



Milestones 2000

Corporate profile

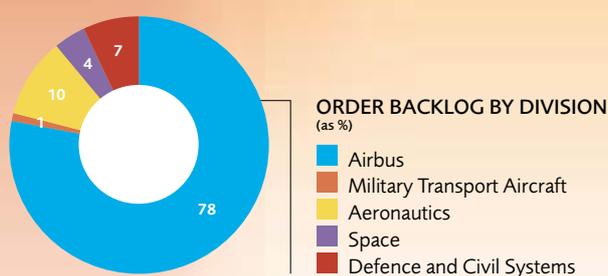
Formed in July 2000 through the merger of the businesses of Aerospatiale Matra, DaimlerChrysler Aerospace AG (Dasa) and Construcciones Aeronauticas SA (CASA), European Aeronautic Defence and Space Company EADS N.V. ("EADS") is Europe's leading aerospace and defense company and one of the three world largest in its industry. In terms of market share, EADS is among the world's two largest manufacturers of commercial aircraft, helicopters, commercial space launch vehicles and missile systems. EADS is also a leading supplier of military aircraft and satellites.

EADS in 2000

Millions of euros (pro forma) except work force

Revenues	24,208
Order intake	49,079
Order backlog	131,874
EBIT* (pre-goodwill amortization and exceptionals)	1,399
Work force (number of employees)	88,879

* Earnings before interest and taxes.



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Message from the Chairmen

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In terms of auspicious beginnings for a pioneering enterprise, the dawn of humankind's third millennium certainly qualifies. It was in the middle of the year 2000 that a vision — which the two of us had begun sharing much earlier — took corporate shape as European Aeronautic Defence and Space Company. In just a few months, we have seen how this single act has triggered far broader implications.

As the world's defense and aerospace industries enter a new era, we are now sure that EADS will be an essential participant: actively defining our roles in each segment that we have chosen, seeking partners who complement our expertise — and being sought as a required partner, too, by the industry's major players. Witness the formidable momentum built up as we created the integrated Airbus company, officially launched the Airbus A380, and signed strategic agreements with Northrop Grumman in defense electronics, with Finmeccanica in aeronautics and with Russian partners in a number of areas. All this would not be happening now had EADS not been founded last year.

In EADS we have built a robust platform that naturally draws highly talented people from across Europe and even beyond the continent. Their enthusiasm in this century-old aerospace industry is real, adding a still greater dimension to our undertaking. All our people are committed to a single goal: going further with our successful enterprise by building industry-leading products and offering innovative customer-driven services. We are proud to open this new chapter in aerospace conquest by enabling our talented teams to be still more successful by launching major new programs such as the A380 Superjumbo and the A400M military transport aircraft.



by Manfred Bischoff and Jean-Luc Lagardère

These lines that you are reading have been written for the entire EADS community, inside and outside the enterprise. This community of our corporate stakeholders ranges from those who own our shares to others who work in our ranks, and from those who rely on our products and services to still others who partner with us as suppliers.

We hope that you will read this report as a logbook of an exciting journey, and that you will want to join us in some way. Both of us guarantee you will get a warm welcome on-board.

Two handwritten signatures in black ink. The signature on the left is 'Bischoff' and the signature on the right is 'Lagardère'.

Chairmen of the Board of Directors

To our shareholders

Letter from the Chief Executive Officers

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by Philippe Camus and Rainer Hertrich, Chief Executive Officers

2000 is a milestone in the history of aerospace. It was the year of the creation of Europe's first aeronautics, defense and space company. The leading French, German and Spanish aerospace companies have united their forces to become a major international player on the aeronautics, defense and space markets.

The merger of Aerospatiale Matra, Dasa and CASA has been done in a very short time — 7 months only separate the signature of the agreement between these companies from the creation of EADS on July 10th, 2000.

This remarkable achievement was made possible by the commitment of the employees of EADS, who have received strong support from the shareholders. This support has encouraged us in our efforts.

Relying on the strong confidence of our shareholders, we as a group have achieved major successes in 2000. We have established many co-operations and partnerships: with the Italian Finmeccanica in military aircraft and in missiles, with the British BAE Systems to create the integrated Airbus company, with the American Northrop Grumman in maintenance and with the Russian industry. The agreements we have reached will foster our growth for the coming years.

For order intake, 2000 has been an exceptional year: 49 billion euros, more than 50 percent higher than in 1999. As a consequence, our order backlog at year end reaches a record level, covering more than 5 years worth of business.

In each division, major achievements have been realized: the launch of the Superjumbo of Airbus, the A380, which will enable us to compete on an equal basis with our main competitor; the big contracts for the transport helicopter NH90; the major progress on the military fighter aircraft, the Eurofighter; the positive decisions

on the military transport aircraft A400M program; the big contracts in missiles and the remarkable growth in encrypted digital telecommunications.

These good results have been reflected in the share value of EADS, which, at year end, had climbed by more than 30 percent since the IPO (Initial Public Offering), overperforming the stock market, which has decreased during the same period.

For 2001, several challenges are ahead of us, the most important of all being to succeed in the integration process and to create more value. The value of EADS is in the hands of the women and men who make up the Group. These people come from different cultural backgrounds, which is a great value for us, since this nurtures the creativity and the dynamism of our Group. We are making the most out of cross-cultural exchanges through the fully integrated teams who work on each project.

Concerning value creation, we are fully committed to our targets. We have identified the projects which will generate more than 600 million euros of additional profits by 2004. Two of these projects are the reorganization of the defense and space business, which already started. The mission and organization of the headquarters will also be rationalized to get a leaner and more efficient structure.

In addition, EADS Management is also focused on the implementation of business initiatives in the field of services and Internet technologies to streamline our business activities and processes.

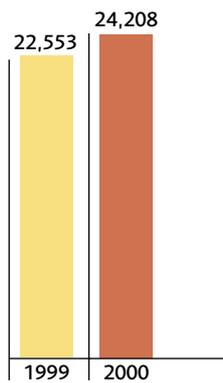
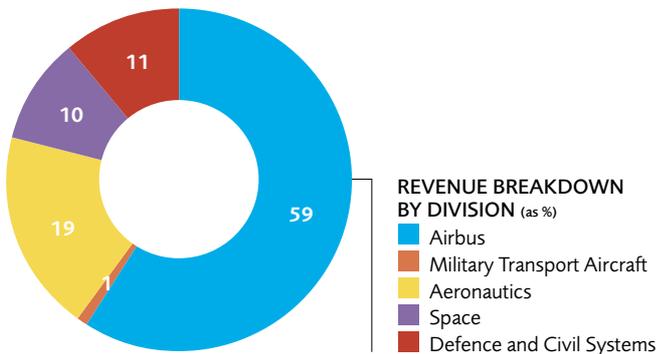
Our ambition is to make EADS the world leader of aeronautics, defense and space. We have had a good start in 2000, now we should capitalize on these successes and launch new programs which will drive our growth through the early decades of the 21st century.

Our motto has never been so true: let us do the step beyond!

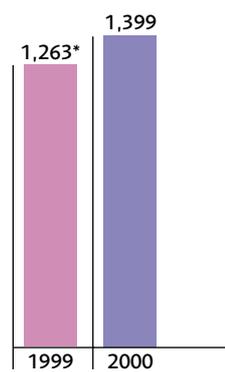


Chief Executive Officers

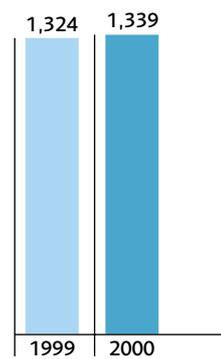
Key figures



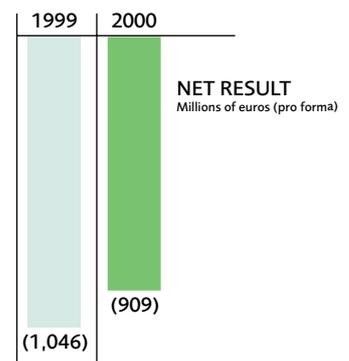
REVENUES
Millions of euros (pro forma)



EBIT pre-goodwill amortization & exceptionals
Millions of euros (pro forma)
* Excluding Sextant gain on disposal.



INTERNALLY FINANCED R&D
Millions of euros (pro forma)



NET RESULT
Millions of euros (pro forma)

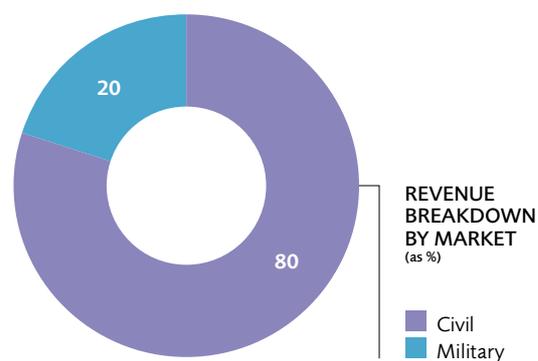
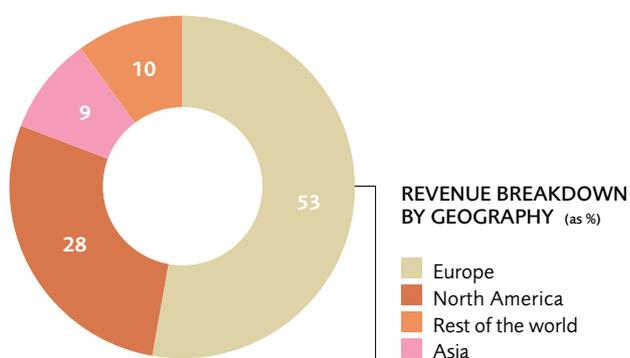
EADS's pro forma consolidated revenues for the full year 2000 rose 7.3 percent to 24.2 billion euros.

In 2000, EADS's profitability grew with pro forma earnings before interest and taxes (EBIT)⁽¹⁾ reaching 1.4 billion euros, 11 percent higher than the 1999 pro forma figure of 1.26 billion euros (adjusted for the gain of 182 million euros on the disposal of an interest in Sextant in 1999). This was achieved after a sustained R&D effort representing 5.5 percent of revenues.

Based on this very promising result, EADS is developing a solid growth strategy for the future, enabling the 2004 profitability target⁽²⁾ (set at the time of the initial public offering, or IPO, at 8 percent) to be raised to 10 percent.

EADS recorded a net pro forma loss of 909 million euros mostly on the one hand due to the high goodwill amortization and exceptional charges (in excess of 1 billion euros pretax) and on the other to the accounting principles applied to hedging positions stemming from procedures used prior to the merger. From 2001 onwards, the application of new accounting rules (IAS 39) will enable EADS to reduce substantially the volatility of the net income related to year-end dollar fluctuation.

(1) Defined as earnings before interest and taxes (EBIT), pre-goodwill amortization and exceptionals.
(2) EBIT in percentage of revenues.



At the end of 2000, EADS had a net cash position of more than 2 billion euros — an increase of 3 billion euros — due equally to the very strong free cash flow (which increased nearly 8 times) and to the capital increase resulting from the IPO.

The very strong order intake achieved in 2000 amounted to 49.1 billion euros, up 50 percent, demonstrating the company's exceptional performance capability. At year-end 2000, order backlog stood at 132 billion euros, representing more than five years of pro forma revenues at current levels.

Corporate governance

Board of Directors, Chairmen and Chief Executive Officers

The Company is governed by Dutch law and its Articles of Association. The Company has a single-tier structure — the Board of Directors — combining both executive and non-executive members. The Board is the highest decision-making body after the shareholders' meeting.

The Board of Directors is responsible for the affairs of the Company. The role of the Board of Directors is to ensure that the Company is operated to maximize shareholder value in accordance to the law and the established rules of Corporate Governance, taking into account maintaining good relationships with the Company's employees and customers.

The Board of Directors comprises eleven members, appointed and removed by the shareholders' meeting. The Board of Directors has an equal number of Directors proposed by DaimlerChrysler and by SOGEADE⁽¹⁾ respectively and one Director proposed by SEPI⁽²⁾, plus two independent Directors.

The Board of Directors has appointed from among its members the two Chief Executive Officers (CEOs) responsible for the day-to-day management of the Company and has designated its two Chairmen to ensure the smooth functioning of the Board of Directors and to support the Chief Executive Officers of the Company with regard to top-level strategic discussions with outside partners.

Beyond applicable Dutch legal constraints, the Board of Directors has also adopted its own internal rules to provide modern Corporate Governance principles. In particular the Board of Directors has formed two standing committees from its members:

- The Audit Committee, which makes recommendations to the Board of Directors on the appointment of auditors, the approval of the annual financial statements and the interim accounts, and monitors the adequacy of EADS's internal controls, accounting policies and financial reporting, and the Audit Committee meets at least twice a year. It is chaired by Manfred Bischoff and Jean-Luc Lagardère and also includes Louis Gallois and Eckhard Cordes.
- The Personnel Committee, which makes recommendations to the Board of Directors regarding appointments to the Executive Committee, remuneration strategies and long-term remuneration plans and decides the service contracts and other contractual matters in relation to the Board of Directors and Executive Committee members. The Personnel Committee meets at least twice a year. It is chaired by Manfred Bischoff and Jean-Luc Lagardère and also includes Philippe Camus, Eckhard Cordes, Louis Gallois and Rainer Hertrich.

Topics discussed during the Board meetings relate mainly to EADS strategy, major business issues, major investment projects, and financial results and forecasts.

(1) Lagardère together with French financial institutions and Sogepa (French state holding company).

(2) Spanish state holding company.

Members of the Board of Directors

Manfred Bischoff

*Member of the Management Board of DaimlerChrysler
Chairman of the Board of Directors of EADS*

Jean-Luc Lagardère

*General and Managing Partner of Lagardère
Chairman of the Board of Directors of EADS*

Philippe Camus

Chief Executive Officer of EADS

Rainer Hertrich

Chief Executive Officer of EADS

Axel Arendt

Chief Financial Officer of EADS

Eckhard Cordes

*Member of the Management Board
of DaimlerChrysler*

Pedro Ferreras

President of SEPI

Noël Forgeard

Airbus Chief Executive Officer

Jean-René Fourtou

Vice President of Aventis S.A.

