of its annual recruitment to be women and (ii) active communication within universities and schools – targeting more than 50 educational institutions – to make the aerospace industry a known and more attractive employer for women.

2.3 Corporate Social Responsibility Policies and Operations (continued)

From 1st January 2004, Business Units have been asked every quarter to report on their success in recruiting women. The CBA has also defined training objectives to be consistent with this recruitment target. In 2004, approximately 19% of the Group total recruitments were women.

In 2004, EADS signed partnerships with the French engineering school “Ecole Centrale de Paris” and the Berlin University FEMTEC in Germany. In France, EADS sponsored the Irene Joliot Curie prize. This prize is awarded by the French ministry of Research in recognition of projects, encouraging young women to study science and technology and promoting the status of women in the field of research. This gives EADS an opportunity to publicise its activities. In addition, Philippe Camus signed the “Wake up call from 10 CEOs” to promote the status of women in the field of research (WIR: Women in Industrial Research).

Airbus also agreed on a partnership with the Academy of Toulouse to facilitate contacts between female professionals and students, to provide information to students, teachers, career advisors on technological advances and new skills and to participate in relevant events.

Other initiatives include, in Germany, the organisation of a “girls’ day” which is an open day for girls at German EADS locations to allow them to find out more about the engineering profession.

On 24th June 2004, EADS signed an agreement in France with all unions on equality and professional diversity (“*Accord sur l’égalité et la mixité professionnelle*”) which has two main objectives: achieving parity and demonstrating that women have attractive career prospects within EADS. This agreement includes measures regarding salaries, career development, and parenthood. EADS shall ensure that career development is solely based on objective criteria, related exclusively to the skills and performance required for a particular position. Furthermore, the agreement includes a number of action points such as the allocation of a credit system for leave to care for a sick child, the automatic revision of basic salary at the end of parental leave as well as the reimbursement of child-minding expenses incurred when attending work-related training courses outside normal working hours. These are but a few of the measures being implemented to ensure that parenthood does not hinder career development. The agreement’s implementation in France will be monitored by each EADS company with “equality committees” being established within the works’ councils, and also at Group level, using a defined set of common indicators to evaluate results and track progress with an action plan covering the

2004/2006 period. This action plan is to be re-negotiated every 3 years. In March 2005, EADS in France received the “Label Egalité” from the French Ministry of professional equality.

Career Development: Efficient Management of Skills and Know-How

Policy

- “EADS ensures that working time, including overtime, is regulated so as to support a healthy balance between employees’ work and their private life.
- EADS strives to develop the skills and know-how of its employees, for their individual benefit as well as for its collective success. The EADS personnel development policy aims at:
 - Supporting trainings to enhance performance and high quality of work;
 - Encouraging cross-border and cross functional teamwork, in the frame of intra-Group mobility;
 - Assessing and recognizing individual technical expertise via a global scheme developed throughout the Group; and
 - Associating personnel to the performances of the Group and its subsidiaries through a success sharing scheme.”

Performance and Best Practices

Astrium and Eurocopter have implemented knowledge transfer programs, which seek to ensure knowledge transfer on employees’ retirement.

Personnel Development

Personnel development starts at EADS on the first day of recruitment. From then on, several formal or informal *rendez-vous* are organized at Business Unit or at corporate level, for example the Welcome Event. This is held twice a year and 400 newcomers are invited to participate in the event hosted by the CEOs, at which they discover the diversity of EADS. EADS’ aim is that its employees understand and fully experience its global dimension from the moment they arrive.

EADS employees are also offered a wide range of further development programmes and mobility opportunities. Mobility at EADS means mobility across functions, Business Units and divisions in its four home countries, France, Germany, Spain and the U.K., as well as appointments in regions such as the U.S. or Asia.

EADS also has specific recruitment programs, such as young professionals in Finance or in Sales & Marketing.

2.3 Corporate Social Responsibility Policies and Operations (continued)

In addition, EADS has developed a specific policy for engineering experts, who are key to EADS maintaining its competitive advantage through R&T developments.

Personal development also includes training. EADS' expenses amount to approximately 4% of its pay roll (over €150 million) in training per year. EADS trains 65,000 employees every year for a total of 1.2 million hours. EADS created the CBA in 2000 as its Corporate University, to develop the current executives and prepare the next generation of executives, as well as optimizing the global investment in training within EADS. CBA was recognised as the most innovative Corporate University in the world by its peers. In 2004, the EADS CBA opened its Center for Executive Education in Bordeaux. This centre is designed to provide facilities to the whole Group for top management meetings, training sessions and executive seminars.

At EADS, training is considered a joint responsibility. Employees are expected to be proactive in their personal development, and line managers must identify training needs.

Management of skills and know-how

Key Performance Indicators	GRI Ref.	2004
Hours of training per year	LA9	1,200,000
Average hours of training/employee	–	11,8
Number of trained people	–	65,000
Training expenses in % of wages	–	~4%

Recruitment and retaining of talent

Key Performance Indicators	GRI Ref.	2004
Breakdown of recruitment per type	LA2	18.8% female
		In years
Average length of service	–	
Airbus		13.6
Military Transport Aircraft		21.52
Aeronautics		14.39
Defence and Security Systems		16.52
Space		14.88
HQ and Research Centre		12.26
Total EADS		14.74
		In percentage
Breakdown of employees per qualification	–	
University (4 years and more)		23.9
University (up to 3 years)		19.1
Higher vocational school		9.5
Vocational school		41.4
General school		6.1

Success Sharing Practices

EADS' remuneration policy is strongly linked to the achievement of individual and Company objectives, both for each division and for the overall Group. A stock option plan has been established for the senior management of the group (see "Part 1/2.3.3 Options Granted to Employees") and employees were offered shares at favourable conditions at the time of the public offering and listing of EADS (see "Part 1/2.3.2 Employee Share Offering").

EADS in France has profit sharing plans (*accords de participation*), set up in accordance with French law, and specific incentive plans (*accords d'intéressement*), which provide bonuses to employees based on the achievement of productivity, technical or administrative milestones.

EADS Deutschland GmbH's remuneration policy is, to a large extent, flexible and strongly linked to the EBIT (pre-goodwill and exceptionals) of the company, the increase in value of the company and the achievement of individual objectives.

EADS CASA, which does not have a profit sharing policy, allows technicians and management to receive profit-related pay, subject to the achievement of the general company objectives and individual performance.

Employee Relations: A Proactive Dialogue

Policy

- "EADS emphasizes its belief that a continuous and high quality social dialogue is key to the Group. In particular, the European Works Council ("EWC") facilitates a pro-active and fluid dialogue with employee representatives.
- EADS ensures that the representation of personnel is conducted throughout all its Business Units in a constructive atmosphere. This maintains a proper balance between the interests of employees and the economic interests of the Group."

Performance and Best Practices

On 23rd October 2000, the management and employee representatives from the unions and works council operating within EADS in France, Germany, Spain and U.K. signed an agreement for the establishment of the EWC.

- The EWC meets twice a year for information and consultation on evolution of the business and the prospects of the Group.
- The EWC also comprises an economic committee which meets four times a year and focuses on economic matters.

2.3 Corporate Social Responsibility Policies and Operations (continued)

- European sub-committees have also been set up in various Business Units such as Airbus, Eurocopter, EADS SPACE, etc. and replicate the EADS EWC model.
- National committees in France, Germany, Spain, and the U.K. enable dialogue on national matters, under the subsidiarity principle.

Overview of collective agreements signed with Unions since 2000:

- **EADS Group Agreements** were concluded on the following matters:
 - Establishment of a European Works Council³.
 - Linking personnel to the business performance of the Group⁴.
- **In Germany, Tariff Agreements** were concluded in relation to such matters as holiday pay, Christmas bonus, sick pay, and early retirement, as well as agreements with work council on success sharing, insurance package, company pension, early retirement deferred compensation, suggestion scheme, family and work life balance, disabled people.
- **In France, Group Agreements** were concluded in relation to such matters as employment issues, union's rights and social dialogue, end of career, health cost coverage, French national committee and Unions coordinators, professional equality and diversity.
- **In Spain, a collective bargaining agreement** includes social benefits such as aid to children of employees, collective transport, retirement, life insurance, loans, prize at retirement, canteens, aids to worker association.

2.3.5 Corporate Citizenship

2.3.5.1 Maintaining an Open Dialogue with EADS' Stakeholders Policy

- *"As one of the largest European companies, we are aware of our duties and are willing to develop our contribution to the cultural, educational and social background in the countries where we operate. In particular, EADS aims at reinforcing project partnerships with universities and research centres, through, for example, the EADS Research Foundation.*
- *EADS shall do its best to maintain an open dialogue with its stakeholders and to provide clear answers to requests for clarifications within the limits of its obligations."*

Organisation

EADS' contributions come in different forms; they include sponsorships, donations, or partnerships. Wherever it is located, EADS contributes to a range of activities, conferences or institutions, which address social, educational, cultural or sport issues. In most cases, such activities are initiated by EADS local entities who are also in daily contact with the relevant stakeholders.

However, EADS has implemented donation guidelines (under the responsibility of EADS Corporate Secretary) as well as sponsoring guidelines (under the responsibility of EADS Corporate Communications) which set out criteria for granting sponsoring projects while leaving some independence to the Business Units.

The guidelines also provide certain thresholds above which such activity has to be reported to the Corporate Secretary or Corporate Communications as applicable and approved by the CEOs.

Performance and Best Practices

In 2004, EADS contributed more than €2 million to social, cultural, sport or educational projects.

This figure does not include either local initiatives or the contribution to the global relief effort following the Asian Tsunami.

In 2004, EADS also launched the EADS Corporate Research Foundation in France which aims at strengthening ties between public and private research and education, industrial and technical communities. The Foundation has been allocated €24 million over five years to support research by (i) dedicating funds to multidisciplinary research programmes in Aeronautics and Space; (ii) financing educational grants, scientific awards and conferences; and (iii) investing in other foundations and associations of public benefit. The priority issues on which the Foundation will work include aeronautical sciences with acoustics, aerodynamics and propulsion, sciences and space, focusing on research in Unmanned Aerial Vehicles ("UAVs"), navigation, automatism, piloting, nanotechnologies and the study and control of energies of tomorrow.

³ Agreement for the establishment of a European Works Council and its sub Committees for information and consultation of the workforce between EADS NV and its Employees Representatives dated 23rd October 2000.

⁴ Group Agreement on implementation of a success sharing scheme within EADS-NV Group between Head of EADS NV HR and the EADS NV European Worker Council dated 29th June 2004.

2.3 Corporate Social Responsibility Policies and Operations (continued)

EADS also contributes to humanitarian activities by donating and giving material or providing air transportation capacities when necessary. EADS has a long-term partnership with “Aviation sans Frontières” in Spain, France and Germany, a humanitarian organisation which provides air transport for, in particular, seriously ill children. For example, ATR has signed a partnership contract making the baggage hold in new aircraft, ferried for delivery to a customer, available for freight transport. EADS also encourages its employees to support and take part in this initiative, providing a new meaning and dimension to the EADS aerospace family.

EADS also actively participated in the global relief effort following the Asian Tsunami: an Airbus Beluga mega-transporter went to the disaster area with relief supplies and a Puma transport helicopter on board; several Eurocopter helicopters participated in rescue and recovery operations in Thailand, Indonesia and Malaysia. EADS Defence and Communications Systems supported activities in the region by setting up radio communication equipment to rebuild broken-down communication infrastructure. EADS Defence Electronics is supporting the provision of medical care to the coastal regions of Indonesia with a mobile rescue station. It has been set up in a camp for homeless people and will ensure that general medical treatment and emergency care is at the highest medical and hygienic level. EADS SPACE provided satellite images for disaster analysis in the region. In addition, immediately after the tsunami, EADS and its Business Units donated €1 million in cash to the aid organisations working in the region. Half of this sum was donated by Airbus to the Red Cross. EADS gave the other half to “Wings of Help”, a joint initiative of the French and German organisations “Aviation sans Frontières” and “Luftfahrt ohne Grenzen”, which aims to finance regular airlifts of aid to the affected regions. In addition, EADS and its Divisions have called on all employees to make personal donations and have committed to at least double the sum of the donations. The total – raised – more than €350,000 – was transferred to the accounts of various relief organisations, including the European initiative “Wings of Help”, “Fondation de France” and the Red Cross.

2.3.5.2 Encompassing Community Interests in EADS' Global Strategy

Policy

- “EADS is proud of selling its products and providing its services to an increasing number of countries, thanks to the trust placed by international customers in its global reputation.
- EADS is conscious of its responsibility as a global company in the spreading of sound international business practices that foster the expansion of a balanced and fair globalization benefiting all countries.
- EADS encourages industrial cooperation with local industries whenever possible in order to support the development of skills and competencies.
- EADS supports local initiatives dedicated to the promotion of corporate social responsibility-oriented projects.”

Organisation

In 2004, the EADS Executive Committee has decided to launch a Global Strategy Initiative with a focus on six key markets for the Group: the U.S., China, Russia, Japan, India and South Korea. The objective is to assess how to enhance the commercial and industrial presence of EADS in those markets, which are considered as key for the growth of the business.

A dedicated project team has been set up to develop this strategy, with members from the Divisions and Business Units most concerned by this initiative as well as from HQ functions, in particular EADS International and Strategic Coordination.

The project is planned to last nine months and will include the drawing-up of a dedicated industrial strategy for each key country as well as a proposal for a body whose role will be to maintain the momentum of the industrial strategy in the future.

As part of the development of that strategy, the possible impacts of business partnerships in certain countries, as well as the local development, should be taken into account.

Performance and Best Practices

EADS will report on the implementation of the EADS' Global Industrial Strategy giving concrete examples.

3.1 General Description of the Company

3.1.1 Corporate Name, Seat and Registered Office

European Aeronautic Defence and Space Company
EADS N.V.

Le Carré, Beechavenue 130-132, 1119 PR, Schiphol-Rijk,
The Netherlands

Seat (*statutaire zetel*): Amsterdam

3.1.2 Legal Form

The Company is a public limited liability company (*naamloze vennootschap*) organized under the laws of The Netherlands.

3.1.3 Governing Law – Dutch Regulations

The Company is governed by the laws of The Netherlands, in particular by Book 2 of the Dutch Civil Code and by its articles of association (the “**Articles of Association**”). The shares of the Company are not listed in The Netherlands.

The Company is subject to various legal provisions of the Dutch Securities Market Supervision Act 1995 (*Wet toezicht effectenverkeer 1995*) (the “**WTE**”). These are summarized below.

Above all, the Company is subject to various disclosure requirements in The Netherlands pursuant to section 5 of the WTE. These requirements comprise, in particular:

- (i) Filing of the annual accounts and the statutory auditors’ statement with the Registry of the Chamber of Commerce of Amsterdam with a copy to the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*) (the “**AFM**”);
- (ii) Filing of the semi-annual financial statements in the same manner; and
- (iii) Publication of all new facts regarding the Company’s business which have not been made public in The Netherlands and which, if made public, would be likely to have a significant influence on the price of the shares. Such publication shall be made by way of a press release submitted to the AFM.

Further, pursuant to section 46b of the WTE, the Company and all “Insiders” (as defined below) must, unless an exemption or dispensation applies, notify the AFM of all transactions carried out in respect of securities of the Company listed for trading on a regulated market (or any financial instrument or securities the value of which depends on such securities) if, and only if, these transactions are carried out in or from The Netherlands.

