



Dear Shareholders,

We published our 2001 annual results on March 18, the first full year results for your Group created in July 2000. We are proud to have exceeded all our financial targets. Revenues were up 27%, surpassing the 20% increase we had forecast ; EBIT was up 21% exceeding the 15% growth target.

This performance is a positive sign for the future as it includes an increase in R&D expenditure related mainly to the development of the Airbus A380. This very large aircraft, which is being developed perfectly in line with budget, will be delivered from 2006 as planned; the program was enhanced by additional orders in 2001, and even after the events of September 11 in the US.

Our 2001 results include operating losses in our Space and Defence and Civil Systems Divisions, due to non-recurring charges linked to the restructuring of these activities and the depreciation of certain assets. These measures, which are aimed at improving future efficiency, should start to pay off this year. We are convinced, today more than ever, that our Group must develop standing on two legs: one in civil activities and the other in the military area.

The events of September 11, as you know, have resulted in an unprecedented drop in air traffic which has put the airlines, clients of Airbus, in a difficult position. We immediately took decisions aimed at preserving our cash and our profitability. Recent feedback from airlines reinforce our forecast to deliver 300 aircraft in 2002 (compared to 325 aircraft delivered in 2001).

In military activities, your Group generated revenues of 6.1 billion euros in 2001 (military aircraft and helicopters, missile systems, defence electronics, military satellites, etc.) which puts us N°2 in the European defence sector. The successes of 2001 will accelerate growth in military activities. Our Tiger and NH90 attack and transport helicopters have won tenders against strong competition in Australia, Portugal and the Scandinavian countries. MBDA, the second missile company in the world, which we own with BAE Systems and Finmeccanica, was officially set up on December 18. The contract for the A400M European military transport aircraft was signed in December by eight countries and should come into effect this year. We expect growth of over 50% for our defence activities by 2004.

In a market which remains uncertain, we had some important good news at the beginning of 2002. Air traffic figures are progressively recovering. In Space activities, we were selected by the British Ministry of Defence to supply secure satellite communications services.

We have set ourselves financial objectives for 2002, which fully take into account some decrease in Airbus deliveries, an increase in R&D cost due to A380, and market uncertainties. We expect to maintain our operating margin before R&D expenditure, which would result in an EBIT after R&D increase of about 1.2 billion euros in 2002. The Group's financial position remains healthy. We are committed to meeting our 2002 targets and to enable the EADS Group to be even more efficient when the economic situation comes out of the current difficult environment. We thank you for your confidence in us.

Yours faithfully,

Philippe Camus
CEO

Rainer Hertrich
CEO

EADS 2001 Annual results: all financial targets exceeded

EBIT margin pre-Research and Development (R&D) increased from 11.3% to 12.1%. Year-end net cash position was over € 1.5 bn.

EADS remains in a sound economic position to respond to challenging market conditions.

- **Revenues** grew by 27% to € 30.8 bn, a 10% growth without the effect of the first time 100% consolidation of Airbus.
- Internally financed **R&D** rose, as anticipated, from 5.5% of revenues to 6.6%, mostly due to the continuation of the A380.
- **EBIT** (Earnings before interest and taxes, pre-goodwill and exceptional items) of € 1.7 bn has grown by 21% exceeding the 15% growth target, including a significant increase of the R&D expenses (from € 1.3 bn to € 2.1 bn). EADS was able to exceed its EBIT target despite restructuring costs and assets depreciation at the DCS and Space Divisions.
- **Free Cash Flow** reached € 774 m, and thus contributed to the positive net cash position of € 1.534 bn at year-end 2001.
- EADS has created more than € 100 m of additional EBIT outperforming by more than 60% its € 60 m **synergies** target for 2001 and merger integration plans are well on track to deliver € 600 m of additional EBIT by 2004.
- **Net income** reached € 1.4 bn after a net loss of € -909 m, including positive exceptional from the Airbus and MBDA creation. Net result pre-goodwill and exceptional rose to € 936 million.
- **Order book** reached € 183.3 bn which covers six years of revenues and is unparalleled in the industry.