Louis Gallois

President of SNCF

Michael Rogowski

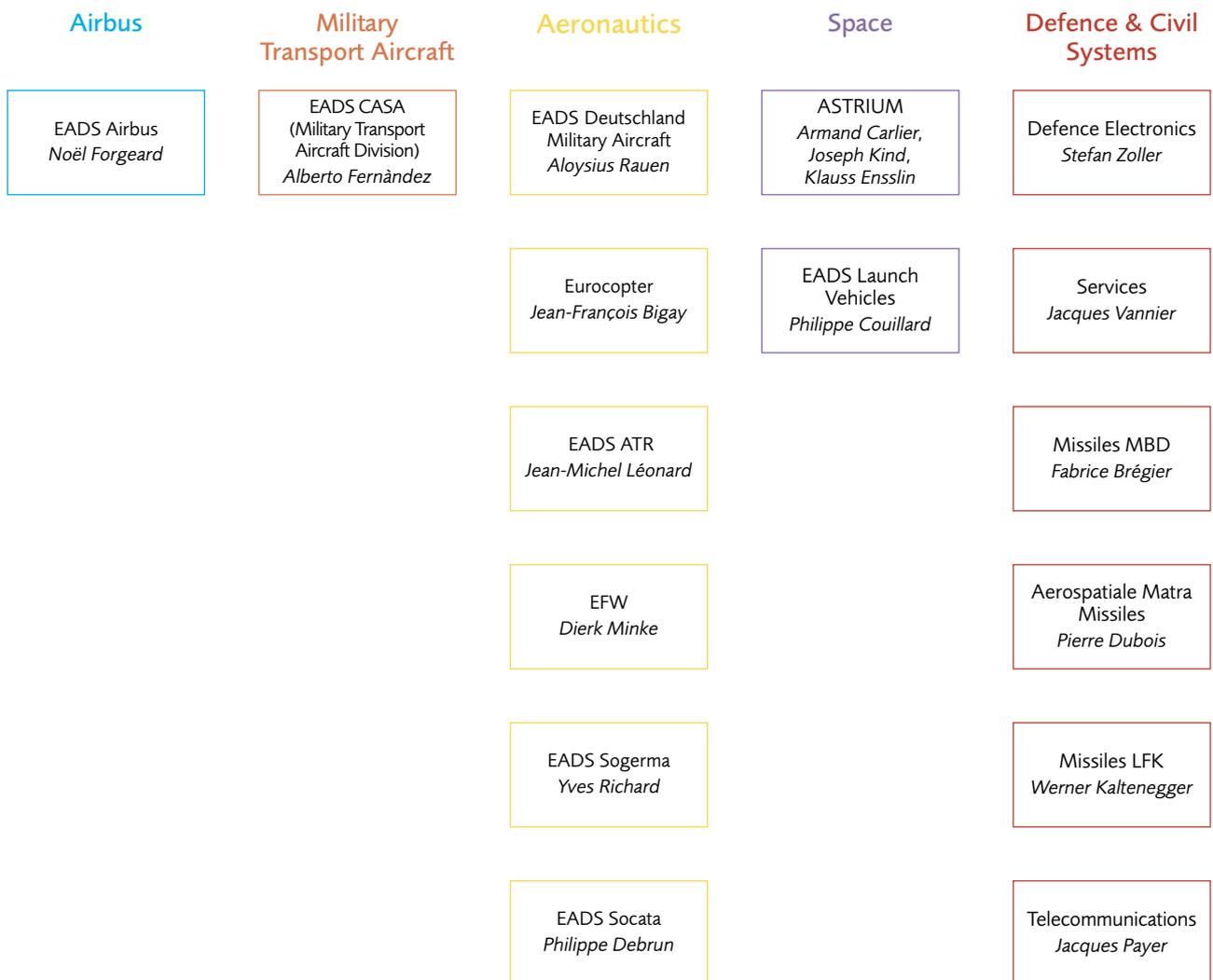
Chairman of the Supervisory Board of J.M. Voith AG

Business structure

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With the lean management structure that EADS has set up, the heads of five operating divisions — Airbus, Military Transport Aircraft, Aeronautics, Space, Defence and Civil Systems — report directly to the CEOs. Each of the five operating division heads is responsible for profit and loss as well as meeting profitability targets.

EADS simplified operating structure



Executive Committee

The CEOs are supported in their operational tasks by an Executive Committee made up of the heads of each operational division and of the heads of the three major functions of the Company. Such Executive Committee chaired by the CEOs is made up of 11 members.



Members of the Executive Committee

Front row (left to right)

Axel Arendt
Chief Financial Officer

Rainer Hertrich
Chief Executive Officer

Philippe Camus
Chief Executive Officer

Alberto Fernández
Military Transport Aircraft Division

Noël Forgeard
Airbus Chief Executive Officer

Back row (left to right)

Dietrich Russell
Aeronautics Division

François Auque
Space Division

Jean-Paul Gut
Marketing

Jean-Louis Gergorin
Strategic Coordination

Thomas Enders
Defence and Civil Systems Division

Gustav Humbert
Airbus Chief Operating Officer

Road maps for future growth

Maximizing benefits from new opportunities

With the creation of EADS, a whole new set of opportunities is open for the future of the aeronautic, defense and space industries.

Building on the strengths of the successful integration of existing businesses and the leverage of the resulting additional value, EADS is addressing three main challenges: further consolidation in Europe, in both the industry and our customer base; transatlantic relationships to achieve global reach; and business initiatives in cross-divisional activities, e-business and full-package solutions.



Jean-Louis Gergorin
Executive Vice President,
Head of Strategic Coordination

Core integration advantages

The creation of EADS triggered the most significant step in the consolidation of the commercial aircraft industry. After 30 years of partnership, a fully integrated Airbus company is currently being founded. This major step forward was a direct consequence of the merger of three of the four Airbus consortium members into EADS. This new company is to be owned 80 percent by EADS, and 20 percent by BAE Systems. Announcement of the new Airbus company's creation spurred the launch of the biggest commercial aircraft ever, the A380, within a structure that combines strengths and reduces costs.

At the same time, EADS's missile systems operation (MBD and Aerospatiale Matra Missiles), which were already Europe's largest, will be reinforced and extended with the contribution of Aerospatiale Matra Missiles and the missile systems operations of Alenia Marconi Systems, resulting in MBDA and achieving a leadership position in its industry.

Beyond redrawing existing partnerships, EADS is also negotiating a new joint-venture with Italy's Finmeccanica focused on military aircraft: European Military Aircraft Company (EMAC).

As Europe's first integrated aeronautic, defense and space company, EADS is a major contributor to the creation of a harmonized European government customer base. Examples include the successes — against strong international competition — of the Airbus A400M military transport and the next-generation Meteor medium-range air-to-air missile.

Clearly, within Europe's aerospace industry, EADS is the prime mover and integrator.



Transatlantic ties, global reach and R&T

In transatlantic defense relations, EADS has set up partnerships with major American companies such as Northrop Grumman for defense electronics, air ground surveillance and maintenance, Boeing for the Meteor missile, and is discussing potential co-operation agreements with Lockheed Martin and Raytheon.

EADS is also extending its global reach by negotiating partnerships with strong regional leaders such as Embraer and through global cooperation agreements with some major countries like Russia.

Direct control of strategic technologies is a key competitive edge for EADS. Sharpening, owning and improving technological advances have the highest priority. Carbon fiber, avionics, adaptive structures and telecommunications are all examples of dual-use technologies which will ensure EADS a clear advantage in the years to come.

Business initiatives

Multi-divisional products — such as mission aircraft, Unmanned Aerial Vehicles (UAVs) and in-flight entertainment systems — are being emphasized, enabling us to develop “full-package solutions” that are tailored to evolving customer needs. The range of EADS's in-house platforms gives us the potential to extend our prime contracting and leadership roles to most business segments.

Growth

New opportunities
Services

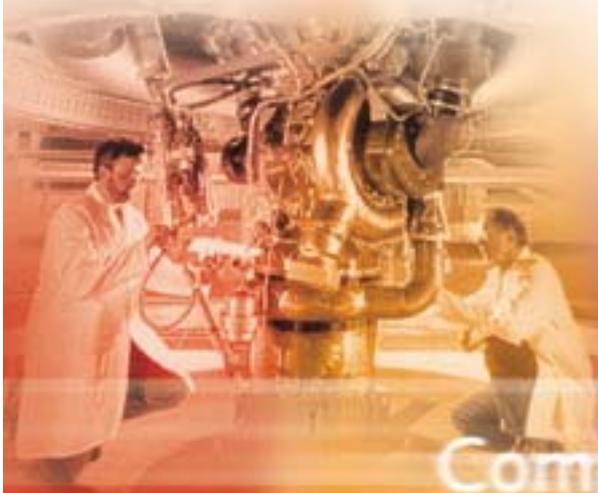
As growth in services is much higher than the average in industry, EADS has an opportunity to develop existing activities further and expand our business base. We are focusing on customer preference for complete service solutions. In particular, military outsourcing is expected to grow substantially, offering EADS a business area that is both large and expanding. We also believe in the profitability of customer support services, and have launched initiatives to address these needs, including acquisitions.

Lastly, e-business is strategic in streamlining our business processes. It is a key driver of the integration process, accelerating information flows and boosting productivity. We are currently focusing on collaborative development of products and programs, supply chain integration beyond electronic data interchange (EDI), e-procurement of non-strategic goods, sourcing management of strategic goods, online customer care and services, and improved internal process efficiency.

From left to right: ASAPS structure, Airbus A380, A400M.

Even though the first major round of restructuring in Europe's defense and aerospace industry has taken place, EADS will implement continuous actions to streamline our portfolio further, gain greater market access and sharpen our competitive edge, thus expanding our opportunities for profitable business in all major global markets.





Integrated marketing

Competitive advantage

Value creation



Success through integration

Integrated sales and marketing

A new, fully integrated international sales and marketing organization has been set up and structured around regional directorates with centrally based staff services. The French, German and Spanish marketing organizations and international networks now form a highly competitive, business-oriented unit dedicated to strengthening EADS's position in its export markets.

Jean Paul Gut
Executive Vice President,
Head of EADS International



By working closely with the divisions and business units, EADS International is also a platform for delivering customers optimum pre- and after-sales services. With 32 offices covering 70 countries, it is critical in achieving the 70 percent of consolidated revenues that EADS generates in markets outside its home bases and therefore a key to business success.

The creation of EADS International consolidates our worldwide operations and forges new opportunities in such highly promising new markets such as Australia, Singapore and the Middle East.

Merger integration

A dedicated company-wide Merger Integration team has been set up to ensure that value targets will be reached. In a first phase, more than 600 projects were identified that touch almost all facets of the company.

Line management is fully committed to this process, and the Merger Integration team is continuing to accompany and support the projects.

Harmonized purchasing process

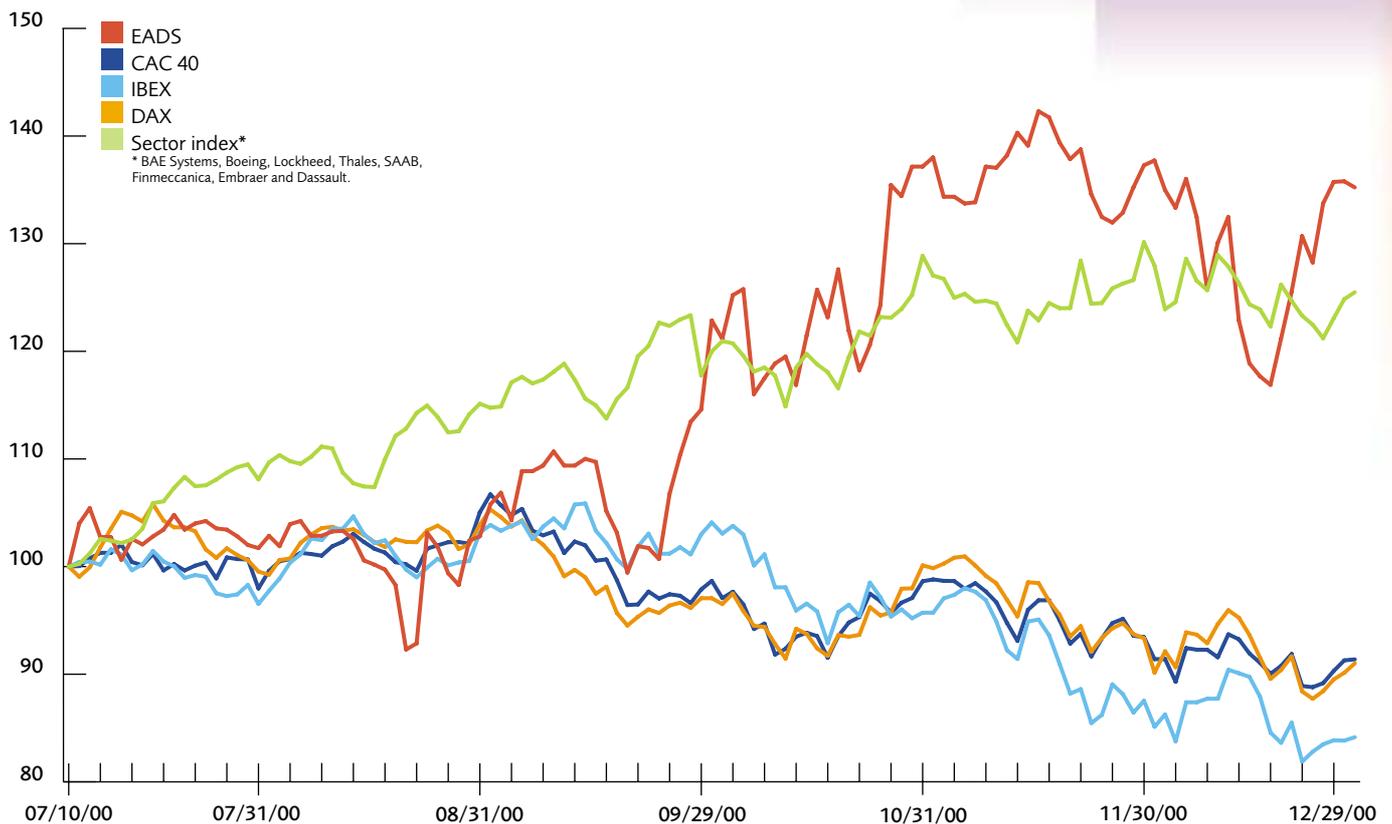
The corporate sourcing and purchase organization has been reshaped into a sourcing network. A joint purchase sourcing strategy was defined to implement harmonized purchasing processes. Special emphasis is being put on joint procurement as well as on strategic management of supplier relations.

Overall, our harmonized sourcing strategy will account for approximately half of the recurring value creation of 600 million euros by 2004.

EADS in financial markets

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SHARE PRICE FROM JULY 10 TO DECEMBER 29, 2000
Base 100, July 10, 2000



- **Stock Market Places:**
Paris, Frankfurt, Spanish markets
- **Euroclear code:** 5730
- **Number of issued shares:**
807,157,667
- **Par value:** 1 euro

EADS SHARE PRICE EVOLUTION
FROM JULY 10 UNTIL DECEMBER 29, 2000 (in euros)

	Highest	Lowest	Year-end
Paris	25.20	16.05	23.66
Frankfurt	25.90	16.00	23.10
Spanish markets	25.10	16.10	23.30

INVESTOR RELATIONS AND FINANCIAL COMMUNICATION

A dedicated eight-person investor relations team was set up in 2000 to keep shareholders informed, whether they are individual shareholders, employees or institutions. To fulfil this role the Investor Relations and Financial Communication Department offers a variety of information sources. Starting in April 2001, a quarterly newsletter called *Aero-notes* provides information on EADS's finances, strategy and products.