“Insiders” include, in particular, (i) the Board of Directors of the Company, (ii) members of the board of managing directors and board of supervisory directors of its subsidiaries and participations (*deelnemingen*) whose consolidated turnover individually represents more than 10% of the consolidated turnover of the Company and (iii) all persons holding more than 25% of the share capital of the Company and, if such persons are legal entities, the members of such legal entities’ board of managing directors and board of supervisory directors. In addition, spouses, first degree family members and persons with whom individual “Insiders” share a common household are subject to this notification requirement.

Failure to comply with the requirements of the WTE is a criminal offence punishable by criminal and administrative penalties in The Netherlands.

Finally, pursuant to section 46b of the WTE, the Company must, unless exemptions apply, notify the AFM of all transactions to which the Company is a party in (i) listed securities of the Company or (ii) securities the price of which depends on the price of these listed securities.

Pursuant to Dutch law, EADS has adopted specific internal insider trading rules (the “**Insider Trading Rules**”) in order to ensure the confidentiality of sensitive company information, the transparency of EADS share trading and the compliance of EADS share trading rules with share trading regulations applicable in The Netherlands, France, Germany and Spain (for examples of The Netherlands, German, Spanish and French disclosure requirements applicable to members of the Board of Directors, see “– Disclosure Requirements for Members of the Board of Directors of EADS”). Pursuant to the Insider Trading Rules (i) all employees and directors are prohibited from conducting transactions in EADS shares or stock options if they have insider information, and (ii) certain persons are only allowed to trade in EADS shares or stock options within very limited periods and have specific information obligations to the compliance officer of the Company and the competent financial market authorities with respect to certain transactions. These persons include amongst others (i) Insiders (as defined above) and (ii) certain employees specified by the compliance officer. The updated version of the Insider Trading Rules effective 1st January 2004 is available on the Company’s website.

EADS’ Chief Financial Officer, Hans Peter Ring, was appointed Compliance Officer by EADS’ Board of Directors. The Compliance Officer is essentially responsible for the implementation of the Insider Trading Rules and for reporting to the AFM.

3.1 General Description of the Company (continued)

In addition, given the fact that its shares are listed on a regulated market in France, Germany and Spain, the Company is subject to laws and regulations in these three jurisdictions.

A summary of the main regulations applicable to the Company in relation to information to be made public in these three jurisdictions is set out below.

3.1.3.1 Ongoing Disclosure Obligations

French Regulations

The *Autorité des marchés financiers* (the “AMF”) issued general regulations effective as from 24th November 2004 (the “AMF General Regulations”).

A foreign issuer must take all necessary measures to enable shareholders to manage their investments, and to exercise their rights. Pursuant to Articles 211-40 II and 222-9 of the AMF General Regulations:

- (i) the Company is required to inform its shareholders of (i) all forthcoming shareholders’ meetings and of the various ways for them to exercise their voting rights; (ii) payments of dividends; and (iii) issues of new shares or subscriptions, allocations, renunciations, or conversions of shares;
- (ii) the Company is also required to (i) inform the public of any modifications in its shareholder structure compared to the latest published data; (ii) publish any relevant information concerning its activities and results for the first half of its financial year within four months of the end of the first half of the financial year, (iii) publish its annual accounts, and consolidated accounts and the management report, which report (or the most significant extracts thereof) must be translated into French, within six months of the end of the financial year; and (iv) publish as soon as possible all modifications of the rights attached to each category of shares;
- (iii) the Company is required to inform the AMF in due time of any contemplated amendments of its Articles of Association; and
- (iv) furthermore, the Company is required to provide simultaneously in France the same information as that given abroad.

Like French issuers, the Company may prepare a reference document, the purpose of which is to provide legal and financial information on the issuer (shareholding, activities, management, recent events, possible evolution and other

financial information), but no information concerning a particular securities issue. In practice, the Annual Report of the Company may be used as a reference document since it contains the required information.

The reference document must be filed with the AMF and, once filed, is made available to the public.

German Regulations

Due to the listing of the Company’s shares in the *amtlicher Markt* (specifically, in the sub-segment of the *amtlicher Markt, Prime Standard*) on the Frankfurt Stock Exchange, the Company is subject to the post-listing obligations described below. In addition to the listing in *amtlicher Markt (Prime Standard)*, the Company is included in the selection index MDAX, the MidCap index of *Deutsche Börse AG*.

Pursuant to § 65 of the German Stock Exchange Admissions Regulation (*Börsenzulassungs-Verordnung*), the Company is required to promptly make available its statement of annual accounts and its management report as soon as these have been produced, insofar as these are not published nationally. If the Company produces its own statement of annual accounts in addition to a consolidated one, both types must be made available. According to § 62 of the Exchange Rules (*Börsenordnung*) of the Frankfurt Stock Exchange, the listing in the *Prime Standard* of the *amtlicher Markt* results in the further obligation of the Company to compile and publish consolidated annual accounts in accordance with the International Financial Reporting Standards (IFRS) or the U.S.-Generally Accepted Accounting Principles (U.S. GAAP) in the German and English languages.

In addition, the Company is required to publish an interim report pursuant to § 40 of the German Stock Exchange Act (*Börsengesetz*). The interim report must be published within a period of two months after the end of the first six-month period of the Company’s current fiscal year, in at least one German supra-regional mandatory stock exchange newspaper (*überregionales Börsenpflichtblatt*), the Federal Gazette (*Bundesanzeiger*) or as a printed newsletter that is available to the public free of charge upon request. The report must also be given to the stock exchange admissions authorities of those exchanges where the shares are officially listed.

Pursuant to § 63 of the Exchange Rules of the Frankfurt Stock Exchange, the Company, being part of the *amtlicher Markt (Prime Standard)*, is required to publish quarterly reports in the German and English language according to the same international accounting principles as the annual accounts.

3.1 General Description of the Company (continued)

Pursuant to § 63 *et seq.* of the German Stock Exchange Admissions Regulation, the Company is required to inform the public and the stock exchange admissions authorities of certain developments or changes that affect the Company or its shares.

The Company is also obliged to inform the stock exchange admissions authorities about all material events arising from or affecting its legal situation. For that reason, all announcements concerning events that may be of interest to shareholders, such as the shareholders' meeting, announcements concerning determinations and payments of dividends, the issuance of new shares and the exercise of conversion, warrant and subscription rights, must be published in an official stock exchange newsletter. The Company is, furthermore, required to publish without delay all changes concerning rights that are connected with securities.

If the Company provides information to the stock exchanges in France and Spain and if such information could be relevant for the assessment of securities of the Company, then the Company has to publish at least equivalent information at the Frankfurt Stock Exchange in at least one German supra-regional mandatory stock exchange newspaper.

In addition, the Company is required as a result of its listing in the *amtlicher Markt (Prime Standard)*, to prepare a continuous update of a corporate action timetable at the beginning of each fiscal year, for at least the respective fiscal year, in the German and English languages. This timetable must include details about the most important events of the Company. The Company is also required to hold a meeting of analysts at least once a year in addition to the press conference regarding the balance sheet.

Save for certain exemptions, the Company has to apply for admission of shares issued at a later date to the *amtlicher Markt* of the Frankfurt Stock Exchange, see § 69 of the German Stock Exchange Admissions Regulation.

Spanish Regulations

Pursuant to the Ministerial Order of 18th January 1991, the Company is required to file with the *Comisión Nacional del Mercado de Valores* (the "CNMV") and with the relevant Spanish stock exchange authorities (who will disclose it to the market), relevant information regarding its financial situation for each half year and which is communicated, for each 30th June and 31st December, no later than the following 1st September and 1st March respectively. If after this communication the annual accounts are produced by the Board of Directors and they do not conform with the half-yearly information, the Board of Directors must disclose this inconsistency in the following ten trading days. An exemption from the obligation to publish quarterly information of a financial or economic nature has been obtained from the CNMV.

According to the financial law 44/2002, of 25th November 2002, on Measures Reforming the Financial System (*Ley 44/2002, de 25 de noviembre, sobre Medidas de Reforma del Sistema Financiero*) (the "Financial Law"), together with the half-yearly information referred to in the above paragraph, the Company must provide quantified information as to every transaction carried out with any related party.

3.1.3.2 Disclosure of Specific Information

French Regulations

Pursuant to Article 222-3 I of the AMF General Regulations, any inside information must be disclosed to the public. Pursuant to Article 621-1 of the AMF General Regulations, inside information means precise information that has not been publicly disclosed and that concerns, directly or indirectly, one or more issuers or financial instruments, and that, if publicly disclosed, would be susceptible to having a noticeable influence on the price of the financial instruments themselves or on the price of financial instruments linked therewith.

Pursuant to Article 222-11 of the AMF General Regulations, the AMF may request that the Company or any third party disclose any information relevant in respect of the investors' protection and of the functioning of the market. If such requests are not satisfied, the AMF may itself disclose such information.

Pursuant to Articles 222-3 to 222-7 of the AMF General Regulations, the party responsible for the disclosure of inside information may decide, under its own responsibility, to defer its disclosure if (i) it is able to ensure confidentiality of such information; and (ii) it considers that (a) should the party be the Company, confidentiality is necessary to preserve its legitimate interests, provided that such deferral does not run the risk of misleading the public and that the Company monitors access to such information; or (b) should the party be the Company or a third party, confidentiality is temporarily necessary to achieve completion of a transaction.

German Regulations

Pursuant to § 15 of the German Securities Trading Act (*Wertpapierhandelsgesetz*), the Company is required to publish, without undue delay, any inside information which directly concerns the Company, in particular but not limited to information within the Company's sphere of activity, and which has the potential to materially influence the Company's share price (ad-hoc disclosure requirement).

3.1 General Description of the Company (continued)

Prior to publication, the Company must disclose such information to the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) as well as to the board of directors of the organised markets on which the Company's shares are admitted to trading.

Due to the listing in *amtlicher Markt (Prime Standard)*, the Company is also required to publish this information in the English language (§ 66 of the Exchange Rules (*Börsenordnung*) of the Frankfurt Stock Exchange).

In accordance with the implementation into German law of the European Parliament and Council Directive 2003/6/EC dated 28th January 2003 on insider dealing and market manipulation (*Market Abuse Directive*), the Company is obliged to decide whether it is exempt from the ad-hoc disclosure requirement in cases where its legitimate interests would require a postponement of the disclosure.

The Company and any person acting for or on behalf of the Company are also subject to the ad-hoc disclosure requirement if they have communicated inside information to another person or allowed another person access to inside information, unless that other person is subject to a legal duty of confidentiality.

Pursuant to § 15b of the German Securities Trading Act the Company must establish and maintain a list with all persons who have access to inside information.

Spanish Regulations

Pursuant to Article 82 of the Spanish Securities Act 24/1988 of 28th July 1988, (*Ley 24/1988, de 28 de julio, del Mercado de Valores*, as amended by *Ley 37/1998, de 16 noviembre*), as amended by the Financial Law, the Company is required to make public, as soon as possible, any fact or decision that may substantially affect the quotation of its shares. Pursuant to the Financial Law, any such relevant event must be notified to the CNMV as quickly and as efficiently as possible, always prior to its communication to third parties or other means of publication and, in any event, as soon as the relevant fact is known, the relevant decision has been made or, the relevant agreement has been executed, as the case may be. Wherever possible, the relevant event should be notified to the CNMV after the close of the markets on the day of notification so as to avoid impacting on the quotation of the Company's shares in the corresponding trading session. Furthermore, pursuant to the Financial Law, the Company must post details of any relevant event on its website. Under certain circumstances, the CNMV may authorize the issuer not to make public relevant information, which may affect its legitimate interests.

Pursuant to Spanish Law 26/2003 of 17th July 2003, on transparency of listed companies (*Ley 26/2003 de 17 de Julio de refuerzo de la transparencia de las sociedades anónimas cotizadas*, "**Spanish Transparency Law**") which amends, amongst others, the Spanish Securities Act and order 3722/2003 of 26th December 2003 of the Ministry of Economy (the "**Ministerial Order**") which develops the provisions of the Spanish Transparency Law, the Company is required:

- (i) To have rules of the Board of Directors which must be filed with the CNMV and published on the Company's website;
- (ii) To file with the CNMV a description of the relevant Dutch law provisions and provisions in the Articles of Association governing the conduct of shareholders' meetings and post such description on its website;
- (iii) To have a website which must contain as a minimum the information specified in the Spanish Transparency Law, the Ministerial Order and the Circular 1/2004 of 17th March 2004 of the CNMV;
- (iv) To file a corporate governance report with the CNMV on an annual basis (the "**Annual Corporate Governance Report**") which must contain the information specified in the Ministerial Order and the Circular 1/2004 of 17th March 2004 of the CNMV; and
- (v) In respect of the provisions of the Participation Agreement which relate to the exercise of voting rights at shareholders' meetings or restrictions or conditions on the free transferability of shares, to (i) file by July 2006 (or earlier in the case of a takeover bid or if a new agreement is entered into) such provisions with the CNMV who will then publish the provisions as a relevant event, (ii) post the provisions on the Company's website, unless the CNMV exempts the Company from doing so, and (iii) set out details of the provisions in the Annual Corporate Governance Report.

3.1 General Description of the Company (continued)

3.1.4 Date of Incorporation and Duration of the Company

The Company was incorporated on 29th December 1998 for an unlimited duration.

3.1.5 Objects of the Company

Pursuant to Article 2 of the Articles of Association, the objects of the Company are to hold, co-ordinate and manage participations or other interests in and to finance and assume liabilities, provide for security and/or guarantee debts of legal entities, partnerships, business associations and undertakings that are involved in:

- (a) the aeronautic, defence, space and/or communication industry; or
- (b) activities that are complementary, supportive or ancillary thereto.

3.1.6 Commercial and Companies Registry

The Company is registered with the Registry of the Chamber of Commerce of Amsterdam (*Handelsregister van de Kamer van Koophandel en Fabrieken voor Amsterdam*) under number 24288945.

3.1.7 Inspection of Corporate Documents

The Articles of Association are available for inspection in Dutch at the Chamber of Commerce of Amsterdam.

Pursuant to Article 57 of the French Decree n° 84-406 of 30th May 1984, a certified copy of a translation in French of the Articles of Association has been filed with the *Greffe* of the *Tribunal de Commerce* of Paris. It is also available at the Head office of EADS in France (37, boulevard de Montmorency, 75016 Paris, France, Tel: 00.33.1.42.24.24.24). In the event of amendments being made to the Articles of Association, an updated certified copy of the translation in French thereof will be filed with the *Greffe* of the *Tribunal de Commerce* of Paris and made available at the Head office of EADS in France.

In Germany, the Articles of Association are available at the Head office of EADS in Germany (81663 Munich, Germany, Tel: 00.49.89.60.70).

In Spain, the Articles of Association are available at the CNMV and at the Head office of EADS in Spain (Avda. Aragón 404, 28022 Madrid, Spain, Tel: 00.34.91.585.70.00).

3.1.8 Financial Year

The financial year of the Company starts on 1st January and ends on 31st December of each year.

3.1.9 Allocation and Distribution of Income

3.1.9.1 Dividends

The Board of Directors shall determine which part of the profits of the Company shall be attributed to reserves. The remaining distributable profit shall be at the disposal of the shareholders' meeting.

The shareholders' meeting may resolve (if so proposed by the Board of Directors) that all or part of a dividend shall be paid in shares of the Company as opposed to cash.

