



BOOK THREE

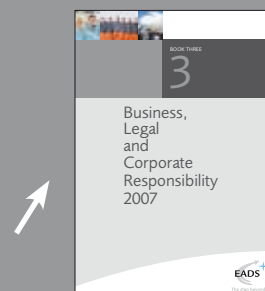
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Business,
Legal
and
Corporate
Responsibility
2007



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Business, Legal and Corporate Responsibility

EADS REGISTRATION DOCUMENT - PART 2

Business, Legal and Corporate Responsibility (BOOK 3)

European Aeronautic Defence and Space Company EADS N.V. (the “**Company**” or “**EADS**” and together with its subsidiaries, the “**Group**”) 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 registration document (the “**Registration Document**”).

This Registration Document was prepared in accordance with Annex 1 of EC Regulation 809/2004, filed in English with, and approved by, the *Autoriteit Financiële Markten* (the “**AFM**”) on 24 April 2008 in its capacity as competent authority under the *Wet op het financieel toezicht* (as amended) pursuant to Directive 2003/71/EC. The Registration Document is composed of two parts which must be read together: (i) this document entitled Business, Legal and Corporate Responsibility – (Registration Document Part 2) and (ii) the document entitled Financial Statements and Corporate Governance – (Registration Document Part 1). This Registration Document may be used in support of a financial transaction as a document forming part of a prospectus in accordance with Directive 2003/71/EC only if it is supplemented by a securities note and a summary approved by the AFM.

Business, Legal and Corporate Responsibility

1 INFORMATION ON EADS ACTIVITIES

2 CORPORATE SOCIAL RESPONSIBILITY

3 GENERAL DESCRIPTION OF THE COMPANY
AND ITS SHARE CAPITAL

4 ENTITY RESPONSIBLE
FOR THE REGISTRATION DOCUMENT

Financial Statements and Corporate Governance

(BOOK 2)

NONACTIVE SUMMARY. PLEASE, GO TO BOOK 2

RISK FACTORS	7	Consolidated Research and Development Expenses	36
		Consolidated Other Income and Other Expenses	37
		Consolidated Share of Profit from Associates Accounted for under the Equity Method and Other Income from Investments	37
1. Financial Market Risks	8	Consolidated Interest Result	37
2. Business-Related Risks	10	Consolidated Other Financial Result	37
3. Legal Risks	15	Consolidated Income Taxes	38
4. Industrial and Environmental Risks	17	Consolidated Minority Interests	38
		Consolidated Net Income (Loss) (Profit (loss) for the Period Attributable to Equity Holders of the Parent)	38
		Earnings per Share (EPS)	38
1 NET ASSETS, FINANCIAL POSITION AND RESULTS	19	1.1.6 CHANGES IN CONSOLIDATED TOTAL EQUITY (INCLUDING MINORITY INTERESTS)	39
		IAS 39 Related Impact on AOCI	40
		Currency Translation Adjustment Impact on AOCI	40
1.1 Management's Discussion and Analysis of Financial Condition and Results of Operations	20	1.1.7 LIQUIDITY AND CAPITAL RESOURCES	41
1.1.1 CERTAIN INFORMATION	20	1.1.7.1 Cash Flows	41
Exchange Rate Information	20	1.1.7.2 Consolidated Cash and Cash Equivalents and Securities	43
Ratings	20	1.1.7.3 Consolidated Financing Liabilities	44
1.1.2 OVERVIEW	21	1.1.7.4 Sales Financing	44
1.1.2.1 Significant Programme and Restructuring Developments in 2006 and 2007	21	1.1.8 HEDGING ACTIVITIES	49
1.1.2.2 Trends	22	1.1.8.1 Foreign Exchange Rates	49
1.1.3 CRITICAL ACCOUNTING CONSIDERATIONS, POLICIES AND ESTIMATES	23	1.1.8.2 Interest Rates	50
1.1.3.1 Scope of and Changes in Consolidation Perimeter	23	1.2 Financial Statements	51
1.1.3.2 Employee Benefits — IAS 19	24	1.2.1 EADS N.V. CONSOLIDATED FINANCIAL STATEMENTS (IFRS)	52
1.1.3.3 U.K. Pension Commitments	24	Basis of Presentation	57
1.1.3.4 Fair Value Adjustments	25	Notes to the Consolidated Income Statements (IFRS)	70
1.1.3.5 Impairment/Write-down of Assets	25	Notes to the Consolidated Balance Sheets (IFRS)	80
1.1.3.6 Research and Development Expenses	25	Notes to the Consolidated Statements of Cash-Flows (IFRS)	101
1.1.3.7 Accounting for Hedged Foreign Exchange Transactions in the Financial Statements	26	Other Notes to the Consolidated Financial Statements (IFRS)	103
1.1.3.8 Foreign Currency Translation	26	Appendix "Information on Principal Investments" – Consolidation Scope	128
1.1.3.9 Accounting for Sales Financing Transactions in the Financial Statements	27	AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENT (IFRS)	134
1.1.3.10 Provisions for Loss-Making Contracts	28	Report on the Consolidated Financial Statements	134
1.1.4 MEASUREMENT OF MANAGEMENT'S PERFORMANCE	28	Report on other legal and regulatory requirements	135
1.1.4.1 Order Backlog	28	1.2.2 COMPANY FINANCIAL STATEMENTS	136
1.1.4.2 Use of EBIT*	30	1.3 Statutory Auditors' Fees	146
1.1.4.3 EBIT* Performance by Division	30	1.4 Information Regarding the Statutory Auditors	147
1.1.5 EADS RESULTS OF OPERATIONS	33		
Consolidated Revenues	33		
Consolidated Cost of Sales	36		
Consolidated Selling and Administrative Expenses	36		

NONACTIVE SUMMARY. PLEASE, GO TO BOOK 2

2 CORPORATE GOVERNANCE 149**2.1 Management and Control 153**

2.1.1	BOARD OF DIRECTORS, CHAIRMAN AND CHIEF EXECUTIVE OFFICER	153
2.1.2	AUDIT COMMITTEE	164
2.1.3	REMUNERATION AND NOMINATION COMMITTEE	164
2.1.4	STRATEGIC COMMITTEE	165
2.1.5	EXECUTIVE COMMITTEE	165
2.1.6	INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS	167
2.1.6.1	Overview	167
2.1.6.2	RM System	168
2.1.6.3	IC System	168
2.1.6.4	Business Processes Covered by the IC System	169

**2.2 Interests of Directors
and Principal Executive Officers 172**

2.2.1	COMPENSATION GRANTED TO DIRECTORS AND PRINCIPAL EXECUTIVE OFFICERS	172
2.2.1.1	General Principles	172
2.2.1.2	Compensation of the Members of the Board of Directors	173
2.2.1.3	Compensation of the Members of the Executive Committee	175
2.2.2	LONG TERM INCENTIVES GRANTED TO THE CHIEF EXECUTIVE OFFICER	176
2.2.3	RELATED PARTY TRANSACTIONS	176
2.2.4	LOANS AND GUARANTEES GRANTED TO DIRECTORS	176

**2.3 Employee Profit Sharing
and Incentive Plans 177**

2.3.1	EMPLOYEE PROFIT SHARING AND INCENTIVE AGREEMENTS	177
2.3.2	EMPLOYEE SHARE OWNERSHIP PLANS	177
2.3.2.1	ESOP 2000	177
2.3.2.2	ESOP 2001	177
2.3.2.3	ESOP 2002	178
2.3.2.4	ESOP 2003	178
2.3.2.5	ESOP 2004	178
2.3.2.6	ESOP 2005	179
2.3.2.7	ESOP 2007	179
2.3.3	LONG TERM INCENTIVE PLANS	179

3 FINANCIAL CALENDAR 185**2008 Calendar of Financial Communication 186**

REGISTRATION DOCUMENT | PART 2

Business, Legal and Corporate Responsibility

(BOOK 3)

1	INFORMATION ON EADS' ACTIVITIES	7	2.2	Sustainable Growth	58
1.1	Presentation of the EADS Group	8	2.2.1	PRODUCT QUALITY AND CUSTOMER SATISFACTION	58
1.1.1	OVERVIEW	8	2.2.1.1	Policy	58
1.1.2	AIRBUS	13	2.2.1.2	Organisation	58
1.1.3	MILITARY TRANSPORT AIRCRAFT	21	2.2.1.3	Performance and Best Practices	59
1.1.4	EUROCOPTER	25	2.2.2	SUSTAINING AND PROTECTING INNOVATION	60
1.1.5	DEFENCE & SECURITY	29	2.2.2.1	Innovation Strategy	60
1.1.6	ASTRIUM	35	2.2.2.2	Protecting Innovation: Intellectual Property	63
1.1.7	OTHER BUSINESSES	40	2.2.3	SUPPLIER MANAGEMENT: FOSTERING A MUTUALLY BENEFICIAL RELATIONSHIP WITH EADS' SUPPLIERS	64
1.1.8	INVESTMENTS	42	2.2.3.1	Policy	64
1.1.9	INSURANCE	43	2.2.3.2	Organisation	64
1.1.10	LEGAL AND ARBITRATION PROCEEDINGS	44	2.2.3.3	Performances and Best Practices	65
1.1.11	INCORPORATION BY REFERENCE	45	2.3	Environmental Care	68
1.2	Recent Developments	45	2.3.1	POLICY	68
2	CORPORATE SOCIAL RESPONSIBILITY	49	2.3.2	ORGANISATION	68
2.1	Business Ethics	52	2.3.3	PERFORMANCE AND BEST PRACTICES	69
2.1.1	PROPER BUSINESS PRACTICES	52	2.4	Human Resources: Employer – Employee Relationship	72
2.1.1.1	Policy	52	2.4.1	WORKFORCE INFORMATION AND ORGANISATION OF WORK	72
2.1.1.2	Organisation	52	2.4.2	HUMAN RESOURCES ORGANISATION	73
2.1.1.3	Performance and Best Practices	53	2.4.3	HUMAN RESOURCES POLICIES AND PERFORMANCE	74
2.1.2	EXPORT COMPLIANCE	55	2.4.3.1	Health and Safety: Providing a Safe Workplace for EADS Employees and Subcontractors	74
2.1.2.1	Policy	55	2.4.3.2	Caring for EADS Employees and EADS Know-How	74
2.1.2.2	Organisation	55	2.4.3.3	Diversity: Commitment to Ensure Equal Opportunity for all EADS Employees	75
2.1.2.3	Performance and Best Practices	55	2.4.3.4	Career Development: Efficient Management of Skills and Know-How	77
2.1.3	COMPLIANCE WITH LAW REGARDING ALL EADS ACTIVITIES	56	2.4.3.5	Employee Relations: A Proactive Dialogue	80
2.1.3.1	Policy	56	2.5	Corporate Citizenship	81
2.1.3.2	Organisation	56	2.5.1	MAINTAINING AN OPEN DIALOGUE WITH EADS' STAKEHOLDERS	81
2.1.3.3	Performance and Best Practices	57	2.5.1.1	Policy	81
2.1.4	CORPORATE GOVERNANCE STANDARDS	57	2.5.1.2	Organisation	81
2.1.4.1	Policy	58	2.5.1.3	Performance and Best Practices	81
2.1.4.2	Organisation	58	2.5.2	ENCOMPASSING COMMUNITY INTERESTS IN EADS' GLOBAL STRATEGY	82
			2.5.2.1	Policy	82
			2.5.2.2	Organisation	82
			2.5.2.3	Performance and Best Practices	82

3 GENERAL DESCRIPTION OF THE COMPANY AND ITS SHARE CAPITAL 85

3.1	General Description of the Company	86
3.1.1	COMMERCIAL AND CORPORATE NAMES, SEAT AND REGISTERED OFFICE	86
3.1.2	LEGAL FORM	86
3.1.3	GOVERNING LAWS	86
3.1.3.1	Periodic Disclosure Obligations	87
3.1.3.2	Ongoing Disclosure Obligations	88
3.1.4	DATE OF INCORPORATION AND DURATION OF THE COMPANY	89
3.1.5	OBJECTS OF THE COMPANY	89
3.1.6	COMMERCIAL AND COMPANIES REGISTRY	89
3.1.7	INSPECTION OF CORPORATE DOCUMENTS	90
3.1.8	FINANCIAL YEAR	90
3.1.9	ALLOCATION AND DISTRIBUTION OF INCOME	90
3.1.9.1	Dividends	90
3.1.9.2	Liquidation	90
3.1.10	GENERAL MEETINGS	90
3.1.10.1	Calling of Meetings	90
3.1.10.2	Right to attend Meetings	91
3.1.10.3	Majority and Quorum	92
3.1.10.4	Conditions of Exercise of Right to Vote	92
3.1.11	DISCLOSURE OF HOLDINGS	92
3.1.12	MANDATORY TENDER OFFERS	93
3.1.12.1	Takeover Directive	93
3.1.12.2	Dutch Law	94
3.1.12.3	Articles of Association	94
3.2	General Description of the Share Capital	95
3.2.1	MODIFICATION OF SHARE CAPITAL OR RIGHTS ATTACHED TO THE SHARES	95
3.2.2	ISSUED SHARE CAPITAL	96
3.2.3	AUTHORISED SHARE CAPITAL	96
3.2.4	SECURITIES GRANTING ACCESS TO THE COMPANY'S CAPITAL	96
3.2.5	CHANGES IN THE ISSUED SHARE CAPITAL SINCE INCORPORATION OF THE COMPANY	97
3.3	Shareholdings and Voting Rights	98
3.3.1	SHAREHOLDING STRUCTURE	98

3.3.2	RELATIONSHIPS WITH PRINCIPAL SHAREHOLDERS	100
3.3.3	FORM OF SHARES	105
3.3.4	CHANGES IN THE SHAREHOLDING OF THE COMPANY SINCE ITS INCORPORATION	105
3.3.5	PERSONS EXERCISING CONTROL OVER THE COMPANY	107
3.3.6	SIMPLIFIED GROUP STRUCTURE CHART	108
3.3.7	PURCHASE BY THE COMPANY OF ITS OWN SHARES	110
3.3.7.1	Dutch Law and Information on Share Buy-Back Programmes	110
3.3.7.2	French Regulations	110
3.3.7.3	German Regulations	110
3.3.7.4	Spanish Regulations	111
3.3.7.5	Description of the Share Buy-Back Programme to be Authorised by the Annual General Shareholders' Meeting to be held on 26 th May 2008	111
3.4	Dividends	114
3.4.1	DIVIDENDS AND CASH DISTRIBUTIONS PAID SINCE THE INCORPORATION OF THE COMPANY	114
3.4.2	DIVIDEND POLICY OF EADS	114
3.4.3	UNCLAIMED DIVIDENDS	114
3.4.4	TAXATION	114
3.5	Annual Securities Disclosure Report	116

4 ENTITY RESPONSIBLE FOR THE REGISTRATION DOCUMENT 117

4.1	Entity Responsible for the Registration Document	118
4.2	Statement of the Entity Responsible for the Registration Document	118
4.3	Information Policy	118
4.4	Undertakings of the Company regarding Information	119
4.5	Significant Changes	119

Information on EADS' Activities

1

1.1	Presentation of the EADS Group	8
1.1.1	OVERVIEW	8
1.1.2	AIRBUS	13
1.1.3	MILITARY TRANSPORT AIRCRAFT	21
1.1.4	EUROCOPTER	25
1.1.5	DEFENCE & SECURITY	29
1.1.6	ASTRIUM	35
1.1.7	OTHER BUSINESSES	40
1.1.8	INVESTMENTS	42
1.1.9	INSURANCE	43
1.1.10	LEGAL AND ARBITRATION PROCEEDINGS	44
1.1.11	INCORPORATION BY REFERENCE	45
1.2	Recent Developments	45

1.1 Presentation of the EADS Group

1.1.1 OVERVIEW

Due to the nature of the markets in which EADS operates and the confidential nature of its businesses, any statements with respect to EADS' competitive position set out in paragraphs 1.1.1 through 1.1.8 below have been based on EADS' internal information sources, unless another source has been specified below.

With consolidated revenues of €39.1 billion in 2007, 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 2007, it generated approximately 77% of its total revenues in the civil sector and 23% in the defence sector.

2007 Highlights

2007 was a year of continued commercial success for EADS. Order intake amounted to approximately €136.8 billion for the year and was driven by strong performances at Airbus and Eurocopter in particular, causing EADS' order backlog to reach a historical high of €339.5 billion at the end of 2007. Airbus marked a major milestone with the delivery of its 5000th aircraft, including the first delivery of the A380 to launch customer Singapore Airlines.

EADS also considerably simplified its management structure in 2007, marking an important step in its development. A single chairman and a single chief executive officer were appointed to lead the Group, while the Board of Directors' independence was reinforced through the appointment of new outside members. In the future, the Board of Directors will seek to further improve its decision-making procedures while providing increased transparency to stakeholders.

Despite these successes, EADS encountered significant industrial challenges on key aircraft development programmes during 2007. Delays were announced in respect of the A400M and NH90 programmes, while Airbus continued to face strong headwinds in the ramp-up of A380 production. With respect to the A400M programme in particular, EADS announced a six to twelve month delay in the first delivery of the aircraft, resulting in cost overruns and other charges totalling €1.4 billion in 2007.

Continued U.S. dollar weakness has also reinforced the necessity of the "Power8" restructuring programme, which Airbus launched at the beginning of 2007. Airbus has already

taken several steps towards its implementation, including the selection of preferred bidders for six Airbus aerostructure site divestments. At the same time, further depreciation of the U.S. dollar against the Euro since the launch of Power8 (which was based on an exchange rate of \$1.35 per Euro) has highlighted the need for EADS to develop additional measures to adapt to this new business environment.

EADS' business environment in 2007 was characterised by another strong year for the aviation industry. Nevertheless, the overall business environment remains volatile going forward. The depreciation of the U.S. dollar against the Euro has reached unforeseen levels and therefore increasingly places European companies at a competitive disadvantage, while high oil prices put pressure on EADS' customers. In defence, procurement budgets remain under pressure. At the same time, governmental initiatives to strengthen defence and homeland security capabilities in order to counter increasing threats may create new opportunities for the long-term. The same may prove true in respect of space activities, as industry players await the outcome of a European Space Agency ministerial conference scheduled for November 2008 to provide needed momentum. Commercial space activities remain under high price pressure.

Airbus surpassed its previous records in terms of both orders and deliveries in 2007. Reinforcing its backlog, Airbus won 1,458 firm new gross orders, exceeding the previous record of 1,111 orders set in 2005. Fast-growing airlines in the Asia-Pacific region, India and the Middle East were the chief driver of new orders. Demand also remained strong from low cost and legacy carriers in Europe and the United States, which are modernising and expanding fleets. The A380 won 33 new firm gross orders, with existing customers reaffirming their confidence in the aircraft and new customers placing their first orders. At year-end, total firm orders for the A380 stood at 189. The A350 XWB received 290 firm orders from 12 customers, demonstrating the market's positive response to the new design refinements. Airbus delivered 453 aircraft in 2007, 19 more than the previous year.

The Military Transport Aircraft Division experienced delays in the industrial production of its flagship A400M heavy transport aircraft in 2007, overshadowing its other activities and negatively affecting its financial results. Although mitigation measures such as a change in management, reorganisation of responsibilities and shortening of the chain of command have been implemented, EADS continues to face

significant challenges in achieving first flight in summer 2008 and meeting the revised delivery schedule.

At the same time, the Military Transport Aircraft Division's medium-weight turboprop aircraft range had a good year in 2007. Defence forces from Poland to Colombia ordered a total of eleven C-295 aircraft, the Spanish Interior Ministry bought two CN-235 aircraft to perform border patrol missions and the U.S. Coast Guard's Deepwater programme ordered a further five CN-235 aircraft. Saudi Arabia became the latest customer for the A330 Multi-Role Tanker Transport (MRTT), ordering three aircraft in December (to be booked in 2008). In addition, the AirTanker consortium (in which EADS owns a 40% interest) launched a financing competition to raise approximately £2.2 billion in capital to fund construction of 14 A330 MRTTs for the U.K.'s Future Strategic Tanker Aircraft (FSTA) programme.

In 2007, Eurocopter maintained its leadership by capturing more than 50% of the civil market in terms of deliveries and by achieving strong growth in its military order book. With a record order intake of 802 new helicopters, Eurocopter's backlog reached a historical high of more than €13 billion at the end of 2007. Orders were driven by the oil and gas segment, parapublic orders and orders for the NH90 and Tiger. Moreover, following a 76% rise in deliveries over the past three years from 279 to 488 helicopters, management began to reorganise the industrial base to prepare for future volume increases. The NH90 medium-weight, multi-role military helicopter was a particular focus. NH90 production was stepped up, but the large number of model variants has resulted in considerable complexity. In response, management of the NH90 programme has been restructured — with a focus on simplification of processes, clearer allocation of responsibility and increased responsiveness — in seeking to bring the programme back on track. At the same time, the army version of the NH90 was delivered to Australia, Sweden and Italy in 2007.

Defence & Security benefited from the Saudi Arabian order for 72 Eurofighter aircraft in 2007, while MBDA reinforced its position as a world-leading missile systems company. Important successes were achieved in security areas including secure communications, with more than 35 new professional mobile radio contract wins, and global security. Defence & Security won significant contracts as a security Lead Systems Integrator. Qatar contracted with EADS to build its National Security Shield System. Important steps were taken in areas of potentially high growth, such as Unmanned Aerial Vehicles (UAVs). The German Ministry of Defence awarded Defence & Security the research and technology programme for the Agile UAV in network-centric environments to analyse and refine enabling technologies and operating concepts. EADS was also tasked for the study on the

risk reduction of a modular reconnaissance and surveillance UAV by Germany, France and Spain.

Finally, following several years of innovation and efficiency improvement, Astrium's strong competitive position is reflected in its full order book and increased EBIT* for 2007. The Paradigm business' landmark Skynet 5 project made important progress, with the launch of two out of the three contracted secure telecommunications satellites. This is expected to allow EADS to provide secure communications for the U.K. Ministry of Defence using the new Skynet 5 network from 2008 onwards. Astrium Satellites also won a significant share of the market in 2007, as did Astrium Space Transportation. The latter manufactured six of the powerful Ariane 5 ten-ton satellite launchers during the year, with Arianespace signing a preliminary order for the delivery of 35 Ariane 5 launchers from 2010. Galileo, the planned European satellite navigation system, was also reorganised and is now expected to be back on track.

Strategy

In order to maximise value for its shareholders, Management intends to reinforce EADS' position as a leader in major global aerospace and defence markets. Beyond addressing current operational challenges, EADS will continue to focus on providing superior value to its customers through innovative product and service solutions. EADS has defined the following long-term objectives for the future:

- *Improve portfolio balance between Airbus and other EADS activities.* In 2007, revenues at Airbus represented 64.5% of EADS' consolidated revenues for the year. As a result, the Group remains highly vulnerable to commercial aircraft cycles, the financial burden and risk associated with aircraft programmes and U.S. dollar exchange rate fluctuation. EADS will therefore seek to increase the contribution to revenues by other divisions in future years while still maintaining long-term parity with Boeing in the commercial aircraft segment. In particular, EADS will seek to increase the proportion of revenues emanating from its defence and security businesses, which tend to be less cyclical and more predictable in nature. Within this area, EADS will focus on further strengthening its presence in platforms, systems and defence electronics. The Group will consider all options for achieving such growth, including targeted acquisitions or partnerships that enhance its overall competitive position and add capabilities to its portfolio, in particular in the U.S. and Asia;
- *Increase profitability.* Through better internal cost control, lightened capital intensity, enhanced programme and risk management and a more streamlined industrial organisation, EADS has taken initial steps towards restoring its

* Earnings before interest and taxes, pre-goodwill impairment and exceptionals.

profitability. EADS intends to increasingly focus on its core activities, which means moving towards a new business model and reallocating resources away from certain non-core legacy activities. Through more optimal resource allocation and stronger development of more profitable segments, EADS will strive to establish a level of profitability that is both attractive to its shareholders and sufficient to fund its future development initiatives;

- *Expand its services offering.* Historically, EADS' growth has been driven by the sale of technologically advanced products and solutions, which will also help to sustain growth for the future. Development of the new A350 XWB is but one example. At the same time, Management is focused on increasing EADS' presence in the high value services market, given its countercyclical nature and opportunities for sustained growth. Factors supporting this market include the rapid expansion of EADS' in-service commercial and defence fleet — which will require support throughout its life cycle — as well as the increasing tendency on the part of defence and governmental agencies to outsource various key functions. EADS will seek the provision of high value-added services related to both platforms and communication systems, including product support, systems support and mission outsourcing, such as integrated logistics support, tests and simulation, training and upgrades;
- *Become a truly global industrial group.* A significant portion of EADS' suppliers, facilities and employees are based in Europe, while the majority of its revenues originate outside of Europe. In order to ensure continued access to certain markets and technology, optimise its costs and hedge against future U.S. dollar volatility, EADS will aim to implement a long-term industrial strategy that corrects this imbalance by expanding its industrial footprint in key markets outside of Europe, including the U.S., China, Russia and India. In the U.S., the goal is to establish a firm industrial and commercial presence in the world's largest defence and homeland security market. Early 2008 marked a key milestone, as the U.S. Air Force selected Northrop Grumman's KC-45A (based on an A330 MRTT) as its new tanker. See "1.2 Recent Developments";
- *Continue to innovate.* Innovation in product, technology, manufacturing and customer offerings will define EADS' future. With development cycles shortening and new competitors emerging in all fields, EADS must maintain its technological edge and cover a broad spectrum of capabilities in order to remain a market leader. To maintain its innovative edge, EADS will seek to systematically employ the latest digital design and engineering tools in order to complete major platform developments more quickly, and will seek to accelerate the pace at which it reviews its core technologies so as to close gaps against the competition;
- *Focus on the environment.* EADS will seek to anticipate and address future environmental challenges as part of its

commitment to reconciling environmental responsibility with economic success. Most EADS sites have ISO 14001 environmental certification, and Airbus has become the first aerospace company to receive certification covering not only its European sites but also product-related processes. Being greener, cleaner, quieter and smarter, the A380 has already set new standards for air transport and the environment. EADS will pursue additional initiatives in the future in order to render eco-efficiency a competitive advantage over the long-term.

Organisation of EADS Businesses

EADS organises its businesses into the following five operating divisions: (1) Airbus, (2) Military Transport Aircraft, (3) Eurocopter, (4) Defence & Security and (5) Astrium. The chart set out in "— 3.3.6 Simplified Group Structure Chart" 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 and up to the end of 2007, Airbus has received orders for 8,438 aircraft from approximately 290 customers around the world. Its market share of annual deliveries worldwide has grown from 15% in 1990 to 51% in 2007. At 31st December 2007, Airbus' backlog of orders (3,421 aircraft) stood at approximately 80% of total EADS worldwide backlog. Gross order intake was 1,458 aircraft and after accounting for cancellations, net order intake for 2007 was 1,341 aircraft. In 2007, Airbus recorded revenues of €25.2 billion, representing 64.5% of EADS' total consolidated revenues. See "— 1.1.2 Airbus".

Military Transport Aircraft

The Military Transport Aircraft Division (the "MTA Division") produces and sells special mission aircraft, which are derived from existing aircraft platforms and are dedicated to specialised military and security tasks such as in-flight refuelling capabilities, maritime surveillance and antisubmarine warfare. The MTA Division is responsible for the European heavy military transport A400M project, and also develops, manufactures and sells medium and light military transport aircraft. Finally, the MTA Division designs and manufactures aerostructure elements. In 2007, the MTA Division recorded revenues of €1.1 billion, representing 2.9% of EADS' total consolidated revenues. See "— 1.1.3 Military Transport Aircraft".

Eurocopter

Through Eurocopter, EADS is one of the global leaders in the worldwide civil and military helicopter market. Management expects that sales in the military market in particular will

increase substantially in the future, given the start of delivery of the NH90 military transport helicopter and the Tiger attack helicopter, the strong global backlog and the increasing demand in international military and homeland security export markets. In 2007, Eurocopter maintained its leadership by capturing more than 50% of the civil market in terms of deliveries and by achieving strong growth in its military order book. In 2007, the Eurocopter Division recorded revenues of €4.2 billion, representing 10.7% of EADS' total consolidated revenues. See “— 1.1.4 Eurocopter”.

Defence & Security

The Defence & Security Division (the “**DS Division**”) is active in the field of integrated defence and security solutions including missile systems, combat aircraft, defence electronics, military communications and homeland security. Its customers are military forces and law enforcement agencies worldwide. The Military Air Systems unit is a leading partner in the Eurofighter consortium and is also active in the UAV field. The DS Division is also a leading supplier of defence electronics in Europe and plays a significant role in the secure and encrypted military communications market. In 2007, the DS Division recorded revenues of €5.5 billion, representing 14.0% of EADS' total consolidated revenues. See “— 1.1.5 Defence & Security”.

Summary Financial and Operating Data

The following tables provide summary financial and operating data for EADS for the past three years.

CONSOLIDATED REVENUES BY DIVISION FOR THE YEARS ENDED 31ST DECEMBER 2007, 2006 AND 2005

	Year ended 31 st December 2007		Year ended 31 st December 2006		Year ended 31 st December 2005	
	Amount in €bn	In percentage*	Amount in €bn	In percentage*	Amount in €bn	In percentage*
Airbus	25.2	63.8%	25.2	62.5%	22.2	64.3%
Military Transport Aircraft	1.1	2.9%	2.2	5.5%	0.8	2.2%
Eurocopter	4.2	10.5%	3.8	9.4%	3.2	9.3%
Defence & Security**	5.5	13.8%	5.9	14.6%	5.6	16.4%
Astrium	3.6	9.0%	3.2	8.0%	2.7	7.8%
Total Divisional Revenues	39.5	100%	40.3	100%	34.5	100%
Other Businesses	1.3		1.3		1.1	
Headquarters/ Consolidation***	(1.7)		(2.1)		(1.4)	
Total	39.1		39.4		34.2	

(*) Before “Other Businesses” and “Headquarters/Consolidation”.