KEY FIGURES	In million of euros	2001	Pro forma 2000**	Change
Revenues		30,798	24,208	+27%
Order intake		60,208	49,079	+23%
EBIT*		1,694	1,399	+21%
Net income*		936	-45	-
Earnings per share* (in euro)		1.16	-0.06	+1.22
Net cash position		1,534	2,143	-28%

- The **Airbus** Division EBIT increasing 17%, reached € 1,655 million including Airbus first time 100% consolidation, and increased R&D, in line with budget. The 274 net orders received in 2001 represent a 50.2% world-wide market share in terms of aircraft numbers and even a 61% market share in value terms. Airbus order book includes 1,575 aircraft at year end. It delivered 325 a/c in 2001 compared to 311 in 2000. Based on recent customer feedback, Airbus is confident to deliver 300 aircraft in 2002.

- The **Military Transport Aircraft** Division achieved, sooner than planned, a positive EBIT of € 1 million (€ -63 million in 2000). With € 18 billion, the expected A400M contract, the largest defence project for EADS since its creation, will generate strong growth.

- The **Aeronautics** Division EBIT increased by 4% to € 308 million (2000: € 296 million). The order book of 789 helicopters supports the outstanding prospects of Eurocopter including more than 500 military helicopters. The production ramp up of the Eurofighter will now contribute significantly to cash and EBIT.

- The **Space** Division recorded a negative EBIT of € -222 million, including high non-recurring expenses mainly for restructuring and investments depreciation, compared to € 65 million in 2000. Market competition remains strong, but recent accomplishments, e.g. the win of the € 3.3 billion Paradigm military communication satellite project and the latest successes of the Ariane launchers, show the Division's commercial strength. To improve the efficiency of the Division, the new management at Astrium is to implement the restructuring and reorganise in three integrated businesses of launchers, satellites and services.

- The **Defence and Civil Systems** Division reduced its EBIT loss from € -110 million in 2000 to € -79 million in 2001, including mostly high non-recurring expenses for ongoing restructuring. Further strong EBIT growth is expected thanks to the successful restructuring and product programmes entering the delivery phase.

2001 FIGURES BY DIVISION

In million of euros	Revenues	Change from 2000 pro forma	EBIT*	Change from 2000 pro forma	Order book	Change from 2000 pro forma
Airbus**	20,549	38%	1,655	17%	156,075	50%
Military Transport Aircraft	547	73%	1	-	1,320	51%
Aeronautics	5,065	8%	308	4%	13,722	5%
Space	2,439	-4%	-222	-	3,796	-21%
Defence and Civil Systems	3,345	15%	-79	-	9,094	-6%
Headquarters and eliminations	-1,147	-	31	-	-751	-
Total	30,798	27%	1,694	21%	183,256	39%

* Pre-goodwill amortisation and exceptionals. ** Excluding Airbus UK in 2000.



INTERVIEW WITH FRANÇOIS AUQUE

EXECUTIVE VICE PRESIDENT,
HEAD OF SPACE DIVISION

What are the main activities included in the Space Division and what is EADS market position?

Globally EADS is the market leader in Europe for Space activities and number 3 worldwide with 2,4 billions euros revenues on a consolidated basis.

The Division is active in launchers, orbital systems and satellites fields in particular through its subsidiaries Astrium, a joint venture with BAE Systems (75/25) and EADS Launch Vehicles.

For launcher activities, EADS is in Ariane program the system prime contractor with responsibilities on systems studies, technical project management and for all stages. Arianespace has a 50% share of commercial satellites launches world market. EADS is very active in orbital systems through responsibilities of the Columbus laboratory and the Automated Transfer Vehicle as elements of the International Space Station.

EADS is also the industrial prime contractor supplying the ballistic missiles for the French submarine fleet and as such the only company in Europe with this expertise.

In satellites, EADS produces telecommunications satellites. Our world market share is in the range of 10 to 15%.

Finally, we are the leading European suppliers for earth observation and scientific satellite systems for both civil and military applications: Envisat environmental satellite and Helios military observation satellite are good examples.

Why is today the Space Market so challenging?

Indeed, the situation is very challenging for European players. All over the world, space activities' first aim is to serve the institutional market. And in this domain there is a tremendous gap between Europe and the US budgets in the ratio of 1 to 4 for civil applications and 1 to 25 for military applications. Because of this situation the European Space Industry has devoted a lot of efforts to play on the commercial market, which is today badly affected by an overcapacity of a factor 2 and a temporarily decline due to economic factors. Both for telecommunications satellites

and commercial launchers we have to cope with this difficult situation.

Why is Space activity a core business for EADS?