The declaration of a dividend, an interim dividend or another distribution to the shareholders shall be made known to them within seven days after such declaration. Declared dividends shall be payable within four weeks of such declaration unless another date for payment is proposed by the Board of Directors and approved by the shareholders' meeting.

Dividends, interim dividends and other distributions on shares shall be paid by bank transfer to the bank or giro accounts designated in writing to the Company by, or on behalf of, shareholders at the latest 14 days after their announcement.

3.1.9.2 Liquidation

In the event of the dissolution and liquidation of the Company, the assets remaining after payment of all debts and liquidation expenses shall be distributed amongst the holders of the shares in proportion to their shareholdings.

3.1.10 General Meetings

3.1.10.1 Calling of Meetings

Shareholders' meetings are held as often as the Board of Directors deems necessary or upon the request of shareholders holding, individually or together, at least 10% of the total issued share capital of the Company.

The Board of Directors must give notice of general meetings in at least one of The Netherlands' national daily newspapers, at least one international daily newspaper and at least one daily newspaper in each of the countries in which the Company's shares are listed. Such publication must be made at least 15 days before the day of the meeting, not counting the day on which notice was given, and shall state either the matters to be considered at such meeting or that the agenda is open to inspection by the shareholders at the offices of the Company and at such other locations as may be specified in the notice.

The annual shareholders' meeting of the Company is held within six months of the end of the financial year.

3.1 General Description of the Company (continued)

Shareholders' meetings are held in Amsterdam, Den Haag, Rotterdam or Haarlemmermeer (Schiphol Airport). The Board of Directors may decide that shareholders' meetings may be attended by means of electronic or video communication devices from the locations mentioned in the convening notice.

The Board of Directors must announce the date of the annual shareholders' meeting at least two months before the meeting. Requests made by one or more shareholders collectively representing at least 1% of the issued share capital (or shares having an aggregate market value of €50 million), to put items on the agenda for the annual shareholders' meeting, must be effected by the Board of Directors, if such requests to the Board of Directors have been made at least six (6) weeks prior to the date scheduled for the meeting except if, in the opinion of the Board of Directors, important interests of the Company prevail over the insertion of such items into the agenda.

3.1.10.2 Right to Attend Meetings

Each holder of one or more shares may attend shareholders' meetings, either in person or by written proxy, to speak and to vote according to the Articles of Association. See “- Conditions of Exercise of Right to Vote”.

A shareholder or person who has the right to attend a meeting can see to it that he is represented by more than one proxy holder, provided that only one proxy holder can be appointed for each share.

In relation to holders of registered shares, the Board of Directors may provide in the convening notice that those persons are recognized as authorized to exercise the rights to attend, speak and vote at the shareholders' meetings, who at the point in time mentioned in the convening notice are authorized to exercise those rights and as such have been registered in the register appointed for the purpose by the Board of Directors, irrespective of who is authorized to exercise those rights on the day of the meeting.

Any person who is entitled to exercise the rights set out in the above paragraph (either in person or by means of a written proxy) and is attending the meeting from another location (see “- Calling of Meetings”) in such manner that the person(s) acting as chairman/chairmen of the meeting is/are convinced that such person is properly participating in the meeting, shall be deemed to be present or represented at the meeting, shall be entitled to vote and shall be counted towards a quorum accordingly.

As a prerequisite to attending the shareholders' meeting and to casting votes, the holders of bearer shares and those who derived the aforementioned rights from these shares shall be obliged to deposit their share certificate or the documents evidencing their rights against receipt, at such locations as shall be determined by the Board of Directors and stated in the convening notice.

Such convening notice shall also state the day which has been fixed as the final day on which the share certificates and the documents evidencing the aforementioned rights may be deposited. That day may not be earlier than five business days, but in each case not earlier than the seventh day, prior to the meeting.

As far as registered shares are concerned, the Board of Directors should be informed in writing within the timeframe mentioned in the two preceding sentences of the intention to attend the meeting.

Holders of shares that are registered in the shareholders' register kept in Amsterdam have the option of holding them through Euroclear France S.A. In this case the shares are registered in the name of Euroclear France S.A.

Shareholders holding their EADS shares through Euroclear France S.A. who wish to attend general meetings will have to request from their financial intermediary or accountholder an admission card and be given a proxy to this effect from Euroclear France S.A. in accordance with the instructions specified by the Company in the convening notice. For this purpose, a shareholder will also be able to request that it be registered directly (and not through Euroclear France S.A.) in the register of the Company. However, only shares registered in the name of Euroclear France S.A. may be traded on the stock exchanges.

In order to exercise their voting rights, the shareholders will also be able, by contacting their financial intermediary or accountholder, to give their voting instructions to Euroclear France S.A. or to any other person designated for this purpose, as specified by the Company in the convening notice.

3.1.10.3 Majority and Quorum

All resolutions are adopted by means of a simple majority of the votes cast except when a qualified majority is prescribed by the Articles of Association or by Dutch law. No quorum is required for any shareholders' meeting to be held. Dutch law requires a special majority for the passing of certain resolutions: *inter alia*, capital reduction, exclusion of preemption rights in connection with share issues, statutory mergers or statutory demergers; the passing of such resolutions requires a majority of two-thirds of the votes cast if 50% of the share capital with voting rights is not present at the meeting (or otherwise a simple majority). In addition, resolutions to amend the Articles of Association or to dissolve

3.1 General Description of the Company (continued)

the Company shall only be capable of being adopted with a majority of at least two-thirds of the valid votes cast at a shareholders' meeting, whatever the quorum present at such meeting.

Pledges of shares and beneficiaries of a usufruct, which do not have voting rights, do not have the right to attend and to speak at shareholders' meetings. The owners of shares which are subject to a pledge or a usufruct, which do not have voting rights, are entitled to attend and to speak at shareholders' meetings.

3.1.10.4 Conditions of Exercise of Right to Vote

In all shareholders' meetings, each shareholder has one vote in respect of each share it holds.

A shareholder whose shares are subject to a pledge or usufruct shall have the voting rights attaching to such shares unless otherwise provided by law or by the Articles of Association or if, in the case of a usufruct, the shareholder has granted voting rights to the usufructuary. Pursuant to the Articles of Association and subject to the prior consent of the Board of Directors, a pledgee of shares in the Company may be granted the right to vote in respect of such pledged shares.

3.1.11 Disclosure of Holdings

Any person, acting alone or in concert (as defined in the Netherlands Act on reporting of shareholdings, *Wet melding zeggenschap in ter beurse genoteerde vennootschappen 1996* (the "WMZ")), acquiring or disposing of, directly or indirectly, an interest in the share capital or voting rights of the Company resulting in such person, after such acquisition or disposal, being in a different range of thresholds in terms of capital or voting rights than that in which he was prior to such acquisition or disposal is required by the WMZ to promptly notify the Company and the AFM of such interests. The same notification requirements apply in relation to acquiring or disposing of actual or contingent rights to obtain shares or voting rights. The applicable ranges of relevant interests pursuant to the WMZ are as follows: 0% to 5%; 5% to 10%; 10% to 25%; 25% to 50%; 50% to 66²/₃%; 66²/₃% and over. The AFM publishes all disclosures made to it in newspapers with a nationwide circulation in each of the Member States of the European Economic Area where the shares are admitted for listing on a regulated stock exchange. In addition, the Articles of Association require notification to the Company in the event of an acquisition or disposal of an interest resulting, for any person acting alone or in concert, in a change of range from or to the ranges 25% to 33¹/₃% and 33¹/₃% to 50%.

Furthermore, pursuant to the WTE, an additional disclosure requirement applies for certain categories of persons. This disclosure requirement applies to, among others, shareholders with a direct or indirect interest of 25% or more in the share capital of a listed company and their spouses, ascendants and descendants in direct line and other persons with whom the shareholders share a common household. These shareholders are required to notify the AFM of all transactions in securities pertaining to the company in which they hold an interest of 25% or more. If the shareholder with an interest of 25% or more is a company, this obligation extends to its directors.

According to § 26 of the German Securities Trading Act (*Wertpapierhandelsgesetz*), the Company has to publish in a German supra-regional mandatory stock exchange newspaper, if the percentage of voting rights held by a shareholder of the Company reaches, exceeds or falls short of 5%, 10%, 25%, 50% or 75% of the voting rights.

3.1 General Description of the Company (continued)

Disclosure Requirements for Members of the Board of Directors

The members of the Board of Directors must report to the AFM their shareholdings in EADS, whether or not such shareholdings reach specified thresholds. Each member of the Board of Directors must report the number of shares and voting rights held by him or an entity controlled by him and not only the percentage of shares and voting rights.⁵

EADS must report any resignation or termination of appointment of members of its Board of Directors to the AFM immediately. All reports are incorporated by the AFM into a public register that is accessible on the AFM website and can be consulted by any interested person.

The Company has to inform the AMF, the CNMV and the Spanish Stock Exchanges of any disclosure of holdings exceeding the above-mentioned thresholds that it receives.

The Articles of Association also require that any person acquiring directly or indirectly or with others with whom it is acting in concert (as defined in the WMZ) more than one tenth of the issued share capital or voting rights of the Company must notify the Company of its intentions (i) to buy or sell shares of the Company in the following 12 months; (ii) to continue or to stop acquiring shares or voting rights of the Company; (iii) to acquire control of the Company; or (iv) to seek to designate a member of the Board of Directors of the Company. The Company will provide the AMF with the information received in this context.

The AMF has indicated that it will publish a notice concerning any communication so transmitted. The CNMV will publish all such notifications received.

Failure to comply with the legal obligation to notify a change in range of thresholds under the WMZ is a criminal offence punishable by criminal and administrative penalties as well as civil law penalties, including the suspension of voting rights.

According to § 15a of the German Securities Trading Act, Directors of the Company or related persons must disclose transactions conducted for their own account involving shares of the Company or financial instruments that relate to those shares, especially derivatives. These persons have to notify the Company and the German Federal Financial Supervisory Authority of the transactions within five trading days unless the aggregate amount of such transactions does not exceed €5,000 in respect of all transactions in a calendar year. The Company is required to publish the notification without undue delay on the Company's website or in a German supra-regional mandatory stock exchange newspaper. This requirement also applies in connection with employee profit sharing and incentive plans and other kinds of stock option plans granted by the Company.

Pursuant to the Spanish Transparency Law, the Directors of the Company must not carry out transactions or suggest that transactions be carried out involving the shares of the Company or related companies on which they possess, due to their position, privileged or confidential information, if this information has not been made public. In addition, when a director, either by himself or through an intermediary, acquires or transfers shares or share options in the Company, he must inform the Company, the markets on which its shares are traded and the CNMV, which incorporates such information to its registries, which are of public access. In addition, the Company must update the information contained in its website related to holding of shares by directors. Likewise, pursuant to EC Directive 2003/6 and EC Directive 2004/72, EADS must report to the CNMV or any other Spanish competent authority any transaction carried out by members of the Board of Directors, members of the Executive Committee and any person closely associated with them on both listed shares of EADS and derivative instruments linked to them (a Royal Decree implementing such Directives in Spain is expected to be enacted during 2005).

Pursuant to Article 222-14 of the AMF General Regulations, the Company must report to the AMF, within a period of five (5) trading days, any transactions in securities of the Company carried out by members of the Board of Directors, members of the Executive Committee and any person closely associated with them, unless the aggregate amount of such transactions does not exceed €5,000 in respect of all transactions in a calendar year. The Company must also disclose the information to the public by way of release within such period.

⁵ In this context, the term "shares" also includes for example depositary receipts for shares and rights resulting from an agreement to acquire shares or depositary receipts for shares, specifically call options, warrants, and convertible bonds.

3.1 General Description of the Company (continued)

3.1.12 Mandatory Tender Offers

Pursuant to Article 15 of the Articles of Association, in the event that a direct or indirect acquisition of shares in the Company results in a person acting alone or in concert (as defined in the WMZ) holding shares or voting rights where the control over the number of shares or votes reaches or exceeds 33 $\frac{1}{3}$ % of the issued share capital of the Company then such person(s) is (are) required to make an unconditional public offer to all shareholders to acquire all of their shares or to procure that such an offer is made. Such offer must comply with all of the applicable regulatory or other legal requirements in each jurisdiction in which the Company's shares are listed.

Pursuant to Article 16 of the Articles of Association, in the event of a failure to launch such an offer (or if the offer does not satisfy the relevant legal or regulatory requirements in each of the jurisdictions where the Company's shares are listed) within two months after notification to the Company of shareholdings reaching or exceeding 33 $\frac{1}{3}$ % or failing such notification, within a period of 15 days of receipt of notice from the Board of Directors confirming the obligation to make the public offer, then any person(s) who is (are) required to make the offer shall within the period specified by the notice sent by the Board of Directors exchange for depository receipts to be issued by the *Stichting Administratiekantoor EADS* (the "**Foundation**"), such percentage of shares they hold over and above the 33 $\frac{1}{3}$ % of the shares issued by the Company (the "**Excess Percentage**"). From the date specified in the notice sent by the Board of Directors, the right to attend meetings, to vote and to receive dividends shall be suspended in respect of the Excess Percentage. If, within a period of 14 days from a further notice from the Board of Directors, the person required to exchange his shares representing his Excess Percentage for depository receipts still has not done so, then the Company is irrevocably authorized to exchange such shares for depository receipts issued by the Foundation. The constitutive documents of the Foundation provide that the Foundation shall not have the right to attend shareholders' meetings of the Company as a shareholder, to speak at such meetings and to exercise the voting rights attached to the shares it holds, except if, in the view of the Board of Directors of the Foundation (comprising the two independent Directors and one of the two Chief Executive Officers of EADS), such action is required for the performance of the mandatory offer provisions in the Articles of Association.

The obligation to make a public offer does not apply in the following situations:

- (i) to a transfer of shares to the Company itself or to the Foundation;
- (ii) to a securities custody, clearing or settlement institution acting in that capacity, provided that the provisions of Article 16 of the Articles of Association described above shall be applicable where shares are held for persons acting in breach of the provisions of Articles 15 and 16 of the Articles of Association described above;
- (iii) to a transfer of shares by the Company or to an issue of shares by the Company on a merger or on an acquisition by the Company of another company or business;
- (iv) to a transfer of shares from one party to another party who is a party to an agreement as envisaged in the WMZ to define "concert parties" where the agreement is entered into before 31st December 2000 (as amended, supplemented or replaced by a new agreement by the admission of one or more new parties or the exclusion of one or more parties) except that this exemption will not apply to a new party that individually or with its subsidiaries and/or group companies holds at least 33 $\frac{1}{3}$ % of the control over shares or votes in the Company; this exemption is intended to exclude the parties to the Participation Agreement (See "3.3.2 Relationships with Principal Shareholders") (as amended, supplemented or replaced by a new agreement by the admission of one or more new parties or the exclusion of one or more parties) from the obligation to make the mandatory offer in the event of a transfer of shares between themselves; or
- (v) to a transfer by a shareholder to a subsidiary in which it holds more than 50% or by a shareholder to a company which holds more than 50% in such transferring shareholder.