A Web site, www.eads.net, also provides a wide range of information including on financial topics. Special toll-free lines are available to our shareholders:

France: **0 800 01 2001**

Germany: **00 800 00 02 2002**

Spain: **00 800 00 02 2002**

Investors from other countries may call +33/1 4133-9094.

An email box is dedicated to answering shareholders' inquiries: comfi@eads.net

The Annual General Meeting and Information Meetings in France, Germany and Spain are still other opportunities for shareholders to ask questions to EADS management.

In 2000 EADS has created value for its shareholders

The stock performance of EADS since its inception has been strong in terms of stock price evolution as well as in terms of daily trading volumes.

Since July 10, and as of year-end 2000, the stock price has increased 31.4 percent to 23.66 euros compared to the introduction price of 18 euros for individual shareholders.

In the same period, the market capitalization of EADS has grown from 14 billion euros to more than 19 billion euros, creating value of over 5 billion euros for our shareholders.

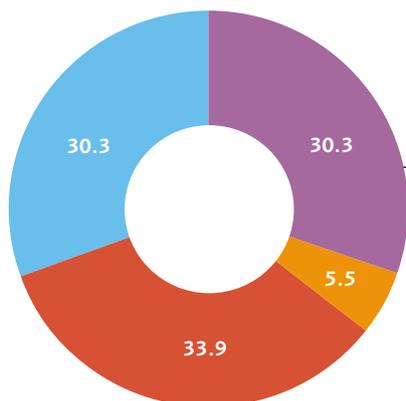
Having been integrated in the CAC 40, EADS outperformed the index, which itself decreased 8.6 percent during the same period. This performance was achieved in an environment of extreme volatility and disappointment with technology companies.

This is the recognition by financial markets of the strategic vision which led to the creation of EADS. In a very volatile environment, EADS has gradually built up a confidence level and become a preferred stock for many investors due to our exceptional visibility (a five-year

order backlog) and its leading position in growing markets. The great majority of analysts recommend buying the stock.

Volumes traded have also been satisfactory showing good liquidity, since the average daily trading volume has been around 1.8 million shares. This shows that the 30-percent free float of EADS, although small, has not been detrimental to investors.

The EADS Board of Directors will propose to the Annual General Meeting a dividend of 0.50 euro per share for the 2000 financial year.



CAPITAL STRUCTURE ON JANUARY 10, 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.

Review of operations



From left to right: A340, NH90, Ariane 5, Mars Express, C295, Meteor, Eurofighter.

Worldwide leadership positions

Commercial aircraft	No. 2
Helicopters	No. 1
Commercial launchers	No. 1
Satellites	No. 3
Missile systems	No. 2
Military aircraft	No. 4





AIRBUS DIVISION

Millions of euros (pro forma)	2000	1999	Variation %
Revenues	14,856	12,639	+ 18%
EBIT**	1,412	925	+ 53%
Order intake	34,158	20,700	+ 65%
Order backlog	104,387	79,500	+ 31%
Work force*	33,927	31,534	+ 8%
In number of aircraft			
Deliveries	311	294	+ 6%
Order backlog	1,626	1,445	+ 13%

* In number of employees. **Pre-goodwill amortization and exceptionals.

Thanks to its strong market performance and increase in aircraft deliveries, EADS Airbus division's EBIT rose 53 percent. In total, at year-end 2000, Airbus had an order backlog totalling 1,626 aircraft, covering five years of business activity at current levels and placing Airbus worldwide No. 1.

Airbus

Breaking down boundaries

When first set up 30 years ago, Airbus's goal was to pool European capabilities and technological resources to build an aircraft that would reliably and cost-effectively carry passengers in true wide-body comfort. By the dawn of the 21st century, Airbus had far surpassed those original ambitions, having developed an entire family of advanced aircraft to suit every need of the global marketplace.

With the launch of the A380, Airbus has again demonstrated its market-driven ability to see beyond the horizon, re-inventing flight with imagination, skill, and proven technologies. And the A380 is just one facet of that ability. As people all over the world discover the affordable pleasures of living without boundaries, they will also delight in the entirely new way to fly that Airbus aircraft provide.

Strength in an expanding market

Operators of Airbus fleets love the family. With order intake exceeding deliveries, Airbus is increasing production capacity to record levels. A total of 520 aircraft worth a record 33.6 billion euros were ordered in 2000. For the sixth consecutive year, order backlog continued to grow, reaching a record level of 1,626 aircraft worth 104 billion euros and representing more than five years of production at current levels.

The market success of the A380 super-jumbo crowns this exceptional sales performance. The all-new A380 — capable of carrying 555 passengers faster and in greater comfort than ever before — won 50 customer commitments during 2000 from leading companies from all over the world (such customer commitments being subject to

signing final agreements). Airlines want the A380 because it allows them to expand their operations cost-effectively with the most advanced and spacious airliner in the market. Airports want the A380 because it provides the best response to growing air traffic.

Noël Forgeard
Airbus Chief Executive Officer,
EADS Board Member,
Head of Airbus division



And passengers want the A380 because it will set a new standard in comfort for all. Its advanced technology makes it more friendly towards the environment and operationally more profitable. In short, it's a win-win jet.

Above 4,000... and climbing

Next-generation aerodynamics

Flight is a factor of speed and lift. In the technologies and products of the aerospace industry, Airbus has more than achieved critical take-off levels for speed and lift.

The name Airbus is synonymous with lower operating costs for airlines, greater passenger comfort and more advanced flight technology: flying faster, better and farther with Airbus.

Climbing — at 4,000+ aircraft

The total number of orders for Airbus aircraft since its creation surpassed 4,000 last year, and the order backlog extended five years into the future, totalling 1,626 aircraft. Customers in the highly competitive industry of air travel can hardly be wrong: they buy the market's most efficient products to enhance their profitability. In the air transportation industry, the solution of choice is clearly the Airbus family. Because of this, Airbus has continually increased its market share.

Why? Operational efficiency is the first and last word in analyzing Airbus's unique market success. This is because every Airbus aircraft belongs to a single family, sharing the same cockpit, flight deck and spare parts, thus saving time and money for operators in terms of pilot training and maintenance as well as in other areas. Airbus fleet operators now number 188 — 10 more than in the previous year. Deliveries reached a record 311 aircraft, (6 percent higher than in 1999), with a total of 2,499 delivered since the creation of Airbus 30 years ago.

This performance highlights Airbus's ability to meet sustained growth targets by steadily increasing production output.

Performance milestones

Several important milestones were reached in Airbus's most recently launched programs. The high-capacity and ultra long-range A340 models went into final assembly, with the first A340-600 completed in September 2000. Following their installation in November 2000, the aircraft's Trent 500 engines gained flight certification ahead of

schedule. Production of the first A340-500s (slated for delivery in 2002) is well under way.

At the other end of the scale, first metal was cut for the A318, the newest and smallest member of the A320 family. Full-scale production is now progressing, with the aircraft's first flight set for early 2002.

Single management team

In the middle of the year Airbus's shareholders — EADS with 80 percent and BAE Systems with 20 percent — announced their decision to integrate all Airbus operations in a single operating company, replacing the "economic interest grouping" consortium structure (often referred to by its French acronym, "GIE") which Airbus had outgrown. Although the "GIE" was ideal for pooling skills and resources to establish a position in a highly competitive market, Airbus's shareholders recognized that the company would benefit from a new integrated corporate organization to centralize management control over every aspect of the business. The decision to launch the A380 superjumbo project reinforces the wisdom of the move.

In the wake of the announcement, Airbus began restructuring its operations. All design, engineering and manufacturing assets located in France, Germany, Spain and the U.K. are to become part of the new Airbus company. It will be managed on a day-to-day basis by a single management team. This consolidation process continued smoothly during the second half of 2000, with the new operational structure largely in place by year-end 2000.

Formal completion of the agreements related to the Airbus integrated company



Gustav Humbert
Executive Vice President,
Airbus Chief Operating Officer

INDUSTRY LEADERSHIP

With more deliveries in a single year than ever before, and with the strongest sales on record, Airbus successfully maintained its industry-leading position. Orders rose to 520 aircraft, worth 33.6 billion euros — 9 percent above the previous year's levels — and four new customers were welcomed on board. Year-end backlog included 1,626 aircraft, ranking Airbus No. 1 worldwide for the first time ever, with a market share slightly over 50 percent.

COMPANY STRUCTURE

ADOPTED The Airbus partners agreed in 2000 to transform their consortium structure into an integrated company whose single management has profit and loss responsibility over every aspect of the business. The new structure will increase savings and enhance efficiencies, generating value creation.

RANKED FIRST AGAIN

For the third consecutive year, a poll of operators and investors conducted by Airfinance Journal ranked the A320 aircraft first in its class. The A320 family in fact took the poll's top three places, and Airbus aircraft drew praise for their "re-marketability" potential and high residual values.



From left to right: maintenance activity, Airbus A320, A321.

— known under French law as a “Société par Actions Simplifiée” — is scheduled for the first half of 2001, but with retroactive effect to January 1, 2001.

Additional value expected

So, in addition to marketing, customer support, management and co-ordination of manufacturing and engineering operations (previously consolidated in the GIE), Airbus is also becoming fully and

directly responsible for all design, engineering and production operations. With this full integration, Airbus achieves even greater efficiencies through concentration of purchasing power, elimination of duplication, enhanced reactivity and direct control over costs. The targeted amount of recurring value creation from synergies is approximately 350 million euros a year by 2004.

By further consolidating its position as market leader, Airbus is positioned to face the challenges of the new century: above all, delivering customer satisfaction and shareholder value.

Airbus

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Beluga.

The highly popular A320 family enjoyed another successful year,

winning 388 firm orders from 35 customers (including 41 for the recently launched 107-seat A318). Most of the year's orders were repeats from existing customers, highlighting their satisfaction with the product. Overall, 130 airlines and operators have selected the family, which maintains its leadership in its category, with a 53-percent market share.

The A330/A340 family booked 130 orders from 14 customers for its medium- to long-range airliners, giving the family a commanding lead in its market. Breakthrough deals came from Australia's Qantas in its first-ever order for Airbus, and Scandinavia's SAS, which became a new family customer during the year. The high-capacity and ultra-long-range A340-500 and -600 aircraft drew renewed interest, with orders for the family's most recent arrivals rising to 124.

The A300/A310 family logged two orders for its freighter version (the A300-600R) and had an order backlog of 30 aircraft at year-end.

A380 LAUNCH CUSTOMERS

Placing customer commitments for 50 aircraft (plus options), Airbus's customers provided ample momentum for the launch of the A380, the world's most advanced and spacious airliner ever.

The flagship of the 21st century, when it enters service in 2006, will feature double decks with a capacity of 555 passengers and a range of 14,200 kilometers to 16,200 kilometers.

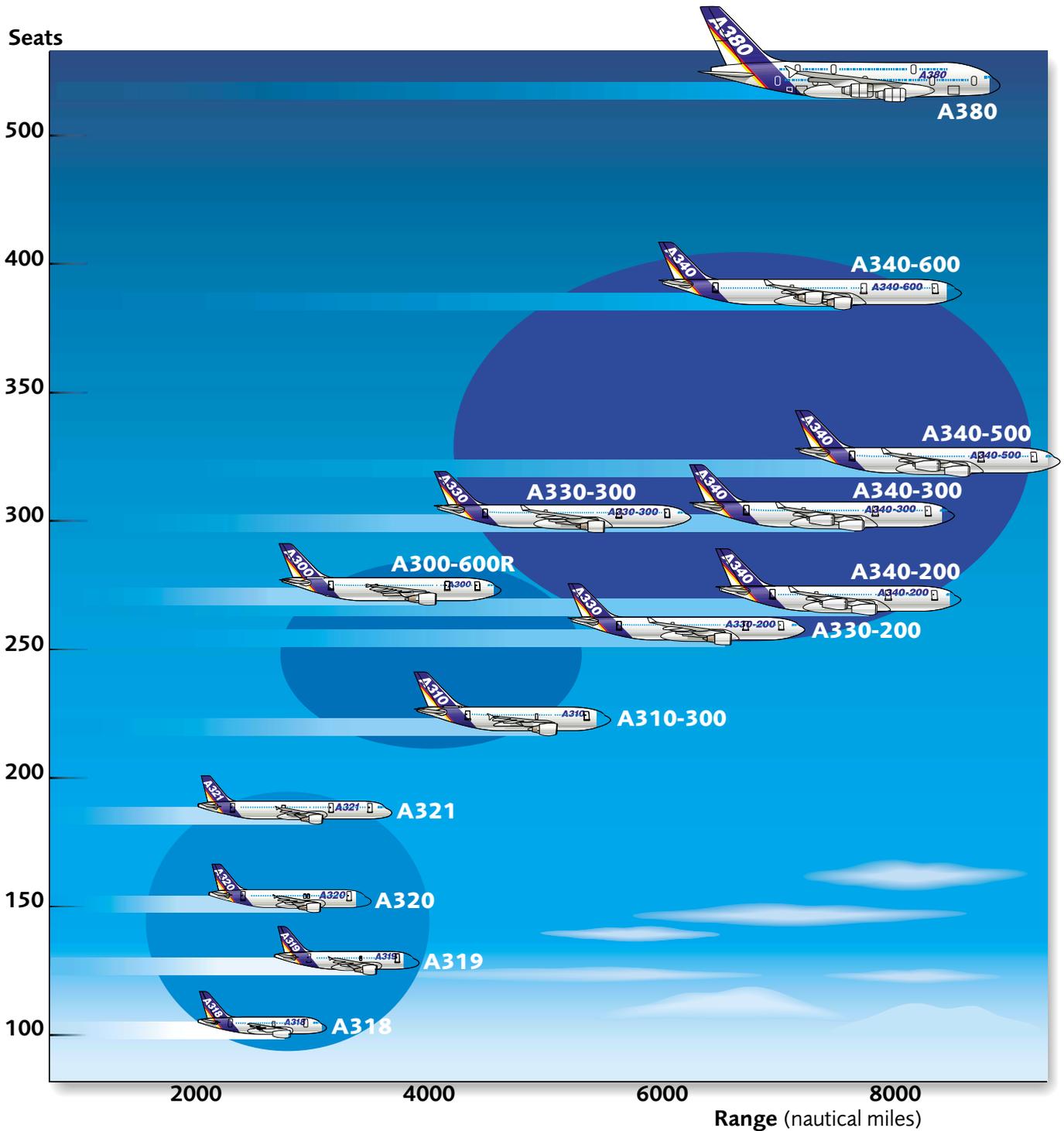
RECORD LAUNCH SPEED

The A380 launch decision was made on December 19, 2000, in record time. Only six months elapsed between the "Authorization to Offer" and the booking of 50 customer commitments from six world-renowned customers (in chronological order): Emirates, Air France, ILFC, Singapore Airlines, Qantas, and Virgin Atlantic — plus options for more. Early in 2001, the A380 program received 12 additional customer commitments from two other airlines.