There are at least two reasons for that:

- Globally and on a long-term perspective, Space activities are less affected by economical cycles as seen for aeronautical activities. This is the reason why our competitors Boeing and Lockheed have increased the share of Space activities in their portfolio. We share the same logic.
- Space Services are a key element in large civil and defense systems like Air Traffic Management, Missile Defense, Environment and Security, Surveillance and Communication Systems for the Armies. It is EADS willingness to combine its Space capabilities with Aeronautic and Defence to offer a full service to the customer.

How do you plan to cope with the difficult market situation?

We first have decided a drastic internal improvement plan for both launchers and satellites, which aims at streamlining our portfolio to develop synergies and at generating cost savings.

Due to the particular nature of our activities we also advocate for further initiatives from European Member States to develop new programmes like Galileo and GMES and to fund launcher and satellites developments as it is the case in the US.

Do you expect a consolidation between some major players of the Space sector? Is EADS willing to play a central role in this game and how?

With the creation of Astrium and EADS, a significant move has already been achieved and EADS Space Division is clearly playing a central role within the European Space Industry. On the launcher side it has been decided by the European Member States in November 2001 to mandate ESA for making a proposal on the restructuring of the launcher sector, involving the public and industrial sectors as well as the operator Arianespace. EADS is strongly supporting ESA and the public sector in this approach. Concerning the satellite activity, our current reorganization is a clear signal that we want to be part of the remaining actors, because it is clear that there will be further consolidations. However the when? and the who? are still unknown.

What is the PARADIGM contract? What does it mean for the future of EADS Space activity?

The Skynet 5 Program is one of the largest "service tender" ever tendered by the UK MOD with a value in the range of 2 billions GBP for military satellite

communications services until 2018.

The decision of the UK MOD to select PARADIGM Secure Communications, our team with BAE Systems, as a preferred bidder for Skynet 5 shows its confidence that we are a leading source for advanced space technologies. The benefits for EADS will be a regular flow of revenues starting in 2002, which may represent up to 10% of the Space Division turnover in 2004. Furthermore this choice strengthens the Astrium concept of a four nation company.

What is GALILEO?

GALILEO is an European initiative for having a satellite radionavigation system to serve as an alternative and complement to the GPS System from the US. For Europe it is an indispensable part of the global information and transport infrastructure and it is likely to revolutionize the daily life in the same way that the mobile phone and Internet have done in recent years. After a positive decision given during the ESA Ministerial Council in last November 2001, a full go ahead for the development was given at EU Transport Council, in March this year. EADS through Astrium is a 50% shareholder of GALILEO Industries, a consortium with AlcatelSpace and Alenia. We aim at having a key role in the design and development phase of the space segment of 30 satellites and then EADS will participate to the ground segment infrastructure and to the operational life of the system.

What were the main reasons why Space Division posted EBIT loss in 2001? Do you foresee a return to profitability from 2002? Why?

In 2001 we decided to depreciate our portfolio of participations in various telecom operations and launch services companies. In addition to that we spent costs for restructuring. That is why our result is strongly negative.

In 2002 we shall have to provide for the costs of the restructuring plans which will be decided but we should be close to balance on recurring terms.

Envisat





INTERVIEW WITH THOMAS ENDERS

EXECUTIVE VICE PRESIDENT, HEAD OF
DEFENCE AND CIVIL SYSTEMS DIVISION

What are the main activities included in the DCS Division and who are your main customers?

Main activities are in missiles and missiles systems, systems and defence electronics, secured telecommunication networks and defence related services. Our main customers are the defence ministries and the respective procurement agencies in Germany, France and in the UK. Through MBDA and EADS Telecom a strong export position is maintained including customers in the Middle East, South East Asia and South America.

What is the market position of EADS in Defence Electronics? Why is it a core business growth for EADS?

EADS Systems & Defence Electronics (S&DE) has revenues of around € 1 Bn per year, making it N° 3 in Europe in its field. Although its historical focus has been on domestic markets its export business is now rapidly growing. After September 11 and the conflicts in Kosovo and Afghanistan a substantial capabilities gap has been identified in terms of C3I (Command, Control, Communications and Information) and ISR (Intelligence, Surveillance and Reconnaissance) which is amplified by the need for multinational interoperability. In order to address these shortfalls, and in line with EADS' strategic challenge to grow in defence, DCS is heavily focusing on information dominance with its respective air and ground segments. In this context, we put particular emphasis on developing UAV systems. We are actively seeking to establish a presence in the world's biggest defence market, the USA, while continuing to build on our transatlantic partnerships for e.g. our cooperation with Northrop Grumman on UAVs (Unmanned Aerial Vehicles) and Air Ground Surveillance (AGS).