Spanish securities legislation sets forth specific provisions which are applicable in the event an investor acquires, directly or indirectly, certain percentages of the share capital of a company listed on a Spanish Stock Exchange, because they are deemed to be significant. These provisions, set forth in article 1 of the Royal Decree 1197/1991, of 26th July, regarding Takeover Bids, amended by Royal Decree 432/2003, of 11th April, provide that said investor will have to offer to acquire the following percentages: the offer must be (i) for at least 10% if the investor acquires 25% of the shares, or other securities (such as subscription rights, convertible debentures,

3.1 General Description of the Company (continued)

warrants, or any other similar securities that may directly or indirectly entitle such investor to subscribe or acquire shares) or a threshold that, without reaching such percentage, enables the appointment of a number of directors who, together with those already appointed, if any, represent more than 1/3 and less than 1/2 plus one of the total directors of the target company, or, if the investor already holds between 25% and 50%, and intends to purchase an additional 6% within the following 12 months, and (ii) for 100% in the event that the investor reaches or exceeds the threshold of 50% or a threshold that, without reaching such percentage, enables the appointment of a number of directors who, together with those already appointed, if any, represent more than 1/2 of the total directors of the target company. Given the different thresholds set forth in article 1 of the Royal Decree 1197/1991 and in Article 15 of the Articles of Association of EADS (which in short requires, in principle, that a tender offer for 100% of the share capital be launched in the event a shareholder controls (alone, or in concert with other shareholders) directly or indirectly a number of shares or voting rights exceeding 33¹/₃% of the share capital of EADS, as

described above), *Sociedad Estatal de Participaciones Industriales* (“SEPI”), a minority shareholder of EADS, taking the stand that the Royal Decree 1197/1991 is not applicable to EADS, as a Dutch company listed in three different countries (Spain, France and Germany), the Articles of Association of which duly provide that a tender offer must be launched whenever control of 33¹/₃% of the share capital is taken, has, on behalf of EADS, consulted on this issue with the CNMV, which has confirmed in writing that “the event posed does not fall within those contemplated in the aforementioned Royal Decree 1197/1991” and, therefore, said Royal Decree 1197/1991 is not applicable to EADS.

In addition, the CNMV, responding to a request from certain shareholders of EADS, stated in a letter dated 19th June 2000 that the Royal Decree 1197/91 dated 26th July 1991 relating to takeover bids does not apply to transfers of shares between parties in the EADS shareholders agreements, provided such transfers are made within the framework of the shareholders agreements and that such agreements remain in force.

3.2 General Description of the Share Capital

3.2.1 Modification of Share Capital or Rights Attaching to the Shares

Unless such right is limited or eliminated by the shareholders' meeting as described below, holders of shares have a pre-emptive right to subscribe for any newly issued shares pro rata to the aggregate nominal value of shares held by them, except for shares issued for consideration other than cash and shares issued to employees of the Company or of a Group company. For the contractual position as to pre-emption rights, see "3.3.2 Relationships with Principal Shareholders".

The shareholders' meeting has the power to issue shares. The shareholders' meeting may also authorize the Board of Directors for a period of no more than five years, to issue shares and to determine the terms and conditions of share issuances.

The shareholders' meeting also has the power to limit or to exclude pre-emption rights in connection with new issues of shares, and may authorize the Board of Directors for a period of no more than five years, to limit or to exclude preemption rights. All resolutions in this context must be approved by a two-thirds majority of the votes cast during the shareholders' meeting in the case where less than half of the capital issued is present or represented at said meeting.

A resolution will be submitted to the annual shareholders' meeting of EADS called for 11th May 2005 in order to authorize the Board of Directors to issue shares representing up to 1% of the Company's authorized share capital from time to time, to grant rights to subscribe for shares for a period up to and including the date of the annual shareholders' meeting to be held in 2006 and also in the case where the subscription rights may be exercised thereafter, and to determine the terms and conditions of the shares issuances. Further resolutions will also be submitted to such shareholders' meeting to authorize the Board of Directors to limit or exclude the preferential subscription rights for the period up to and including the date of the annual shareholders' meeting to be held in 2006 and to approve stock option plans and employee share ownership plans which may include the granting of rights to subscribe for shares, which can be exercised at such time as may be specified in such plans.

The shareholders' meeting may reduce the issued share capital by cancellation of shares or by reducing the nominal value of the shares by means of an amendment to the Articles of Association, the latter requiring the approval of at least two-thirds of the votes cast at the general meeting.

3.2.2 Issued Share Capital

At the date of this document the Company's issued share capital is €809,706,931 comprising 809,706,931 shares of a nominal value of €1.0 each.

3.2.3 Authorized Share Capital

At the date of this document the authorized share capital of the Company is €3 billion comprising 3,000,000,000 shares of €1.0 each.

3.2.4 Securities Granting Access to the Company's Capital

Except for stock options granted for the subscription for EADS shares (See "Part 1/2.3.3 Options Granted to Employees"), there are no securities that give access, immediately or over time, to the share capital of EADS.

The table below shows the total potential dilution which would occur if all the stock options issued as at 31st December 2004 were exercised:

EADS' potential share capital	Number of shares	Dilution percentage in capital	Number of voting rights	Dilution percentage in voting rights
Total number of EADS shares issued as of the date of this document:	809,706,931	95.96%	803,312,117	95.93%
Total number of EADS shares which may be issued following exercise of stock options:	34,092,141	4.04%	34,092,141*	4.07%
Total potential EADS share capital	843,799,072	100%	837,404,258	100%

* The potential dilutive effect on capital and voting rights of the exercise of these stock options may be limited as a result of the Company's share purchase programmes and in the case of subsequent cancellation of repurchased shares. See "3.3.7 Purchase by the Company of its Own Shares – Dutch Law".

3.2 General Description of the Share Capital (continued)

3.2.5 Changes in the Issued Share Capital Since Incorporation of the Company

Date	Nature of Transaction	Nominal value per share	Number of shares issued/cancelled	Premium*	Total number of issued shares after transaction	Total issued capital after transaction
29th December 1998	Incorporation	NLG 1,000	100	–	100	NLG 100,000
3rd April 2000	Conversion into €	€1	50,000	–	50,000	€50,000
8th July 2000	Issue of shares in exchange for contributions by Aerospatiale Matra, Dasa AG and SEPI	€1	715,003,828	€1,511,477,044	715,053,828	€715,053,828
13th July 2000	Issue of shares for the purpose of the initial public offering and listing of the Company	€1	80,334,580	€1,365,687,860	795,388,408	€795,388,408
21st September 2000	Issue of shares for the purpose of the employee offering carried out in the context of the initial public offering and listing of the Company	€1	11,769,259	€168,300,403	807,157,667	€807,157,667
5th December 2001	Issue of shares for the purpose of an employee offering (<i>note d'opération</i> approved by the COB** on 13th October 2001 under number 01-1209)	€1	2,017,894	€19,573,571.80	809,175,561	€809,175,561
4th December 2002	Issue of shares for the purpose of an employee offering (<i>note d'opération</i> approved by the COB on 11th October 2002 under number 02-1081)	€1	2,022,939	€14,470,149.33	811,198,500	€811,198,500
5th December 2003	Issue of shares for the purpose of an employee offering (<i>note d'opération</i> approved by the COB on 25th September 2003 under number 03-836)	€1	1,686,682	€19,363,109.36	812,885,182	€812,885,182
20th July 2004	Cancellation of shares upon authorisation granted by the annual shareholders' meeting held on 6th May 2004	€1	5,686,682	–	807,198,500	€807,198,500
From 2004 to the date of the present document	Issue of shares following exercise of options granted to employees***	€1	490,609	€8,325,803.64	807,689,109	€807,689,109
3rd December 2004	Issue of shares for the purpose of an employee offering (<i>note d'opération</i> approved by the AMF on 10th September 2004 under number 04-755)	€1	2,017,822	€34,302,974	809,706,931	€809,706,931

* The costs (net of taxes) related to the initial public offering of the shares of the Company in July 2000 have been offset against share premium for an amount of €55,849,772.

** Former name of the *Autorité des marchés financiers* (the "AMF").

*** For information on stock options plans under which these options were granted to EADS employees, see "Part 1/2.3.3 Options Granted to Employees".

3.3 Shareholdings and Voting Rights

3.3.1 Shareholding Structure

EADS combined the activities of Aerospatiale Matra (“**Aerospatiale Matra**” or “**ASM**”), DaimlerChrysler Aerospace AG (“**Dasa AG**”) (with the exception of certain assets and liabilities) (“**Dasa**”) and Construcciones Aeronauticas SA (“**CASA**”) pursuant to a series of transactions completed in July 2000.

In this document, the term “Completion” relates to the July 2000 completion of the contributions made by Aerospatiale Matra, Dasa AG and SEPI to EADS to combine such activities into EADS.

The term “Indirect EADS Shares” relates to EADS shares held by DaimlerChrysler AG (“**DaimlerChrysler**”), SEPI and *Société de Gestion de l’Aéronautique, de la Défense et de l’Espace* (“**SOGEADE**”), for which EADS Participations B.V. exercises all the attached voting rights as well as Lagardère SCA (“**Lagardère**”) and *Société de Gestion de Participations Aéronautiques* (“**SOGEPA**”), or the companies of their group, the number of EADS shares held indirectly via SOGEADE, reflecting by transparency, their respective interest in SOGEADE.

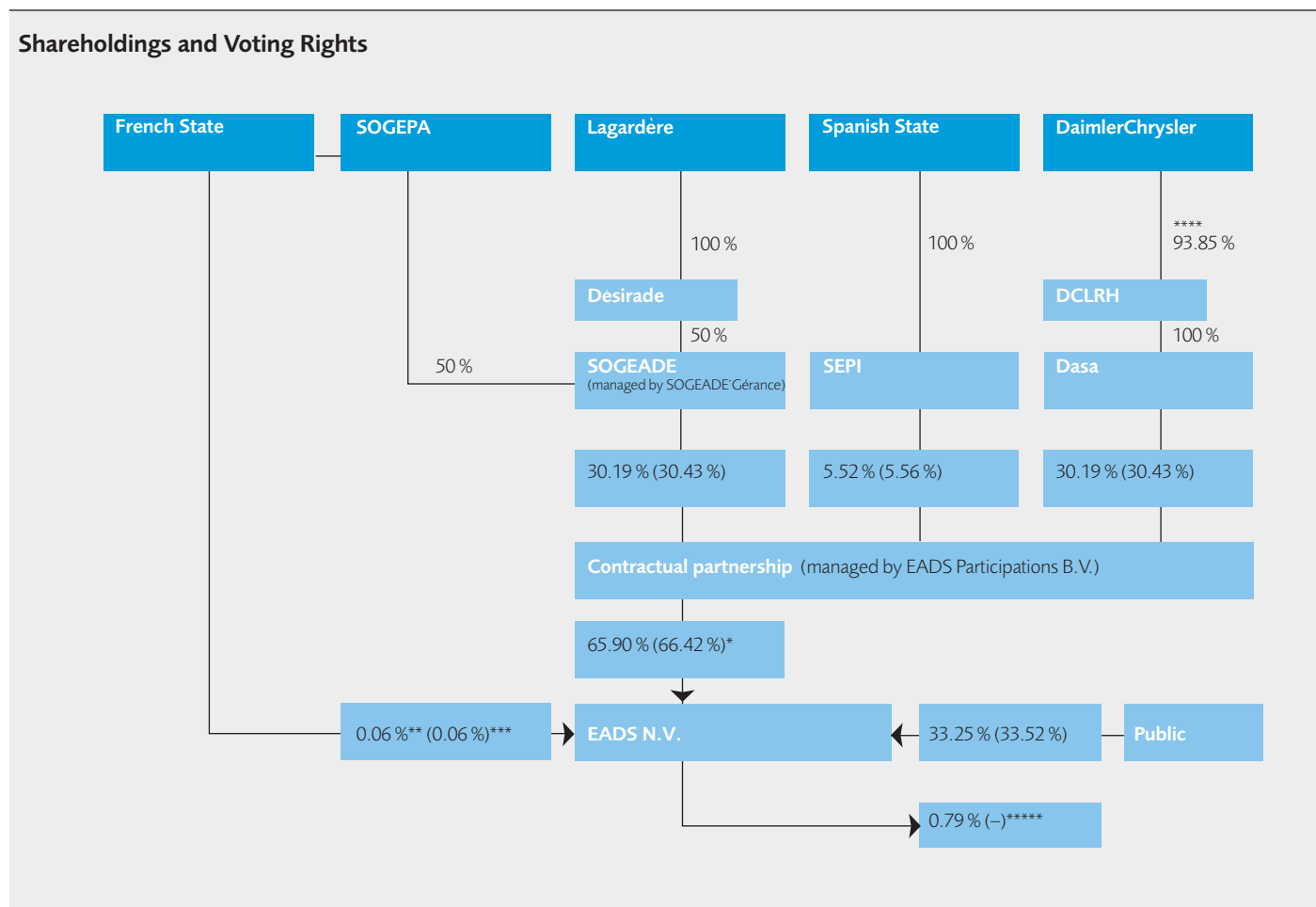
Unless the context requires otherwise, the shareholdings of Dasa AG in EADS are referred to in this document as shareholdings of DaimlerChrysler, and the rights and obligations of Dasa AG pursuant to the agreements described herein are referred to as rights and obligations of DaimlerChrysler.

As of the date of this document, 30.19% of the EADS shares are held by Dasa AG, which is a wholly owned subsidiary of DaimlerChrysler Luft- und Raumfahrt Holding AG (“**DCLRH**”), a 93.85% subsidiary of DaimlerChrysler. SOGEADE, a French partnership limited by shares (*société en commandite par actions*) whose share capital is held 50% by SOGEPA (a French state holding company) and 50% by Désirade (a French *société par actions simplifiée* wholly owned by Lagardère), owns 30.19% of the EADS shares. Thus, 60.38% of the share capital of EADS is held in equal proportions by DaimlerChrysler and SOGEADE who jointly control EADS through a Dutch law contractual partnership (the “**Contractual Partnership**”). SEPI (a Spanish state holding company), being a party to the Contractual Partnership, holds 5.52% of the share capital of EADS. The public (including EADS employees) and the Company hold, respectively, 33.25% and 0.79% of the share capital of EADS. The *République Française* (the “**French State**”) holds directly 0.06% of such share capital, such shareholding being subject to certain specific provisions.

On 8th July 2004, DaimlerChrysler announced that it had placed on the market (in the context of a hedging transaction) all of its EADS shares (22,227,478 EADS shares), representing 2.73% of the capital and 2.78% of the EADS voting rights at that date, except for its Indirect EADS Shares. Thus, DaimlerChrysler does not hold directly any EADS shares at the date of this document.

3.3 Shareholdings and Voting Rights (continued)

The diagram below shows the current ownership structure of EADS (% of capital (voting rights)) before exercise of outstanding stock options granted for the subscription of EADS shares. See “Part 1/2.3.3 Options Granted to Employees”.



* EADS Participations B.V. exercises the voting rights attaching to these EADS shares pledged by SOGÉADE, DaimlerChrysler and SEPI who retain title to their respective shares.

** The French State exercises the voting rights attaching to these EADS shares (such shares being placed with the *Caisse des dépôts et consignations*) in the same way that EADS Participations B.V. exercises the voting rights pooled in the Contractual Partnership.

*** Shares held by the French State following the distribution without payment of consideration to certain former shareholders of Aerospatiale Matra as a result of its privatisation in June 1999. All the shares currently held by the French State will have to be sold on the market.

**** DCLRHRH is 93.85% held by DaimlerChrysler; almost all the balance is held by the City of Hamburg.

***** As of the date of this document, the Company holds, directly or indirectly through another company in which the Company holds directly or indirectly more than 50% of the share capital, 6,394,814 of its own shares. The EADS shares owned by the Company itself do not carry voting rights.

