



To New Levels

Business and Legal Description 2003



The step beyond



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Warning

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

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

This document contains information which forms an integral part of EADS' Reference Document filed with the *Autorité des Marchés Financiers* on April 1, 2004. When used as a Reference Document, it must be read in conjunction with the document entitled Financial Statements and Corporate Governance – 2003 (Reference Document Part 1), containing, among other things, the Company's financial statements and the notes thereto.

**Business and
Legal Description — 2003**

Reference Document (Part 2)

Financial Year 2003

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Chapter 1

Information on EADS Activities

1.1 Presentation of the EADS Group

1.1.1 Overview

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

With consolidated revenues of € 30.1 billion in 2003, EADS is Europe's premier aerospace and defence company and the second largest aerospace and defence company in the world. In terms of market share, EADS is among the top two manufacturers of commercial aircraft, civil helicopters, commercial space launch vehicles and missiles, and a leading supplier of military aircraft, satellites and defence electronics. In 2003, it generated approximately 76% of its total revenues in the civil sector and 24% in the military sector.

2003 Highlights

In 2003, EADS continued to pursue its strategic lines of development and the rebalancing of its business activities in favour of defence. The rebalancing is aimed at reducing the impact on EADS of business cycles in the civil aircraft market, as well as at reinforcing the successful dynamics of EADS' young portfolio of well-targeted products through sustained R&D efforts. The record order book of € 179.3 billion at the end of the year constitutes a considerable asset for EADS. 2003 was a year of across the board growth and included the signature of the € 19.7 billion A400M contract and the Paradigm/Skynet-5 contracts. In addition, 2003 was the first year since Airbus' creation that it surpassed Boeing in terms of both deliveries and order book. In 2003 the Airbus A380 programme, a source of long-term growth for sales and profitability, moved into the component and major subassembly production phase. 34 new orders for the A380 in 2003, bringing the total order backlog to 129 aircraft, highlight the continued attractiveness of this product.

The economic climate in 2003 continued to be a difficult one, with concerns over the SARS virus contributing to disruptions in the travel market and exacerbating the terrorism-related impact on demand for air travel. Operational measures implemented by airlines in response to decreasing passenger numbers and continuing market uncertainties created downward pressure on orders and deliveries in 2003. Notwithstanding these challenges, EADS met and exceeded its planned 2003 delivery goal of 300 aircraft at Airbus. In 2003, EADS implemented a € 1.5 billion cost-reduction plan at Airbus to address uncertainties over the evolution of the Euro-U.S. dollar exchange rate and its impact on future profitability. Restructuring activities within EADS Space continued and were reinforced in 2003, aimed at breaking even in 2004. Owing to active cash management policies, an ongoing focus on managing sales financing exposure and the weakening U.S. dollar's impact on the cost of its U.S. dollar-denominated debt, EADS ended the year with positive net cash of € 3.1 billion.

Strategy

In order to maximise value for its shareholders and to balance its portfolio, the management of EADS (the "**Management**")

intends to position EADS as a leading company in major global aerospace and defence markets. The following elements constitute the four stepping stones of the EADS strategy:

- **Continue to strengthen EADS' competitive position**
EADS intends to further position itself as a global company with a highly visible domestic presence in all major aerospace and defence markets. While EADS already has a global presence in such markets as commercial aircraft through Airbus, helicopters through Eurocopter, missiles through MBDA and LFK and commercial space launchers through EADS Space Transportation, it is seeking to strengthen or to capitalise on its existing line of platforms and systems to meet the global demand for defence-related products such as military helicopters, combat and transport aircraft, defence electronics systems and secure communications.

Supported by programmes such as the A400M military transport aircraft, Eurofighter, Tiger helicopter, the Meteor and Aster missile programmes and Skynet 5/Paradigm secure communications network, and based on its year-end 2003 defence backlog of approximately € 45.7 billion, EADS is targeting € 10 billion in defence-related sales by 2005 in an effort to gain ground against its key competitors in the defence and space sectors.

- **Enlarge EADS' global reach**
EADS is a leading actor in its four home countries: France, Germany, Spain and the U.K. Here, and throughout Europe, EADS' main challenge is to make the most efficient use of its customers' defence budgets. The Company aims to harmonise procurement efforts and to participate in research and technology efforts to narrow the capability gap between the U.S. and Europe.

EADS will vigorously pursue opportunities to establish local industrial footholds and technological co-operations in key export markets. The Company intends to make use of its established reputation as a technology leader and its growing credibility as a systems integrator to support its regional commercial endeavours.

In the U.K., EADS has approximately 12,000 employees, and it is exploring opportunities to increase its local presence through acquisitions and strategic partnerships in the defence sector. EADS intends to strengthen its position as a defence prime contractor in the U.K. whose defence procurement budget is the fastest growing in Europe. To this end, EADS is leading key projects such as Paradigm/Skynet 5, the future strategic tanker aircraft ("**FSTA**") and ground-based air defence ("**GBAD**").

In the U.S., EADS seeks to become a valued corporate citizen, with a view towards gaining a foothold in the U.S. defence procurement process. EADS continues to expand

its overall footprint in the U.S., with the opening of an Airbus design centre in Kansas in 2002 and a Eurocopter facility in Mississippi in 2003. EADS' strengths in technology and market reach have also enabled the Company to develop strategic partnerships with the principal actors in the U.S. aerospace and defence market. Opportunities in ballistic missile defence, mission aircraft and intelligence, surveillance and reconnaissance ("ISR") systems, approached jointly with such partners as Boeing, Lockheed Martin, Northrop Grumman and Raytheon, provide attractive avenues for growth in the U.S.

Management sees Asia, and in particular China, as a rich market for future growth and, in 2003, took its first step into the Chinese market through its stake in AviChina, localising Eurocopter manufacturing in Beijing. In Japan, EADS now has 15 Japanese partners on the A380 programme, with Bridgestone Corporation and Mitsubishi Rayon Co. recently joining the programme.

In Russia, EADS intends to participate actively in ongoing industrial restructuring through cooperation with local partners and through the consolidation of its existing operations in a new EADS Russia company under the aegis of EADS International.

- **Exploit cross-business synergies by leveraging EADS' broad group portfolio of products and services**

By combining a wide range of products and expertise into high value-added, integrated systems, EADS will seek to enter new markets, maximise margins and offer strongly differentiated solutions that are tailored to increasingly complex customer needs in both the civil and defence sectors. The ongoing FSTA tanker programme and A400M military transport aircraft programme illustrate EADS' ability to combine know-how and products in the development of incremental businesses. Furthermore, a broad portfolio of products and services covering both the private and governmental sectors enables EADS to mitigate the effects of its cyclical commercial aviation business through growth in governmental business.

The breadth of EADS' activities and technologies also enables it to benefit from group-wide efforts in R&D and sourcing, which support EADS' competitiveness and cost-efficiency against the background of the budgetary conditions favourable to its U.S. competitors.

- **Develop EADS' role as a systems and solutions provider**

The transformation of U.S. and European defence forces and public safety agencies is driving demand for network enabled capabilities in areas such as extended air defence, C4ISR, unmanned aerial vehicles and military space, where EADS seeks to be a lead system integrator and service solutions provider. EADS, as the sole European group with combined control of both space and defence businesses,

possesses a vital combination for technological superiority, and is therefore uniquely positioned to capitalise on these new demands by offering innovative systems-of-systems solution to meet its customers needs.

In the civil sector, EADS seeks to draw on its technological base to offer complex commercial systems such as air traffic management and obstacle warning systems for helicopters.

In addition to systems, EADS is committed to extending its programme leadership through the provision of service solutions, including outsourcing, to defence forces and public safety agencies, such as the secure communication services of Paradigm and the in-flight refuelling capabilities under the FSTA program.

Organization of EADS Businesses

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

Airbus

Airbus is one of the world's two leading suppliers of commercial aircraft of more than 100 seats. Since it was founded in 1970 up to the end of 2003, Airbus has received 4,886 orders for aircraft from 186 customers worldwide. Its market share of annual deliveries worldwide has grown from 15% in 1990 to 52% in 2003, surpassing its rival Boeing for the first time. At December 31, 2003, its backlog of orders (1,454 aircraft) stood at 52% of total worldwide backlog. After accounting for cancellations, net order intake for 2003 was 254 aircraft. In 2003, the Airbus division of EADS earned revenues of € 19 billion, representing 61% of EADS total revenues. See "1.1.2 Airbus".

Military Transport Aircraft

The Military Transport Aircraft Division (the "MTA Division") manufactures and sells light and medium military transport aircraft and is responsible for the development of the European heavy military transport A400M project. In addition, the MTA Division produces and sells mission aircraft, which are derived from existing platforms and dedicated to specialised military tasks such as maritime surveillance, antisubmarine warfare and in-flight refuelling capabilities. The MTA Division also designs and manufactures aerostructure elements. The MTA Division earned consolidated revenues of € 0.9 billion accounting for 3% of EADS' total revenues for 2003. The € 19.7 billion contract to manufacture and deliver the A400M was signed in 2003, contributing to significant future revenue growth for EADS. See "1.1.3 Military Transport Aircraft".

Aeronautics

The Aeronautics Division groups together a number of civil and military aviation-related businesses, including helicopters,

regional and general aviation aircraft and aircraft conversion and maintenance. The Aeronautics Division is also involved in the manufacturing of aerostructures for Airbus. Management views the mix of young and mature civil and military programmes and services as an effective means of assuring consistent positive results in markets subject to cyclical or fluctuating demand. For 2003, the Aeronautics Division earned consolidated revenues of € 3.8 billion representing 12% of EADS' total revenues. See "1.1.4 Aeronautics".

Defence and Security Systems

The Defence and Security Systems Division (the "DS Division") is active in the field of integrated systems including missile systems, combat aircraft, defence electronics, military communications and services. Based on 2003 revenues, EADS' subsidiary MBDA is the largest manufacturer of tactical missile systems in Europe and the second largest in the world. Its military aircraft business unit, which was transferred from the Aeronautics division in 2003, is a leading partner in the Eurofighter consortium. EADS is the third largest supplier of defence electronics in Europe and plays a significant role in the secure and encrypted military communications market. On a consolidated basis, the DS Division earned revenues of € 5.2 billion for 2003, representing 16% of EADS' total revenues. See "1.1.5 Defence and Security Systems".

Space

EADS is the third largest space systems manufacturing company in the world after Boeing and Lockheed Martin and the leading European supplier of satellites, orbital infrastructures and launchers. The Space Division designs, develops and manufactures satellites, orbital infrastructures and launchers largely through its subsidiaries EADS Astrium and EADS Space Transportation ("EADS ST"), and provides space services through its EADS Space Services subsidiary. The Space Division also provides launch services, through its shareholdings in Arianespace, Starsem and Eurockot, as well as services related to telecommunications and earth observation satellites, through dedicated companies, such as Paradigm. For 2003, the consolidated revenues of the EADS Space Division amounted to € 2.4 billion, or 8% of EADS' total consolidated revenues. See "1.1.6 Space".

Investment

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

Summary Financial and Operating Data

The following tables provide summary financial and operating data for EADS for the years ended December 31, 2003 and December 31, 2002.

Consolidated Revenues for the Years Ended December 31, 2003 and 2002 by Division

	Year Ended December 31, 2003		Year Ended December 31, 2002	
	Amount in billions		Amount in billions	
	of €	Percentage ⁽¹⁾	of €	Percentage ⁽¹⁾
Airbus	19.0	61	19.5	63
Military Transport Aircraft	0.9	3	0.5	2
Aeronautics	3.8	12	3.8	12
Defence and Security Systems	5.2	16	4.8	16
Space ⁽²⁾	2.4	8	2.2	7
Total Divisional Revenues	31.3	100	30.8	100
Headquarters/Eliminations ⁽³⁾	(1.2)		(0.9)	
Total Consolidated Revenues	30.1		29.9	

⁽¹⁾ Percentage of total divisional revenues before headquarters/eliminations.

⁽²⁾ Astrium consolidated at 100% for 2003; proportionally consolidated at 75% for 2002.

⁽³⁾ Includes inter alia intercompany eliminations and headquarters sales.

Consolidated Revenues by Geographical Area for the Years Ended December 31, 2003 and 2002

	Year Ended December 31, 2003		Year Ended December 31, 2002	
	Amount in billions		Amount in billions	
	of €	Percentage ⁽¹⁾	of €	Percentage ⁽¹⁾
Europe	14.0	47	14.4	48
North America	8.1	27	10.6	35
Asia/Pacific	4.0	13	2.0	7
Rest of the World	4.0	13	2.9	10
Total	30.1	100	29.9	100

⁽¹⁾ Percentage of total revenues after eliminations.

Consolidated Orders for the Years Ended December 31, 2003 and 2002

	Year Ended December 31, 2003		Year Ended December 31, 2002	
	Amount in billions		Amount in billions	
	of €	Percentage ⁽³⁾	of €	Percentage ⁽³⁾
Orders booked:⁽¹⁾				
Airbus ⁽²⁾	39.9	52	19.7	62
Military Transport Aircraft	20.3	27	0.4	1
Aeronautics	3.7	5	5.1	16
Defence and Security Systems	6.3	8	4.4	14
Space	6.1	8	2.1	7
Total Divisional Orders	76.3	100	31.7	100
Headquarters/Eliminations ⁽²⁾	(15.1)		(0.8)	
Total	61.2		30.9	

⁽¹⁾ Without options.

⁽²⁾ Based on catalogue prices.

⁽³⁾ Before headquarters/eliminations.

Consolidated Backlog for the Years Ended December 31, 2003 and 2002⁽⁶⁾

	Year Ended December 31, 2003		Year Ended December 31, 2002	
	Amount in billions of €	Percentage ⁽⁵⁾	Amount in billions of €	Percentage ⁽⁵⁾
Backlog:⁽¹⁾				
Airbus ⁽²⁾	141.8	73	140.9	84
Military Transport Aircraft	20.0	11	0.6	0
Aeronautics ⁽³⁾	9.8	5	10.1	6
Defence & Security Systems ⁽³⁾	14.3	7	13.5	8
Space ⁽⁴⁾	7.9	4	3.9	2
Total Divisional Backlog	193.8	100	169.1	100
Headquarters/Eliminations	(14.5)		(0.8)	
Total	179.3		168.3	

⁽¹⁾ Without options.

⁽²⁾ Based on catalogue prices.

⁽³⁾ In 2003, the Military Aircraft business unit was transferred from the Aeronautics Division to the DS Division, with a corresponding impact on the backlog of each division of € 3.2 billion. 2002 figures have been restated to be comparable with 2003.

⁽⁴⁾ Astrium consolidated at 100% in 2003; proportionally consolidated at 75% in 2002 and 2001.

⁽⁵⁾ Before headquarters/eliminations.

⁽⁶⁾ For a discussion on the calculation of backlog, see "Part 1/1.1.3 Measurement of Management's Performance – Order Backlog".

Relationship Between EADS N.V. and the EADS Group

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

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

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

To the best knowledge of Management, there are no pledges over any of the assets of EADS N.V. As a group of companies with consolidated revenues in 2003 of € 30.1 billion, EADS' subsidiaries have granted numerous pledges and other sureties of their assets in connection with their operations.

1.1.2 Airbus

Introduction and Overview

Airbus is one of the world's two leading suppliers of commercial aircraft of more than 100 seats. Its market share of annual deliveries worldwide has grown from 15% in 1990 to 52% in 2003. At December 31, 2003, its backlog of orders (1,454 aircraft) stood at 52% of total worldwide backlog. After accounting for cancellations, net order intake for 2003 was 254 aircraft. In 2003, the Airbus division of EADS earned revenues of € 19 billion, representing 61% of EADS total revenues.

Based on deliveries in 2003, Airbus was the largest supplier of commercial aircraft in the world, surpassing its rival Boeing for the first time. Since it was founded in 1970 up to the end of December 31, 2003, Airbus has received orders for 4,886 aircraft from 186 customers around the world.

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

The Airbus group is jointly owned by EADS (80%) and BAE SYSTEMS (20%); the Head of EADS' Airbus Division acts as Airbus' President and Chief Executive Officer, echoing EADS' effective management control over its operations.

Strategy

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

- **Completing the most comprehensive line of products targeted to customer needs**
This entails (i) a major effort to develop, test, manufacture and deliver the A380 within budget by early 2006, (ii) the gradual extension of relevant freighter applications across the range of Airbus aircraft, and (iii) the continuous maintenance of existing models' competitive edge in their respective markets.
- **Focusing on key geographic markets**
Airbus is seeking to penetrate certain key markets such as Japan, China and Russia, and to consolidate its position in the difficult U.S. airline market.
- **Expanding its offering of services to customers**
Expansion of its offering of customer services will enable Airbus to remain at the forefront of its industry by (i) designing answers to customers' evolving needs, and (ii) ensuring optimal Airbus placement along the industry's value chain.

- **Perfecting its industrial operations**

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

Market

Cyclicality and Market Drivers

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

2003 Airline Market Highlights. The market downturn, which started in 2001, driven by weakening world economies and exacerbated by the terrorist attacks on September 11, 2001, the war in Iraq and the outbreak of SARS in Asia was the focus of the industry. Passenger demand in 2003 remained slack as compared to pre-downturn traffic (the year 2000), with U.S. domestic, trans-Atlantic and trans-Pacific traffic flows particularly negatively affected. As well as overall demand decreasing as a result of the factors mentioned above, the volume of higher yield business passengers remained low at the same time such passengers remained price sensitive. The resulting drop in yields combined with higher costs, primarily higher labour costs over recent years, to produce the financial difficulties for airlines seen in 2003.

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

The impact of the market downturn differs depending upon the airline business model, travel segment, and geography. In 2003, many aircraft operators continued to adapt and remove excess capacity from markets by eliminating routes, reducing schedules and withdrawing older and less efficient aircraft. One outcome of such activity has been that the number of stored aircraft, many of which are older, less efficient and more expensive to maintain and operate than today's modern

generation of aircraft, totalled approximately 2,200 at the end of 2003. A large percentage of these older-generation aircraft are not expected to return to revenue-generating service; rather, they are expected to be replaced by newer types such as those in the Airbus product line. By constraining excess capacity, airlines also maximise load factors, which contributes to overall cost reduction efforts. Such cost reduction by the airlines has been a core part of their strategies during the current downturn, especially as additional costs arising from newly imposed security requirements as well as from higher fuel prices (at the end of 2003), added to the airlines' financial burden. The continuing financial hardship for the airlines, particularly in the U.S. and in those other markets worst affected by the downturn throughout 2003, resulted in some airline bankruptcies and prompted negotiations with aircraft manufacturers to cancel or postpone certain contracted deliveries. While this initially led to a downward revision of expected deliveries by Airbus and Boeing, Airbus surpassed its stated 2003 aircraft delivery target of 300 aircraft with recorded deliveries of 305 aircraft by year end.

Overall Growth. The market for passenger jetliners depends primarily on the demand for air travel, which is itself primarily driven by economic or GDP growth, fare levels and demographic growth. Measured in revenue passenger kilometres, air travel increased every year from 1967 to 2000, except for 1991 due to the Gulf War, resulting in an average annual growth rate of 7.9% for the period. In 2002, Airbus projected that air travel would grow at 4.7% per annum during the period 2000-2020, which although slightly lower, is consistent with similar studies provided by Boeing.

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

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

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

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

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

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

The trend towards fragmentation on long and very long haul routes, driven by the development of new routes between secondary cities, will be facilitated by the availability of more modern, efficient aircraft. In the trans-Atlantic market, the development of new non-stop services between secondary cities is expected to drive demand for intermediate wide body aircraft such as the A330. The concentration of many Asian country populations into fewer large cities translates into reduced but still significant demand for new routes connecting secondary cities in the Pacific market.

Airbus has recognised and responded to this trend towards fragmentation through the development of the very long range A340-500/600 aircraft. These aircraft provide increased operational profitability not only in markets where demand for point-to-point service already exists, but also in markets that were not previously serviceable by older types of aircraft due to range/cost limitations.

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

Governmental Funding. A 1992 bilateral agreement between the European Union and the United States provides for ceilings on reimbursable launch investments (typically used by European governments) of 33% of the total development costs of new large civil aircraft programmes. It also sets a ceiling at 3% of industry revenues for indirect support in relation to the development or production of large civil aircraft (typically the Department of Defence and NASA mechanisms used in the United States). This bilateral agreement has provided a level playing field for government support and reflects the needs of both Europe and the United States.

Market Structure and Competition

Market Segments. Currently, Airbus competes in each of the three principal market segments. "Single aisle" aircraft, such as the A320 Family, have 100-210 seats in two rows divided by one aisle and are used principally for short-range and medium-range routes. "Twin aisle" or "wide body" aircraft, such as the A300/A310 and A330/A340 Families, have a wider fuselage with more than 210 seats in three rows divided by two aisles. They are used, in the case of the A300/A310 Family, on short range and medium-range routes, and in the case of the A330/A340 Family, on long-range routes. "Very large aircraft", such as the A380 Family, are designed to carry more than 400 passengers non-stop over very long-range routes and in superior comfort. Freight aircraft, which form a fourth, related segment, are often converted ex-passenger aircraft. See "1.1.4 Aeronautics – Aircraft Conversion and Technical Services." In addition, the A300-600F has been a successful all-new freight aircraft with increasing popularity among major express courier providers and airlines, such as Federal Express, UPS and Cathay Pacific. Airbus also competes in the corporate, VIP business jet market with the A319-related Corporate Jetliner, which has proved popular as a corporate shuttle and in government/VIP roles.

According to a study conducted by Airbus a total of 16,241 aircraft with more than 100 seats were in service during December 2003.

The high proportion of single aisle aircraft in both North America and Europe reflects the predominance of domestic short-range and medium-range flights, particularly in North America due to the development of hubs following deregulation. In comparison with North America and Europe,

the Asia-Pacific region uses a greater proportion of twin aisle aircraft, as populations tend to be more concentrated in fewer large urban centres than in the U.S. This distinction is compounded by the fact that many of the region's major airports limit the number of flights either due to environmental concerns or to infrastructure constraints limiting the ability to further increase flight frequency. These constraints necessitate higher average aircraft seating capacity per flight.

According to manufacturers' published figures, a total of 586 new aircraft with more than 100 seats were delivered in 2003. Of these aircraft, 74% were single aisle, while 26% were twin aisle aircraft.

Sales to leasing companies constitute a separate market sector accounting for approximately 27% of aircraft deliveries in 2003, since leased aircraft are frequently operated in a different region from that of the leasing company's home jurisdiction.

Competition. Airbus has been operating in a duopoly since Lockheed's withdrawal from the market in 1986 and Boeing's acquisition of McDonnell Douglas in 1997. As a result, the market for passenger aircraft of more than 100 seats is now effectively divided between Airbus and Boeing. According to manufacturers' published figures, in 2003 Airbus and Boeing, respectively, accounted for 52% and 48% of total deliveries, 54% and 46% of total gross orders, and 57% and 43% of the total year-end backlog.

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

Customers

As of December 31, 2003, Airbus had approximately 186 customers, 3,432 Airbus aircraft had been delivered to operators worldwide since the creation of Airbus, and 1,454 aircraft were on order. The table below shows Airbus most significant gross firm orders, by number of aircraft, for the year 2003.

Customer	Firm Orders ⁽¹⁾
Jet Blue	67
Emirates	41
Qatar Airways	22
CASC	30
Frontier	15
China Airlines	14

(1) Options are not included in orders booked or year-end backlog.

Source: Airbus

Organisation of Airbus

Integration of the Airbus Activities

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

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

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

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

Shareholder and strategic matters relating to Airbus S.A.S. are decided by a Shareholder Committee, to which EADS has appointed five members and BAE SYSTEMS two members. Mr. Rainer Hertrich, CEO of EADS, is the chairman of the Shareholder Committee. Mr. Noël Forgeard, as President and CEO of Airbus S.A.S., is responsible for the operational

management of the Airbus business, together with the Executive Committee, consisting of himself and up to nine other members, two of which are members proposed by BAE SYSTEMS, all of them agreed by the President and CEO of Airbus S.A.S. and appointed by the Shareholder Committee.

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

Products and Services

Technological Breakthroughs

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

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

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

- A320 – Airbus was the first to introduce digital fly-by-wire controls with the A320 in 1988, introducing pilot commands through a side stick controller instead of the traditional control column. Flight-control computers translate these commands into electrical signals for the moving surface actuators and, at the same time, can prevent the aircraft going beyond the prescribed safe flight envelope. Compared to the traditional mechanical flight controls, this brought increased manoeuvrability, simplified operations through

digital link-up with the autopilot system and weight reduction. The fly-by-wire concept is now featured on all A320 Family aircraft as well as the A330/A340 Family. Airbus' U.S. competitors did not introduce fly-by-wire controls for civil aircraft until later. Composite materials are also used extensively in the A320, in particular for the horizontal tail plane.

- A330/A340 – Four models of this twin aisle family feature wing commonality for two and four-engine variants of an otherwise similar airframe – a unique concept that permits each model to be optimised around different market requirements. The ultra-long-range A340 -500/-600 feature a larger wing and introduce further breakthroughs in the use of weight saving composite materials for a large primary structure (the 15m-long keel beam and rear cabin pressure bulkhead).
- A380 – The very large aircraft will bring further development of advanced technologies and allow for their broader application. Approximately 25% of the aircraft structure is to be manufactured using carbon composites and advanced metallic hybrid materials, while innovative manufacturing techniques such as laser beam welding will eliminate fasteners, reduce weight and provide enhanced fatigue tolerance.

The Family Concept – Commonality across the Fleet

Airbus' four aircraft families promote fleet commonality. This philosophy takes a central aircraft and tailors it to create derivatives to meet the needs of specific market segments. This approach means that all new-generation Airbus aircraft (i.e., excluding A300/310) share the same cockpit design, fly-by-wire controls and handling characteristics. Pilots can transfer

among any aircraft within the Airbus family with minimal additional training. Cross-crew qualification ("CCQ") across families of aircraft provides airlines with significant operational flexibility.

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

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

Short- and medium-range single aisle aircraft: the A320 Family.

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

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

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

Single Aisle Technical Features

Model	Entry into service	Passenger capacity ⁽¹⁾	Maximum range (km)	Length (meters)	Wingspan (meters)
A318	2003	107	6,000	31.4	34.1
A319	1996	124	6,800	33.8	34.1
A320	1988	150	5,550	37.6	34.1
A321	1994	185	5,550	44.5	34.1

⁽¹⁾ Two-class layout.
Source: Airbus 2003

In 2003, Airbus received 155 orders for A318, A319, A320 and A321 aircraft and delivered 233 A319, A320 and A321 aircraft including the first A318 deliveries to Frontier Airlines and Air France.

Short- and medium-range twin aisle aircraft: the A300/A310.

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

Express and UPS.

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

A300/A310 Technical Features

Model ⁽¹⁾	Entry into service	Passenger Capacity ⁽²⁾	Maximum range (km)	Length (meters)	Wingspan (meters)
A300	1974	266	7,700	54.1	44.8
A310	1983	220	9,600	46.7	43.9

⁽¹⁾ All versions of A300/A310 including freighters.