(**) MBDA proportionally consolidated at 37.5% in 2007, 50% in 2006 and 2005. See “Part 1/1.1 Management's Discussion and Analysis of Financial Condition and Results of Operations”.

(***) Includes inter-company eliminations and headquarters sales.

Astrium

Astrium designs, develops and manufactures satellites, orbital infrastructures and launcher systems and provides space services. It is the third largest space systems manufacturing company in the world after Boeing and Lockheed Martin and the leading European supplier of satellites, orbital infrastructures, launchers and associated services. Astrium has three main business units: Astrium Satellites, Astrium Space Transportation and Astrium Services. Astrium also provides launch services through its shareholdings in Ariespace (Ariane 5 launcher), Starsem (Soyuz launcher) and Eurokot (Rockot launcher), as well as services related to telecommunications and Earth observation satellites through wholly owned subsidiaries such as Paradigm Secure Communications and Infoterra, and joint ventures such as Spot Image. In 2007, Astrium recorded revenues of €3.6 billion, representing 9.1% of EADS' total consolidated revenues. See “— 1.1.6 Astrium”.

Investments

Among its significant investments, EADS holds a 46.3% stake in Dassault Aviation, a major participant in the world market for military jet aircraft and business jets. See “— 1.1.8 Investments”.

CONSOLIDATED REVENUES BY GEOGRAPHICAL AREA FOR THE YEARS ENDED 31ST DECEMBER 2007, 2006 AND 2005

	Year ended 31 st December 2007		Year ended 31 st December 2006		Year ended 31 st December 2005	
	Amount in €bn	In percentage*	Amount in €bn	In percentage*	Amount in €bn	In percentage*
Europe	17.4	44.4%	17.1	43.6%	13.6	39.7%
North America	7.9	20.3%	9.4	23.9%	9.0	26.4%
Asia/Pacific	8.8	22.6%	7.9	19.9%	7.7	22.6%
Rest of the World**	5.0	12.7%	5	12.6%	3.9	11.3%
Total	39.1	100%	39.4	100%	34.2	100%

(*) Percentage of total revenues after eliminations.

(**) Including the Middle East.

CONSOLIDATED ORDERS BOOKED FOR THE YEARS ENDED 31ST DECEMBER 2007, 2006 AND 2005

	Year ended 31 st December 2007		Year ended 31 st December 2006		Year ended 31 st December 2005	
	Amount in €bn	In percentage*	Amount in €bn	In percentage*	Amount in €bn	In percentage*
Orders booked**						
Airbus***	117.3	86%	53.4	77%	78.3	84%
Military Transport Aircraft	0.8	1%	1.6	2%	1.8	2%
Eurocopter	6.6	5%	4.9	7%	3.5	4%
Defence & Security****	7.5	5%	5.2	8%	6.7	7%
Astrium	4.5	3%	4.4	6%	2.3	3%
Total divisional orders	136.7	100%	69.5	100%	92.6	100%
Other Businesses	1.7		1.5		1.9	
Headquarters/ Consolidation	(1.6)		(1.9)		(2)	
Total	136.8		69.1		92.6	

(*) Before "Other Businesses" and "Headquarters/Consolidation".

(**) Without options.

(***) Based on catalogue prices for commercial aircraft activities.

(****) MBDA proportionally consolidated at 37.5% in 2007, 50% in 2006 and 2005. See "Part 1/1.1 Management's Discussion and Analysis of Financial Condition and Results of Operations".

CONSOLIDATED BACKLOG FOR THE YEARS ENDED 31ST DECEMBER 2007, 2006 AND 2005*

	Year ended 31 st December 2007		Year ended 31 st December 2006		Year ended 31 st December 2005	
	Amount in €bn	In percentage**	Amount in €bn	In percentage**	Amount in €bn	In percentage**
Backlog***						
Airbus****	283.8	81%	210.1	77%	202.0	77%
Military Transport Aircraft	19.9	6%	20.3	8%	21.0	8%
Eurocopter	13.5	4%	11.0	4%	10.0	4%
Defence & Security*****	17.9	5%	17.6	6%	18.5	7%
Astrium	12.9	4%	12.3	5%	10.9	4%
Total Divisional Backlog	348.0	100%	271.3	100%	262.4	100%
Other Businesses	2.4		2.3		2.1	
Headquarters/ Consolidation	(10.9)		(10.8)		(11.3)	
Total	339.5		262.8		253.2	

(*) For a discussion on the calculation of backlog, see "Part 1/1.1.4.1 Order Backlog".

(**) Before "Other Businesses" and "Headquarters/Consolidation".

(***) Without options.

(***) Based on catalogue prices for commercial aircraft activities.

(***) MBDA proportionally consolidated at 37.5% in 2007, 50% in 2006 and 2005. See "Part 1/1.1 Management's Discussion and Analysis of Financial Condition and Results of Operations".

Relationship Between EADS N.V. and the Group

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

management service agreements have been put in place with the subsidiaries and services are invoiced on a cost plus basis.

For management purposes, EADS N.V. acts through its Board of Directors, Executive Committee, and Chief Executive Officer 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.

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. Since it was founded in 1970 and up to the end of 2007, Airbus has received orders for 8,438 aircraft from approximately 290 customers around the world. Its market share of annual deliveries worldwide has grown from 15% in 1990 to 51% in 2007. In 2007, Airbus recorded revenues of €25.2 billion, representing 64.5% of EADS’ total revenues.

With 453 aircraft deliveries in 2007 (434 in 2006), Airbus was for the fifth consecutive year the largest supplier of commercial aircraft in the world. Airbus received 1,458 gross orders in 2007 (compared to 824 gross orders in 2006). After accounting for cancellations, net order intake for 2007 was 1,341 aircraft (compared to 790 aircraft in 2006). At 31st December 2007, Airbus’ backlog of orders was 3,421 aircraft, representing approximately 80% of total EADS’ worldwide backlog.

Airbus marked a major milestone in 2007 through the delivery of its 5000th aircraft, including the first delivery of the A380 to launch customer Singapore Airlines. Nevertheless, Airbus still faces several challenges, including persistent U.S. dollar weakness, a demanding ramp-up schedule on the A380 and production difficulties related to the A400M programme. From a financial perspective, the delay in A400M production in particular had a negative effect on Airbus’ earnings before interest and taxes, pre-goodwill impairment and exceptionals (“EBIT*”) of €(1.2) billion in 2007. See “Part 1/1.1 Management’s Discussion and Analysis of Financial Condition and Results of Operations”.

In order to address these challenges and meet its future investment needs, Airbus launched the Power8 restructuring programme at the beginning of 2007, as discussed below.

Airbus SAS is a wholly owned subsidiary of EADS.

Strategy

Airbus’ primary goal is to deliver strong results in a sustained manner, while commanding between 40% and 60% of the world commercial aircraft market over the long-term. To achieve this goal, Airbus is actively:

Building a leaner, more fully integrated company

In order to address the challenges posed by persistent U.S. dollar weakness, increased competitive pressures and the financial burden related to the A380 and A400M delays, and to meet its future investment needs, Airbus launched a four-year restructuring programme at the beginning of 2007 referred to as Power8. Power8 consists of several measures aimed at making the Company leaner, more competitive and more fully integrated, including: Putting the Customer First, Develop Faster, Smart Buying, Lean Manufacturing, Reduce Overhead Costs, Maximise Cash, Restructure Industrial Set up, Streamline Final Assembly Line, Focus on Core Business. Together, these measures are aimed at transforming Airbus’ business model and developing a global network of partners. The transformation is expected to occur progressively over several years and includes the further expansion of Airbus’ global footprint.

As part of Power8, Airbus management is seeking to implement strong cost reduction and cash generating efforts with the goal of achieving EBIT* contributions of €2.1 billion from 2010 onwards and an additional €5 billion of cumulative cash flow from 2007 to 2010. A large part of the cost savings is expected to be realised through the reduction of Airbus’ headcount by 10,000 employees (including temporary and on-site supplier employees). The planned measures to reduce overhead costs, and specifically headcount, required a restructuring expense of €(624) million to be recorded in 2007. See “Part 1/1.1 Management’s Discussion and Analysis of Financial Condition and Results of Operations”.

* Earnings before interest and taxes, pre-goodwill impairment and exceptionals.

By the end of 2007, Airbus had already taken several steps towards the implementation of Power8. Specifically, it reduced the former eight mostly national Centres of Excellence to four fully transnational organisations, reinforced the engineering focus on aircraft architecture and integration and centralised various support functions such as finance and human resources. EADS and Airbus also selected preferred bidders for six Airbus aerostructure site divestments. See “— Production — Industrial Organisation” and 1.2 “Recent Developments”.

Developing the most comprehensive line of products in response to customer needs

Airbus continuously seeks to develop and deliver new products to meet customers’ evolving needs. In this regard, Airbus is currently pursuing (i) implementation of the current A380 delivery schedule, (ii) the development of the new A350 XWB Family of highly advanced medium capacity long-range aircraft, (iii) the gradual expansion of relevant freighter applications across the range of Airbus aircraft, by developing the A330-200F and the A320 passenger-to-Freighter, (iv) the continuous improvement of existing models’ competitive edge in their respective markets, (v) the entry into the military business through new aircraft such as the A400M or the development of military derivatives products such as the Multi Role Tanker Aircraft based on the A330 airframe, and (vi) research on the development of new aircraft in the short- and medium range sector.

Focusing on key geographic markets

Airbus is seeking to expand its global presence and to increase its market share in key emerging markets such as China, Russia and India. As part of this strategy, Airbus is developing a number of international industrial partnerships and is building strategic relationships with strong industry partners.

In 2007, for example, Airbus began construction of an A320 Family final assembly line in Tianjin, China, and signed a memorandum of understanding to allocate 5% of the A350 XWB airframe to the Chinese aviation industry. In Russia, Airbus formed a joint venture with the United Aircraft Corporation (UAC), Irkut and Elbe Flugzeugwerke GmbH (EFW) for development of a conversion business of A320 Family aircraft into freighter aircraft in Russia and Germany. In Bangalore, India, Airbus created two new wholly owned subsidiaries, Airbus Engineering Centre India (AECI) and Airbus Training India. AECI is the first offshore engineering centre that specialises in non-specific design, while Airbus Training India is a pilot and maintenance training centre. Finally, Airbus selected five Indian companies as prime suppliers of engineering services for various aircraft programmes in 2007.

Expanding its customer services offering

Airbus seeks to remain at the forefront of its industry by expanding its customer services offering to meet customers’

evolving needs. As a result, Airbus has designed a comprehensive portfolio of services named Air+ by Airbus. See “— Products and Services — Customer Service”. It is through this interface that Airbus aims to satisfy all of its customers’ pre-delivery and in-service support requirements through individually tailored packages.

Market

Cyclicality and Market Drivers

The main factors affecting 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 aircraft manufacturers, airlines, cargo operators and leasing companies as well as wars, political unrest and extraordinary events may also precipitate changes in demand and lead to short-term market imbalances.

In recent years, China and India have emerged as significant new aircraft markets. According to internal estimates, they are expected to constitute the second and fifth most important markets for aircraft deliveries, respectively, in the next twenty years. As a result, Airbus has sought to strengthen its commercial and industrial ties in these countries. At the end of 2007, for example, Airbus and the Chinese authorities announced a further agreement with the China Aviation Supplies Import and Export Group Corporation (CASGC) for the order of 110 A320 Family aircraft and 40 A330-200 for operation by Chinese airlines.

The no-frills/low-cost carriers also continue to emerge as a significant sector, and are expected to continue growing around the world, particularly in Asia. Airbus single aisle aircraft continue to be a popular choice for these carriers. As some of these carriers begin testing the market with new long-haul operations, demand for Airbus’ range of twin aisle aircraft may also increase. For example, AirAsia, already a large customer for single aisle aircraft, placed an order for its new long haul carrier for 15 A330-300 aircraft in 2007.

Overall Growth. The long-term market for passenger aircraft depends primarily on passenger demand for air travel, which is itself primarily driven by economic or gross domestic product (“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. Demand for air transportation also proved resilient in the years following 2001, when successive shocks, including 9/11 and SARS in Asia, dampened demand. Nevertheless, the market quickly recovered, with more than 36% traffic growth recorded over the past six years (source: International Civil Aviation Organization (ICAO) world traffic data for 2001, Airbus internal estimate for world traffic in 2007).

In 2007, Airbus projected that air travel would grow at 4.9% per annum during the period 2007-2026. Airbus therefore expects passenger traffic, as measured in revenue passenger kilometres, to more than double in the next twenty years.

Cyclicalities. Although those in the industry producing long-term demand forecasts believe 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. Isolated events — such as 9/11 and SARS — may also have an impact on aircraft demand and exacerbate any downturn. When cyclical downturns have occurred in the past, aircraft manufacturers have typically experienced decreases in aircraft orders and have made fewer deliveries. This has generally been followed by a period of sustained new order and delivery activity. Accordingly, while total worldwide orders for aircraft of 100 seats or more reached a cyclical low of 524 in 2003, the number of new orders rebounded to an industry record of 2,881 in 2007 — which likely represents the peak of the current market cycle. Orders during the recent market cycle have been driven in part by leasing companies seeking to grow their portfolios and airlines seeking to replace less eco-efficient aircraft in their fleets with new generation aircraft such as the A350 XWB and 787, many of which will be delivered in 2013 and beyond.

Currently, there are signs that airlines are exercising more caution in placing new aircraft orders, as high fuel prices continue to negatively affect their profitability and production slots for new aircraft move beyond typical planning horizons. Airbus continues to monitor events closely for any further signs of reduced aircraft demand.

Regulation/Deregulation. National and international regulation (and deregulation) of international air services and major domestic air travel markets affect demand for passenger aircraft as well. In 1978, the United States deregulated its domestic air transportation system, followed by Europe in 1985. The recently negotiated “Open Skies Agreement” between the United States and Europe, which will become effective in March 2008, will allow any European or U.S. airline to fly any route between any city in the E.U. and any city in the United States. Other regions and countries are also progressively deregulating, particularly in Asia. This trend is expected to continue, facilitating and in some cases driving demand. In addition to providing greater market access (which may have formerly been limited), deregulation may allow for the creation and growth of new airlines or new airline models, as has been the case with the no-frills/low-cost airline model, which has increased in importance throughout major domestic and intra regional markets since deregulation (e.g., in the U.S. and Europe).

Airline Network Development: “Hub” and “Point-to-Point” Networks. Following deregulation, major airlines have sought to

tailor their route networks and fleets to continuing changes in customer demand. Accordingly, where origin and destination demand prove sufficiently strong, airlines often employ direct, or “point-to-point” route services. However, where demand between two destinations proves insufficient, airlines have developed highly efficient “hub and spoke” systems, which provide passengers with access to a far greater number of air travel destinations through one or more flight connections.

The chosen system of route networks in turn affects aircraft demand, as hubs permit fleet standardisation around both smaller aircraft types for the short, high frequency and lower density routes that feed the hubs (between hubs and spokes) and larger aircraft types for the longer and higher density routes between hubs (hub-to-hub). As deregulation has led airlines to diversify their route network strategies, it has at the same time therefore encouraged the development of a wider range of aircraft in order to implement such strategies.

Airbus, like others in the industry, believes that route networks will continue to grow through expansion of capacity on existing routes and through the introduction of new routes, which will largely be typified by having a major hub city at least at one end of the route. These new route markets are expected to be well served by Airbus’ latest product offering, the A350 XWB, which has been designed with them in mind. The A380, now in revenue service, is designed primarily to meet the significant demand between the major hub cities, very often also the major centres of population such as London, Paris, New York and Beijing for example. Airbus has identified 32 such cities in its market analysis. Airbus believes that it is well positioned to meet current and future market requirements given its complete family of products, from the 107-seat A318 to the 525-seat A380.

Alliances. The development of world airline alliances has reinforced the pattern of airline network development described above. According to data from Airclaims, a U.K.-based aviation industry consultancy, more than one third of the world’s jetliner fleet of over 100 seats was operated by just 20 airlines as of January 2007. In the 1990s, the major airlines began to enter into alliances that gave each alliance member access to the other alliance members’ hubs and routings, allowing airlines to concentrate their hub investments while extending their product offering and market access. Airlines have also begun to explore different merger possibilities in recent years. Examples include the merger of Air France and KLM and U.S. Airways and America West, with talks between other airlines currently ongoing.

Governmental Funding. A 1992 bilateral agreement between the E.U. and the U.S. provided for ceilings on reimbursable launch investments (typically used by European governments) of 33% of the total development costs of new large civil aircraft programmes. It also set a ceiling at 3% of industry revenues for

indirect support in relation to the development or production of large civil aircraft (typically the Department of Defence and National Aeronautics and Space Administration (“NASA”) mechanisms used in the U.S.). This bilateral agreement provided a level playing field for government support, reflecting the needs of both Europe and the U.S.

However, the unilateral withdrawal from the 1992 agreement by the U.S. government in late 2004 eventually led to formal claims and counterclaims being made by the U.S. and the E.U., respectively, with the World Trade Organisation (WTO). The E.U. and the U.S. have conducted negotiations to seek a formal settlement of the issues pending before the WTO. Absent agreement between the parties, the WTO tribunal hearing the dispute will issue reports evaluating the legality of any governmental funding provided to Boeing and Airbus. These reports and any associated recommendations will be addressed to the WTO members (i.e., national governments), and not to Boeing, Airbus or EADS directly.

Market Structure and Competition

Market Segments. According to a study conducted by Airbus, a total of 13,284 aircraft with more than 100 seats were in service worldwide at the end of 2007 (as compared to 12,676 aircraft at the end of 2006). Currently, Airbus competes in each of the three principal market segments for aircraft with more than 100 seats. “Single aisle” aircraft, such as the A320 Family, have 100-210 seats, typically configured with two triple seats per row divided by one aisle, and are used principally for short-range and medium-range routes. “Twin aisle” or “wide body” aircraft, such as the A330/A340/A350 XWB Families, have a wider fuselage with more than 210 seats, typically configured with eight seats per row and with two aisles. The A330/A340/A350 XWB Families are capable of serving all short to long-range markets, with the A340-500/600 designed for ultra-long-range operations in particular. “Very large aircraft”, such as the A380 Family, are designed to carry more than 400 passengers, non-stop, over very long-range routes with superior comfort standards and with significant cost-per-seat benefits to airlines. Freight aircraft, which form a fourth, related segment, are often converted ex-passenger aircraft. See “— 1.1.7 Other Businesses — Aircraft Conversion and Floor Panels”.

Airbus also competes in the corporate, VIP business jet market with the ACJ, an A319-based Corporate Jetliner, and the A318 Elite. It has also recently sold the A320, A340 and A380 to serve the business jet market in private, corporate shuttle and in government/VIP roles.

Geographic differences. The high proportion of single aisle aircraft in use 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. The tendency towards use of twin aisle aircraft is also reinforced by the fact that many of the region’s major airports limit the number of flights, due either to environmental concerns or to infrastructure constraints that limit the ability to increase flight frequency. These constraints necessitate higher average aircraft seating capacity per flight. However, Airbus believes that demand for single aisle aircraft in Asia will grow over the next 20 years, particularly as domestic markets in China and India continue to develop. This is expected to occur at the same time that Asian demand for larger/long-range aircraft continues to increase.

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 the manufacturers’ published figures, in 2007 Airbus and Boeing, respectively, accounted for 51% and 49% of total deliveries, 51% and 49% of total gross orders, and 50% and 50% of the total year-end backlog.

The high technology and high value nature of the business makes aircraft manufacturing an attractive industry in which to participate, with China recently expressing its interest in the long-term manufacturing of large commercial aircraft. However, 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 aircraft manufacturers for a considerable number of years.

Customers

As of 31st December 2007, Airbus had 287 customers, 5,017 Airbus aircraft had been delivered to operators worldwide since the creation of Airbus, and 3,421 aircraft were on order. The table below shows Airbus’ largest commitments in terms of total gross firm orders, by number of aircraft, for the year 2007.

Customer	Firm Orders*
U.S. Airways	97
Emirates	85
Qatar Airways	83
GECAS	60
Hong Kong Airlines	51
AirAsia	50
Qantas	50
Tiger Airways	50
Wizz Air	50
Aviation Capital Group	45

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

Organisation of Airbus

Management and Integration of Airbus Activities

Following changes aimed at simplifying EADS' organisational structure, Tom Enders, previously co-CEO of EADS, was appointed President and Chief Executive Officer (CEO) of Airbus, effective 1st September 2007. He reports to the sole CEO of EADS, Louis Gallois.

A new Airbus Executive Committee (EC) comprised of nine members has also been appointed. EC members include Fabrice Brégier (Chief Operating Officer), Harald Wilhelm (Chief Financial Officer), John Leahy (COO Customers), Tom Williams (Executive Vice President (EVP) Programmes), Patrick Gavin (EVP Engineering), Gerald Weber (EVP Operations), Thierry Baril (EVP Human Resources), Klaus Richter (EVP Procurement) and Christian Scherer (EVP Strategy and Future Programmes). The new, leaner management structure is designed to enable faster decision-making and better integration of processes and functions across the Company.

In order to integrate Airbus' National Entities (NatCos) in the daily life of Airbus, Airbus has also announced that National Representatives will be members of the Airbus Executive Committee. Fabrice Brégier will act as National Representative for France, Gerald Weber for Germany, and Tom Williams for the U.K.. Manuel Hita-Romero remains the National Representative in Spain and reports, like the other National Representatives, in this function directly to Tom Enders. They will be supported by country managers at their main sites.

Products and Services

Airbus Aircraft Family Overview

Technological innovation has been at the core of Airbus' strategy since its creation. Each product in the Airbus family is intended to set new standards in areas crucial to airlines' success, such as cabin comfort, cargo capacity performance, economic performance, environmental impact and operational commonality. Airbus innovations often provide distinct competitive advantages, with many becoming standard in the aircraft industry. Key examples include fly-by-wire controls, aircraft commonality and the introduction of widebody twin-engine aircraft.

A300/A310 Family

The A300 was the original aircraft launched by Airbus in 1969, and was the world's first twin-engine twin aisle commercial aircraft at the time. From the 250-300 seat A300 the family expanded to include the 200-250 seat A310, new build and converted freighters, combi/mixed configuration aircraft, air tankers and military transport versions.

Following delivery of the last A300-600 Freighter (A300-600F) in July 2007, the A300/A310 Family is no longer in production. However, Airbus continues to provide in service support to this aircraft family with airlines around the globe.

In 2007, six A300-600Fs were delivered.

A320 Family

With more than 5,800 aircraft sold and 3,302 currently in service, the A320 Family has proven extremely popular with customers, offering high standards of cabin comfort, technology and economic performance. Its success with low-cost airlines in particular demonstrates the economic appeal of the A320 Family.

Within this family, four identical aircraft of different lengths, the A318, A319, A320 and A321, share the same systems, cockpit, operating procedures and cross-section. The A320 Family covers the market from 100 to 220 seats, flying routes up to 3,000nm/5,700km.

In 2007, Airbus received 914 firm orders for the A320 Family of aircraft, and delivered 367 to customers.

A330/A340 Family

With more than 1,200 aircraft sold and 856 currently in service, the A330/A340 Family is Airbus' solution for regional, long-range and ultra long-range travel, designed to carry between 250 to 350 passengers. The A330/A340 Family concept is unique: one airframe is powered by either two or four engines. The twin-engine A330 offers attractive economic performance for regional up to long-range routes, while the four-engine A340 can perform on the most demanding long-range and ultra long-range routes.

The A330/A340 Family is composed of six passenger versions. Each shares the same 222-inch fuselage cross-section, cockpit and other advanced features, delivering the commonality that encourages airlines to adopt the most efficient mix of aircraft for their networks. The A330/A340 Family offers high levels of passenger comfort as well as large under-floor cargo areas.

Following the launch of industrial production in 2007, the A330-200F is Airbus' new freighter offering for mid-size markets. Capable of carrying 64 tonnes over 4,000nm/7,400 km, or 69 tonnes up to 3,200nm/5,930km, the A330-200F is aimed at replacing the ageing 50 to 70 tonne aircraft in the market (such as ageing DC8Fs and DC10Fs). The A330-200F will offer airlines the opportunity to increase services in low frequency long-haul markets currently served with much larger aircraft, develop new routes and respond to market growth. Entry into service is planned for the second half of 2009.

In 2007, Airbus received 221 firm orders for the A330/A340 Family of aircraft, including 66 orders for the A330-200F. The customer base increased from 85 to 89 customers.

A350 XWB

At the end of 2006, Airbus launched its new offering in the medium capacity long-range aircraft market, the A350 XWB series, which will accommodate between 270 to 350 passengers and is expected to enter service in 2013.

The A350 XWB is an all new design with more than 50% of the airframe to be built using composite materials to reduce weight and maintenance costs. The A350 XWB will feature interactive A380 cockpit technology and benefit from A380 systems development. It is designed for a higher cruise speed, with the latest generation engines. The A350 XWB is designed to deliver superior levels of fuel and economic efficiency, with low environmental impact.

The A350 XWB received 290 firm orders in 2007, including renewed and occasionally enlarged orders from nine of the airlines that had previously committed to the prior A350 design.

A380

The A380 is the most spacious aircraft ever conceived, and represents Airbus' entry into the very large aircraft market. Its new cross-section provides flexible and innovative cabin space, allowing passengers to benefit from wider seats, wider aisles and more floor space, tailored to the needs of each airline. Seating 525 passengers in three classes and with a range of 8,000nm/19,400km, the A380 offers superior economic performance, lower fuel consumption, less noise and reduced emissions.

Following a difficult year in 2006 in which Airbus twice revised its delivery schedule for the A380 — incurring significant costs and charges as a result (see “Part 1/1.1 Management's Discussion and Analysis of Financial Condition and Results of Operations”) — the year 2007 marked the beginning of Airbus' industrial recovery. The highlight was the first delivery of the A380 to Singapore Airlines in October 2007, followed by a smooth entry into commercial service between Singapore and Sydney. Despite the completion of this and other milestones, Airbus continues to face significant challenges as it seeks to ramp-up A380 production, and is currently focused on meeting its delivery commitments for 2008.

SINGLE AISLE TECHNICAL FEATURES

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

(*) Two-class layout.

In addition to the passenger version, Airbus plans to eventually develop a freighter version of the A380, the A380F. Following UPS' cancellation of its order for ten A380Freighters in early 2007, however, Airbus has suspended development of the A380F for the time being.

At the end of 2007, Airbus had 189 firm orders for the A380 from 16 customers.

The Family Concept – Commonality across the Fleet

Airbus' 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 the 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. In addition, the emphasis on fleet commonality 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.

Technical Product Overviews

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 and A318 Elite business jet, which Airbus launched in 1997 and 2005, respectively.

At 3.96 metres diameter, 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 spacious 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. The use of composite material has also been extended to the vertical stabiliser. The A320 Family's competitor is the Boeing 737 series.

Medium-range, midsize freighter: the A300/A310 Family.

The A300/A310 Family has spanned over 30 years of production, with over 800 aircraft delivered. The A300-600 Freighter was launched in 1991 based on the A300-600R passenger variant, which incorporated the lightweight carbon

fibre composite horizontal stabilizer initially developed for the A310. Following closure of the A300-600F production line in July 2007, the A300/A310 Family is no longer in production. However, Airbus continues to provide in service support to this aircraft family with airlines around the globe.

A300-600F TECHNICAL FEATURES

Model	Entry into service	Typical Capacity	Maximum range (km)	Length (metres)	Wingspan (metres)
A300-600F	1994	54.6 tonnes	4,850	54.1	44.8

Medium- to ultra-long-range twin aisle aircraft: the A330/A340/A350 XWB Families. Airbus developed the twin-engine A330 and the four-engine A340 with the same all-new wing design for both aircraft and retained the fuselage cross section of the A300/A310. In 1997, Airbus began development of the ultra-long-range A340-500 and the high capacity A340-600 derivative version. The A340-500 flies over extremely long ranges, including non-stop flights such as Los Angeles – Singapore. The A340-600 made its first flight in 2001 and deliveries began in 2002.

In 2006, Airbus announced the commercial launch of the A350 XWB Family, a new extra-wide body medium capacity long-range family. The A350 XWB features A380 technology, a wider fuselage than that of competing new generation aircraft and a greater use of composite material.

The competitors of the A330, A340 and A350 XWB are the Boeing 767, 777 and 787 aircraft series.

A330/A340/A350 XWB TECHNICAL FEATURES

Model*	Entry into service	Passenger capacity*	Maximum range (km)	Length (metres)	Wingspan (metres)
A330-200	1998	253	12,500	59.0	60.3
A330-300	1994	295	10,500	63.7	60.3
A340-300	1992	295	13,700	63.7	60.3
A340-500	2002	313	16,700	67.8	63.6
A340-600	2002	380	14,600	75.3	63.6
A350-800	2014	270	15,400	61.0	64.0
A350-900	2013	314	15,000	67.3	64.0
A350-1000	2015	350	14,800	74.3	64.0

(*) Three-class layout.

Very large aircraft: the A380 Family. A significant milestone in the history of Airbus and the aviation industry was met when the first A380 was delivered to Singapore Airlines on 15th October 2007. New standards for systems, structure, power plant and cabin facilities have enabled Airbus to deliver the most economic aircraft

ever and one that exceeds the challenging performance and environmental targets initially set for it.

The A380's main competitor is the 400 seat Boeing 747-8.

A380 TECHNICAL FEATURES

Model*	Entry into service	Typical capacity*	Maximum range (km)	Length (metres)	Wingspan (metres)
A380-800	2007	525	15,000	73.0	79.8

(*) Three-class layout.