For the number of shares and voting rights held by members of the Board of Directors and Executive Committee, see “Part 1/2.2.1 Compensation Granted to Directors and Principal Executive Officers”.

Approximately 3.13% of the capital and 3.15% of the voting rights are held by EADS employees.

3.3 Shareholdings and Voting Rights (continued)

3.3.2 Relationships with Principal Shareholders

The principal agreements governing the relationships between the founders of EADS are an agreement (the “**Participation Agreement**”) entered into on Completion between DaimlerChrysler, Dasa AG, Lagardère, SOGEPA, SOGEADE and SEPI, and a Dutch law Contractual Partnership agreement entered into on Completion between SOGEADE, Dasa AG, SEPI and EADS Participations B.V. (the “**Contractual Partnership Agreement**”), which repeats certain terms of the Participation Agreement and a certain number of other agreements (notably, a shareholder agreement (the “**SOGEADE Shareholders’ Agreement**”) entered into on Completion between SOGEPA and Lagardère and an agreement between the French State, DaimlerChrysler and DCLRH). EADS Participations B.V. is a Dutch private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) and is the managing partner of the Contractual Partnership. The Indirect EADS Shares held by DaimlerChrysler, SOGEADE and SEPI have been pledged to EADS Participations B.V., which has been granted the exclusive power to exercise the voting rights attaching to the pledged shares (including the right to attend and speak at shareholders’ meetings) in accordance with the Contractual Partnership Agreement.

The agreements above contain, among other things, provisions relating to the following matters:

- the composition of the Boards of Directors of EADS, EADS Participations B.V. and SOGEADE Gérance (*gérant commandité of SOGEADE*);
- restrictions on the transfer of EADS shares and SOGEADE shares;
- pre-emptive and tag-along rights of DaimlerChrysler, SOGEADE, SOGEPA and Lagardère;
- defences against hostile third parties;
- consequences of a change of control of DaimlerChrysler, SOGEADE, Lagardère, SOGEPA or SEPI;
- a put option granted by SOGEADE to DaimlerChrysler over its EADS shares in certain circumstances;
- specific rights of the French State in relation to certain strategic decisions, regarding among other issues, EADS’ ballistic missiles activity; and
- certain limitations on the extent of the French State’s ownership of EADS.

Further details on the agreements among the principal shareholders of EADS are set out below.

Organisation of EADS Participations B.V.

The board of directors of EADS Participations B.V. has an equal number of directors nominated by DaimlerChrysler and by SOGEADE, respectively (taking into account proposals made by Lagardère in respect of the SOGEADE-nominated directors). DaimlerChrysler and SOGEADE each nominate four directors, unless otherwise agreed, and each nominates from among its nominated directors a chairman and a chief executive officer. In addition, although from 8th July 2003, SEPI no longer has a right to nominate a director, based upon the proposal of DaimlerChrysler and SOGEADE, the board of directors of EADS Participations B.V. decided to propose to the shareholders’ meeting of EADS Participations B.V. to be held on 11th May 2005 to appoint an additional Spanish director bringing the total number of directors to nine.

This structure gives DaimlerChrysler and SOGEADE equal nominating rights in respect of the majority of the directors of the decision-making body of EADS Participations B.V. All decisions of EADS Participations B.V.’s board of directors shall require the vote in favour of at least six directors, except for certain specified matters which require the prior unanimous approval of DaimlerChrysler and SOGEADE.

Transfer of EADS Shares

During the period commencing at Completion and ending on 1st July 2003 (the “**Standstill Period**”), there were restrictions on DaimlerChrysler’s, SOGEADE’s, SEPI’s, Lagardère’s, SOGEPA’s and the French State’s ability to transfer EADS shares.

Following the expiration of the Standstill Period, as of 1st July 2003, each of DaimlerChrysler, SOGEADE, SEPI, Lagardère and SOGEPA has the right to sell its EADS shares on the market, subject to the following conditions:

- if a party wishes to sell any EADS shares, it shall first sell its shares other than its Indirect EADS Shares before exercising its right to sell its Indirect EADS Shares in accordance with the provisions set out below;
- on the sale of Indirect EADS Shares, DaimlerChrysler (in the case of a sale by SOGEADE), SOGEADE (in the case of a sale by DaimlerChrysler) or SOGEADE and DaimlerChrysler (in the case of a sale by SEPI) may either exercise a pre-emption right or sell its Indirect EADS Shares on the market in the same proportions as the respective Indirect EADS Shares of the relevant parties bear to each other;

3.3 Shareholdings and Voting Rights (continued)

- any transfer of Indirect EADS Shares by either SOGEPA or Lagardère is subject to a pre-emption right in favour of Lagardère or SOGEPA, as the case may be. In the event that such pre-emption right is not exercised, the Indirect EADS Shares may be sold (a) to an identified third party subject to Lagardère's or SOGEPA's consent (as the case may be) and also to DaimlerChrysler's consent and (b) if such consent is not obtained, the Indirect EADS Shares may be sold on the market, subject to DaimlerChrysler's pre-emption right referred to above;
- each of Lagardère and SOGEPA shall have a proportional right to tag-along on a sale of its Indirect EADS Shares; and
- the pre-emption and tag-along rights of Lagardère and SOGEPA referred to above do not apply to a transfer of EADS shares directly held by one of them.

Any sale on the market of EADS shares in accordance with the Participation Agreement shall be conducted in an orderly manner so as to ensure the least possible disruption to the market of EADS shares. To this effect, the parties shall consult with each other before any such sale.

Control of EADS

In the event that a third party to which DaimlerChrysler or SOGEADE objects (a "**Hostile Third Party**") has a direct or indirect interest in EADS shares equal to 12.5% or more of the number of such EADS shares the voting rights of which are pooled through the Contractual Partnership (a "**Qualifying Interest**"), then, unless a Hostile Offer (as defined below) has been made by the Hostile Third Party or until such time as DaimlerChrysler and SOGEADE agree that the Hostile Third Party should no longer be considered a Hostile Third Party or the Hostile Third Party no longer holds a Qualifying Interest, the parties to the Participation Agreement shall exercise all means of control and influence in relation to EADS to avoid such Hostile Third Party increasing its rights or powers in relation to EADS.

Following the expiration of the Standstill Period, as of 1st July 2003, the parties to the Participation Agreement may accept an offer (whether by way of tender offer or otherwise) by a Hostile Third Party which is not acceptable to either DaimlerChrysler or SOGEADE (a "**Hostile Offer**"), subject to provisions requiring, *inter alia*, the party wishing to accept, to first offer its EADS shares to DaimlerChrysler and/or SOGEADE, in which case DaimlerChrysler and/or SOGEADE may exercise their pre-emption rights in respect of all or some only of the EADS shares held by the party wishing to accept the Hostile Offer.

Any sale of EADS shares, other than the EADS Indirect Shares, by DaimlerChrysler, SOGEADE or Lagardère, at a time when a Hostile Third Party is a shareholder and purchaser of EADS shares on the market, is subject to the pre-emption right of SOGEADE, DaimlerChrysler and SOGEPA respectively. In the case of a sale by Lagardère, if SOGEPA does not exercise its right of pre-emption, DaimlerChrysler has in turn a pre-emption right.

Dissolution of Contractual Partnership and EADS Participations B.V.

The Contractual Partnership and EADS Participations B.V. will be dissolved and wound up upon the occurrence of certain events (each, a "**Termination Event**") including:

- if the proportion which the Indirect EADS Shares of either DaimlerChrysler or SOGEADE bears to the total number of EADS shares is less than 10%, unless the difference between the holdings of DaimlerChrysler and SOGEADE (calculated as a percentage by reference to the number of Indirect EADS Shares held by each of them as against the total number of EADS shares) is 5% or less, in which case the dissolution and winding up shall only occur if the proportion which the Indirect EADS Shares of DaimlerChrysler or SOGEADE bears to the total number of EADS shares is 5% or less; or
- if, on a change of control of either Lagardère, SOGEPA, SOGEADE or DaimlerChrysler, no notice of an offer by a third party to purchase the SOGEADE shares or the Indirect EADS Shares held by the party undergoing the change of control (the "**Changed Party**") (which offer the Changed Party wishes to accept) has been served in accordance with the Participation Agreement (see below "**Change of Control**") within 12 months of the date of the change of control occurring (the absence of notice of an offer by a third party to purchase the Indirect EADS Shares held by SEPI upon a change of control of SEPI does not trigger a dissolution of the Contractual Partnership or EADS Participations B.V. but shall cause SEPI to lose its main rights or liabilities under the Participation Agreement or the Contractual Partnership Agreement).

On the occurrence of a Termination Event, EADS Participations B.V. is prohibited from conducting further business except as is necessary to its liquidation or the liquidation of the Contractual Partnership.

3.3 Shareholdings and Voting Rights (continued)

Change of Control

The Participation Agreement provides, *inter alia*, that if (a) Lagardère or SOGEPA undergoes a change of control and DaimlerChrysler so elects (b) SOGEADE undergoes a change of control and DaimlerChrysler so elects (c) DaimlerChrysler undergoes a change of control and SOGEADE so elects (d) SEPI undergoes a change of control and SOGEADE or DaimlerChrysler so elects then:

- (i) the party undergoing the change of control shall use its reasonable efforts to procure the sale of its SOGEADE interest (if the party undergoing the change of control is Lagardère or SOGEPA) or of its Indirect EADS Shares (if the party undergoing the change of control is DaimlerChrysler, SOGEADE or SEPI) to a third party purchaser on *bona fide* arm's length terms. When the party subject to the change of control is Lagardère or SOGEPA, the third party purchaser shall be nominated with DaimlerChrysler's consent, not to be unreasonably withheld; and
- (ii) in the event that a third party offers to purchase the SOGEADE interest held by Lagardère or SOGEPA or the Indirect EADS Shares held by DaimlerChrysler, SOGEADE or SEPI as the case may be, is received and the party undergoing the change of control wishes to accept that offer, such offer shall immediately be notified to (a) DaimlerChrysler in the case of a change of control occurring to Lagardère or SOGEPA, (b) SOGEADE in the case of the change of control occurring to DaimlerChrysler, (c) DaimlerChrysler in the case of the change of control occurring to SOGEADE, or (d) DaimlerChrysler or SOGEADE in the case of the change of control occurring to SEPI (the party notified under (a), (b), (c) or (d) being the "**Non-Changed Party**"). The Non-Changed Party shall have a first right to purchase the SOGEADE interest or the Indirect EADS shares being offered for sale at the price being offered by the third party. In relation to (d), if DaimlerChrysler and SOGEADE have both elected that SEPI procure a third party purchaser, then they shall each have the right to acquire SEPI's Indirect EADS Shares in the respective proportions which the number of their EADS shares bear to one another at that time. In the event that the Non-Changed Party does not give notice of its intention to purchase the SOGEADE interest or the Indirect EADS Shares within 30 days of the offer being made, then the Changed Party is obliged to sell such SOGEADE interest or Indirect EADS Shares to the third party on the terms of the third party's original offer.

The third party purchaser may not be a competitor of EADS, SOGEADE or DaimlerChrysler (as the case may be) nor a member of the Group which has taken control of the Changed Party.

Events of Default Other Than Change of Control

The Participation Agreement provides for certain actions following events of default (other than a change of control) (i.e., insolvency-related or a material breach of the Participation Agreement). In particular, if such an event of default occurs in relation to DaimlerChrysler, SOGEADE or SEPI, the non-defaulting party (respectively SOGEADE, DaimlerChrysler and SOGEADE and DaimlerChrysler acting together) has a call option over the defaulting party's EADS shares and interest in EADS Participations B.V. If such an event of default occurs in relation to Lagardère or SOGEPA, such party is obliged to use its best efforts to sell its interest in the capital of SOGEADE on *bona fide* arm's length terms to a third party purchaser (who must not be a competitor of EADS or DaimlerChrysler). In the case of a sale by Lagardère, the third party purchaser must be nominated by SOGEPA with DaimlerChrysler's consent (which may not be unreasonably withheld). In the case of such a sale by SOGEPA, DaimlerChrysler must consent to the sale (again, such consent may not be unreasonably withheld).

Specific Rights and Undertakings of the French State

The French State, not being a party to the Participation Agreement, entered into a separate agreement, governed by French law, with DaimlerChrysler and DCLRH on 14th October 1999 (as amended) pursuant to which:

- the French State undertakes to hold an interest of no more than 15% of the entire issued share capital of EADS through SOGEPA, SOGEADE and EADS Participations B.V.;
- the French State undertakes that neither it nor any of its undertakings will hold any EADS shares directly;

in each case disregarding (i) those EADS shares held by the French State following the distribution without payment of consideration to certain former shareholders of Aerospatiale Matra as a result of its privatisation in June 1999 and which will have to be sold on the market; (ii) those shares held by SOGEPA or the French State which may be sold or acquired pursuant to the Participation Agreement or the SOGEADE Shareholders' Agreement (see below); and (iii) those shares held for exclusively investment purposes.

3.3 Shareholdings and Voting Rights (continued)

Moreover, pursuant to an agreement entered into between EADS and the French State (the “**Ballistic Missiles Agreement**”), EADS has granted to the French State (a) a veto right and subsequently a call option on the ballistic missiles activity exercisable in the event that (i) a third party which is not affiliated to the DaimlerChrysler and/or Lagardère Groups acquires, directly or indirectly, either alone or in concert, more than 10% or any multiple thereof of the share capital or voting rights of EADS or (ii) the sale of the ballistic missiles assets or of the shares of such companies carrying out such activity is considered after the termination of the SOGEADE Shareholders’ Agreement and (b) a right to oppose the transfer of any such assets or shares during the duration of the SOGEADE Shareholders’ Agreement.

SOGEADE

SOGEADE is a French partnership limited by shares (*société en commandite par actions*) the share capital of which is split between SOGEPA (50%) and Désirade, a French *société par actions simplifiée* (50%). The share capital of Désirade is itself wholly owned by Lagardère. Lagardère hence owns indirectly 50% of SOGEADE.

The general partner (*associé commandité*) of SOGEADE, SOGEADE Gérance, is a French *société par actions simplifiée* which is the manager of SOGEADE.

SOGEADE Gérance’s board of directors consists of eight directors, four of them nominated by Lagardère and four by SOGEPA. Decisions of SOGEADE Gérance’s board shall be approved by a simple majority of directors except for the following matters which require the approval of a qualified majority of six of the eight directors: (a) acquisitions or divestments of shares or assets the individual value of which exceeds €500 million; (b) agreements establishing strategic alliances, or industrial or financial co-operation; (c) a capital increase of EADS of more than €500 million to which no preferential right to subscribe for the shares is attached; (d) any decision to divest or create a security interest over the assets relating to prime contractor status, design, development and integration of ballistic missiles or the majority shareholdings in the companies Cilas, Sodern, Nuclétudes and the GIE Cosyde. The decisions contemplated under (d) above are also governed by the Ballistic Missiles Agreement (see above “– Specific Rights and Undertakings of the French State”).

When a vote of SOGEADE Gérance’s board on such matters does not reach the qualified majority of six directors by reason of any of the SOGEPA-nominated directors casting a negative vote, the SOGEADE-nominated directors on the board of EADS Participations B.V. are obliged to vote against the proposal. This means that the French State as the owner of SOGEPA can veto any decisions on these matters within EADS Participations B.V. and in turn within EADS as long as the SOGEADE Shareholders’ Agreement remains in existence.