⁽²⁾ Two-class layout.

Source: Airbus

In 2003, Airbus received 6 orders for A300 and A310 aircraft and delivered 8 A300 and A310 aircraft.

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

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

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

A330/A340 Technical Features

Model ⁽¹⁾	Entry into service	Passenger capacity	Maximum range (km)	Length (meters)	Wingspan (meters)
A330-200	1998	253	12,300	59.0	60.3
A330-300	1994	295	10,450	63.7	60.3
A340-200	1993	239	14,800	59.4	60.3
A340-300	1992	295	13,900	63.7	60.3
A340-500	2002	313	16,000	67.8	63.6
A340-600	2002	380	14,150	75.3	63.6

⁽¹⁾ Three-class layout.

Source: Airbus

In 2003, Airbus received 89 orders for A330 and A340 aircraft and delivered 64 A330 and A340 aircraft. The first A340-500 was delivered to Qatar, Emirates and Singapore Airlines.

Very large aircraft: the A380 Family. In 2003, Airbus estimated worldwide passenger traffic would grow at a sustained average annual rate of 5% during the 2003-2022 period, leading to two concurrent trends: rising fragmentation of a portion of the marketplace, characterised by the development of new markets, higher frequency on thinner routes and hub by-passing; and consolidation of the rest of the market, resulting in the concentration of the hub-to-hub traffic and hub-dominated traffic, typical of alliance networks. See “–Market”. Following five years of intensive pre-development with airlines, airports and regulatory authorities throughout the world, Airbus has defined a very large aircraft, the A380, to best serve the needs of the consolidated hub-dominated market.

Major programme milestones in 2003 included groundbreaking for A380 assembly lines in Toulouse and Hamburg, with a substantial level of completion of facilities accomplished by year-end. Sub-assembly production has commenced in the U.K., Spain, France and Germany. Additionally, Airbus achieved its headcount requirement of 6,500 employees and identified 95% of A380 program suppliers.

The A380 is planned to be larger than any existing commercial passenger aircraft, with a wingspan of 79.8 meters and a large-diameter fuselage divided into three decks along the entire aircraft, consisting of two full passenger decks and a cargo deck. The aircraft’s overall dimensions fit within the expressed airport guidelines of 80 meter span and 80 meter overall length limitation, in order to suit planned runways and facilities with minimal infrastructure changes.

The basic version of the A380 will seat 555 passengers in three classes, with greater space per passenger and therefore higher levels of comfort. It will offer higher efficiency for operations with a range of 14,825 km (8,000 nm), superior economic performance, linking major hubs in Europe, North America and Asia, as well as within Asia. Launched simultaneously with the baseline passenger aircraft is a new large freighter offering 150 tonne payload over a range of 10,410 km. This provides a major step in payload, volume and range capability relative to the 747 freighter while also offering a reduction in tonne-mile operating costs of over 20%. The A380 will feature a high degree of operational commonality with the existing Airbus range, in order to foster CCQ and reduce operating costs within Airbus fleets.

Airbus expects the demand for very large aircraft to be approximately 1,163 aircraft between 2003 and 2022, representing U.S. \$339 billion or 21% of total commercial aircraft market value. A portion of these aircraft will be dedicated to the cargo market. Airbus launched the A380 programme in December 2000, having ensured that the aircraft would be technically feasible, economically viable and that sufficient market demand existed in terms of number of customers’ commitments, standing of potential customers and geographic allocation. The A380’s entry into service is planned for 2006.

At year-end 2003, Airbus had received a total of 129 firm orders for the A380 from leading world airlines. The purchase agreements with Lufthansa, Emirates, Federal Express, Malaysia Airlines and Korean Air, totalling 47 orders, were signed post-September 11, 2001, confirming the strong and robust demand for this aircraft from both passenger and freight operators.

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

Management presently intends to finance the programme by:

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

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

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

New Product Development: A400M

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

Asset Management

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

Its key roles comprise the commercial and risk management of the Airbus portfolio of used aircraft. Most of the aircraft are available to customers for cash sale, while some can only be offered on operating lease, depending on the financing attached to such aircraft. At the end of 2003 the Airbus Asset Management portfolio contained 53 aircraft, a net addition of 12 compared to the end of 2002. The Asset Management division also provides a full range of support services, including assistance with entry into service, interior reconfiguration and maintenance checks.

Sales Finance

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

Customer Service

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

Engineering and technical support includes detailed pre-delivery briefings on maintenance facilities, tools and equipment, as well as a customised cost reduction programme designed to reduce

each customer's maintenance costs to optimised levels through detailed studies of the customer's activities.

The training and flight operations support service includes a permanent staff of over 200 instructors around the world to provide accessible and up-to-date training for Airbus flight and ground crews. Airbus has three principal training centres, one in Toulouse, France, one in Miami, U.S. and one in Beijing, China. As part of its training services, Airbus offers a pilot CCQ programme enabling pilots to take advantage of the high degree of commonality between Airbus aircraft families.

Airbus' material support division stocks over 130,000 proprietary part numbers, serving a worldwide distribution network from Hamburg, Washington, D.C., Singapore and China. The 24-hour aircraft-on-ground service usually dispatches in-stock items within two hours of receipt of an order. The division also offers a customised ongoing spares service package designed to enable operators to achieve the greatest efficiency in maintenance checks, ageing aircraft support and emergency orders.

Production Workshare

Airbus aircraft are produced using an efficient and flexible system that has optimised the specialised skills developed during the last three decades. Each task in the building of the Airbus aircraft (from design, definition and production to product or operational support) is allocated to industrial sites according to their specialised expertise. The nurturing and development of centres of excellence, although a legacy of the past, constitutes an original and competitive feature of Airbus manufacturing.

Engineering

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

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

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

Airbus engineers have also developed "Colleges of Experts" – teams of the most experienced specialists in each discipline that provide guidance and advice at senior levels. This approach not

only delivers design solutions to meet the highest standards of technical quality and performance, but also ensures that both individual and collective knowledge is nurtured throughout the CoCs.

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

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

Manufacturing Facilities

Airbus has established highly specialised centres of excellence based on the core competencies of each site within its field of expertise. These centres are located in Nantes, Meaulte, St. Nazaire and Toulouse in France; Hamburg, Bremen, Nordenham, Varel, Laupheim, Stade and Buxtehude in Germany; Getafe, Illescas and Puerto Real in Spain; and Filton and Broughton in the U.K.

Production Flow

Specialisation at engineering and production levels has ensured a production flow in which the relevant parts are supplied to the appropriate component and sub-assembly centres of excellence for the purpose of the systems integration and interiors installation. Sub-assembly takes place at a variety of sites

located in France, Germany, Spain and the United Kingdom. The completed sub-assemblies are flown either to Toulouse (A300, A320, and A330/A340 Family) or Hamburg (A318/A319/A321) for final assembly and delivery using a fleet of five Airbus A300-600 ST "Beluga" Super Transporters designed specifically for the Airbus production network. Typical production lead times for single-aisle aircraft are 8-9 months, and 12-15 months for long-range twin-aisle aircraft.

Adaptability to Changes in Demand

In response to the ongoing downturn, Airbus is reducing deliveries consistent with amended commitments. Airbus delivered 305 aircraft in 2003 and is dedicated to delivering approximately 300 aircraft in 2004. Any major market disruption or worsening in the economy could lead to revision of these figures.

To meet its 2004 delivery target, Airbus has set various elements of its adaptable manufacturing process in motion; these include enhanced integrated intelligence of customer and market situation to provide early warning, repatriation of an array of outsourced tasks and adaptation of make or buy criteria. Additionally, Airbus is exploiting flexibility features of its labour structure by applying flexible time and overtime contractual provisions, and by optimising temporary and time-defined workforce. This allows Airbus to increase adaptability without paring the experienced and trained workforce which Management considers a most valuable Airbus asset to sustain long-term growth.

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

1.1.3 Military Transport Aircraft

Introduction and Overview

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

The MTA Division earned consolidated revenues of € 934 million accounting for 3% of EADS' total consolidated revenues for 2003.

Strategy

The MTA Division's strategic aim is to develop its core businesses, to leverage the EADS pool of technologies to gain share within its markets and to enhance profitability. To achieve this purpose, the MTA Division has implemented a focused, two-prong strategy to:

- **Consolidate its leadership position and address the growing demand for modern and dependable tactical military transport aircraft.**

EADS is the global leader in the market segments for light and medium sized military transport aircraft. Through the addition of the A400M heavy transport aircraft, EADS expects to broaden its range of tactical military transport aircraft and to capture a market with high replacement potential heretofore dominated by Lockheed Martin.

- **Optimise the capabilities of EADS to become a major supplier of military derivatives.**

The MTA Division relies on its own specialised technologies as well as those of the Defence and Security Systems Division, on EADS' wide range of platforms and on the conversion expertise of the Aeronautics Division to promote aircraft satisfying customers' mission-specific requirements.

Prior to the formation of EADS, CASA had developed an outstanding expertise in the utilisation of composite materials for aerostructure manufacturing and advanced automation processes which is now applied throughout EADS.

Market

Military Transport Aircraft

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

independent aerospace and defence industry consulting firm, the market for military transport aircraft will amount to an estimated approximate U.S. \$39 billion over the next ten years.

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

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

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

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

Military Derivatives

According to a study by the Teal Group, the market for mission aircraft will amount to an estimated approximate U.S. \$24 billion over the next ten years. It is a market of advanced technology and high added value solutions where customers are increasingly demanding comprehensive systems tailored to their respective operational requirements. Modern defence and warfare increasingly require independent access to complex forms of information in various theatres of operations. This development and Europe's unsatisfied defence needs are expected to boost demand for European-produced mission aircraft in the near term. However, this market remains dominated by U.S. companies.

Products

Tactical Transport Aircraft

C-212 – Light Military Transport. The C-212 was conceived as a simple and reliable unpressurised aircraft able to operate from makeshift airstrips and carry out both civilian and military tasks. The first model in the series, the S-100, entered into service in 1974. With a payload of 2,950 kg, the new version of the C-212, the Series 400, entered into service in 1997. It incorporates improvements such as new avionics and engines for enhanced performance in hot climates and high altitudes, as well as

improved short take-off and landing ("STOL") performance. The C-212's rear cargo door provides direct access for vehicles, cargo and troops. Its configuration can be changed quickly and easily, reducing turnaround times. The aircraft can perform airdrops and other aerial delivery missions. As of December 31, 2003, 471 C-212s had been sold to 88 operators in 42 countries.

CN-235 – Medium Military Transport. The first model in the CN-235 family, the S-10, entered into service in 1987. The latest model in the CN-235 family, the Series 300, entered into service in 1998 and is a new-generation, twin turboprop, pressurised aircraft. The CN-235-300 is capable of transporting a payload of up to 6,000 kg, representing (1) 48 paratroopers; (2) 21 stretchers plus four medical attendants; (3) four of the most widely used type of freight pallet; or (4) oversized loads such as aircraft engines or helicopter blades. Paratroop operations can be performed through the two lateral doors in the rear of the aircraft or over the rear ramp. Variants of the CN-235-300 are used for other missions, including maritime patrol, electronic warfare and photogrammetric (mapping) operations. As of December 31, 2003, 257 CN-235s had been sold to 34 operators in 23 countries.

C-295 – Medium Military Transport. Certified in 1999, the C-295 has the basic configuration of the CN-235, with a stretched cabin to airlift a 50% heavier payload at greater speed over similar distances. The C-295 is equipped with integrated avionics incorporating digital cockpit displays and flight management system, enabling tactical navigation, planning and the integration of signals from several sensors. Both the CN-235 and C-295 have been designed as complements to or replacements for ageing C-130 Hercules, accomplishing most of their missions at a lower operating cost; specialising the C-130 for heavier cargo transport only extends its service life. In 2002, the air forces of Brazil and Jordan both selected the C-295 to perform the medium military transport role. As of December 31, 2003, 19 C-295s had been sold to three operators.

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

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

Airbus Military is a Spanish *sociedad limitada* ("S.L.") dedicated to the development, manufacture and delivery of the A400M aircraft. Shares in Airbus Military are currently held 69.44% by Airbus S.A.S., 20.56% by EADS CASA, 5.56% by Tusas

Aerospace Industries Incorporated of Turkey and 4.44% by Flabel Corporation NVSA of Belgium. The executive vice president in charge of the MTA Division also acts as chief executive officer of Airbus Military, bringing the MTA Division's experience in the management of military transport aircraft programmes and its extensive client network to the A400M programme.

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

In May 2003, the *Organisation Conjointe en Matière d'Armement* ("OCCAR") signed a contract with Airbus Military to order 180 A400M aircraft, mandated by seven nations: Belgium committed to eight aircraft (including one on behalf of Luxembourg), France to 50, Germany to 60, Spain to 27, Turkey to 10, and the U.K. to 25.

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

Military Derivatives

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

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

Strategic Tanker Aircraft. In the medium term, EADS will seek to provide a competitive alternative to the near-monopoly currently enjoyed by Boeing products in the market for strategic tanker aircraft which will help to ensure Europe's ability to set up projects independently. Management believes that the market for strategic tanker aircraft will offer attractive opportunities. The year saw the roll-out of the German Air Force Tanker MRTT A310 and a contract win for two tanker kits for the Canadian Airforce. EADS, Rolls Royce, Cobham and Thales are cooperating through the AirTanker consortium as the single bidder for the U.K. MoD's Future Strategic Tanker Aircraft ("FSTA") programme. Likely to be structured as a Private Finance Initiative, this program would replace ageing VC10 and

Tristar tankers, currently operated by the Royal Air Force, with a system based on the long-range family of Airbus aircraft. Additionally, Management views the KC-X program for the replacement of the ageing U.S. fleet of strategic tanker aircraft as a market opportunity. In an effort to further address the important market for strategic tanker aircraft, the MTA Division is leading a technological programme to develop a new boom air to air refuelling system based on the A330 platform.

Customised and Converted Platforms. In this category EADS is able to offer logistics transport aircraft such as Airbus cargo variants, aircraft offering protection to government executives such as the A340 VIP and upgrades of combat aircraft to meet new mission requirements.

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

Maritime Patrol Aircraft. The MTA Division can provide different solutions ranging from Maritime Surveillance to Anti-Submarine Warfare through aircraft based on the C-212, CN-235, C-295, Atlantic or P-3 Orion platforms, for which EADS has already developed a new-generation, open architecture mission system called FITS (Fully Integrated Tactical System). The first flight of the modernised version of the Spanish P-3 Orion took place in 2003. Additionally, the Brazilian air force retained the Division in 2003 to modernise its fleet of nine P-3 Orion aircraft.

In February 2003, in connection with the Deepwater Program for the U.S. Coast Guard, EADS signed a contract with Lockheed Martin for the sale of two CN-235 maritime patrol aircraft, worth U.S.\$ 87.4 million. The contract also includes options for spare parts and integrated logistic support as well as an option for six additional aircraft. The potential value of the contract with all the options is approximately U.S.\$ 300 million.

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

Production

The C-212, CN-235 and the C-295 are manufactured in the factory located within the San Pablo Airport in Seville. The final assembly of the A400M will take place at the San Pablo Airport facility, while other Airbus centres of excellence across Europe will produce sections and subsections in accordance with their capabilities.

1.1.4 Aeronautics

Introduction and Overview

The Aeronautics Division groups together a number of civil and military aviation-related businesses, including helicopters, regional and general aviation aircraft and aircraft conversion and maintenance. The Aeronautics Division is also involved in the manufacturing of aerostructures for Airbus. Management views the mix of young and mature civil and military programmes and services as an effective means of assuring consistent positive results in markets subject to cyclical or fluctuating demand. For 2003, the Aeronautics Division earned consolidated revenues of € 3.8 billion representing 12% of EADS' total revenues.

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

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

In 2003, the Military Aircraft business was transferred to the DS Division. See "1.1.5 Defence and Security Systems – Overview".

Strategy

The strategy of the Aeronautics Division is to develop those businesses which Management views as having potential for continued and future growth:

- **Maintain leadership in the market for civil helicopters.**
The Aeronautics Division has renewed its comprehensive product line of modern civil helicopters and will improve its civil helicopter operations, in particular through the exploitation of synergies with its military helicopter activities. Because customer services are an important source of revenues and a key component of value for clients, the Aeronautics Division will continue to strengthen its network of marketing, distribution and support systems, which services approximately 9,000 Eurocopter aircraft with 2,180 operators worldwide.
- **Leverage EADS' role as an original equipment manufacturer ("OEM") to benefit from the steadily growing conversion and customer service markets.**
Exploiting EADS' exceptional knowledge of Airbus aircraft and relationships with Airbus customers, the Aeronautics Division continues to expand its Airbus conversion and maintenance business. EFW offers the only OEM solution for converting existing Airbus passenger aircraft to freighter aircraft. In addition, the Aeronautics Division capitalises on its strong

position in industrial maintenance for Air Forces and diversifies its services to include training and expand along the logistics support value chain for its governmental customers.

Eurocopter Overview

Eurocopter is one of the world's largest manufacturers of helicopters with a very wide range of civil and military helicopters. In 2003, Eurocopter captured 53% of the worldwide market for civil helicopters and 20 % of the export market for military helicopters. Through its helicopter manufacturing and servicing operations as well as its contribution to the aerostructure business, Eurocopter generated 68% of total revenues of the Aeronautics Division in 2003.

Market

In 2002, the value of helicopters delivered worldwide was estimated at over € 7 billion; a figure Management expects will grow to € 10 billion by 2010. According to a study carried out by the Teal Group in 2002, 4,570 civil and 4,667 military helicopters are expected to be built globally from 2002 to 2011. This forecast, particularly with respect to the military segment, depends to a large extent on the future of large U.S. development programmes such as the V-22 Osprey and the RAH-66 Comanche helicopters.

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

Military helicopters, which are usually larger and their systems generally more sophisticated than commercial helicopters, accounted for 49% of the total value of deliveries in 2003. In 2002, 70% of military helicopters ordered belonged to the high value attack and heavy segments of the market.

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

In the military segment, Eurocopter's principal competitors are the four major helicopter manufacturers operating worldwide, including one in Europe (Agusta-Westland) and three in the

United States (Bell Helicopter, Boeing and Sikorsky). Additionally, a number of domestic manufacturers compete in their respective national markets.

The helicopters sold in the civil sector provide transport for corporate executives, offshore oil drillers, diverse commercial applications and state agencies, including coast guard, police, medical and fire-fighting services. Management believes that the value of global civil deliveries will grow at an average rate of 3% in the next ten years. Market data indicates that in 2002, worldwide deliveries of civil helicopters stood at 495 units.

Eurocopter's principal civil competitor globally is Bell Helicopter, a division of Textron Inc. of the United States. The civil

helicopter segment is relatively concentrated, with Eurocopter and Bell Helicopter together accounting for approximately 80% of total civil helicopter sales in 2003.

Products and Services

Existing Products. Management believes that Eurocopter currently offers the most complete and modern helicopter product range, covering more than 85% of the overall civil and military market spectrum. The Eurocopter product range comprises light single-engine, light twin-engine, medium and medium-heavy helicopters. Eurocopter's product line is based on a series of new-generation platforms that are designed to be adaptable to both military and civil applications. The table below illustrates Eurocopter's existing product line:

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

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

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

In recent years Eurocopter has invested in the renewal of its civil product line, enhancing its competitive position in the civil segment so that its share of the world market currently stands

above 50%. Eurocopter has successfully introduced into the international markets such newly developed products as the light, single-engine EC120 and the light, twin-engine EC135, and such major product upgrades as the EC155, the latest evolution of the medium class Dauphin, and the EC145 light helicopter, a derivative of the BK117. Deliveries of the EC130, the latest single engine member of the Ecureuil family started in 2001.

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

– **The NH90.** The NH90 was developed as a multi-role helicopter for both tactical transport and naval applications. The project, principally financed by the governments of

France, Germany, Italy and the Netherlands, was jointly developed by Eurocopter, Agusta of Italy and Fokker Services of the Netherlands as joint partners in Nato Helicopter Industries ("NHI") in direct proportion to their countries' expressed procurement commitments. Eurocopter's share of NHI is 62.5%. Confirmed requirements for the NH90 are for 325 helicopters plus 85 options. Production of the first lot of 243 helicopters plus 55 optional helicopters destined to the four partner countries started in 2000, with first deliveries expected at the end of 2004. In 2001, Portugal booked ten NH90 helicopters; Finland, Sweden and Norway also jointly chose the NH90, with 52 firm units plus 17 options. Of these firm orders, 38 were booked in 2001, while 14 were booked in 2002. Greece ordered 20 aircraft in 2003, plus 14 options. These initial successes confirm the NH90 platform's significant export potential as a military platform that may also have civil applications in the future.

Development activities represent 16% of Eurocopter's total revenues for 2003. These sales derive principally from externally funded development of the Tiger and NH90 programmes.

Customer Support. As of December 31, 2003, Eurocopter products constituted the world's second largest manufacturer fleet, with approximately 9,000 helicopters in service worldwide. Consequently, customer support activities represented 34 of Eurocopter's revenues for 2003. Eurocopter's customer support activities consist principally of training, maintenance, repairs and spare part supply. In order to provide efficient worldwide service, Eurocopter has established an international service network of subsidiaries, authorised distributors and service centres. To extend the range of services offered to customers, Eurocopter and Thales have together established HELISIM, a helicopter training centre, which opened in 2002.

Customers and Marketing

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

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

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

Approximately 2,180 operators worldwide currently operate Eurocopter helicopters, forming a broad established base for Eurocopter's customer support activities. 90% of Eurocopter's customers have fleets of between one and five helicopters.

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

Production

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

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

Regional Aircraft – ATR

Overview

ATR is a world leader in the market for regional turboprop aircraft of 40 to 70 seats. In 2001, EADS and Alenia decided to transition from the original consortium structure of ATR into a new company, ATR Integrated. After contribution of their shares and certain industrial assets dedicated to ATR consortium structure in 2001, EADS and Alenia each have a 50% stake in ATR Integrated. The new organisation is intended to facilitate response to market demands, resource allocation, and ultimately to reduce production and operating costs. EADS' 50% stake in ATR Integrated contributed 7% of Aeronautics Division total revenues in 2003.

Market

The regional aircraft industry has experienced concentration in recent years. During the 1990s, a number of manufacturers merged, closed or ceased production of regional aircraft, leading to the withdrawal from the market of BAE Jetstream, Beechcraft, Fokker, Saab and Shorts. As of December 31, 2003, the worldwide market for turboprop aircraft of 40-70 seats in production was dominated by two manufacturers: ATR with 50% of the cumulative orders and Bombardier of Canada with 50%. In 2003, ATR registered orders for 1 new and 6 used aircraft, and it delivered 9 new aircraft.

Products and Services

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

Customer Service. ATR has established a worldwide customer support organisation committed to supporting the aircraft over its service life. Service centres and spare parts stocks are located at Toulouse, in the vicinity of Washington D.C. and in Singapore. Implementation of the cooperation agreement concluded in 2001 with EMBRAER for the creation of AEROCHAIN, an e-marketplace designed to enhance support services across all areas of airline operations (training, spares, technical publications and maintenance planning) commenced in 2002.

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

Production

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

General Aviation

EADS Socata

EADS Socata manufactures a range of light aircraft for the private civil aircraft market and also engages in aerostructures subcontracting, producing materials and subassemblies for EADS' other aircraft operations, including Airbus. In the

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

Since launching its aerostructures activity in the early 1960s, EADS Socata has positioned itself as a first-line subcontractor for complete assemblies. EADS Socata is experienced in the use of composite materials for aircraft structural elements; in particular for the Airbus A330/A340, as well as metal-composite combination technology and forming of large-dimension metal panels. In addition, EADS Socata carries out design work for a number of European aviation programmes, including Airbus, Eurocopter, Mirage and Falcon aircraft.

Aircraft Conversion and Technical Services

Overview

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

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

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

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

Commercial Aircraft Conversion – EFW

Conversion of passenger aircraft into freighter aircraft ("**P to F**"), which generally requires 30,000 to 40,000 working hours and requires highly-skilled workers to modify the aircraft structure as

well as passenger related systems, such as air conditioning, heating and lighting, is the modification most proposed to commercial aircraft owners. Conversion kits comprise original parts, known as Original Equipment Manufacturer or "OEM" parts from the corresponding Airbus serial freighter versions, and result in a converted aircraft that is very similar to a freighter from the series production.

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

According to Airbus estimates, airfreight is expected to grow faster than passenger traffic in the next 20 years. Given the retirement of older aircraft, an estimated 1,900 dedicated cargo aircraft should meet this demand, of which roughly 75% would come from the conversion of passenger aircraft.

EADS' main competitor in the freighter conversion business is Boeing, which now offers P to F conversions for its complete range of aircraft except B777 and ex-MD aircraft. With the discontinuation by BAE Services of its A300 B4 and A300-600 conversion programmes, there is currently no near-term competitor for Airbus P to F conversions.

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

Commercial Technical Services – EADS Sogerma Services

EADS Sogerma Services focuses primarily on three business lines: (1) aircraft and equipment maintenance, repair and overhaul ("**MRO**"), (2) cabin interiors and completion and

(3) aerostructure manufacturing, primarily for Airbus. Revenues from EADS Sogerma Services in 2003 totalled 17% of total revenues of the Aeronautics Division.

MRO. Maintenance activities provided by Sogerma include periodic airframe maintenance services, system modifications and cabin interior upgrades, and structural repairs as required for large commercial aircraft. These services are carried out in facilities in Bordeaux, France; Lake Charles, United States; and Monastir, Tunisia. Sogerma also provides services for military fighter and transport aircraft, including C-130 checks for African and Latin American clients at Maroc Aviation in Casablanca.

Cabin Interiors and Completion. Sogerma is an approved outfitter for Airbus corporate jets, with services currently performed in Toulouse, France and planned in Lake Charles, United States in 2005. It has dedicated hangar bays for large aircraft VIP completion in Bordeaux. Sogerma designs and manufactures top-of-the-line cabin interior components and first and business class passenger seats.

Sogerma also is a specialist in small engines (SECA in Le Bourget, France), landing gear, APU (Revima in Rouen, France) and avionics MRO (Bordeaux, France) and has additional facilities in the United States (Barfield, Miami) and the Far East (Sogerma Asia in Hong Kong).

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

1.1.5 Defence and Security Systems

Introduction and Overview

The Defence and Security Systems Division (the "DS Division") is active in the field of integrated systems including missile systems, combat aircraft, defence electronics, military communications and services. Based on 2003 revenues, EADS' subsidiary MBDA is the largest manufacturer of tactical missile systems in Europe and the second largest in the world. Its Military Aircraft business unit, which was transferred from the Aeronautics Division in 2003, is a leading partner in the Eurofighter consortium. EADS is the third largest supplier of defence electronics in Europe and plays a significant role in the secure and encrypted military communications market. On a consolidated basis, the DS Division earned revenues of € 5.2 billion for 2003, representing 16% of EADS' total revenues.