CORPORATE JETLINER SUCCESS

Qatar Airways has become the first airline customer for the Airbus Corporate Jetliner (ACJ), placing a firm order for one aircraft and taking an option on another. Priced approximately the same as a top-of-the-line business jet, the ACJ has the largest and most flexible cabin available today, and shares full operational commonality with the other members of the A320 family.

The Airbus family concept: existing and future programs



The 21st-century Superjumbo

Imagining the future of flight

Officially launched in December 2000, the A380 is the most advanced and spacious airliner ever designed. It represents the culmination of the most extensive peace-time engineering effort in history, heralding a new age in air transportation. When it enters service in early 2006, the A380 will boast more capacity and greater passenger comfort than any other aircraft to date. And it will set a completely new standard in the way people fly.

Responding to air traffic evolution

Built to the latest and most stringent certification requirements, the A380 will embody the most advanced technologies, deliver 15-20 percent lower operating costs than the largest aircraft flying today, 10-15 percent more range (14,800 km of range for the baseline version) and seat 35 percent more passengers — up to 555 in three classes — on two decks that are nearly 50 percent more spacious. In addition to a baseline passenger aircraft, stretch, shrink and extended-range variants will become available as and when the market requires them.

The A380 has been designed in close collaboration with 20 major airlines and 50 airport hubs as well as many suppliers and production partners to guarantee a market-matched product. It is compatible with planned infrastructure at all major airports. The A380 will provide the optimal solution for traffic growth and congestion on high-capacity routes.

Filling a market gap

In-depth and continual analysis by Airbus and most industry experts shows a market for some 1,235 aircraft with more than 400 seats over the next two decades — plus 315 freighters capable of lifting more than 80 metric tonnes. While Airbus was the first to anticipate fragmentation (and already supplies dedicated aircraft for the continued dispersion of service types), it also foresaw an inevitable need for an all-new very large aircraft for high-capacity trunk routes. This view has since been proven by the market's positive response to the A380.

Airbus intends to capture at least half of this market of 1,550 aircraft, repre-

senting more than \$343 billion in revenues for Airbus over the next 20 years.

High-tech harnessed for competitiveness

All leading-edge technologies adopted for the A380 have been carefully studied to determine their effects over the aircraft's lifetime. They must be proven to be fully mature and capable of delivering long-term benefits before selection. An array of new materials, manufacturing processes, systems, engines and aerodynamic design will provide considerable weight savings, lower fuel burn, reduced emissions and lower operating costs.

Forty percent of the aircraft's structure and components will be manufactured from the latest generation of carbon composites and advanced metallic materials, which offer reduced weight and improved maintainability. The A380 will be the first commercial airplane with a carbon fiber central wingbox, while the empennage, upper-deck floor beams and pressure bulkhead will be made of carbon fiber-reinforced plastic. Extensive use will also be made of thermoplastics, and the upper fuselage shell will be manufactured from a new glass-fiber/aluminum laminate material which saves weight and offers superior resistance to fatigue, damage, fire and corrosion.

Several innovative techniques will be applied to A380 manufacturing. Laser-beam welding, for example (used to attach the lower fuselage shell stringers) will eliminate fasteners, save weight, offer superior damage and fatigue tolerance and be much faster than conventional riveting.

Used for the first time on a commercial airplane, the A380's variable-frequency

ADVANCED MATERIALS ENGINEERING

Carbon-fiber reinforced plastic, advanced aluminum alloys and thermoplastics will be used in manufacturing the A380, saving weight and improving its aerodynamic performance. Lower weight in turn generates less fuel burn (reducing emissions) and lower operating costs.

A TRULY GLOBAL PRODUCT

Airbus centers of excellence spread across Europe are joining forces with other world-class companies to build the A380, and framework agreements have been signed with nine risk-sharing partners to date. Engines will come from the U.K.'s Rolls Royce and the U.S.'s Engine Alliance (a joint venture formed by General Electric and Pratt & Whitney).



Interior of A380.

electrical generators will be simpler, lighter, more efficient and twice as reliable as traditional constant-speed drives, while the hydraulic system will have an increased pressure of 5,000 psi, instead of the traditional 3,000 psi. This will provide the increased power needed for the A380's flying controls, while the reduction in component size, connections and piping will save weight and improve maintainability.

Meeting environmental goals

At all levels, the A380 represents an advance in environmental-friendliness. Its engines, while delivering enormous thrust, will feature reduced noise levels, emissions and fuel consumption. Despite its prodigious size, the A380 will in fact be quieter than today's largest airliner.

Burning 15 percent less fuel per passenger carried than the largest aircraft fly-

ing today, the A380 will considerably minimize polluting emissions in the landing/take-off cycle as well as greenhouse gases in the higher atmosphere.



From top to the bottom: A400M - C295 - C212 Marine.

MILITARY TRANSPORT AIRCRAFT

Millions of euros (pro forma)	2000	1999	Variation %
Revenues	316	241	N.C.**
EBIT***	(63)	(20)	N.C.**
Order intake	493	600	N.C.**
Order backlog	873	700	N.C.**
Work force*	3,548	3,201	N.C.**

* In number of employees.

** 1999 and 2000 are not comparable due to the evolution of perimeter.

***Pre-goodwill amortization and exceptionals.

The Military Transport Aircraft division recorded a decrease in its EBIT.

The division's major future program, the Airbus A400M, is still in its pre-development phase and there are further investments in the C-295 military transport aircraft and the aerostructure business.

Military Transport Aircraft

Efficient force projection

The Military Transport Aircraft division has held average market shares of 21 percent for the C-212 segment and 45 percent for the CN-235 and the C-295 segment over the last five years. With the positive decision in 2000 of the Airbus A400M program (the official designation of what had been known as Europe's "future large aircraft"), EADS will expand still further its ability to serve both armed and peacekeeping forces around the world.

The division's products cover a range of fixed-wing air transport and special-mission needs, serving in forces from police and local levels to strategic international applications. From head offices in Spain, it addresses global markets with customized products and services. The division is playing a strategic role within EADS, supplying mission and derivate aircraft with division and Airbus platforms.

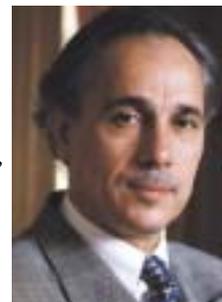
Meeting customer needs

New customers continued to find competitive solutions to their military transport needs with us during the year. In a major breakthrough swelling our orders and year-end backlog, the Swiss Air Force intends to choose our C-295 to add to its fleet despite tough bidding from a North America supplier. A Mexican security force took delivery of a CN-235, and their number in operation in the French Air Force reached seven in 2000. In the light transport family, orders for C-212 aircraft from the Dominican air force fueled both the order book and the sales achievements of 2000.

At the other end of the range and in services, the division was selected to perform a fleet-wide upgrade of heavy maritime patrol aircraft serving in the Spanish air force. Also in services,

important certification of new maintenance programs was achieved in both North America and Europe during the year, paving the way for new revenue streams such as "power by the hour" to a growing number of air forces.

Alberto Fernández
Executive Vice President,
Chairman of EADS CASA Board,
Head of Military Transport
Aircraft division



With responsibility for the overall A400M program management exercised by the Military Transport Aircraft division, and with Airbus Military Company acting as prime contractor, the scope of our expertise can only grow.

A400M: a European program

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From left to right: A400M and C295.

Cost-effective force deployment

Formed around the original Airbus partners along with newcomers, a company dedicated to military transport was set up in 1999.

The company, known as Airbus Military Company (AMC), now includes members bailing from nine NATO nations whose home defense ministries have announced plans to order the Airbus A400 military aircraft. The result: volume production of the A400M, the first in a new series of military transport aircraft — and a pioneer in next-generation defense procurement procedures based on civil practices.

FAA SERVICE CERTIFICATION

The U.S.'s Federal Aviation Administration and its Spanish counterpart have certified the C-295 maintenance programs for both military and civil aircraft. Separately, Austria's and France's air forces (both CN-235 operators) as well as a Spanish maritime C-212 operator are customers of the division's full in-service support services, known as "power by the hour".

TURKISH TRANSFER The first of nine CN-235s that are to come off an assembly line in Turkey reaches the final stages. As a result of the industrial cooperation program involving transfer to Turkey of the assembly capability, a total of sixty-one CN-235s will be in service in the country.

POSITIVE DECISION ON A400M This program received in mid-2000 an official commitment from the initial partner countries for a total requirement of 225 aircraft. Since then, Portugal has joined the program, bringing the total "domestic market" to 229 aircraft.

Responding to security threats

EADS and BAE Systems, acting through Airbus Industry, with the other industrial partners (Italy's Alenia, Belgium's Flabel, Turkey's TAI) have set up a dedicated company "Airbus Military Company" to manage the A400M program.

Featuring greater range and higher speed, the A400M will be built using a similar management structure to the one used by Airbus for civil applications. In all, based on current orders, EADS workshare is amounting to 65.5 percent. Along with other new projects launched by EADS, the A400M secures future profitable growth.

Europe's air forces today rely on more than 400 military transport aircraft most of them being of 30 years old which need to be replaced. Without the A400M, these air forces would have no European strategic and tactical transport solution. Additionally, alternatives for fleet replacement outside of Europe often lack the size, capability or price options that the forces would like. In contrast, the A400M is designed precisely to target these forces' requirements, and it is being developed and built with local European industrial resources.

Governments also recognize the advantages procured for their defense budgets when the commercial practices of civil programs are used on military projects. Additionally, the proven computerized flight management and control systems deployed throughout the Airbus family can benefit the A400M along with Airbus advances in alloys, composite structures and aerodynamics as well as integrated monitoring and diagnostic maintenance.

Market-competitive performance

Because the A400M was designed to fit with the specifications set out by its largest potential buyers, it beats the market competition in terms of operational characteristics. It lands on and takes off from unprepared runways (including "soft fields") while still carrying large payloads. Powered by four high-speed turboprop engines, which optimize take-off and landing performance, the A400M cruises efficiently, makes steep descents and maneuvers easily on the ground. Per-mission fuel consumption is 15 percent lower, too.

Its operating range of 2,500 nautical miles enables the A400M to attain a new level of effectiveness for a tactical airlifter. It will be able to reach any destination worldwide at high speed and not only be refueled in flight if necessary but also — when configured as a tanker — refuel large helicopters and combat aircraft in flight.

Current customer commitments ensure the A400M will make its first flight, on schedule, in 2005.

Maritime patrol

The robustness of the division's tactical transport aircraft is evident in their ability to be adapted and upgraded to various new mission capabilities and challenges. Assignments for maritime aircraft also include service-life extensions with technology retrofits. For the Spanish air force's fleet of P-3B Orion aircraft, the division is performing a major upgrade program. Experience gained in this regard is useful positioning as other P-3 fleet operators seek to extend their aircraft's service lifetimes.

For example, the U.S. Coast Guard is actively implementing its Deepwater

Capability Replacement Project to ensure the timely acquisition of the resources that will satisfy the Coast Guard's mission needs. The Deepwater Project seeks to renovate, modernize, and/or replace the Coast Guard's entire portfolio of Deepwater ships and planes with an integrated system of surface, air, logistics and related capabilities. For this project, the division is teaming with the leading American players to propose derivatives of the CN-235 platform and its fully integrated tactical mission system. The cooperation on this project is a further example of how EADS seeks expanded transatlantic relationships with a variety of U.S. partners.



From top to the bottom: Eurofighter - EC135 - ATR 72-500 - TBM 700.

AERONAUTICS

Millions of euros (pro forma)	2000	1999	Variation %
Revenues	4,704	4,280	+ 10%
EBIT**	296	202	+ 47%
Order intake	8,322	4,900	+ 70%
Order backlog	13,067	8,800	+ 48%
Work force*	23,091	22,716	+ 2%

* In number of employees.

** Pre-goodwill amortization and exceptionals.

The Aeronautics division had a very successful year 2000 with EBIT rising by 47 percent. Particularly successful were the military aircraft business unit and Eurocopter's civil business.

Aeronautics

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Air power leadership

Fixed- and rotary-wing aircraft for defense and civil markets (except Airbus and fixed-wing military transport aircraft) form the core business of Aeronautics. The division is a leading partner in three of Europe's most important aeronautical military programs: the four-nation Eurofighter jet plus Eurocopter's attack Tiger and NH90 transport helicopters. Expertise also extends to regional and light-aviation aircraft.

Services, conversion, retrofits and maintenance are an important part of operations, too: the division services and performs upgrades for defense and civil aircraft, converts civil aircraft and maintains key components. Finally, Aeronautics is the largest aerostructures supplier to Airbus, producing parts, subassemblies and sections for all of the Airbus family.

Assured long-term deliveries

The Aeronautics division had a very successful year 2000 with EBIT rising by 47 percent and revenues by almost 10 percent compared to 1999. The decision by the four partner European nations to

begin volume production of the NH90 helicopter drove new Aeronautics orders substantially higher. After adding 8.3 billion euros in orders during the year, backlog at December 31 reached 13 billion euros, including major programs (the Eurofighter, NH90 and Tiger) that ensure future growth.

In the helicopter market, Eurocopter has consolidated its leadership position, maintaining about a 50 percent share of the worldwide civil market. Besides the EC135, which has already been successfully introduced in the civil market, a launch customer has also signed for the EC635 military version.

In our fixed-wing defense business, we are preparing for start-up of volume deliveries of the Eurofighter, generating sales for the consortium of which we are a leading member. The division in particular is substantially involved in producing the center fuselage, the right wing and the flight control systems plus performing final assembly for all 267 Eurofighters ordered by Germany and Spain.

In all, launch customers have ordered 620 jets. Substantial business also came from a program to upgrade the German air force's Tornados.

Dietrich Russell
Executive Vice President,
Head of Aeronautics division



In the regional aircraft market, we maintained our industry leadership in the 50- to 70-seater turboprop segment as 14 airlines took delivery of 22 ATRs in 2000. Light aircraft business also grew, in part thanks to the mono turboprop pressurized TBM 700. And services such as maintenance and conversion for all aircraft types continued to provide stronger revenues, representing sales above 10 billion euros over the ten coming years — not counting opportunities in new markets.

Eurocopter's full market coverage

Strong order book

With the merger of the rotary-wing aircraft operations of the former Aerospatiale and Dasa in the early 1990s to create Eurocopter, a platform was established to capture market share in both civil and defense applications, ranking us as the world's largest player in our industry. In the defense market, where programs tend to be funded over long periods, our early initiative is now paying off as European armed forces announce firm plans to modernize, expand and replace their fleets with Eurocopter's advanced aircraft. Our broad product range covers around 85 percent of market requirements. Additionally, an international service network provides a long-term revenue stream. Customers outside of Eurocopter's home bases in France and Germany represented nearly two-thirds of 2000 sales. And with our innovative technology, Eurocopter captures just under 50 percent of the civil market, where there are around 500 deliveries annually.