New Product Development: A400M

Airbus' Military Programme Directorate 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 in "— 1.1.3 Military Transport Aircraft — Products — Military Transport Aircraft/Special

Mission Aircraft on Transport Aircraft Platforms — Airbus A400M". In 2007, the delay in A400M production had a negative effect on Airbus' EBIT* of €(1.2) billion. See "Part 1/1.1 Management's Discussion and Analysis of Financial Condition and Results of Operations".

* Earnings before interest and taxes, pre-goodwill impairment and exceptionals.

Asset Management

The Airbus Asset Management Division was established 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 2007, the Airbus Asset Management portfolio contained 14 aircraft, a net reduction of eight aircraft compared to the end of 2006. 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, Airbus recognises the commercial need for manufacturers to assist customers in arranging financing of new aircraft purchases, and in certain cases to participate in such financing itself. An extension of credit or assumption of exposure is subject to corporate oversight and monitoring, and follows stringent standards of discipline and caution. Airbus' dedicated sales finance team has accumulated decades of expertise in aircraft finance. When Airbus finances a customer, the financed aircraft generally serve as collateral, with the engine manufacturer participating in the financing. These elements assist in reducing the risk borne by Airbus. Airbus' sales financing transactions are designed to facilitate subsequent sell-down of the exposure to the financial markets, third party lenders or lessors. Airbus' financing exposure is counter-cyclical and currently Airbus is able to conclude significant sell-down of its exposure. Management believes, in light of its experience, that the level of provisioning protecting Airbus from default costs is adequate and consistent with standards and practice in the aircraft financing industry. See "Part 1/1.1.7.4 Sales Financing".

Customer Service

Airbus Customer Services provides a full range of support services to airlines so that they can operate their Airbus fleet safely, efficiently and on schedule. The Airbus Customer Services directorate heads an engineering and technical support group, a technical documentation organisation, a network of training centres, spare parts support centres, customer support teams and field services teams that are based at customer airlines. Airbus thereby aims to satisfy all of its customers' pre-delivery

and in-service support requirements, including engineering and technical support, training and flight operations support and material and logistics support. Airbus Customer Services currently supports approximately 4,800 Airbus aircraft, ranging from the smallest short range A318 to the large double deck A380.

Airbus has packaged its customer service offering into a comprehensive portfolio of support and services named "Air+ by Airbus". Thanks to the Air+ by Airbus "à la carte" approach, customers can select the products they need from the wide offering. Complemented by Airbus partners' offerings, it covers all airline technical operations. With Air+ by Airbus, the support provided is adapted to different outsourcing policies and business models, helping operators to significantly reduce their operating costs, increase their aircraft availability and enhance the quality of their operations.

Airbus launched several innovations in the area of customer support during 2007, such as AirPl@n, a new generation of maintenance programme and planning services that reduces an operator's maintenance costs and increases aircraft availability. Airbus also launched a new in-service enhancement package (ISEP), which consists of an avionics upgrade package for in-service A320 Family aircraft. ISEP includes Airbus Service Bulletins relating to fleet harmonisation, aircraft performance optimisation, reduction of maintenance costs and increased residual value of the in-service fleet.

Finally, in response to the fast growing number of Airbus operators in all regions of the world, including new start-up airlines that do not have their own training services, Airbus launched the Airbus Maintenance Training Network in 2007, an extension of Airbus' existing Maintenance and Repair Organisation (MRO) Network. Through this new initiative, Airbus operators will have access to aircraft maintenance training courses close to their base. The training courses are based on a new generation of training tools and methods and provide the same standard of training as currently provided by any Airbus training centre.

Production

Industrial Organisation

Each task in the building of Airbus aircraft (from design, definition and production to product or operational support) is allocated to a designated Centre of Excellence ("CoE") according to its specialised expertise. The nurturing and development of centres of excellence constitutes an essential feature of Airbus manufacturing.

In connection with the implementation of Power8, as discussed above, Airbus proceeded in 2007 to reduce the former eight mostly national CoEs to four fully trans-national organisations. The reorganised CoEs cover Fuselage and Cabin, Wing and Pylon, Aft Fuselage and Empennage and Aerostructures.

In addition, engineering has been restructured to strengthen the focus on aircraft architecture and integration, while procurement has been reorganised around transnational multi-functional teams. Support functions, such as human resources and finance, have also been fully centralised for the first time since Airbus' creation.

Another major change in 2007 was the creation of new process and methods organisations for Engineering and Operations, a first step towards the adoption of common policies, methods and processes to be used across Airbus going forward. As a result, all Airbus factories and assembly lines will use the same tools, policies and processes, thus fully benefiting from best practices, experience and lessons learned from all Airbus sites. This harmonisation has also been applied to other areas such as supply chain, logistics and transport.

Finally, in an effort to build a network of partners for the future and focus its resources on core activities, Airbus announced at the end of 2007 that it had selected preferred bidders for divestment of six aerostructure sites in France, Germany and the U.K. Latécoère has been selected for Méaulte and St. Nazaire Ville in France, MT Aerospace (OHB Technology) for Nordenham, Varel and Augsburg in Germany and GKN for the Filton wing component and sub-assembly manufacturing facility in the U.K. The EADS Board of Directors has authorised the management of EADS and Airbus to enter into negotiations with the preferred bidders on remaining issues and the required final due diligence with the target to achieve a final agreement as soon as possible. See "1.2 Recent Developments".

Engineering

Airbus engineers work on specific and non-specific aircraft designs to create solutions that meet customer needs, using a working practice known as Airbus Concurrent Engineering ("ACE").

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

1.1.3 MILITARY TRANSPORT AIRCRAFT

Introduction and Overview

The Military Transport Aircraft Division (the "MTA Division") produces and sells special mission aircraft, which are derived from existing aircraft platforms and are dedicated to specialised military and security tasks such as in-flight refuelling capabilities, maritime surveillance and antisubmarine warfare. The MTA Division is responsible for the European

An important part of the Airbus engineering organisation is the Architect and Integration centre, which ensures, together with a team of senior aircraft architects and the programme chief engineers, that a consistent and multi-disciplinary approach is applied during aircraft development.

The Airbus Engineering testing centre gathers all major systems and integration laboratories as well as the flight test centre in order to have a common approach towards testing of the critical aircraft systems. Over the course of the last seven years, Airbus has opened engineering centres in Wichita (Kansas), U.S., in Moscow, Russia, and in Beijing, China, through which it has gained access to a large pool of experienced aerospace engineers. 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 and the engineering centre in China was inaugurated in late 2005. A fourth engineering centre opened in Mobile (Alabama), U.S. in 2006. A fifth engineering centre was opened in 2007 in Bangalore, India. This centre's focus will be on non-specific design work.

Manufacturing Facilities and Production Flow

The CoEs are responsible for the design and manufacturing of fully equipped and tested deliverables, ranging from specific parts to major aircraft components. Aircraft components are transferred between the network of sites and the final assembly lines using Airbus' five custom built A300-600 "Beluga" Super Transporters. To support the A380 production flow, Airbus has integrated road, river and sea transport, including the specially commissioned "Ville de Bordeaux" ship. Typical production lead times for single aisle aircraft are 7-8 months, and 9-12 months for long-range twin aisle aircraft.

Expected Deliveries in 2008

Airbus delivered 453 aircraft in 2007 (compared to 434 in 2006) and expects to deliver approximately 470 aircraft in 2008. Any major production, market disruption or economic downturn could lead to revision of these figures.

heavy military transport A400M project, and also develops, manufactures and sells medium and light military transport aircraft. Finally, the MTA Division designs and manufactures aerostructure elements.

In 2007, the MTA Division recorded revenues of €1.1 billion, representing 2.9% of EADS' total revenues.

Strategy

The MTA Division's strategy is to further develop its core businesses and increase market share by leveraging EADS' technology know-how, while at the same time enhancing profitability. Accordingly, the MTA Division is actively:

Consolidating its position as a major supplier of special mission aircraft

As a supplier of special mission aircraft, the MTA Division satisfies customers' mission-specific requirements by relying on its own specialised technologies as well as those of EADS' wide range of platforms. The MTA Division will seek further consolidation of its position in this market in the future, in particular following selection of the KC-45A tanker (based on the A330 Multi-Role Tanker Transport) by the U.S. Air Force in 2008. See "1.2 Recent Developments".

Maintaining its leadership for modern tactical transport aircraft

The MTA Division is already a global leader in the market segments for light and medium-sized military transport aircraft. Through the addition of the A400M heavy transport aircraft, the MTA Division is seeking to broaden its range of heavy tactical military transport aircraft and to capture a market with high replacement potential.

Market

Special Mission Aircraft

Special mission aircraft are derived from existing platforms and are adapted to particular missions, generally for military and security customers. This is a market of advanced technology and high added value solutions where customers are increasingly demanding comprehensive systems tailored to their specific operational requirements. Modern defence and warfare require independent access to complex forms of information in various operational theatres. This development and European defence and security needs are expected to boost demand for special mission aircraft in the near term. The MTA Division believes that it is well positioned in this market, as it has efficient solutions based on its own platforms as well as those of Airbus.

Military Transport Aircraft

Governments and national organisations constitute the main customers in the market for military transport aircraft. This market consists of three segments: (i) light transport aircraft, with a payload of one to four tonnes, (ii) medium transport aircraft, with a payload of five to fourteen tonnes, and (iii) heavy transport aircraft, with a payload of fifteen tonnes or more. According to an analysis by the Teal Group — an independent aerospace and defence industry consulting firm — the global

market for military transport aircraft during the next ten years is expected to amount to approximately U.S.\$52 billion.

Heavy Military Transport. This market segment has been driven historically by U.S. policy and budget decisions, and therefore has been dominated by U.S. manufacturers, in particular Lockheed Martin's C-130 Hercules. The A400M represents the MTA Division's entry into this market, at a time when the U.S. and Europe are expected to begin upgrading and replacing their existing fleets. In the upper part of the segment, the A400M competes against the C-17 from Boeing.

Medium Military Transport. Management believes that this market will continue to grow at a moderate rate. MTA aircraft are leaders in this segment, specifically the CN-235 and C-295 aircraft, which have a combined average market share of 64% over the last ten years. Their competitors are the C-27J Spartan, manufactured by the joint venture LMATTS (Lockheed Martin Alenia Tactical Transport System), and the An-32, manufactured by Antonov. Recently, the C-27J has been promoted by Global Military Aircraft Systems (GMAS), a group of companies consisting of Alenia, L-3 and Boeing.

Light Military Transport. This is a mature market that is diminishing in size as countries develop economically and are able to afford medium military transport aircraft. The C-212 has historically led this market segment, with an average market share of 26% over the last ten years. The MTA Division's main competitors in this segment are the M-28 from Polskie Zakłady Lotnicze, Mielec and the Do-228 from HAL (Hindustan Aeronautics Limited).

Products

Tankers and other Special Mission Aircraft

The MTA Division offers special mission aircraft derived from existing Airbus platforms and adapted to particular missions, generally for military customers. Adaptations to the platform require thorough knowledge of the basic airframe, which generally only the aircraft manufacturer possesses. In this sense, the "Multi-Role Tanker Transport" ("MRTT"), based on the A330 derivative, is a low-risk and cost-effective platform that offers a greater supply capacity than other competing solutions. The skills necessary for the overall systems integration into the aircraft are extensive and the number of participants in the world market is very limited.

Strategic Tanker Aircraft. In light of the estimated worldwide market of approximately 600 tanker aircraft, management assumes that strategic tanker aircraft offer an attractive opportunity for EADS.

The MTA Division leads a technological programme aimed at developing a new "air-to-air refuelling boom system" ("ARBS"). The new ARBS is designed to provide a refuelling

performance that is substantially faster than that of the competition — a considerable advantage given the vulnerability of the aircraft during the refuelling procedure. The first ARBS dry in-flight contact was successfully performed using an F-16 combat aircraft last December 2007 and the wet contact is planned for early 2008.

KC-30 Tanker Programme (U.S. Air Force). The U.S. Air Force has been conducting a programme to replace its ageing fleet of air-to-air refuelling aircraft. EADS NA Tankers has teamed up with Northrop Grumman (as prime contractor) in preparing a proposal to satisfy the U.S. Air Force's requirements. The team has proposed a KC-30 tanker, which is based on an A330 MRTT with cargo door and boom. In early 2008, the U.S. Air Force announced that it had selected the KC-30 (renamed the KC-45A) as its future tanker. See "1.2 Recent Developments".

A330 MRTT (Royal Australian Air Force). The contract signed in 2004 with the Royal Australian Air Force for the delivery of five A330 MRTTs equipped with underwing pods and ARBS to replace its existing Boeing 707 fleet remains on schedule. The first A330 is scheduled for entry into service in 2009.

A310 MRTT (German Air Force/Canadian Air Force). In 2007, MTA completed activities related to the conversion kits.

A330 Future Strategic Tanker Aircraft (FSTA) (United Kingdom Royal Air Force). EADS, Rolls Royce, Cobham, VT and Thales are cooperating through the AirTanker consortium as the preferred bidder for the U.K. MoD's "Future Strategic Tanker Aircraft" ("FSTA") programme. Structured as a private finance initiative, this programme would replace ageing VC10 and Tristar tankers, currently operated by the Royal Air Force, with a system based on an A330-200 aircraft. The programme calls for the delivery of 14 aircraft to provide air-refuelling service for 27 years. In 2007, AirTanker launched a financing competition to raise approximately £2.2 billion capital to fund the programme, with the goal of securing financing and entering into a final contract with the U.K. MoD in 2008. See "1.2 Recent Developments".

A330 MRTT (Royal Saudi Air Force). In December 2007, the MTA Division signed a contract for three A330 MRTTs as the new air-to-air refuelling aircraft for the Royal Saudi Air Force. This contract will be booked in 2008 upon receipt by MTA of the first down payment.

A330 MRTT (United Arab Emirates). The A330 MRTT has been selected by the UAE Air Force, and a memorandum of understanding was signed with the MTA Division in 2007. Contract negotiations are ongoing in 2008.

Military Transport Aircraft/Special Mission Aircraft on Transport Aircraft Platforms

Airbus A400M. The A400M is designed to meet the future large aircraft requirements of seven European nations seeking to replace their ageing C-130 Hercules and C-160 Transall fleets. In addition to fast and flexible intercontinental force projection, the new aircraft is intended to respond to changing geopolitical requirements (including increased humanitarian and peacekeeping missions). Management believes that the A400M programme will allow EADS to leverage its state-of-the-art commercial aircraft technology in order to access a new and attractive market, while mitigating the impact of civil aircraft market commercial cycles.

The A400M integrates a number of features from existing Airbus platforms, including a cockpit for two crew members, fly-by-wire controls and advanced avionics. Additionally, the A400M will benefit from Airbus maintenance procedures.

Airbus Military, a Spanish *sociedad limitada*, is dedicated to the development, manufacturing, sale, delivery and support of the A400M aircraft. Shares in Airbus Military are currently held by Airbus SAS (69.44%), EADS CASA (20.56%), Tusas Aerospace Industries Incorporated of Turkey (5.56%) and Flabel Corporation NVSA of Belgium (4.44%). The Chief Executive Officer in charge of the MTA Division also acts as Chief Executive Officer of Airbus Military, bringing the MTA Division's experience in military transport aircraft programme management 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, 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 on behalf of seven nations: Germany committed to 60 aircraft, France to 50, Spain to 27, the U.K. to 25, Turkey to 10 and Belgium to 8 (including one on behalf of Luxembourg). In addition to the initial 180 aircraft, export orders (8 for South Africa and 4 for Malaysia) bring the total order book for the A400M aircraft to 192 at the end of 2007.

In October 2007, EADS informed its A400M customers that the first deliveries of the aircraft would be delayed by six months with a risk of further slippage of up to half a year. The re-scheduling of the programme is due primarily to the slow progress on engine development, which stands on the critical path to achieving first flight, schedule overruns on systems

development, and a flight test programme that differs significantly from that of commercial Airbus aircraft. Although mitigation measures such as a change in management, reorganisation of responsibilities and shortening of the chain of command have been implemented, EADS continues to face significant challenges in achieving first flight in summer 2008 and meeting the revised delivery schedule.

From a financial perspective, the delay in A400M production had a negative effect on EADS' EBIT* in 2007. See "Part 1/1.1 Management's Discussion and Analysis of Financial Condition and Results of Operations".

CN-235 — Medium Military Transport. The first version in the CN-235 family, the S-10, entered into service in 1987. The latest one, the Series 300, is a new-generation, twin turboprop, pressurised aircraft. The CN-235-300 is capable of transporting a payload of up to 6,000 kg, accommodating (i) 36 paratroopers, (ii) 18 stretchers plus three medical attendants, (iii) four of the most widely used types of freight pallets, or (iv) oversized loads such as aircraft engines or helicopter blades. Paratrooper operations can be performed through the two lateral doors in the rear part of the aircraft or over the rear ramp. Variants of the CN-235-300 are used for other missions such as maritime patrol or pollution control, among others.

C-295 — Medium Military Transport. Certified in 1999, the C-295 has a basic configuration similar to the CN-235, with a stretched cabin to airlift a 50% heavier payload at greater speed over longer distances. The C-295 is equipped with integrated avionics incorporating digital cockpit displays and a flight management system, enabling tactical navigation, planning and the integration of signals from several sensors.

Both the CN-235 and the C-295 have been designed as complements or replacements for the ageing C-130 Hercules, accomplishing most of their missions at a much lower operating cost.

In 2007, the MTA Division signed a contract with the Colombian Air Force for the supply of four C-295 transport aircraft. Poland and the Spanish Air Force ordered two additional C-295 transport aircraft each, with deliveries scheduled for 2008.

During 2007, the MTA Division delivered two CN-235s to L3, a U.S. company, as well as four C-295 aircraft to Brazil as part of a contract for twelve C-295 aircraft signed in 2005. In addition, two C-295 aircraft were delivered to Poland.

C-212 — Light Military Transport. The C-212 was designed as a simple and reliable unpressurised aircraft able to operate from

makeshift airstrips in order to perform both civilian and military tasks. The first version, the S-100, entered into service in 1974. The latest version, the S-400, incorporates several 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 performance. In addition, the C-212's rear cargo door provides multi-mission capability with a configuration that can be changed quickly and easily, thereby reducing turnaround times.

Maritime Patrol Aircraft. The MTA Division provides different solutions ranging from maritime surveillance to anti-submarine warfare missions through aircraft based on the C-212, CN-235, C-295 or P-3 Orion platforms. The accomplishment of these missions is achieved by means of a Fully Integrated Tactical System (FITS), a new generation, open architecture, proven, reliable and cost efficient solution.

In 2007, the Chilean Navy ordered three C-295 aircraft, one for maritime patrol missions and two for anti-submarine warfare-missions. The Spanish Ministry of Interior ordered two maritime patrol CN-235 aircraft equipped with FITS, which will be operated by the "Servicio Aéreo de la Guardia Civil". The Brazilian Air Force placed a repeat order for a P-3 upgrade based on the FITS installation, while the U.S. Coast Guard ordered five additional CN-235 aircraft as part of the "Deepwater" programme.

In 2007, the MTA Division delivered two CN-235 aircraft to the U.S. Coast Guard, as well as three maritime patrol CN-235 aircraft to SASEMAR (Spanish Maritime Safety Agency). The modernisation of two CN-235 aircraft on behalf of the Irish Air Corps and the conversion of six CN-235 military transport aircraft into maritime patrol aircraft on behalf of the Spanish MoD are progressing on schedule. In both cases, the first deliveries took place at the end of 2007.

Aerostructures

EADS-CASA has significant expertise in the utilisation of composite materials for aerostructures manufacturing and advanced automation processes. Based on this expertise, the MTA Division is actively involved in the design, manufacture and certification of complex aeronautical structures.

Production

The C-212, CN-235 and C-295 are manufactured at a facility located at the San Pablo airport in Seville. In 2007, the assembly of the A400M started in a new facility in Seville. Aerostructures are produced at Puerto de Santa María in Cádiz as well as at the Tablada and San Pablo facilities, both in Seville.

* Earnings before interest and taxes, pre-goodwill impairment and exceptionals.

1.1.4 EUROCOPTER

Introduction and Overview

Through Eurocopter, EADS is one of the global leaders in the worldwide civil and military helicopter market. Management expects that sales in the military market in particular will increase substantially in the future, given the start of delivery of the NH90 military transport helicopter and the Tiger attack helicopter, the strong global backlog and the increasing demand in international military and homeland security export markets. In 2007, Eurocopter maintained its leadership by capturing more than 50% of the civil market in terms of deliveries and by achieving strong growth in its military order book.

For 2007, the Eurocopter Division recorded revenues of €4.2 billion, representing 10.7% of EADS' total revenues.

Strategy

The Eurocopter Division aims at further developing businesses and markets identified by Management as having the potential for sustained profitable growth. To this end, Eurocopter is actively:

Pursuing internal growth and international expansion

Management is focused on strengthening Eurocopter's position in the markets where it has traditionally held a strong position, such as the U.S. civil and homeland security market, and further developing its presence in potential growth markets such as China, India and Eastern Europe. Part of its strategy relies on the offering of new or enhanced products in various markets, such as the first successful sale of important quantities of helicopter systems to the U.S. Army. In 2007, Eurocopter built on this success by receiving production authorisation for and delivering the first U.S.-made light utility helicopters to the U.S. Army.

Eurocopter will seek to pursue expansion through either organic growth or through acquisitions. For example, at the end of 2007 Eurocopter acquired the entire share capital of McAlpine Helicopters Limited in the U.K. — now known as Eurocopter U.K. — in which it previously held a 10% stake. Eurocopter will also seek to capitalize on its experience of cooperation with local industries for program development and joint production projects. This approach has already enabled Eurocopter to build solid foundations in promising growth markets, in particular in Asia. Finally, Eurocopter intends to pursue its industrial deployment strategy in the United States, where it already has two major industrial and services facilities.

Implementing an ambitious product and services policy

In order to maintain market leadership and technological superiority, Eurocopter must continuously invest in and renew its comprehensive product line of civil and military helicopters. Accordingly, Management is currently focused on (i) strengthening the market position of certain key products such as the Écureuil family, the Dauphin, the EC135, the EC 145 and the EC 225/725, (ii) promoting Eurocopter's most recent products (e.g., entry into service and customisation for export of the Tiger and NH90), and (iii) enhancing its product line (e.g., co-development of the medium lift EC175 with China and partnership with Korean industry to develop the military utility Korean Helicopter Programme (“KHP”). Through the combination of core technological solutions with high-value customisation capabilities, Eurocopter seeks to offer a cost efficient solution to the multiple mission needs of an array of civil and military customers throughout the segmented helicopter market.

To maintain its position as a technological leader, Eurocopter also seeks to engage in technology leveraging programmes, such as the Heavy Transport Helicopter and Vertical Take Off and Landing Tactical Unmanned Aerial Vehicle (VTUAV) platforms, and research programmes emphasising technologies that enhance the safety, operational scope, mission effectiveness and economic performance of its aircraft. Eurocopter is currently focused on innovation in fields such as environmental-friendliness, all-weather flying ability and economic affordability throughout an aircraft's lifecycle.

Finally, because customer service is an important component of customer satisfaction and source of revenue for the Division, Eurocopter remains committed to strengthening and expanding its network of marketing, distribution and support services, through its “global offer” proposal. The worldwide services network currently serves close to 10,000 Eurocopter aircraft with more than 2,500 operators located in 142 countries. In the future, Eurocopter will seek a significant expansion in its service offering so as to enhance aircraft availability and cost effective mission performance on behalf of clients, while at the same time increasing margins on longer-term contracts through the provision of higher value added services. Eurocopter is also considering further development of its training and software maintenance activities, which have been identified as key drivers for the future.

Market

In 2007, the value of helicopters delivered worldwide was estimated at over €8.8 billion, a figure that Management believes may grow to €14.6 billion by 2009. According to

market forecasts by The Teal Group, Honeywell and Rolls Royce, between 5,200 to 5,800 civil helicopters and 5,500 to 6,000 military helicopters are expected to be built globally from 2006 to 2015. This forecast, particularly with respect to the military segment, depends to a large extent on the large U.S. development programmes.

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

Military helicopters, which are usually larger and have more sophisticated systems than commercial helicopters, accounted for 49% of the total value of Eurocopter deliveries in 2007.

The military segment is highly competitive and is characterized by competitive restrictions on foreign manufacturers' access to the domestic defence bidding process, sometimes to the virtual exclusion of imports. Nevertheless, with the introduction of the Tiger, NH90 and EC725 and with a more aggressive approach to international industrial cooperation, Eurocopter's share of the global market for military helicopters has increased, and the market in 2007 was more balanced between competitors.

In the military segment, Eurocopter's main competitors are Agusta-Westland in Europe, and Bell Helicopter (a division of Textron Inc.), Boeing and Sikorsky in the United States.

Additionally, the Russian manufacturers have reappeared after a complete reorganisation on commercial and industrial fronts. They have been very aggressive in markets in Asia and Latin America in particular.

Helicopters sold in the civil sector provide transport for corporate executives, offshore oil operations, diverse commercial applications and state agencies, including coast guard, police, medical and fire-fighting services. Management expects that the value of global civil deliveries will continue to grow at an average rate of 10% in the next three years and will thereafter stabilize. Market data indicates that in 2007, worldwide deliveries of civil turbine helicopters stood at approximately 836 units.

Eurocopter's main worldwide civil competitors are Bell Helicopter, Agusta-Westland and Sikorsky. The civil helicopter market has grown more competitive in recent years, with Sikorsky and Agusta-Westland having increased their market share in the heavy and medium helicopter classes.

Products and Services

Existing Products. Management believes that Eurocopter currently offers the most complete and modern range of helicopters, which cover nearly the entire civil and military market spectrum. Eurocopter's product range includes light single-engine, light twin-engine, medium and medium-heavy helicopters, and is based on a series of new-generation platforms designed to be adaptable to both military and civil applications. In addition, products share multiple technical features as part of a family concept approach.

Eurocopter continuously updates its product line with leading-edge technologies in order to assure its modernity. This was highlighted in 2007 through the certification of the AS355NP, a new derivative of the successful AS355N light twin helicopter, and through a significant payload increase in the AS350.

The following table sets forth Eurocopter's existing product line, consisting of optimised products for different mission types that remain adaptable to evolving mission needs:

Helicopter Type	Primary Missions
Light Single Engine	
EC120 "Colibri"	Corporate/Private, Civil & Military Training
Single Engine ("Écureuil" Family)	
AS350 "Écureuil"/AS550 "Fennec"	Parapublic*, Civil & Military Utility**, Corporate/Private
EC130	Tourism, Oil & Gas, Corporate/Private
Light Twin Engine	
AS355NP/AS555	Parapublic*, Utility, Corporate/Private
EC135/EC635	Emergency Medical, Parapublic*, Oil & Gas, Corporate/Private
EC145/UH145	Civil & Military Utility**, Emergency Medical, Parapublic*, Shuttle
Medium ("Dauphin" Family)	
AS365 "Dauphin"/ AS565 "Panther"	Parapublic* (in particular Coast Guard & SAR), Oil & Gas
EC155	Corporate/Private, VIP, Oil & Gas, Parapublic*, Shuttle
Medium Heavy	
AS332 "Super Puma"/ AS532 "Cougar"	Military Transport, Oil & Gas, Shuttle
EC225/EC725	SAR, Combat-SAR, Military Transport, Oil & Gas, VIP

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

(**) Civil Utility includes different kinds of commercial activities such as aerial works, ENG (Electrical New Gathering), passenger and cargo transport.

Civil range. Eurocopter has made a consistently strong effort to update and renew its civil product line in order to enhance and defend its leading competitive position in the civil segment, with the result that its share of the world market currently exceeds 50%. Eurocopter has successfully introduced into the international market such new 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.

The latest addition to the heavy-class family is the EC225. It is designed for passenger transport, in particular Oil & Gas and VIP, but also for public service missions, such as search and rescue (SAR). The arrival of this highly modern and safe aircraft was well timed to meet the currently strong demand of the Oil & Gas market.

LUH program. The U.S. Army has selected the UH-72A Lakota (a military derivative of the commercial EC145) as its next-generation Light Utility Helicopter (LUH), with a requirement for up to 322 aircraft in a 10-year program with a total life-cycle value of over \$2 billion. The U.S. Army ordered 42 aircraft in 2006, followed by an additional order for 43 aircraft in 2007. As of the end of 2007, 18 aircraft had been delivered to the U.S. Army, including the first U.S.-made aircraft in August 2007 following the production authorisation granted by the U.S. Federal Aviation Administration. All deliveries were made from American Eurocopter's Columbus, Mississippi facility.

Products in Development. Current product development programmes in the military and civil segment include (i) the NH90, a military transport helicopter with more than 20 versions for tactical, naval and combat-search and rescue applications, (ii) the HAD version of the Tiger helicopter, and (iii) the KHP for civil and military applications, and (iv) the EC175, as discussed below.

NH90. Designed for modern multi-mission capabilities and cost effectiveness throughout its lifecycle, the NH90 was developed as a multi-role helicopter for both tactical transport (TTH) and naval (NFH) applications. The programme, principally financed by the governments of France, Germany, Italy and the Netherlands, was jointly developed by Eurocopter, Agusta-Westland 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%. Production of the first lot of 243 helicopters and 55 optional helicopters to be delivered to the four partner countries started in 2000, with the first deliveries occurring in 2006 (three to Germany), followed by eight deliveries in 2007 (three to Germany, two to Sweden, two to Australia and one to Italy).

The NH90 has rapidly become the reference military tactical helicopter for armed forces worldwide. 95 aircraft were ordered in 2007 (45 for Spain, 42 for Germany and eight for Belgium). In addition, a contract was signed in December 2007 with the French Defence Procurement Agency DGA for 68 NH90, which became effective in

mid-January 2008. At the end of 2007, the NH90's backlog stood at 495 firm orders and 102 options.

The unprecedented commercial success of the NH90, combined with the complexity of such a modern aircraft and the management of relationships between industry and customers has generated a significant increase in programme management challenges. The development of 23 versions for 14 customers, instead of two versions for four customers as initially planned, demonstrates the challenge. This has directly impacted management of the development schedule and of the steep industrial ramp-up on the programme.