What are the key assets of MBDA company and who are its main competitors?

MBDA is the second largest missile systems company in the world. Jointly owned by Europe's three leading aerospace and defence groups, EADS, BAE Systems and Finmeccanica, annual reve-

nues are over € 2 billion with an order book value in excess of € 12 billion. MBDA is the only company in the world able to design, develop and produce missile systems to meet the defence requirements of all the armed forces. Through MBDA products, EADS can propose global defence offers including air-to-air, stand-off cruise and precision ground attack weapon systems, including first-class multinational programmes like Aster, Meteor and Storm Shadow / Scalp. MBDA's principal competitors are US companies, led by Raytheon, along with Boeing and Lockheed Martin. With the latter two companies, significant partnerships have recently been agreed to in order to increase MBDA's access to major worldwide missiles systems markets.

What is the METEOR contract and what is its current status?

In May 2000, after fierce competition with Raytheon, MBDA won the UK bid for the „beyond-visual-range“ air-to-air missile for Eurofighter. Since then it has become a 6 nation project designed to also serve the Rafale and Gripen aircraft. DPA, the British procurement agency, acting on behalf of the 6 partner nations, and MBDA are currently finalizing the industrial contract for signature until summer.



Geographic data processing

How do you foresee the future evolution of your business in secured communication?

The latest conflicts, particularly the aftermath of “9-11”, highlight the increasing need for secure telecommunication solutions in Defence, Public Safety and Commercial markets.

Moreover, the need for interoperable, deployable, state of the art communication networks is being based more and more on commercial technologies.

In response to this requirement, EADS Telecom has designed products specifically adapted to the needs of Defence, Public Safety and Commercial customers - having the capacity to meet the strict requirements of defence and security customers while at the same time providing them with a cost effective common family of solutions from COTS origin.

EADS has consistently built upon its strategy to grow in secured communica-

tions with the creation of EDSN (EADS Defence and Security Networks) in May 2000 and the acquisition of Cogent (UK leader in encryption) in 2001.

What are your main US partnerships and how do you plan to capture a slice of the huge US military market?

Our main partnerships in the US are focused on UAVs and AGS with Northrop Grumman, including EuroHawk and NATO AGS. Tactical missiles with Boeing as an MBDA partner on METEOR and high precision air-to-ground munitions (JDAM). In Extended Air Defence, MBDA is teamed with Lockheed on the MEADS program. We are also partnered with Lockheed in NATO's TBMD (Theatre Ballistic Missile Defence) architecture study. We will further develop these partnerships while seeking to increase our industrial presence in the US.

What were the main reasons why DCS Division posted EBIT losses in 2000 and 2001?

There were a combination of reasons that led to the losses. Firstly, we encountered difficulties in our main domestic markets and some important contracts were cancelled or delayed. Secondly, the high costs generated from DCS' comprehensive restructuring program. Thirdly, with the creation of EADS, we inherited a number of e-business activities, mostly heavily loss making that had to be divested or closed. Strategic investments were also made in new products and our start up business, Outsourced Services.

Additionally, our civil telecom activities, suffered tremendously from the telecoms crisis in 2001. Nevertheless, we managed to significantly improve our operational results for the second half of 2001 and this is certainly a good starting point for the turn-around of the division in 2002.

Why are you so sure that your Division will post a positive EBIT this year and what is the EBIT profile outlook afterwards?

Much of the restructuring program is ahead of schedule and the Division is now operating under clear, market driven structures. Our four business pillars - missiles, systems and defence electronics, telecommunications and services - are all fully integrated cross border entities geared towards maximizing synergies. In 2001, DCS exceeded planned synergy gains. We are also starting to enter production programs, based on a profitable order backlog, particularly in the missile area.



INTERVIEW WITH ALBERTO FERNÁNDEZ

EXECUTIVE VICE PRESIDENT, CHAIRMAN OF EADS CASA BOARD, HEAD OF MILITARY TRANSPORT AIRCRAFT DIVISION

What are the main activities included in the MTA (Military Transport Aircraft) Division?