Quietly leading the way

In 2000 Eurocopter enjoyed a second year of exceptional orders. The order intake reached 531 helicopters, including a first batch of 243 NH90s. Two hundred eighty-nine helicopters were delivered during the year, a 20 percent increase compared to 1999.

Earlier investments in R&D produced innovative products. The EC130 joined the Ecureuil family, competitively positioned with the addition of an extra passenger seat. The new helicopter has 23 percent more cabin space than other versions in its family and can accommodate seven high-comfort seats (or eight in its medium-density configuration).

Designed to comply with new regulations to limit helicopter noise, the EC 130 is one of the world's quietest machines, meeting for example the U.S. standards set for aircraft flying over the Grand Canyon National Park. To "quietly lead the way" has long been Eurocopter's development strategy. The aircraft is equipped with an automatic rotor speed control system that adapts to flight conditions, ensuring noise is kept to a minimum.

Robust platforms for combat roles

Eurocopter's two stars in its defense line-up — the new-generation Tiger attack helicopter and the NH90 transport and naval helicopter — are proving to be solid successes in their markets, particularly as they address two key missions performed by armed forces. Including the Tiger and NH90 programs, Eurocopter captured 38 percent of the available worldwide defense orders in both 1999 and 2000. While military sales were slightly less than half Eurocopter's 2000 total, in terms of

order intake the NH90 and Eurocopter's other military helicopters accounted for four out of five euros booked during the year. Customers outside of Eurocopter's home bases in France and Germany represented nearly two-thirds of all sales.

Participants in the NH90 project are Eurocopter (holding a 66-percent share), Italy's Agusta and Stork Fokker, of the Netherlands. The NH90 has two basic versions — the tactical transport helicopter and the NATO frigate helicopter — which are being planned for use in the four partner nations' land, air and sea forces. Deliveries of the tactical transport version are set to begin in 2004.

The NH90's design is based on the toughest requirements jointly defined by the armed forces of France, Germany, Italy and the Netherlands. The transport and naval variants share a common basic helicopter platform configured in modular design. Dedicated mission equipment packages allow for maximum flexibility in operations. The machine's superior handling qualities are enhanced by a fly-by-wire flight control system, making it the first production helicopter in the world to feature this advanced technology.

NH90 PRODUCTION CONTRACT

The governments of France, Italy, Germany, and the Netherlands gave their go-ahead for the production launch of the NH90 helicopter program on June 8, 2000, during the ILA 2000 airshow in Berlin. The four governments' global intention extends to acquisition of 595 of the latest-technology, twin-engine aircraft in the 10-ton class.

SIMPLIFIED STRUCTURE

In September Eurocopter changed its legal form from a joint stock company to a simplified stock company with a single chairman. The operation, which was made possible by the creation of EADS, streamlines and simplifies the company and represents a significant step forward in the integration process.

EC 130 B 4 CERTIFIED

The EC 130 helicopter received certification from Europe's JAA and the U.S.'s FAA in December 2000. Deliveries of this highly environment-friendly helicopter to launch customers started in the first quarter of 2001.



From left to right: NH90 and EC130.

Tiger on target

The family line-up of the two-seat combat attack helicopter Tiger includes an anti-tank version as well as one for support and protection. Both are in qualification testing with the French and German armed forces: the two countries have ordered 80 Tigers each, while total requirements of 215 and 212 for France and Germany respectively were confirmed. By end-2000, the Tiger had completed 90 percent of its development and had been tested by French government flight crews. They were impressed by its remarkable flying qualities and the excellent performance of its weapons systems. In addition to its high maneuverability and easy handling, the Tiger boasts low electromagnetic and infrared signatures.

Meeting these milestones means the Tiger program is right on schedule. The first pre-production Tiger, entirely built and assembled with the production tooling, left the assembly line and made its first flight in December 2000 — on the contractual date defined in the specifications.

France and Germany are due to receive their first Tigers in 2003.

Next-generation fighter capabilities

Eurofighter delivers

Keeping air forces equipped with state-of-the-art fighters is the mission of the military aircraft people of the Aeronautics division. With facilities in Germany and Spain, EADS people are core team members of the four-nation Eurofighter program, helping ensure that it continues to meet its development, flight testing and production launch targets on time. International customers and upgrade programs also form a major part of its operations.

Swing-role capability

With 620 Eurofighters ordered for the air forces of Germany, Italy, Spain and the U.K., the program is already hugely successful — and is drawing strong interest from members outside the founding nations. EADS's original 49-percent share in the program will grow to 62.5 percent with the creation of European Military Aircraft Company with Italy's Finmeccanica. The German air force expects to take delivery of the first aircraft made on the regular production line in the second half of 2001. Volumes will then progressively ramp up.

The Eurofighter is a high-performance multi-role combat aircraft optimized for air superiority in complex air-combat scenarios. It features beyond-visual-range missile capability along with close-in combat agility.

The aircraft's swing-role capability as well as its excellent agility and performance combine to make it extremely attractive to air forces outside its home markets. EADS is actively bidding the next-generation fighter to possible customers across Europe and in Asia.

Further military aircraft programs include a light-combat, high-performance trainer known as the Mako, which incorporates Eurofighter technologies, and the C-101 Aviojet, a training and ground-attack jet.

Upgrade programs

Recent NATO peace-making exercises have provided valuable performance data on earlier-technology fighters still in service in many air forces. Armed with these data, the EADS military aircraft people are upgrading Germany's Tornado fighter-bombers with modern weapons integration systems.

This far-ranging upgrade improves avionics software, navigation accuracy, cockpit displays and self-protection capabilities (including integration of a high-speed anti-radiation missile). The U.K.'s Royal Air Force has also asked EADS to handle a mid-life fatigue program for 24 Tornados.

In Spain, we have begun work on a mid-life upgrade of the air force's F-18 and F-5 fleets. And for MiG upgrades, based on experience with the "westernization" and improved logistics support for the German air force's MiG-29s, we are exploring opportunities to adapt Russian-built aircraft to NATO standards and to extend their lifetimes. EADS has a 50-percent stake in a German-Russian joint venture known as MAPS, set up for this purpose.

Separately, we completed a mid-term upgrade program on 17 AWACS early-warning NATO aircraft. They now benefit from:

- Electronic support measures for passive detection
- Electronic surveillance capability to detect and identify air and surface-based emitters
- A joint tactical information distribution system (JTIDS) to provide secure, anti-jam communication for information distribution, position location and identification capabilities
- Increased computer memory to accommodate the JTIDS, EMS and future enhancements
- Global positioning system (GPS) capability to provide precise navigation.

EUROFIGHTER The four-nation next-generation fighter aircraft, the Eurofighter — for customers outside of Europe also known as Typhoon — is the most important current and future program of EADS military aircraft. In 2000, the final stage of development, flight testing and launch of the series production were on schedule. Also in 2000, EADS enhanced our core role in the program by setting up with partner Finmeccanica a joint venture that is responsible for 62.5 percent of the shared Eurofighter work.

HELLENIC FIGHTER UPGRADE Following a joint product verification program for the upgrade of F-4 Phantom IIs flying in Greece's air force, EADS has been working with local partner Hellenic Aerospace Industry to enable it to undertake the retrofit of the twin-engine, all-weather fighter-bombers, digitizing processes that were previously analog. Testing finishes in May 2001.

X-31/VECTOR The U.S. and Germany officially launched the Vector research program in January 2000. The program is based on the famous X-31 stall-barrier breaker technology. Successfully developed and tested in the 1990s, Vector enhances fighter maneuverability. EADS is emphasizing application and evaluation of the integrated flight-control system design and a major supporting technology, the advanced air data system.



From left to right: Mako aircraft, Pilot of Eurofighter, Tornado and Eurofighter.

Future systems

For future airborne weapons systems, we are performing studies for an uncrewed combat air vehicle (UCAV) and a mission control system demonstrator. We are also actively working on future-oriented technologies such as sensor fusion, modular avionics, automated target identification and signature reduction.

Global scope

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Top to bottom: ATR 42-500 - TB20GT.

Competence in aircraft, maintenance and conversion

Through our partnership with Italy's Alenia Aerospazio, we build the ATR family of turboprop regional aircraft, which seat 50-74 passengers and in cargo versions also carry freight. Socata manufactures a range of light aircraft for private markets and aerostructures. We are also a major supplier of aircraft conversion and maintenance services for both airlines and air forces.

This is done through Sogerma (based in France) and Elbe-Flugzeugwerke, or EFW (in Germany).

U.S. MAINTENANCE

PARTNER

In October EADS Sogerma and Northrop Grumman signed a joint venture agreement to maintain, repair and overhaul (MRO) large commercial aircraft, as a result enlarging and strengthening our operations in the growing U.S. aerospace maintenance market.

DHL SHIPS ON ATR

International parcel carrier DHL was one of the first customers for the newest ATR family member, a regional cargo aircraft based on the ATR passenger design. Joining DHL in purchasing the ATR workhorse was Farnair, a growing alliance of European cargo airlines mainly operating in the express and ad-hoc charter and relief mission markets.

JUST-IN-TIME PANELS

From its Dresden maintenance/conversion facility Elbe-Flugzeugwerke delivered 100,000 m² of sandwich panels "just in time" to the final Airbus assembly lines — enough to cover the outside of the entire Rockefeller Center in midtown Manhattan. The panels are used to outfit various Airbus aircraft.

Greater flexibility with ATR

Fourteen airlines with routes operating across Europe, Africa, Asia-Pacific and Latin America took delivery of 22 ATR regional aircraft in 2000. The performance raises to more than 613 the number of units delivered to airlines since the program's beginning: 359 for the ATR 42 and 254 for the ATR 72. This performance ranks ATR first worldwide in the 50- to 70-seat market segment. In all, some 100 carriers or operators in 65 countries rely on this aircraft family.

The regional air transport market is growing 10 percent annually both in Europe and the U.S. In this market, turboprop demand has stabilized at 50-70 aircraft annually. ATR holds about half of the turboprop market. Compared with jets, turboprops offer advantages of greater flexibility (in terms of climate and runway conditions — both short and unpaved), lower operating costs and pollution levels, plus improved passenger comfort in the latest-generation regional aircraft.

Light aircraft

For general aviation applications, Socata manufactures a range of piston-engine and turboprop-engined aircraft. In 2000, Socata launched its new line of TB GT piston single-engine planes. Socata has also expanded operations in the U.S. (which represents 70 percent of the worldwide general aviation market) by signing contracts with two new distributors in the Northeast.

As a first-line subcontractor for complete assemblies, Socata also supplies aerostructures for other EADS operations such as Airbus and Eurocopter, whose success in 2000 is reflected in Socata's own growth. Among its specialized expertise (enabling Socata to

handle design as well as production) are composite materials and metal-composite combination technologies.

Maintenance and conversion

Sogerma expanded its Bordeaux facility in France significantly to meet market demand. It performs a wide range of services, from maintenance, repair and overhaul (MRO) to re-configuration of passenger cabin installations and maintenance of engines and landing gears.

In the U.S. Sogerma has expanded its capacities through a new joint venture that supplies airframe MRO for the rapidly expanding fleets of Airbus aircraft flying in North America as well as for other aircraft. A record year for sales in the U.S. commuter airline MRO market was capped by a contract with Continental Express for its entire fleet of Pratt & Whitney 100-series engines.

Elbe-Flugzeugwerke (EFW) in Dresden, Germany, holds core competence for Airbus passenger-to-freighter conversion within EADS. It is also responsible for manufacturing the fiber-reinforced furnishing components for the entire Airbus family. In 2000 U.S. parcel-carrier Federal Express decided to continue its Airbus conversion program with EFW. The decision follows conversion of 41 A310-200s already delivered to FedEx since 1994.



On the left Ariane 5 - Top to Bottom: Helios II - ISS - ATV.

SPACE

Millions of euros (pro forma)	2000	1999	Variation %
Revenues	2,535	2,518	+ 1%
EBIT***	67**	97	- 31%
Order intake	3,024	2,200	+ 36%
Order backlog	4,826	4,400	+ 10%
Work force*	9,400	9,545	—

* In number of employees.

** Including 65 million euros for restructuring and non-recurrent charges.

*** Pre-goodwill amortization and exceptionals.

The Space division EBIT was impacted mostly by costs covering restructuring within the division. Continued success of the Ariane program and order intake, which rose 36 percent, show the competitiveness of our products.

Space

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One-stop space shop

EADS is in the leading position in Europe's space industry with Astrium, formed earlier in 2000 from the merger of Matra Marconi Space and DaimlerChrysler Aerospace's space division. Astrium is controlled 75 percent by EADS and 25 percent by BAE Systems. EADS Space division also includes EADS Launch Vehicles, CASA Espacio, Space Services (all 100 percent owned by EADS) as well as Sodern and Cilas, in which EADS has major equity stakes.

Space at EADS is a family of launchers, ballistic missiles, orbital infrastructure, satellite platforms and payloads, and satellite services — all tailored to customer needs: earth observation, science and telecommunications.

Rebound on market upturn

Our competitiveness in satellite telecommunications was proved as Astrium logged orders for six spacecraft from the industry's major satellite operators, Intelsat, Eutelsat and Inmarsat, who are

expanding their in-orbit capabilities for provision of TV and radio broadcast and mobile communications.

Twelve Ariane launches confirmed the European launcher's leadership on the commercial market and the outstanding reliability of Ariane's advanced technology. The Ariane 4 performance in 2000 brought its tally of unbroken successful orbit deliveries to 59, and the reliability of our new Ariane 5 was confirmed. Sixteen satellite orders were won by Arianespace — half the total contracts for the world civil market in 2000. In ballistic missiles, the contract for the next-generation M51 development was signed at the end of the year 2000. Retrofit and in-service support to currently operational ballistic missiles were also revenue generators.

With new orders worth more than 3 billion euros, up 36 percent from 1999, and revenues of 2.5 billion euros, EADS Space division ended the year with an order backlog of 4.8 billion euros.

New strategic initiative

During the second half of the year, the process of restructuring EADS's launcher and in-orbit infrastructure operations was implemented, combining the launcher and in-orbit infrastructure businesses of EADS's Launch Vehicles and Astrium into a new single entity that will enable us to serve our customers better by increasing internal synergies and efficiency through rationalization.

François Auque
Executive Vice President,
Head of Space division



Turnkey in-orbit delivery capability

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From left to right: Inmarsat 3 and Spot 5.

Renewed strength as market recovers

Space: a near-vacuum environment that is home to ever more space-based infrastructures whose owners/operators have specific, and differing, objectives and expectations. Some customers require full control of their in-orbit systems after delivery, while others appreciate the simplicity of supplier services which enable them to focus on their own core business. EADS Space division has the capability to meet individual customers' technological, operational and financial needs, with tailored products and services, from payloads and platforms to launchers and in-orbit infrastructure management.