In order to better manage these challenges, Eurocopter has launched a dedicated action plan to revisit programme governance (including industry re-organisation), reframe customers' contract management, and restructure industry processes (with a focus on simplification, clearer allocation of responsibility and increased responsiveness).

In 2007, technical issues on the development of the NFH version of the helicopter forced a rescheduling of certain deliveries and the recording of an associated charge. See "Part 1/1.1 Management's Discussion and Analysis of Financial Condition and Results of Operations".

Tiger. The Tiger combat attack helicopter programme development is nearing completion. It includes four variants based on the same airframe: the 40 HAP (turreted gun, rockets and air-to-air missile) for France; the 80 UHT (antitank missile, air-to-air missile, axial gun and rockets) for Germany; the 22 ARH (antitank missile, turreted gun and rockets) for Australia; and the 24 HAD for Spain and 40 HAD for France (antitank missile, air-to-air missile, turreted gun, rockets and upgraded avionics and engines). The manufacturing ramp-up of the programme is reflected by the total delivery of 33 Tigers as of the end of 2007, with 10 deliveries in 2007.

KHP. The Korean government chose Eurocopter as the primary partner of Korea Aerospace Industries ("KAI") in the new KHP programme for the development of Korea's first military transport helicopter in the eight metric tonne class. The 6-year KHP development phase will run from 2006 to 2011. In the following 10-year production phase, 245 helicopters are to be manufactured. As the primary partner of KAI, Eurocopter has a stake of 30% in the development phase and 20% in the production phase. This programme is groundbreaking for Eurocopter in a previously U.S.-dominated Korean market. Eurocopter and KAI have agreed to establish a 49%/51% KAI subsidiary to market the export version of the KHP, which has a forecasted worldwide demand of 250 helicopters over 20 years.

EC175. Eurocopter and Chinese AVIC II Corporation launched the joint development and production (on a 50/50 basis) of the

EC175, a civil helicopter in the six tonne category, which will broaden both partners' product ranges. The 5-year development phase began in 2006, with the two first milestones passed according to plan. The new civil helicopter is due to make its first flight in 2009, with European certification set for 2011 and Chinese certification for 2012. Production is due to begin in 2011. In serial production, each partner will have its own assembly line. Sales forecasts for this latest-generation helicopter call for 800 units to be sold worldwide over the next 20 years.

Customer Support

As of 31st December 2007, Eurocopter products constituted the world's second largest manufacturer fleet, with more than 10,000 helicopters in service worldwide. As a result, customer support activities to service this large fleet generated 33% of Eurocopter's revenues for 2007. Eurocopter's customer support activities consist primarily of training, technical support, maintenance, repairs and spare parts supply. To provide efficient worldwide service, Eurocopter has established an international network of subsidiaries, authorised distributors and service centres. Furthermore, in order to meet globalising customer demand, Eurocopter is extending the range of services it provides to its customers.

For example, in 2007 American Eurocopter opened a new west coast regional support facility in Long Beach, California as part of its overall plan to bring its maintenance and repair services closer to its customers and to improve customer support. In addition, in furtherance of its commitment to improving flight safety, Eurocopter created a tailor-made directorate entirely dedicated to the safety of the flights for its whole fleet. The directorate is based on three main areas and tasked with initiating, coordinating and harmonising all company actions related to flight safety.

Customers and Marketing

Approximately 2,600 operators worldwide currently operate Eurocopter helicopters, forming a broad base for Eurocopter's customer support activities. 85% of Eurocopter's customers have fleets of between one and four helicopters. Eurocopter's principal military clients are European MoDs, as well as MoDs in Asia and the U.S. In the civil and parapublic market, Eurocopter has a leading market share in Europe, the U.S. and Canada.

The versatility and reliability of Eurocopter products have made them the preferred choice of the most prominent customers. The U.S. Coast Guard operates 96 Dolphin (Dauphin) helicopters and has ordered five more. The world's largest offshore operators (Bristow, CHC, Era, PHI, etc.) 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 Air Methods in the U.S. and ADAC in Germany. Agencies with high service ability requirements, including police and armed forces, also rely on Eurocopter products.

Eurocopter's global marketing strategy is reflected in the scale of its large international network. Eurocopter's network currently encompasses 17 foreign subsidiaries, complemented by a network of authorised distributors and service centres aimed at a large number of existing and potential clients. Eurocopter strengthened its subsidiary network in 2007 through the commencement of operations at Eurocopter China in Shanghai (a wholly owned subsidiary created in December 2006), and through the acquisition of the entire share capital of McAlpine Helicopters Limited in the U.K. — now known as Eurocopter U.K.. 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 countries.

Production

Eurocopter's industrial activities have traditionally been conducted in four primary locations, two in France and two in Germany. The French sites are Marignane, in southern France, and La Courneuve, near Paris. The German sites are located in Donauwörth and Ottobrunn, near Munich. In 2007, Eurocopter further developed its home activities by opening a new industrial site in Spain (Albacete), while at the same time accelerating its international expansion in the U.S. (Columbus, Mississippi) and Australia (Brisbane).

Inaugurated in 2007, the new Eurocopter España plant in Albacete will be responsible for the production of the rear fuselages of the EC135 and Tiger as well as the front fuselage of the NH90. The plant will house the final assembly lines for the EC135 intended for the Spanish market, the Spanish HAD version of the Tiger from 2008 and the NH90 in TTH version for the Ministry of Defense.

The Columbus, Mississippi plant of American Eurocopter continued to undergo major expansion in 2007 to support LUH production, assembly and delivery. Industrial activity commenced in 2006 with LUH assembly and delivery and is in the process of transitioning to full-scale production following the production authorisation granted by the Federal Aviation Administration in August 2007. In addition, activity at the Columbus plant includes production and assembly of the AS350 and EC120 for U.S. Customs and Border Protection as well as support for the U.S. Coast Guard's modernisation of its Dolphin helicopter fleet.

In Brisbane, Australian Aerospace opened a final assembly line for the NH90 in April 2007, in addition to the existing final assembly lines for the EC120 and Tiger. Australian Aerospace is also currently investing in a composite facility in Queensland.

Overall, serial helicopter deliveries increased by approximately 25% in 2007, in line with the further ramp-up planned for 2008. In order to meet the challenging ramp-up ahead, Eurocopter will continue to pursue expansion of its global supply chain with an emphasis on dollar-based and low-cost sourcing in particular. It is also actively seeking to restructure its supply network (from 2,600 suppliers to 300 first tier suppliers) and streamline its internal industrial organisation.

1.1.5 DEFENCE & SECURITY

Introduction and Overview

The Defence & Security Division (the “**DS Division**”) serves as the main pillar of EADS' defence and security activities. By combining its Defence and Communications Systems, Defence Electronics, Military Air Systems and missile systems (consisting of EADS' 37.5% stake in MBDA) business units within one division, EADS has streamlined its defence and security business to better meet the needs of customers that require integrated defence and security solutions.

In 2007, the DS Division recorded revenues of €5.5 billion, representing 14.0% of EADS' total revenues.

Strategy

The DS Division seeks to offer its customers full-service packages and integrated solutions that support their transformation process from a focus on defence to broader defence and security needs. At the same time, it continues to pursue new ways in which to generate internal synergies and cost savings. To this end, the DS Division is actively:

Building strong centres of competence

Having streamlined the organisational structures of Defence and Communications Systems and Defence Electronics in past years, the DS Division is currently working on the final restructuring of its Military Air Systems business unit. As part of the process, over 600 employees within Military Air

Systems were relocated to Manching (Germany), the site of EADS' Military Air Systems Centre, in 2007. The DS Division will seek to complete the restructuring in 2008, thereby consolidating the military air systems support centres as well as the development centre for advanced unmanned aerial vehicles.

Supporting the transformation process of customers

Through already existing programmes with NATO, the French Defence Ministry and the U.K. MoD, among others, the DS Division is actively promoting European and NATO transformation. The DS Division also participates in the Network Centric Operations Industry Consortium (NCOIC), an industry-based collaborative forum formed to recommend an architectural approach for system and platform developers within a global network environment. In the future, the DS Division will continue to work closely with industry and customer working groups to help define and deliver system solutions geared towards customers' capacity requirements and transformation needs.

Consolidating its position in home markets and targeting selective expansion, in particular the U.S.

The DS Division will seek to sustain growth by consolidating its position in its home markets of France, Germany, Spain and the U.K. Within these markets, further efforts in the platform, missiles, and security businesses will remain a strategic goal towards profitable growth. At the same time, the DS Division will seek to expand its presence in developing markets, including the Middle East, India, Asia and South Africa.

Increasing its market share in the U.S. defence and security market is also a major priority for the DS Division, in coordination with EADS North America Defense Company (NA DefCo), which seeks contracts with the U.S. Department of Defense and large U.S. industrial companies. Accordingly, the DS Division is currently:

- Pursuing specific market segments in the U.S. in which it can offer superior products and technologies, such as the HELLAS obstacle avoidance system for helicopters and the fire control radar electronics of the air defence system MEADS. The DS Division has also made headway in the market for professional mobile radio by demonstrating its P25 technology to U.S. states like Wisconsin;
- Building strong transatlantic industrial partnerships with U.S. prime contractors to explore new opportunities driven by military transformation, including Northrop Grumman (Euro Hawk®), Lockheed Martin (MEADS, Deepwater, Littoral Combat Ship, COBRA, Missile Defence) and Raytheon (Missile Defence); and
- Seeking acquisitions and new partnerships to expand the DS Division's industrial presence in the U.S. across several

market sectors, including platform, systems, security, operational support and defence electronics.

Defence and Communications Systems (DCS)

DCS is the EADS "Systems House". Its mission is to develop complete communication and information system solutions (including platforms) and provide the means for their implementation. DCS offers its customers comprehensive and tailored solutions, including the ability to design, develop and implement Lead Systems Integration (LSI) and link the widest possible range of individual platforms and subsystems into a single effective network. Systems integration has become increasingly important for customers engaged in border control and coastal surveillance, as well as for non-military customers in areas such as homeland security, all of which are areas of major focus for DCS.

In 2007, DCS generated 24% of the DS Division's total revenues.

Market

DCS faces competition from large U.S. and European companies that also specialise in its markets. Major competitors are Lockheed Martin, Thales, Motorola and SAIC. Key customers for DCS' business primarily include governmental customers, such as MoDs and Ministries of Interior in its home markets of France, Germany and the U.K., with an increasing focus on other European countries, the Middle East, South Africa, Asia and the U.S.

Products and Services

Defence. DCS offers comprehensive mission systems and solutions in the areas of air dominance, battle space systems, intelligence solutions and naval systems, as well as overall systems support. It is a leading provider for full systems design architecture and systems integration responsibility for military land-, sea-, air- and space-based systems. DCS delivers airspace dominance systems for defensive, offensive and support operations in a combined, joint environment, thereby realising flexible, network enabled capabilities. DCS designs, integrates and implements secure fixed, tactical, theatre and mobile information infrastructure solutions, including all of the services needed to support integrated mission systems and solutions. DCS is also a major designer and supplier of C3I systems to the armed forces in France and Germany, and the Joint Staffs in France, Germany and NATO.

The business unit is focused on customers' need for information infrastructure solutions. Its expertise includes a detailed understanding of the technology necessary to achieve this, including interfaces, gateways and the use of open system architectures.

Global security. DCS provides fully integrated global security solutions and services in the areas of border security, maritime security, crisis and emergency management, critical infrastructure protection and large event protection, such as the Asian Games in Qatar. Due to the increased connections between different areas of threat and in light of the growing interdependence of internal and external security in particular, the seamless collaboration of different security organisations has become increasingly important. The DS Division seeks to maximise efficiencies through the optimised use of data and information together and across these different security organisations.

Professional Mobile Radio. DCS is a leading provider of digital and non-digital professional mobile radio (PMR) and secure networks. DCS solutions for PMR enable professional organisations in various areas — such as public safety, civil defence, transport and industry — to communicate effectively, reliably and securely. DCS offers its customers specialised PMR solutions based on TETRAPOL, TETRA and P25 technologies, amongst others.

APSYS: Safety Engineering

APSYS is a DS subsidiary and is managed by the DCS business unit. In 2007, APSYS strengthened its position in the French market for consulting, training and studies services in technical risk management. New expertise was developed to address specific markets and maintain the competitive edge of APSYS, such as software quality insurance, communication systems security, 3D phenomena modeling and transportation scheme performance analysis.

Dornier Consulting GmbH

Dornier Consulting GmbH is a DS subsidiary and is managed by the DCS business unit. Dornier Consulting is a company for future-oriented transportation and technology consulting with a focus on traffic, transportation and logistic concepts, system specification and integration, modern technologies for the management of natural resources as well as professional full-service project management. It is an independent consulting and engineering company with clients in the public and private sector in Germany, Central and Eastern Europe, Central Asia and the Near and Middle East. Major clients include national and international institutions (World Bank, UNDP, E.U., KfW, GTZ), governments, authorities, the German Railways (Deutsche Bundesbahn), Daimler and EADS as well as a spectrum of private companies. As part of its future strategy, Dornier Consulting will seek to develop additional opportunities for other EADS units while also focusing on international growth.

Sofrelog

Sofrelog is a DS subsidiary and is managed by the DCS business unit. Sofrelog provides integrated mission critical real-time systems using radar and other wide area sensors, mostly for maritime applications, typically vessel traffic services and costal surveillance. These systems are based on Sofrelog's unique SYTAR™ product, which has set the technical standard in the maritime world: more than 450 radars have been connected, with Sofrelog having design responsibility on more than 50 control centres in 30 different countries around the world. Sofrelog is well positioned for growth in its core markets: building on the award of Qatar and Tanger Med port security in 2007, Sofrelog plans to further contribute to DS' global security growth.

ATLAS ELEKTRONIK

ATLAS ELEKTRONIK GmbH, headquartered in Bremen (Germany), is a joint venture of ThyssenKrupp (51%) and EADS (49%). The year 2007 was characterised by the realisation of the change of shareholders in August 2006 and especially by the integration of EADS activities. In February 2007, the integration of DS' naval activities began – primarily in the field of surface vessels – which led to 140 employees being transferred over to ATLAS ELEKTRONIK GmbH. Another 175 employees were transferred by means of integrating EADS subsidiary companies.

In 2007, ATLAS ELEKTRONIK achieved important successes, including orders for the command and weapon control system as well as the tactical data link for the new German frigate F125, the delivery of submarine command systems for the Indian Navy, orders by the Finnish Navy in the field of mine hunting and orders by international customers within the sector of maritime safety and security. The company took important steps to assert itself firmly in a market that – although growing – is characterised by increasing competition and cost pressures.

Defence Electronics (DE)

As the “Electronic Warfare, Avionics and Sensors House” of EADS, DE provides mission-critical elements for electronic warfare and self-defence and for data gathering, data processing and distribution. It also provides sensors and subsystems that address the market for surveillance and reconnaissance, military mission management, protection of military units and critical civil areas, network-enabled capabilities as well as security and military forces support.

In 2007, DE generated 15% of the DS Division's total revenues.

Market

DE's main competitors in defence electronics are large and medium-sized U.S. and European companies (i.e., Raytheon,

Northrop Grumman, Thales, BAE Systems, Galileo Avionica, Indra and Saab) as well as competitors from Israel. DE's key customers include MoDs, interior ministries, military services, security forces, the in-house EADS systems suppliers and other LSI's worldwide. Through various joint ventures, participations and cooperations, DE has access to customers in every NATO country, in particular in Germany, France, the U.K., Spain and Italy, and to important export markets, such as the U.S., Turkey, India and South Africa.

Products and Services

Electronic Warfare and Self Defence. Growth in electronic warfare (EW) and self-defence is a key strategic goal for DE in the future. DE supplies electronic self-protection systems for aircraft, ships and armoured vehicles, such as laser warning, missile warning and active electronic countermeasure units, including directed infrared countermeasures, self-protection jammers and towed decoys. For example, DE delivers core components to the "EuroDASS" defensive aids subsystem of the Eurofighter and supplies additional avionics components to the wider Eurofighter programme. It has subsystem responsibility for the A400M's self-protection system, also supplying core EW equipment such as the infrared missile warning system MIRAS. For military mission aircraft, helicopters (NH90, Tiger) and VIP aircraft, DE is developing solutions to counter threats posed by infrared-guided missiles in particular. To date, DE has sold approximately 5,600 units of its missile warning sensor (MILDS), which is deployed on a variety of helicopters and transport aircraft.

Avionics. As a major partner in the field of military mission avionics for the A400M, DE assumes subsystem responsibility for mission management and defensive aids. The DE portfolio also comprises avionics equipment, such as digital map units (EuroGrid), flight data recording units and obstacle warning systems for helicopters. In addition, DE is developing multi-sensor integration and data fusion technology, which is a key future technology for network-enabled capabilities. For example, DE is in charge of sensor fusion software on the NATO AWACS E3A and the similar Australian "Wedgetail" and the Turkish "Peace Eagle" programmes. Additional products offered by DE in the field of communication and identification include wide-band modular data links.

Sensors. DE is a principal partner in the development of airborne multi-mode radars such as the Captor radar in the Eurofighter programme, and also provides integrated logistics support, maintenance and upgrades. DE is also heavily involved in the technological development and application of next-generation active electronically scanning (AESA) radars for air, naval and ground applications. In 2007, an AESA radar demonstrator demonstrated its capabilities in flight on Eurofighter for the first time. In the area of air defence, EADS produces mid-range radars for ship (TRS-3D) and land (TRML-3D) applications. DE also takes a lead role in developing and manufacturing

synthetic aperture radars (SAR), which are considered essential for future reconnaissance and surveillance operations. In this field, EADS has developed the European stand-off SAR sensor for wide-area surveillance (SOSTAR-X) and provides the Tandem-X space-borne Earth observation satellites with unique radar components.

Test & Services. The Test & Services product range covers the entire life cycle of equipment and systems and includes comprehensive solutions that rely on test services and systems. The solutions are either integrated or sold as stand-alone elements: instrumentation, system software and application software. The versatility of Test & Services systems means that a multitude of equipment and systems can be tested. Accordingly, the same airline can use a single model test bench for maintaining both its Airbus and Boeing fleets, while the French Army uses the same test system for numerous weapon systems. Already present worldwide with its civil and military equipment testers, Test & Services is consolidating its development strategy on the international stage with new locations in France, Germany, Spain, the U.K. and the United States, as well as a global distribution network.

Military Air Systems (MAS)

The MAS unit focuses on the development, production and delivery of the Eurofighter combat aircraft (46% owned by EADS), maintenance, repair and overhaul, logistics support, upgrade of existing combat air systems, provision of publicly or privately financed training services and construction and manufacturing of Airbus and A400M aerostructures. In addition, MAS designs light combat/training aircraft and unmanned aerial vehicles (UAV). In 2007, MAS continued to centralise its military systems activities at its Manching site in Germany in order to increase its competitiveness and establish a military air systems centre.

In 2007, MAS generated 39% of the DS Division's total revenues.

Products and Services

Eurofighter. Eurofighter, known as "Typhoon" for export outside of Europe, is a network-enabled, extremely agile, high-performance multi-role combat aircraft optimised for swing-role operations in complex air-to-air and air-to-surface combat scenarios. Eurofighter is designed to enhance fleet efficiency through a single flying weapon system capable of fulfilling supersonic, beyond-visual-range combat, subsonic close-in air combat, air interdiction, air defence suppression and maritime and littoral attack roles. The tactical requirements of the aircraft include all-weather capability, short take-off and landing capability, high survivability and operational readiness. The Eurofighter was designed to be adapted and improved over the long-term, as new avionics and weapons evolve, to provide for an extended service life.

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

In January 1998, NETMA signed an umbrella Eurofighter contract for 620 aircraft: U.K. 232 (with 65 options); Germany 180; Italy 121 (with 9 options); and Spain 87 (with 16 options). The umbrella contract, while fixing a maximum price for the overall programme, also stipulates that production agreements are to be awarded in three tranches, with production expected to continue until 2015. The programme includes the development, production investment and series production of the aircraft. Currently, 384 aircraft are firmly on order within the core programme.

Out of the first tranche of 148 aircraft, 141 aircraft (including six instrumented production aircraft) had been delivered as of the end of 2007, with the rest in final assembly. Final assembly of the first Tranche 2 aircraft has also begun, with 18 in advanced final assembly at the end of 2007. Eurofighter has already sold 15 aircraft to Austria, with five deliveries in 2007, and further export opportunities are believed to exist in Europe and the Far East. A government-to-government agreement has been reached between the U.K. and the Kingdom of Saudi Arabia on the purchase of Eurofighter aircraft, marking the first export success of the aircraft outside Europe. The respective contract between the two governments regarding the delivery of 72 aircraft was signed in September 2007.

UAV, Advanced UAV Systems. In response to Germany's need for wide-area surveillance and stand-off reconnaissance, MAS and its U.S. partner Northrop Grumman are, through their joint venture EuroHawk GmbH, supplying it with the HALE-UAV System "Euro Hawk". Euro Hawk is a high-altitude unmanned aerial system for signal intelligence (SIGINT) that has been specially equipped to meet national requirements. It is based on the Global Hawk RQ4-B platform developed by Northrop Grumman. MAS is responsible for the overall mission system including situation analysis and report, as well as sensor-payload

and modifications. Procurement of the first Global Hawk platform to be converted into a full-scale demonstrator (FSD) of the Euro Hawk was approved by the German Parliament in 2007. The Euro Hawk project calls for the integration of national sensors developed by DE into a total of five systems. The German air force plans to start operational flying with the Euro Hawk FSD by 2010.

MAS is also working on developing other major new programmes in the area of UAVs, including a technology demonstrator project to develop new technology for future UAVs. EADS is also working on a research and technology programme for the analysis and refinement of enabling technologies and concepts of unmanned aerial reconnaissance vehicles (URAV). The primary objective is the development of a new system-of-systems approach within a network-centric operations context.

Pilot Training and Training Aircraft and Services. The training and light combat aircraft market is competitive, with offerings from BAE Systems (Hawk 128), KAI/Lockheed Martin (T-50), AerMacchi (AM-346) and others. MAS' entry in this field is through the proposed High Energy Aircraft Trainer (HEAT). The HEAT is intended to close the growing gap between the demands made on pilots by modern fighter aircraft and the training opportunities provided by aging in-service trainers. While MAS will not launch a full-scale design phase for the time being, efforts to win customers and industrial partners will continue.

Nevertheless, MAS has already contributed to the development of a pilot training programme for European fighter jets: in 2007, it launched the new European Advanced Training Jet Pilot School at Talavera together with the Spanish Air Force. The school will provide comprehensive jet pilot training using an upgraded F-5 with near latest-generation combat aircraft performance characteristics and sophisticated ground equipment.

Pursuant to a ten-year multi-services contract signed in 2006, MAS also manages "ab-initio" pilot training for future military aircrews at the French Air Force's flying school in Cognac. The contract includes the procurement of new aircraft, line and base aircraft maintenance as well as ground-based training devices. ECATS (EADS Cognac Aviation Training Services), as the programme has become known, was officially inaugurated in April 2007 with the arrival of the first of 18 new Grob 120A trainer aircraft.

Military Air Systems Support Services and Upgrades. In addition to providing after-sales services to existing customers, MAS also offers its clients the possibility of upgrading their military air systems. Upgrading of military air systems is a particularly attractive alternative for countries with limited national defence budgets, such as those in Central and Eastern Europe, Latin

America, North Africa and some Asian regions. For these nations, the purchase of new multi-role aircraft is either politically or economically unfeasible, making upgrading of existing airframes the most cost-effective solution. MAS has developed expertise in the field of military air systems upgrades through programmes for such aircraft as the Tornado, F-4 Phantom, F-18, F-5, MiG-29, Mirage F-1, C101 Aviojet, Harrier AV-8B, E-3A AWACS, P-3C Orion, C-160 Transall and Breguet Atlantic 1.

In the area of support services, MAS is strengthening its cooperation with the German Air Force by establishing additional joint weapon system support centres (for the Tornado, Transall, and other systems to be operational in the near future, such as the A400M and Euro Hawk) that will operate in coordination with the existing Eurofighter national support centre.

Missile Systems

MBDA (a joint venture between EADS, BAE Systems and Finmeccanica with stakes of 37.5%, 37.5% and 25% respectively) is the missile systems group within the DS Division (which beginning in 2007 consolidates 37.5% of MBDA's sales). MBDA offers superior capabilities in missile systems and covers the whole range of solutions for air superiority, land control and sea power missions, while also providing the most advanced technological solutions in strike weapons and missile defence. The further integration of the four home markets (France, Germany, Italy and the U.K.), the consolidation of the business and increased efforts in the export market remain the principal goals for 2008.

In 2007, MBDA completed its acquisition of Bayern-Chemie/Protac, the German missile propulsion system company. In addition, MBDA sold its interest in the French aerospace group ALKAN, except for ALKAN's countermeasures activities, which represented 20% of that company's turnover in 2006. The divestiture forms part of MBDA's continued strategy of optimising investments in its core missile systems business. Finally, MBDA signed an important contract with the U.K. MoD in 2007 to maintain the U.K. armed forces' Rapier air defence system and ensure its readiness and availability for deployment.

In 2007, MBDA generated 21% of the DS Division's total revenues.

Market

MBDA has a geographically diverse customer portfolio. Beyond its four national home markets, the Group has direct access to the other important European markets, Spain and Sweden. It also has a stable foothold in growing export markets such as Asia, the Gulf region and Latin America, and benefits from

transatlantic cooperation on programmes such as MEADS, as discussed below.

Four principal defence contractors are active in the worldwide market for tactical missiles and missile systems. The current worldwide market for missile systems is estimated to exceed €12 billion, with a downward trend forecast until 2010/2011. Thereafter, the worldwide market is nevertheless expected to strengthen due to:

- The need to replace older generation missile systems and to develop new capabilities (such as ground-based air defence systems, precision and deep strike weapons and naval superiority integrated combat systems);
- The entry into service of new missile carrying platforms (Rafale, Eurofighter/Typhoon, Gripen, Tiger helicopter, new frigates and aircraft carriers and in due course other new platforms such as the F-35 Lightning II Joint Strike Fighter andUCAVs);
- The appearance of new requirements for future weapon systems based on new operational tasks and lessons learned from past conflicts, in particular Network Centric Warfare related systems as well as indirect line of sight or beyond visual range target acquisition systems.

Products and Services

The broad range of MBDA products covers all six principal missile system categories: air-to-air, air-to-surface, ground-to-air, surface-to-air, anti-ship and surface-to-surface. MBDA's product range also includes a portfolio of airborne countermeasures such as missile warning and decoying systems and decoy dispensers, airborne combat training and countermining systems. The most significant programmes currently under development are the Aster PAAMS naval air defence system, the METEOR air superiority missile system and the Scalp NAVAL ship and submarine launched deep strike weapon, while those in production include Aster SAMP/T air defence, Storm Shadow/SCALP and Taurus stand-off missile systems.

Aster Family. The FSAF Phase 3 contract signed with OCCAR (*Organisation Conjointe de Coopération en matière d'Armement*) in 2003 is worth €3 billion (€2.3 billion thereof to be allocated to MBDA). This contract covers the series production of approximately 1,400 Aster missiles and associated missile systems and represents Europe's first advanced naval and ground-based air defence missile system with Anti-Tactical Ballistic Missiles (ATBM). Aster SAMP/T, the ground-based variant, is already in series production with the first deliveries to the French and Italian armed forces having occurred in 2007, while Aster PAAMS, the naval variant, is well advanced in its development programme.

METEOR. METEOR is a highly flexible, visual and beyond visual range, agile, air-to-air weapon system that provides a comprehensive operational capability in the most complex combat scenarios. METEOR was ordered by the U.K. MoD and five other European nations (France, Germany, Italy, Spain and Sweden) to meet their future air-to-air requirements. In 2006, the first air-launched demonstration firings of METEOR were carried out. The test firing programme continued in 2007 with a high altitude supersonic launch that successfully demonstrated the missile's integrated boost, ramjet sustain motor and control systems during extended free flight and manoeuvring.

Scalp NAVAL. Benefiting from the effort already invested in development of the Storm Shadow/SCALP European air-launched cruise missile programme, MBDA is developing Scalp NAVAL to provide the French Navy's FREMM frigates and Barracuda class submarines with superior deep strike capability. In January 2007, MBDA received the contract notification from the French DGA for 250 of these missiles, a contract worth €910 million to MBDA.

Storm Shadow/SCALP. Already in service in the U.K., France and Italy, the Storm Shadow/SCALP was also selected by Greece in 2004. The Hellenic Air Force has ordered 34 Storm Shadow/Scalp missile systems. Deliveries have also been made to the UAE air force, where the missile is known as "Black Shaheen".

Taurus KEPD 350. MBDA Deutschland and SAAB Bofors are working together through Taurus Systems GmbH to create and deliver the Taurus KEPD 350, a precision stand-off guided missile system for Tornado, Gripen and Eurofighter aircraft. Taurus KEPD 350 is in series production for the German Air Force, with which the weapon is now in service. During 2007, the 300th Taurus missile left the production line in Schrobenhausen, marking the production halfway mark for the German Air Force. In 2005, Spain also announced its intention

to procure 43 Taurus KEPD 350 missiles for its F/A-18 and Eurofighter aircraft, with the first two missiles delivered in 2007.

MEADS. MEADS (Medium Extended Air Defense System), a ground-based tactical air defence system, is a good example of dynamic and successful cooperation on a transatlantic level. MEADS will protect troops during out-of-area missions within the scope of homeland defence. The financial share of the programme is 58% U.S., 42% European (German and Italian). The technical workshare of the companies involved – MBDA Deutschland, MBDA Italia and Lockheed Martin (United States) – corresponds to the respective cost contribution percentages. MBDA's activities are coordinated through the joint venture company euroMeads GmbH, which, like Lockheed Martin, has a 50% share in MEADS International Inc. (MI). On 1st June 2005, MI formally signed a contract to design and develop MEADS. The contract value is approximately \$2 billion plus €1.4 billion for the programme's design and development (D&D) phase.