In 2003, the Military Aircraft business unit was transferred from the Aeronautics Division to the DS Division. By gathering its Missile Systems (MBDA and EADS/LFK), Defence and Communications Systems ("DCS"), Defence Electronics ("DE"), Military Aircraft ("MA") and Services activities within a single division, EADS aims to strengthen its defence business to better meet the needs of customers requiring integrated defence and security technology.

Since the formation of EADS, the DS Division has been consolidating its capabilities in the key segments of the German, French and Spanish markets and has also been improving its access to the U.K. market.

In 2003, the DS Division continued the integration and restructuring activities commenced in earlier years, including workforce adaptation and site optimisation. These efforts contributed to the Division's profitability in 2003.

Existing programmes under contract and new programmes confirmed under governmental long-term funding plans are the main drivers of the DS Division's near term growth. These programmes include:

- the maintenance and upgrade of Tornado aircraft,
- the production of Eurofighter aircraft,
- MBDA and EADS/LFK missile systems (e.g. Meteor, Taurus, Aster/PAAMS, Scalp EG/Storm Shadow),
- Command/Control/Communication/Intelligence (C3I) Systems such as SIR for France, Faust for Germany,
- Air and Naval Defence Systems such as Samoc for Germany and the GBAD study for the U.K.,
- Public safety telecommunication systems, such as Acropol in France,
- Communication and Information Systems for commercial and defence applications,
- Defence Electronics sub-systems such as naval and ground radars,
- airborne systems for Eurofighter, Tiger, NH90 and other EADS platforms, and

- outsourced defence services such as flight operation services provided by subsidiaries in France (AVDEF) and Germany (GFD).

In France, the current *Loi de Programmation Militaire* (multi-year defence funding plan) provides opportunities for the DS Division in the fields of new and upgraded missiles (Exocet, Scalp Naval) and unmanned aerial vehicles (UAVs). Recent comments from the German government suggest a prioritisation of capabilities to which the DS Division can contribute, such as global reconnaissance, interoperable command systems and missile defence. The German Minister of Defence also confirmed key projects involving EADS: German participation in NATO AGS and in the trans-atlantic project MEADS, orders of Trigat Long Range armaments for Tiger helicopter, and procurement of 180 Eurofighter aircraft. In the U.K., the DS Division is involved in key bids for programmes such as the Future Strategic Tanker Aircraft (FSTA), Ground Based Air Defence (GBAD) and Combined Aerial Target Services (CATS).

In addition, various Franco-German and NATO defence initiatives are expected to open new opportunities for EADS' defence-related systems and services.

Strategy

Through continued organic growth of existing businesses and the development of new markets for systems and products, the DS Division aims to contribute significantly to the further development of EADS' overall defence activities. The strategic priorities of the DS Division are as follows:

- **Growth by improving access to fast expanding markets**
Beyond focusing on increasing sales of existing products to its traditional export markets, EADS seeks to expand its local presence in the U.K. defence market (one of its four "home markets") and to further participate in the U.S. defence market.

Among European nations, the U.K. has the largest and fastest-growing defence procurement budget. To capitalise on the opportunities provided by the U.K. market, the DS Division aims to move from a provider of subsystems to a prime contractor for projects such as the GBAD program. To further improve access to this important market, EADS will unify, coordinate and leverage its strong industrial presence in the U.K. and partnerships with defence contractors that also have a local presence in the U.K.

Penetration of the U.S. defence market remains a key objective for the DS Division, which is seeking to expand its current U.S. industrial presence in missiles, defence electronics, telecommunications and tests and services. Expansion into the U.S. involves several paths, including (i) the pursuit of niche market segments where the Division can offer superior products and technologies, such as the Hellas

obstacle avoidance system for helicopters and the TRS-3D radar for the U.S. Coastguard; (ii) building on its strong trans-atlantic industrial partnerships with U.S. prime contractors, including Northrop Grumman (NATO AGS and Global Hawk), Lockheed Martin (MEADS, Deepwater) and Boeing (JDAM) to explore new opportunities driven by Military Transformation; and (iii) seeking acquisitions and new partnerships that would enhance the DS Division's capabilities and solutions offerings.

- **Growth in new market segments – leverage existing capabilities to become a leading provider of integrated defence and security systems.**

The DS Division is ideally positioned to meet European government demand for new military and security capabilities such as integrated, network-enabled defence and homeland security systems. The change in the EADS structure, including the transfer of the Military Aircraft business unit to the DS Division from the Aeronautics Division in 2003, is to position the DS Division to be able to meet its customers' new requirements. As the integrated division for defence and security in EADS, the DS Division uses cross-business unit synergies to capture systems business opportunities, strengthen both system integration capabilities (focused in the Defence and Communications Systems business unit) and Defence Electronics sub-systems, and to act as a Network Centric Enterprise to support the transformation process of our military customers. The DS Division's unique capabilities in telecommunications, C3I and ISR put it at the centre of efforts to develop a European approach to network centric warfare. Investments in new systems such as UAVs for strategic and theatre intelligence, C3I for battle management, and secure telecommunications networks are aimed at improving the effectiveness of combat and homeland security forces. Within EADS, the DS Division will be the prime contractor for integrated defence systems.

The DS Division was recently awarded a key contract for the EuroMALE UAV and has successfully tested, together with Northrop Grumman, the Global Hawk, a high-altitude long-endurance UAV fitted with European mission systems designed by EADS. The DS Division also is participating in the early phases of the NATO AGS bidding process with the trans-atlantic TIPS initiative (along with Northrop Grumman, Finmeccanica, Thales and Indra). In conjunction with other business divisions within EADS, the DS Division is also involved in the European development of future ballistic missile defence concepts for NATO.

Military Aircraft Overview

The Military Aircraft business within the DS Division focuses on the development and manufacturing of the Eurofighter combat

aircraft, MRO (maintenance, repair & overhaul), logistic support and conversion of existing combat aircrafts, as well as the provision of training services and the construction of Airbus aerostructures. In addition, the development and construction of a light combat and training aircraft and an unmanned combat aircraft (UCAV) is conducted through Military Aircraft. In 2003, 32% of the total revenues of the DS Division came from the Military Aircraft business.

Eurofighter

The Eurofighter (known as "Typhoon" for export outside Europe) is a high-performance multi-role combat aircraft optimised for air superiority in complex air combat scenarios. It is fully compatible with state-of-the-art NATO weapon systems. The Eurofighter is designed to enhance fleet efficiency through a single platform tasked with supersonic beyond visual range combat, subsonic close combat, air interdiction, close air support, air defence suppression and maritime attack roles. The tactical requirements of the aircraft include all-weather capability, short take-off and landing capability and high survival capability and operational rates.

The Eurofighter programme is organized as follows:

- The NATO Eurofighter and TORNADO Management Agency (NETMA) is the management company for the participating nations. NETMA contracts with Eurofighter Jagdflugzeug GmbH (Eurofighter GmbH), the program management company for the Eurofighter program.
- The Eurofighter GmbH shareholders and subcontractors are EADS (46% share), BAeS (33% share) and Alenia Aerospazio, a division of Finmeccanica (21%).

In January 1998, the NATO Eurofighter and Tornado Management Agency (NETMA) signed the umbrella Eurofighter contract for 620 aircraft: United Kingdom 232 (with 65 options); Germany 180; Italy 121 (with 9 options); Spain 87 (with 16 options). The umbrella contract, while fixing a maximum price for the overall program, also stipulates that production agreements are to be awarded in three tranches, each with progressively lower fixed prices than the one preceding it. The programme includes the development, the production investment and the series production of the aircraft. Austria signed a contract for 18 Eurofighters in 2003.

Eurofighter's first tranche of 148 aircraft is slated for delivery between 2003 and 2005. Production is expected to continue until 2015, with volumes of 52 aircraft per year from 2004 onwards. The first seven Eurofighters were delivered to Germany and Spain in 2003.

The Eurofighter was conceived to be suitable for long-term improvement as avionics and weapons systems evolve, providing for an extended service life potential.

Market and Customers for Combat Aircraft. Two major U.S. suppliers (Lockheed Martin, Boeing), along with several smaller European and Russian competitors, serve the global market for fighters.

Ministry of Defence (MoD) fighter procurement considerations are governed by strategic requirements (need for air defence

and/or strike capability) as well as by political and spending constraints, especially in the post-Cold War era.

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

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

According to the Teal Group, "fly away" prices for fighters, depending on model and specification, range from U.S. \$30 to U.S. \$100 million, of which each of the major constituent parts of a fighter platform – the airframe, the engine and the aircraft systems/equipment – typically represents approximately one-third of the total per unit cost. The Teal Group estimates the worldwide fighter market at U.S. \$142 billion between 2003 and 2012, and assigns a 17% share to the Eurofighter.

The Eurofighter consortium is seeking to target up to 50% of the total export market estimated at 800 aircraft over the next 30 years and worth in excess of € 50 billion. Eurofighter has already been sold to Austria (18 aircraft), been selected in Greece and further export opportunities are believed to exist in Europe, the Middle East and the Far East.

Eurofighter Production. With regard to series production, the respective production workshares of the participating partners within the Eurofighter consortium stand at 43% for EADS, 37.5% for BAE SYSTEMS and 19.5% for Alenia, reflecting the relative number of aircraft ordered. EADS is responsible for the centre fuselage, the flight control systems, the manufacturing of the right wing and leading edge slats, as well as final assembly for the 180 aircraft destined for the German military

and the 87 aircraft ordered by the Spanish armed forces. Eurofighter is a single source program, without redundancies in design or production responsibilities, leading to an efficient program cost structure. The final assembly of the Eurofighter takes place in the respective contracting country: in Germany at Manching, in Spain at Getafe, in the U.K. at Warton and in Italy at Torino.

Future Development of European Unmanned Combat Aircraft (UCAV)

Management believes that the success of the next generation European combat air system program requires that it will be jointly developed with EADS' European competitors. Through the six-nation European Technology Acquisition Program (ETAP), the principal European defence contractors are working on multi-use technologies, with the aim of developing the fifth-generation Combat Air System (probably unmanned), with entry into service forecast to be between 2018 and 2020.

Training and Light Combat Aircraft

Management believes there is a high potential market for training and light combat aircraft. The competition in this sector is intense, with offerings from BAE SYSTEMS (Hawk), KAI/Lockheed Martin (T-50), Aermacchi (AM-346) and others.

Through the Advanced European Jet Pilot Training industrial team, EADS is well positioned to provide jet pilot training for the twelve participating air forces. The high energy advanced jet trainer MAKO, currently in the definition phase at EADS, is designed as an optimal solution for this type of training.

Military Aircraft Conversion and Technical Services

Management believes that the modernisation of military aircraft provides an important business opportunity for sustained growth and profitability. As well as providing a profitable after-market service to existing customers, aircraft modernisation operations provide access to new export markets for future sales of all types of aircraft, both military and commercial. The upgrading of military airframes is particularly attractive for countries with limited national defence budgets, such as those in the former "Eastern Bloc", Latin America, North Africa and some Asian regions. For these nations, the purchase of new multi-role aircraft is either politically or economically impractical, making upgrading the most cost-effective alternative.

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

The complementary skills and experience of EADS in many military aircraft programmes, including the manufacturing of major aerostructure components for the entire Airbus family, allows it to offer a broad spectrum of products to multinational customers and to expand its customer base and export possibilities.

Missile Systems

Introduction and Overview

The Missile Systems group within the DS Division (comprised of MBDA and EADS/LFK) offers solutions for air dominance, land control and sea power missions through its innovative range of tactical missile systems. MBDA currently has a total of 45 missile, missile system and countermeasure programmes in production or in operational service and a further 30 in development or advanced studies. MBDA/LFK competencies encompass all critical subsystems such as warheads, seekers, propulsion (rocket motors and ramjet), proximity fuses and guidance systems. MBDA, as the pole of EADS' missile activities, provides the industrial basis for the much needed standardisation of weapons of the main European countries. It enjoys a geographically diverse customer portfolio. Through a multinational network of subsidiaries, it has direct access to the major European domestic markets for missile systems in France, Germany, Italy, Spain and the U.K. The Missile Systems group also has a stable foothold in export markets including close links to trans-Atlantic business via co-operations on MEADS, Patriot, PAC3 and RAM.

Revenues from the Missile Systems group in 2003 represented 31% of total revenues of the DS Division.

Markets

Market data in the missile systems sector is limited due to the classified nature of this information and the sensitivity of buyers and sellers of missile systems to the general dissemination of such information. The figures mentioned in this section are therefore based solely on estimates by EADS and not on official, publicly available information.

The current worldwide market for missile systems is estimated to exceed € 10 billion. It is expected to increase due to (i) the development of new products (such as tactical ballistic anti-missile systems and stand-off guided weapons), (ii) new missile-carrying platforms entering into production phase (Mirage 2000-5/9, Rafale, Eurofighter, Gripen, Tiger helicopter, new frigate and aircraft carriers) and (iii) requirements stemming from new operational doctrines, changes in the geopolitical environment and lessons learned from the most recent conflicts.

The conflicts in Kosovo, Afghanistan and Iraq have highlighted the importance of standoff precision-guided weapons, which are fired from a distance. The increasing importance of airspace dominance and the recent focus on homeland security is expected to lead to a greater emphasis in European defence budgets on next generation surface-to-air (Ground & Naval) and air-to-air missiles (as confirmed by the recent ASTER Phase 3 contract). EADS is particularly well positioned in these segments with its renewed range of products.

At present, European firms cannot easily penetrate the U.S. market, which is dominated by companies such as Raytheon, Lockheed Martin and Boeing. Other countries, such as Russia and China, are also inaccessible for political reasons. However, certain trans-atlantic programmes related to NATO's Defence Capability Initiative may present an initial basis for closer future cooperation.

Four principal defence contractors are active in the worldwide market for tactical missiles and missile systems. As measured by revenues, MBDA ranks second behind Raytheon (U.S.), and is tied with Lockheed Martin (U.S.) and ahead of Boeing (U.S.). In addition to political considerations and budgeting, key buying factors for the customer include price, performance of individual products, adherence to specifications, launch platforms and system support.

Products

Fitting the primary strategic purposes of air dominance, land control and sea power, missile systems can be divided into seven principal categories according to the launch platforms and targets involved: (1) air to air, (2) air to surface, (3) ground to air/ATBM (Anti-Tactical Ballistic Missile), (4) surface to air/naval, (5) anti-ship, (6) anti-tank, (7) surface to surface, deep attack. EADS is active in all of these categories.

The table below lists the programmes in which EADS participates as prime or major contractor either directly or through joint ventures.

Type of Missile	Purposes	Key Products or Projects
Air to Air	Short range	ASRAAM
	Medium range	MICA
	Long range	Meteor
Air to Surface	Short range	Diamond Back – Bang
	Stand-off with sub-munitions	Apache
	Stand-off unitary warhead	Scalp EG/Storm Shadow – Taurus
	Prestrategic stand-off	ASMP – ASMP A/VESTA
	Anti-radar	ALARM
Ground to Air/ATBM	Very short range	Mistral – Stinger (under license)
	Short range	VL Mica – Roland – Rapier – Spada
	Medium range	Aster SAMP/T – MEADS – Patriot/PAC 3
Surface to Air/Naval	Very short range	Mistral
	Short range	VL Mica – VL Seawolf
		Albatros – RAM
	Medium range	Aster/PAAMS – Aster/SAAM – ESSM
Anti-ship	Light	Sea Skua – AS 15 TT – NSM – Marte
	Heavy	Exocet family - TESEO
	Anti-submarine	Milas
Anti-tank	Short range	Eryx
	Medium range	Milan
	Long range	HOT – LR Trigat - Brimstone
Surface to surface, deep attack	Ground-to-ground	G-MLRS
	Sea-to-land	Scalp Naval

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

The signature of the FSAF (Future Surface to Air Family) Phase 3 contract was the key success for MBDA in 2003. The contract was signed by the OCCAR (on behalf of the French, Italian and British MoDs) and MBDA on November 12 and is worth € 3 billion (of which the MBDA share amounts to € 2.3 billion). It covers series production of 18 ASTER-SAMP/T batteries for France and Italy and up to 1,400 ASTER missiles plus logistic support and training and full-scale development and evaluation of the ASTER Block 1 Anti-Tactical Ballistic Missile configuration for France, Italy and the U.K.

The ASTER-SAMP/T system, the first European air defence system with an anti-ballistic missile capability for deployment in Europe, will provide area defence for forces deployed in "out of

area" theatres of operation, as well as defence against both manoeuvring and high-speed targets such as aircraft, UCAVs, cruise missiles and tactical ballistic missiles in severe Electromagnetic Counter Measure (ECM) environments. The French and Italian armies expect to field the SAMP/T Block 1 system from 2007 onwards. Trading of the contract will start this year, ending in 2015.

During 2003, successful milestones were passed for a number of missile programmes – on ASRAAM, the Certificate of Design was accepted by the U.K. customer, first deliveries of Storm Shadow SCALP were accepted by the French customer, all Meteor development milestones were met on time and initial integration contracts were received in respect of Rafale and Gripen.

In December 2003, the U.K. MoD announced that the EADS/MBDA team had signed a contract to begin the assessment of a new integrated air defence command and control system (GBAD) for the U.K. armed forces. The

contract is worth approximately £ 40 million. Under the prime contract, the team made up of EADS Defence and Communications Systems and MBDA will develop a new Air Defence Command and Control System integrated with the MBDA Rapier Field Standard C air defence missile system and the Starstreak High Velocity Missile (HVM) which are both currently in service with the U.K. armed forces. The total GBAD Phase 1 budget is £ 1 billion.

Taurus KEPD 350, the precision stand-off-weapon system for TORNADO and Eurofighter, is under series contract for the German Air Force. In September 2003, EADS/LFK submitted its best and final offer for Taurus KEPD 350 procurement and integration on Spanish EF-18 to GECOIN (the Spanish procurement agency). In addition an industrial co-operation agreement between TAURUS Systems and Sener (Spain) has been agreed. The Swedish Air Force has also confirmed its interest in Taurus KEPD 350.

MEADS is the future ground-based air defence system for the German airforce and will replace Patriot in the U.S. and NIKE in Italy. The successful tri-lateral (U.S., Germany, Italy) risk-reduction phase is expected to be finalized in 2004. The proposal for the design and development phase, planned from 2004 up to 2010, was handed over by MEADS International to the NATO agency NAMEADSMA on June 30, 2003 and a tri-lateral Memorandum of Understanding for the design and development phase is expected in April 2004. MEADS is the most important trans-atlantic co-operation programme within NATO.

In April and May 2003 the capabilities of the LR TRIGAT multi-purpose guided missile system were demonstrated with a successful firing campaign. Germany has announced that it intends to procure LR TRIGAT missiles for its 80 TIGER helicopters. The start of the series preparation and series production phase is expected for 2005/06.

The Spanish Minister Council announced on September 5, 2003 its decision to procure 24 TIGER helicopters, including the LR TRIGAT weapon system.

In addition to its key activities in missiles and missile systems, EADS also designs and manufactures, both itself and through participations, critical missile sub-systems such as warheads, propulsion devices, proximity fuses and guidance systems. These sub-systems account for more than half of a missile's cost. More than three-quarters of the sub-systems produced by EADS are for its own missile business. EADS is also active in other missile sub-systems such as launch structures, missile-platform mechanical and electronic interfaces and missile thermal batteries. In February 2003, EADS, MBDA, Finmeccanica, BAE SYSTEMS and SNPE combined their Rocket Motors business through the formation of the ROXEL joint venture (in which the shares are held equally by MBDA and SNPE). This joint venture reflects an ongoing consolidation of the European major missile sub-systems industry.

MBDA is also a significant provider of airborne self-protection counter-measure systems for combat aircraft, transport aircraft and helicopters.

Customers and Marketing

Orders for missile systems originate from MoDs. Budgetary constraints have led European MoDs to focus on standardised products and to the harmonisation of European government purchases. Management believes this trend could benefit EADS as well as its customers; allowing interoperability, better allocation of research and development budgets, larger production rates and standardisation of the product line.

Defence And Communications Systems

Introduction and Overview

EADS Defence and Communication Systems ("**DCS**"), regrouping several defence activities with the telecommunications activities of EADS, was created to better respond to the evolution of the defence markets towards global solutions and integrated systems. Its field of competence encompasses manned and unmanned systems such as tactical and strategic UAVs, manned mission aircraft, C3I, Air and Naval Defence, Public Safety (including Homeland Security) and Communication and Information Networks. DCS, as a EADS System House, implements advanced defence concepts, simulation and experimentation tools such as Network Centric Operations and Simulations (NETCOS).

In 2003, DCS contributed 23 % of the DS Division's total revenues.

Market

EADS believes that the need for transformation of the armed forces and for homeland security will grow in the medium to long term, even if European defence budgets overall should decline. Most recent conflicts have shown an increasing need for interoperable reconnaissance and communication systems for the armed forces. The DS Division has the mission of creating value for EADS by addressing the new market segment of Lead System Integration (LSI) and to provide cross-business unit solutions.

In this market, the DS Division faces competition from large U.S. and European companies such as Raytheon, Lockheed Martin, Thales, BAE SYSTEMS, Motorola and SAIC.

Products

Command, Control, Communication and Information

(C3I) Systems C3I systems form an essential part of current and future battlefield management. They improve the overall battlefield awareness and support the command and control process over all command levels, from a tactical, battlefield-level through to a higher, strategic command level. They can also be used both in simulation and training modes.

The main objectives of C3I systems are timely information display and reliable and rapid data exchange among forces, including within coalitions. In response to the increasing demand for interoperability and improved information exchange, EADS is integrating standardised protocols and electronic documents. EADS is a major designer and supplier of C3I systems to the armed forces in France and Germany, and the Joint Staffs in Germany, France and NATO.

Intelligence, Surveillance and Reconnaissance Systems (ISR).

EADS has considerable systems capabilities with respect to strategic and tactical airborne and satellite-based reconnaissance and surveillance systems. EADS' activities include the design and production of systems and sensors, payload integration with platforms, ground stations, image exploitation and data processing.

Following the first generation of reconnaissance drones (CL289) delivered by EADS to the French and German armies, which were used in operations in the former Yugoslavia, EADS is currently developing a novel Medium Altitude Long Endurance (MALE) UAV system covering the full spectrum of intelligence, surveillance and reconnaissance missions. An initial evaluation of the MALE UAV is being carried out under a contract with the French MoD, with a successful test flight performed in 2002. The MALE UAV is being marketed globally, with a particular focus on European customers.

At the initiative of the U.S. and German MoDs, Northrop Grumman and EADS have together performed the first European global demonstration flight of a EuroHawk unmanned aerial vehicle, a combination of an existing U.S. system (GlobalHawk) with European electronics and sensors. EADS is responsible for the concept, the sensor system, and integration of the sensors on the EuroHawk platform. Cooperation between EADS and Northrop Grumman on this High Altitude Long Endurance (HALE) UAV system will help to meet urgent European airborne ISR needs. The successful demonstration flights in Germany at the end of 2003 have shown the capabilities for system integration in the UAV field.

EADS is a European leader in satellite image processing and ground stations and has been selected by the U.S. Air Force as the contractor for the Eagle Vision multi-satellite ground data terminal. EADS has a significant share in the ground segment for the German SAR-Lupe radar satellite program and is also a principal contractor for the image processing stations in France for the Helios military observation satellites and the SPOT civil observation satellites.

EADS, as a participant in the Trans-Atlantic Industrial Proposed Solution program (TIPS), will play a key role in future joint ISR systems involving airborne manned vehicles, UAVs and space-based resources, including the NATO Airborne Ground Surveillance program (AGS). EADS is the lead company in the five-nation development of a synthetic-

aperture radar for NATO's airborne ground reconnaissance and its demonstrator SOSTAR-X, as well as for its common ground station. Within joint ISR systems, EADS is already under contract for a ground system that will integrate current and future reconnaissance and surveillance systems based on internet technology.

Air and Naval Defence (AND). AND incorporates all capabilities of a turn-key systems supplier for Air Defence, Air Operations, Naval Combat, Electronic Warfare and Coastal Surveillance. Based on advanced Command and Control capabilities, AND provides integrated networks from sensor to effect.

EADS is continuously increasing its capabilities in the area of large system development and integration. Combined Engagement Capability (CEC) is one area for future opportunities. Continuous progress in the development of cost-effective, competitive system solutions based on common technologies and architectures are key success factors in the fast growing global market of advanced defence networks. AND develops, tests and evaluates complex system solutions within comprehensive, virtual defence scenarios including simulated data and hardware-in-the-loop. The GBAD program for U.K. is a key example of the DCS's success in this area.

Public Safety. EADS provides police, fire brigades, health service and civil protection organisations with secure mobile network systems. These systems offer wireless communications with features such as encryption and integration with applications such as GPS positioning, databases and portals, group communications, individual communication with different levels of priorities and walkie-talkie mode. EADS also provides integrated communication systems to airports, transport companies (for fleet management) and sensitive industry sites (e.g. nuclear power facilities). EADS turnkey solutions are mainly based on radio communications systems as well as on PABXs (Private Area Branch Exchange).

The TETRAPOL has proved its reliability and efficiency as a radio communications solution capable of being deployed on a large scale. There are currently 80 networks already deployed or under construction in 34 countries using technology based on the TETRAPOL standard, tested by the International Telecommunications Union (ITU) and the Police Cooperation Group (formerly Schengen Group). Many of these networks cover entire countries: RUBIS (French National Gendarmerie), ACROPOL (French National Police), SIRDEE in Spain, POLYCOM in Switzerland, SITNO in Slovakia, PHOENIX in Rumania and IRIS in Mexico.

Currently, the total area covered by TETRAPOL networks exceeds 1.4 million square kilometres and provides a service to 420,000 users. Once the deployment currently underway is completed TETRAPOL will provide services to a million users and cover an area of 4 million square kilometres.

Communication and Information Networks (CIN). CIN is a provider and integrator of secure communication infrastructures and information systems based on civil technologies. These solutions, which address the needs of civil and government customers, are based on key technologies such as telephony over IP, security, secure messaging, system management, directories and Web communication portals.

EADS provides enterprises with communication networks based on its Private Branch Exchange Internet Protocol (PBX IP) range of products. The communication networks of large corporations organise and transmit data and voice over their internal computer and telephone systems. Enterprise solution networks consist of switching systems and trunk lines that handle the centralised flow of voice and data traffic between the local networks and user terminals of private business networks. Current market trends focus on the integration of voice and data networks through increasingly relying on Internet protocols.

In the civil market, EADS offers a range of leading products, including NeXspan ToIP solutions, call centres and security solutions, which allows CIN to provide significant differentiation for its customers both in France (MTGT, the new land forces garrison transmissions network and MUSE, the DGA's (Directeur Général Administration) secure messaging system) and in the United Kingdom (Hourglass, Skynet 5 and NATO Messaging).

CIN's current projects and prospects are the HERKULES and DII projects (outsourcing of communication infrastructures for the German and British armies) and NMS (NATO secure messaging). In the medium term, the BOA (Bulle Opérationnelle Aéroterrestre) cooperative fighting system in collaboration with C3I is a prospective project.