The MTA Division inherited most of its assets from the Spanish founder member of EADS, CASA. The Division has today four main activities: Light and Medium Military Transport Aircraft, Aerostructures, A400M Military Transport Aircraft and military derivatives (namely on Airbus platforms). Our Division is producing its own range of small and medium military transport aircraft, C-212, CN-235 and C-295, including special mission and has developed its own Mission System capability "FITS". All these capabilities result in the strong leadership position EADS will take in the A400M program.

What is the market position of EADS on the light and medium military transport segment? Who are the competitors?

MTA is today the world market leader for the light and medium military transport segment, with an average 60% market share for the last 5 years. The expected strong competition from East European and Asian countries has not materialised and the military transport derivatives of European regional aircraft have known only limited success. The only competitor left is Alenia that is teaming up with Lockheed Martin in the C.27J program, a direct competitor of our C-295 aircraft.

What are the next market opportunities for the C-295 and CN-235? How big is the opportunity with the US Coast Guard?

Today, the backbone of our military transport campaigns is the C-295. Among others, Brazil, Saudi Arabia, Malaysia and Switzerland will provide opportunities for the next 3 years accounting for approximately 70 aircraft (a/c). A big opportunity for this type of aircraft might equally be the US Army. The CN-235 aircraft's main opportunities are with the fleet expansion of actual customers, such as the French Air Force and the Turkish Armed Forces. Special mention should be made of the Deepwater campaign for the US Coast

Guard for around 30 to 40 Maritime Patrol version CN-235s equipped with the FITS EADS Mission System. The three prime contenders (Boeing, Lockheed Martin and SAIC/L-3) have already pre-selected the CN-235. Award is expected in the first half of this year.

What are the characteristics of the A400M aircraft? Who are the existing and potential customers?

The A400M Military Transport Aircraft is classified in the heavy transport segment. The maximum payload is 37 tons, with a capacity to transport up to 120 paratroopers. It is equipped with 4 turboprops. Maximum speed is 0.72 Mach and the transport range is 3550 N.M. for 20 tons of load. It benefits from both Airbus technologies (fly by wire, carbon fibre structures, etc) and EADS military experience. The A400M aircraft has been conceived to comply with logistic, tactical, humanitarian and peace keeping missions. With all western Europe major forces currently involved in this aircraft program from the beginning, the A400M is becoming the main vector for aero mobility on this side of the Atlantic. The launching customers are: Air Forces of Belgium (7 a/c), France (50), Germany (73), Luxembourg (1), Portugal (3), Spain (27), Turkey (10) and the United Kingdom (25), adding to a total order account of 196 a/c. We are convinced that most, if not all, European Forces will, in the end, fly this aircraft equally for reasons of interoperability. The export potential is outstanding. There is currently no other affordable new generation aircraft of this type and, as far as we know, no competitor is planning to come up with such a program in the foreseeable future. The Hercules is becoming a veteran. Consequently, we are well positioned to replace a major part of the currently installed C160 and C130 fleets. Contacts have already started with the Air Forces of Sweden, Canada and others.

What is the role of EADS in A400M? What is the expected value of this contract for EADS?

EADS is the major shareholder in the Airbus Military Company (AM) with a total stake of 90% via Airbus and the MTA Division. Therefore, EADS manages and controls the A400M through the legal representation in AM, that I chair and Noël Forgeard, the Airbus CEO, is the Chairman of the Shareholders Committee. Prime contractorship and overall programme management are carried out by AM.

The total work share of EADS is roughly equivalent to the percentage of its shareholding and final assembly is under

our responsibility. The total value of the launching contract is roughly € 18 Bn.

What is the status of the A400M project today?

The launching contract for 196 aircraft was signed on December 18, 2001 by the 8 launching customers. The effective date of the contract will be announced by OCCAR (Organisation Conjointe pour la Coopération en Matière d'Armement) on behalf of the 8 launching nations.

In order to comply with the contractual terms, AM is already implementing the A400M organisation and working on the necessary studies, together with Airbus, EADS and the other industrial participants to complete the product definition.

How big is the mission aircraft market?

What is EADS position on this market?

The mission aircraft market has been growing continuously since 1992. Nations are facing increasing problems in such areas as immigration, drug trafficking and illegal fishing, which require growing investments in platforms and mission systems.