Production — System Design Centre (SDC)

Within the DS Division, the System Design Centre (with branches in France, Germany and the U.K.) supports defence and security customers in designing, developing and testing their products and system architectures through use of advanced modelling and simulation techniques. The SDC thereby provides a framework for systems design and related skills on behalf of the DS Division and EADS as a whole. Thanks to its use of standardised methods (such as the architecture frameworks used by the U.S. Department of Defense and the U.K. Ministry of Defence) and other system development tools, the SDC also helps to reinforce the DS Division's strategy of improving capabilities in LSI more generally. One tool at the SDC's disposal in this regard is a transnational networked experimentation and test environment, referred to as Network Centric Operations Simulations Centres (NetCOS).

1.1.6 ASTRIUM

Introduction and Overview

Astrium designs, develops and manufactures satellites, orbital infrastructures and launcher systems and provides space services. It is the third largest space systems manufacturing company in the world after Boeing and Lockheed Martin and the leading European supplier of satellites, orbital infrastructures, launchers and associated services. In 2007, Astrium recorded revenues of €3.6 billion, representing 9.1% of EADS' total revenues.

Astrium has three main business units: Astrium Satellites, Astrium Space Transportation and Astrium Services. Astrium also provides launch services through its shareholdings in Ariespace (Ariane 5 launcher), Starsem (Soyuz launcher) and Eurokot (Rockot launcher), as well as services related to telecommunications and Earth observation satellites through wholly owned subsidiaries such as Paradigm Secure Communications and Infoterra, and joint ventures such as Spot Image.

Strategy

With an established presence in five European countries with active space programmes (France, Germany, United Kingdom, Spain and the Netherlands), Astrium is the only European company to offer comprehensive expertise in all areas of the space industry (satellites, launchers, orbital infrastructure and services). Astrium's strategy is to build on these key strategic assets and to strengthen its position in the market.

Generate profitable growth in a flat market

Institutional and military spending on space activities is flat in Europe due to existing budget constraints. There is also intense competition in commercial markets for launchers and telecommunication satellites, in particular given the historical lows reached by the U.S. dollar against the Euro in 2007. Within this difficult market context, Astrium is pursuing the following strategy:

- With respect to the Ariane launcher and M51 missile systems, Astrium Space Transportation has sought to rationalise and streamline its activities by assuming the role of prime contractor (as opposed to a main supplier and industrial architect only). This has strongly contributed to increasing the reliability and cost effectiveness of these products. In addition, Astrium is currently the second largest shareholder of Arianespace with a 30.5% stake. Astrium Space Transportation will seek to build on this leadership to better serve both customers;
- With respect to satellites and services, Astrium has sought in recent years to move from being solely a systems supplier to a leader of satellite service provision in secure communications and navigation. The successful development of a secure global military satellite communications system on behalf of the U.K. Ministry of Defence by Paradigm Secure Communications ("**Paradigm**") — expected to be fully operational in 2008 — represents an important first step. Going forward, Astrium will seek to expand its offering of innovative, highly competitive end-to-end tailored solutions in the field of secure communications. It will also seek to enhance its presence in the satellite navigation field as well, in particular following the reorganisation of development of a European global satellite navigation system, "Galileo", as discussed below.

Attain European benchmark profitability

Following the extensive restructuring actions that were implemented in 2003 and 2004 (rationalisation and specialisation of sites, reduction of workforce by 30%, reorientation towards institutional customers) and ambitious innovation investments, Management is currently working towards implementation of additional measures to enhance profitability (Innovex '08 for Astrium Satellites, Boost '08 for Astrium Space Transportation and Impact '08 for Astrium

Services). These measures are expected to result in continued margin improvement between now and the end of the decade.

Astrium Satellites

Overview

Astrium Satellites is a world leader in the design and manufacture of satellite systems, payloads, ground infrastructure and space equipment for a wide range of civil and military applications. Prime contractor for over 70 communications satellites, Astrium Satellites is a partner of choice for many of the world's most prestigious operators. Astrium Satellites' business covers the four categories of satellite systems described below:

- *Telecommunications satellites*, which have multiple applications, such as long-distance and mobile telephone links, television and radio broadcasting, data transmission, multimedia and Internet trunking. They may be used for civil or military applications;
- *Observation satellites*, which allow the collection 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*, which are tailor-made products adapted to the specific requirements of the mission assigned to them. They have applications such as astronomical observation of radiation sources within the universe, planetary exploration and Earth sciences; and
- *Navigation satellite systems*, which deliver signals that enable users to determine their geographic position with high accuracy, and are increasingly significant in many sectors of commercial activity, such as airlines, transport operators on land, sea and air, emergency services, agriculture and fisheries, tourism and telecommunications networks.

Market

The commercial telecommunications satellite market is extremely competitive, with customer decisions based principally on price, technical expertise and track record. Astrium Satellites has a worldwide market share of approximately 30% according to internal estimates, and its main competitors are Boeing, Lockheed Martin and Loral of the United States and Thales Alenia Space (TAS) of France and Italy. Management views the telecommunications satellite market as one of slow but sustained growth, supported by factors such as (i) increased telecommunications demand, including Internet, multimedia and military needs, and (ii) greater demand to replace aging products. In the face of continued strong competition, Astrium Satellites will seek to consolidate its position in this market.

In the market for observation, scientific and navigation satellites, competition in Europe is organised either on a national or multinational (European Space Agency (ESA), Eumetsat) level. In the latter instance, a fair return principle pursuant to which contracts are awarded to national suppliers in proportion to the respective financial contribution made by their governments is often employed. There is also sizable export demand for Earth observation systems, for which EADS is currently the sole significant European provider.

Furthermore, civil state agencies, including the ESA, have displayed increased needs for Earth observation satellites in the framework of European environmental programmes. EADS expects the scientific satellite market to remain stable over the medium term.

In the market for navigation satellites, the primary development in 2007 was the decision by the European Union to move ahead with development of a European global satellite navigation system named "Galileo". The ESA has been charged with direct procurement of the various necessary components (space segment, ground segment, system support, launchers, etc.) with full deployment targeted for 2013. For the space industry and its customers, the Galileo programme's economic, industrial and strategic importance is paramount. This programme is expected to be a driver of innovative user- and customer-oriented solutions, creating new markets for navigation-related services.

Finally, in the market for military satellites, demand for telecommunications and observation satellites has strengthened. In recent conflicts, the shortcomings of European military capabilities in these areas became apparent, while the need for preparedness in the face of elusive threats has only grown. The Skynet 5/Paradigm contract in the United Kingdom, the Satcom BW contract in Germany, the Yahsat contract in the U.A.E. and other development contracts in France demonstrate the growth trend in this market.

Products

Astrium offers turnkey satellite systems to its customers through an array of wholly owned subsidiaries such as (i) Astrium Spain, which supplies platforms, space-borne antennas, deployment mechanisms and harness subsystems for telecommunication satellites, (ii) Tesat (Germany), which is in charge of telecommunication electronic equipment and subsystems, (iii) EADS Sodern (France), which provides satellites sensors, and (iv) Dutch Space (Netherlands), which provides solar arrays and other specialised items.

Telecommunications Satellites. Astrium Satellites produces telecommunication satellites for fixed and mobile applications and direct-to-home broadcast services. EADS' geostationary telecommunication satellites are based on the EUROSTAR family platforms (54 ordered to date), the latest version of which is EUROSTAR 3000.

Astrium Satellites won six commercial satellite orders in 2007 (for a 30% worldwide market share), all based on the EUROSTAR platform (Hot bird 10 for Eutelsat, Amazonas 2 for Hispasat, Arabsat 5A and Badr 5 for Arabsat, Alphasat for ESA/Inmarsat, Ka Sat for Eutelsat). In addition, EADS won a contract (together with Thales Alenia Space) from Mubadala Development Company in Abu Dhabi for the construction of a secure satellite communications system based on two Astrium satellites.

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

Astrium Satellites designs and manufactures a wide range of highly versatile platforms, optical and radar instruments, and ground segment equipment for the complete scope of remote-sensing applications, operations and services. Astrium Satellites is one of the global market leaders in the field of Earth observation satellites, and the prime contractor for many of the ESA's and CNES' principal observation programmes. In particular, it is the prime contractor for (i) the Spot multi-mission platform series, in use in 15 European Earth observation satellites and recognised as an industry standard, (ii) Metop, a next-generation polar-orbiting meteorological satellite, with the first of three having been launched in 2006, (iii) Pleiades, two small and highly agile Earth observation satellites for civil and military applications, expected to be launched in 2008 and 2009, (iv) Swarm, a climatology satellite monitoring the evolution of the Earth's magnetic fields, (v) Cryosat 2, a radar satellite designed to monitor the thickness of polar ice caps, and (vi) Tandem X, an imagery satellite. In the export market, Astrium Satellites signed a contract in 2005 with South Korea to provide the communication and Earth observation satellite Coms (together with the associated ground segment to be delivered in 2009), as well as contract in 2006 with Algeria to provide two observation micro-satellites. Finally, TerraSAR-X, a radar-based observation satellite ordered by the German space agency DLR, was successfully launched from Baikonur in June 2007 and Theos, an observation satellite for Thailand, is in the final stage of launch preparation.

In 2007, Astrium Satellites won a contract to build the radar-imaging payload for the Sentinel-1 satellite. Observation of the Earth's surface, oceans, the European marine environment and ice-covered regions are the main targets of the Sentinel-1 mission for systematic imaging and monitoring.

Navigation Satellites. Following the decision reached by the European Union at the end of 2007 to move ahead with the development of Galileo, the ESA has been placed in charge of direct procurement of the various necessary components (space segment, ground segment, system support, launchers, etc.).

With respect to the satellites needed for the validation phase of the programme, Astrium Satellites has been appointed prime contractor for the Giove B satellite, which will be launched in the first quarter of 2008.

Military Satellites. In addition to military Earth observation activity, Astrium Satellites is active in the market for various other advanced applications. These systems demonstrate Astrium's leading role in complex systems offers, reflecting the efficient use of synergies between Astrium's space and defence activities.

Astrium Space Transportation

Astrium Space Transportation is the European space infrastructure and space transportation specialist. It designs, develops and produces Ariane 5 launchers, the Columbus laboratory and the ATV cargo carrier for the International Space Station (ISS), ballistic missiles for France's deterrence forces, propulsion systems and space equipment.

Orbital Infrastructure

The orbital infrastructure segment in which Astrium Space Transportation operates comprises manned and unmanned space systems. The ISS, together with related vehicle and equipment development programmes and services, constitutes the predominant field of activity in this segment. Astrium Space Transportation is the prime contractor under an ESA contract relating to two key elements of the ISS: the Columbus Orbital Facility laboratory (COF) and the Automated Transfer Vehicle (ATV).

Market

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

Products

Astrium Space Transportation is the prime contractor for the development and integration of the COF. The COF is a pressurised module with an independent life-support system. It will provide a full-scale research environment under microgravity conditions (material science, medicine, human physiology, biology, Earth observation, fluid physics and astronomy) and will serve as a test-bed for new technologies. The COF was lifted to the ISS on the shuttle flight of 7th February 2008.

Astrium Space Transportation is also the prime contractor for the development and construction of the ATV, designed to carry fuel and supplies to the ISS and to provide reboost capability and a waste disposal solution. The ATV will be the first European vehicle to carry out a rendezvous in space and dock automatically with an orbital station. The first ATV, the Jules Verne, was transferred to Kourou in 2007. It is currently ready for launch and expected to be deployed in the first quarter of 2008. Additional ATV missions are scheduled through 2013. See "1.2 Recent Developments".

Launchers & Launch Services

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

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

Market

Management believes that the commercial market for launch services will likely remain stable at 20/25 payloads per year, relating primarily to the launch of geostationary telecommunications satellites. However, due to various factors (e.g., technology advances and consolidation of customers), this figure remains highly volatile. This market does not include institutional launch services for the U.S., Russian and Chinese military and governmental agencies.

The commercial market for launch services has changed significantly in recent years. Russian companies and state agencies have increased their prices dramatically, thereby making other launchers more competitive in the market.

In the area of national defence, Astrium Space Transportation has been the exclusive supplier of ballistic missiles to the French State since the early 1960s. In addition to conducting production and state-financed development work, Astrium Space Transportation performs substantial maintenance work on the ballistic missile arsenal to ensure system readiness over the life span of the equipment, which may stretch over several

decades. Astrium Space Transportation also provides on-site support to the French military. Finally, Astrium Space Transportation is working in partnership with others on a NATO contract relating to theatre missile defence architecture.

Products and Services

Launch Services. Astrium Space Transportation 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. Astrium Space Transportation is Arianespace's second largest shareholder (after CNES) with a 30.5% stake (direct and indirect), and its largest industrial shareholder. Arianespace is the world's largest commercial launch service provider in terms of total order book. At the end of 2007, Ariane had launched a total of 254 satellites. Arianespace markets and sells the Ariane launcher worldwide and carries out launches from the Kourou space centre in French Guyana.

In 2007, Arianespace won 13 new commercial contracts, representing 50% of the available market, and conducted six Ariane 5 launches, which placed ten satellites (eight commercial and two institutional) into orbit. Since 1999, when the first Ariane 5 commercial launch occurred, 31 Ariane 5 rockets have been successfully launched.

Starsem. Astrium Space Transportation directly owns 35% of Starsem, a French corporation, along with Arianespace (15%), the Russian space agency (25%) and the Russian state-owned Central Specialised Design Bureau "Progress" (25%). Through Arianespace, Starsem markets launch services by Soyuz launchers for medium-weight spacecrafts into low or sun-synchronous orbits as well as for interplanetary missions. Although no new contracts were signed in 2007, there were two commercial launches and one institutional launch performed from Baikonur. Work is also progressing on a new launch pad at Kourou, with the first launch (to be operated by Arianespace) scheduled for early 2009.

Eurockot. Astrium Space Transportation (51%) and Khrunichev (49%) jointly control Eurockot Launch Services, which provides launch services for small, low-Earth orbit satellites with Rocket launchers derived from SS-19 ballistic missiles.

Commercial Launchers. Astrium Space Transportation manufactures launchers and performs research and development for the Ariane programmes. Member states, through the ESA, fund the development cost for Ariane launchers and associated technology.

Astrium Space Transportation has been the sole prime contractor for the Ariane 5 system since 2004. Given the commercial success of Ariane 5, Astrium Space Transportation signed a memorandum of understanding in 2007 concerning

the production of 35 Ariane 5 launchers, in addition to the batch of 30 Ariane 5 launchers ordered in 2004.

Ballistic Missiles. Astrium Space Transportation is the only company in Europe which designs, manufactures, tests and maintains ballistic missiles. Under its contracts with the French State, Astrium Space Transportation has produced the submarine launched MSBS family (M1, M2, M20, M4 and M45) and developed the launch facilities at the Brest naval base. The M45 is deployed onboard France's new-generation nuclear-powered ballistic missile submarine. Astrium Space Transportation manages the operational maintenance of the M45 missile system, assisting the French armed forces until the end of its operational service. Astrium Space Transportation is under contract to develop the M51, a new submarine-based strategic missile system with increased technical and operational capabilities. The second test flight of this new missile was conducted in June 2007 and was fully successful. At the end of 2004, the French MoD awarded Astrium Space Transportation a contract for the M51 production phase and test range facilities with a frame-contract in excess of €3 billion. At the end of 2006 a contract for an enhanced upper-stage was awarded by the French MoD for an amount of more than €200 million, helping to secure Astrium Space Transportation's technical capabilities in this field for the long term.

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

Astrium Services

Overview

Astrium Services offers innovative, highly competitive end-to-end tailored solutions in the fields of secure communications and satellite navigation. The European "one-stop-shop" provider for military satellite communications services, Astrium Services delivers secure military satellite services to a number of countries. It also intends to be a major player in the satellite navigation field through work on Galileo, following the renewed commitment to the programme made by the European Union at the end of 2007.

Products and Services

Military Communications. In 2003, the U.K. MoD selected Paradigm to deliver a global military satellite communications service for its next-generation Skynet 5 programme. This groundbreaking contract, pursuant to which Paradigm currently owns and operates the U.K. military satellite communications infrastructure, allows the U.K. MoD to place orders and to pay for services as required. Offering a catalogue

of services, Paradigm delivers tailored in-theatre and back-to-base communication solutions for voice, data and video services, ranging from a single voice channel to a complete turnkey system incorporating terminals and network management. Paradigm also provides welfare services, ensuring that deployed troops can call home and can use the Internet. The first two Skynet 5 satellites were launched in 2007, with full operational service scheduled for 2008.

In Germany, a team led by Astrium Services will be providing Germany's first dedicated satellites for a secure communications network, due to be operational from 2009. Two military-frequency satellites and a comprehensive user ground terminal segment will give the German Armed Forces (Bundeswehr) a secure information resource for use by units on deployed missions, with voice, fax, data, video and multimedia applications. The programme is well on track, with the delivery of the first ground station in 2007. Astrium Services, through a joint venture with ND Satcom (Astrium Services: 75%, ND Satcom: 25%) will operate the system on a long-term basis and provide additional capacity from commercial operators.

In 2007, Astrium Services (together with Thales Alenia Space) signed a contract with Mubadala Development Company in Abu Dhabi for the construction of a secure satellite communications system. Astrium Services will manage the programme, supply the space segment (except for the payload) and 50% of the ground segment. Full delivery is expected in 2011.

Finally, Astrium Services extended its international presence by buying GPT from Ericson in early 2007. GPT is a Saudi Arabian company that provides secured communications to the Saudi National Guard.

Navigation. Following extensive negotiation and discussion, the European Union decided at the end of 2007 to move ahead with development of the Galileo programme. The ESA has been placed in charge of direct procurement of the various necessary components (space segment, ground segment, system support, launchers, etc.) with full deployment targeted for 2013. Astrium Services intends to be a major player in the reorganised programme.

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

Earth Observation Services. Infoterra provides geoinformation products and services to customers including international corporations, governments and authorities around the world. The successful launch of TerraSAR-X in 2007 — a new radar-based Earth observation satellite that provides high-quality topographic information — significantly expands its capabilities in this field. Infoterra also has access to the imagery capabilities of the Spot satellites, through its 40% shareholding in Spot Image.

Production

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

1.1.7 OTHER BUSINESSES

Regional Aircraft – ATR

ATR (Avions de Transport Régional) is a world leader in the market for regional turboprop aircraft of 40 to 70 seats. ATR Integrated is a consortium composed of EADS and Alenia, in which each hold a 50% stake. The EADS ATR business unit, which represents EADS' 50% share of ATR Integrated, is under the responsibility of Airbus.

Market and Outlook

The regional aircraft industry has experienced growing concentration in recent years. During the 1990s, a number of

manufacturers merged, closed or ceased production of regional aircraft, leading to the withdrawal from the market of BAE Jetstream, Beechcraft, Fokker, Saab and Shorts. As of 31st December 2007, the worldwide market for turboprop aircraft of 40-70 seats in production was dominated by two manufacturers: ATR and Bombardier.

After a number of years of relatively low activity, the regional turboprop market has grown dramatically since 2005, due in large part to the advantages of turboprop aircraft over jet aircraft in terms of fuel efficiency and CO₂ emissions. In 2007, ATR delivered 44 new aircraft (compared to 24 in 2006) and

recorded orders for 113 new aircraft (compared to 63 in 2006). ATR had a backlog of 195 aircraft at 31st December 2007, an increase of approximately 60% over 2006. ATR's market share in 2007 was over 60%. The relative fuel efficiency and reduced CO₂ emissions of turboprop engines, as well as soaring fuel prices, are expected to lead to sustained market activity over the coming years. The market for second-hand aircraft also remained strong in 2007, which led to a further increase in the residual value of used ATR 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, 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. In its effort to improve its product performance and value for airlines, ATR launched a new version in 2007, the ATR-600 family, with new glass cockpit and improved engine performance.

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

ATR Asset Management. Consistent with industry practice, a significant portion of orders received by ATR is conditional on its assistance in financing these orders either through leasing or loan guarantee arrangements. ATR Asset Management manages the resulting risk and employs a strategy of consistent reduction of sales financing exposure.

ATR Asset Management also responds to the growing market for second-hand aircraft by assisting in the placement and financing of used and end-of-lease aircraft. By providing quality reconditioned aircraft at attractive prices, ATR Asset Management has helped both to broaden ATR's customer base, in particular in emerging markets, and to maintain the 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 as they await reconditioning and resale or leasing, subject to market conditions.

Production

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

General Aviation

EADS Socata

EADS Socata manufactures a range of business aircraft for both the private civil aircraft market and government fleets. The company is also specialised in aerostructure subcontracting, pursuant to which it produces materials and subassemblies for major international aviation programmes, including, but not limited to, EADS programmes.

Over the past 20 years, EADS Socata has developed a range of piston engine aircraft, the TB family, as well as the single turboprop pressurised TBM 700 for the business market. As a result of continuous development and use of innovative technologies, EADS Socata products rank among the best in the industry.

To strengthen its market position in business and private aviation, EADS Socata has also launched an improved version of the TBM aircraft — the six-seat TBM 850 — featuring increased power, speed and range, brand new digital avionics and new interiors.

The latest TBM 850 model offers a jet-like maximum cruise speed with maximum security and comfort thanks to the new glass cockpit avionics. The single engine turboprop provides all the advantages of a light jet at lower direct operating costs.

Since the launch of its aerostructures activity in the early 1960s, EADS Socata has positioned itself as a tier one global subcontractor for complete assemblies. Its engineering department carries out development and design for key components for major aviation programmes, including Airbus (A400M, A380, etc.), Dassault (F7X), Eurocopter and Embraer. EADS Socata's core skills are in sheet metal forming and stretching, composite materials and semi-manual structural assembly for aeronautic programmes.

EADS Socata is also experienced in the use of composite materials for aircraft structural elements, in particular for the Airbus A330/A340, as well as in metal-composite combination technology and forming of large-dimension metal panels. EADS Socata carries out design work for a number of European aviation programmes, including Airbus, Eurocopter and Falcon aircraft.

In order to maintain its competitiveness in the aerostructure business, EADS Socata established a low-cost facility based in Casablanca, Morocco in 2007.

Aircraft Conversion and Floor Panels

EADS Sogerma

On 10th January 2007, EADS Sogerma completed the sale of three of its subsidiaries dedicated to global support and maintenance — Sogerma Services, Sogerma America Barfield B.C. and EADS Sogerma Tunisie — to the TAT Group. EADS Sogerma will continue to conduct some maintenance activities through its subsidiaries SECA and REVIMA until they are sold. EADS Sogerma also sold its corporate jet outfitting activities to Airbus in August 2007, which in turn created a dedicated subsidiary: ACJC. Currently, EADS Sogerma is focused on its core businesses: aerostructures and cabin interior activities.

In the aerostructures field, EADS Sogerma engages in the design, manufacturing and assembly of Airbus aircraft sections (A318/A320/A330/A340), manufacturing and assembly of ATR wings, design and manufacturing of the A400 ramp door as well as design and manufacturing of pilot and co-pilot seats. In the cabin interior segment, EADS Sogerma designs and manufactures first and business class seats for Airbus and Boeing platforms.

EADS Sogerma owns three sites in France (Rochefort, Bordeaux and Toulouse) and benefits from a low cost subsidiary in Morocco (Maroc Aviation) as well as two subsidiaries specialised in composites: CAQ (Composite Aquitaine) in France and CAL (Composite Atlantic) in Canada.

EADS Elbe Flugzeugwerke GmbH – EFW

EFW has two main business activities: the conversion of commercial passenger aircraft into freighters and the production of flat sandwich aerostructures for all Airbus models.

The conversion of passenger aircraft into freighter aircraft (“P to F”) is a common heavy modification undertaken on behalf of commercial aircraft owners. The market for aircraft freighter conversion encompasses freight service airlines such as FedEx, airlines with small aircraft fleets and finance groups. Two considerations drive the decision of aircraft operators to convert existing passenger aircraft to freighters: first, conversion is the most efficient way to obtain a modern freighter; second, it maintains the residual value of an aircraft at a high level by extending the revenue-generating service life. Aircraft converted at EFW are very similar to Airbus serial freighter versions.

According to Airbus estimates, airfreight is expected to grow faster than passenger traffic in the next 20 years. Approximately 3,800 dedicated cargo aircraft should meet this total airfreight demand, of which roughly 75% are forecasted to come from P to F conversion.

EFW’s main competitors in the freighter conversion business are independent maintenance, repair and overhaul (MRO) providers, which offer P to F conversions of Boeing aircraft either for their own account or as subcontractors of Boeing. As the only provider of P to F conversions for Airbus aircraft, EFW holds a strong market position in this area. EFW’s current civil programmes comprise A300-600 and A310 conversions and accompanying heavy maintenance services. In a joint venture with Airbus, Irkut and UAC, EFW is also preparing for the P to F conversion of A320 and A321 aircraft. For military customers, EFW converts passenger aircraft to multi-role tanker transport (MRTT) aircraft based on the A310. These aircraft can be operated in several different configurations: troop transport, cargo transport, a combination of both, and as a flying hospital. At the same time, the aircraft can deliver air-to-air refueling support.

In the aerostructures field, EFW is the supplier of fibre reinforced flat sandwich panels for all Airbus models. Its product range covers floor and ceiling panels, cargo linings and bullet-proof cockpit doors. EFW’s engineering department is a certified design organisation that works to develop future products.

1.1.8 INVESTMENTS

Dassault Aviation

EADS holds a 46.3% stake in Dassault Aviation (listed on the Eurolist of Euronext Paris), with Groupe Industriel Marcel Dassault holding a 50.55% stake and a free float of 3.15%.

Dassault Aviation is a major player 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 75 countries. On the basis of its experience as designer and industrial architect of complex systems, Dassault Aviation designs, develops and produces a wide 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 EADS Corporate, whereas the Eurofighter programme is managed by EADS’ Defence & Security Division.

2007 was another record year for Dassault Aviation, with orders totalling €6.3 billion, including 212 firm orders received worldwide for Falcon business jets. Consolidated revenues amounted to €4.1 billion in 2007, with an operating result of €503 million (12.3% margin).

Military Jet Aircraft

Dassault Aviation offers wide expertise in the design and manufacture of the latest generation military combat aircraft.

Rafale. The Rafale is a twin-engine, omni-role combat aircraft developed 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 programme cost of €32.3 billion. 120 aircraft have already been ordered; of these, 82 are destined to the Air Force, and 38 to the Navy.

Mirage 2000. The Mirage 2000 family reached the end of its production phase in 2006. Today, approximately 600 Mirage 2000 aircraft are in service worldwide.

nEUROn. Dassault Aviation is the prime contractor for the development of the UCAV (Unmanned Combat Air Vehicle)

demonstrator, nEUROn. The programme was open to European cooperation and five countries have decided to join in and share the skills of their aerospace industries: EADS CASA (Spain), SAAB (Sweden), HAI (Greece), RUAG (Switzerland) and Alenia Aeronautica (Italy). The nEUROn demonstrator is scheduled to fly in 2011.

Business Jets

Dassault Aviation offers a wide range of products at the top end of the business jet sector. Over 1,700 Falcon business jets have been delivered since the first Falcon 20 delivery in 1965. In-service Falcons currently operate in over 65 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 EASy.

Dasa-Dornier Luftfahrt

DADC, which is 75% held by EADS, holds a 97.2% stake in Dornier GmbH, which in turn holds a 1.6% 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 GmbH. Furthermore, Dornier Luftfahrt GmbH is currently involved in an insolvency proceeding.

1.1.9 INSURANCE

EADS Corporate Insurance Risk Management (“IRM”), centralised at EADS headquarters, is responsible for all corporate insurance activities and related protection for the Group. It includes continuous and consistent identification, evaluation, prevention and protection of insurable risks. Insurance techniques are used to manage these risks professionally and to protect the assets and liabilities of EADS against financial consequences due to unexpected events. Harmonised insurance policies and standards are in place for all insurable risks underwritten by the Group.

An integrated reporting and information system is in place to enable IRM, in close relationship with insurance managers named by the EADS Business Divisions and Business Units, to respond to insurance related risks of the Group. EADS pursues an insurance risk management strategy that includes operating procedures as well as policies regarding procurement and sales agreements.

A systematic review and monitoring procedure is in place to assess the exposure and protection systems applicable to all EADS sites, (i) ensuring comprehensive and timely identification and evaluation of risks, (ii) the initiation of appropriate mitigation and risk avoidance measures (iii) and/or related adjustments of insurance coverage.

EADS’ insurance programmes 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; and
- 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; and
- Life insurance.

Insurance amounts for Non Core Insurance Lines adequately cover the respective exposure.

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. All insurance policies are required to satisfy EADS' mandatory standards of insurance protection.

However, to be more independent from the volatilities of the insurance markets, EADS uses the capabilities of a corporate-owned reinsurance captive as a strategic tool with respect to the Property Damage, Business Interruption Programme and Aviation Insurance Programme. The captive is sufficiently capitalised and protected so as to ensure its ability to reimburse claims without limiting the scope of coverage of the original insurance policies and not additionally exposing financial assets of EADS.

The insurance industry is still 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 having the capabilities and financial strength to underwrite industrial risks is still 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.

1.1.10 LEGAL AND ARBITRATION PROCEEDINGS

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.