REVENUE GENERATORS

The summer of 2000 witnessed a remarkable achievement — the successful in-orbit delivery of no less than three telecommunications satellites within a month: Nilesat 102 (August 17), delivering broadcast and communications services in Egypt and across the Middle East; Eutelsat W1 (September 6), in telecoms for intra-European and intercontinental services; and Astra 2B (September 14), in multimedia broadcast services.

EUROPEAN SPACE STRATEGY

In November 2000, the European Council and the European Space Agency issued a common Resolution for the establishment of a consolidated European strategy for space. This strategy includes major initiatives such as the Galileo system for delivery of localization and navigation services worldwide for civil use, and GMES (Global Monitoring for Environment and Security) to ensure that the benefits of earth observation and

information technologies are leveraged into environmental and security management. Astrium is a major partner in these initiatives, which will pave the way for new space programs and services.

Primary role in Europe's earth observation programs

Astrium has been involved in virtually every European remote-sensing satellite. For weather forecasting applications, Astrium supplies the payload for the second-generation Meteosat geostationary (GEO) satellites and is prime contractor for the new low earth orbit (LEO) Metop system. Astrium's Spot series of optical satellites, built for the French space agency, provides 60 percent of the commercial imagery market, with Spot 5 due for launch in 2001. The next-generation LEO follow-on, Pleiades, is also under Astrium prime contractorship.

Europe's largest satellite Envisat, which Astrium is building as prime contractor for the European Space Agency (ESA), will collect environmental data on the atmosphere, oceans, polar ice caps and land masses. The environmental mission's on-board radar and many of its advanced instruments are also supplied by Astrium. Through future radar and optical earth observation satellite programs, Astrium will provide a new generation of geoinformation services to benefit key customer groups in agriculture, forestry, cartography, security, exploration and risk management.

View from earth orbit and beyond

The French-Italian-Spanish Helios program, Europe's first military reconnaissance satellite system, for which Astrium is prime contractor for both the satellites and the user ground segment ensures European technological independence in space-based surveillance. Beyond the earth's orbit, ESA uses Astrium's Soho solar observatory to look directly into the sun. Four Cluster II spacecraft, also built by Astrium and

launched by Starsem, now complement the Soho mission by studying the interaction between the sun and the earth's magnetic field. And further afield in the galaxy, after voyaging for eight years, ESA's Rosetta probe, primed by Astrium, will reach its target of study, the comet Wirtanen, and set down a lander on its surface.

Competitiveness of telecoms and navigation satellites

As prime contractor for more than 50 civil and military GEO communications satellites, Astrium supplies complete turnkey systems, from spacecraft and payloads to network control stations, ground terminals and communications services, and is a world-class supplier of major subsystems and equipment, including antennas, solar generators, propulsion units and attitude and orbit control systems. Advanced payloads with digital processors and multi-beam antennas allow on-board flexibility for multimedia applications.

The highly successful Eurostar platform series, a modular family of high-performance telecommunications spacecraft, is ideally positioned to meet all customer requirements, from fixed services and TV and radio broadcast to mobile, broadband and multimedia applications. In 2000, Astrium booked orders on 6 civil telecommunication satellites with three world-class clients confirming the competitiveness of EADS platforms. The new Eurostar 3000 provides the highest power available from industry today, and the series is constantly evolving to meet present and future market needs, with the progressive introduction of new proven technologies.

Being at the forefront of telecommunications technology is also essential to provide defense forces with the secure communications systems and services they require. Europe's major supplier of dedicated military communications satellites, Astrium is developing the next generation of secure telecommunications systems. Through an innovative private finance initiative approach to satellite service provision, Astrium's Paradigm organization will not only supply clients with the space and the ground segments, but also operate the system during its life cycle.

In navigation, Astrium supplied the advanced mobile payload for the Inmarsat 3 satellites, which include Europe's first on-board navigation system. Astrium is playing a crucial role in the design and development of Galileo, the global satellite navigation system proposed by the European Commission and the European Space Agency. It will participate fully, not only in the manufacture of the spacecraft and their payloads, but also in the provision and operation of the service.

Power, from launch pad to orbit

Lifting a payload into the right orbit, and keeping it there, is an essential part of every space application. Since payload masses vary from one application to another, launch capability must be flexible, too. EADS Space offers a range of solutions for in-orbit delivery, from the heavy-lift industry-leading Ariane 5 launcher to smaller, niche-targeted rockets. For our home-market defense forces, we also maintain an advanced-technology edge in strategic ballistic capability derived from the competence we have developed in civil launchers.

Complete, flexible launch capability

As a major industrial shareholder in Arianespace, EADS committed to the evolution of the Ariane 5 launcher into a family of in-orbit delivery solutions addressing the 21st-century challenges of space transportation. EADS Launch Vehicle is industrial architect of both the Ariane 4 and Ariane 5, and prime contractor for the main stages. Astrium, responsible for complete stages, boosters, infrastructures and electronic and avionics equipment, has also played a role in every Ariane launch to date.

To complete our family of Ariane launchers, we have teamed up with the Russian company Khrunichev to create Eurokot to offer launch services for low Earth-orbit satellites (or LEOs), responding to market demand for high-speed mobile communications and e-commerce transactions for example. In another venture with Russian partners, Starsem (in which EADS holds a 35-percent stake alongside Arianespace, with 15 percent) launched four rockets in 2000: two to qualify an enhanced version of the inhabited Soyuz spacecraft, and two for ESA's Cluster earth-observation satellites. Ariane, Soyuz and Rockot are integrated into the Arianespace range of launchers.

Looking ahead, EADS Space division is involved in studies for next-generation launchers — both reusable and single-use options — with the aim of reducing the cost of access to space.

Tomorrow's science in space: ISS

Arguably the greatest "next step" for mankind after the 1969 moonwalk, the International Space Station is intended to contribute many positive benefits for

those of us on earth. Astrium is responsible for the core European contribution to the ISS, the Columbus space laboratory, which provides an environment for research in zero-gravity conditions, and also for a range of other in-orbit functions that astro-researchers will need.

Our infrastructure enables in-orbit engineers and scientists to pioneer technologies in robotics, environmental control and life support systems. The Astrium-led initiative for industrialization covers all operation and utilization services necessary for the full 12 to 15 years of the space station's operational lifetime, including a full range of services for institutional and industrial customers.

The automated transfer vehicle (ATV) is a good example of how the EADS partners complement each other. The ATV is an uncrewed transportation system launched on Ariane 5, that reboots the ISS into the desired orbit. It also carries fuel and supplies, and provides a waste recycling facility. EADS Launch Vehicles is, as requested by ESA a few years ago, prime contractor for the ATV and manages the overall program, while Astrium is responsible for the rendezvous, avionics, and propulsion systems and series production. The future new single EADS entity supplying launchers and orbital infrastructures will enable the ATV program to be rationalized.

ARIANE'S HIGH RELIABILITY

With twelve successes out of twelve in 2000, Arianespace proved its reliability and high level of performance, mission after mission. On October 29, the EuropeStar communications satellite was launched into orbit by Ariane 4. The launch, with Ariane's usual precision, was also the 100th in the Ariane 4 history — a record.

ARIANE 5: RECORD PAYLOAD

During the night of November 15, Ariane 5 sent into orbit the PAS-1R telecommunications satellite plus three auxiliary satellites. The more-than-6-ton payload was a record that only Ariane 5 could have launched.

ISS PRIME FOR DELIVERY

For the International Space Station (ISS) — already in service, and yet still under construction, EADS Launch Vehicles is prime contractor for the uncrewed Automated Transfer Vehicle (ATV) that reboosts the ISS into the desired orbit, carries its fuel and other supplies, and recycles its waste.

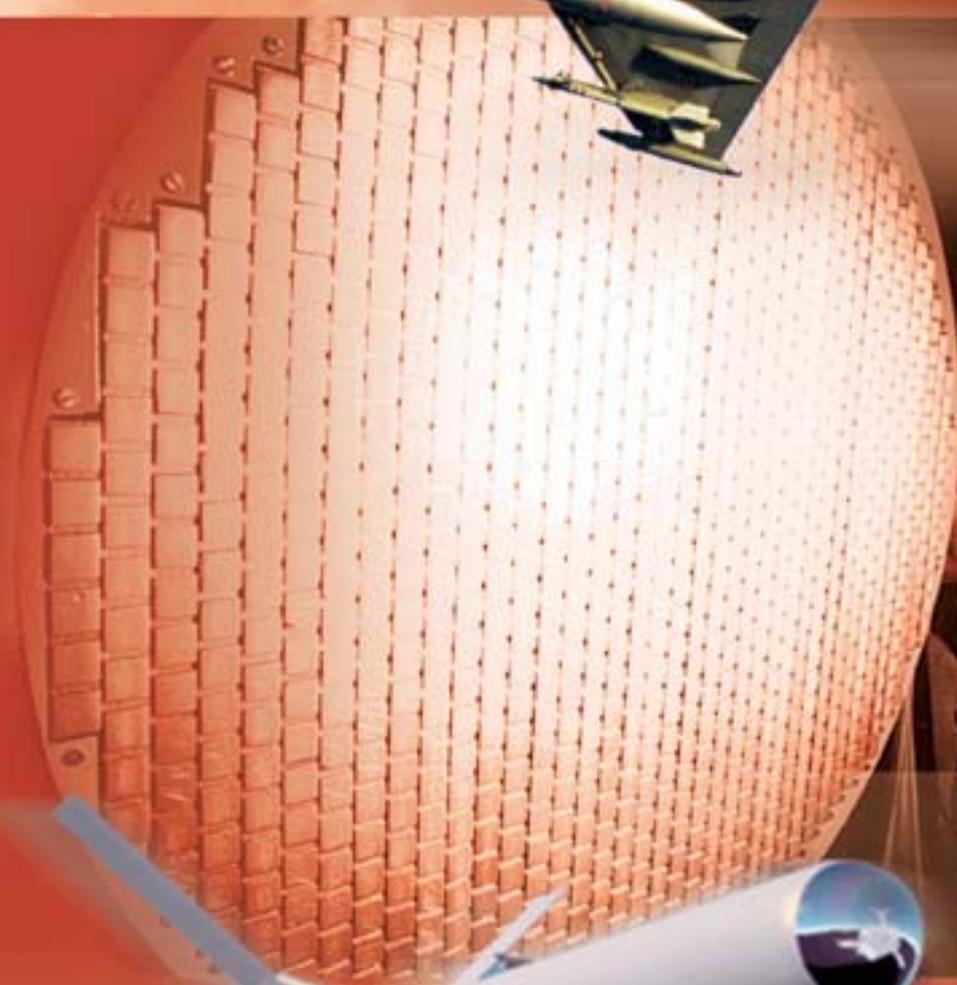


Ariane 5.

Unique European competence: strategic ballistics

EADS LV has been responsible for the design and production of every French ballistic missile, be it earth-or sea-based, since the beginning of the 1960s.

EADS LV has pursued its tradition of serving its national customers through the supply of in-service maintenance and upgrade for in-service missiles. In December 2000 the French Ministry of Defense signed a development contract for the new generation of sea-based missiles, the M51 worth 550 million euros.



From top to bottom: Eurofighter - Radar - Polyphem.

DEFENCE AND CIVIL SYSTEMS

Millions of euros (pro forma)	2000	1999	Variation %
Revenues	2,909	3,830	- 24%
EBIT***	(110)**	86	—
Order intake	3,857	4,300	- 10%
Order backlog	9,722	9,000	+ 8%
Work force*	17,485	20,085	- 13%

* In number of employees.

** Including 63 million euros for restructuring charges.

*** Pre-goodwill amortization and exceptionals.

The decrease in revenues of the Defence and Civil Systems division stems from a change in perimeter and from the impact of decreasing military budgets.

The negative EBIT was mainly due to the implementation of a restructuring and reorganization program which, together with the year-end order backlog is the basis for renewed growth and return to profitability.

Defence and Civil Systems

Anticipating trends

At 2.9 billion euros, 2000 revenues were 24 percent under the previous year's level of 3.8 billion euros, a decline that was mainly caused by deconsolidation of our civil telecom joint ventures with Nortel Networks and by the decrease of military budgets.

Despite reduced defense spending levels in our home markets, we secured the leading position as Europe's largest supplier of tactical missiles (second-ranked worldwide) as well as third place in Europe for defense electronics. Together with our partner Nortel Networks and through the newborn EADS Defense and Security Networks (EDSN), we also played a significant role among multinational telecommunications companies serving the military and civil para-public markets.

Cross-border integration

The defense markets in Europe were characterized by stagnant and shrinking procurement budgets that are as well expected to remain under pressure in the

medium term. As the division faces a transition period between the development and production phases of the major contracts in backlog, a comprehensive strategic and financial review of the division took place in the second half of 2000. A restructuring and improvement program was launched to enhance the defense and civil businesses' competitiveness, starting with a new structure characterized by full cross-border integration of four core areas of expertise:

- Missile systems, which comprise anti-tank, ground-to-air, air-to-ground, air-to-air and anti-ship missile systems with the future foundation MBDA at the core;
- Defense electronics, covering surveillance and reconnaissance, C3I systems, radar technologies, avionics and electronic warfare products;
- Telecommunications, centered around EDSN with dual-use telecom products and services to develop, install and integrate secure digital networks; and

- Services, which include test solutions, outsourced military and governmental services and system engineering as well as Internet and operator services.

This new organization is designed to reinforce synergies, improve profitability and facilitate growth through partnerships, acquisitions and enhanced capabilities to serve global markets.



Thomas Enders
Executive Vice President,
Head of Defence
and Civil Systems division

As future growth is backed by the strong existing backlog, the goal of the division is to be profitable again in 2002.

Missile systems: a strong global player

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From left to right: MICA production, Storm Shadow and Trigat.

Creation of MBDA

Assets in France, Germany and the U.K. offer broad capabilities in missile systems and related technologies. While Aerospatiale Matra Missiles (AMM) is mainly in France, Matra BAe Dynamics (MBD) is a Franco-British joint venture between EADS and BAE Systems, and in Germany EADS missile operations are those of LFK-Lenkflugkörpersysteme GmbH (LFK).

Order intake continued to be strong in 2000 with missiles domestic and export successes such as Aster for Italy, France and UK, ASMP-A with France, Exocet for Greece and South Africa, Scalp and Mica for Greece.

Alenia Missile Systems (AMS) is currently being integrated into MBD to form MBDA. With its very competitive product portfolio, MBDA will be a strong missile systems company with critical missile subsystems such as warheads, seekers, propulsion, proximity fuses and guidance systems. EADS will hold a 37.5-percent stake of MBDA, while BAE Systems will hold another 37.5 percent and Finmeccanica 25 percent. Signature of respective shareholder agreements is expected in 2001.