The shareholding structure of SOGEADE shall reflect at all times the indirect interests of all the shareholders of SOGEADE in EADS.

In certain circumstances, in particular in the event of a change of control of Lagardère, Lagardère shall grant a call option over its SOGEADE shares to any non-public third party designated by SOGEPA and approved by DaimlerChrysler. This option may be exercised during the term of the SOGEADE Shareholders’ Agreement on the basis of the market price for the EADS shares.

The SOGEADE Shareholders’ Agreement shall terminate if Lagardère or SOGEPA ceases to hold at least 20% of the capital of SOGEADE, except that: (a) the provisions relating to the call option granted by Lagardère described above shall remain in force as long as the Participation Agreement is in force, (b) as long as SOGEPA holds at least one SOGEADE share, it will remain entitled to nominate a SOGEADE Gérance Director whose approval will be required in respect of any decision to divest or create a security interest over the assets relating to prime contractor status, design, development and integration of ballistic missiles activity or the majority shareholdings in the companies Cilas, Sodern, Nuclétudes and the GIE Cosyde; and (c) the SOGEADE Shareholders’ Agreement will be terminated in the event of a dissolution of EADS Participations B.V. caused by DaimlerChrysler. In the latter case, the parties have undertaken to negotiate a new shareholders’ agreement in the spirit of the shareholders’ agreement between them dated 14th April 1999 relating to Aerospatiale Matra and having regard to their respective shareholdings in SOGEADE at the time of the dissolution of EADS Participations B.V.

Put Option

Under the Participation Agreement, SOGEADE grants a put option to DaimlerChrysler over its EADS shares which shall be exercisable by DaimlerChrysler, (i) in the event of a deadlock arising from the exercise by SOGEPA of its rights relating to certain strategic decisions (listed above under the description of SOGEADE) other than those relating to the ballistic missiles activity or (ii) during certain periods provided that in both cases the French State still holds any direct or

3.3 Shareholdings and Voting Rights (continued)

indirect interest in EADS shares. The put option may only be exercised in respect of all and not some only of DaimlerChrysler's EADS shares.

The exercise price of the option will be calculated on the basis of an average market price for EADS shares.

In the event that DaimlerChrysler exercises the put option granted to it by SOGEADE, SOGEADE will acquire the EADS shares from DaimlerChrysler. However, Lagardère has the right to require SOGEPA to substitute itself for SOGEADE in relation to the acquisition of DaimlerChrysler's EADS shares following the exercise by DaimlerChrysler of the put option. Such substitution right has been accepted by DaimlerChrysler. In the event that Lagardère does not exercise such substitution right, Lagardère would have to provide its pro rata part of the financing necessary for such acquisition. SOGEPA undertakes to provide its pro rata part of the financing corresponding to its rights in SOGEADE. Should Lagardère decide not to take part in the financing, (a) SOGEPA undertakes to substitute itself for SOGEADE to buy the shares sold by DaimlerChrysler as a result of the exercise of its put option and SOGEPA or Lagardère may request the liquidation of SOGEADE and EADS Participations B.V. and the termination of the SOGEADE Shareholders' Agreement (notwithstanding the termination provisions of the SOGEADE Shareholders' Agreement described under the paragraph "SOGEADE" above). In that case, Lagardère could freely sell its EADS shares on the market or in a block sale to a third party.

Pledge over EADS Shares Granted to EADS Participations B.V.
Upon Completion and in order to secure their undertakings under the Contractual Partnership Agreement and the Participation Agreement, SOGEADE, DaimlerChrysler and SEPI granted a pledge over their respective Indirect EADS Shares to EADS Participations B.V. for the benefit of EADS Participations B.V. and the other parties to the Contractual Partnership Agreement.

Contributions to EADS – Specific Undertakings of EADS

EADS has agreed not to dispose of the shares contributed to it by Aerospatiale Matra, Dasa AG and SEPI for a period of seven years. The contribution agreements entered into between EADS on the one hand and Aerospatiale Matra, Dasa AG and SEPI on the other hand, provide that EADS may, if it determines that this is desirable, dispose of such shares provided that EADS shall, on demand, indemnify Lagardère and SOGEPA (in the case of a sale of shares contributed by Aerospatiale Matra), Dasa AG or SEPI, as the case may be, for all tax disadvantages (tax actually paid or borne by them as

well as any consumption of loss-carry-forward potential) they suffer as a result of the loss of the tax benefit triggered by the disposal of the shares by EADS. Such obligation to indemnify shall cease after seven years from the date of contribution. In the event that the indemnification would be made to all three of Lagardère, SOGEPA and Dasa AG, the Board of Directors would decide on the amount of the indemnity on the basis of a report made and presented by the two independent Directors of EADS. The amount and the conditions of this indemnification will be reported to the shareholders' meeting.

DADC

EADS holds 75% of the shares in DADC Luft- und Raumfahrt Beteiligungs AG ("DADC") (the other 25% being held by DCLRH). The share capital of Dornier GmbH is held as to 93.58% by DADC and as to 6.42% by the Dornier family. In shareholders' meetings, DADC is entitled to more than 89.9% and the Dornier family to less than 10.1% of the voting rights in Dornier GmbH. DADC and Dornier GmbH have entered into a control and profit and loss transfer agreement.

A considerable number of shareholders' resolutions in Dornier GmbH require a majority of 100% of the votes cast in the shareholders' meeting notably resolutions to dissolve the company, alterations of the articles of association if they terminate, limit or have an impact on the rights of the minority shareholders, reduction of share capital, mergers (unless Dornier GmbH is the surviving entity), the transfer of holdings in other enterprises or the transfer of whole areas of enterprise activities with the exception of transfers of assets in return for shares or as a contribution in kind or to a company associated with DaimlerChrysler, which is assumed to be the case if DaimlerChrysler controls at least 20% of its share capital. The same requirement applies with regard to all transfers of shares of Dornier GmbH held by the DaimlerChrysler Group (including associated enterprises) subject to certain exceptions including the transfer to other DaimlerChrysler Group companies (including associated enterprises). Furthermore, the Dornier family receives a guaranteed dividend from Dornier GmbH (depending on the nature of the shares) of 8.7% or 15% of the nominal amount of their shares plus any corporation tax credits. The guaranteed dividend is indexed. DaimlerChrysler has guaranteed the payment of the minimum dividend to the Dornier family shareholders. In the case of the profit and loss transfer agreement, which presently exists between DADC and Dornier GmbH, the Dornier family shareholders are entitled to receive payments corresponding at least to the amount

3.3 Shareholdings and Voting Rights (continued)

which they would be entitled to in the absence of such profit and loss transfer agreement. Internally DADC has assumed this obligation.

On 30th November 1988 DaimlerChrysler and the Dornier family entered into a separate agreement to strengthen the rights of DaimlerChrysler and, simultaneously, to protect the economic interests of the minority shareholders. The latter can, in particular, demand that their shares in Dornier GmbH be bought (i) for cash consideration or (ii) in exchange for DaimlerChrysler shares or (iii) in exchange for shares in a company in which, or under which, DaimlerChrysler concentrates its aerospace activities by DaimlerChrysler or another company associated with DaimlerChrysler and nominated by DaimlerChrysler. On 29th March 2000 DaimlerChrysler, DCLRH, DADC, EADS Deutschland GmbH and Dasa AG entered into an agreement according to which DaimlerChrysler has the right to demand from DADC to buy the shares so offered by the Dornier family shareholders. DaimlerChrysler shall reimburse DADC for any amount to be paid being above the fair market value of the shares. Moreover, DADC will assume certain other rights and obligations relating to the protection of the interests of the Dornier family.

On 29th December 2004, Silvius Dornier and DaimlerChrysler entered into an agreement to transfer all of the remaining shares of Silvius Dornier in Dornier GmbH (3.58%) to DaimlerChrysler or another company of the DaimlerChrysler Group nominated by DaimlerChrysler and to settle all of the rights and potential claims of Silvius Dornier resulting from or in connection with his shareholding in Dornier GmbH. The other family shareholders had a three months' right of first refusal to acquire these shares so that their legal transfer will become effective in the first half-year 2005 which expired on 17th April and was not exercised so that the sale of Silvius Dornier's shares has become effective. According to the above mentioned agreement between DaimlerChrysler, DCLRH, DADC, EADS Deutschland GmbH and Dasa AG ("*Handhabungsvereinbarung*"), DADC has irrevocably offered to DaimlerChrysler to buy these shares at market value upon effectiveness of their sale to DaimlerChrysler which offer is expected to be accepted by DaimlerChrysler and the deal being brought to closure in the second quarter of 2005.

Under the terms of the business combination agreements entered into in the context of the creation of EADS, DCLRH has undertaken to indemnify Lagardère (for itself and on behalf of each member of the Lagardère Group) and SEPI and shall keep them indemnified, against (save in respect of any

consequential loss not foreseeable by DCLRH (or any member of the DaimlerChrysler Group)) all or any costs, claims, demands, expenses, losses or liabilities that they (or any of them) may suffer or incur from the date of the business combination agreements entered into in the context of the creation of EADS as a result of all or any of the shareholders of Dornier GmbH other than a member of the Dasa Group obtaining or seeking to obtain any rights or remedies against Lagardère (or any member of the Lagardère Group), SEPI, the Contractual Partnership, EADS Participation B.V., Dasa AG, EADS or any entity contributed by or on behalf of DaimlerChrysler which is to become a member of the Group or any member of the Dasa AG Group. This indemnity shall also extend to EADS to the extent such protection is not provided for in the transfer of the Dasa business to EADS.

3.3.3 Form of Shares

The shares of EADS are in registered form. The Board of Directors may decide in respect of all or certain shares, on shares in bearer form.

Shares shall be registered in the shareholders' register without the issue of a share certificate or, should the Board of Directors so decide, in respect of all or certain shares, with the issue of a certificate. Share certificates shall be issued in such form as the Board of Directors may determine. Registered shares shall be numbered in the manner to be determined by the Board of Directors.

3.3.4 Changes in the Shareholding of the Company Since its Incorporation

The Company was founded with an authorized share capital of 500,000 Netherlands Guilders (NLG) divided into 500 shares each having a nominal value of 1,000 NLG, of which 100 were issued to Aerospatiale Matra on 29th December 1998. These shares were transferred to Dasa AG by way of notarised transfer certificate on 28th December 1999.

The changes in the shareholding of the Company since its initial public offering and listing are set forth below (for a description of the changes in the issued share capital of the Company since its incorporation, see "3.2.5 Changes in the Issued Share Capital Since Incorporation of the Company").

Since July 2000, 4,293,746 EADS shares (representing 0.53% of the share capital of EADS as of the date of this document) have been distributed without payment of consideration by the French State to certain former shareholders of Aerospatiale Matra as a result of its privatisation in June 1999. The last distribution took place in July 2002.

3.3 Shareholdings and Voting Rights (continued)

In addition, in January 2001, the French State and Lagardère sold on the market all of their EADS shares (respectively 7,500,000 and 16,709,333 EADS shares representing 0.92% and 2.06% of the share capital of EADS as of the date of this document) other than their Indirect EADS Shares (and, in the case of the French State, other than the EADS shares to be distributed to former shareholders of Aerospatiale Matra, see “- Relationships with Principal Shareholders - Specific Rights and Undertakings of the French State”) that they held as a result of the non-exercise of the over-allotment option granted to the underwriters in the context of the initial public offering carried out by the Company for the purpose of its listing in July 2000 (including, in the case of Lagardère, those shares other than its Indirect EADS Shares purchased from the French Financial Institutions at the end of the exercise period of the over-allotment option).

On 8th July 2004, DaimlerChrysler announced that it had placed on the market (in the context of a hedging transaction) all of its EADS shares (22,227,478 EADS shares), representing 2.73% of the capital and 2.78% of the EADS voting rights at that date, except for its Indirect EADS Shares. On 20th July 2004, the Company cancelled 5,686,682 of its own shares. Finally, during 2004 and until the date of this document, the Company issued 490,609 shares following the exercise of options granted to Group employees within the framework of stock option plans granted to them in 2000, 2002 and 2003 (see “Part 1/2.3.3 Options Granted to Employees”).

Since the date of filing with the AMF of the *Document de Référence* of the Company for the financial year 2003 (1st April 2004), the Company has not received any threshold notification. To the knowledge of the Company, none of the shareholders of the Company, other than as disclosed in the chart below, hold more than 5% of the share capital or voting rights of the Company.

The Division of the issued shares and voting rights of the Company before exercise of outstanding stock options granted for the subscription of EADS shares (see “Part 1/2.3.3 Options Granted to Employees”) in respect of the past three years is indicated in the table below:

Shareholders	Position as at 19th April 2005			Position as at 1st April 2004			Position as at 2nd April 2003		
	Number of shares	% of capital	% of voting rights	Number of shares	% of capital	% of voting rights	Number of shares	% of capital	% of voting rights
Dasa AG	244,447,704	30.19%	30.43%	244,447,704	30.07%	30.52%	244,447,704	30.13%	30.52%
SOGEADE	244,447,704	30.19%	30.43%	244,447,704	30.07%	30.52%	244,447,704	30.13%	30.52%
SEPI	44,690,871	5.52%	5.56%	44,690,871	5.50%	5.58%	44,690,871	5.51%	5.58%
<i>Sub-total Contractual Partnership</i>	<i>533,586,279</i>	<i>65.90%</i>	<i>66.42%</i>	<i>533,586,279</i>	<i>65.64%</i>	<i>66.62%</i>	<i>533,586,279</i>	<i>65.77%</i>	<i>66.62%</i>
Dasa AG	-	-	-	22,227,478	2.73%	2.78%	22,227,478	2.74%	2.77%
French State	502,746*	0.06%	0.06%	502,746	0.06%	0.06%	502,746	0.06%	0.06%
Public	269,223,092**	33.25%	33.52%	244,640,745	30.10%	30.54%	244,640,745	30.16%	30.55%
Own share buy-back***	6,394,814	0.79%	-	11,927,934	1.47%	-	10,241,252	1.27%	-
Total	809,706,931	100.00%	100.00%	812,885,182	100.00%	100.00%	811,198,500	100.00%	100.00%

* Shares held by the French State following the distribution without payment of consideration of 4,293,746 shares to certain former shareholders of Aerospatiale Matra as a result of its privatisation in June 1999. All the shares currently held by the French State will have to be sold on the market.

** Including EADS employees. As of the date of this document, EADS employees hold approximately 3.13% of the share capital and 3.15% of the voting rights.

*** The EADS shares owned by the Company itself do not carry voting rights.

To the knowledge of the Company, except as disclosed previously in “Relationships with Principal Shareholders”, there are no pledges over the shares of the Company.

The Company requested a disclosure of the identity of the beneficial holders of its shares held by identifiable holders (“*Titres au porteur identifiables*”) holding more than 10,000 shares each. The study, which was completed on 31st December 2004, resulted in the identification of 1,718 shareholders holding a total of 220,913,277 EADS shares (including 4,242,818 shares held by Iberclear on behalf of the Spanish markets and 20,843,199 shares held by Clearstream on behalf of the German market).

The current shareholding structure of the Company is as shown in the diagram in “3.3.1 Shareholding Structure”.