Although EADS is not a party, EADS is supporting the European Commission in litigation before the WTO. Following its unilateral withdrawal from the 1992 E.U.-U.S. Agreement on Trade in Large Civil Aircraft, the U.S. lodged a request on 6th October 2004 to initiate proceedings before the World Trade Organisation (“WTO”). On the same day, the E.U. launched a parallel WTO case against the U.S. in relation to its subsidisation of Boeing. On 31st May 2005, the U.S. and the E.U. each requested the establishment of a panel. At its meeting on 20th July 2005, the Dispute Settlement Body established the panels. Between November 2005 and the present, the parties filed numerous written submissions and attended several oral hearings in both cases. The parties continue to provide input in response to the WTO's written questions in advance of issuance of the WTO panels' reports. Exact timing of further steps in the WTO litigation process is subject to ruling of the panels and to negotiations between the U.S. and the E.U.. Unless a settlement, which is currently not under discussion, is reached between the parties, the WTO panels will render their reports probably sometime in 2008.

The French *Autorité des marchés financiers* (the “AMF”) and the German Federal Financial Supervisory Authority (the “BaFin”) began investigations in 2006 for alleged breaches of market regulations and insider trading rules with respect to, in particular, the A380 delays in 2005 and 2006. However, the BaFin formally notified EADS on 3rd March 2007 that it had discontinued its investigations for suspected breaches of market regulations. Upon referral by the BaFin, German public prosecutors are currently conducting investigations regarding suspected insider offences against a few individuals. Furthermore, in Germany, several individual shareholders have filed civil actions against EADS to recover their alleged losses in connection with the disclosure of A380 program delays. Following criminal complaints filed by a shareholders association and by an individual shareholder (including a civil claim for damages), French investigating judges are carrying out investigations on the same facts. For further information related to developments in the AMF investigation in 2008, including the notification by the AMF of charges against EADS and certain of its executives, see “1.2 Recent Developments”. EADS believes that the financial risk associated with the AMF procedure and its possible consequences is not material.

On 3rd October 2006, the EADS Board of Directors decided to conduct an independent assessment of individual discharge of duties in the situation that led to the A380 delays. This investigation extended to scrutinizing potential responsibilities

at the management level. This investigation concluded that no individual failed to discharge his duties under appropriate legal standards and no personal liability of members of the top management of EADS and Airbus was identified.

EADS is not aware of any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which EADS is aware), during a period covering at least the previous twelve months which may have, or have had in the recent past significant effects on EADS and/or the Group's financial position or profitability, except as stated above.

1.1.11 INCORPORATION BY REFERENCE

The English versions of the following documents shall be deemed to be incorporated in and form part of this Registration Document:

- "Part 2/1.1 Presentation of the EADS Group" of the Registration Document filed in English with, and approved by, the AFM on 26th April 2006; and
- "Part 2/1.1 Presentation of the EADS Group" of the Registration Document filed in English with, and approved by, the AFM on 25th April 2007.

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. For the amount provided for risk due to litigations and claims, see Note 22 c.) "Other provisions".

Copies of the above-mentioned Registration Documents are available free of charge upon request in English, French, Spanish and German languages at the registered office of the Company and on www.eads.com. Copies of the financial statements referred to above are also available in English on www.eads.com and for inspection at the Chamber of Commerce of Amsterdam.

1.2 Recent Developments

EADS North America acquires PlantCML

On 22nd April 2008, EADS announced the acquisition of California-based PlantCML, a leading provider of emergency response solutions, from Golden Gate Capital, a San Francisco-based private equity fund, for approximately \$350 million. Based on the good underlying profitability of PlantCML, the acquisition is earning per share (EPS) accretive (on a pre fair value amortisation) in the first year. Leveraging the synergies between the companies is expected to create additional value in the following years. The acquisition was made through EADS' U.S. operating subsidiary, EADS North America, and will become part of the North America business portfolio. PlantCML provides call management and radio dispatch products for emergency call centres, along with emergency notification services, Computer Aided Dispatch (CAD) applications and mapping services. PlantCML has the largest installed base in U.S. public safety answering points.

Notification by AMF of Charges Against EADS and Certain of Its Executives

On 1st April 2008, the AMF announced the notification of charges against EADS and certain of its executives for breach of market information duties and breach of insider trading rules, respectively. EADS, as well as the concerned EADS and Airbus executives, take notice of the decision of the AMF College to initiate proceedings.

In the first step of what is likely to be a long process, the AMF College has considered that the elements gathered during the investigative phase of the enquiry, as interpreted by AMF's investigators, do not justify a dismissal of the case. The AMF will notify EADS and the executives concerned of the nature of the charges against them.

For the first time, EADS and the persons involved will be able to confront the AMF's interpretation with their explanation of the facts of the case. They intend to vigorously exercise their defence rights with the support of EADS, in front of the

Sanction Commission of the AMF which will decide whether to impose fines after due hearing of the parties.

Considering the fact that there is no decision on the substance so far, EADS insists that the principle of presumption of innocence be upheld. EADS believes that the financial risk associated with this procedure and its possible consequences is not material. However, it recognises that these proceedings may have significant consequences on its image and reputation.

Airbus Continues Site Divestment Strategy Despite the End of Preferred Bidder Negotiations with OHB/MT Aerospace

Airbus has terminated negotiations with the OHB/MT Aerospace consortium regarding the sale of the Airbus sites in Nordenham, Varel and the EADS site in Augsburg since a viable industrial and financial solution was not achievable. Airbus will continue searching for other solutions and, in parallel, will proceed with the carve-out of the three sites. The negotiations concerning the partial sale of Filton, the partnering for Meaulte/Saint Nazaire-Ville and the sale of Laupheim continue.

However, the volatility of the financial markets and an exchange rate of nearly \$1.60 per Euro — as opposed to \$1.35 per Euro when the divestment process was started — have created difficult market conditions that are not conducive to an easy and smooth implementation of this process. In this environment, Airbus will have to consider different approaches or interim steps that will finally lead to the same goal.

EADS-led AirTanker Consortium Signs 27-year Air Refuelling Contract with the U.K. Ministry of Defence

On 27th March 2008, AirTanker, the EADS-led consortium, signed a 27-year contract with the U.K. Ministry of Defence for the provision of air transport and air refuelling capability to the Royal Air Force. The AirTanker consortium has also completed its financing for the programme, raising approx £2.5 billion (€3.2 billion) for investment in the fleet, a new state-of-the-art operational base and associated infrastructure.

The Future Strategic Tanker Aircraft (FSTA) programme includes the provision of a fleet of 14 new tanker aircraft, based on the latest generation Airbus A330-200 to enter service from 2011, replacing the previous fleet of VC-10 and Tristar refuelling aircraft. The contract also includes provision for all necessary infrastructure, training, maintenance, flight management, fleet management and ground services to enable the Royal Air Force to fly air-to-air refuelling and transport missions worldwide.

U.S. Air Force Selects the KC-45A Tanker

On 29th February 2008, the U.S. Air Force awarded Northrop Grumman Corp. a contract for the development and procurement of up to 179 KC-45A tanker aircraft with an estimated contract value of approximately U.S.\$40 billion. The initial KC-45A contract with Northrop Grumman covers four system design and development aircraft and is valued at U.S.\$ 1.5 billion.

EADS North America is the partner to Northrop Grumman on the new tanker, with responsibility for assembling airframes and providing completed flight-qualified aircraft and refuelling sub-systems. The KC-45A Tanker is based on the EADS A330 MRTT (Multi Role Tanker Transport). Its airframe is derived from the popular A330 jetliner produced by Airbus.

The Military Transport Aircraft Division is responsible within the EADS Group for all military derivative programmes based on Airbus platforms, including tankers. Starting in 2011, production of KC-45A airframes will be performed at Airbus' new Mobile, Alabama aerospace centre of excellence which will house the Airbus KC-45A final assembly facility. In addition, the final assembly of Airbus A330 civilian freighters will be performed at the same centre, providing a robust final assembly line to ensure low risk, high efficiency and increased capacity for both the U.S. Air Force and commercial Airbus customers.

On 10th March 2008, Boeing announced that it intended to challenge the U.S. Air Force's award of the tanker contract to Northrop Grumman. The Government Accountability Office (GAO), the investigative arm of the U.S. Congress, has up to 100 days to review the challenge and make a determination whether to dismiss or uphold it. If it upholds the challenge, the GAO could require the U.S. Air Force to hold another competition.

Airbus Delivers Third A380 to Singapore Airlines

The third Airbus A380 was handed over to Singapore Airlines on 11th March 2008. The third aircraft for the first A380 operator follows the delivery of the first A380 on 15th October 2007 and the second delivery on 11th January 2008. The third aircraft is fitted with the same spacious and luxurious cabin-interior Singapore Airlines revealed on the occasion of the delivery of their first A380, also featuring 471 seats in three classes.

Eurocopter Enjoys Strong Demand for the EC175

Eurocopter encountered strong demand at the world's most important Helicopter Exhibition, Heli-Expo 2008 in Houston, for its brand new EC175. Eurocopter signed intentions to buy with 13 different customers for a total of 111 units. All of these customers intend to use the EC175 mainly for offshore

oil and gas missions as well as search and rescue operations. Eurocopter also booked 120 orders for the rest of its range, marking its continued success in extremely active North American and international markets.

Ariane 5 ES Sends the ATV to the International Space Station

On 9th March 2008, an Ariane 5 ES placed the Automated Transfer Vehicle (ATV) supply vessel Jules Verne into orbit on the very first attempt.

Columbus Successfully Docks with the International Space Station

Europe's space laboratory Columbus is in space: it successfully docked with the ISS on 11th February 2008. The module was built by Astrium for the European Space Agency ESA.

Corporate Social Responsibility

2

2.1	Business Ethics	52
2.1.1	PROPER BUSINESS PRACTICES	52
2.1.2	EXPORT COMPLIANCE	55
2.1.3	COMPLIANCE WITH LAW REGARDING ALL EADS' ACTIVITIES	56
2.1.4	CORPORATE GOVERNANCE STANDARDS	57
2.2	Sustainable Growth	58
2.2.1	PRODUCT QUALITY AND CUSTOMER SATISFACTION	58
2.2.2	SUSTAINING AND PROTECTING INNOVATION	60
2.2.3	SUPPLIER MANAGEMENT: FOSTERING A MUTUALLY BENEFICIAL RELATIONSHIP WITH EADS' SUPPLIERS	64
2.3	Environmental Care	68
2.3.1	POLICY	68
2.3.2	ORGANISATION	68
2.3.3	PERFORMANCE AND BEST PRACTICES	69
2.4	Human Resources: Employer – Employee Relationship	72
2.4.1	WORKFORCE INFORMATION AND ORGANISATION OF WORK	72
2.4.2	HUMAN RESOURCES ORGANISATION	73
2.4.3	HUMAN RESOURCES POLICIES AND PERFORMANCE	74
2.5	Corporate Citizenship	81
2.5.1	MAINTAINING AN OPEN DIALOGUE WITH EADS' STAKEHOLDERS	81
2.5.2	ENCOMPASSING COMMUNITY INTERESTS IN EADS' GLOBAL STRATEGY	82

EADS was founded seven years ago, as the result of a European industrial ambition to create a world leader in the field of aeronautics, defence and space. Built as a challenger and driver of change, EADS is at the head of some of the greatest European achievements, such as Airbus, Ariane, Eurofighter or Eurocopter. A part of this ambition and vision are its shared values of integrity and social and ethical responsibility. The Group is committed to the principles and values that are laid down in its Code of Ethics as well as to the Corporate Social Responsibility (“CSR”) policies which were formalised in 2004. Since then, these policies are being progressively cascaded down, and continuously updated in order to take into account the environment and the challenges faced by the Group and to reaffirm its commitment towards its values. 2007 has seen remarkable achievements with a reshaped governance structure, Power8’s first results, international deployment initiatives, as well as commercial successes. Yet, the Company has faced technical and industrial challenges over the past two years. EADS believes that its dedication to corporate responsibility policies contributes to the Group’s initiatives for long-term competitiveness and performance.

Through its Vision 2020, EADS has clearly reaffirmed its commitment to further develop and integrate its CSR policies within the daily business.

EADS indeed considers that recognition of its social and ethical responsibility is a key enabler to long term value creation. EADS acknowledges that the Group’s responsibilities include serving all its stakeholders: customers, employees, shareholders, but also society as a whole through contributing to the well-being of individuals as well as to the prosperity of communities.

The Group’s strategy envisages a sustainable balance between economic performance, consideration of stakeholders’ interests and respect for the environment. Hence, EADS strives to:

- Move towards eco-efficiency and become a front-runner in developing the most advanced green technologies;
- Deliver value through developing fruitful relationships with stakeholders, with the aim of being a responsible and sought after partner; and
- Sustain economic performance while promoting benchmark ethical standards.

EADS’ Approach to CSR

The EADS approach to CSR takes into account the Group’s structure and specificities, it builds upon the Group’s expertise. The EADS approach to CSR:

- Is coordinated by the Group’s Corporate Secretary who (1) is the architect of a comprehensive group-wide organisation to address CSR questions in a structured way; (2) coordinates

an internal CSR network to ensure visibility and consistency of EADS’ approach both internally and externally; (3) identifies and explores emerging issues facing the field of CSR, and defines the means to respond accordingly; (4) makes proposals and recommendations to the EADS management regarding all CSR matters, (5) represents EADS before outside networks and maintains the dialogue with stakeholders, and (6) the Group’s Corporate Secretary is in addition in charge of coordinating and managing Ethics and Compliance matters at Group level;

- Provides a framework setting out guidelines for the Divisions and BUs that are responsible for the day to day business and that ensures dialogue with their direct stakeholders;
- Addresses the EADS CSR key challenges such as export compliance: As a defence company, EADS Group specifically acknowledges its responsibility in selling defence products and providing services to nations that contribute to their security during peace time. EADS delivers products and integrated solutions pursuant to customer specification. These products have to comply with the applicable laws put in place by the responsible government (arms export laws, embargo rules, Ottawa agreement, and anticorruption policy); and
- Incorporates the specific nature of the Group’s products, such as the average lifecycle of over 30 years which requires a continuous long-term approach.

The present chapter aims at illustrating that the EADS CSR policies are already increasingly incorporated into daily business, by describing best practices identified throughout the Group and reporting performance indicators. A number of quantitative and qualitative Key Performance Indicators (“KPI”), based upon the Global Reporting Initiative, the Global Compact principles and the French Nouvelles Régulations Économiques and tailored to EADS’ business were indeed defined, starting with the 2004 report, and reflect some of EADS’ CSR achievements.

EADS Code of Ethics

At the time of the creation of EADS, the Code of Ethics was established and communicated to the employees of the Group. This Code of Ethics aimed at emphasising values that were key success factors for achieving an efficient integration of different companies into one group. In 2005, more than four years after the creation of EADS, in light of its establishment as a market leader in many of its businesses, and considering the evolving legal environment relating to business ethics, EADS updated the Code of Ethics in order to reflect practices recommended by various codes and laws and to align with best practice.

The enhanced EADS Code of Ethics sets out in one single comprehensive document the Group's business guidelines related to the ethical standards that the Group adheres to.

The Code of Ethics serves as a core EADS business guideline of an architecture of documents in which the code also refers to pre-existing, detailed policies as laid out in the EADS Corporate Handbook as well as Division or BU specific policies and processes. It is based on EADS' underlying values and is fully in line with internationally recognised standards as laid out in charters, declarations or guidelines, such as the Universal Declaration of Human Rights, the International Labour Organisation's Declaration and OECD Convention. EADS, as a signatory of the United Nations Global Compact, is committed to promoting, within its sphere of influence, the application of fundamental values regarding Human Rights, Labour, Environment and Anticorruption. EADS is willing to report on the Group's success in implementing its sustainable development strategy.

Since April 2006, the Code of Ethics is available in the four EADS languages on the Group intranet and can be downloaded from the EADS web site www.eads.com.

The Code of Ethics covers the full scope of EADS' CSR policies, addressing in its five chapters the principal lines of ethical behaviour:

- "Creating a positive working climate" describes EADS' principles in terms of, e.g. dialogue and representation, equal opportunities policy, and management of HR development;
- "Doing business ethically" discusses issues such as conflicts of interest, export control and contracting with governments, as well as the hiring of government officials;
- "Fostering sustainable growth" deals with proper use of information and intellectual property rights, as well as relationships with suppliers;
- "Respecting the environment" covers developing environmentally sound processes and products; and
- "Living in our communities" describes the ways in which EADS contributes to the life and development of communities where it operates.

The Code of Ethics, therefore, gives guidance to all employees about appropriate conduct in their professional environment.

EADS is committed to implementing the principles described in this Code, in particular through entrusting an EADS Ethics Committee with compliance responsibility in ethics matters.

The Code of Ethics describes the missions of the Ethics Committee set up by the EADS Board of Directors. In particular, the Ethics Committee will offer guidance to the EADS Chairman, the Board of Directors and its Committees, the CEO, and Executive Committee, as well as management at large regarding all ethical questions. The Committee will submit at least annually a report to the EADS Board of Directors with respect to each year's activities. It will also implement appropriate coordination with the compliance functions of EADS and its Divisions.

In 2006, EADS initiated a review of its compliance activities and processes; its findings were that EADS had a solid base of compliance practices, compliance processes existing for each of the CSR domains relevant to the business. Within the aerospace and defence industry, the overall level of compliance in the CSR domains is globally rated average or above average by rating agencies. The level of achievement by EADS of these agencies' expectations varies among the covered topics, depending upon the compliance levels that the Group has already completed e.g. the international compliance programme (see *infra* 2.1.1) is well perceived by EADS' stakeholders for it provides clear compliance rules, a structured compliance organisation and the implementation of compliance processes is substantiated by KPIs. Notwithstanding, the Group is considering to further develop its compliance approach and thus, is studying the possible implementation of a comprehensive group-wide compliance organisation to address overall compliance in a structured way. This organisation would also aim at further developing the awareness of the principles laid down in the Code of Ethics as well as at ensuring that individual behaviour is in line with the Group's commitments and policies. The contemplated organisation shall incorporate an ethics alert system.

EADS CSR policies

EADS' policies have been designed to support and implement EADS' long-term vision and strategy in terms of CSR and are supported by an internal control system in areas such as compliance with OECD rules, export restrictions, IP protection, research and development etc. (See "Part 1/ 2.1.5 Internal Control and Risk Management Systems"). They give guidance for day-to-day business and are in accordance with EADS' underlying values.

CSR POLICIES ON DOMAINS IDENTIFIED AS MOST RELEVANT FOR EADS

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

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

2.1 Business Ethics

2.1.1 PROPER BUSINESS PRACTICES

Doing international business requires being especially vigilant so as to ensure that all companies belonging to the EADS Group always comply with all applicable laws and regulations relating to international sales, as well as with very high business ethics and integrity standards. EADS aims at setting standards to govern its business ethics and integrity policies which often go beyond applicable laws and regulations.

To achieve this aim, EADS has been implementing a comprehensive set of rules and processes since 2000 aimed at ensuring compliance with such laws, regulations and business ethics and integrity standards.

2.1.1.1 Policy

- “EADS is active in sectors which are strictly ruled by national and international regulations. EADS is committed to absolute compliance with applicable regulations wherever its entities operate.
- Fighting against corruption and economic crime in foreign trade has become a major challenge for all international companies. In order to meet this challenge, EADS is fully committed to complying with applicable national and international legislation, including the OECD Convention of November 1997, as incorporated into the legislation of

37 countries. EADS' International Compliance Programme (also known as the “Rules relating to Foreign Trade”) is a corporate policy, applicable to all international operations of EADS and its affiliated companies, intended to detect and prevent bribery and unfair dealing.

- EADS is often involved in proposals, bid preparations or contract negotiations with governmental authorities because of the nature of its products and services. The Group's policy is to compete fairly and legally for all business opportunities as well as to conduct negotiations and perform contracts when awarded in compliance with all applicable requirements, specifications and contractual obligations.”

2.1.1.2 Organisation

The EADS Rules for Foreign Trade

EADS has implemented a detailed corporate policy, the EADS Rules relating to Foreign Trade, which applies to all international operations of the Group's entities, and which is intended to detect and prevent bribery and unfair dealing in international sales. This policy has been published in EADS' Corporate Handbook and is incorporated in the EADS Code of Ethics, which is available to all employees through the Company intranet.

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

The main pillars of the Rules for Foreign Trade are the following:

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

Those policies and procedures shall apply to all operations directly or indirectly relating to foreign trade.

The Group's business partners must respect these policies and procedures, and any failure to do so shall lead to early termination of the contract in place.

Furthermore, EADS conducts regular audits of implementation of all related agreements entered into by BUs to verify that Group policies and procedures are properly implemented and the BUs are instructed to report on a yearly basis on the implementation of such policies and procedures. This is especially the case concerning the payments made to the business partners, which must at all times be fully justifiable.

In 2007, EADS has a network of 42 International Compliance Officers ("ICOs") representing each BU. ICOs are responsible for ensuring the correct application of the policies and procedures within their respective BUs. They are also in charge of nominating appropriate "ICO correspondents" in each BU's controlled entity with a view to properly cascading the compliance duties in all operating countries.

Partnerships and initiatives

EADS is also developing regular contacts with international bodies such as the OECD, the International Chamber of Commerce ("ICC") and the European Union ("GRECO") and peer companies with a view to setting and promoting integrity standards in the aerospace and defence sector. In this respect,

EADS works closely with the European Aerospace & Defence Industries Association of Europe ("ASD") and its members (such as CIDEF and GIFAS in France, BDLI in Germany, ATECMA & AFARMADE in Spain or SBAC in the U.K.), and also with major European aerospace and defence companies. As a consequence, ASD has produced, in 2007, a "Common Industry standards" document ("CIS") approved by the ASD Council, to promote and enhance integrity practices amongst its members. This document defines the principles aiming at setting high standards, exchanging best practices, promoting training and compliance programmes, and more generally generating and disseminating common European industry positions on ethics and anti-corruption issues to observe and apply national legislation on anti-corruption rules implementing the 1997 OECD Convention against corruption and the United Nation Convention Against Corruption ("UNCAC") as well as any other applicable laws. The largest international aerospace and defence companies and associations have adhered to the CIS.

EADS promotes and opens dialogue with other companies and industry associations, especially those belonging to OECD countries (e.g. U.S.), but also non-OECD countries at a later stage. As a matter of fact, EADS views such an international initiative as a perfect opportunity to enhance the level playing field which the OECD Convention, and thereafter the UN Convention, have started to establish i.e. criminalise corrupt practices, develop national institution's to prevent corrupt practices and to prosecute the offender, cooperate with other governments to recover stolen assets and help each other to fight corruption, reduce frequency and reinforce integrity.

EADS is also maintaining a relationship with the ICC anti-corruption Commission and the French Corruption Monitoring Council (*Service central de prévention de la corruption*), which signed a convention with EADS in 2003.

According to a survey conducted by Novethic and the SCPC (Service Central de Prévention de la Corruption) in 2006, only seven companies amongst those belonging to the French CAC 40 are reported as being transparent and meeting international standards. EADS is one of these companies.

2.1.1.3 Performance and Best Practices

In December 2005, EADS made a first **amendment of the Rules for Foreign Trade**, as a result in particular of advice received from reputable international experts in business ethics and anticorruption laws and practices. The main objective of these amendments was to adapt the Rules to the evolution of the Group, and to disseminate the identified best practices across the Group as a whole. With the aim to constantly monitor the Rules according to the industry standards and best practices, a new update is planned in 2008.

EADS conducts regular **assessments and audits** to detect and spread Group best practices in international business ethics.

In addition, the Group has developed a comprehensive **training policy** so as to disseminate an awareness culture within all BUs. All employees dealing with international business attend such training sessions. In order to communicate and explain the Group's corporate values and policies to all concerned, around 87 training sessions took place in 2007 across EADS, sometimes with the attendance of third parties (prosecutors, representatives of international bodies, lawyers, etc.). This represents a very high number of training sessions, which demonstrates that the dissemination of the EADS compliance culture in all BUs is a key element of EADS' management system.

The Group has issued a leaflet entitled "*EADS Business Ethics Policy For Consultant Agreements: Transparency & Substantiation*", which is given to all prospective international marketing consultants. This leaflet summarises Group policies and procedures regarding selection of international business partners. Such international business partners are also invited to attend specific training sessions when deemed appropriate.

The Group's ICOs meet periodically to share concerns and best practices. An annual ICO Conference has been organised since 2003 involving more than 100 people involved in foreign trade business and operations. The last "International Compliance Officers Workshop" held on June 2007 in Paris was focused on the EADS Rules dedicated to:

- The Offset Providers with a dedicated Offset Service Provider Procedure; and

- The International Business Engineering Projects with the selection and validation process through the Companies Development & Selection Committee ("**CDSC**").

The workshop also details the achievements made regarding the implementation of the Rules Relating to Foreign Trade within the BUs, including countries' information on Public Officials Code of Conduct relating to "Gifts & Hospitality".

EADS also releases Group-wide internal bulletins on a regular basis, the so-called **ICP Info** Newsletters (International Compliance Programme Newsletters). These focus on the evolution of the regulatory environment for foreign trade and highlight information reported by international media regarding the fight against corruption and economic crime worldwide. These bulletins complete and update the information given to EADS employees during the training sessions.

In relation with its international businesses, EADS uses third parties, such as consultants and international business partners in order to provide appropriate assistance and expertise to BUs on current or potential business for EADS and/or promote EADS products or services in various countries. The contractual arrangements for such services are governed by internal rules and policies that describe the entire contractual process, from the selection of the partner to the implementation and execution of the agreed service. In order to ensure that the rules are understood and strictly applied, consultant and service providers agreements are audited. The purpose of these audits is to check the substantiation of the contractual duties delivered by the third party in exchange for remuneration. The table below presents information concerning the percentage of consultant files audited in each of the past three years. None of the audits have revealed any material deficiencies.

	2007	2006	2005
Consultants & other business partners files audited*	94.9%	91.9%	92.3%
Number of ICP Info Newsletters issued	3	3	3
Number of training sessions held by ICOs	87	76	52

Scope: EADS.

(*) Total audited files/Total active files of consultants and other international business partners (2005 figure has been re-calculated accordingly).

Improvement of the Rules' implementation process within existing, and new, EADS controlled entities, has increased the number of Consultants and other Business Partners files received by EADS International Operations.

Adjustment in EADS perimeter would lead to additional audits in 2008.

2.1.2 EXPORT COMPLIANCE

2.1.2.1 Policy

- “EADS complies with all national import and export control regulations that govern the exports and imports of commodities, technical data and technical support (including national commitments regarding E.U. and U.N. obligations).
- EADS follows the compliance guidelines of the applicable export control administrations. The Group always obtains export licenses and other government approvals prior to exporting products and technology controlled by governments or the E.U..
- EADS is committed to implementing industry best practices; the Company complies with EADS internal policies and all business objectives worldwide, which may exceed the requirements of national laws and regulations.”

According to the particular nature of the industries that it is active in, EADS has put a special focus on the overall compliance with export control regulations and laws. Especially in the area of defence and dual use goods, governments are important customers; EADS has established a cascading system of export control procedures and policies, also taking into account that export policy is an important element of foreign policy of the governments of EADS' home countries.

2.1.2.2 Organisation

In the Western world, export legislation has a high degree of commonality and export control rules are harmonised by various international export control regimes by governments. Therefore, the ultimate decision for exports is always in the hands of relevant governments and EADS does not export any product without a respective export licence.

Within EADS, there are **national export control organisations** in each country, assuring compliance with the respective national laws and regulations. They give approval or advice for all export activities (prospecting, negotiation, offers, proposals, licensing, shipment...) at the earliest possible point in time. These organisations are also responsible for adequate education and training of all export control officers in the Divisions and communication of applicable laws and regulations. They also ensure harmonised licensing procedures according to the respective national regulations. Meetings between the national export control organisations are held on a regular basis.

In addition, in each of the **Divisions** there is a **cross country export control organisation** in place handling both the business specific issues and the day to day business and controlling compliance with licenses at the final stage of the delivery of the goods, technologies or services.

In each of its home countries, EADS is known as a reliable exporter. It works closely together with the government in the ultimate goal of preventing proliferation of sensitive goods and technologies to non reliable countries or persons. For any delivery, EADS checks the reliability of the end use and the end users according to various criteria.

In recognition of EADS seriousness and reliability, the Group is a privileged partner to the governments of its home countries and e.g. holds Global Project Licences and simplified approval and exporting procedures.

Although the responsibility and liability for exports is in the hands of its BUs, the CEO reserves personally the assessment of any **export in sensitive countries** by a special directive and special procedures. This procedure is based on a case by case review in which EADS' Strategy and Marketing organisation provides EADS' top management with legal elements and geo-politics inputs for the final review.

If a planned export may be of concern for one of EADS' home countries, the political situation is checked in close connection with governmental authorities.

2.1.2.3 Performance and Best Practices

Export Control Committee

The national heads of Export Control and the Divisions' heads of Export Control form the Export Control Committee which holds quarterly meetings for exchanging information, and establishing specific cross country procedures tailored to the operative business (space, defence, aeronautics).

The Export Control Committee has prepared an EADS Compliance Directive in export matters and maintains the information about sensitive countries up to date. The national heads of Export Control are responsible for issuing and maintaining national export control compliance manuals on the basis of EADS common principles and rules.

Training and Education

The export control professionals hold training and education sessions for employees and managers of all operative organisations involved in export control (e.g. procurement, sales, engineering and project management). Export control education is also part of EADS' management development programmes.

Procurement Directive

Due to the extraterritorial application of export and re-export regulations of some countries (e.g. U.S.), EADS is forced and committed to comply with these laws and regulations. In order to ensure compliance and to manage economic risks, EADS has issued a procurement directive. This directive asks for export classification of foreign products already in the phase of procurement in order to be able to be compliant during the whole supply chain and to minimise economic risks of compliance cost for further phases.

Audits

The EADS export compliance system is regularly audited and approved by governmental authorities. Also external ex-post controls of compliance with laws and regulations are performed.

In 2005, a comprehensive internal audit took place for the export control systems in each country and in each Division. There were no major findings, neither by external audits, nor by the internal audits concerning legal compliance. A number of proposed operational improvements were implemented in 2006 and 2007.