MBDA will be the second-largest missile company in the world and the core of our missile activities.

U.K. SELECTS METEOR

Meteor, the future air-to-air interception missile, won the United Kingdom's support in one of the major 2000 decisions. It had already been selected by five other European nations: France, Italy, Germany, Sweden and Spain. Meteor will defend Eurofighter, Rafale and Gripen combat aircraft for the next 20 years.

STORM SHADOW SUCCESS

The first fully guided firing of the Storm Shadow/Scalp EG stand-off air-to-surface missile took place successfully at the end of 2000. Launched from a Mirage 2000N, the missile conducted all operational mission phases, from safe separation and accurate mid-course maneuver over sea and land, to autonomous target recognition and precise impact.

PARTNERING WITH U.S. MANUFACTURERS As Boeing joined the Meteor program, enhancing the chances to enter the U.S. market, EADS signed a very promising agreement with Northrop Grumman in the field of defense electronics.

Air-to-air missile systems

Test firings of ASRAAM (the Advanced Short-Range infrared homing Air-to-Air Missile) demonstrated the performance of this missile in the presence of intense electronic warfare countermeasures. Final phases of adaptation to the U.K.'s Tornados and Harriers as well as Australia's F/A-18 Hornet are under way including first F-18 ASRAAM releases.

The U.K.'s decision in favor of Meteor — the future air-to-air missile designed by Matra BAe Dynamics (MBD) — was a milestone in 2000 and represents a decisive victory that confirms our ability to supply competitive European missile solutions. Meteor, which has also been selected by France, Italy, Germany, Sweden and Spain, will equip fighter aircraft with a European air-to-air missile, thus creating interoperability and independence for other world markets. The overall market for Meteor is estimated at 15 billion euros over 20 years, including 8 billion euros in Europe and export, excluding the U.S.

Mica's integration on the Rafale F1 was completed. In the context of major aircraft sales in 2000, we also succeeded in equipping aircraft in service with other armed forces with Mica multi-mission missiles.

Air-to-surface missile systems

An important breakthrough was the successful first full-flight test at the end of December 2000 of Storm Shadow/Scalp EG, MBD's long-range air-to-surface standoff weapon. The missile, which will go into mass production end of 2001, demonstrated all mission specifications including the metric accuracy. The U.K., France and other NATO allies ordered 2,000 units. The first Scalp missile orders outside our domestic markets underline the competitive-

ness of this missile family. Since October 2000, the Apache anti-runway version is being produced for the French Air Force. Major technical milestones were also reached with the second successful free flight of the German-Swedish Taurus KEPD 350 autonomous standoff missile system and the first launch of the air-to-ground Autonomous Free Flight Dispenser System (AFDS) missile from an A-7 aircraft, further demonstrating our missile expertise.

With respect to ASMP/A, we received a launch order from the French defense procurement agency for a new supersonic air-to-ground missile with increased range to equip the Mirage 2000 and Rafale aircraft for French deterrent forces.

Air defense

European and other navies have selected the Principal Anti-Aircraft Missile System, or PAAMS — a tri-national program involving France, Italy and the U.K. — where Aerospatiale Missiles Systems and MBD have considerable stakes with respect to Aster. The French defense procurement agency awarded us a first production contract for 120 Aster missiles for the PAAMS program to equip the first two French and Italian Horizon frigates. The French-Italian contract will extend Aster's ATBM capability. The first Aster contracts with customers elsewhere were signed in August, 2000.

Anti-ship missiles

Based on strong orders from customers around the globe and order backlogs, the Exocet production rate was increased in 2000 to meet the needs of various navies. The Exocet family is one of the most famous and versatile anti-ship mis-

sile designs. France's defense ministry has decided to prolong Exocet's lifetime 20 more years by improving its propulsion and electronics, and by integrating receiver kits to use signals from the Global Positioning System (GPS) satellite fleet.

The Sea Skua anti-ship missile system was successfully presented to international customers and important missile contracts were awarded for the U.K.'s Sea Wolf program.

Surface-to-air missiles

Adding to these successes, MBD was awarded a contract in 2000 for Mistral 2 VSHORAD surface-to-air missile systems. MBD products such as the Rapier/Jernas air defense system were also successfully demonstrated to international customers. As a manufacturer of Stinger, Lenkflugkörpersysteme (LFK) topped the 10,000 sales mark for its year 2000 deliveries. And the German defense ministry signed a contract with LFK to extend the service life of the Roland anti-aircraft weapons system.

Versatile missile

The fiber-optic guided Polyphem missile met its test flight expectations for 2000, paving the way for its future international success. The Polyphem missile family is particularly suited to support future crises management and peace-making operations due to its surgical stand-off precision strike capability as well as its unique fire-and-control targeting and reallocation ability, which minimizes collateral damages.

Defence electronics: ensuring the information chain

Armed forces worldwide benefit from the broad spectrum of our high-tech defense portfolio covering intelligence, surveillance and reconnaissance, C3I, ground and naval radars, airborne systems and avionics systems.

Future battlefields and net-centric warfare require robust C4ISR solutions. NATO has awarded EADS a contract to develop the mission planning part of the program that is modernizing its air command and control system. There was strong demand for the division's digital map generators, armament control systems and transponders/interrogators used for friend-or-foe identification (IFF). A contract for the STR2000 standard transponder contributed significantly to the defense electronics business and forms a sound basis for future growth in the IFF market. In September 2000, the U.S. Navy selected EADS for the delivery of critical parts for the AN/APG-65 radar to extend the lifetime of its F/A-18 Hornet fighters through 2015, once again underscoring EADS's global competitiveness.

In November 2000, the German parliament approved the need for Eurofighter defensive aids subsystems but made certain conditions on the expected procurements in 2001. This approval is important for the future of the airborne systems' early warning capabilities.

Relations with Northrop Grumman strengthened, especially in intelligence, surveillance and reconnaissance (ISR) and radar technologies. A memorandum of understanding was signed to support joint efforts with respect to

meeting European needs for high-altitude, long-endurance, uncrewed aerial vehicle-based electronic intelligence (HALE UAV). Both companies also intend to cooperate in the field of air-to-ground surveillance. Moreover, Northrop Grumman and EADS have decided to team on the radar for the Airbus A400M military transport aircraft.

The division signed a contract for an upgrade of the CL 289 drone, which performed excellently during the Kosovo campaign. With respect to naval and ground systems, mission support systems for Eurocopter's Tiger were ordered.

Leadership in C4ISR was confirmed through both a U.S. Air Force contract for a ground-based satellite station and a prime contractor role for the French regiment information system known as SIR. The division also signed an agreement with Brazil's Embraer concerning C4ISR technologies to be linked with Embraer programs and export projects. The U.S. Air Force announced the purchase of two more Eagle Vision transportable stations, which made this cooperation program another showcase for trans-Atlantic defense cooperation.

Lastly, the division was put in charge of the space-based data acquisition and processing segments of the Helios II data interpretation program.

High-tech telecoms

In order to strengthen EADS's position in telecommunications and to benefit from significant growth rates in this industry in particular in the secure network segment, EADS decided in June 2000 to combine all telecoms operations into one subsidiary. EADS Defence and

Security Networks (EDSN), a joint venture 55-percent owned by EADS and 45 percent by Nortel Networks, is the centerpiece of our telecoms business. It supplies secure private mobile radios (PMR) and military network technologies to defense and security customers on the Tetrapol standard using Nortel Network's packet-switching expertise and exploiting dual-use technologies.

EDSN has a strong track record in the French and German markets, but our greatest strengths lie on the international scene. Thirty secure networks have been deployed by EDSN in 18 countries. In 2000, major orders were received from customers in the Czech Republic, France, Mexico and Spain. These successes demonstrate the competitiveness of EDSN and confirm the rapid growth enjoyed by these activities.

EADS telecoms operations also comprise the former Dasa Communications Networks in Germany (which specializes in military networks), Intecom in the U.S. (specialized in call centers) and Sycomore in France (a system integrator and software house). Sycomore signed contracts with leading French distributor Auchan for an information system structure, and with Europol for a secure telecom network running Europe-wide.

Our telecoms business also includes stakes in Matra Nortel Communications (a 45-percent stake) and Nortel Networks Germany (a 42-percent stake).

RADAR FOR U.S. NAVY

As part of the second phase of its program to extend the lifetime of the F/A-18 Hornet aircraft through 2015, the U.S. Navy asked EADS to supply critical parts of AN/APG-65 radars. This order, which is an exceptional event for a non-U.S. company underlines EADS's international competitiveness and is expected to spur further transatlantic business.

PRIME FOR S.I.R. France selected the division for a Regiment Information System (SIR) that will equip up to 500 vehicles. The award goes to the company's engineers with expertise in C4ISR (command, control, communications, computers, intelligence, surveillance and reconnaissance). Selection stems from our ability to meet the customer's operational and interoperability needs.

PMR SUCCESS IN CZECH REPUBLIC In advance of the September 2000 meeting of an International Monetary Fund committee in Prague, the recently created EDSN successfully deployed in just six months a secure digital private mobile radio (PMR) network for Czech security forces. The robust network supports 7,000 users and on cutover proved its ability to satisfy their expectations in complex real-life situations.



Fresh service approach

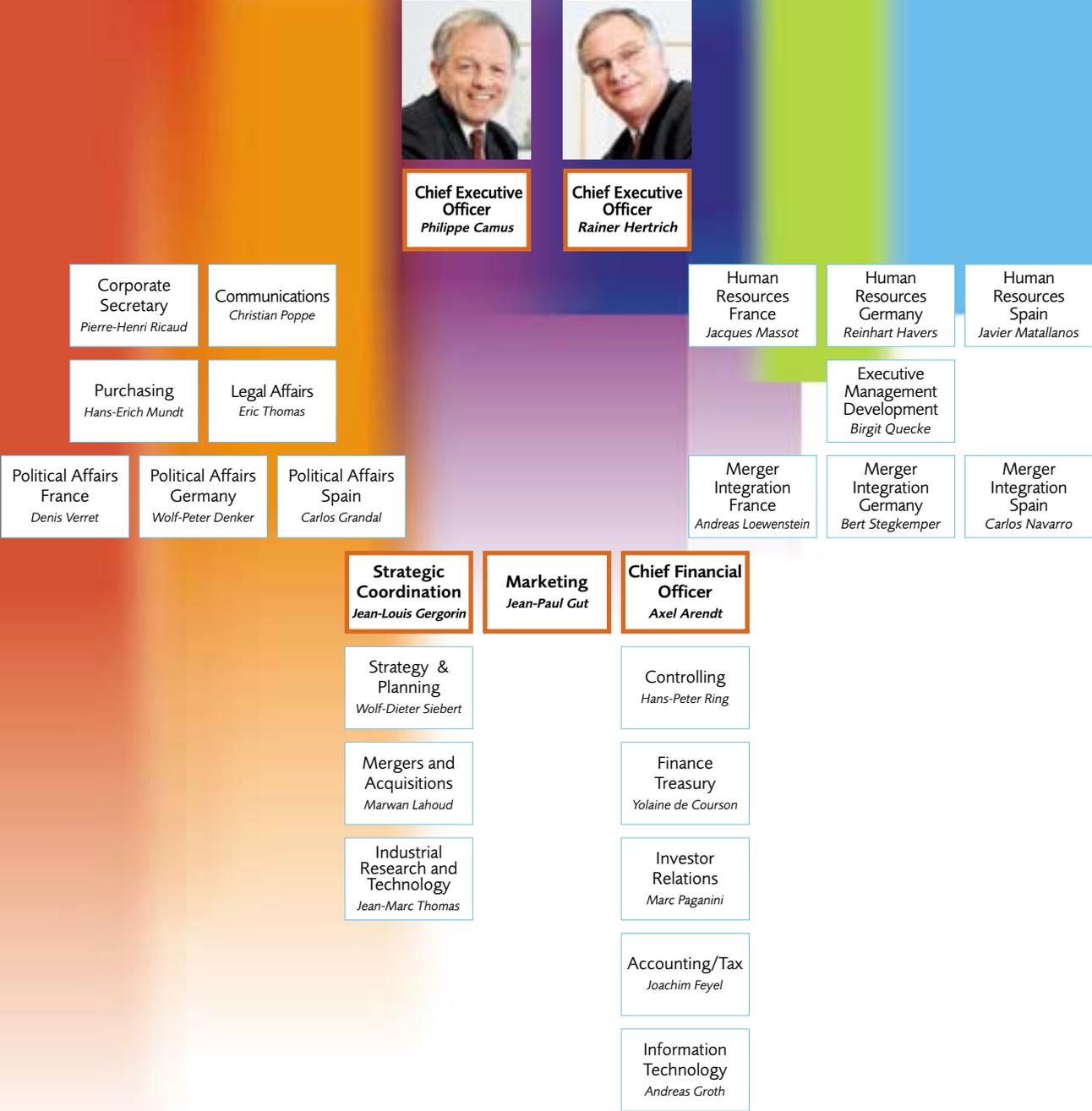
Outsourced governmental services represent an emerging market and a sizeable business in areas such as infrastructure support and operations, equipment support and training. Defense business in particular is becoming more and more service-oriented, with customers asking for package solutions, through-life support and flexible financing. The division received business opportunities in the French and German markets.

Business-to-business markets were the main drivers for Internet- and operator-based Matra Grolier Networks. In industrial and manufacturing design, strong sales of CATIA (an integrated suite of CAD/CAM tools that provide a comprehensive engineering solution) drove Matra Datavision's revenues 62 percent higher compared to 1999.

Test & Services supplies test benches for airlines' and military's clients equipment. In 2000, it delivered 18 Atec Series 6 test benches to airlines and

equipment manufacturers for Airbus and Boeing applications. The CH47 application of the Atec Series 6 was delivered to the launch customer and the Mirage 2000-9 application of Atec 5000 entered the development phase. Test & Services also delivered nine Sesar 3000 test benches for production and maintenance of Rafale aircraft. Lastly, development of the optronic version of Sesar 3000 for army applications was successfully completed.

Headquarters organization



□ Executive Committee's members.

JULY AMSTERDAM LAUNCH EVENT

Eight hundred EADS employees from three headquarters — those in Paris, Munich and Madrid — came together to celebrate Europe's first cross-border creation of a world-class player in the aerospace and defense industry. The event was a model for more EADS team-building across Europe.

EUROPEAN WORKS COUNCIL PROGRESS

Comprising 16 members — all salaried personnel — hailing from four countries, the pioneering European Works Council is an official organization within EADS meeting four times a year, twice with top management. Among the Council's assignments: keeping EADS salaried personnel at local and national levels fully informed of EADS activity.

EMPLOYEE SHARE OWNERSHIP PLAN (ESOP)

Our people demonstrated that they "buy in" to the EADS promise, taking the same perspective as outside investors. With the launch of EADS shares in the stock market, more than a quarter of eligible employees across Europe became shareholders. Nearly the entire block of 12 million shares set aside for them was bought — 96 percent.