In the last 5 years, mission aircraft market has been 30 a/c for light platforms, with a 15% market share for the C-212, and 84 a/c for medium platforms with a 11% market share for the CN-235. For the heavy platforms, EADS is a new contender, but today, we can claim to be a competitor of Boeing. We are offering Airbus MRTT (Multi-Role Tanker Aircraft) for the US and UK Air Forces, in fierce competition for the multibillion contracts.

What are the key drivers for future growth for the MTA Division?

MTA has three main vectors of growth for the coming years. Part of this growth potential is almost programmed:

MTA disposes of proven platforms with the C-212 and the CN-235/C-295 families. Adding to this activity, the A400M makes our Division the first genuine military specialist for strategic and tactical transport for all kinds of military transport problems with unequalled credibility and competitiveness.

The second growth vector is the services offer intimately linked to the platform. We feel that our military customers will want outside suppliers to assure logistics, ILS, maintenance, etc. MTA with all the EADS background is perfectly prepared for this kind of opportunity.

Finally, we are closely linked to Airbus which gives rise to multiple opportunities. Introducing ourselves in a market, which was held, up to now, by US competitors, we are convinced that the combined qualities of the Airbus platforms and EADS/MTA expertise will lead to substantial supplementary sales in this high added value field in the coming years.

EADS on the stock market

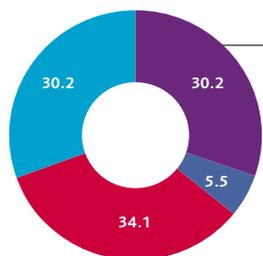
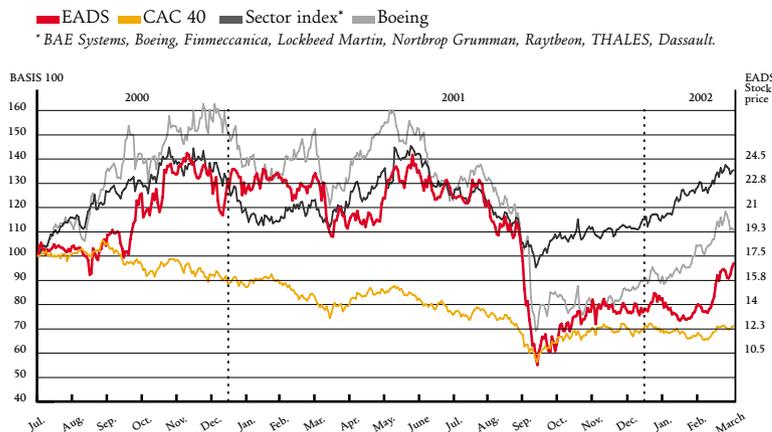
In 2001, EADS stock price was hit by the markets slowdown and the September 11 events. Since the beginning of the year 2002, EADS stock price has started to recover significantly: +18.5% as of March 28 at € 16.16 compared to December 31, 2001, one of the best recovery on the market.

Since its inception in July 2000, EADS stock has outperformed markets indexes although it is today still affected by market uncertainties.

Since the beginning of March 2002, the trading volume went up significantly with an average of 1.8 million shares exchanged daily, thus consolidating the share price increase and confirming the renewed interest in EADS by investors based on several elements: the confirmation by Airbus of the delivery forecasts at 300 aircraft in 2002, the EADS value creation plan over target, the win of Skynet 5 programme, the success of Ariane 5 launch of Envisat, the potential of growth of our defence business. Moreover, the passenger traffic numbers are progressively recovering.

- **Number of shares:** 809,175,561.
- **Par value:** 1 euro.
- **Offer price on July 10, 2000:**
19 euros for institutional investors
18 euros for retail investors.
- **Closing price on December 31, 2001:** 13.64 euros.
- **Share price on the Paris Stock Market in 2002:**
High 17.45 euros • Low 12.52 euros
- **Euroclear code:** 5730

- **Share price from July 10, 2000 to March 28, 2002**
Base 100, July 10, 2000



CAPITAL STRUCTURE ON DECEMBER 31, 2001 (as %)

- DaimlerChrysler
- SOGEADE: Lagardère together with French financial institutions and SOGEPA (French state holding company)
- SEPI (Spanish state holding company)
- Public*

* Including EADS employees and about 3 percent held directly by DaimlerChrysler and the French state.

Shareholder diary

- *May 17, 2002*
Annual General Meeting
Dividend proposal 0.5 € per share (gross amount)

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France
0 800 01 2001

Germany
00 800 00 02 2002

Spain
00 800 00 02 2002

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