Customers and Marketing

The MoDs, the Ministries of the Interior, fire brigades, health services and civil protection organisations primarily in France, Germany and the U.K. are key customers for the DCS defence business. Through various joint ventures and co-operations, EADS has access to NATO customers and European countries. Export markets also offer growth opportunities.

EADS provides businesses in the commercial field with data and voice-oriented communication solutions.

Defence Electronics

Introduction and Overview

The markets in defence and security are increasingly characterized by integrated battlespace, Net Centric Operations and interoperable platforms and systems. The importance of absolute situational awareness and effective mission management is growing constantly in the changing military environment.

Battlefield superiority and homeland security increasingly require robust solutions for collection, management and

distribution of information, and seamless integration from sensor to effect in a net-centric environment, whether airborne, land or sea-based. The Defence Electronics business unit represents the Sensors and Avionics House in EADS by providing critical elements for data gathering, data distribution and self-defence.

In 2003, 10% of the total revenues of the DS Division came from Defence Electronics.

Markets

The Defence Electronics business unit addresses the market for military avionics including ground support, surveillance, land and naval radars and battlefield management. The dominant business is based on sensors and subsystems as a second-tier supplier.

EADS' main competitors in defence electronics are large and medium sized U.S. or European companies (i.e. Raytheon, Northrop-Grumman, Thales, BAE SYSTEMS, Galileo Avionica, Indra, Saab) as well as competitors from Israel.

Products

Sensors. Defence Electronics is a principal partner for airborne multi-mode radars such as the Captor radar in the Eurofighter program, and has also significant activities in systems logistics, maintenance and upgrades. Fighter aircraft and helicopters are typically upgraded several times during their life cycle and EADS Defence Electronics can take advantage of this. Recent examples of programmes include the improvement of the German and Greek F-4 fighter radars and the Tornado Nose Radar program.

EADS is heavily involved in the technology development and application of next generation phased array radars for air, naval and ground applications, such as Eurofighter and MEADS. In the area of Air Defence, EADS produces mid-range radars on ships (TRS-3D) and on land (TRML-3D). As subcontractor for the construction of K-130 corvettes for the German Navy and for the Finnish Squadron-2000 program, EADS is responsible for major shipboard sensor subsystems, including the multimode radar.

Defence Electronics is taking a lead role in developing and manufacturing Synthetic Aperture Radars (SAR), which are considered essential for future reconnaissance and surveillance operations.

EADS holds a 50% stake in United Monolithic Semiconductors (UMS), a joint venture with Thales. UMS provides EADS with the success-critical access to gallium arsenide technology for these above mentioned next generation radars.

Electronic Warfare and Self Defence. EADS supplies passive electronic warfare units, such as Laser Warning, Missile Warning, and active electronic countermeasure units, such as self-protection jammer and towed decoy. EADS provides a dedicated electronic warfare suite to several customers for Tiger and NH90 helicopters. EADS also integrates the "EuroDASS"

Defensive Aids subsystem on Germany's 180 Eurofighters and supplies subsystem components to the wider Eurofighter program.

For military mission aircraft and commercial airliners, EADS is developing solutions to counter terrorist threats from man-packed missiles.

For ships, armoured vehicles and artillery, EADS offers self-defence suites and fire control subsystems for land and maritime applications.

Mission Systems. The EADS portfolio also comprises avionics equipment, such as digital map units and obstacle warning systems for helicopters. In addition, having developed the Identification Friend Foe-Subsystem (IFF) for the Eurofighter, EADS, through a 50/50 joint venture with Thales Communications, has been awarded a next generation IFF production contract by the German Air Force.

EADS is also developing multi-sensor integration and data fusion technology, which is a key future technology in this area. For example, EADS is in charge of sensor data fusion on the NATO AWACS E3A programme including delivery of COTS mission computing equipment and multi sensor tracking and identification software.

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

The French DGA has awarded EADS an important contract for integrated airborne communication. These are essential elements for mastering interoperable net-centric battlefield environments.

As a major work share partner in the field of military mission avionics for the A400M, EADS assumes the sub-system responsibility for mission management and for the defensive aids sub-system.

For the successful execution of "out of area" ground missions in crisis and conflict regions, EADS Defence Electronics supports the international armed forces with mobile bridges and mobile hospitals to ensure the same quality of medical care as in stationary facilities.

For the infantry, Defence Electronics works on soldier system modernisation programmes for dismounted infantry sections. This includes both provision of electronic devices and training.

Customers and Marketing

Key customers for defence electronics are MoDs, Ministries of the Interior, military services, security forces, our in-house EADS systems supplier and other lead systems integrators worldwide.

Through various joint ventures, participations and co-operations, EADS has access to MoDs of all NATO countries, in particular in Germany, France, U.K., Spain and Italy. Export markets, especially in the Middle-East and the Asia-Pacific region, also offer growth opportunities.

EADS Services

Introduction and Overview

Until the end of 2003, EADS organised its defence and civil systems services activities around four main areas: (1) outsourced services, (2) test and related services, (3) system engineering services and (4) engineering solutions services.

The growing complexity of modern systems and engineering tools and the requirement for cost-effectiveness has led customers to demand turnkey solutions instead of stand-alone equipment. Because of its technical and organisational capabilities, EADS can pool the technical resources and products of its various subsidiaries and external suppliers to offer such turnkey solutions.

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

The EADS Services business unit contributed 4 % of the DS Division's total 2003 revenues.

Products

Outsourced Services. EADS Services forms part of a consortium (ISIC 21) with CSC Ploenzke and Mobilcom ranked by the German MoD as "preferred bidder" for Germany's € 6.7 billion Herkules project (outsourcing of the communication and IT services of the German MoD for 10 years). The EADS share in this project, if awarded, is expected to amount to € 2 billion over the next ten years. The project award is expected in 2004.

EADS Services, together with other EADS business units as well as partners in the U.K., is a participant in the Air Tanker consortium. The FSTA project represents the largest private financing initiative project in Europe. EADS also participates in various outsourcing projects for French, German, Spanish and U.K. military customers in the field of logistics, training, telecommunications and flight operations.

In 2002, to further strengthen its portfolio in outsourced military services, EADS acquired the *Gesellschaft für Flugziieldarstellung* (GFD), complementing its acquisition in 2001 of a majority stake in Aviation Defense Services (AVDEF). GFD (in Germany) and AVDEF (in France) provide training services to the German and French navies and air forces for air defence, in addition to other services in Europe. GFD was selected by the German MoD for a

5-year flight operations contract from 2004 until 2008 (target towing, ELOKA training).

In a 50/50 consortium with Serco, EADS Services was also short-listed by the U.K. MoD to participate in the tender for CATS (Combined Aerial Target Service), a U.K. MoD tri-Service (Army, Navy, Air Force) project to provide an aerial target service at a variety of military ranges tender. This contract is expected to amount to € 1.2 billion over the next 10 years.

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

EADS Services, through the Test & Services operating unit, confirmed in 2003 its leading position world-wide in terms of market share for multi-purpose civil aviation test systems and related services and its leading position in Europe as supplier of multi-purpose defence test equipment. In 2003, despite a decreasing civil aircraft business, Test & Services received a high level of new orders from airlines worldwide.

Test & Services strengthened its co-operation with major OEM's which are looking for solutions coming from Test & Services in order to replace their own in-house test solutions.

In the area of Test Engineering, Test & Services confirmed its strong growth in France and in the U.S. through ARC. In 2003 Test & Services received important orders for the standard F2 of RAFALE program through Dassault and Thalès and D2G test benches for the French MoD.

System Engineering Services. EADS, through APSYS, provides technical studies and expertise relating to security and safety of complex systems. Major markets in 2003 were aeronautics, defence, chemical and oil industry.

Engineering Solutions Services. EADS Services, through MULTICOMS, offers international voice services for traffic headed to difficult to reach destinations and for cellular networks.

1.1.6 Space

Introduction and Overview

EADS is the third largest space systems manufacturing company in the world after Boeing and Lockheed Martin and the leading European supplier of satellites, orbital infrastructures and launchers. For 2003, the consolidated revenues of Space Division amounted to € 2.4 billion, or 8% of EADS' total revenues.

The Space Division designs, develops and manufactures satellites, orbital infrastructures and launchers and provides space services. The Division is composed of three main companies: EADS Astrium, EADS Space Transportation ("**EADS-ST**") and EADS Space Services.

The Space Division also provides launch services, through its shareholdings in Arianespace (Ariane 5 launcher), Starsem (Soyuz launcher) and Eurockot (Rockot launcher), as well as services related to telecommunications and earth observation satellites, through dedicated companies such as Paradigm, Infoterra and Spot Image. The Division's roles in space programmes are complemented by its specialist subsidiaries: EADS CASA Espacio for (subsystems for launchers, satellites and orbital infrastructure); EADS Sodern for optronics and space equipment and CILAS for laser technologies and high precision optics.

EADS Astrium is the leading European company in the design and manufacture of satellites, spanning all major segments of the markets for satellites (platforms, payloads, equipment). It supplies (1) telecommunications satellites to leading telecommunications service providers, (2) Earth observation, navigation and science satellites to major national and international agencies and (3) military applications satellites to European MoDs. EADS Astrium also designs and manufactures payload equipments and subsystems available to the global space industry market. On January 31, 2003, EADS completed the acquisition of BAE SYSTEMS' 25% stake in Astrium (subsequently renamed EADS Astrium) effective as of January 1, 2003. Following this acquisition EADS now controls 100% of the voting rights of EADS Astrium.

EADS-ST is a specialist in European space transportation and space infrastructure. It designs, develops and produces Ariane launchers, the Columbus laboratory and the ATV cargo carrier for the International Space Station, the atmospheric re-entry vehicles, missiles for France's nuclear deterrent force, propulsion systems and space equipment. As sole prime contractor for the Ariane 5 system it is responsible for the delivery to Arianespace of a complete and fully tested vehicle. The company also supplies all the Ariane 5 stages, the equipment bay, the flight software, as well as numerous sub-assemblies.

EADS Space Services is a dedicated division of EADS Space for the development and promotion of satellite services with a

current focus on the fields of telecommunications and navigation. EADS Space Services includes wholly owned subsidiaries Paradigm Secure Communications ("**Paradigm**") and Paradigm Services, the first commercial provider of secure military communications services under the Skynet 5 programme for the U.K. MoD. Paradigm currently operates the Skynet 4 system for the U.K. MoD, which will be replaced by the Skynet 5 system in 2007. EADS Space Services also manages holdings in companies providing telecommunication satellite services and operations and provides satellite navigation services through its participation in the Galileo project.

In 2003, the Space Division intensified its restructuring actions leading to headcount reductions at EADS-ST and EADS Astrium and took further actions to increase efficiency and boost profitability despite a challenging competitive environment: These revolve around increased focus on customer satisfaction, more aggressive cost reduction through integration, and streamlining management and functions. The Space Division commenced a drastic improvement plan for satellite activities in 2002 which was continued and enhanced in 2003. The restructuring activities are expected to result in a return to profitability in 2004.

Strategy

Management views the Space Division as an important enabler of EADS' future growth in the provision of comprehensive military and civil large systems. In the military sector, competencies in the Space Division complement efforts throughout EADS in the development of network centric warfare capabilities, ballistic missile defence systems and secured telecommunications networks. In the civil sector, the Space Division is positioned to provide new growth opportunities in areas such as air traffic management and navigation.

EADS considers a thriving commercial space industry as necessary to provide the critical mass for the sustenance of an overall space business – including the military programmes important for EADS' overall strategy. EADS views consolidation and re-engineering of the European space industry as the inevitable response to the currently contracted commercial space market. Through the Space Division, EADS intends to be at the forefront of this consolidation in order to insure its future role in the space industry. To this end, the Space Division will seek to:

- **Re-engineer the satellite and launch vehicle businesses.** In order to return the space business to profitability in a market characterised by shrinking demand and excess capacity, EADS is undertaking efforts to reengineer the Space Division. The acquisition of BAE SYSTEMS' 25% stake in Astrium permitted the Space Division to reorganise its satellite and launch vehicle businesses by creating core centres of competency in both businesses. This reorganisation is expected to generate cost efficiencies by

developing synergies between EADS Astrium and EADS-ST activities and to better position the Space Division for participation in further European space industry consolidation.

In addition to the implementation of previously announced headcount reductions (1,600 positions), the Space Division will reduce headcount by an additional 1,700 positions. Through the Space Ambitious Recovery Actions programs ("SARA 1 and SARA 2"), the Space Division intends to generate further cost savings by implementing the integrated cross-national centres of competence concept, and by adapting to market demand, reorganising its sourcing activities with the view to significantly reducing procurement costs, and integrating its various program engineering, system design/integration and testing resources.

- **Maintain Ariane's market position in the commercial launch services market.**

As the main industrial shareholder and prime supplier of Arianespace, EADS intends to lead, with the backing of European governments, the restructuring of the European space transportation industry in response to an increased competition in the launch vehicle field and a weak commercial telecommunications satellite launch market. To assure long-term competitiveness of the Ariane programme, the Space Division has positioned itself as the prime contractor for Ariane development and production, paving the way to an overhaul of the current manufacturing and marketing organisation, with a goal of reduced costs and increased launcher performance and reliability.

- **Extend EADS' leadership in European military space programmes.**

Management views national and European space programmes, such as the Paradigm Skynet 5 programme, as an important future growth segment for the Company. Taking full control of Paradigm (as a result of the acquisition of BAE SYSTEMS' 25% stake in Astrium) allows EADS to expand its services offerings via military telecommunications satellites, highlighted by the ongoing offer to the NATO organisation for their secure satellite communications requirements. EADS is also well positioned in military reconnaissance systems, such as Helios II, Pleiades or Essaim, in the wake of successful commercial and military earth observation satellite systems (e.g. Spot, Helios, ERS). Management believes that European governments realise the increasing importance of space systems following the Iraq, Afghan and Kosovo military campaigns and should commit greater resources to independent use of space based systems – a key strategic enabler in the context of rising asymmetric threats.

Satellites

Overview

Satellite systems can be grouped into four categories: telecommunications (civil and military), observation (civil and

military), science, and navigation. Telecommunications satellites have multiple applications, such as long distance and mobile telephone links, television and radio broadcasting, data transmission, multimedia and Internet. They may be used for civil or military applications. Observation satellites allow the gathering of information for various fields such as cartography, weather forecasting, climate monitoring, agricultural and forestry management, mineral, energy and water resource management and military surveillance applications. Scientific satellites are tailor-made products adapted to the specific requirements of the mission assigned to them. They have applications such as astronomical observation of the universe's sources of radiation, planetary exploration and earth sciences. Navigation satellite systems deliver signals that enable users to determine their geographic position with high accuracy, and is of increasing importance significant in many commercial sectors, including airlines, land transport operators, sea and air emergency services, agriculture and fisheries, tourism and telecommunications networks.

Market

EADS is one of the largest European satellite manufacturers and benefits from its long-term, close relationships with institutional customers in France, Germany, Spain and the U.K. with access to the respective national budgets. The commercial telecommunications satellite manufacturing market is highly competitive, with customer decisions based principally on price, technical expertise and track record. EADS' main competitors worldwide are Boeing, Loral and Lockheed Martin of the United States and Alcatel Space of France.

Management expects the telecommunications satellite segment, presently depressed due to the global economic recession and satellite operator woes, could recover due to such factors as: (1) increased telecommunications demand, including Internet, multimedia and military needs, and (2) a greater demand to replace existing satellites. EADS intends to position itself as a significant player in this field in order to participate in the potential recovery of the market.

In Europe, the market for observation, scientific and navigation satellites is organised either on a national or on a multilateral basis and in accordance with the fair return policy under which contracts are awarded to domestic suppliers in proportion to the respective contributions of the suppliers' countries. For observation, scientific and navigation satellites, Management estimates that EADS' share of the accessible market is about one half. On top of the European institutional market, EADS believes that there is emerging export demand for earth observation systems.

Furthermore, civil state agencies, including the European Space Agency ("ESA"), are likely to display increased needs for earth observation satellites in the framework of European

environmental programmes. This was identified as a key focus of the EU/ESA framework agreement on a European Space Policy in 2003 and such focus was highlighted by the strengthening of the GMES initiative.

EADS expects the market for scientific satellites to remain stable over the medium term.

The agreements in 2003 at the EU level and among ESA member states clear the way for the development and implementation of Galileo, the new European global satellite navigation system. This creates an invigorated situation for the satellite navigation market (system development/implementation and navigation-related services sector) and the program will increase demand for user and customer-oriented solutions.

In the institutional market for observation, scientific and navigation satellites, EADS competes against several players, many of which may intervene as prime contractor. Space agencies and other scientific institutional customers may also choose to retain the control of mission design by acting as sole or joint prime contractor for certain programmes.

In the market for military satellites, EADS expects increased demand for telecommunications and observation satellites. In recent conflicts, the shortcomings of European military capabilities in that field have become increasingly visible, while the need for preparedness in the face of elusive threats have promoted such means to a higher level of priority. A notable feature of these military markets is their predictability in terms of volume over a long-term period. The growth in the military telecommunications satellites market is highlighted by Paradigm's participation in the Skynet 5 program.

Products

EADS Astrium manufactures satellite platforms, payloads and major sub-systems and a wide range of equipment and is thereby able to offer turnkey satellite systems to its customers.

Telecommunications Satellites. EADS Astrium produces telecommunication satellites for fixed and mobile applications and direct-to-home broadcast services. EADS' geostationary telecommunications satellites are based on the EUROSTAR family platforms, the latest version of which is EUROSTAR 3000 (35 such satellites have been ordered to date).

In 2003, EADS Astrium won a contract from Telesat, a Canadian company to build the Anik F1R satellite, a contract from Eutelstat to build the Hotbird 8 satellite and the Arabsat 4A and 4B contract for the development of two satellites and the upgrade of the ground control centres for Arabsat.

The Hellas-Sat EUROSTAR 2000+ satellite which will provide telecommunications for the 2004 Olympic Games in Greece was successfully launched in May 2003.

In the field of military telecommunications satellites, in 2003 the Skynet 5 contract was awarded to Paradigm by the U.K. MoD. EADS Astrium, under contract to Paradigm, is system prime, responsible for the design and build of two Skynet 5 spacecraft as well as implementing the upgrade of the ground segment and provision of additional satellite communications terminals.

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

EADS is the prime contractor for the following ESA civil earth observation programmes: Envisat, a European environmental monitoring satellite launched in March 2002; Metop, a next generation polar orbiting meteorological satellite system to be operational in 2005; and Spot 5, a high resolution satellite system with extended coverage capability launched in May 2002.

In 2003, EADS Astrium won several important contracts for observation programs including (1) a € 314 million contract from the French national space agency ("CNES") as prime contractor for two small and highly agile earth observation satellites, Pleiades, for civil and military applications to be launched in 2008 and 2009 and (2) a contract with ESA for the development of the Aeolus satellite including the platform and the Aladin wind - studying instrument.

EADS Astrium is prime contractor for Helios, the sole European optical military observation satellite system to date. EADS Astrium is currently manufacturing the second-generation Helios 2 satellites and ground segment systems. EADS Astrium is also the prime contractor of the Essaim microsattellites demonstrator, launch and ground segment for military observation of electromagnetic activity.

Science Satellites. EADS Astrium is prime contractor for the spacecraft in ESA's major scientific programmes including the Soho solar observatory, the four Cluster II spacecraft, the X-Ray Multi-Mirror Newton space telescope and the Mars Express, Rosetta and Venus Express interplanetary probes. In 2003 Mars Express successfully landed on Mars and following on from this EADS Astrium has been awarded the next Mars mission contract.

Navigation Satellites. EADS Astrium, together with Alcatel Space, Alenia Spazio and GSS has established a dedicated company to build and implement the European navigation system Galileo. As the principal shareholder in Galileo Industries S.A. ("Galileo Industries"), EADS Astrium plays a crucial role in the development of Galileo, which is scheduled to be operational by 2008. In July 2003 Galileo Industries was awarded a contract for the first of two test satellites with a launch date scheduled for the end of 2005.

EADS Astrium Germany will supply the avionics system and parts of the Galileo's test satellite's solar arrays while EADS Astrium U.K. is responsible for payload development and ground segment lead. Also in July 2003 the Thales Group signed a memorandum of understanding pursuant to which Thales will take a 12% equity stake in Galileo Industries.

Orbital Infrastructure

Overview

The orbital infrastructure segment comprises manned and unmanned space systems. The International Space Station ("ISS"), together with related vehicle and equipment development programmes and services, constitutes the predominant field of activity in this segment. The Columbia shuttle accident in 2002 has led to the postponement of the launch of the European Columbus module for two years, which is now planned for 2006.

Market

The demand for orbital infrastructure systems originates solely from publicly funded space agencies, in particular ESA, NASA, RKA (Russia) and NASDA (Japan). Such systems are usually built in cooperation among international partners. The core European contribution to the ISS includes (1) the Columbus Orbital Facility, a laboratory module permanently attached to the ISS, and (2) the ATV (Automated Transfer Vehicle) for freight deliveries and provision of other services for the ISS.

Once the ISS is fully operational, a range of orbital infrastructure products will be open to general competition, such as additional equipment for scientific experiments, along with a market for the utilisation and servicing of the space station. EADS ST is currently competing for a twelve-year contract to provide services to the ISS.

Products

Manned Laboratories or Habitats. EADS-ST is the prime contractor for the development and integration of the Columbus Orbital Facility and is responsible for the Columbus on-board Data Management System. It also participates in the construction of the ISS robotic system European Robotic Arm.

Vehicles. EADS-ST is prime contractor for the development and manufacture of the ATV (Automated Transfer Vehicle), designed to carry fuel and supplies to the ISS and to provide reboost capability and a waste disposal solution. The first ATV will be launched by Ariane 5 in 2005 and there will be a total of approximately 8 ATV missions planned through to 2013.

Experiment Facilities. Under contract with the ESA and DLR, EADS-ST supplies experiment facilities to be used for research in microgravity conditions.

Launchers and Launch Services

Overview

Space systems (satellites, orbital infrastructure elements, interplanetary probes) depend on rocket propelled multi-stage

launchers to place them into orbit; the launcher is consumed during the launch process. EADS-ST is active in two distinct businesses: (i) manufacturing launchers for both civil and military purposes; and (ii) providing launch services through its interests in Arianespace, Starsem and Eurockot.

Market

The development of the launcher market depends on the demand for satellites, orbital infrastructures and space exploration vehicles. The average open market for launch services is estimated by Management to remain low, at approximately 20 payloads per year, mostly made up of geostationary telecommunications satellites. However, this figure can vary to reflect the impact of economic cycles. This market does not include institutional launch services for the American, Russian and Chinese military and governmental agencies.

The advent of an increasingly large, profit-driven private customer base for satellites has encouraged the development of launch services companies willing to compete on price and quality of service. Among them, certain ventures have been organised, combining access to low-cost, reliable military rockets from former Soviet Union companies with the marketing expertise and access to the satellite open market of western manufacturers. This situation creates a strong competition on the commercial launches market.

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

Products and Services

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

Arianespace. With a participation of 27.13% in Arianespace (direct and indirect), EADS-ST is the second largest shareholder after CNES and the largest industrial shareholder. Arianespace is the world's largest commercial launch service provider in terms of total sales in 2003 with over 147 commercial satellite launches since 1984. It markets and sells European launchers on the world market and carries out launches from the Kourou space centre in French Guyana. Its market share of the accessible market exceeds 50%. In 2003, one Ariane 4 launch (for a civil customer) and three Ariane 5 launches with 7 payloads (4 for civil customers and 3 for

institutional customers) were carried out. The currently used version of Ariane 5 has the capacity to launch one or more payloads with a total mass of up to 6,9 tonnes into geostationary transfer orbit. The first Ariane 5 commercial launch occurred in 1999, four Ariane 5 were successfully launched in 2000, one in 2001 and three in 2002.

Following a letter of order signed in June 2003 for € 3 billion, negotiations are in process between Arianespace and EADS-ST for the delivery of 30 increased lift versions of Ariane 5, capable of carrying up to a ten-tonne payload.

Starsem. EADS-ST has a direct participation of 35% in Starsem, a French corporation, along with Arianespace (15%), the Russian space agency (25%) and the Russian state-owned Central Specialised Design Bureau "Progress" (25%). Starsem markets launch services by Soyuz launchers for medium-weight spacecrafts into low or sun-synchronous orbits as well as for interplanetary missions. The ESA Ministerial Conference in May 2003 approved the offering of Soyuz launches from Kourou. Such launches should be effective in 2007 and will be operated by Arianespace. In 2003 Soyuz successfully launched the ESA's Mars Express mission and the Israeli Amos 2 satellite.

Eurockot. EADS-ST (51%) and Khrunichev (49%) have a joint participation in Eurockot Launch Services, which procures low cost launch services for small, low earth orbit satellites with Rockot launchers derived from the SS-19 ballistic missiles. In 2003, Eurockot successfully carried out two launches (the Multiple Orbit Mission MOM and Japanese satellite Servis-1). Eurockot's backlog includes the launch CryoSat for ESA (2004), Korea's Kompsat-2 mission and ESA's GOCE spacecraft (2005).

Commercial Launchers. EADS-ST manufactures launchers and performs research and development for the Ariane programmes. ESA funds the development cost for Ariane launchers and associated technology. Once ESA certifies the launcher, Arianespace markets and sells launch services worldwide. The ESA ministerial conference in May 2003 confirmed EADS-ST as the single prime contractor for the Ariane 5 system, meaning EADS ST will manage all of the contracts covering launch vehicle production.

EADS ST is presently focusing on the production of the Ariane 5 and the return to flight status of the increased lift 10 tonnes version Ariane 5. In addition to its prime contractor role, EADS supplies all Ariane 5 stages, the vehicle equipment bay, the flight software and several sub-assemblies. These activities in the Ariane program underscore the key position of EADS in the European launcher industry. Furthermore, EADS also supplies launcher equipment to non-European customers, particularly in the United States.

Management remains committed to driving down production costs, and to restructuring EADS launcher activities into a single company to take responsibility for prime contracting of Ariane development and production.

ESA Ministerial Conference in May 2003 has also taken a strong commitment towards the "European Guaranteed Access to Space" (EGAS) program, with the decision to fund the Ariane 5 ECA qualification and to support Arianespace recovery plan over a 5 years period.

Ballistic Missiles. EADS-ST is the only company in Europe to design, manufacture, test and maintain ballistic missiles. Under its contract with the French State, EADS-ST has produced the sub-marine launched MSBS family (M1, M2, M20, M4, M45 as well as launch facilities at the Brest naval base. The M45 is deployed onboard France's new-generation nuclear-powered ballistic missile submarine. The company is tasked with the operational maintenance of the M45 missile system until the end of its operational service. EADS-ST is under contract to develop the M51, a new submarine-based strategic missile system with increased technical and operational capabilities. The initial development phase is scheduled for completion in 2008. EADS-ST has also made proposals to the French MoD for the M51 production phase and test range facilities. Management believes that the development and production of the M51 will provide EADS with technologically sophisticated work over the long term, related to subsequent production and development work.