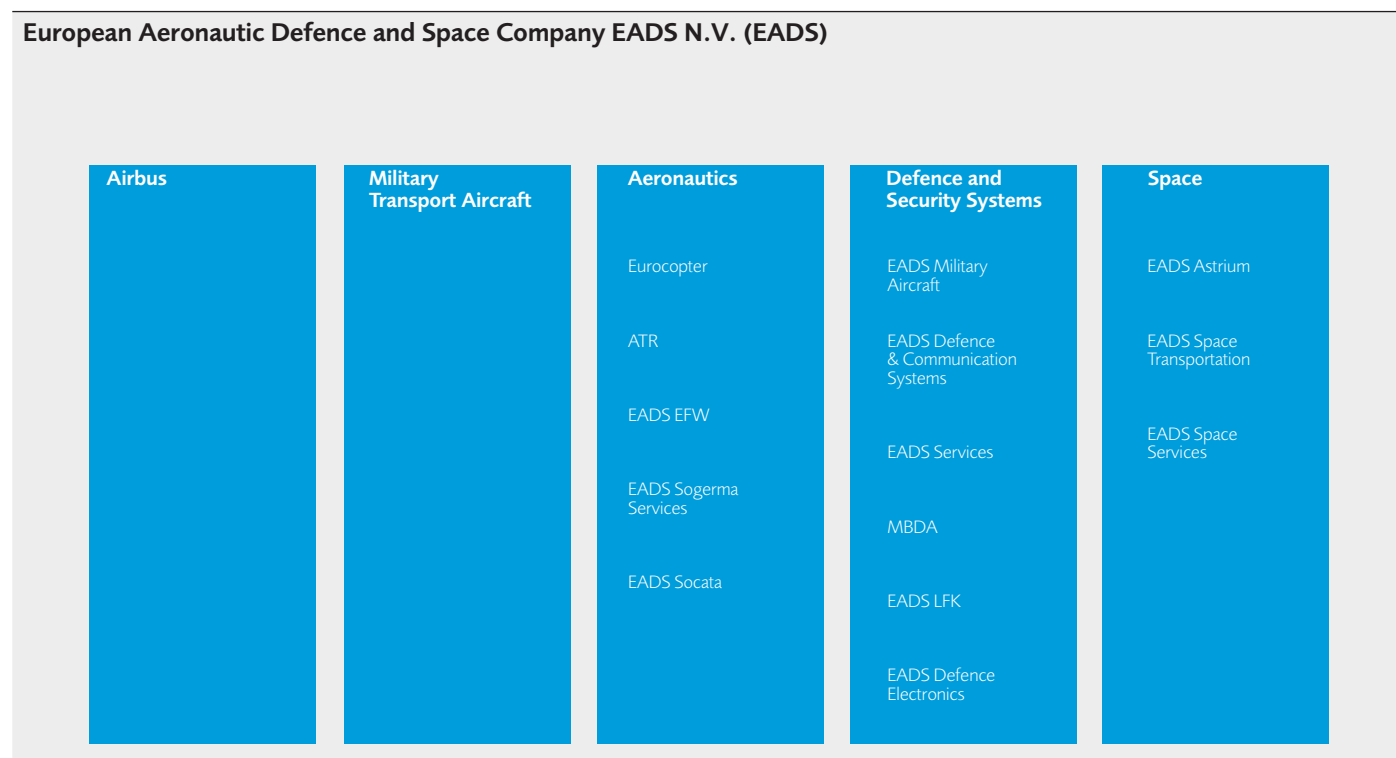
3.3 Shareholdings and Voting Rights (continued)

3.3.5 Persons Exercising Control over the Company

See “3.3.1 Shareholding Structure” and “3.3.2 Relationships with Principal Shareholders”.

3.3.6 Simplified Group Structure Chart

The following chart shows the main Business Units of EADS.



3.3.7 Purchase by the Company of its Own Shares

3.3.7.1 Dutch Law

The Company may acquire its own shares, subject to certain provisions of the law of The Netherlands and the Articles of Association, if (i) the shareholders' equity less the payment required to make the acquisition does not fall below the sum of paid-up and called portion of the share capital and any reserves required by the law of The Netherlands and (ii) the Company and its subsidiaries would not thereafter hold or hold in pledge shares with an aggregate nominal value exceeding one-tenth of the Company's issued share capital. Share acquisitions may be effected by the Board of Directors only if the shareholders in general meeting have authorized the Board of Directors to effect such repurchases. Such authorisation may apply for a maximum period of 18 months.

Shares held by the Company do not carry voting rights. Usufructuaries and pledgees of shares that are held by the Company are, however, not excluded from their voting rights in such cases where the right of usufruct or pledge was vested before the share was held by the Company.

The annual shareholders' meeting of EADS held on 6th May 2004 authorized the Board of Directors, in a resolution that renewed the previous authorisation given by the annual shareholders' meeting of EADS held on 6th May 2003, for a period of 18 months from the date of such meeting, to repurchase shares of the Company within the limit of 5% of the Company's issued share capital, on the stock exchange or otherwise in return for payment, at a price between the nominal value of the shares (€1.0) and an amount equal to 110% of the price at which the relevant shares were quoted on any stock exchange at close of business on the trading day before the day of the purchase by the Company.

3.3 Shareholdings and Voting Rights (continued)

As of July 2004, the Company had purchased in aggregate 11,927,934 of its own shares, 5,686,682 of which were cancelled on 20th July 2004.

The Board of Directors, considering its previous resolution dated 5th December 2002, resolved on 10th October 2003 and requested the Chief Executive Officers to implement, in the context of the employee share ownership plans for 2000, 2001 and 2002 (see “Part 1/2.3.2 Employee Share Offering”), a share purchase programme for the Company to repurchase up to a maximum of 20,092,075 of its own shares (depending on the number of shares actually subscribed for by the relevant employees), which on 30th June 2004, represented 2.49% of the issued share capital of the Company. The objectives and characteristics of this share purchase programme are set out in the *note d’information* approved by the AMF on 30th July 2004 under number 04-708. The implementation of this share purchase programme has resulted in the acquisition by the Company of 153,562 of its own shares.

As of the date of this document, the Company had purchased in aggregate 6,394,814 of its own shares.

A resolution will be submitted to the annual shareholders’ meeting of EADS called for 11th May 2005 in order to supersede and replace the authorisation given by the annual shareholders’ meeting held on 6th May 2004 and authorize the Board of Directors, for a new period of 18 months as from the date of such meeting, to repurchase shares of the Company, by any means, including derivative products, on any stock exchange or otherwise, as long as, upon such repurchase, the Company shall not hold more than 5% of the Company’s issued share capital and at a price not less than the nominal value and not more than the higher of the price of the last independent trade and the highest current independent bid on the trading venues where the purchase is carried out.

After making purchases of its own shares, the Company is required to immediately file a report with the AFM that contains specified information about such purchases, unless an exemption applies. The AFM makes this information publicly available.

3.3.7.2 French Regulations

As a result of its listing for trading on a regulated market in France, the Company is subject to the regulations summarized below.

Pursuant to Articles 241-1 to 241-7 of the AMF General Regulations, the purchase by a company of its own shares will, in principle, require the filing of a *note d’information* that has received the prior approval (or “*visa*”) of the AMF.

Under Articles 631-1 to 631-4 of the AMF General Regulations, a company may not trade in its own shares for the purpose of manipulating the market. Articles 631-5 and 631-6 of the AMF General Regulations also define the conditions for a company’s trading in its own shares to be valid.

After purchasing its own shares, the Company is required to disclose, within at least seven trading days, specified information regarding such purchases by way of a release which is available to the public on the websites of the Company and the AMF. Additionally, the Company must notably report to the AMF, on at least a monthly basis, information concerning the cancellation of such repurchased shares.

3.3.7.3 German Regulations

As a foreign issuer, the Company is not subject to German rules on trading in its own shares, which only apply to German issuers.

3.3.7.4 Spanish Regulations

As a foreign issuer, the Company does not have to comply with the Spanish rules on trading in its own shares, which only apply to Spanish issuers.

However, according to the Conduct Rules under the Spanish Securities Act 24/1988 of 28th July 1988, the Company may not trade in its own shares for the purpose of manipulating the market.

3.4 Stock Exchange Information

The Company's issued share capital is divided into 809,706,931 shares currently listed under the symbol "EAD" on the Paris Stock Exchange, the Frankfurt Stock Exchange and the Spanish Stock Exchanges and included in the CAC 40 index as well as the MDAX index.

The following tables set forth, for the periods indicated, the average daily trading volumes and the high and low prices of EADS shares on the Paris, Frankfurt and Spanish Stock Exchanges.

Paris Stock Exchange	Share trade volume	Average daily trade volumes	Trade value (€)	Average daily trade value (€)	Month's High	Month's Low
2003						
January	41,084,015	1,867,455	420,579,852	19,117,266	11.70	8.89
February	31,503,649	1,575,182	271,850,579	13,592,529	9.93	7.25
March	46,872,323	2,232,015	355,854,789	16,945,466	9.10	6.33
April	51,698,858	2,349,948	406,330,625	18,469,574	8.65	6.87
May	45,882,586	2,085,572	390,153,125	17,734,233	9.80	7.75
June	62,648,698	2,983,271	659,656,740	31,412,226	11.48	9.22
July	55,248,723	2,402,118	696,341,886	30,275,734	14.45	10.41
August	30,590,530	1,456,692	436,033,159	20,763,484	14.74	13.56
September	47,237,941	2,147,179	698,671,170	31,757,780	16.47	12.80
October	60,098,669	2,612,986	938,858,930	40,819,953	18.04	12.99
November	70,012,235	3,500,612	1,257,952,390	62,897,620	19.18	16.60
December	46,490,041	2,213,811	891,365,537	42,445,978	20.20	18.00
2004						
January	49,595,902	2,361,710	908,903,760	43,281,131	19.39	17.26
February	35,148,871	1,757,444	620,323,172	31,016,159	18.81	16.95
March	37,211,004	1,617,870	661,915,000	28,778,913	19.13	16.37
April	44,332,841	2,216,642	891,469,580	44,573,479	22.08	17.64
May	41,273,832	1,965,421	828,340,471	39,444,784	21.95	18.52
June	46,095,936	2,095,270	981,764,060	44,625,639	23.45	19.53
July	41,068,783	1,866,763	906,332,590	41,196,936	23.39	21.16
August	31,743,649	1,442,893	667,669,830	30,348,629	22.88	19.92
September	26,580,654	1,208,212	572,446,776	26,020,308	22.90	20.93
October	43,192,407	2,056,781	965,030,580	45,953,837	23.78	21.12
November	47,999,902	2,181,814	1,134,816,660	51,582,575	24.95	22.26
December	47,368,038	2,059,480	1,008,467,673	43,846,421	23.72	20.78
2005						
January	50,722,823	2,415,373	1,131,603,240	53,885,869	23.90	20.76
February	38,710,331	1,843,349	917,400,620	43,685,744	24.60	22.83
March	49,459,044	2,248,138	1,130,919,750	51,405,443	24.14	21.66

Source: Bloomberg Database

3.4 Stock Exchange Information (continued)

Frankfurt Stock Exchange	Share trade volume	Average daily trade volumes	Trade value (€)	Average daily trade value (€)	Month's High	Month's Low
2003						
January	629,888	28,631	6,440,735	292,761	11.80	8.80
February	543,124	27,156	4,680,095	234,005	9.98	7.27
March	1,746,387	83,161	14,362,272	683,918	9.38	6.30
April	1,365,736	62,079	10,669,097	484,959	8.65	6.90
May	1,058,476	48,113	8,970,172	407,735	9.75	7.70
June	1,667,506	79,405	17,802,437	847,735	11.50	9.25
July	1,734,296	75,404	21,359,965	928,694	14.40	10.35
August	863,962	41,141	12,316,746	586,512	14.94	13.57
September	1,702,772	77,399	25,378,004	1,153,546	17.85	12.90
October	1,674,219	72,792	26,604,092	1,156,700	17.99	13.00
November	1,616,328	80,816	29,053,089	1,452,654	19.10	16.60
December	1,738,852	82,802	33,370,991	1,589,095	20.27	17.86
2004						
January	2,132,747	101,559	39,223,881	1,867,804	19.40	17.25
February	1,170,392	58,520	20,711,768	1,035,588	18.80	16.90
March	1,780,177	77,399	31,604,920	1,374,127	19.15	16.30
April	2,114,858	105,743	42,725,967	2,136,298	22.08	17.50
May	1,382,766	65,846	27,872,799	1,327,276	21.94	18.33
June	1,946,516	88,478	42,420,693	1,928,213	23.45	19.56
July	1,580,978	71,863	35,097,201	1,595,327	23.39	21.05
August	1,269,570	57,708	26,950,522	1,225,024	23.10	19.80
September	1,064,203	48,373	23,371,557	1,062,344	22.85	20.80
October	1,383,811	65,896	31,197,269	1,485,584	23.76	21.10
November	1,815,231	82,511	43,011,854	1,955,084	24.99	22.20
December	1,659,987	72,173	36,528,029	1,588,175	23.72	20.50
2005						
January	2,140,539	101,930	48,235,301	2,296,919	23.99	20.72
February	1,518,967	72,332	35,994,778	1,714,037	24.60	22.76
March	1,294,254	58,830	29,548,163	1,343,098	24.16	21.71

Source: Bloomberg Database

3.4 Stock Exchange Information (continued)

Spanish Stock Exchanges	Share trade volume	Average daily trade volumes	Trade value (€)	Average daily trade value (€)	Month's High	Month's Low
2003						
January	904,400	41,109	9,267,742	421,261	11.62	8.90
February	623,576	31,179	5,271,716	263,586	9.90	7.28
March	1,175,515	55,977	9,026,197	429,819	9.02	6.41
April	2,867,930	130,360	22,731,695	1,033,259	8.65	6.91
May	2,576,034	117,092	22,034,774	1,001,581	9.77	7.75
June	2,671,875	127,232	28,002,606	1,333,457	11.48	9.26
July	2,224,848	96,733	27,389,359	1,190,842	14.38	10.42
August	776,963	36,998	11,054,279	526,394	14.71	13.59
September	1,754,879	79,767	26,109,086	1,186,777	16.48	12.89
October	1,735,945	75,476	27,239,068	1,184,307	17.99	13.00
November	1,308,781	65,439	23,407,929	1,170,396	19.10	16.61
December	1,863,354	88,731	35,231,343	1,677,683	20.10	18.01
2004						
January	1,698,734	80,892	31,138,245	1,482,774	19.40	17.29
February	1,276,509	63,825	22,531,318	1,126,566	18.79	16.98
March	1,044,676	45,421	18,529,269	805,620	19.13	16.44
April	1,117,624	55,881	22,292,422	1,114,621	22.08	17.69
May	477,061	22,717	9,593,515	456,834	21.90	18.43
June	914,354	41,562	19,770,523	898,660	23.40	19.60
July	475,319	21,605	10,474,857	476,130	23.37	21.11
August	412,611	18,755	8,765,651	398,439	22.82	19.98
September	393,023	17,865	8,683,397	394,700	22.85	20.90
October	654,685	31,175	14,687,094	699,385	23.79	21.16
November	679,171	30,871	15,968,687	725,849	24.95	22.29
December	1,611,679	70,073	35,888,830	1,560,384	23.75	20.85
2005						
January	1,052,121	50,101	23,680,618	1,127,648	23.88	20.79
February	738,490	35,166	17,515,814	834,086	24.59	22.80
March	572,697	26,032	13,056,401	593,473	24.11	21.70

Source: Bloomberg Database

3.5 Dividends

3.5.1 Dividends and Cash Distributions Paid Since the Incorporation of the Company

A cash distribution was paid in respect of the years 2000 and 2001 for a gross amount of €0.50 per share respectively on 27th June 2001 and 28th June 2002. In respect of the years 2002 and 2003, a cash distribution was paid for a gross amount of €0.30 per share and €0.40 per share respectively paid on 12th June 2003 and 4th June 2004.