Human resources

Our people: building team spirit across the organization

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Greater human resources

Keeping our commitment to our greatest assets — our own people — has driven the human resource effort at EADS throughout our first year as part of a single organization. Years of team-building as separate companies formed a platform on which we could quickly add new features and services, with benefits delivered directly to our own people plus our customers — and their customers, too.

We pioneered in our human resources policies with the creation of a European Works Council. This representative body (whose members are EADS employees from four countries) safeguards the interests of all those who work for the company in Europe and elsewhere. The Council facilitates cross-border exchange between its representatives and their base, on the one hand, and corporate management on the other.

Spurring mobility

All employees in France, Germany and Spain are buying in the team spirit of belonging to EADS. Jobs are open to all personnel, irrespective of their nationality. To spur mobility, special transfer conditions for headquarters staff, for example, facilitate cross-border career moves. Employees who accept an assignment off their home ground benefit from intercultural training that addresses their specific situation. Still other training — in communication skills — is available to employees at many locations following the decision by EADS to adopt English as the corporate language.

Growing team spirit

Cross-border success in human resources at EADS is based on dedication and commitment. Differing national characteristics and legislative frameworks have required enormous efforts to harmonize core personnel policy principles and related procedures. These accommodations have been made not just for our people who build and sell our products, but also managers and executives who market our products, set strategy and handle finance and accounting. The breadth of this challenge for company-wide human resources coordination has been exciting. Key to the success has been team spirit, and finding new ways to grow that spirit.

Starting from roughly two dozen integration initiatives launched in 1999, three major projects addressed general management, values and practices, and internal communications. More than 80 people have tackled the issues of harmonizing human resources values and practices, proposing innovative high-performance solutions.

Competitive flexibility

To keep EADS profitable, flexible employment practices are being promoted with increasing success. The new human resource policies target solutions to rising workloads with schemes that allow employees to accumulate work hours and save up extra hours for time off. On some sites, agreements on part-time work weeks affected several hundred employees and have boosted competitiveness on production lines.

HUMAN RESOURCES

Employees year-end 2000

EADS	88,879
Airbus	33,927
Military Transport Aircraft	3,548
Aeronautics	23,091
Space	9,400
Defence & Civil Systems	17,485
Headquarters and research center	1,428

RESEARCH & DEVELOPMENT

Millions of euros (pro forma)	2000	1999
Total revenues	24,208	22,553
Internally financed	1,339	1,324
Internally financed R&D to revenues ratio %	5.5%	5.9%

Total EADS R&D investment, including the part financed by third parties, reached 3.35 billion euros in 2000, representing 13.8 percent of revenues.

Research & Development

Leading edge

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Technology benefits

Across the spectrum of EADS market successes, one factor dominates: our leading edge in technology — unique in our industry — that delivers profitable benefits to our customers.

These range from sensors, data processing and advanced materials to optical and thermo-mechanical control of systems — and still others. Alongside these technology breakthroughs there have been teamwork advances through deployment of the EADS research and technology network. Both technology and teamwork are driving benefits not just to EADS customers, but also to our bottom line.

Research across Europe

The goals of research within EADS are to reduce product development costs and cycles, ensure respect for the environment, improve product performance and competitiveness, and maintain our technology lead while strengthening our areas of excellence.

Because of our origins and ambitions, EADS's research and technology assets are based across Europe. The Corporate Research Center work in three locations: France, Germany and Spain. Still other resources in additional countries participate actively in maintaining the company's leading edge in technology.

By coordinating and harmonizing advances in research, engineering, manufacturing and quality throughout the company, R&D networks that cut across the entire scope of EADS expertise have been brought to life.

Additional value as expected

When R&D operations join forces, synergies help grow the business. Expertise combines and strengthens above and beyond what the simple sum of the two or three parts could be expected to provide. Advances achieved at one site reinforce others made elsewhere.

Closer cooperation is growing with a dedicated manufacturing network to ensure smooth transfer of breakthrough technologies to production lines, resulting in greater customer satisfaction. Representatives from our business units meet with our technology team members to promote synergies still further and ensure cross-fertilization. Manufacturing technologies are reviewed together to benchmark best practices. This process has demonstrated a remarkable potential for creation of added value.

Lab infrastructure is among the industry's latest. The main sciences and applications addressed are: sensors and data processing; microsystems and electronics; advanced materials, process technologies and testing; structures engineering and acoustics; electromagnetic, optical and thermo-mechanical system control; and information technologies for engineering and advanced computation.

Looking ahead

Computer-aided design and product data management are two key technologies that have been shortlisted for review and value creation, benefiting from corporate synergies. Our processes in these areas can be harmonized so as to use the most efficient technologies for new programs. Composite and metallic-structure technologies are also an area for focus.

Evaluation of electronics and information-technology requirements is being studied as well. Electronics accounts for 30 percent of EADS products, making it essential to decide on in-house supply or recourse to reliable outsourcing.

By definition, those of us in research, development, technology and engineering are always looking ahead: to how processes and products can be improved to meet customer expectations more efficiently. This goal remains at the heart of the EADS investment in the people and infrastructure who will deliver the solutions — sometimes over the horizon, sometimes a month or two away — that make the critical difference.



From left to right: propulsion technology - simulator.

2000 HIGHLIGHTS

GERMAN SCIENCE PRIZE

Innovative composite structures developed by EADS researchers won a distinguished science award bestowed by a leading German industry group. The award recognizes advances made in adaptronics, a science that studies how micro-electronics can be included in materials to make them more intelligent.

INTERNAL NETWORKING

The foundations of more efficient teamwork among the many scientists, researchers, engineers and technicians within EADS was laid during the year 2000. In 2001, this robust platform of market-driven expertise is opening new contacts with outside partners at universities, research institutes and industry at large.



The A380: packed full of tested high-tech

Proven technologies that were developed and tested in EADS labs are being applied throughout the Airbus family member sometimes referred to "21st century jetliner": the Airbus A380. They mainly concern materials, processes and systems as well as the jet's environmental friendliness.

Materials: An estimated 40 percent of the A380's structure and components will be built using the latest-generation carbon composites, metallic materials and laminates: carbon fiber in the wingbox, fin box, rudder, horizontal stabilizer and elevators as well as floor beams and bulkheads; advanced aluminum alloys in the wing covers; and laminates in the fuselage. Advantages include greater strength, less weight, greater reliability, and more efficient maintenance and repair.

Processes: Laser-beam welds are replacing rivets, saving time and weight while eliminating fasteners (a source of corrosion and fatigue cracks) and improving maintainability with automated built-in inspection feature.

Systems: For the first time in civil aviation, the hydraulic system's pressure will be increased to 5,000 pounds per square inch, facilitating flight control and reducing the A380's weight. The flight control system will benefit from dual architecture, and a redesigned air generation system enhances flexibility in ground and cruising environments.

Environmental friendliness: While all the advances in the three other areas contribute to reduced emissions through lower structural weight per passenger, the A380's wing and undercarriage technology will enable it to fly more quietly than today's largest airliners. In fact, an A380 passenger will generate half the noise of a typical jumbo passenger.



The financial policy of EADS is driven by the goals of creating value for shareholders and reducing risk exposure.

EADS also respects strict financial criteria while pursuing our key role in European consolidation of our industries and launching new programs to ensure profitable growth in the future.

Exceeding the initial 2004 profitability target

At the time of our public offering July 10, 2000, EADS announced a goal of achieving a return-on-sales margin (defined as earnings before interest and taxes, or EBIT over revenues) of 8 percent by 2004, after absorption of the Airbus A380 research and development costs. This performance was based on expected business and productivity growth and estimated merger-related value creation of 580 million euros per year from 2004 onwards. With 100-percent consolidation by EADS of Airbus from 2001 onwards, the total value creation target was then raised to 600 million euros.

Since then, the dedicated EADS merger integration team has identified more than 600 concrete, detailed projects that go beyond the target of 600 million euros. As early as 2001, EADS intends to achieve 10 percent of this target, which should be fully reached in 2004.



Around half of the expected value creation will result from the combination of the huge purchasing power that EADS can leverage vis-à-vis our suppliers along with the growth of purchase volume triggered by the launch of such programs as the A380. Elimination of duplicate R&D expenses, reducing marketing costs and resizing headquarters together with greater business opportunities due to improved market access and financial engineering will deliver the remainder.

Due to the success of the ongoing merger integration projects, substantial future revenue growth driven by a backlog representing five years of revenues, and favorable secured currency exchange rates of the hedged portion of our exposure denominated in U.S. dollars, EADS management has been able to raise the 2004 profitability target from 8 to 10 percent return on sales. This new figure is based on the same perimeter as before, thereby absorbing the R&D expenses for the A380 program.

Improved control of currency variables

EADS generates more revenues denominated in U.S. dollars than it has expenses in that currency. The resulting net exposure (in 2000, roughly \$8 billion) bears the brunt of exchange rate fluctuations between the euro and the dollar.

As a result, EADS established a hedging strategy with clear rules and procedures to protect our earnings against their exposure to exchange-rate risks while at the same time avoiding speculation. The EADS policy is to hedge only part of the future exposure triggered by firm commitments in our backlog. In 2000, we seized the opportunities of a strong dollar to secure a great proportion of our future exposure at favorable dollar rates (ranging from 1 euro = \$0.95 to 1 euro = \$1.00), much above our initial conservative dollar assumptions at the time of the July 2000 offering.

Moreover, following enforcement of the new IAS 39 rule (effective January 1, 2001), EADS's management decided to individually allocate nearly all hedges to underlying commercial contracts. In doing so, nearly all our hedging contracts will be recorded in EBIT at the hedged rate, and there will no longer be the need for a mark-to-market provision in our financial statements. The income volatility that we suffered in our past pro-forma accounts will therefore virtually disappear from 2001 onwards. The new IAS rule application has been very positively welcomed by the financial community, since it allows a better reading of our financial statements and enhanced visibility of our expected future earnings.

Value-creating M&A

As the premier European company in aerospace and defense, EADS is driving the two industries' ongoing consolidation process. Merger and acquisition (M&A) transactions have been, are and will always be an important part of our strategy to ensure control of our operations and profitable growth.

To secure value-creating transactions and projects, EADS has set up internal committees that combine strategic, technical and financial competence. All M&A projects are reviewed and evaluated by this committee as are bids on contracts above certain thresholds and/or carrying unusually high financial risks.



Axel Arendt
EADS Chief Financial Officer,
EADS Board Member

New programs

EADS has anticipated market trends by launching new programs (such as the A380, Ariane 5, Meteor and others), which will drive our growth through the early decades of the 21st century.

For these new programs, a team of marketing and finance experts works on risk-avoidance structures using the best company-wide practices and know-how.

Consolidated pro forma financial statements (unaudited)

Consolidated balance sheet

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	Millions of euros	
	Pro forma 2000	Pro forma 1999
ASSETS		
FIXED ASSETS	20,894	19,952
Intangible assets	116	134
Property, plant and equipment	8,120	7,693
Financial assets	4,609	3,930
Goodwill	8,049	8,195
CURRENT ASSETS	16,745	13,794
Inventory (net)	2,081	1,218
Trade receivables	4,118	4,509
Other receivables & other assets	2,624	3,317
Securities	4,682	1,575
Cash	3,240	3,175
DEFERRED TAX ASSETS	3,151	2,821
PREPAID EXPENSES	654	651
Total assets	41,444	37,218

	Millions of euros	
	Pro forma 2000	Pro forma 1999
LIABILITIES AND STOCKHOLDERS' EQUITY		
STOCKHOLDERS' EQUITY	10,250	9,377
MINORITY INTEREST	221	212
TOTAL ACCRUED LIABILITIES	8,684	7,432
Accruals for pensions	2,986	2,916
Accruals for taxes	88	77
Other accruals	5,610	4,439
TOTAL LIABILITIES	18,247	16,117
Financial liabilities	5,779	5,696
Trade liabilities	4,268	3,856
Other liabilities	8,200	6,565
DEFERRED TAX LIABILITIES	1,128	1,345
DEFERRED INCOME	2,914	2,735
Total liabilities and stockholders' equity	41,444	37,218

Consolidated pro forma financial statements (unaudited)

Consolidated statement of income

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	Millions of euros	
	Pro forma 2000	Pro forma 1999
INCOME STATEMENT		
REVENUES	24,208	22,553
Cost of sales	(20,072)	(18,298)
GROSS MARGIN	4,136	4,255
Selling, gen. adm. & other expenses	(2,510)	(2,213)
Research and development costs	(1,339)	(1,324)
Other operating income	342	475
Amortization of goodwill	(429)	(424)
RESULT BEFORE FINANCIAL INC. AND INCOME TAX	200	769
Income from investments	111	83
Result on interests	10	(13)
Other financial result	(1,436)	(1,916)
Total financial result	(1,315)	(1,846)
INCOME (LOSS) BEFORE INCOME TAXES	(1,115)	(1,077)
Income taxes	220	33
Minority interest	(14)	(2)
NET INCOME (loss)*	(909)	(1,046)
<small>*After restructuring charges, goodwill amortization and exceptional</small>		
RESULT BEFORE FINANCIAL INCOME AND INCOME TAX		
200	200	769
EXCEPTIONALS		
Goodwill amortization	429	424
Exceptional depreciation (fixed assets)	176	169
Exceptional depreciation (inventories)	483	0
Income from associates	111	83
EBIT PRE-GOODWILL AMORTIZATION AND EXCEPTIONAL	1,399	1,445

	Millions of euros	
	Pro forma 2000	Pro forma 1999
	12/31/00	12/31/99
NET INCOME (LOSS) BEFORE ABSORB AGREEMENT, INTEREST AND TAX	(909)	(1,046)
Income (loss) applicable to minority interest	14	2
Gain (loss) on disposal of non-current assets	(77)	(290)
Depreciation and amortization of fixed assets	1,540	1,272
Valuation adjustment to inventories	483	0
Change in accrued liabilities	1,259	838
Change in deferred taxes	(611)	(23)
CHANGE IN WORKING CAPITAL	1,460	785
CASH PROVIDED BY OPERATING ACTIVITIES	3,159	1,538
Investments (net) in intangible, fixed and financial assets	(1,590)	(1,456)
Change in consolidation concerning cash	(38)	116
CASH USED FOR INVESTING ACTIVITIES	(1,628)	(1,340)
Transfer of profits/dividends to shareholders	0	(1,305)
Dividends paid	(31)	0
Capital increase	1,540	69
Increase in financial liabilities	83	1,012
Other activities	43	(51)
CASH USED FOR FINANCING ACTIVITIES	1,635	(275)
Effect of foreign exchange rate changes on cash and cash equivalents	6	(27)
DECREASE/INCREASE IN CASH AND CASH EQUIVALENTS	3,172	(104)

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As at December 31, 2000

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