In addition to being relatively predictable, current orders for the development of ballistic missiles coincide with the entry of Ariane 5 into the production phase thereby facilitating the optimal utilisation of development capacity.

As part of the efforts by the U.S. to develop defences against missile attack, EADS Astrium and EADS-ST have been selected by NATO as members of a trans-atlantic consortium to carry out a Theatre Missile Defence feasibility study. In July 2002, EADS entered into a memorandum of understanding with Boeing on the Missile Defence System project, highlighting EADS' pivotal role in the European development and deployment of a ballistic missile defence system. In addition, EADS-ST has made several proposals to French MoD for future work in the field of missile defence capabilities.

Space Services

EADS has identified military telecommunications satellite services as a significant area of future growth. In July 2002, EADS and BAE SYSTEMS jointly formed Paradigm to address service provision requirements of the U.K. MoD's Skynet 5 programme; the U.K.'s future military telecommunications satellite system. In October 2003 Paradigm was awarded a £ 2.5 billion contract by the U.K. MoD to deliver new generation space-based defence

communication services using Skynet 5 satellites, ground systems and terminals.

In December 2003 EADS Space Services, with a team of partners which includes Inmarsat and Thales, submitted its bid to become the concessionaire-holder for the deployment phase and subsequent operations phase of Galileo. The nominated concessionaire will be expected to take the lead in arranging private financing for the deployment and operational phases of Galileo, and should ultimately become the Galileo Operating Company.

EADS is involved, at a proposal stage, in satellite secure military telecommunication programs for the NATO and the German MOD.

EADS also holds stakes in companies providing commercial earth observation services (e.g. Spotimage/Infoterra).

Production and Suppliers

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

1.1.7 Investment

Dassault Aviation

EADS holds a 46.03% stake in Dassault Aviation – listed on the *Premier Marché* of Euronext Paris – along with Groupe Industriel Marcel Dassault ("**GIMD**") (50.02%) and free float (4.04%).

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

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

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

Military Aircraft

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

- **Rafale.** The Rafale program includes three versions of a twin-engine, multi-role combat aircraft designed for both Air Force and Navy applications. According to government budgetary documents, France is considering the acquisition of 294 Rafale, 234 for the Air Force and 60 for the Navy, for a total program cost of € 32.3 billion, including € 9.5 billion for development. 61 aircraft have already been ordered; of these, 36 are destined to the Air Force, and 25 to the Navy. In 2001, the first operational group of Navy Rafale was commissioned on the Charles De Gaulle aircraft carrier. Twelve Rafale were delivered by the end of 2002.
- **Mirage 2000.** The Mirage 2000 family is offered in two versions:

(1) The Mirage 2000-5, its latest version, is a multi-role combat aircraft designed for air to air multiple-target combat, as well as air to ground missions. The Mirage 2000-5 can be armed with the MBD MICA air to air interception and combat missile; and

(2) The Mirage 2000-D, an all-weather penetration aircraft used by the French Air Force is being adapted to fire the new MBD SCALP EG stand-off air to ground missile. The last aircraft ordered by the French Air Force in 1996 were delivered in 2001.

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

Business Aircraft

Dassault Aviation offers a wide range of products at the top end of the business jet sector. Over 1,400 Falcon business jets have been delivered since the first Falcon 20 delivery in 1965. In-service Falcons currently operate in over 60 countries worldwide, filling corporate, VIP and government transportation roles. The family of Falcon jets currently includes four tri-jets: the Falcon 50EX, 900C, 900EX and 7X; the twin-engine Falcon 2000 and the Falcon 2000EX, launched in October 2000. The turn of the century saw Dassault Falcon Jet clearly emerge as the industry leader in its category. 72 net orders were closed in 2002, compared with the 73 net orders in 2001. Despite a lower level of corporate orders reflecting the general economic downturn, 66 Falcons were delivered in 2002. In 2001, the latest project in the Falcon family, the tri-jet long range Falcon 7X was unveiled to the public at Dassault's Teterboro, New Jersey, plant. It is presently in development.

Dasa-Dornier Luftfahrt

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

1.2 Intellectual Property

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

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

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

1.3 Employees

At December 31, 2003, the EADS workforce amounted to 109,135 employees. The tables below set forth the number of EADS employees by business sector and by geographic region. Employees of companies accounted for by the proportionate method (such as ATR and MBDA) are included in the tables on the same proportionate basis.

EADS Employees by Business Sector

	December 31, 2003	December 31, 2002	December 31, 2001
Airbus	49,520	46,409	45,543
Military Transport Aircraft	3,428	3,593	3,573
Aeronautics	18,031 ^(*)	25,547	24,230
Defence and Security Systems	24,844 ^(*)	16,782	17,650
Space	11,991 ^(**)	10,366	10,414
Headquarters and Research Centre	1,321 ^(***)	1,270	1,557
Total EADS	109,135	103,967	102,967

^(*) Military Aircraft business unit was moved from Aeronautics to Defence and Security Systems in September 2003.

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

^(***) Including employees from EADS North America since December 2003.

EADS Employees by Geographic Region

	December 31, 2003		December 31, 2002		December 31, 2001	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
France	42,858	39.3	41,744	40.2	41,550	40.4
Germany	41,103	37.7	38,733	37.3	38,445	37.3
Spain	8,063	7.4	7,759	7.5	7,893	7.7
U.K.	13,125	12.0	11,893	11.4	11,754	11.4
Italy	682	0.6	765	0.7	767	0.7
USA	2,554	2.3	2,653	2.5	2,175	2.1
Rest of World	750	0.7	420	0.4	383	0.4
Total EADS	109,135	100.0	103,967	100.0	102,967	100.0

1.4 Research and Development

Research and development activities are conducted in line with the following principles:

- granting each business unit full product development responsibility in order to conform to specific markets and customers' needs, and allowing a large degree of autonomy in the establishment of research programs;
- co-ordinating research and technology activities among the different business units through a research and technology network ("EADS R&T Network"), which facilitates the circulation of information and research results within the EADS group and allows the setting up of a common R&T program providing long term innovation potential; and
- sharing resources, competencies and research means through a common research centre ("Corporate Research

Centre" or "**CRC**") with operating sites in Hamburg, Suresnes, Toulouse, Ottobrunn and a Technology Office in Moscow.

Transverse projects have been implemented around the following two axes:

- Operation of the EADS R&T Network and extension to all group entities by spreading best existing practices and relying on the CRC and joint working teams from business units to optimise the use of potentialities in such fields as materials, composites, electronics, propulsion, energy, aerodynamics, flight control, image processing and information technology.
- Optimization and integration of competencies and activities of CRC laboratories.

See also "Part 1/1.1 Management's Discussion and Analysis of Financial Condition and Results of Operations".

1.5 Risk Factors

EADS is subject to many risks and uncertainties that may affect its financial performance. The business, financial condition or results of operations of EADS could be materially adversely affected by the risks described below. These risks are not the only ones facing EADS. Additional risks not presently known to EADS or that it currently deems immaterial may also impair its business operations.

1.5.1 Market Risks

Exposure to Foreign Currencies

EADS' revenues are mainly denominated in U.S. dollars, while the major portion of its costs is incurred in Euro and Pounds Sterling. Consequently, to the extent EADS were not to use financial instruments to cover its exposure resulting from this foreign currency mismatch, its profits would be affected by changes in the Euro-U.S. dollar and Pound Sterling-U.S. dollar exchange rates. EADS has, therefore, implemented an exchange rate strategy in order to manage and minimize such exposure. In order to secure the rates at which U.S. dollar revenues (arising primarily at Airbus) are converted into Euro or Pounds Sterling, EADS manages a long term hedging portfolio. There are complexities inherent in determining whether and when foreign exchange rate exposure of EADS will materialize, in particular given the possibility of unpredictable revenue variations arising from order cancellations and postponements. Furthermore, as a significant portion of EADS' foreign currency exposure is hedged through contractual arrangements with third parties, EADS is exposed to the risk of non-performance by its hedging counterparties. See "Part 1/1.7 Management of Market Risks – Credit Risk". No assurances may be given that EADS' exchange rate hedging strategy will protect it fully from significant changes in the exchange rate of the U.S. dollar to the Euro and the Pound Sterling and that such changes will not affect its results of operation and financial condition.

EADS' consolidated revenues, costs, assets and liabilities denominated in currencies other than the Euro are translated into the Euro for the purposes of compiling its financial statements. As EADS' exchange rate hedging strategy aims to cover EBIT*, changes in the value of these currencies relative to the Euro will have an effect on the Euro value of EADS' reported revenues, costs, assets and liabilities.

Currency exchange rate fluctuations in those currencies other than the U.S. dollar in which EADS incurs its principal manufacturing expenses (mainly the Euro) may have the effect of distorting competition between EADS and competitors whose costs are incurred in other currencies. This is particularly true with respect to fluctuations relative to the U.S. dollar, as many of EADS' products and those of its competitors are priced in U.S. dollars. EADS' ability to compete with competitors may be eroded to the extent that any of EADS' principal currencies appreciates in value against the principal currencies of such competitors.

See "Part 1/1.3 Measurement of Management's Performance – EBIT* Performance by Division – Hedging Impact on EBIT*" and "Part 1/1.7 Management of Market Risks – Exchange Rate Risk" for quantitative information about EADS' exchange rate risk and a discussion of its foreign currency hedging policy. See "Part 1/1.2 Critical Accounting Considerations, Policies and Estimates – Accounting for Hedged Transactions in the Financial Statements" for a summary of EADS' accounting treatment of foreign currency hedging transactions.

Other Fluctuations in Financial Markets Risk

EADS is exposed not only to currency exchange rate risk, but also to interest rate, credit, liquidity and other financial market risks. For a discussion of these risks and the management of them by EADS, see "Part 1/1.7 Management of Market Risks".

Exposure to Sales Financing Risk

In support of sales, EADS (primarily through Airbus and ATR) may agree to participate in the financing of customers. As a result, EADS has a significant portfolio of leases and other financing arrangements with airlines. The risks arising from EADS' sales financing activities may be classified into two categories: (i) credit risk, which concerns the customer's ability to perform its obligations under a financing arrangement and (ii) aircraft value risk, which primarily relates to unexpected decreases in the future value of aircraft. Measures taken by EADS to mitigate these risks include optimised financing and legal structures, diversification over a number of aircraft and customers, credit analysis of financing counterparties, provisioning for the credit and asset value exposure, and transfers of exposure to third parties. No assurances may be given that these measures will protect EADS fully from defaults by its customers or significant decreases in the value of the financed aircraft in the resale market.

EADS' sales financing arrangements expose it to aircraft value risk, because it retains collateral interests in aircraft for the

purpose of securing customers' performance of their financial obligations to EADS, and because it guarantees part of the market value of certain aircraft during limited periods after their delivery to customers. Under adverse market conditions, the market for used aircraft could become illiquid and the market value of used aircraft could significantly decrease below projected amounts. In the event of a financing customer default at a time when the market value for a used aircraft has unexpectedly decreased, EADS would be exposed to the difference between the outstanding loan amount and the market value of the aircraft. Similarly, if an unexpected decrease in the market value of a given aircraft coincided with the exercise window of an asset value guarantee ("**AVG**") with respect to that aircraft, EADS would be exposed to losing as much as the difference between the market value of such aircraft and the AVG amount. No assurances may be given that the provisions taken by EADS will be sufficient to cover these potential shortfalls. See "Part 1/1.1.6 Liquidity and Capital Resources – Sales Financing".

Through the Airbus asset management division or as a result of past financing transactions, EADS is the owner of used aircraft, exposing it directly to fluctuations in the market value of these used aircraft.

1.5.2 Business-Related Risks

Aircraft Market Cyclical

In 2003, the combined revenues generated from Airbus and ATR represented approximately two thirds of EADS' consolidated revenues. Historically, the commercial passenger aircraft market has shown cyclical trends due in part to the sensitivity of passenger demand in the air travel market to growth in gross domestic product ("**GDP**"). The growth in EADS' commercial aircraft activities has consequently been correlated to growth in GDP. Other factors, however, play an important role, such as (i) the average age and technical obsolescence of the fleet relative to new aircraft, (ii) the number and characteristics of aircraft taken out of service and parked pending potential return into service, (iii) passenger load factors, (iv) airline pricing policies, (v) airline financial health and (vi) deregulation.

EADS and the Airbus division have implemented a flexible manufacturing organization that is intended to help them adapt to cyclical market changes in demand. See "1.1.2 Airbus – Market". Nevertheless, EADS expects that the market for passenger aircraft will continue to be cyclical and downturns in broad economic trends, such as those currently being experienced, may have a negative effect on its future results of operation and financial condition.

Impact of Terrorism, Epidemics and Catastrophic Events On Aircraft Market

As the terrorist attacks in New York and Madrid, and the spread of the SARS virus have demonstrated, terrorism and epidemics may negatively affect public perception of air travel safety and

comfort and the demand for air travel and commercial aircraft. Furthermore, major airplane crashes may have a negative effect on the public's or regulators' perceptions of the safety of a given class of aircraft, form of design, or airline. As a consequence of terrorism, epidemics and other catastrophic events, an airline may be confronted with sudden reduced demand for air travel and be compelled to take costly security and safety measures. In response to such events, and the resulting negative impact on the airline industry or particular airlines, EADS may suffer from a decline in demand for all or certain types of its aircraft and EADS' customers may postpone delivery of new aircraft or cancel orders.

Dependence on Defence Spending

In 2003, approximately 20% of EADS' consolidated revenues was derived from defence spending. In any single market, defence spending depends on a complex mix of geopolitical considerations, budgetary constraints and the ability of the armed forces to meet specific threats and perform certain missions. Defence spending may be subject to significant fluctuations from year to year and country to country. Adverse economic and political conditions, as well as downturns in broad economic trends in EADS' defence markets, may have a negative effect on EADS' future results of operations and financial condition.

In the case where several countries undertake to enter together into defence procurement contracts, economic, political and/or budgetary constraints in any one of these countries may have a negative effect on the ability of EADS to enter into or perform such contracts.

Emergence of Public-Private Partnerships and Private Finance Initiatives

Defence customers, particularly in the U.K., increasingly request proposals and grant contracts under schemes known as public-private partnerships ("**PPPs**") or private finance initiatives ("**PFI**s"). PPPs and PFIs differ substantially from traditional defence equipment sales, as they often incorporate elements such as:

- the provision of extensive operational services over the life of the equipment,
- continued ownership and financing of the equipment by a party other than the customer, such as the equipment provider,
- mandatory compliance with specific customer requirements pertaining to public accounting or government procurement regulations; and
- provisions allowing for the service provider to seek out additional customers for unused capacity.

EADS is party to PPP and PFI contracts, for example through Paradigm with Skynet 5 and related telecommunications services, and involved in additional PFI proposals, such as the Airtanker (FSTA) project.

Given that participation in PPPs and PFIs is new for EADS, there can be no assurances of the extent to which EADS will efficiently and effectively (i) compete for future PFI or PPP programmes, (ii) administer the services contemplated under the contracts, (iii) finance the acquisition of the equipment and the ongoing provision of services related thereto, or (iv) access the markets for the commercialisation of excess capacity. Nor can EADS be certain that it will not encounter unexpected political, budgetary, regulatory or competitive risks over the long duration of PPP and PFI programs.

Competition and Market Access

Most of EADS' businesses are subject to significant competition, in particular in the commercial aircraft market, where, in the past, Airbus has been affected by downward price pressure resulting from such competition. EADS believes that some of the underlying causes of such price competition have been mitigated by restructuring in the aerospace and defence industry. However, the recent weakening of demand has led to greater leverage for certain customers to encourage competition in respect of a variety of issues, including price and payment terms. No assurance can be given that competition may not intensify, particularly in the context of a prolonged downturn.

In addition, the contracts for many aerospace and defence products are awarded, implicitly or explicitly, on the basis of home country preference. Although EADS constitutes a multinational combination broadening a domestic market constituency, it may remain at a competitive disadvantage in certain countries, especially outside of Europe, relative to local contractors for certain products. The strategic importance and political sensitivity attached to the aerospace and defence industries means that political considerations will persist for many products for the foreseeable future.

Availability of Government Financing

In prior years, EADS and its principal competitors have benefited from government financing of product research and development and EADS has recently received financing from certain governments in relation to the A380 commercial aircraft program. No assurances can be given that financing will continue to be made available for future projects. Since 1992, the European Union and the United States are bound by an agreement that sets the terms and conditions of financial support that governments may provide to civil aircraft manufacturers. No assurance can be given that such terms and conditions may not be varied in the future.

Technologically Advanced Products and Services

EADS develops and manufactures products that are, for the most part, technologically advanced and, sometimes, novel. Most of EADS' products must function under demanding operating conditions. Even though EADS believes it employs sophisticated design, manufacturing and testing practices, there can be no assurance that EADS' products will be successfully developed or operated or that they will be developed or will perform as intended.

Certain of EADS' contracts require it to forfeit part of its expected profit, to receive reduced payments, to provide a replacement launch or other product or service, or to reduce the price of subsequent sales to the same customer if its products fail to be delivered on time or to perform adequately. EADS has commitments under telecommunication satellite manufacturing contracts that were signed during a period when tight delivery schedules were provided in these contracts, but market practice allowed extension of schedules to meet ever more complex technological requirements. No assurances can be given that performance penalties or contract cancellations will not be imposed should EADS fail to meet delivery schedules or other measures of contract performance.

EADS, like other organizations, has experienced occasional product failures and other problems, including with respect to certain of its launch vehicles and satellites. There can be no assurances that such problems will not occur in the future. In addition to any costs resulting from product warranties, contract performance or required remedial action, such failures may result in increased costs or loss of revenues and may also have a significant adverse effect on the competitive reputation of EADS' products. See "– Legal Risks – Product Liability and Warranty Claims".

Major Research and Development Programs

The business environment in many of EADS' principal operating business segments is characterized by extensive research and development costs requiring significant up-front investment. Business plans underlying such investment contemplate a long payback period before this investment is recouped. There can be no assurances that the commercial, technical and market assumptions underlying such business plans will be met, and consequently, the payback period or returns contemplated therein achieved.

U.K. Pension Commitments

EADS has several common investments with BAE SYSTEMS, of which the most significant in terms of employees are Airbus and MBDA. In respect of each investment, for so long as BAE SYSTEMS remains a shareholder, U.K. employees may stay in the BAE SYSTEMS pensions schemes, which currently qualify as defined benefit plans. BAE SYSTEMS has announced a shortfall of £2,099 million in post retirement pension assets when compared with the respective liabilities. This amount would have been recognised in BAE SYSTEMS' books had the new U.K. accounting standard FRS 17 already been implemented. As participants in the BAE SYSTEMS schemes, EADS investments are potentially affected by the shortfall. However, the agreements between EADS and BAE SYSTEMS have the effect of capping the contributions that the investment has to make to the pension scheme for a certain period of time (e.g., until 2011 for Airbus). Any additional contribution would be paid by BAE SYSTEMS. EADS is therefore not exposed to increased contribution payments resulting from the pension underfunding during the period of the contribution caps. At present, EADS has only

limited information about how the underfunding could impact the investments after the period of contribution caps has expired.

On November 1, 2003 EADS established a new pension scheme for Astrium UK. The defined benefit obligation of the new plan, calculated under the assumption that all employees choose to transfer their benefits, amounts to £ 117 million. Plan assets are recorded at £ 65 million, resulting in a net liability of £ 52 million which covers the maximum risk associated with the creation of the new plan. See "Part 1/Notes to the Consolidated Financial Statements – Note 19(b): Provisions for Retirement Plans".

1.5.3 Legal Risks

Dependence On Joint Ventures and Minority Holdings

EADS generates a substantial proportion of its revenues through various consortia, joint ventures and equity holdings and believes that its alliances and partnerships are a source of competitive advantage. These arrangements include primarily:

- the Eurofighter consortium in which EADS has a 46% interest;
- two principal joint ventures: MBDA in which EADS holds an aggregate 37.5% interest and ATR in which EADS has a 50% interest;
- majority interests: (a) Airbus in which EADS holds a 80% interest, (b) Dornier GmbH: DADC, which is 75% held by EADS, has a 93.6% interest in Dornier GmbH; and (c) LFK in which EADS has a 81.3% interest; and
- investment in associates: Dassault Aviation in which EADS holds a 46.03% interest.

The formation of partnerships and alliances with other market players is an integral strategy of EADS and the proportion of sales generated from consortia, joint ventures and equity holdings may rise in future years. This strategy may from time to time lead to changes in the organizational structure, or realignment in the control, of EADS' existing joint ventures.

EADS exercises varying and evolving degrees of control in the consortia, joint ventures and equity holdings in which it participates. While EADS seeks to participate only in ventures in which its interests are aligned with those of its partners, the risk of disagreement or deadlock is inherent in a jointly controlled entity, particularly in those entities that require the unanimous consent of all members with regard to major decisions and specify limited exit rights. The other parties in these entities may also be competitors of EADS, and thus may have interests which differ from those of EADS.

In addition, in those holdings in which EADS is a minority partner or shareholder, EADS' access to the entity's books and records, and as a consequence, EADS' knowledge of the entity's operations and results, is generally limited as compared to entities in which EADS is a majority holder or is involved in the day-to-day management.

Product Liability and Warranty Claims

EADS designs, develops and produces a number of high profile products of large individual value, particularly civil and military aircraft and space equipment. EADS is subject to the risk of product liability and warranty claims in the event that any of its products fail to perform as designed. While EADS believes that its insurance programs are adequate to protect it from such liabilities and that no material claims have been made against it, no assurances can be given that claims will not arise in the future or that such insurance cover will be adequate.

Export Controls and Other Regulations

The export market is a significant market for EADS. In addition, many of the products EADS designs and manufactures for military use are considered to be of national strategic interest. Consequently, the export of such products outside of EADS' domestic markets may be restricted or subject to licensing and export controls, notably by the United Kingdom, France, Germany and Spain, where EADS carries out its principal military activities. There can be no assurance (i) that the export controls to which EADS is subject will not become more restrictive, (ii) that new generations of EADS products will not also be subject to similar or more stringent controls or (iii) that geopolitical factors will not make it impossible to obtain export licenses for one or more clients. Reduced access to military export markets may have a material adverse effect on EADS' business, financial condition and results of operations.

EADS is also subject to a variety of other governmental regulations that may adversely affect its business and financial condition, including among others, regulations relating to the protection of the environment, the use of its products, labour practices and dealings with foreign officials. In addition, EADS' ability to market new products and enter new markets may be dependent on obtaining government certifications and approvals in a timely manner.

Exceptional Items and Litigation

In its defence against an arbitration proceeding initiated by Thales, EADS (more specifically Euromissile GIE) was awarded at the end of 2002 damages on the basis of its counterclaim, the principal amount of which totals € 107.6 million. Thales failed through summary proceedings to stop the immediate enforceability of the arbitration award and damages were paid to Euromissile on February 17, 2003. Thales has filed an appeal for annulment of the arbitration decision. Briefs are being exchanged between the parties and a decision of the Paris Court of Appeal is expected by the end of the year 2004.

EADS is involved in a number of claims and arbitrations that have arisen in the ordinary course of business. EADS believes that it has made adequate provisions to cover current or contemplated general and specific litigation risks.

EADS (more specifically, DADC and Dornier GmbH) is and was a party to several disputes and arbitration proceedings with the

Dornier family shareholders, minority shareholders of Dornier GmbH. These disputes concerned the validity of various resolutions of shareholders' meetings of Dornier GmbH primarily relating to contributions of Dornier activities and assets. These contributions were the subject of two arbitration proceedings, which were decided in favour of EADS/Dornier GmbH. Also, the validity of some of these contributions was confirmed by the regional court of appeals in Stuttgart. However, other proceedings, in particular regarding the contribution of shares in Dornier Luftfahrt GmbH by Dornier to Fairchild Dornier Luftfahrt Beteiligungs GmbH, are still pending. EADS and Dornier GmbH expect that the remaining proceedings will be decided in their favour, as was the case with the recent decisions.

At the end of 2002, a request for arbitration was filed against a subsidiary of EADS involved in the supply of equipment under a commercial contract that was completed several years ago. EADS believes it has strong defences, both procedural and of substance, to oppose the claim. At this early stage of the procedure the financial risk cannot be assessed. In June 2003, EADS was notified that the arbitration procedure was suspended at the request of the claimant.

EADS is not aware of any other exceptional items or pending or threatened legal or arbitration proceedings that may have, or may have had in a recent period, a material adverse effect on the financial position, the activities or the results of its group taken as a whole, except as stated above.

EADS recognises provisions for litigation and claims when (i) it has a present obligation from legal actions, governmental investigations, proceedings and other claims resulting from past events that are pending or may be instituted or asserted in the future against the Group, (ii) it is probable that an outflow of resources embodying economic benefits will be required to settle such obligation and (iii) a reliable estimate of the amount of such obligation can be made. The amount for litigation and claims provision as of December 31, 2003 is € 220 million. See "Part 1/Notes to the Consolidated Financial Statements – Note 19(d): Provisions".

1.5.4 Industrial and Environmental Risks

EADS has a corporate environmental policy that seeks to ensure each of its business units complies with the laws and regulations of each country in which it operates. EADS has implemented Environmental Management Systems based on ISO 14001 standards or EMAS in all business units. This aims to ensure that consistent measures for the improvement of EADS's environmental performance are systematically adopted in all sectors of its activity.

EADS has also undertaken an effort to implement standardized reporting and compliance levels at all of its sites and is investing in research and development projects devoted to environmental improvements and processes. In this regard, Airbus is currently

implementing research programs on the reduction of noise emissions of future aircraft, which are co-financed by the European Commission. In addition, several tasks have been identified in all business units to reduce emissions and water waste, to eliminate asbestos or to favour the use of natural gas or renewable energy sources. In 2003, the Military Aircraft business unit was awarded the "Environment Certificate" demonstrating compliance with environmental protection.

EADS informs its employees and the public about environmental protection issues. For example, Airbus, one of the most important EADS business units, has published an extensive and detailed environmental report (available on the Airbus website (www.airbus.com)). EADS also actively supports the participation of employees in pursuing new products and technologies that promote resource conservation, facilitate recycling and preserve the natural environment as much as possible.

Together with other companies in the principal industries in which it operates, EADS is subject to numerous European Union, national, regional and local environmental laws and regulations concerning emissions into the environment, discharges to surface and subsurface water and the disposal and treatment of waste materials. EADS believes that its current operations are in substantial compliance with all applicable environmental regulations. EADS believes that it is currently capable of satisfying the stricter environmental standards for the future contemplated by current laws or regulations, including increasingly stringent environmental product quality standards that will be implemented over the next few years, without incurring significant capital expenditure. However, there can be no assurance that increased capital expenditure and operating costs resulting from future environmental regulations will not adversely affect the results of EADS' operations and its financial condition.