3.5.2 Dividend Policy of EADS

The Board of Directors will recommend to the annual shareholders' meeting of EADS called for 11th May 2005 a cash distribution of a gross amount of €0.50 per share with respect to the year 2004.

The amount of the proposed cash distribution results from the Company's performance during the year 2004 and from the examination of payout ratios based on net income before goodwill amortisation for a collection of relevant European companies.

This distribution level reflects Management's confidence in the Company's future earnings as the growth of air traffic and its translation into demand for aircraft, the successes of defence activities and the continued attraction of the A380 as it is nearing initial deliveries, suggest a vision of sustained growth.

In the future, EADS' dividends and attributions to reserves will be proposed to the shareholders by the Board of Directors depending on factors such as EADS' distribution capacity arising from performance, its priorities for cash utilisation and confidence in future prospects (payment levels will also take external factors into account, such as the dividend policies of relevant European and International companies) (see also "3.1.9 Allocation and Distribution of Income"). No assurance may be given in respect of the proposed dividend levels for the years 2005 onwards.

3.5.3 Unclaimed Dividends

Pursuant to article 31 of the Articles of Association, the claim for payment of a dividend or other distribution approved by the general meeting shall lapse five years after the day on which such claim becomes due and payable. The claim for payment of interim dividends shall lapse five years after the day on which the claim for payment of the dividend against which the dividend could be distributed becomes due and payable.

3.5.4 Taxation

The statements below represent a broad analysis of the present Netherlands tax laws. The description is limited to the material tax implications for a holder of the Company's shares (the "Shares") who is not, or is not treated as, a resident of The Netherlands for Netherlands tax purposes (a "Non-Resident Holder"). Certain categories of holders of the Company's shares may be subject to special rules which are not addressed below and which may be substantially different from the general rules described below. Investors who are in doubt as to their tax position in The Netherlands and in their state of residence should consult their professional advisors.

Withholding Tax on Dividends

In general, a dividend distributed by the Company in respect of Shares will be subject to a withholding tax imposed by The Netherlands at a statutory rate of 25%. Dividends include dividends in cash or in kind, deemed and constructive dividends, repayment of paid-in capital not recognized as capital for Netherlands dividend withholding tax purposes, and liquidation proceeds in excess of the average paid-in capital recognized as capital for Netherlands dividend withholding tax purposes. Stock dividends paid out of the Company's paid-in-share premium, recognized as capital for Netherlands dividend withholding tax purposes, will not be subject to this withholding tax.

A Non-Resident Holder of Shares can be eligible for a partial or complete exemption or refund of all or a portion of the above withholding tax under a tax convention that is in effect between The Netherlands and the Non-Resident Holder's country of residence. The Netherlands has concluded such conventions with the U.S., Canada, Switzerland, Japan, almost all European Union member states and other countries.

French, German, and Spanish Tax Treaties

Under the Convention between the Republic of France and the Kingdom of The Netherlands for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital, concluded 16th March 1973, the Convention between the Federal Republic of Germany and the Kingdom of The Netherlands for the Avoidance of Double Taxation with respect to Income and Capital and Various Other Taxes and for the Regulation of Other Questions relating to Taxation, concluded 16th June 1959 or the Convention between the Government of the State of Spain and the Government of the Kingdom of The Netherlands for the Avoidance of Double Taxation with respect to Taxes on Income and Capital, concluded 16th June 1971, dividends paid by the Company to a Non Resident

3.5 Dividends (continued)

Holder that is a resident of France, Germany or Spain as defined in the respective Convention are generally eligible for a reduction of the 25% Netherlands withholding tax to 15%, provided that the dividends are not attributable to an enterprise or part thereof which is carried on through a permanent establishment or permanent representative in The Netherlands.

Withholding Tax on Sale or Other Dispositions of Shares

Payments on the sale or other dispositions of Shares will not be subject to Netherlands withholding tax, unless the sale or other disposition is, or is deemed to be, made to the Company or a direct or indirect subsidiary of the Company. A redemption or sale to the Company or a direct or indirect subsidiary of the Company will be treated as a dividend and will in principle be subject to the rules set forth in “Withholding Tax on Dividends” above.

Taxes on Income and Capital Gains

A Non-Resident Holder who receives dividends distributed by the Company on Shares or who realizes a gain from the sale or disposition of Shares, will not be subject to Netherlands taxation on income or capital gains unless:

- (i) such income or gain is attributable to an enterprise or part thereof which is either effectively managed in The Netherlands or carried on through a permanent establishment (*vaste inrichting*) or permanent representative (*vaste vertegenwoordiger*) in The Netherlands; or
- (ii) the Non-Resident Holder is not an individual and the Non-Resident Holder has, directly or indirectly, a substantial interest (*aanmerkelijk belang*) or a deemed substantial interest in the Company and such interest does not form part of the assets of an enterprise, or
- (iii) the Non-Resident Holder is an individual and (i) the Non-Resident Holder has, directly or indirectly, a substantial interest (*aanmerkelijk belang*) or a deemed substantial interest in the Company and such interest does not form part of the assets of an enterprise, or (ii) such income or gain qualifies as income from miscellaneous activities (*belastbaar resultaat uit overige werkzaamheden*) in The Netherlands as defined in the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*).

Generally, a Non-Resident Holder of Shares will not have a substantial interest in the Company’s share capital, unless the Non-Resident Holder, alone or together with certain related persons holds, jointly or severally and directly or indirectly, Shares in the Company, or a right to acquire Shares in the Company representing 5% or more of the Company’s total issued and outstanding share capital or any class thereof. A deemed substantial interest exists if all or part of a substantial interest has been or is deemed to have been disposed of with application of a roll-over relief.

Gift or Inheritance Taxes

Netherlands gift or inheritance taxes will not be levied on the transfer of Shares by way of gift, or upon the death of a Non-Resident Holder, unless:

- (i) the transfer is made by or on behalf of a person who, at the time of the gift or death, is or is deemed to be resident in The Netherlands; or
- (ii) the Shares are attributable to an enterprise or part thereof that is either effectively managed in The Netherlands or carried on through a permanent establishment or a permanent representative in The Netherlands.

Value-Added Tax

No Netherlands value-added tax is imposed on dividends on the Shares or on the transfer of the Shares.

Other Taxes and Duties

There is no Dutch registration tax, transfer tax, capital tax, stamp duty or any other similar tax or duty other than court fees payable in The Netherlands in respect of or in connection with the execution, delivery and/or enforcement by legal proceedings (including any foreign judgment in the courts of The Netherlands) with respect to the dividends relating to the Shares or on the transfer of the Shares.

Residence

A Non-Resident Holder will not become resident, or be deemed to be resident, in The Netherlands solely as a result of holding a Share or of the execution, performance, delivery and/or enforcement of rights in respect of the Shares.

Chapter 4: Information Concerning Securities Issued

NOT APPLICABLE

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Chapter 5: Persons Responsible for the Reference Document and Persons Responsible for the Audit of the Financial Statements

5.1 Persons Responsible for the Reference Document

Mr. Philippe Camus and Mr. Rainer Hertrich, Chief Executive Officers of EADS

5.2 Statement of the Persons Responsible for the Reference Document

“To our knowledge, the information set out in this Reference Document relating to EADS is true and correct; it includes all the information required by investors to base their opinion on EADS’ assets and liabilities, business, financial position, results and prospects of the issuer; there are no omissions that could affect the significance of such information.”

Philippe Camus
Chief Executive Officer

Rainer Hertrich
Chief Executive Officer

5.3 Persons Responsible for the Audit of the Financial Statements

5.3.1 Persons Responsible for the Review of EADS’ Financial Statements

	Date of First Appointment	Term of Current Office
KPMG Accountants N.V. K.P. Van der Mandelelaan 41-43 3062 MB Rotterdam The Netherlands Represented by Mr. Leo Blok	10th May 2000	11th May 2005 ⁶
Ernst & Young Accountants Drentestraat 20, 1083 HK Amsterdam The Netherlands Represented by Mr. Martin Van Dam	24th July 2002	11th May 2005 ⁶

⁶ A resolution will be submitted to the shareholders’ general meeting of EADS called for May 11, 2005, in order to resolve that the Company’s auditors for the accounting period being the financial year 2005 shall be Ernst & Young Accountants and KPMG Accountants N.V.

5.3.2 Statement of the Auditors

In our capacity as auditors of EADS N.V. (“**EADS**”), we have verified, in accordance with International Standards on Auditing, the financial information relating to the financial statements and the consolidated financial statements prepared in accordance with International Financial Reporting Standards (“**the IFRS consolidated financial statements**”) of EADS for the years ended December 31, 2004, 2003 and 2002, contained in the present Reference Document.

This Reference Document has been prepared under the responsibility of EADS Chief Executive Officers, Philippe Camus and Rainer Hertrich. Our responsibility is to report on the fairness of the financial information included in this document with respect to the financial position and the financial statements of EADS as referred to above.

Our procedures conducted in accordance with International Standards on Auditing, comprised an assessment of the fairness of the information presented relating to the financial position and the financial statements including its consistency with the financial statements and the IFRS consolidated financial statements on which we have issued our audit reports.

Our procedures also comprised the reading of the consolidated financial information for 2004 and 2003 included in the section “Management Discussion and Analysis of Financial Condition and Results of Operation” included in the Reference Document, in order to identify material inconsistencies with the information relating to the IFRS consolidated financial statements and to report any apparent misstatement of facts that we may have uncovered in reading the other information based on our general knowledge of the company obtained during the course of our engagement.

Forward-looking financial information that is presented corresponds to EADS top management’s objectives, and not to isolated forecast figures resulting from a structured planning and reporting system.

The financial statements and the IFRS consolidated financial statements as of December 31, 2004, 2003 and 2002, that have been approved by the EADS Board of Directors, have been audited, in accordance with auditing standards generally accepted in the Netherlands and International Standards on Auditing.

In each of our two audit reports dated March 8, 2005 respectively on the financial statements and on the IFRS consolidated financial statements for the year ended December 31, 2004, we expressed an unqualified opinion.

In our audit report dated March 5, 2004, we expressed an unqualified opinion on the financial statements (including the consolidated financial statements) for the year ended December 31, 2003.

The audit report dated March 7, 2003, on the financial statements (including the consolidated financial statements) for the year ended December 31, 2002, contained in respect of the opinion that, because the auditors had not been able to perform the audit procedures they normally would have performed in relation with the EADS investment with Dassault Aviation which was accounted for under the equity method (level of net income from equity investment in 2002 of Euros 111 millions and equity investment in Dassault Aviation of Euros 1,333 millions as of December 31, 2002), they have issued a qualification in respect of the effects of such adjustments, if any, as might have been determined to be necessary had they been able to perform the audit procedures they normally would have performed in relation to the Dassault Aviation investment. In all other respects, on the one hand according to KPMG Accountants N.V. and Ernst & Young Accountants, except for the effect of the departure from IFRS for development costs that have been expensed as incurred, whereas IFRS require that development costs be capitalized as intangible assets when certain criteria for asset recognition are met; and, on the other hand according to KPMG Accountants N.V., except for the effect of the departure from IFRS relating to the proportionate consolidation of MBDA, as EADS is accounting for its interest in MBDA

joint venture with a proportionate consolidation of 50% for the financial statements of MBDA and accounts for minority interests of 12.5%, whereas the above standards require a venturer to report its effective net proportionate interest in a jointly controlled entity, being 37.5% for MBDA, the financial statements (including the consolidated financial statements) gave a true and fair view of the financial position of the Company as of December 31, 2002, and of the result for year then ended, in accordance with the financial accounting principles generally accepted in the Netherlands and in accordance with IFRS.

Based on the procedures described above, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to perform the audit procedures we normally would have performed in relation to the Dassault Aviation investment in 2002, except for the effect of the departure from IFRS and accounting principles generally accepted in the Netherlands relating to the accounting for development costs in 2002, and according to KPMG Accountants N.V., except for the effect of the departure from IFRS and accounting principles generally accepted in the Netherlands for the proportionate consolidation of MBDA in 2002, we have no other matters to report regarding the fairness of the financial information relating to the financial statements of EADS N.V. as referred to above for the years ended December 31, 2004, 2003 and 2002 and any other information mentioned here above.

This statement has been prepared following a specific requirement of the *Autorité des marchés financiers* so as to be included in the 2004 EADS Reference Document.

Rotterdam, April 19, 2005,
KPMG Accountants N.V.

Amsterdam, April 19, 2005,
Ernst & Young Accountants

Specific statement related to the translation of the financial information

In the context of the preparation of the Reference Document, we have read the French language translation of the financial information relating to the financial statements and the consolidated financial statements prepared in accordance with International Financial Reporting Standards (“**the IFRS consolidated financial statements**”) of EADS for the years ended December 31, 2004, 2003 and 2002, contained in the present Reference Document, all documents being originally prepared in English.

Based on our reading, the financial information relating to the financial statements and the IFRS consolidated financial statements of EADS for the years ended December 31, 2004, 2003 and 2002, the Statement of the Auditors and the two audit reports of the auditors respectively on the financial statements and the IFRS consolidated financial statements for the year ended December 31, 2004, should enable a French reader to understand the financial position of the EADS Group as of December 31, 2004.

Paris, April 19, 2005,
KPMG Audit
Department of KPMG SA

Michel Piette
Partner

Barbier Frinault & Associés
Jean-François Ginies
Partner

5.4 Information Policy

Details of the person responsible for information:

Mr. Pierre de Bausset
Senior Vice-President Investor Relations and Financial
Communication
EADS
81663 Munich
Germany
Telephone: + 49 89 607 34113
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A website, www.eads.net, provides a wide range of information on the Company. Special toll-free hotlines are available to shareholders in France (0 800 01 2001), Germany (00 800 00 02 2002) and Spain (00 800 00 02 2002). An email box is dedicated to shareholders' messages: ir@eads.com.

5.5 Undertakings of the Company Regarding Information

Given the fact that the shares of the Company are listed on the *Marché Eurolist* of Euronext Paris SA (the “**Paris Stock Exchange**”), in *amtlicher Markt* (in the sub-segment *Prime Standard*) on the *Frankfurter Wertpapierbörse* (the “**Frankfurt Stock Exchange**”) and on the Madrid, Bilbao, Barcelona and Valencia Stock Exchanges (the “**Spanish Stock Exchanges**”), the Company is subject to certain laws and regulations applicable in France, Germany and Spain in relation to information, the main ones of which are summarized in “3.1.3 General Description of the Company - Governing Law - Dutch Regulations”.

Reference Document Thematic Index

In order to simplify the reading of this document which is filed as part of the EADS Reference Document for the financial year 2004, the following thematic index permits the identification of the main information required by the *Autorité des marchés financiers* within the framework of its regulation.

Statements of Responsible Persons	Part 2	Analysis of EADS Risk Factors	Part 1
Statement of the Persons Responsible for the Reference Document	5.2	Risk Factors	
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Relationships with Principal Shareholders	3.3.2	Related Party Transactions	2.2.3
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Airbus A340-300