2.1.3 COMPLIANCE WITH LAW REGARDING ALL EADS ACTIVITIES

Compliance and verification of compliance with all the laws and regulations of the countries where the Group does business is a must at EADS. Rapid changes in the industry and the overall global environment constantly present new legal or regulatory requirements which call for robust internal controls in the field of legal compliance.

2.1.3.1 Policy

- “EADS is committed to complying with antitrust and competition as well as humanitarian law, when applicable, in all of its activities and throughout the Group.
- EADS screens new customers and suppliers to ensure that they do not do banned business.”

The overall compliance with the law programme: Amongst the various areas of the law which require constant monitoring, it is worth mentioning a few examples that are of particular importance to EADS, although the list is only indicative. Examples of this permanent monitoring process are: compliance with the laws and regulations governing competition, protection of the environment, public sector procurement and accounting and financial reporting.

Compliance with Corporate Governance standards is another area of focus. Governance practices are developed and monitored to fulfil the Board’s responsibility towards customers, shareholders and employees, to oversee the work of management in the conduct of the Company’s business, and to serve the long-term interest of stakeholders.

Insider Trading Rules: The Dutch AFM, as well as other stock exchange authorities (the French AMF, the German BaFin, and the Spanish CNMV), which regulate the markets on which EADS securities are listed, impose certain rules upon EADS and require it to enforce these rules internally. Hence, EADS adopted in 2000, its Insider Trading Rules. EADS’

Insider Trading Rules belong to the best practise processes and apply to all EADS employees and even for some time after people retire or leave the Company. The guiding principle is that employees should freely perform any EADS securities transactions provided that they act in accordance with EADS Group’s policies which are set out in EADS’ Insider Trading Rules. According to the rules, more than 2,500 managers are strictly subject to no-trading periods over the year. People in higher and top management functions have only very limited trading windows after each quarterly results publication. On top of this, those concerned also have to inform the Insider Trading Rules Compliance Officer in order to proceed with the transactions. All No-Trading Periods are widely communicated amongst the respective communities and people are personally informed by mail when they are subject to such trading restrictions.

2.1.3.2 Organisation

From an organisational standpoint, EADS **Legal Affairs**, in coordination with the Divisions’ and BUs’ legal departments, is responsible for designing, implementing and overseeing the policies and processes aimed at ensuring that EADS’ activities abide by all applicable laws and regulations. Teamwork amongst all the legal players is aimed at ensuring consistent and comprehensive legal processes in compliance with national requirements. Corporate Legal Affairs is also responsible for overseeing all litigation affecting the Group, as well as for the legal safeguarding of the Group’s assets, including intellectual property.

Extended networks of professionals (e.g. intellectual property...) located close to operational players drive legal compliance activities. These professionals are capable of handling the requirements of the many jurisdictions that are relevant to EADS, not only in its “home countries” but abroad as well.

The CFO is the **Insider Trading Rules Compliance Officer**.

The **Corporate Secretary** with the support of the Legal Affairs departments also plays an essential role in the setting up and administration of EADS Corporate Governance procedures as well as legal documentation underlying delegation of powers and responsibilities.

Finally, all those activities are audited by the **Corporate Audit department** which consists of a team of dedicated professionals who are familiar with the requirements and challenges of the Company's international business.

2.1.3.3 Performance and Best Practices

Whatever the legal environment they are subject to, BUs are extremely vigilant in monitoring legal risks. They constantly ensure that regulations are applied and track any infringement risks so as to prevent them. This is based on basic processes:

- **Training and awareness:** a preventive approach is based on the combination of Company policies and values supported

by solid infrastructure for legal compliance, training initiatives and general employee awareness actions as well.

- **Identifying and mitigating legal risks:** Whatever the source of the legal compliance risk may be, EADS takes responsibility for finding the facts and analysing the applicable laws; measures are then taken to deal with the situation in a proactive manner.

Sharing information, especially within the community of legal professionals is designed to help the Company learn from mistakes, if any, thus using its experience to continue raising the bar in its processes.

The **EADS Insider Trading Rules** are regularly updated in order to take into consideration recent changes in European regulations as well as to ensure EADS' adherence to best-in-class corporate governance standards. The EADS Insider Trading Rules are provided to the relevant Market Authorities for verification and confirmation.

	2007	2006	2005
Court decisions regarding cases pertaining to antitrust and monopoly regulations	None	None	None
Descriptions of policy, procedures/management systems, and compliance mechanisms for preventing anticompetitive behaviour	i) EADS Code of Ethics including but not limited to all relevant provisions of Code of Ethics relating to compliance with competition law; and ii) Regular legal risk analysis as issues come up.	i) EADS Code of Ethics including but not limited to all relevant provisions of Code of Ethics relating to compliance with competition law; and ii) Regular legal risk analysis as issues come up.	i) EADS Code of Ethics including but not limited to all relevant provisions of Code of Ethics relating to compliance with competition law; and ii) Regular legal risk analysis as issues come up.

Scope: EADS.

2.1.4 CORPORATE GOVERNANCE STANDARDS

Compliance with Corporate Governance standards is an area of specific focus at EADS.

In addition to being a Dutch registered company, EADS is listed in multiple countries. This implies the necessity for EADS to comply with different regulations.

As a consequence, the Group is permanently monitoring the laws and regulations, as well as the current market practices in the countries it is based in, in order to ensure its conformity with the evolution of Corporate Governance in general. Governance practices are developed and monitored to fulfil the Board's responsibility towards shareholders, to oversee the work of management in the conduct of the Company's business and to seek to serve the long-term interest of shareholders.

EADS, in its continuous efforts to adhere to the highest standards, applies the provisions of the Dutch Corporate Governance Code ("**Dutch Code**"), which includes a number of non-mandatory recommendations and, if the case arises, the reason for non-application of such provisions are explained, in accordance with the Dutch Code's "Apply or Explain" principle. The few non-compliance matters with regards to recommendations of the Dutch Code mostly result from EADS being aligned with general market practices in the countries it is listed in and its particular governance structure, as laid down in its Articles of Association.

Since its creation in 2000 and until 22nd October 2007, EADS was led by a dual-headed management structure, with two Chairmen and two co-Chief Executive Officers, which has provided the necessary balance and stability required for a

company with such a unique industrial and multi-national heritage.

On 16th July 2007, Daimler*, the French Government and Lagardère decided, together with the EADS management team, to implement a new management and leadership structure. The German Government was also consulted. Guiding principles of this modification were efficiency, cohesiveness and simplification of EADS' management and leadership structure, towards corporate governance best practices while maintaining a balance between the French and the German core shareholders. Under the simplified management structure, EADS is now led by a single Chairman and a single Chief Executive Officer.

The core shareholders also concluded that it was in the best interest of the Group to recommend an increase in the number of independent members on the Board of Directors to appropriately reflect the global profile of EADS by conforming to international corporate governance best practices. In this respect, both Daimler and Sogade relinquished two seats on the Board of Directors and four independent directors were

elected during the Extraordinary General Meeting of Shareholders held on 22nd October 2007. Apart from the Chief Executive Officer, the Board no longer comprises executive directors.

2.1.4.1 Policy

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

2.1.4.2 Organisation

See “Part 1/Chapter 2 Corporate Governance”.

2.2 Sustainable Growth

EADS supplies some of today's most advanced technology in the field of aerospace and defence. EADS strives to meet the customers' requirements for competitive, cost effective and innovative technology. The Group's development relies on its

ability to deliver products and services that meet customers' requirements. Sustaining this development requires focus on the product quality, continuous innovation and the best supplier management.

2.2.1 PRODUCT QUALITY AND CUSTOMER SATISFACTION

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

2.2.1.1 Policy

- “EADS is fully committed to achieving the highest levels of customer satisfaction, driving continuous improvements in the quality of its products, processes and people and deploying the most demanding Quality Management Systems.

* Formerly “DaimlerChrysler”.

- EADS actively seeks key customer feedback through a structured Group-wide process of Customer Reviews.”

2.2.1.2 Organisation

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

In particular, he chairs an EADS Quality Council with senior level representatives from each BU to agree on actions and priorities and to drive OTOQD deployment in all BUs.

CQO animates, supports and drives a network of BU operational level experts to ensure that the EADS Improvement Programme (“EIP”) is tuned directly to the needs, priorities and maturity of each BU in line with EADS 2020 Vision.

CQO also represents EADS in relevant Quality, Standards and Regulatory bodies at both National and International level commensurate with the status of EADS as a global aeronautic, space and defence company.

2.2.1.3 Performance and Best Practices

A major initiative, the EIP, was launched to deliver enhanced Customer confidence and satisfaction through driving operational improvements in those industrial processes which contribute to achieving OTOQD of products and services to end customers. In 2006, the EADS Improvement Programme was deployed throughout all EADS BUs.

This EIP acts on four key areas for improvement:

Customer Confidence

EADS operates in a business where long term relationship is needed with Customers. An EADS products’ average life span is 40 to 50 years. Customer confidence is therefore absolutely key.

A common methodology was introduced in early 2005, with a view to deploying it consistently throughout the Group. This Customer Review process (“CRp”) methodology is based on a structured series of interviews targeting the key decision makers at EADS’ strategic customers. These interviews are performed by the BUs’ top management.

The goal is to measure the level of customer confidence, which is more important than satisfaction in determining its loyalty. EADS aims to assess and to continuously improve the relationships between the Group and each of its customers. Improvement plans which result from these interviews are reported to the interviewees.

A total of more than fifteen CRps have been launched from the beginning of the programme.

More complex CRps are implemented for Defence customers. They are conducted at national level rather than at BU level, governments’ procurement activities being by nature cross-BUs. A Defence CRp was performed in each of the four EADS home nations.

The approach has been warmly welcomed by Customers worldwide. In some cases, the EADS culture of “actively listening to the Customer” supported the Group in winning new contracts.

The French and U.K. MoD praised and valued EADS’ “Customer attitude” and fully support the continuing process.

Most BUs have now engaged in the process and some second rounds are being launched when results from the previous rounds can be witnessed by Customers.

The Customer mindset is spread throughout the Company with the target of embedding it in EADS’ culture and Quality Management System.

Programme & Risk Management

In order to tackle and improve OTOQ delivery, and therefore boost customer confidence, EADS launched a group wide project in 2006 to improve Programme & Risk Management (“P&RM”) performance.

In 2007, a dedicated P&RM Council was created, comprising members from each of the EADS Divisions and involved corporate functions.

The P&RM Council developed the P&RM framework: a common referential defining the key characteristics of the processes for managing programmes, and the basis for a common EADS P&RM language and terminology. Based on a recognized worldwide standard, it addresses key areas such as managing risks & opportunities, independence of phase reviews, integrated multi-programme planning and execution.

To understand and tackle the problems faced on key EADS programmes, programme assessments have been run leading to concrete improvement actions at programme level.

These actions include clarification of roles and responsibilities on multi-partner programmes and pilot implementation of modern integrated planning methods. Experience gained from the technical assessments run in 2006 and 2007 is built into the common P&RM framework.

The HR team has been very active in 2007 on the following two subjects which have been adopted and aligned with the work of the P&RM Council:

- A Programme Managers Network (“PM Network”) was created to engage experienced practicing programme managers from across EADS. This is the forum for PM’s to meet and share their experiences, lessons learned, and best practices; and
- A strategy was developed, with guidelines and rules for sustainable structured development giving future programme managers the right mix of multi-discipline, multi-functional and transnational experience, training and skills.

In 2008, the process of spreading best-practices between programmes and divisions will start, using the outcomes of technical programme assessments, technology readiness

reviews, and other programme reviews to establish the areas where maximum benefit could be gained by cross-divisional collaboration.

Lean Operation

Lean Operation at EADS is driving continual improvement in:

- The elimination of non value-adding activity;
- Forging closer links throughout the supply chain; and
- Ensuring processes are robust in all operational workflows.

All EADS Divisions have been actively working in Lean-based performance improvements in the manufacturing areas for several years. EADS is now focused on leveraging these individual improvement actions to accelerate deployment across the Group by actively spreading best practices (e.g. EADS Lean Day for Plant & Operations Managers on October 2007 in Airbus) and on extending the scope to develop Lean Supply Chain improvements in 2008.

In order to effectively drive this, EADS has created a Lean Operations council (quarterly meetings in 2007) comprising senior executives from each Division having both the expertise and authority to drive lean-based improvements within their

respective Division and another initiative through the Lean Development Council is starting in January 2008.

DRIVER and EADS Black Belt

EADS equips managers with an “Improvement Methodology and Toolkit”. This is the purpose of the “DRIVER” methodology defined in 2005, along with the complete training syllabus (more than 10 training modules and 30 tools). DRIVER is EADS’ specific Improvement methodology. The corresponding training can be delivered in the format of “Executive Black Belt” (0.5 day), “EADS Silver Belt” (2.5 days), “EADS Green Belt” (one week) or “EADS Black Belt” (four weeks). To be recognised as Qualified Improvers, EADS Black Belts must complete, on top of their training, an improvement project that can deliver measured benefits in terms of On Time on Quality Performance, costs savings, Customer Confidence or a mixture of the three elements.

A learning management system (“LMS”) supports and monitors the programme deployment, also enabling candidates to share best practices and use trans-BU networks for mutual support. At the end of 2007, more than 330 people had been enrolled as EADS Black Belts in the sessions held across EADS Divisions and BUs. A total of 776 Executive Black Belts, 546 EADS Silver Belts and 424 EADS Green Belts have been achieved.

2.2.2 SUSTAINING AND PROTECTING INNOVATION

2.2.2.1 Innovation Strategy

The world will change considerably in the coming decades, requiring new products based on emerging technologies and efficient processes. Products and processes must be tightly linked to improve competitiveness and differentiation. Research & Technology (“R&T”) plays a central role in EADS remaining competitive by being more innovative, better, cheaper and faster in delivering products than its competitors, in view of the fact that European companies suffer from a largely fragmented and generally lower customer funding than e.g. their U.S. peers.

In addition, EADS and its Divisions promote cutting-edge technologies and scientific excellence to contribute to global progress and to deliver solutions for the challenges of societal issues such as Environmental Protection, Mobility, Defence & Security, and Safety.

Policy

“EADS’ innovation strategy aims at increasing competitiveness and profitability through promoting an innovation continuously improving quality of services and products as well as efficiency of processes.”

Organisation

The **Chief Technical Officer’s** mission is to be the EADS focal point for R&T. The CTO ensures that business strategy and technology strategy are closely linked and he is responsible for the development of design and manufacturing tools and innovation across EADS. The CTO is a member of the EADS Executive Committee and he has the responsibility for the entire R&T budget and R&T production within EADS.

The CTO delivers shareholder value through a stringent, leading-edge R&T portfolio that enables flawless introduction of new technologies on future products with strong returns-on-investment. He also aims to maximise customer excitement by providing high-value solutions that meet the technological, performance, safety, and cost-competitive pressures that challenge the Company’s future. In addition, he addresses societal responsibilities with solutions answering the paramount considerations of safety, security, environmental compatibility and energy efficiency.

The EADS **Executive Technical Council** (“ETC”), chaired by the CTO, is made up of the technical directors of the Divisions.

The ETC is responsible for ensuring alignment with the Group's technology strategy and implementation through the Group R&T road map. The ETC ensures that a balance is maintained between the top-down strategic guidance and bottom-up expertise, creativity and responsibility. It meets regularly to discuss and decide forward strategies and it identifies synergies.

Group Innovation Networks and their leaders ("GINs" 1-5) in the CTO's team are in place and reporting to the **Chief Operating Officer Innovation** to ensure that the relevant actions are implemented and that synergies are exploited throughout the EADS Divisions and the EADS Innovation Works. The COO Innovation is chairman of the R&T Council ("**RTC**"), which is made up of the R&T Directors of the Divisions/Business Units, the GIN's, the Head of CTO R&T Strategy, the Head of CTO Finance and the Head of EADS IP Management. The RTC prepares the work of the ETC and assures the operational implementation of the R&T plan and its deliverables.

The CTO steers the **EADS-wide harmonisation of transversal technical processes, methods and tools, and skills development programmes**, such as Systems Engineering, common tools for Product Life-Cycle Management (PLM/Phenix) and Systems Engineering Training and Qualification. He also carries out specific technical assessments on behalf of the CEO and the EADS Executive Committee.

The head of the **EADS Innovation Works** reports to the CTO. Innovation Works are in charge of the corporate R&T production facilities that guarantee the Group's technical innovation potential with a focus on the long-term horizon. Driven by the EADS R&T strategy, they identify new technologies that will create value and competitive advantages. The EADS Innovation Works have two main sites in Paris and Munich and employ approximately 600 people including doctorates and university interns. Proximity centres are maintained in Toulouse, Nantes and Hamburg to support the knowledge transfer to BUs in these locations. A liaison office is operating in Moscow, which facilitates relations with Russian scientific institutes. EADS operates a R&T centre in Singapore and also launched a centre in Spain and in 2007, in the U.K.

The corporate EADS Innovation Works and the EADS R&T community in the Divisions maintain and expand established **academic research partnerships** with leading universities and high-tech engineering schools by employing thesis students, post-graduate interns and doctorate candidates as well as by contracting specific research projects.

Members in the **support and R&T enabler groups of the CTO's organisation** ensure that R&T is an integral part of the business, by maintaining strong links with the business

development organisation, human resources, finance, intellectual property, standardisation and communication.

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

Performance and Best Practices

a) The R&T Strategic Approach

The key strategic obligations for EADS include the saving and developing of core competencies and core technologies for platform and platform-based systems architecture and integration. In parallel, EADS must keep the innovation pipeline constantly filled to replace ageing technologies and processes. Each Division must muster the technologies needed to face fierce international competition and pro-actively respond to customer requirements.

Building on the identification, evaluation and clear prioritization of critical technologies for the Group, EADS is shaping a technological policy that strengthens group synergies and is aimed at maintaining and, when needed, increasing the EADS R&T effort, each Division being responsible to propose its own targets, and at securing public and private R&T funding.

The EADS R&T strategy is driven by:

- **Shareholder Value:** a stringent, leading-edge R&T portfolio that enables flawless introduction of new technology on future products and delivers strong Return-on-Investment;
- **Customer Excitement:** High-value solutions that meet the technological, performance, safety, and cost-competitive pressures that challenge the future;
- **Social Responsibility:** solutions answering the paramount considerations of mobility, environmental protection, safety and security;
- **Successful on-time, on-quality, on-price introduction of new products and processes;** and
- **Technology leadership to fuel business growth.**

b) R&T Production and Management

EADS R&T activities cover a wide spectrum of technological domains, they are targeted at the different levels in the value chain and structured according to the timelines of **short term/committed programmes, medium term/optional programmes and long term/advanced concepts** for the introduction of new technologies into the Company's products and processes:

R&T for Advanced Concepts — Integrated Demonstrators Technological/Operational Studies

Today, all EADS Divisions are working to generate new product concepts in line with its vision and to maximise its future business potential. These concepts explore and generate completely new ideas, while pushing the limits of what is technically possible at the time.

The portfolio is currently focused around four growth axes: Mobility (e.g. air traffic management), Environmental Protection (e.g. energy solutions, optimized platforms), Defence, Safety and Security (e.g. illicit materials detection and aircraft communications protection), and Services.

R&T for Key Product Technologies/Global Innovation Networks

Developing Key Product Technologies means for example, constantly scouting for new materials and equipment, and experimenting with and testing them on prototypes before they are being deployed at a large scale. In doing so, the Company develops privileged relationships and partnerships with key suppliers. EADS R&T activities in these areas are aimed at identifying the emerging technologies that will drive performance, at adapting and further developing these technologies and at validating them.

For key product technology categories, such as optimized platform structure, and Information technologies, EADS has identified the emerging technologies which will drive future performance:

The R&T Architect's Toolbox

The R&T Architect's Toolbox is the development and the mastering of state-of-the-art tools, which enable EADS to be an efficient industrial architect with e.g. Virtual product engineering.

Disruptive Technologies

EADS is also developing a plan to leverage and further develop its participation in venture capital funds in order to reinforce its capacity, both throughout the technical disciplines and geographically, to identify and source emerging technologies. It is of key importance for EADS to detect technologies that may disrupt the Company's products. Through EADS Innovation Works and through partnerships with external laboratories, EADS monitors and evaluates closely different technologies such as fuel cells, secure communications, photonics, nanotechnologies and hybrid materials.

Technologies for Services

It is EADS' ambition to grow its business in the services related to its products. The Technologies for Services (training, advanced product support) are needed to sustain the anticipated very fast growth in the new services business.

c) EADS Corporate Foundation for Research

The Corporate Foundation for Research (Fondation d'entreprise EADS) was created in France in September 2004 to promote multidisciplinary research in air and space technologies and foster exchanges between researchers in government, private industry and higher education research institutes.

With a total endowment of €24 million over 5 years, the Foundation is now in its fourth year and firmly established. It has funded more than 50 research projects (including doctoral and post-doctoral) as well as three scientific chairs as of now.

One of the Foundation's goals is to build up ties between the public research community and the worlds of industry and education. To this end, it awards three awards each year in the field of Industrial Research Cooperation, which promotes exemplary men and women scientists who demonstrate high standards of excellence in their research work in collaboration with the industrial sector. Every year, it also awards six Best Thesis awards in different domains of mathematics, physics and computer science. To maximise interdisciplinary studies, representatives from all of the EADS Divisions sit on the administrative board and a third of the members are representatives from the outside research community in France, such as the national aerospace research centre ONERA, the research agency CNRS, the Atomic Energy Commission (CEA) and major universities.

The EADS Corporate Foundation for Research also supports other organisations with which it shares common objectives, namely the Institute for Higher Scientific Studies (IHES), which is dedicated to advanced research in mathematics and theoretical physics, the French Aeronautics and Space Research Foundation, and the C. Génial Foundation, which helps to promote scientific and technical culture, particularly amongst young people. In this context, the Foundation also supports the "Science in Schools" initiative aimed at creating a new image for science in middle schools, grammar schools and foundation courses.

The Foundation also works to promote gender equality as a partner in the Irène Joliot-Curie prize programme. This prize is bestowed on women in recognition of outstanding achievements in public or private research, and is intended to encourage more young women to study science and technology and to boost the standing of women within the French research community. The Foundation also supports public health projects, which frequently use technologies that have originated in the aerospace sector. December 2007 saw the fourth edition of "Envol Recherche" day, when the various protagonists of the Foundation gathered for round-table debates on the scientific challenges in the aerospace, defence and space industries and for the prize-giving ceremonies.

Other initiatives, including foundations, are contemplated in Germany, Spain, the U.K. and the U.S. to improve links with public research institutes and universities.

d) Bauhaus Luftfahrt (an Aviation Research Think Tank)

EADS and the government of the German state of Bavaria joined forces with two other German aerospace companies to fund Bauhaus Luftfahrt, a think tank for creative and interdisciplinary research activities in the field of aeronautics. Bauhaus Luftfahrt will enable EADS to consider new, groundbreaking courses of action in the field of aeronautics by adopting an innovative approach to future-oriented, visionary solutions.

e) International partnerships

New projects have been launched with world top research institutes and universities in India, USA, China, Russia, Ireland, Canada, in coordination with EADS international, EADS North America, EADS Innovation Works and Divisions.

f) Competence Management

EADS has implemented in 2005 an Expert policy in order to identify and promote employees mastering the Group's critical technical capabilities. Experts are indeed a corner stone of EADS' policy to reinforce its technological leadership. About 1,150 experts, senior and executive experts from the EADS five Divisions and covering all technical fields contribute to:

- Supporting customers in complex problem solving;
- Implementing innovation in new products and services;
- Increasing and sharing technical knowledge; and
- Securing it via intellectual property.

In 2007, the EADS expertise portfolio was analysed in order to prepare the next generation of experts and increase internal synergies.

The first female Executive Expert at EADS was nominated in 2007. Her role is to manage the Expert College at EADS Innovation Works.

g) Recognising Talent as a Strategic Human Capital

EADS held in November 2007, its first Hall of Fame ceremony, awarding prizes to nine of its employees. The EADS Hall of Fame aims at acknowledging and honouring the best of the best employees.

There were four awards categories: the best inventors, those that are developing and patenting new technological inventions ("the Great Inventor"); the best innovators, the people who

implemented innovative projects during last two years that helped generate a significant revenue increase or competitive advantages ("the Great Innovator"); the craftsmen, those individuals with unique skills, which give the Company a valuable competitive advantage ("the Great Craftsman") and a Special Prize to a team, in order to recognise the best improvement initiatives to generate savings, to deliver on time or to increase quality. (in 2007: the "Best Lean Manufacturing Team").

The next nomination process and ceremony will take place in 2009.

2.2.2.2 Protecting Innovation: 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. IP rights are the primary instrument for a technology-driven company. Patent portfolio development and territorial coverage is therefore key for availability and control of technology to support for future growth. The use of IP rights enables EADS to remain competitive in the market and to manufacture and sell its products freely.

Beyond the protection of innovation in traditional markets, IP protection has to anticipate future markets and new competitors. Therefore the internationalisation of EADS' business is reflected in the extension of IP rights in relevant countries.

Policy

- "One of EADS' most valuable assets is its intellectual property which includes patents, trade secrets, trademarks, copyrights and other proprietary information. It is EADS' policy to establish, protect, maintain and defend its rights in all commercially significant IP and to use those rights in responsible ways.
- EADS also respects the valid intellectual property rights of others and will not reproduce or use software or other technology licensed from other suppliers except as permitted by the applicable license agreement or by law."

Organisation

The general management of IP at EADS is conducted through an IP council led by the EADS Chief IP Counsel. Executives responsible for IP at the main subsidiaries sit at this council.

Every year, a meeting of the network of those responsible for IP at the entities of the Group is held to explain EADS' IP strategy and policy. The IP policy and the rules are defined, in accordance with the Innovation global strategy, by this Council which meets approximately every two months.

EADS also promotes training about IP matters. For example, one-day training about IP is included in the Corporate Business Academy (“CBA”) training programme for the experts.

Each of the subsidiary companies of the Group owns the IP which is specific to its particular business and has been generated by this subsidiary. Where IP is of common interest throughout the Group, the subsidiary that generated it may issue a license allowing its use elsewhere (respecting the interests of the other shareholders when appropriate). EADS also owns IP directly or under license agreements with its subsidiaries. EADS coordinates the Group’s IP portfolio, participates with the subsidiaries in its management and promotes licensing of common IP between the subsidiaries. EADS controls the protection of its IP made in strategic countries.

Performance and Best Practices

To increase the added value of the Group, the team of the EADS CTO promotes the sharing within the Group of all the knowledge of the BUs and the sharing of resources, skills and research means and budget to develop new knowledge, while respecting existing contractual and legal frameworks.

For example, all the contracts between BUs of the Group concerning shared R&T must have provisions allowing for the flow of knowledge (EADS R&T Network rules).

In 2007, the EADS IP portfolio comprised approximately 6,350 inventions (approximately 5,400 in 2006), which are covered by more than 20,600 patents throughout the world. The increase in the number of patents filed during 2007 gives a good indication of the greater momentum in R&T and product development since new management was appointed in 2006. 957 patents were filed in 2007, compared with 792 in 2006. As a result of an increased effort EADS climbed in the Wall Street Journal’s Patent Scorecard ranking of top patent filers from 9th to 6th in the U.S. Aerospace & Defense hit list, which is underlining EADS’ emphasis in the U.S. market.

For international patent protection, EADS uses the Patent Cooperation Treaty, which provides a simplified system for international patent filing. In 2007, 386 international applications were published for EADS and its Divisions according to World Intellectual Property Organization’s annual report. EADS is therefore the number 1 Aerospace & Defense company in the world in terms of international patent filing.

	2007	2006	2005
New inventions filed (some of which covered by several patents)	967	792	586
EADS patents portfolio (year end)	20,653	18,366	15,036

Scope: EADS.

2.2.3 SUPPLIER MANAGEMENT: FOSTERING A MUTUALLY BENEFICIAL RELATIONSHIP WITH EADS’ SUPPLIERS

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

- *EADS is committed to long term relationships and partnerships with its suppliers, in particular in the engagement in the development of technological know-how”.*

2.2.3.1 Policy

The EADS BUs Procurement Policies reflect the following statements:

- *“Suppliers represent a high proportion of the value of EADS’ products, and play an important part in customer satisfaction. As such, EADS endeavours to integrate them fully in an ethical way of doing business;*
- *Fostering a mutually beneficial relationship with suppliers, EADS’ sourcing principles require all suppliers to be responsible and to implement its standards and requirements across all levels of the supply chain;*

2.2.3.2 Organisation

Sourcing Strategy

EADS Corporate Sourcing is the strategic architect of sourcing functions and provides overall orientation for sourcing activities across the Group, in particular regarding the key elements of the Sourcing Strategy, which are Procurement Marketing and Global Sourcing, Joint Sourcing, Supplier Evaluation and Risk and Opportunity Sharing:

- **Procurement Marketing and Global Sourcing** aim to identify the best potential suppliers worldwide and to evaluate them with regard to their capabilities and their certifications.

Procurement marketing is becoming increasingly important as EADS targets new global supply markets to support EADS' Global Industrial Development;

- **Joint Sourcing activities** allow purchasing power to be leveraged across EADS. A group of Lead buyers bundles procurement volumes of selected material groups for common negotiation. The Joint Sourcing also allows all EADS BUs to use a common EADS contract per supplier.
- The **EADS Supplier Evaluation and Development** process guarantees that suppliers' performances are regularly evaluated. Suppliers can expect that the same process and the same criteria are applied by all BUs: Commercial, Logistics, Quality, Technical and Customer Support. Evaluations are shared with suppliers as a basis to discuss further improvement and development needs and plans. With regard to the high proportion of sourcing required for products and the complexity of the procured systems, equipment and structures, EADS favours long-term, mutually beneficial, reliable and stable relationships with key suppliers. Consideration for partnerships is limited to suppliers who continuously show excellence in their performance, who can demonstrate a credible long term interest and who are able to support their business interest with their own developments and investments. It is a principle for such partnerships that suppliers are involved and integrated at the early stages of product development;
- Both **business risks and opportunities** should be adequately shared with suppliers. Procurement Policies of EADS' BUs address all typical business risks, including risks attached to CSR, and suggest how they should be dealt with in EADS' contractual agreements. Procurement Policies also set out the principles and guidelines for conducting business with current and prospective suppliers. These guidelines describe how partnership relations should be handled in an equitable manner in the interest of all parties concerned and how disputes should be dealt with professionally and as quickly as possible in accordance with the agreed partnership arrangements.