1.5.5 Insurance

EADS Insurance Risk Management ("IRM"), centralized at EADS headquarters, is responsible for all corporate insurance activities and related protection for the Group. It includes identification, evaluation, prevention and protection of insurable risks. Insurance techniques are used to protect the assets and liabilities of EADS against financial consequences due to unexpected events. Harmonized insurance policies and standards are in place for all insurance risks underwritten by the Group.

A comprehensive information and reporting system is in place to secure that IRM, in close conjunction with insurance managers named by the EADS business divisions and business units, are able to respond to all insurance related risks of the Group. A vigorous insurance risk management strategy reinforces EADS insurance coverage. This includes strict operating procedures as well as policies regarding procurement and sales agreements. A systematic review and monitoring procedure of protections systems applicable for all EADS sites is in place, fostering

comprehensive and timely identification of risks and related adjustments of insurance coverage.

EADS' insurance programs cover high risk (Core) and low risk (Non-Core) exposures.

Core Insurance Policies underwritten by IRM for the Group cover risks such as:

- Property Damage and Business Interruption
- Aviation Third Party Liabilities including Product Liabilities
- Manufacturer's Aviation Hull Insurance up to the replacement value of each aircraft
- Space Third Party Liabilities including Product Liabilities
- Commercial General Liabilities including non-aviation and non-space Product Liabilities and risks related to environmental accidents
- Directors & Officers Liability

Claims related to Property Damage are covered up to a limit of € 2 billion per loss and € 2 billion as an annual aggregate.

Aviation Liability Coverage is provided up to a limit of € 2 billion per loss, with an annual aggregate cap of € 2 billion for product liability claims. Certain sub limits are applicable for Core Insurance Policies as outlined above.

Non Core Insurance Policies cover risks such as:

- Personal Accidents
- Company Automobiles
- Personal and property exposures during business trips
- Life insurance

Insurance amounts for Non Core Insurance Lines are covered up to respective sums and replacement values.

EADS follows a policy of obtaining external insurance coverage for all main and individual risks that can be insured at reasonable rates, on sufficient terms and limits provided by the international insurance markets. The standards of insurance protection are mandatory for all insurance policies.

However, to become more independent from volatilities of the insurance markets, EADS will use the capabilities of a corporate-owned reinsurance captive in the future.

The insurance industry, partly in response to events of September 11, 2001, has been undertaking efforts to reduce its overall exposure. These efforts include increasing premiums, raising deductible amounts and limiting the scope of coverage. Furthermore, the number of insurers underwriting industrial risks is shrinking. No assurance can be given that EADS will be able to maintain its current levels of coverage on similar financial terms in the future.

2.1 Recent Developments

Successful Launch of Rosetta Cometary Probe

March 2, 2004 marked the successful launch of a European Ariane 5 carrying the Rosetta cometary probe, built under the overall management of EADS Astrium. The Rosetta probe is a ten-year, five billion kilometre journey to the comet Churymov Gerasimenko. To escape the gravitational forces of Earth, the Rosetta probe was accelerated to a velocity of 40,000 kilometres per hour by the Ariane 5 upper stage, which was modified and re-qualified by EADS Space Transportation for this demanding mission. EADS Astrium was the industrial prime contractor for this European Space Agency project, which mobilised EADS teams and expertise across Europe.

EADS CASA Signs Contract to Supply Maritime Patrol Aircraft to U.S. Coastguard

On February 18, 2004 EADS and Lockheed Martin signed a U.S.\$ 87.4 million contract formalising EADS' participation in the U.S. Coastguard's Integrated Deepwater Systems ("Deepwater") program. The initial contract is for the procurement of two CN-235 medium-range surveillance maritime patrol aircraft, and includes options for spare parts, servicing and six additional aircraft. The potential value of the contract, with all options exercised, is approximately U.S.\$ 300 million.

The choice of the CN-235 by the U.S. Coastguard is viewed as a validation of the capability, flexibility and value of the aircraft as a surveillance platform, and as an example of the benefits of trans-Atlantic cooperation, whereby EADS brings its global capabilities together to provide valued products to U.S. government customers.

EADS Selected to Propose Air Refueling Service to the U.K. MoD

On January 26th, AirTanker was selected to negotiate exclusively the Future Strategic Tanker Aircraft (FSTA) programme, supplying A330-200 MRTT (Multi Role Tanker Transport Aircraft) to the U.K. Royal Air Force. AirTanker is set to become the industrial partner for the £13 billion U.K. MoD air-to-air refueling programme, covering a 27 year service period. With a 40 percent share, EADS is the largest partner in AirTanker and responsible for the full integration of the aircraft.

Chapter 3

General Description of the Company and its Share Capital

3.1 General Description of the Company

3.1.1 Corporate Name, Seat and Registered Office

European Aeronautic Defence and Space Company EADS N.V.

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

Seat (*statutaire zetel*): Amsterdam

3.1.2 Legal Form

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

3.1.3 Governing Law – Dutch Regulations

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

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

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

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

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

"Insiders" include, in particular, (i) the Board of Directors of the Company, (ii) members of the board of managing directors and board of supervisory directors of its subsidiaries and participations (*deelnemingen*) whose consolidated turnover individually represents more than 10% of the consolidated

turnover of the Company and (iii) all persons holding more than 25% of the share capital of the Company and, if such persons are legal entities, the members of such legal entities' board of managing directors and board of supervisory directors. In addition, spouses, first degree family members and persons with whom individual "Insiders" share a common household are subject to this notification requirement.

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

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

Pursuant to Dutch law, EADS has adopted specific internal insider trading rules (the "**Insider Trading Rules**") in order to ensure the confidentiality of sensitive company information, the transparency of EADS share trading and the compliance of EADS share trading rules with share trading regulations applicable in The Netherlands, France, Germany and Spain (for examples of The Netherlands, German, Spanish and French disclosure requirements applicable to members of the Board of Directors, see "–Disclosure Requirements for Members of the Board of Directors of EADS"). Pursuant to the Insider Trading Rules (i) all employees and directors are prohibited from conducting transactions in EADS shares or stock options if they have insider information, (ii) certain persons are only allowed to trade in EADS shares or stock options within very limited periods and have specific information obligations to the compliance officer of the Company and the competent financial market authorities with respect to certain transactions. These persons include amongst others (i) Insiders (as defined above) and (ii) certain employees specified by the compliance officer. On December 5, 2003, the EADS Board of Directors resolved to amend the Insider Trading Rules effective January 1, 2004 in order to keep these rules in line with applicable rules in The Netherlands, France, Germany and Spain. The amended Insider Trading Rules will be posted on the Company's website.

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

In addition, given the fact that its shares are listed on a regulated market in France, Germany and Spain, the Company is subject to laws and regulations in these three jurisdictions. A summary of the main regulations applicable to the Company in relation to information to be made public in these three jurisdictions is set out below.

3.1.3.1 Ongoing Disclosure Obligations

French Regulations

The *loi de sécurité financière* (the "LSF Act") dated August 1, 2003 merged the *Commission des opérations de bourse* (the "COB") and the *Conseil des Marchés Financiers* (the "CMF") into a single market authority called the *Autorité des Marchés Financiers* (the "AMF").

The general regulations of the AMF shall incorporate both the regulations of the COB (mostly *Règlements*) and the general regulations of the CMF. Pending implementation of the general regulations of the AMF, the regulations of the COB and the general regulations of the CMF are still effective and applicable to EADS, where relevant.

Therefore, if and where appropriate, certain references to the COB and the CMF in this document should also be deemed to be a reference to the AMF.

A foreign issuer must take all necessary measures to enable shareholders to manage their investments, and to exercise their rights. Pursuant to *Règlements* No. 98-01 and 98-07 of the COB:

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

Like French issuers, the Company may prepare a reference document, the purpose of which is to provide legal and financial information on the issuer (shareholding, activities, management, recent events, possible evolution and other financial information), but no information concerning a particular securities issue. In practice, the annual report of the Company may be used as a reference document since it contains the required information.

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

German Regulations

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

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

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

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

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

The Company is also obliged to inform the stock exchange admissions authorities about all material events arising from or affecting its legal situation. For that reason, all announcements concerning events that may be of interest to shareholders, such as the assembly of the general shareholders' meeting, announcements concerning determinations and payments of

dividends, the issuance of new shares and the exercise of conversion, warrant and subscription rights, must be published in an official stock exchange newsletter. The Company is, furthermore, required to publish without delay all changes concerning rights that are connected with securities.

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

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

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

Spanish Regulations

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

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

3.1.3.2 Disclosure of Specific Information

French Regulations

Pursuant to *Règlement* No. 98-07 of the COB, any information that could have a significant effect on the market value of the Company's shares is to be disclosed to the public.

The AMF may request that the Company or any third party disclose any information relevant in respect of the investors' protection and of the functioning of the market. If such requests are not satisfied, the AMF may itself disclose such information.

The party responsible for the disclosure of relevant information may decide not to reveal it if (i) it is able to ensure confidentiality of such information; and (ii) it considers that confidentiality is necessary (a) should the party be the Company, on the grounds that confidentiality is necessary to preserve its legitimate interests; or (b) should the party be a third party, on the grounds that confidentiality is temporarily necessary to achieve completion of a transaction.

German Regulations

Pursuant to § 15 of the German Securities Trading Act (*Wertpapierhandelsgesetz*), the Company is required to publish, without undue delay, such information that has become available to it and that has not become known to the general public, if such information is, due to its effect on the Company's holdings, finances or general business, likely to have a material impact on its share price.

The Company needs, prior to publication, to disclose such information to the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) as well as the board of directors of the stock exchanges on which the Company's shares are admitted to trading.

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

Spanish Regulations

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

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

- (i) To have rules of the board of directors which must be filed with the CNMV and published on the Company's website;
- (ii) To file with the CNMV a description of the relevant Dutch law provisions and provisions in the Articles of Association governing the conduct of shareholders meetings and post such description on its website;
- (iii) To have a website which must contain as a minimum the information specified in the Ministerial Order (The CNMV is still to enact regulations clarifying the specific details of the website and its content);
- (iv) To file a corporate governance report annually (the "Annual Corporate Governance Report") with the CNMV which must contain the information specified in the Ministerial Order;
- (v) In respect of the provisions of the Participation Agreement which relate to the exercise of voting rights at shareholder meetings or restrictions or conditions on the free transferability of shares, to (i) file by July 2006 (or earlier in the case of a takeover bid or if a new agreement is entered into) such provisions with the CNMV who will then publish the provisions as a relevant event, (ii) post the provisions on the Company's website, unless the CNMV exempts the Company from doing so, and (iii) set out details of the provisions in the Annual Corporate Governance Report.

3.1.4 Date of Incorporation and Duration of the Company

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

3.1.5 Objects of the Company

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

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

3.1.6 Commercial and Companies Registry

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

3.1.7 Inspection of Corporate Documents

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

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

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

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

3.1.8 Financial Year

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

3.1.9 Allocation and Distribution of Income

3.1.9.1 Dividends

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

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

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

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

3.1.9.2 Liquidation

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

3.1.10 General Meetings

3.1.10.1 Calling of Meetings

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

The Board of Directors must give notice of general meetings in at least one Netherlands national daily newspaper, at least one international daily newspaper and at least one daily newspaper in each of the countries in which the Company's shares are listed. Such publication must be made at least fifteen days before the day of the meeting and shall state either the matters to be considered at such meeting or that the agenda is open to inspection by the shareholders at the offices of the Company and at such other locations as may be specified in the notice.

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

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

The Board of Directors must announce the date of the annual general meeting of shareholders at least two months before the meeting. Requests made by one or more shareholders collectively representing at least three percent (3%) of the issued share capital, to put items on the agenda for the annual general meeting of shareholders, must be effected by the Board of Directors, if such request to the Board of Directors has been made at least six (6) weeks prior to the date scheduled for the meeting except if, in the opinion of the Board of Directors, important interests of the Company prevail over the insertion of such items into the agenda.

3.1.10.2 Right to Attend Meetings

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

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

In relation to holders of registered shares, the Board of Directors may provide in the convening notice that those persons are

recognized as authorized to exercise the rights to attend, speak and vote at the general meetings, who at the point in time mentioned in the convening notice are authorized to exercise those rights and as such have been registered in the register appointed for the purpose by the Board of Directors, irrespective of who is authorized to exercise those rights on the day of the meeting.

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

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

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

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

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

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

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

3.1.10.3 Majority and Quorum

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

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

3.1.10.4 Conditions of Exercise of Right to Vote

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

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

3.1.11 Disclosure of Holdings

Any person, acting alone or in concert (as defined in the Netherlands Act on reporting of shareholdings, *Wet melding zeggenschap in ter beurze genoteerde vennootschappen 1996* (the "WMZ")), acquiring or disposing of, directly or indirectly, an interest in the share capital or voting rights of the Company resulting in such person, after such acquisition or disposal, being in a different range of thresholds in terms of capital or voting rights than that in which he was prior to such acquisition or disposal is required by the WMZ to promptly notify the Company and the AFM of such interests. The same notification requirements apply in relation to acquiring or disposing of actual or contingent rights to obtain shares or voting rights. The applicable ranges of relevant interests pursuant to the WMZ are as follows: 0% to 5%; 5% to 10%; 10% to 25%; 25% to 50%; 50% to 66 2/3%; 66 2/3% and over. The AFM publishes all disclosures made to it in newspapers with a nationwide

circulation in each of the Member States of the European Economic Area where the shares are admitted for listing on a regulated stock exchange. In addition, the Articles of Association require notification to the Company in the event of an acquisition or disposal of an interest resulting, for any person acting alone or in concert, in a change of range from or to the ranges 25% to 33 1/3% and 33 1/3% to 50%.

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

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

Disclosure Requirements for Members of the Board of Directors

The members of the Board of Directors must report to the AFM their shareholdings in EADS, whether or not such shareholdings reach specified thresholds. Each member of the Board of Directors must report the number of shares and voting rights held by him or an entity controlled by him and not only the percentage of shares and voting rights. ⁽¹⁾

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

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

The Articles of Association also require that any person acquiring directly or indirectly or with others with whom it is acting in concert (as defined in the WMZ) more than one tenth of the issued share capital or voting rights of the Company must notify the Company of its intentions (i) to buy

⁽¹⁾ In this context, the term "shares" also includes for example depository receipts for shares and rights resulting from an agreement to acquire shares or depository receipts for shares, specifically call options, warrants, and convertible bonds. January 2003 on insider dealing and market manipulation (market abuse)) is implemented in German law, which must be done by October 12, 2004 at the latest.

or sell shares of the Company in the following 12 months; (ii) to continue or to stop acquiring shares or voting rights of the Company; (iii) to acquire control of the Company; or (iv) to seek to designate a member of the Board of Directors of the Company. The Company will provide the AMF with the information received in this context.

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

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

According to § 15a of the German Securities Trading Act, transactions in securities of the Company carried out by members of the Board of Directors of the Company (or a parent company of the Company) or their spouses, registered partners and relations in the first degree must be published. These persons have to notify the Company and the German Federal Financial Supervisory Authority of the transactions without undue delay unless within a 30-day period the aggregate amount of such transactions does not exceed € 25,000⁽²⁾. The Company is required to publish the notification without undue delay on the Company's website or in a German supra-regional mandatory stock exchange newspaper. This also applies in connection with employee profit sharing and incentive plans and other kinds of stock option plans granted by the Company.

Pursuant to the Spanish Transparency Law, the Directors of the Company must not carry out transactions or suggest that transactions be carried out involving the shares of the Company or related companies on which they possess, due to their position, privileged or confidential information, if this information has not been made public. In addition, when a director, either by himself or through an intermediary, acquires or transfers shares or share options in the Company, he must inform the Company, the markets on which its shares are traded and the CNMV.

Pursuant to the LSF Act and applying the Insider Trading Rules, the Company must report to the AMF any transactions in securities of the Company carried out by members of the Board of Directors, members of the Executive Committee and any person connected with such persons. The Company must also disclose the information to the public.

The disclosure requirements detailed above are included in the Insider Trading Rules, the main characteristics of which are described in "–Governing Law – Dutch Regulations".

3.1.12 Mandatory Tender Offers

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

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

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

- (i) to a transfer of shares to the Company itself or to the Foundation;
- (ii) to a securities custody, clearing or settlement institution acting in that capacity, provided that the provisions of Article

⁽²⁾ This threshold shall become obsolete once the European Market Abuse Directive (Directive 2003/6/EC of the European Parliament and of the Council of 28 January 2003 on insider dealing and market manipulation (market abuse)) is implemented in German law, which must be done by October 12, 2004 at the latest.

16 of the Articles of Association described above shall be applicable where shares are held for persons acting in breach of the provisions of Articles 15 and 16 of the Articles of Association described above;

- (iii) to a transfer of shares by the Company or to an issue of shares by the Company on a merger or on an acquisition by the Company of another company or business;
- (iv) to a transfer of shares from one party to another party who is a party to an agreement as envisaged in the WMZ to define "concert parties" where the agreement is entered into before December 31, 2000 (as amended, supplemented or replaced by a new agreement by the admission of one or more new parties or the exclusion of one or more parties) except that this exemption will not apply to a new party that individually or with its subsidiaries and/or group companies holds at least 33 1/3% of the control over shares or votes in the Company; this exemption is intended to exclude the parties to the Participation Agreement (See "3.3.2 Relationships with Principal Shareholders") (as amended, supplemented or replaced by a new agreement by the admission of one or more new parties or the exclusion of one or more parties) from the obligation to make the mandatory offer in the event of a transfer of shares between themselves;
- (v) to a transfer by a shareholder to a subsidiary in which it holds more than 50% or by a shareholder to a company which holds more than 50% in such transferring shareholder.

Spanish securities legislation sets forth specific provisions which are applicable in the event an investor acquires, directly or indirectly, certain percentages of the share capital of a company listed on a Spanish Stock Exchange, because they are deemed to be significant. These provisions, set forth in article 1 of the Royal Decree 1197/1991, of July 26, regarding Takeover Bids, recently amended by Royal Decree 432/2003, of 11 April, provide that said investor will have to offer to acquire the following percentages: if the investor acquires 25% of the shares, or other securities (such as subscription rights, convertible debentures, warrants, or any other similar securities that may directly or indirectly entitle such investor to subscribe or acquire shares) or a threshold that, without reaching such percentage, enables the appointment of a number of directors who, together with those already appointed, if any, represent more than 1/3 and less than 1/2 plus one of the total directors of the target company, or, if the investor already holds between 25% and 50%, and intends to purchase an additional 6% within the following 12 months, the offer must be for at least 10%; and (ii) for 100% in the event that the investor reaches or exceeds the threshold of 50% or a threshold that, without reaching such percentage, enables the appointment of a number of directors who, together with those already appointed, if any, represent more than 1/2 of the total directors of the target company. Given the different

thresholds set forth in article 1 of the Royal Decree 1197/1991 and in Article 15 of the Articles of Association of EADS (which in short requires, in principle, that a tender offer for 100% of the share capital be launched in the event a shareholder controls (alone, or in concert with other shareholders) directly or indirectly a number of shares or voting rights exceeding 33 1/3% of the share capital of EADS, as described above), Sociedad Estatal de Participaciones Industriales ("SEPI"), a minority shareholder of EADS, taking the stand that the Royal Decree 1197/1991 is not applicable to EADS, as a Dutch company listed in three different countries (Spain, France and Germany) and the Articles of Association of which duly provide that a tender offer must be launched whenever control of 33 1/3% of the share capital is taken, has, on behalf of EADS, consulted on this issue with the CNMV, which has confirmed in writing that "the event posed does not fall within those contemplated in the aforementioned Royal Decree 1197/1991" and, therefore, said Royal Decree 1197/1991 is not applicable to EADS.

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

3.2 General Description of the Share Capital

3.2.1 Modification of Share Capital or Rights Attaching to the Shares

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

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

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

The shareholders of EADS, at the general meeting of shareholders held on May 6, 2003 authorized the Board of Directors to issue shares representing up to 1% of the Company's authorized capital from time to time and to grant rights to subscribe for shares for a period up to and including the date of the annual general meeting of shareholders to be held in 2005, and also in the case where the subscription rights may be exercised thereafter, and to determine the terms and conditions of the share issuances. The general meeting of shareholders held on May 6, 2003 also authorized the Board of Directors to limit or exclude the preferential subscription rights for the period up to and including the date of the annual general meeting of shareholders in 2005 and to approve stock option plans and employee share ownership plans which may include the granting of rights to subscribe for shares, which can be exercised at such time as may be specified in such plans.

The general meeting of shareholders may reduce the issued share capital by cancellation of shares or by reducing the nominal value of the shares by means of an amendment to the Articles of Association, the latter requiring the

approval of at least two-thirds of the votes cast at the general meeting.

3.2.2 Issued Share Capital

At the date of this document the Company's issued share capital is € 812,885,182 comprising 812,885,182 shares of a nominal value of € 1.0 each.

3.2.3 Authorized Share Capital

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

3.2.4 Securities Granting Access to the Company's Capital

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

The table below shows the total potential dilution which would occur if all the stock options issued as at December 31, 2003 were exercised:

EADS' potential share capital	Number of shares	Dilution percentage in capital	Number of voting rights	Dilution percentage in voting rights
Total number of EADS shares issued as of the date of this document:	812,885,182	96.7%	800,957,248	96.6%
Total number of EADS shares which may be issued following exercise of stock options:	27,889,080	3.3%	27,889,080 ⁽¹⁾	3.4%
Total potential EADS share capital	840,774,262	100%	828,846,328	100%

⁽¹⁾ The potential dilutive effect on capital and voting rights of the exercise of these stock options may be limited as a result of the Company's share purchase programmes and in the case of subsequent cancellation of repurchased shares. See "3.3.7.1 Purchase by the Company of its Own Shares – Dutch Law".

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

Date	Nature of Transaction	Nominal value per share	Number of shares issued	Premium ⁽¹⁾	Total number of issued shares after transaction	Total issued capital after transaction
December 29, 1998	Incorporation	NLG 1,000	100	–	100	NLG 100,000
April 3, 2000	Conversion into euros	€ 1	50,000	–	50,000	€ 50,000
July 8, 2000	Issue of shares in exchange for contributions by Aerospatiale Matra, Dasa AG and SEPI	€ 1	715,003,828	€ 1,511,477,044	715,053,828	€ 715,053,828
July 13, 2000	Issue of shares for the purpose of the initial public offering and listing of the Company	€ 1	80,334,580	€ 1,365,687,860	795,388,408	€ 795,388,408
September 21, 2000	Issue of shares for the purpose of the employee offering carried out in the context of the initial public offering and listing of the Company	€ 1	11,769,259	€ 168,300,403	807,157,667	€ 807,157,667
December 5, 2001	Issue of shares for the purpose of an employee offering (<i>note d'opération</i> approved by the COB on October 13, 2001 under number 01-1209)	€ 1	2,017,894	€ 19,573,571.80	809,175,561	€ 809,175,561
December 4, 2002	Issue of shares for the purpose of an employee offering (<i>note d'opération</i> approved by the COB on October 11, 2002 under number 02-1081)	€ 1	2,022,939	€ 14,470,149.33	811,198,500	€ 811,198,500
December 5, 2003	Issue of shares for the purpose of an employee offering (<i>note d'opération</i> approved by the COB on September 25, 2003 under number 03-836)	€ 1	1,686,682	€ 19,363,109.36	812,885,182	€ 812,885,182

⁽¹⁾ The costs (net of taxes) related to the initial public offering of the shares of the Company in July 2000 have been offset against share premium for an amount of € 55,849,772.

3.3 Shareholdings and Voting Rights

3.3.1 Shareholding Structure

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

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

The term "Indirect EADS Shares" relates to EADS shares held by DaimlerChrysler AG ("DaimlerChrysler"), SEPI and Société de Gestion de l'Aéronautique, de la Défense et de l'Espace

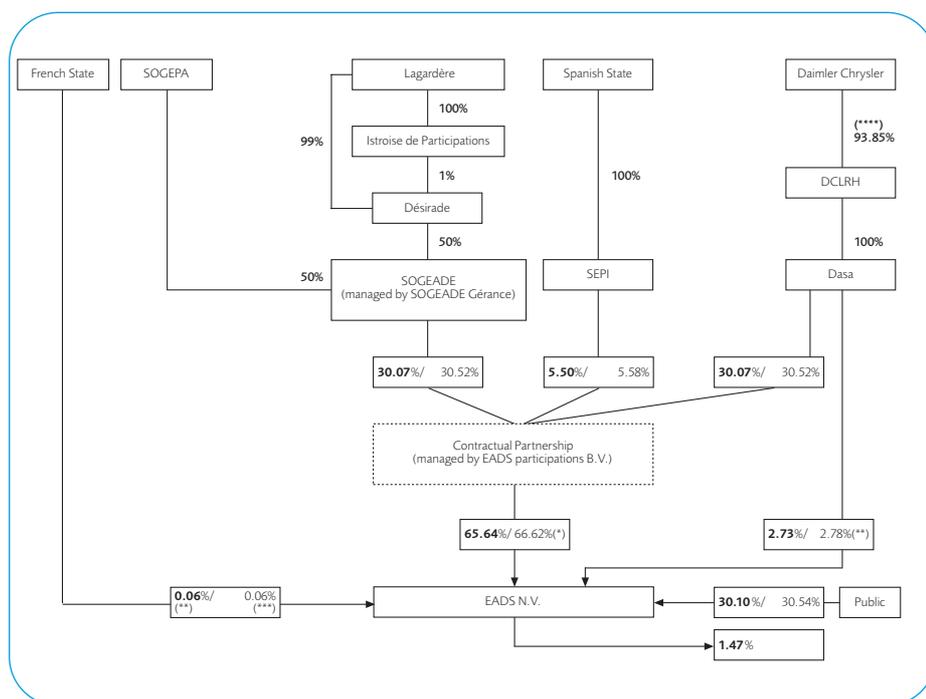
("SOGEADE"), for which EADS Participations B.V. exercises all the attached voting rights, as well as, for Istroise de Participations, Lagardère SCA ("**Lagardère**") and Société de Gestion de Participations Aéronautiques ("**SOGEPA**"), or the companies of their group, the number of EADS shares held indirectly via SOGEADE, reflecting by transparency, their respective interest in SOGEADE.

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

As of the date of this document, 30.07% of the EADS shares are held by Dasa AG, which is a wholly owned subsidiary of DaimlerChrysler Luft- und Raumfahrt Holding AG ("**DCLRH**"), a 93.85% subsidiary of DaimlerChrysler. SOGEADE, a French partnership limited by shares (*société en commandite par actions*) whose share capital is held 50% by SOGEPA (a French state holding company) and 50% by Désirade (a French *société*

par actions simplifiée whose share capital is held 99%⁽³⁾ by Lagardère and 1% by Istroise de Participations, which is a company wholly owned by Lagardère), owns 30.07% of the EADS shares. Thus, 60.14% of the share capital of EADS is held in equal proportions by DaimlerChrysler and SOGEADE who jointly control EADS through a Dutch law contractual partnership (the "**Contractual Partnership**"). SEPI (a Spanish state holding company), being a party to the Contractual Partnership, holds 5.50% of the share capital of EADS. The public (including EADS employees) and the Company hold, respectively, 30.10% and 1.47% of the share capital of EADS. DaimlerChrysler and the République Française (the "**French State**") hold directly respectively 2.73% and 0.06% of such share capital, such shareholdings being subject to certain specific provisions.

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



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

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

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

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

(3) In July 2003, the Indirect EADS Shares held by BNP Paribas and AXA (the "**French Financial Institutions**"), acting through a jointly organized company, Istroise de Participations, were transferred to Lagardère as initially agreed on Completion.

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

As of the date of this document, the Company holds, directly or indirectly through another company in which the Company holds directly or indirectly more than 50% of the share capital, 11,927,934 of its own shares. The EADS shares owned by the Company itself do not carry voting rights.

Approximately 3.55% of the capital and 3.60% of the voting rights are held by EADS employees.

3.3.2 Relationships with Principal Shareholders

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

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

- the composition of the Boards of Directors of EADS, EADS Participations B.V. and SOGEPa Gérance (*gérant commandité of SOGEPa*);
- restrictions on the transfer of EADS shares and SOGEPa shares;
- pre-emptive and tag-along rights of DaimlerChrysler, SOGEPa, SOGEPa and Lagardère;
- defences against hostile third parties;
- consequences of a change of control of DaimlerChrysler, SOGEPa, Lagardère, SOGEPa or SEPI;

- a put option granted by SOGEPa to DaimlerChrysler over its EADS shares in certain circumstances;
- specific rights of the French State in relation to certain strategic decisions, regarding among other issues, EADS ballistic missiles activity; and
- certain limitations on the extent of the French State's ownership of EADS.

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

Organization of EADS Participations B.V.

The Board of EADS Participations B.V. has an equal number of directors nominated by DaimlerChrysler and by SOGEPa, respectively (taking into account proposals made by Lagardère in respect of the SOGEPa-nominated directors). DaimlerChrysler and SOGEPa each nominate four directors, unless otherwise agreed, and each nominate from among its nominated directors a chairman and a chief executive officer. From July 8, 2003, SEPI no longer has an automatic right to nominate a director. However, at the shareholders general meeting of EADS Participations B.V. held on July 8, 2003, SOGEPa, DaimlerChrysler and SEPI unanimously approved the appointment of an additional director, nominated by SEPI, to the Board of EADS Participations B.V., bringing the total number of directors to nine.

This structure gives DaimlerChrysler and SOGEPa equal nominating rights in respect of the majority of the directors of the decision-making body of EADS Participations B.V. All decisions of EADS Participations B.V.'s board of directors shall require the vote in favour of at least six directors, except for certain specified matters which require the prior unanimous approval of DaimlerChrysler and SOGEPa. As of July 8, 2003, the SEPI-nominated director no longer has the ability to block any decisions of the board of EADS Participations B.V. relating to any major change to the CASA Industrial Plan and/or its implementation (the "**CASA Matters**").

Transfer of EADS Shares

During the period commencing at Completion and ending on July 1, 2003 (the "**Standstill Period**"), there were restrictions on DaimlerChrysler's, SOGEPa's, SEPI's, Lagardère's, SOGEPa's and the French State's ability to transfer EADS shares.

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

- if a party wishes to sell any EADS shares, it shall first sell its shares other than its Indirect EADS Shares before exercising its right to sell its Indirect EADS Shares in accordance with the provisions set out below;

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

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

Control of EADS

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

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

may exercise their pre-emption rights in respect of all or some only of the EADS shares held by the party wishing to accept the Hostile Offer.

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

Dissolution of Contractual Partnership and EADS Participations B.V.

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

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

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

Change of Control

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

SEPI undergoes a change of control and SOGEADE or DaimlerChrysler so elect then:

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

The third party purchaser may not be a competitor of EADS, SOGEADE or DaimlerChrysler (as the case may be) nor a member of the group which has taken control of the Changed Party.

Events of Default Other Than Change of Control

The Participation Agreement provides for certain actions following events of default (other than a change of control) (i.e., insolvency-related or a material breach of the Participation Agreement). In particular, if such an event of default occurs in relation to DaimlerChrysler, SOGEADE or SEPI, the non-defaulting party (respectively SOGEADE, DaimlerChrysler and SOGEADE and DaimlerChrysler acting together) has a call

option over the defaulting party's EADS shares and interest in EADS Participations B.V. If such an event of default occurs in relation to Lagardère or SOGEPA, such party is obliged to use its best efforts to sell its interest in the capital of SOGEADE on bona fide arm's length terms to a third party purchaser (who must not be a competitor of EADS or DaimlerChrysler). In the case of a sale by Lagardère, the third party purchaser must be nominated by SOGEPA with DaimlerChrysler's consent (which may not be unreasonably withheld). In the case of such a sale by SOGEPA, DaimlerChrysler must consent to the sale (again, such consent may not be unreasonably withheld).

Specific Rights and Undertakings of the French State

The French State, not being a party to the Participation Agreement, entered into a separate agreement, governed by French law, with DaimlerChrysler and DCLRH on October 14, 1999 (as amended) pursuant to which:

- the French State undertakes to hold an interest of no more than 15% of the entire issued share capital of EADS through SOGEPA, SOGEADE and EADS Participations B.V.;
- the French State undertakes that neither it nor any of its undertakings will hold any EADS shares directly;

in each case disregarding (i) those EADS shares held by the French State following the distribution without payment of consideration to certain former shareholders of Aerospatiale Matra as a result of its privatisation in June 1999 and which will have to be sold on the market; (ii) those shares held by SOGEPA or the French State which may be sold or acquired pursuant to the Participation Agreement or the SOGEADE Shareholders' Agreement (see below); and (iii) those shares held for exclusively investment purposes.

Moreover, pursuant to an agreement entered into between EADS and the French State (the "**Ballistic Missiles Agreement**"), EADS has granted to the French State (a) a veto right and subsequently a call option on the ballistic missiles activity exercisable in the event that (i) a third party which is not affiliated to the DaimlerChrysler and/or Lagardère groups acquires, directly or indirectly, either alone or in concert, more than 10% or any multiple thereof of the share capital or voting rights of EADS or (ii) the sale of the ballistic missiles assets or of the shares of such companies carrying out such activity is considered after the termination of the SOGEADE Shareholders' Agreement and (b) a right to oppose the transfer of any such assets or shares during the duration of the SOGEADE Shareholders' Agreement.

SOGEADE

SOGEADE is a French partnership limited by shares (*société en commandite par actions*) the share capital of which is split between SOGEPA (50%) and Désirade, a French *société par actions simplifiée* (50%). The share capital of Désirade is itself held by Lagardère (99%) and by Istroise de Participations (1%),

which is a company wholly owned by Lagardère. Lagardère hence owns indirectly 50% of SOGEADE.

The general partner (*associé commandité*) of SOGEADE, SOGEADE Gérance, is a French *société par actions simplifiée* which is the manager of SOGEADE.

SOGEADE Gérance's board of directors consists of eight directors, four of them nominated by Lagardère and four by SOGEPA. Decisions of the SOGEADE Gérance Board shall be approved by a simple majority of directors except for the following matters which require the approval of a qualified majority of six of the eight directors: (a) acquisitions or divestments of shares or assets the individual value of which exceeds € 500 million; (b) agreements establishing strategic alliances, or industrial or financial co-operation; (c) a capital increase of EADS of more than € 500 million to which no preferential right to subscribe for the shares is attached; (d) any decision to divest or create a security interest over the assets relating to prime contractor status, design, development and integration of ballistic missiles or the majority shareholdings in the companies Cilas, Sodern, Nuclétudes and the GIE Cosyde. The decisions contemplated under (d) above are also governed by the Ballistic Missiles Agreement (see above "*Specific Rights and Undertakings of the French State*").

When a vote of the SOGEADE Gérance board on such matters does not reach the qualified majority of six directors by reason of any of the SOGEPA-nominated directors casting a negative vote, the SOGEADE-nominated directors on the board of EADS Participations B.V. are obliged to vote against the proposal. This means that the French State as the owner of SOGEPA can veto any decisions on these matters within EADS Participations B.V. and in turn within EADS as long as the SOGEADE Shareholders' Agreement remains in existence.

The shareholding structure of SOGEADE shall reflect at all times the indirect interests of all the shareholders of SOGEADE in EADS.

In certain circumstances, in particular in the event of a change of control of Lagardère, Lagardère shall grant a call option over its SOGEADE shares to any non-public third party designated by SOGEPA and approved by DaimlerChrysler. This option may be exercised during the term of the SOGEADE Shareholders' Agreement on the basis of the market price for the EADS shares.

The SOGEADE Shareholders' Agreement shall terminate if Lagardère or SOGEPA ceases to hold at least 20% of the capital of SOGEADE, except that: (a) the provisions relating to the call option granted by Lagardère described above shall remain in force as long as the Participation Agreement is in force, (b) as long as SOGEPA holds at least one SOGEADE share, it will remain entitled to nominate a SOGEADE Gérance Director whose approval will be required in respect of any decision to divest or create a security interest over the assets relating to prime contractor status, design, development and integration of

ballistic missiles activity or the majority shareholdings in the companies Cilas, Sodern, Nuclétudes and the GIE Cosyde; and (c) the SOGEADE Shareholders' Agreement will be terminated in the event of a dissolution of EADS Participations B.V. caused by DaimlerChrysler. In the latter case, the parties have undertaken to negotiate a new shareholders' agreement in the spirit of the shareholders' agreement between them dated April 14, 1999 relating to Aerospatiale Matra and having regard to their respective shareholdings in SOGEADE at the time of the dissolution of EADS Participations B.V.

Put Option

Under the Participation Agreement, SOGEADE grants a put option to DaimlerChrysler over its EADS shares which shall be exercisable by DaimlerChrysler, (i) in the event of a deadlock arising from the exercise by SOGEPA of its rights relating to certain strategic decisions (listed above under the description of SOGEADE) other than those relating to the ballistic missiles activity or (ii) during certain periods provided that in both cases the French State still holds any direct or indirect interest in EADS shares. The put option may only be exercised in respect of all and not some only of DaimlerChrysler's EADS shares.

The exercise price of the option will be calculated on the basis of an average market price for EADS shares.

In the event that DaimlerChrysler exercises the put option granted to it by SOGEADE, SOGEADE will acquire the EADS shares from DaimlerChrysler. However, Lagardère has the right to require SOGEPA to substitute itself for SOGEADE in relation to the acquisition of DaimlerChrysler's EADS shares following the exercise by DaimlerChrysler of the put option. Such substitution right has been accepted by DaimlerChrysler. In the event that Lagardère does not exercise such substitution right, Lagardère would have to provide its pro rata part of the financing necessary for such acquisition. SOGEPA undertakes to provide its pro rata part of the financing corresponding to its rights in SOGEADE. Should Lagardère decide not to take part in the financing, (a) SOGEPA undertakes to substitute itself for SOGEADE to buy the shares sold by DaimlerChrysler as a result of the exercise of its put option and SOGEPA or Lagardère may request the liquidation of SOGEADE and EADS Participations B.V. and the termination of the SOGEADE Shareholders' Agreement (notwithstanding the termination provisions of the SOGEADE Shareholders' Agreement described under the paragraph "SOGEADE" above). In that case, Lagardère could freely sell its EADS shares on the market or in a block sale to a third party.

Pledge over EADS Shares Granted to EADS Participations B.V.

Upon Completion and in order to secure their undertakings under the Contractual Partnership Agreement and the Participation Agreement, SOGEADE, DaimlerChrysler and SEPI granted a pledge over their respective Indirect EADS Shares to EADS Participations B.V. for the benefit of EADS Participations B.V. and the other parties to the Contractual Partnership Agreement.

Contributions to EADS – Specific Undertakings of EADS

EADS has agreed not to dispose of the shares contributed to it by Aerospatiale Matra, Dasa AG and SEPI for a period of 7 years. The contribution agreements entered into between EADS on the one hand and Aerospatiale Matra, Dasa AG and SEPI on the other hand, provide that EADS may, if it determines that this is desirable, dispose of such shares provided that EADS shall, on demand, indemnify Lagardère and SOGEPA (in the case of a sale of shares contributed by Aerospatiale Matra), Dasa AG or SEPI, as the case may be, for all tax disadvantages (tax actually paid or borne by them as well as any consumption of loss-carry-forward potential) they suffer as a result of the loss of the tax benefit triggered by the disposal of the shares by EADS. Such obligation to indemnify shall cease after 7 years from the date of contribution. In the event that the indemnification would be made to all three of Lagardère, SOGEPA and Dasa AG, the Board of Directors would decide on the amount of the indemnity on the basis of a report made and presented by the two independent Directors of EADS. The amount and the conditions of this indemnification will be reported to the general meeting of shareholders.

Lagardère Group Services

At the time of the combination of Aerospatiale and Matra Hautes Technologies, it was agreed that the administrative services rendered by Lagardère Ressources (formerly Matra Hachette General), a wholly owned subsidiary of Lagardère, to the direct and indirect subsidiaries of Matra Hautes Technologies that were contributed to Aerospatiale, would remain unchanged until December 31, 2003.

Since December 31, 2003, all the administrative services rendered by Lagardère Ressources have been terminated as of that date.

DADC

EADS Deutschland GmbH holds 75% of the shares in DADC Luft- und Raumfahrt Beteiligungs AG ("**DADC**") (the other 25% being held by DCLRH). The share capital of Dornier GmbH is held as to 93.58% by DADC and as to 6.42% by the Dornier family. In shareholders' meetings DADC is entitled to more than 89.9% and the Dornier family to less than 10.1% of the voting rights in Dornier GmbH. DADC and Dornier GmbH have entered into a control and profit and loss transfer agreement.

A considerable number of shareholders' resolutions in Dornier GmbH require a majority of 100% of the votes cast in the shareholders' meeting notably resolutions to dissolve the company, alterations of the articles of association if they terminate, limit or have an impact on the rights of the minority shareholders, reduction of share capital, mergers (unless Dornier GmbH is the surviving entity), the transfer of holdings in other enterprises or the transfer of whole areas of enterprise activities with the exception of transfers of assets in return for shares or as a contribution in kind or to a company associated with DaimlerChrysler, which is assumed to be the case if DaimlerChrysler controls at least 20% of its share capital. The same requirement applies with regard to all transfers of shares of

Dornier GmbH held by the DaimlerChrysler group (including associated enterprises) subject to certain exceptions including the transfer to other DaimlerChrysler group companies (including associated enterprises). Furthermore, the Dornier family receives a guaranteed dividend from Dornier GmbH of (depending on the nature of the shares) 8.7% or 15% of the nominal amount of their shares plus any corporation tax credits. The guaranteed dividend is indexed. DaimlerChrysler has guaranteed the payment of the minimum dividend to the Dornier family shareholders. In the case of the profit and loss transfer agreement, which presently exists between DADC and Dornier GmbH, the Dornier family shareholders are entitled to receive payments corresponding at least to the amount which they would be entitled to in the absence of such profit and loss transfer agreement. Internally DADC has assumed this obligation.

On November 30, 1988 DaimlerChrysler and the Dornier family entered into a separate agreement to strengthen the rights of DaimlerChrysler and, simultaneously, to protect the economic interests of the minority shareholders. The latter can, in particular, demand that their shares in Dornier GmbH be bought (i) for cash consideration or (ii) in exchange for DaimlerChrysler shares or (iii) in exchange for shares in a company in which, or under which, DaimlerChrysler concentrates its aerospace activities by DaimlerChrysler or another company associated with DaimlerChrysler and nominated by DaimlerChrysler. On March 29, 2000 DaimlerChrysler, DCLRH, DADC, EADS Deutschland GmbH and Dasa AG entered into an agreement according to which DaimlerChrysler has the right to demand from DADC to buy the shares so offered by the Dornier family shareholders. DaimlerChrysler shall reimburse DADC for any amount to be paid being above the fair market value of the shares. Moreover, DADC will assume certain other rights and obligations relating to the protection of the interests of the Dornier family.

Under the terms of the business combination agreements entered into in the context of the creation of EADS, DCLRH has undertaken to indemnify Lagardère (for itself and on behalf of each member of the Lagardère group) and SEPI and shall keep them indemnified, against (save in respect of any consequential loss not foreseeable by DCLRH (or any member of the DaimlerChrysler group)) all or any costs, claims, demands, expenses, losses or liabilities that they (or any of them) may suffer or incur from the date of the business combination agreements entered into in the context of the creation of EADS as a result of all or any of the shareholders of Dornier GmbH other than a member of the Dasa group obtaining or seeking to obtain any rights or remedies against Lagardère (or any member of the Lagardère group), SEPI, the Contractual Partnership, EADS Participation B.V., Dasa AG, EADS or any entity contributed by or on behalf of DaimlerChrysler which is to become a member of the EADS group or any member of the Dasa AG group. This indemnity shall also extend to EADS to the extent such protection is not provided for in the transfer of the Dasa business to EADS.

3.3.3 Form of Shares

The shares of EADS are in registered form. The Board of Directors may decide in respect of all or certain shares, on shares in bearer form.

Shares shall be registered in the shareholders register without the issue of a share certificate or, should the Board of Directors so decide, in respect of all or certain shares, with the issue of a certificate. Share certificates shall be issued in such form as the Board of Directors may determine. Registered shares shall be numbered in the manner to be determined by the Board of Directors.

3.3.4 Changes in the Shareholding of the Company since its Incorporation

The Company was founded with an authorized share capital of NLG 500,000 divided into 500 shares each having a nominal value of NLG 1,000, of which 100 were issued to Aerospatiale Matra on December 29, 1998. These shares were transferred to Dasa AG by way of notarised transfer certificate on December 28, 1999.

The changes in the shareholding of the Company since its initial public offering and listing are as follows (for a description of the changes in the issued share capital of the Company since its incorporation, see "3.2.5 Changes in the Issued Share Capital Since Incorporation of the Company"):

Since July 2000, 4,293,746 EADS shares (representing 0.53% of the share capital of EADS as of the date of this document) have been distributed without payment of consideration by the French State to certain former shareholders of Aerospatiale

Matra as a result of its privatisation in June 1999. The last distribution took place in July 2002.

In addition, in January 2001, the French State and Lagardère sold on the market all of their EADS shares (respectively 7,500,000 and 16,709,333 EADS shares representing 0.92% and 2.06% of the share capital of EADS as of the date of this document) other than their Indirect EADS Shares (and, in the case of the French State, other than the EADS shares to be distributed to former shareholders of Aerospatiale Matra, see "–Relationships with Principal Shareholders – Specific Rights and Undertakings of the French State") that they held as a result of the non-exercise of the over-allotment option granted to the underwriters in the context of the initial public offering carried out by the Company for the purpose of its listing in July 2000 (including, in the case of Lagardère, those shares other than its Indirect EADS Shares purchased from the French Financial Institutions at the end of the exercise period of the over-allotment option).

Since the date of filing with the COB of the *Document de Référence* of the Company for the financial year 2002 (April 2, 2003), the Company has not received any threshold notification. To the knowledge of the Company, none of the shareholders of the Company, other than as disclosed in the chart below, hold more than 5% of the share capital or voting rights of the Company.

The division of the issued shares and voting rights of the Company before exercise of any stock options granted for the subscription of EADS shares (see "Part 1/2.3.3 Options Granted to Employees") in respect of the past three years is indicated in the table below:

Shareholders	Position as at April 1, 2004			Position as at April 2, 2003			Position as at April 18, 2002		
	Number of shares	% of capital	% of voting rights	Number of shares	% of capital	% of voting rights	Number of shares	% of capital	% of voting rights
Dasa AG	244,447,704	30.07%	30.52%	244,447,704	30.13%	30.52%	244,447,704	30.21%	30.25%
SOGEADE	244,447,704	30.07%	30.52%	244,447,704	30.13%	30.52%	244,447,704	30.21%	30.25%
SEPI	44,690,871	5.50%	5.58%	44,690,871	5.51%	5.58%	44,690,871	5.52%	5.53%
<i>Sub-total</i>									
<i>Contractual</i>									
<i>Partnership</i>									
Dasa AG	22,227,478	2.73%	2.78%	22,227,478	2.74%	2.77%	22,227,478	2.75%	2.75%
French State	502,746 ^(*)	0.06%	0.06%	502,746	0.06%	0.06%	2,748,681	0.34%	0.34%
Public	244,640,745 ^(**)	30.10%	30.54%	244,640,745	30.16%	30.55%	249,585,180	30.84%	30.88%
Own share buy-back ^(***)	11,927,934	1.47%	–	10,241,252	1.27%	–	1,027,943	0.13%	–
Total	812,885,182	100.00%	100.00%	811,198,500	100.00%	100.00%	809,175,561	100.00%	100.00%

^(*) Shares held by the French State following the distribution without payment of consideration of 4,293,746 shares to certain former shareholders of Aerospatiale Matra as a result of its privatisation in June 1999. All the shares currently held by the French State will have to be sold on the market.

^(**) Including EADS employees. As of the date of this document, EADS employees hold approximately 3.55% of the share capital and 3.60% of the voting rights.

^(***) The EADS shares owned by the Company itself do not carry voting rights.

To the knowledge of the Company, except as disclosed previously in "Relationships with Principal Shareholders", there are no pledges over the shares of the Company.

The Company requested a disclosure of the identity of the beneficial holders of its shares held by identifiable holders ("*Titres au porteur identifiable*s" (TPI)) holding more than ten thousand shares each. The study, which was completed on March 31, 2003, resulted in the identification of 1,038 shareholders holding a total of 181,221,387 EADS shares (including 4,852,490 shares held by Iberclear on behalf of the Spanish markets and 20,562,887 shares held by Clearstream on behalf of the German market).

The current shareholding structure of the Company is as shown in the diagram in "– Shareholding Structure".

3.3.5 Persons Exercising Control over the Company

See "– Shareholding Structure" and "– Relationships with Principal Shareholders".

3.3.6 Simplified Group Structure Chart

The following chart shows the main business units of EADS.



3.3.7 Purchase by the Company of its Own Shares

3.3.7.1 Dutch Law

The Company may acquire its own shares, subject to certain provisions of the law of The Netherlands and the Articles of Association, if (i) the shareholders' equity less the payment required to make the acquisition does not fall below the sum of paid-up and called portion of the share capital and any reserves required by the law of The Netherlands and (ii) the Company and its subsidiaries would not thereafter hold or hold in pledge shares with an aggregate nominal value exceeding one-tenth of the Company's issued share capital. Share acquisitions may be effected by the Board of Directors only if the shareholders in general meeting have authorized the Board of Directors to effect such repurchases. Such authorization may apply for a maximum period of 18 months.

Shares held by the Company do not carry voting rights. Usufructuaries and pledgees of shares that are held by the Company are, however, not excluded from their voting rights in such cases where the right of usufruct or pledge was vested before the share was held by the Company.

The Shareholders' General Meeting of EADS held on May 6, 2003 authorized the Board of Directors, in a resolution that superseded and replaced the previous authorization given by the Shareholders' General Meeting of EADS held on May 17, 2002, for a period of 18 months from the date of such meeting, to repurchase shares of the Company within the limit of 5% of the Company's issued share capital, on the stock exchange or otherwise in return for payment, at a price between the nominal value of the shares (€ 1.0) and an amount equal to 110% of the price at which the relevant shares were quoted on any stock exchange at close of business on the trading day before the day of the purchase by the Company.

The Board of Directors resolved on October 10, 2003 and requested the Chief Executive Officers to implement, in the context of the employee share ownership plan for 2003 (see "Part 1/2.3.2 Employee Share Offering"), a share purchase programme for the Company to repurchase up to a maximum of 2,027,996 of its own shares (depending on the number of shares actually subscribed for by the relevant employees), which at that date, represented 0.25 % of the issued share capital of the Company. The objectives and characteristics of this share purchase programme are set out in the *note d'information* approved by the COB on October 27, 2003 under number 03-927. The implementation of this share purchase programme has resulted in the acquisition by the Company of 1,686,682 of its own shares.

As of the date of this document, the Company had purchased in aggregate 11,927,934 of its own shares.

A resolution will be submitted to the shareholders' general meeting of EADS called for May 6, 2004 in order to supersede and replace the above authorization and authorize the Board of Directors, for a new period of 18 months as from the date of such meeting, to repurchase shares of the Company, by any means, including derivative products, on any stock exchange or otherwise in return for payment, as long as, upon such repurchase, the Company shall not hold more than 5% of the Company's issued share capital and at a price between the nominal value of the shares (€ 1.0) and an amount equal to 110% of the price at which the relevant shares were quoted on any stock exchange at close of business on the most recent day on which such stock exchange was open for trading before the day of the purchase by the Company.

After making purchases of its own shares, the Company is required to immediately file a report with the AFM that contains specified information about such purchases, unless an exemption applies. The AFM makes this information publicly available.

3.3.7.2 French Regulations

As a result of its listing for trading on a regulated market in France, the Company is subject to the regulations summarized below.

Pursuant to *Règlement* No. 98-02 (as amended by *Règlements* No. 2000-06, No. 2003-02 and No. 2003-06) of the COB, the purchase by a company of its own shares will, in principle, require the filing of a *note d'information* that has received the approval (or "*visa*") of the AMF.

Under *Règlement* No. 90-04 (as amended by *Règlements* No. 92-03, No. 98-03, No. 2000-06 and No. 2002-02) of the COB, a company may not trade in its own shares for the purpose of manipulating the market. *Règlement* No. 90-04 also defines the conditions for a company's trading in its own shares to be valid.

After making purchases of its own shares, the Company is required to file monthly reports with the AMF that contain specified information about such purchases. The AMF makes this information publicly available⁽⁴⁾.

3.3.7.3 German Regulations

As a foreign issuer, the Company is not subject to German rules on trading in its own shares, which only apply to German issuers.

3.3.7.4 Spanish Regulations

As a foreign issuer, the Company does not have to comply with the Spanish rules on trading in its own shares, which only apply to Spanish issuers.

However, according to the Conduct Rules under the Spanish Securities Act 24/1988 of July 28, 1988, the Company may not trade in its own shares for the purpose of manipulating the market.

3.4 Stock Exchange Information

The Company's issued share capital is divided into 812,885,182 shares currently listed under the symbol "EAD" on the Paris Stock Exchange, the Frankfurt Stock Exchange and the Spanish Stock Exchanges and included in the CAC 40 index as well as the MDAX index.

The following tables set forth, for the periods indicated, the average daily trading volumes and the high and low prices of EADS shares on the Paris, Frankfurt and Spanish Stock Exchanges.

⁽⁴⁾ EADS also files these reports with the CNMV, the Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) and the AFM

Paris Stock Exchange

	Share trade volume	Average daily trade volumes	Trade value (€)	Average daily trade value (€)	Month's High	Month's Low
2000						
July (from the 10th)	28,006,987	1,867,132	507,785,107	33,852,340	19.19	17.40
August	25,823,476	1,122,760	384,575,157	16,720,659	18.05	16.05
September	30,460,407	1,450,496	571,089,464	27,194,736	20.10	17.06
October	54,407,858	2,473,084	1,184,877,998	53,858,091	24.10	18.88
November	33,635,272	1,528,876	810,699,388	36,849,972	25.20	22.47
December	27,572,339	1,451,176	628,842,769	31,442,138	24.29	20.12
2001						
January	39,914,713	1,814,305	922,430,115	41,928,642	24.03	21.90
February	28,371,942	1,418,597	671,386,276	33,569,314	23.59	21.10
March	40,195,234	1,827,056	808,266,895	36,739,404	23.56	18.20
April	23,042,758	1,212,777	466,130,786	24,533,199	21.50	19.22
May	30,810,517	1,400,478	680,973,860	30,953,357	24.00	19.50
June	36,622,362	1,831,118	847,614,750	42,380,738	25.07	20.67
July	23,998,212	1,090,828	531,019,150	24,137,234	23.50	21.02
August	29,135,094	1,266,743	602,364,447	26,189,759	23.60	18.64
September	55,227,242	2,761,362	724,387,025	36,219,351	19.94	9.14
October	49,407,887	2,148,169	592,687,519	25,769,023	13.65	9.90
November	40,347,151	1,833,961	550,247,341	25,011,243	14.57	12.00
December	19,755,943	1,097,552	271,754,537	15,097,474	15.24	13.05
2002						
January	26,525,882	1,205,722	363,824,632	16,537,483	14.90	12.52
February	21,298,834	1,120,991	287,799,414	15,147,338	14.80	12.71
March	31,975,439	1,682,918	517,520,338	27,237,913	17.45	14.53
April	35,889,677	1,794,484	580,351,224	29,017,561	17.08	15.18
May	45,646,138	1,901,922	779,829,454	32,492,894	18.45	15.93
June	31,749,880	1,671,046	504,393,890	26,547,047	17.60	14.03
July	46,935,443	2,040,671	737,366,977	32,059,434	17.71	13.28
August	23,084,592	1,282,477	341,095,955	18,949,775	16.68	13.46
September	39,530,265	1,882,394	476,338,740	22,682,797	13.65	10.41
October	55,312,620	2,404,897	599,820,170	26,079,138	13.55	8.67
November	34,660,783	1,650,513	409,210,849	19,486,231	13.39	10.35
December	34,109,924	1,705,496	382,128,122	19,106,406	13.39	9.65
2003						
January	41,084,015	1,867,455	420,579,852	19,117,266	11.70	8.89
February	31,503,649	1,575,182	271,850,579	13,592,529	9.93	7.25
March	46,872,323	2,232,015	355,854,789	16,945,466	9.10	6.33
April	51,698,858	2,349,948	406,330,625	18,469,574	8.65	6.87
May	45,882,586	2,085,572	390,153,125	17,734,233	9.80	7.75
June	62,648,698	2,983,271	659,656,740	31,412,226	11.48	9.22
July	55,248,723	2,402,118	696,341,886	30,275,734	14.45	10.41
August	30,590,530	1,456,692	436,033,159	20,763,484	14.74	13.56
September	47,237,941	2,147,179	698,671,170	31,757,780	16.47	12.80
October	60,098,669	2,612,986	938,858,930	40,819,953	18.04	12.99
November	70,012,235	3,500,612	1,257,952,390	62,897,620	19.18	16.60
December	46,490,041	2,213,811	891,365,537	42,445,978	20.20	18.00
2004						
January	49,595,902	2,361,710	908,903,760	43,281,131	19.39	17.26
February	35,148,871	1,757,444	620,323,172	31,016,159	18.81	16.95

Source: Bloomberg Database

Frankfurt Stock Exchange

	Share trade volume	Average daily trade volumes	Trade value (€)	Average daily trade value (€)	Month's High	Month's Low
2000						
July (from the 10th)	10,021,156	626,322	126,313,029	7,894,564	19.00	17.20
August	2,296,984	99,869	39,539,352	1,719,102	18.30	16.00
September	2,667,145	127,007	47,534,427	2,263,544	20.02	17.05
October	2,116,370	96,199	40,178,886	1,913,280	24.05	19.00
November	1,100,523	50,024	25,983,694	1,181,077	25.90	22.50
December	646,677	34,036	15,011,258	750,563	24.30	20.06
2001						
January	623,484	28,340	13,824,417	628,383	23.90	21.80
February	519,634	25,982	11,758,970	587,948	23.52	21.21
March	558,229	25,374	12,349,913	561,360	23.50	18.50
April	262,503	13,816	5,292,404	278,548	21.70	19.20
May	491,162	22,326	10,860,045	493,638	23.97	19.70
June	817,372	38,922	18,911,714	900,558	25.20	20.61
July	958,870	46,664	21,167,451	1,029,124	23.45	20.57
August	753,104	39,034	15,668,232	822,343	23.50	18.60
September	2,039,979	102,970	25,656,940	1,301,782	19.97	9.20
October	1,217,290	52,926	14,786,737	642,902	13.80	10.00
November	861,507	39,159	11,688,046	531,275	14.70	10.90
December	626,512	36,854	8,653,911	509,054	15.10	13.00
2002						
January	687,609	31,255	9,416,004	428,000	14.81	12.50
February	484,884	24,244	6,523,078	326,154	14.30	12.70
March	852,539	42,627	13,770,868	688,543	17.48	13.90
April	910,722	45,536	14,479,100	723,955	17.50	15.15
May	551,598	22,983	9,466,389	394,433	18.45	16.00
June	409,279	21,541	6,464,362	340,230	17.46	14.10
July	501,338	21,797	7,710,529	335,240	17.62	13.50
August	223,696	12,428	3,294,759	183,042	16.60	13.30
September	486,634	23,173	5,788,128	275,625	13.80	10.50
October	718,288	31,230	7,759,130	337,353	13.37	8.80
November	510,315	24,301	6,035,121	287,387	13.28	10.41
December	561,626	28,081	6,268,283	313,414	13.31	9.78
2003						
January	629,888	28,631	6,440,735	292,761	11.80	8.80
February	543,124	27,156	4,680,095	234,005	9.98	7.27
March	1,746,387	83,161	14,362,272	683,918	9.38	6.30
April	1,365,736	62,079	10,669,097	484,959	8.65	6.90
May	1,058,476	48,113	8,970,172	407,735	9.75	7.70
June	1,667,506	79,405	17,802,437	847,735	11.50	9.25
July	1,734,296	75,404	21,359,965	928,694	14.40	10.35
August	863,962	41,141	12,316,746	586,512	14.94	13.57
September	1,702,772	77,399	25,378,004	1,153,546	17.85	12.90
October	1,674,219	72,792	26,604,092	1,156,700	17.99	13.00
November	1,616,328	80,816	29,053,089	1,452,654	19.10	16.60
December	1,738,852	82,802	33,370,991	1,589,095	20.27	17.86
2004						
January	2,132,747	101,559	39,223,881	1,867,804	19.40	17.25
February	1,170,392	58,520	20,711,768	1,035,588	18.80	16.90

Source: Bloomberg Database

Spanish Stock Exchanges

	Share trade volume	Average daily trade volumes	Trade value (€)	Average daily trade value (€)	Month's High	Month's Low
2000						
July (from the 10th)	18,203,064	1,137,692	330,862,873	20,678,930	19.10	17.00
August	1,733,497	75,369	30,022,590	1,305,330	18.39	16.01
September	4,016,475	191,261	75,331,737	3,587,226	20.07	17.02
October	4,868,795	221,309	99,463,587	4,736,361	24.00	18.50
November	1,293,184	58,781	29,653,441	1,347,884	25.10	22.10
December	655,922	34,522	13,991,513	777,306	24.50	20.20
2001						
January	447,403	20,337	9,939,805	451,809	23.99	21.77
February	415,608	20,780	9,173,076	458,654	23.52	21.14
March	446,407	20,291	9,742,541	442,843	23.50	18.01
April	182,638	9,613	3,543,739	186,513	21.90	19.13
May	243,750	11,080	5,423,419	246,519	23.90	19.70
June	302,249	14,393	6,988,672	332,794	24.98	20.80
July	132,517	6,024	2,927,541	133,070	23.32	21.10
August	342,359	16,124	7,060,800	320,945	23.50	18.90
September	791,965	39,598	10,074,145	503,707	20.00	9.20
October	694,478	30,195	8,212,669	357,073	13.60	10.00
November	554,396	25,200	7,547,151	343,052	14.53	12.11
December	368,870	21,698	5,067,135	298,067	14.45	13.11
2002						
January	560,834	25,492	7,608,542	345,843	14.85	12.57
February	326,840	17,202	4,429,110	233,111	14.76	12.77
March	598,644	31,508	9,678,288	509,384	17.40	14.30
April	353,915	17,696	5,733,831	286,692	17.05	15.18
May	517,966	21,582	8,935,214	372,301	18.25	16.05
June	341,322	17,964	5,467,806	287,779	17.63	14.20
July	277,767	12,077	4,400,045	191,306	17.66	13.53
August	173,359	9,631	2,532,757	140,709	16.55	13.50
September	249,687	11,890	3,053,515	145,405	13.98	10.55
October	613,348	26,667	6,672,879	290,125	13.45	8.82
November	781,926	37,235	9,124,295	434,490	13.36	10.45
December	486,758	24,338	5,430,877	271,544	13.33	9.75
2003						
January	904,400	41,109	9,267,742	421,261	11.62	8.90
February	623,576	31,179	5,271,716	263,586	9.90	7.28
March	1,175,515	55,977	9,026,197	429,819	9.02	6.41
April	2,867,930	130,360	22,731,695	1,033,259	8.65	6.91
May	2,576,034	117,092	22,034,774	1,001,581	9.77	7.75
June	2,671,875	127,232	28,002,606	1,333,457	11.48	9.26
July	2,224,848	96,733	27,389,359	1,190,842	14.38	10.42
August	776,963	36,998	11,054,279	526,394	14.71	13.59
September	1,754,879	79,767	26,109,086	1,186,777	16.48	12.89
October	1,735,945	75,476	27,239,068	1,184,307	17.99	13.00
November	1,308,781	65,439	23,407,929	1,170,396	19.10	16.61
December	1,863,354	88,731	35,231,343	1,677,683	20.10	18.01
2004						
January	1,698,734	80,892	31,138,245	1,482,774	19.40	17.29
February	1,276,509	63,825	22,531,318	1,126,566	18.79	16.98

Source: Bloomberg Database

3.5 Dividends

3.5.1 Dividends and Cash Distributions Paid since the Incorporation of the Company

A cash distribution was paid in respect of the years 2000 and 2001 for a gross amount of € 0.50 per share respectively on June 27, 2001 and June 28, 2002 and, in respect of the year 2002, for a gross amount of € 0.30 per share on June 12, 2003.

A resolution will be submitted to the shareholders' general meeting of EADS called for May 6, 2004 in order to approve the payment of a cash distribution in respect of the year 2003 for a gross amount of € 0.40 per share to be paid on June 4, 2004.

3.5.2 Dividend Policy of EADS

The Board of Directors will recommend to the shareholders' general meeting of EADS called for May 6, 2004 the payment of a cash distribution for a gross amount of € 0.40 per share with respect to the year 2003.

The amount of the proposed cash distribution results from the Company's performance during the year 2003 and from the examination of payout ratios based on net income before goodwill amortization for a collection of relevant European companies.

This distribution level, at the current civil market juncture, reflects Management's confidence in the Company's future earnings as the impact of the cyclical upturn, the growth of defence activities and the introduction of the A380 in airline service depict a vision of sustained growth.

In the future, EADS' dividends and attributions to reserves will be proposed to the shareholders by the Board of Directors depending on factors such as EADS' distribution capacity arising from performance, its priorities for cash utilization and confidence in future prospects (payment levels will also take external factors into account, such as the dividend policies of relevant European and International companies) (see also "3.1.9 Allocation and Distribution of Income"). No assurance may be given that dividends will be proposed for the years 2004 onwards.

3.5.3 Unclaimed Dividends

Pursuant to article 31 of the Articles of Association, the claim for payment of a dividend or other distribution approved by the general meeting shall lapse five years after the day on which such claim becomes due and payable. The claim for payment of interim dividends shall lapse five years after the day on which the claim for payment of the dividend against which the dividend could be distributed becomes due and payable.

3.5.4 Taxation

The statements below represent a broad analysis of the present Netherlands tax laws. The description is limited to the material tax implications for a holder of the Company's shares (the "Shares") who is not, or is not treated as, a resident of The Netherlands for Netherlands tax purposes (a "Non-Resident

Holder"). The statements below do not address special rules that may apply to certain categories of holders of Shares and are not exhaustive. Certain categories of holders of the Company's shares may be subject to special rules which are not addressed below and which may be substantially different from the general rules described below. Investors who are in doubt as to their tax position in The Netherlands and in their state of residence should consult their professional advisors.

Withholding Tax on Dividends

In general, a dividend distributed by the Company in respect of Shares will be subject to a withholding tax imposed by The Netherlands at a statutory rate of 25%. Dividends include dividends in cash or in kind, deemed and constructive dividends, repayment of paid-in capital not recognized as capital for Netherlands dividend withholding tax purposes, and liquidation proceeds in excess of the average paid-in capital recognized as capital for Netherlands dividend withholding tax purposes. Stock dividends paid out of the Company's paid-in-share premium, recognized as capital for Netherlands dividend withholding tax purposes, will not be subject to this withholding tax.

A Non-Resident Holder of Shares can be eligible for a partial or complete exemption or refund of all or a portion of the above withholding tax under a tax convention that is in effect between The Netherlands and the Non-Resident Holder's country of residence. The Netherlands has concluded such conventions with the United States, Canada, Switzerland, Japan, all European Union member states and other countries.

French, German, and Spanish Tax Treaties

Under the Convention between the Republic of France and the Kingdom of The Netherlands for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital, concluded March 16, 1973, the Convention between the Federal Republic of Germany and the Kingdom of The Netherlands for the Avoidance of Double Taxation with respect to Income and Capital and Various Other Taxes and for the Regulation of Other Questions relating to Taxation, concluded June 16, 1959 or the Convention between the Government of the State of Spain and the Government of the Kingdom of The Netherlands for the Avoidance of Double Taxation with respect to Taxes on Income and Capital, concluded June 16, 1971, dividends paid by the Company to a Non-Resident Holder that is a resident of France, Germany or Spain as defined in the respective Convention are generally eligible for a reduction of the 25% Netherlands withholding tax to 15%, provided that the dividends are not attributable to an enterprise or part thereof which is carried on through a permanent establishment or permanent representative in The Netherlands.

Withholding Tax on Sale or Other Dispositions of Shares

Payments on the sale or other dispositions of Shares will not be subject to Netherlands withholding tax, unless the sale or other disposition is, or is deemed to be, made to the Company or a direct or indirect subsidiary of the Company. A redemption or

sale to a direct or indirect subsidiary of the Company will be treated as a dividend and will in principle be subject to the rules set forth in "Withholding Tax on Dividends" above.

Taxes on Income and Capital Gains

A Non-Resident Holder who receives dividends distributed by the Company on Shares or who realizes a gain from the sale or disposition of Shares, will not be subject to Netherlands taxation on income or capital gains unless:

- (i) such income or gain is attributable to an enterprise or part thereof which is either effectively managed in The Netherlands or carried on through a permanent establishment (*vaste inrichting*) or permanent representative (*vaste vertegenwoordiger*) in The Netherlands; or
- (ii) the Non-Resident Holder is not an individual and the Non-Resident Holder has, directly or indirectly, a substantial interest (*aanmerkelijk belang*) or a deemed substantial interest in the Company and such interest does not form part of the assets of an enterprise, or
- (iii) the Non-Resident Holder is an individual and the Non-Resident Holder has, directly or indirectly, a substantial interest (*aanmerkelijk belang*) in the Company or such income or gain otherwise qualifies as income from miscellaneous activities (*belastbaar resultaat uit overige werkzaamheden*) in The Netherlands as defined in the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*).

Generally, a Non-Resident Holder of Shares will not have a substantial interest in the Company's share capital, unless the Non-Resident Holder, alone or together with certain related persons holds, jointly or severally and directly or indirectly, Shares in the Company, or a right to acquire Shares in the Company representing 5% or more of the Company's total issued and outstanding share capital or any class thereof. A

deemed substantial interest exists if all or part of a substantial interest has been or is deemed to have been disposed of with application of a roll-over relief.

Gift or Inheritance Taxes

Netherlands gift or inheritance taxes will not be levied on the transfer of Shares by way of gift, or upon the death of a Non-Resident Holder, unless:

- (i) the transfer is made by or on behalf of a person who, at the time of the gift or death, is or is deemed to be resident in The Netherlands; or
- (ii) the Shares are attributable to an enterprise or part thereof that is carried on through a permanent establishment or a permanent representative in The Netherlands.

Value-Added Tax

No Netherlands value-added tax is imposed on dividends on the Shares or on the transfer of the Shares.

Other Taxes and Duties

There is no Dutch registration tax, transfer tax, capital tax, stamp duty or any other similar tax or duty other than court fees payable in The Netherlands in respect of or in connection with the execution, delivery and/or enforcement by legal proceedings (including any foreign judgment in the courts of The Netherlands) with respect to the dividends relating to the Shares or on the transfer of the Shares.

Residence

A Non-Resident Holder will not become resident, or be deemed to be resident, in The Netherlands solely as a result of holding a Share or of the execution, performance, delivery and/or enforcement of rights in respect of the Shares.

NOT APPLICABLE

Chapter 5

Persons Responsible for the Reference Document and Persons Responsible for the Audit of the Financial Statements

5.1 Persons Responsible for the Reference Document

Mr. Philippe Camus and Mr. Rainer Hertrich, Chief Executive Officers of EADS

5.2 Statement of the Persons Responsible for the Reference Document

"To our knowledge, the information set out in this Reference Document relating to EADS is true and correct; it includes all the information required by investors to base their opinion on EADS' assets and liabilities, business, financial position, results and prospects of the issuer; there are no omissions that could affect the significance of such information."

Philippe Camus
Chief Executive Officer

Rainer Hertrich
Chief Executive Officer

5.3 Persons Responsible for the Audit of the Financial Statements

5.3.1 Persons Responsible for the Review of EADS' Financial Statements

	Date of First Appointment	Term of Current Office
KPMG Accountants N.V. Churchillplein 6 2517 JW The Hague The Netherlands Represented by Mr. E. Paul Medema	May 10, 2000	May 6, 2004 ⁽⁵⁾
Ernst & Young Accountants Drentestraat 20 1083 HK Amsterdam The Netherlands Represented by Mr. Ferdi G.M. Beuting	July 24, 2002	May 6, 2004 ⁽⁵⁾

5.3.2 Statement of the Auditors

In our capacity as auditors of EADS (KPMG Accountants N.V. and Ernst & Young Accountants for the year ended December 31, 2003, KPMG Accountants N.V. and Ernst & Young Accountants as successors to Arthur Andersen for the year ended December 31, 2002, KPMG Accountants N.V. and Arthur Andersen for the year ended December 31, 2001), we have verified the financial information relating to the statutory financial statements ("the financial statements") of EADS for the years ended December 31, 2003, 2002 and 2001 (including the consolidated financial statements), contained in the present Reference Document.

This Reference Document has been prepared under the responsibility of EADS Chief Executive Officers, Philippe Camus

and Rainer Hertrich. Our responsibility is to report on the fairness of the financial information included in this document with respect to the financial position and the financial statements of EADS.

Our procedures conducted in accordance with International Standards on Auditing, comprised an assessment of the fairness of the information presented relating to the financial position and the financial statements and its consistency with the financial statements on which we have issued an audit report.

Our procedures also comprised the reading of the consolidated financial information for 2003 and 2002 included in the section "Management Discussion and Analysis of Financial Condition and Results of Operation" included in the Reference Document, in order to identify material inconsistencies with the information relating to the financial statements and to report any apparent misstatement of facts that we may have uncovered in reading the other information based on our general knowledge of the company obtained during the course of our engagement.

The financial statements as of December 31, 2003, 2002 and 2001, that have been approved by the EADS Board of Directors, have been audited by us, in accordance with auditing standards generally accepted in the Netherlands and International Standards on Auditing.

In our audit report dated March 5, 2004, we expressed an unqualified opinion on the financial statements for the year ended December 31, 2003.

The opinion expressed in the audit report dated March 7, 2003, on the financial statements for the year ended December 31, 2002, contained in respect of the opinion that, because the auditors had not been able to perform the audit procedures they normally would have performed in relation with the EADS investment with Dassault Aviation which was accounted for under the equity method (level of net income from equity investment in 2002 of Euros 111 millions and equity investment in Dassault Aviation of Euros 1,333 millions as of December 31, 2002), they have issued a qualification in respect of the effects of such adjustments, if any, as might have been determined to be necessary had they been able to perform the audit procedures they normally would have performed in relation to the Dassault Aviation investment. In all other respects, on the one hand according to KPMG Accountants N.V. and Ernst & Young Accountants, except for the effect of the departure from IFRS for development costs that have been expensed as incurred, whereas IFRS require that development costs be capitalized as intangible assets when certain criteria for asset recognition are met; and, on the other hand according to KPMG Accountants N.V., except for the effect of the departure from IFRS relating to the proportionate consolidation of MBDA, as

⁽⁵⁾ A resolution will be submitted to the shareholders' general meeting of EADS called for May 6, 2004, in order to resolve that the Company's auditors for the accounting period being the financial year 2004 shall be Ernst & Young Accountants and KPMG Accountants N.V.

EADS is accounting for its interest in MBDA joint venture with a proportionate consolidation of 50% for the financial statements of MBDA and accounts for minority interests of 12.5%, whereas the above standards require a venturer to report its effective net proportionate interest in a jointly controlled entity, being 37.5% for MBDA, the financial statements gave a true and fair view of the financial position of the Company as of December 31, 2002, and of the result for year then ended, in accordance with IFRS and in accordance with the financial accounting principles generally accepted in the Netherlands.

The opinion expressed in the audit report dated March 15, 2002, on the financial statements for the year ended December 31, 2001, contained in respect of the opinion that, because the auditors had not been able to perform the audit procedures they normally would have performed in relation with the EADS investment with Dassault Aviation, which was accounted for under the equity method (level of net income from equity investment in 2001 of Euros 111 million and equity investment of EADS in Dassault Aviation of Euros 1,252 million as of December 31, 2001), they have issued a qualification in respect of the effects of such adjustments, if any, as might have been determined to be necessary had they been able to perform the audit procedures they normally would have performed in relation to the Dassault Aviation investment. In all other respects, on the one hand according to KPMG Accountants N.V. and Arthur Andersen, except for the effect of the departure from IFRS for development costs that have been expensed as incurred, whereas IFRS require that development costs be capitalized as intangible assets when certain criteria for asset recognition are met; and, on the other hand according to KPMG Accountants N.V., except for the effect of the departure from IFRS relating to the proportionate consolidation of MBDA, as EADS has been accounting for its interest in MBDA joint venture with a proportionate consolidation of 50% for the balance sheet of MBDA and accounted for minority interests of 12.5%, whereas the above standards require a venturer to report its effective net proportionate interest in a jointly controlled entity, being 37.5% for MBDA, the financial statements gave a true and fair view of the financial position of the Company as of December 31, 2001, and of the result for year then ended, in accordance with IFRS and in accordance with the financial accounting principles generally accepted in the Netherlands.

Based on the procedures described above, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to perform the audit procedures we normally would have performed in relation to the Dassault Aviation investment in 2002 and 2001, except for the effect of the departure from IFRS and accounting principles generally accepted in the Netherlands relating to the accounting for development costs in 2002, 2001, and according to KPMG Accountants N.V., except for the effect of the departure from IFRS and accounting

principles generally accepted in the Netherlands for the proportionate consolidation of MBDA in 2002 and 2001, we have no other matters to report regarding the fairness of the financial information relating to the financial statements of EADS N.V for the years ended December 31, 2003 and 2002 and as audited by KPMG Accountants NV and Arthur Andersen for the year ended December 31, 2001 and any other information mentioned here above.

This statement has been prepared following a specific requirement of the Autorité des Marchés Financiers so as to be included in the 2003 EADS Reference Document.

The Hague, April 1, 2004,

KPMG
Accountants N.V.

Amsterdam, April 1, 2004,

Ernst & Young Accountants
(limited to financial statements
financial statements for the
year ended December 31,
2003 and 2002).

Specific statement related to the translation of the financial information

In the context of the preparation of the Reference Document, we have read the French language translation of the financial information relating to the statutory financial statements of EADS for the years ended December 31, 2003, 2002 and 2001 (including the consolidated financial statements), contained in the present Reference Document, all documents being originally prepared in English.

Based on our reading, the financial information relating to the statutory financial statements of EADS for the years ended December 31, 2003, 2002 and 2001, the Statement of the Auditors and the audit report of the auditors in the statutory financial statements for the year ended December 31, 2003, should enable a French reader to understand the financial position of the EADS Group as of December 31 2003.

Paris, April 1, 2004,

KPMG Audit
Department of KPMG SA

Michel Piette
Partner

Barbier Frinault & Associés

Jean-François Ginies
Partner

5.4 Information Policy

Details of the person responsible for information:

Mr. Pierre de Bausset
Senior Vice-President Investor Relations and Financial
Communication
EADS
81663 Munich
Germany
Telephone: + 49 89 607 34113
Fax: + 49 89 607 34110
E-mail: ir@eads.net

A web site, www.eads.net, provides a wide range of information on the Company. Special toll-free hotlines are available to shareholders in France (0 800 01 2001), Germany (00 800 00 02 2002) and Spain (00 800 00 02 2002). An email box is dedicated to shareholders' messages: ir@eads.net.

5.5 Undertakings of the Company Regarding Information

Given the fact that the shares of the Company are listed on the *Premier Marché* of Euronext Paris SA (the "**Paris Stock Exchange**"), in *amtlicher Markt* (in the sub-segment *Prime Standard*) on the *Frankfurter Wertpapierbörse* (the "**Frankfurt Stock Exchange**") and on the Madrid, Bilbao, Barcelona and Valencia Stock Exchanges (the "**Spanish Stock Exchanges**"), the Company is subject to certain laws and regulations applicable in France, Germany and Spain in relation to information, the main ones of which are summarized in "3.1.3 General Description of the Company – Governing Law – Dutch Regulations".

Reference Document Thematic Index

In order to simplify the reading of this document which is filed as part of the EADS Reference Document for the financial year 2003, the following thematic index permits the identification of the main information required by the *Autorité des Marchés Financiers* within the framework of its regulation.

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This document is also available at the following addresses:

European Aeronautic Defence and Space Company – EADS

In France

37, boulevard de Montmorency
75781 Paris cedex 16 – France

In Germany

81663 Munich – Germany

In Spain

Avenida de Aragón 404
28022 Madrid – Spain

European Aeronautic Defence and Space Company – EADS N.V.

Le Carré
Beechavenue 130 – 132
1119 PR Schiphol-Rijk
The Netherlands
www.eads.net