Sourcing network

Each EADS Division and BU has its own sourcing function.

The five EADS Divisions' Chief Procurement Officers compose the **Chief Procurement Officers Council ("CPOC")** which is chaired by the EADS Chief Procurement Officer. This Council is responsible for implementing the EADS Sourcing Strategy within each Division of EADS. To prepare and ease the implementation of CPOC decisions regarding Joint procurement, two boards of Procurement Directors one for Goods and Services and another one for Material are now in place.

The Chief Procurement Officers have organised Sourcing networks in order to coordinate other strategic topics across

EADS Divisions. Listed amongst these strategic topics, CSR is managed by a dedicated Sourcing CSR Network.

The Sourcing CSR network, pursues the objective of formalising the EADS CSR Sourcing management processes and associated documentation, in compliance with the EADS Code of Ethics, values and policies. This Network is composed of focal points in each Divisions' Procurement organisations and is coordinated by EADS Corporate Sourcing.

2.2.3.3 Performances and Best Practices

Sourcing context in 2007

With three fourths of its revenues sourced from external suppliers, efficient and effective supplier relationship management is a key factor of EADS' success. EADS' procurement concentrates its attention on its major suppliers. EADS' top 50 suppliers already account for 62% of the sourcing volume and the top 250 suppliers account for 79%.

Complex systems and equipment account for 39% of EADS procurement. Structures, material and product-related services also account for 39%, while non product related material accounts for 22%.

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

Most of EADS' sourcing volume is provided by large companies. The remaining Sourcing volume (15%) is spread across a large number of small and medium sized enterprises, as per the European Commission definition, i.e. with less than 250 employees or less than €50 million turnover.

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

As in past years, most of EADS' suppliers are currently located in the E.U. (76%) and North America (22%) regions in which social, economical and environmental practices are well regulated by applicable norms and laws. EADS' Sourcing contractual terms request that these suppliers shall comply at any time with laws and regulations on economical, environmental and social standards and anticipate or at least make their best endeavour to anticipate forthcoming changes in these standards.

To reinforce supply chain compliance to EADS CSR related requirements, EADS tier 1 suppliers are contractually bound to flow-down these requirements to tier 2 suppliers.

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

Influence of the Global Sourcing

As EADS targets to increase global sourcing volumes in countries where existing laws and regulations may not fully cover EADS' CSR requirements, procurement contractual terms for these domains need to be written in a more extensive way. Therefore, EADS is engaged in a process for embodying CSR requirements into procurement contracts.

CSR activities

2007 CSR project

The EADS Vision 2020 firmly anchors sustainable development, eco efficiency, and ethics within the core responsibilities of EADS. This strongly signals the importance of CSR compliant business practices for EADS to all stakeholders including to Suppliers.

In 2007, the Sourcing CSR Network has validated with selected suppliers the different tools prepared in 2006 (the CSR Supplier Code, a CSR Supplier evaluation Questionnaire, a CSR contractual clause – available on the EADS web site www.eads.net - and various metrics adapted to measure the compliance of Suppliers to EADS CSR policies). They will be progressively cascaded down within the BUs.

Sourcing Contractual terms related to CSR

A CSR clause is being included in the EADS General Purchasing Conditions which are attached to Purchase Orders.

The decision to further develop CSR requirements is clearly made and EADS has already well addressed key elements of CSR in the sourcing contracts.

The various CSR aspects are already considered through EADS' Sourcing Risk and Opportunities Management (“ROM”) which recommends contractual guidelines for the key contractual chapters. These guidelines are published in the EADS Sourcing Information Tool which explains the principles for drafting contracts, disclaims the typical contractual clauses and gives practical comments for the use by the buyer. For each domain, the requirements are contractually cascaded on to sub-tier suppliers.

For example, regarding environmental responsibility, principles for drafting contracts state that: “The purchase contract should provide that the supplier shall comply with all applicable laws, regulations, etc. as well as all commitments to which EADS has subscribed (e.g., Global Compact initiative) and end-customer requirements, in particular: (1) suppliers are asked to support a precautionary approach to environmental challenges; (2) undertake initiatives to promote greater environmental responsibility; and (3) encourage the development and diffusion of environmentally friendly technology.” The recommendation to the buyer also states that EADS encourages suppliers to implement an environmental management system complying with international standards such as ISO 14000 or EMAS.

Moreover, it is recommended that the contract includes EADS' key engagements such as the support, respect and protection of international human rights within the supplier's sphere of influence; the respect of freedom of association and the effective recognition of the right to collective bargaining; the elimination of all forms of forced and compulsory labour; the quality of working conditions such as but not limited to, appropriate level of remuneration, and protection of health and safety of the employees.

BUs best practices

In addition to the top-down approach described above, CSR in Sourcing has been progressing well in 2007 as shown through the following examples:

Airbus

Airbus now addresses the product's environmental performance throughout its entire life cycle. In 2006, the sites and the products of Airbus were certified against environmental standard ISO 14001. The supply chain plays a strategic role in fulfilling ISO 14001 objectives, hence, the Airbus environmental project received full support from Airbus Procurement. The following main milestones took place in 2006 and 2007:

- a) In September 2007, the head of Airbus Procurement confirmed to all Procurement personnel the Procurement environmental Policy which had been issued in February 2006.
- b) An area in the intranet pages of Airbus has been dedicated to the Environmental policies of Airbus Procurement. Airbus Procurement staff was also invited last year to go through e-learning modules in order to learn how to introduce Airbus environmental requirements into contractual agreements.
- c) The “Airbus Environmental pocket-guide” had also been distributed to all Procurement employees in Airbus. In this Guide, the CEO of Airbus presents the Airbus environmental challenges and the head of Procurement

explains the Environmental Commitment and Objectives for Procurement, the Golden rules for environmental contribution. This Guide shows also the organisation in charge of Environmental Management within Procurement.

- d) The Suppliers have been given online access to the Airbus environmental requirements in a specific chapter of the “Airbus Supplier Portal” in Internet.
- e) Various external communication events have been organised, in order to raise awareness about environmental issues within the Supply Chain.

Astrium

CSR requirements are now considered in the Supplier pre-selection process as part of the basic Supplier requirements which are prepared in order to ensure in particular:

- Compliance to EADS Code of Ethics and CSR policies

Importance of Sourcing Outside of EADS
In percentage of revenues

	2007	2006	2005
	73	74	70

Sourcing Volume: Breakdown by Country for Top 10 Countries
In percentage of total sourcing volume

	2007	2006	2005
France	31	32	31
Germany	21	21	22
U.S.	21	20	22
U.K.	14	14	12
Spain	3	4	4
Italy	2	2	1
Netherlands	1	1	1
Belgium	1	1	1
Canada	1	1	1
Switzerland	1	1	1

The geographic Sourcing breakdown is stable and centred on Western countries.

Purchasing Breakdown by Geography
In percentage of total purchase

	2007	2006	2005
Europe	76	77	75
North America	22	21	23
Rest of the World*	2	2	2

Scope: EADS.

(*) Including < 1% in non-OECD countries.

- Awareness and demonstration of compliance with applicable statutory and regulatory requirements: WEEE, RoHS, CE Marking (which is a mandatory European marking for certain products to indicate conformity with European applicable standards) etc.

The Environmental Health and Safety requirements of Astrium are presented in a dedicated Intranet page for the attention of Astrium procurement teams.

The CSR performance of more than 300 Suppliers has been evaluated.

Sourcing data

All figures below have been calculated using the following euro-dollar exchange rates (2007: 1.4000; 2006: 1.2556; and 2005: 1.2441).

2.3 Environmental Care

EADS considers that the Environment is one of the most important challenges that industries and societies have ever faced and that it must be incorporated at the core of corporate strategies. As such, Eco-efficiency is one of the main objectives of EADS' Vision 2020. Eco-efficiency is about safeguarding the long-term economic viability of the Company and – on a larger scale – of the modern lifestyle. It is a question of attractiveness of EADS' products, a question of competitiveness of its

business, and it is also a question of social responsibility of the aerospace and defence industry.

The Group has embarked on a continuous assessment of its environmental performances throughout the life cycle of its products, so as to provide employees and the public with comprehensive information.

2.3.1 POLICY

“Minimising the environmental impact of EADS’ activities throughout the products’ life cycle

- *Beyond legal compliance, EADS strives to continuously improve its environmental impacts and to effectively monitor environmental risks through the establishment of state-of-the-art environmental management systems with the aim to cover both the Company’s activities and product-related aspects. The Group encourages formal ISO 14001 certifications or EMAS registrations.*
- *EADS is committed to environmental excellence in technology and mobilization of expertise, towards the research, the design and the development of the cleanest and greenest technologies and products.*

Promoting environmental consciousness and maintaining constant dialogue with stakeholders

- *EADS strives to grow awareness of environmental challenges among its stakeholders, and encourages its employees to adopt environmental-friendly behaviours. The Group expects its partners and suppliers to acknowledge and implement similar commitments towards the protection of the environment.*
- *EADS seeks to contribute to the establishment of an international industry framework based on constant dialogue and voluntary commitments”.*

2.3.2 ORGANISATION

Limiting the environmental impact of operations is organised by the business. The management and the control of environmental aspects of Group operations is, as a result, the responsibility of the EADS BUs and entities. As part of their respective environmental management system, many EADS companies have already set up appropriate environment organisational structures. They are accountable for the improvement of their environmental performance through operational control in their relevant business and they are responsible for ensuring compliance with applicable legal obligations. Furthermore, they are tasked to implement the EADS environmental policy.

Coordination at corporate level is organised in order to implement a regular follow up on the Group’s environmental performance, monitor key risks relevant for the whole Company, promote cross-fertilisation of best practices and consistently anticipate any new relevant regulatory framework. To this extent,

EADS strengthened in 2007 an environmental network under the responsibility of the Group’s Corporate Secretary, aimed at enhancing effectiveness of the environmental policy, defining objectives and relevant action plans, as well as providing visibility in a transparent and consistent way.

Towards the external, EADS strives to develop joint initiatives within the industry in order to improve the overall environmental performance of the sector in the most effective, consistent and economic way. EADS is already leading or participating in various European and international sectorial environment-related committees or working groups such as:

- ICCAIA (International Coordinating Council of Aerospace Industries Associations — Aircraft Noise & Engine Emissions Environment Committee: Vice Chairmanship owned by Airbus);

- ASD (Environment Committee and REACH Working Groups Chairmanships);
- EAQG (European Aerospace Quality Group — recently created Environment Platform Chairmanship).

EADS is also participating in environmental working groups of national industry organisations such as the GIFAS in France,

BDLI in Germany and the SBAC in the U.K. Cooperation has also been initiated with AIA (Aerospace Industries Association of Americas) and SAE to develop appropriate Standards to ease the supply chain's response to comply with the REACH regulation.

2.3.3 PERFORMANCE AND BEST PRACTICES

EADS strives to continuously improve the environmental performance of its facilities but also of its products throughout their life cycle, from design to end of life. EADS stimulates the development of an environmental culture and eco-efficient behaviour within the Company and maintains a high degree of efforts in research to ensure the cleanest and greenest technologies and products are constantly proposed to its customers.

EADS is committed to guarantee the implementation of sustainable production means, fully compliant with applicable regulations and state of the art standard, wherever the Company operates.

Environmental Management ISO 14001/EMAS

EADS encourages environmental certification of its industrial sites. Robust certified Environmental Management systems (“EMS”) are being progressively implemented across EADS sites, with the medium-term objective to achieve a full European coverage of EADS.

Implementing an EADS group-wide EMS will allow the Company to facilitate its path to eco-efficiency. Since 2004, the number of sites concerned has more than doubled and as of 31st December 2007, more than 80% of EADS' total workforce now operates according to an EMS.

For example during 2007, Eurocopter achieved the ISO 14001 certification of its German sites. In June 2007, Airbus became the first aerospace company to receive an ISO 14001 certification that covers all the European sites and product related aspects all along their lifecycle. The Site and Product oriented EMS, as established by Airbus, covers seventeen Airbus production sites, including the Airbus headquarters as well as all product related activities. It allows, through an innovative approach, to set the appropriate actions to efficiently minimize the environmental impacts where it makes sense in the life cycle. Worldwide expansion is being currently processed in particular in China and in the U.S.

Airbus is participating in the promotion and the dissemination of its EMS throughout the aerospace community and the

supply chain as a key means to systematically address and improve its environmental performance but also of the air transportation sector as a whole. Airbus contributed to various initiatives in 2007 as the survey organised through ICAO CAEP and joined forces with several other organisations (Chamber of Commerce, National Trade Associations, EADS Germany...) towards setting rules for this new lifecycle oriented management. Support to implement EMS within various customers' organizations has also been provided.

Climate Change and energy consumption

Energy consumption and Climate Change related impact are two of the main environmental issues and key risks which need to be monitored within the EADS Group.

A potential risk from climate change to EADS operations comes from the ever-increasing pressure on energy costs. However, both from a cost and an operational efficiency viewpoint the Group recognises that it has a responsibility to reduce energy usage where possible and so EADS views this as an opportunity to make continuous improvements in this area, particularly within environmental management systems that are currently being set up throughout the Group.

Various improvement programmes are already implemented across the EADS Group to reduce the overall energy footprint of the infrastructures. For example, within the DS Division, improvements were achieved through peak load management, demand oriented adjustment and implications of employees. Further systematic integration of stringent requirements for energy saving in the construction of new infrastructures (such as Haute Qualité Environnementale — HQE in France) together with Carbon Footprint evaluation will bring additional savings.

EADS carefully addresses Climate Change related issues. Whereas EADS operations and products have a relatively limited impact in terms of greenhouse gas emissions (e.g. according to the IPCC (Intergovernmental Panel on Climate Change), air transport currently causes 2% of the total CO₂ man-made world emissions), EADS is committed to mobilise all necessary expertise and significantly increase its R&T

efforts towards the design, the development and the manufacturing of the cleanest, greenest and lowest energy demanding technologies and products.

Some of the EADS facilities are already part of the E.U. Emission Trading Scheme (“ETS”) and have implemented strong energy reduction initiatives. Anticipation of the inclusion of aviation into the E.U. ETS is also being addressed in close relation with the stakeholders of the air transport sector.

Convinced that Space technology provides environmental solutions as well as business growth, a call for ideas has been initiated in 2007 by Astrium. More than 380 highly innovative proposals were received among which the most promising have been selected for further development.

In the research area, EADS participates or leads major international and European technology programmes to address climate change related matters.

- EADS actively participates to the E.U. “Clean Sky” Joint Technology Initiative (JTI). The Clean Sky JTI is the largest research project ever set up jointly with the European Commission and will run over a seven year period with a total budget of €1.6 billion (half financed by the European Commission and half by the industry). The “Clean Sky” JTI is an innovative, large technological research programme that will radically improve the impact of air transport on the environment and will deliver innovative technologies and solutions enabling step changes in the reduction of noise, emissions and consumption for the next generation of aircraft and associated components and operations. Its purpose is to demonstrate and validate the technological breakthroughs that are necessary to reach the environmental goals set by the Advisory Council for Aeronautics Research in Europe (“ACARE”). ACARE goals to be met by 2020 include a 50% reduction of CO₂ emissions through drastic reduction of fuel consumption, an 80% reduction of NO_x emissions and a 50% reduction of perceived noise. It also includes research on green product lifecycle design including manufacturing, maintenance and disposal. While Airbus Eurocopter and EADS CASA each co-lead a specific Integrated Technology Demonstrator (respectively Smart Fixed-Wing Aircraft, Green Rotorcraft and Green Regional aircraft), EADS Innovation Works and ATR participate as associate companies. Following a 2006 agreement, the official launch took place in February 2008.
- Other initiatives, to which EADS participates, include the SESAR (Single European Sky ATM Research) programme which aims at improving the E.U. Air traffic Management through the implementation of the Single European Sky. It should contribute to the reduction of aviation’s environmental impacts.

- Strong efforts of research are being devoted within Airbus in joint cooperation with key external partnerships to move towards environmentally friendly alternatives to fossil fuels. In 2007, Airbus signed an agreement with Qatar Airways, Qatar Petroleum, Qatar Fuels, Qatar Science and Technology Park, Rolls-Royce plc, and Shell International Petroleum Company Limited to research the potential benefits of Synthetic Jet Fuel in aviation engines. This led to the flight of an A380 between Filton and Toulouse on 1st February 2008 with one engine powered by GTL (Gas To Liquid) obtained from natural gas conversion through a Fischer-Tropsch chemical process. Complementary researches are being heavily developed in that field but this preliminary step demonstrates Airbus’ dedication to a more eco-efficient and carbon neutral aviation.

Waste and Natural Resources

Various initiatives have been implemented across the Group to further reduce the level of total water used as well as waste produced or eliminated. Considering the expected scarcity of some raw materials as well as the volatility of their relevant prices, reverse supply chain might certainly become of growing interest.

EADS is committed to develop the most appropriate elimination, valorisation and recovery paths together with the main Waste Management Companies. For example, recycling of CFR composites is being carefully studied with the aim to separate and reuse recovered Carbon Fibres in some aerospace or secondary industry applications; promising technologies have been already investigated.

Airbus has set up a three steps approach to develop environmentally friendly dismantling practices. Further to a preliminary Life supported project called PAMELA (Process for Advanced management of End of Life Aircraft), the partners (among which Airbus, EADS and Sita) have clearly evidenced that significant improvements can be obtained compared to currently developed dismantling practices. The optimised combination of advanced 3D techniques (Decommissioning, Disassembling and Dismantling) allows for a materials recovery rate of over 80% compared to less than 60% today. Careful extraction and knowledge of materials from the aircraft are essential to comply with current E.U. regulatory framework and respect the most environmentally friendly applicable standards. Following this initiative, the TARMAC-AEROSAVE company was created in 2007 to offer appropriate industrial services in that field and set up a worldwide dedicated network. The company, in partnership with Airbus, should be operational by the end of 2008.

Air pollutants

Reducing the air pollutants from the operations processes and throughout the life cycle has been considered a key priority for years. The main emissions are currently associated with Volatile Organic Compounds (VOC) as well as with other air pollutants emitted at ground level from infrastructures or products. Significant reduction in VOC has been obtained thanks to the development and the implementation of new VOC reduced cleaning and painting processes throughout the Company. In all Divisions ambitious programmes to substitute some critical solvents such as trichloroethylene were conducted and paint schemes now generally incorporate low VOC either aqueous based or containing compounds in most coatings processes.

REACH and Hazardous Substances Management

The European REACH (Registration, Evaluation and Authorisation of Chemicals) regulation (EU No. 2007/1906) came into force on 1st June 2007. REACH aims at improving the protection of human health and the environment through closer regulation of chemical use by industry and replaces all pre-existing E.U. regulatory framework on chemicals. REACH will introduce a range of new obligations over a period of 11 years (up to 2018) which are intended to reduce risk that the 30,000 most frequently used chemicals may cause. The regulation will also bring about the phased withdrawal from use of some of the substances that are considered to be of very high concern for human health and environmental.

Taking on board the lessons learned from the management of the RoHS and WEE directives and in order to provide a consistent compliance approach for the whole Company and support its Supply Chain, a dedicated task force has been created as part of the EADS Environmental Network, bringing together all local dedicated organizations within each Division.

EADS, Airbus and other Divisions are also joining forces at an international level (ASD, AIA) together with other major aerospace companies (Rolls Royce, UTC, P & W, Goodrich...) to further structure the entire sector's compliance approach. As REACH would require additional flows of information throughout the supply chain, standardisation of the various requests has been rapidly recognised as vital to limit costs and discrepancies. Dedicated Environmental platforms within ASD - EAQG, as well as at international level, are being created to further sustain standardisation initiatives on REACH.

As preliminary collective commitments to successfully support compliance with the REACH legislation for the whole Supply Chain, REACH Interpretation Guidelines have been issued in 2007 by the industry. They explain the ways of implementing

its requirements through current commonly accepted interpretations. EADS is also strongly involved with the various REACH Implementation Projects' process.

Anticipating these new constraints and possible disruption that might result from restrictions on some substances, ambitious elimination plans have been initiated to get rid of these critical substances. For example, at Airbus, a major project called Airbus Chromate Free (ACF) has been launched with the aim to develop, qualify and implement chromated free technologies for all the concerned applications in manufacturing operations and maintenance of civil aircraft: pickling, anodising, chemical conversion, coatings, electronic, hard chrome... Similar initiatives have been launched at Eurocopter and at the other Divisions; the results are being exchanged through dedicated platforms. Lead Free and Cadmium Free initiatives are also currently running. While proactively moving towards the elimination of these substances, EADS and its Divisions are committed to the highest achievable control of emissions, in full compliance with applicable regulatory framework.

Restriction of Hazardous Substances (RoHS) directive

The RoHS Directive (No. 2002/95) bans the use of some heavy metals and brominated flame retardants to reduce the impact on Health and the Environment from Waste of Electrical and Electronic Equipments (WEEE) which are landfilled or incinerated. Despite the fact that on board electronic equipment has been declared out of the scope of the RoHS directive, potential impact on the aerospace business is carefully monitored. EADS together with its BUs has decided to develop and further coordinate with concerned major stakeholders all necessary research to find suitable and reliable alternatives to the targeted substances, the priority being put on Lead replacement. Some projects were launched such as GEAMCOS (Green Electronics in Aerospace and Military Communication Systems) to develop and qualify new Lead free electronics that match a harsh environment. The results are being discussed throughout an EADS dedicated working group as well as with the supply chain and sectoral federations concerned.

Key Performance Indicators

EADS is committed to improve transparency on environmental KPIs. In order to achieve this objective the EADS Group undertakes efforts to implement a consolidated reporting system based on harmonized KPIs definitions and calculation methods throughout countries in which it operates. The scope and the accuracy of environmental KPIs reporting will therefore progressively be extended and improved as respective information becomes available.

	2007
ISO 14001 certification/EMAS registration — Number of sites covered by a certificate	56
Number of sites covered by E.U.-ETS	10
Total CO ₂ emissions (in tonnes)	542,500
Total CO ₂ emissions declared under E.U. ETS (in tonnes)	144,800
Direct Energy use (in MWh)	3,364,000
Volatile Organic Compound Emissions (in tonnes)	4,250*
Total water use (in m ³)	5,263,000
Total water discharge volumes (in m ³)	1,807,000
Total hazardous waste production (in tonnes)	38,750
Total Non-hazardous waste production (in tonnes)	65,700

Figures do not purport to be exact, but are as accurate as current reporting system allows.

Figures are based on available data provided by EADS subsidiaries at date of reporting.

The scope of reporting covers EADS sites of European subsidiaries with more than 100 employees. Approximately 90% of EADS work force is based at those sites.

Definitions and calculation methods for environment KPIs may differ in various countries in which EADS operates.

Except for the number of sites, all figures are rounded.

(*) Estimate, as data were not complete at the date of reporting.

Further reporting: Airbus publishes an environmental report every two years which is available on its website at www.airbus.com. Airbus's fifth environmental report is expected to be issued by mid 2008.

2.4 Human Resources: Employer – Employee Relationship

The HR function ensures that the EADS Group attracts, develops, motivates, and retains a world-class workforce. In addition, to this on-going role of business partner, the HR function also supports the business challenges in facilitating the continuous integration competency management and internationalisation of the Group and the building up of a common spirit across the Group's organisational and operational structures.

Maintaining high standards of health and safety in the workplace is also a major priority of the EADS Group. In 2007,

several initiatives have been taken to be more efficient in terms of competency management, shared services and to better shape resource planning. In the field of industrial relations, the Group's HR function coordinates the social dialogue at Group and Division level.

In the context of the restructuring of Airbus and the evolution of EADS' organisation, the social dialogue has been intensified and additional information and consultation procedure has been defined with staff representatives.

2.4.1 WORKFORCE INFORMATION AND ORGANISATION OF WORK

As of 31st December 2007, the EADS workforce was composed of 116,493 employees. Since 2007, MBDA workforce is consolidated at 37.5% (instead of 50% previously), resulting in a decrease of the workforce figure for 2007. The headcount has however globally increased by 1,199 employees compared to 2006.

In 2007, 97.9% of the workforce were permanent employees. Depending on country and hierarchy level, the average working time is between 35 and 40 hours a week.

In 2007, 6,860 employees worldwide entered into employment with EADS (8,283 in 2006). At the same time, 4,648 employees left EADS (6,261 in 2005).

In total, 96.2% of EADS' active workforce is located in Europe on more than 80 sites.

Workforce by Division and by Geography

The tables below set out the number of EADS employees by business sector and by geographic region. Employees of

companies accounted for by the proportionate method (such as ATR, MBDA) are included in the tables on the same proportionate basis.

“Other businesses” includes ATR, Elbflugzeugwerke GmbH, EADS Sogerma, and EADS Socata.

EADS Employees by Division	31 st December 2007	31 st December 2006	31 st December 2005
Airbus	56,029	56,966	54,721
Defence & Security*	22,113	23,268	23,237
Eurocopter	14,658	13,422	12,755
Military Transport Aircraft	4,459	4,212	3,976
Astrium	12,587	11,927	10,985
HQ, Innovation Works and other businesses	6,647	7,010	7,536
TOTAL EADS	116,493	116,805	113,210

(*) The figures for 2007 reflect a change of consolidation for MBDA at 37.5% compared to 50% previously.

EADS employees by geographic region	31 st December 2007		31 st December 2006		31 st December 2005	
	Amount	In percentage	Amount	In percentage	Amount	In percentage
France	44,022	37.8	44,536	38.1	43,286	38.2
Germany	43,438	37.3	42,920	36.7	41,438	36.6
Spain	9,315	8.0	8,991	7.7	8,710	7.7
U.K.	13,652	11.7	14,309	12.3	14,297	12.6
Italy	474	0.4	701	0.6	729	0.7
U.S.	1,777	1.5	1,932	1.7	1,877	1.7
Other countries*	3,815	3.3	3,416	2.9	2,873	2.5
TOTAL EADS	116,493	100.0	116,805	100.0	113,210	100.0

(*) The “Other countries” figure includes employees from 13 other countries.

Part Time Contracts	2007 In percentage	2006 In percentage	2005 In percentage
France	4.0	4.1	4
Germany	3.1	3.3	3.2
Spain	0.5	0.0	0.0
U.K.	1.5	1.6	1.4
U.S.	1.9	n/a	0.1
Other countries	3.2	n/a	n/a
TOTAL EADS	3.0	3.2	3.2

2.4.2 HUMAN RESOURCES ORGANISATION

Since 2006, the HR organisation has been redesigned for greater integration of the function, in line with the Group’s business requirements. A new HR board and functional reporting lines from the Divisions to the Group’s HR head were designed to foster a coordinated Group policy.

The Corporate HR team operates worldwide as the strategic leader in HR matters and works in close cooperation with the Divisions and BUs which have the operational HR responsibility for most of the employees, except for the top Management of each BU which is under Corporate HR operational responsibility.

The HR communities work closely together, they coordinate and share best practises at a functional level. Regular meetings of HR heads are organised at both European and national levels. A global HR database is now available and is being continuously developed in order to fulfil the needs of EADS integration.

At corporate level, six support departments make up the global EADS HR management: HR Improvement and Operations; Social Policy and Industrial Relations; Compensation and Benefits, Leadership Development and Learning; Talent and Executive Management; as well as Security.

Among other, they are responsible for:

- Managing HR Development for the top 200 key positions;
- Designing policies, guidelines and tools for all group-wide HR processes, such as appointments, job rotation, international mobility, compensation and benefits, e-HR projects, data and information systems security policies etc.;
- Organising and delivering executive education for all executives and potential future executives through the CBA and coordinating the training activities within the Group for all employees; and
- Improving the sharing of best practises within the EADS HR community.

2.4.3 HUMAN RESOURCES POLICIES AND PERFORMANCE

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

Policy

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

Organisation and Performances

The management of Health and Safety is essentially dealt with at site level and it accordingly allows for prevention and protection measures for employees, contractors and partners to be defined and implemented to meet specific requirements of each work place.

Reporting on health and safety obeys to national regulations according to the sites’ locations.

However some health and safety indicators have started to be drawn up at the Division or BU level which mainly address work related accidents.

2.4.3.2 Caring for EADS Employees and EADS Know-How

Policy

“Given the specific nature of the facilities of the EADS Group which are used for many activities relating to national defence and sensitive civil markets, the conditions governing access to and movements inside the plants and facilities are specified in ministerial orders and are based on two main principles:

- Access to a plant is subject to prior authorisation by the Company; and
- Entry into restricted and sensitive areas is regulated in accordance with national and company regulations.”

Organisation and Performance

EADS has set up a security policy to improve the security of its employees and to protect EADS’ expertise. A Security Committee has been set up as a combination of Security leaders from each country and each Division who supervise their local security officers at BU and plant level, and who deal with national security authorities and European security organisations.

The network of security managers is there to ensure information exchange and sharing of best practices. Working groups are created to facilitate constant adaptation of security measures to actual threats. Access to EADS facilities is subject to prior authorisation, and entry into restricted and sensitive areas is regulated in accordance with national and company regulations. The awareness of EADS employees is addressed as a main success factor.

The increasing development of EADS' business outside Europe implies reinforcing the safety of EADS employees in risky countries and to improve the security of EADS offices abroad.

In terms of IT security, appropriate steps were taken to audit processes and improve the level of awareness of EADS' employees to the security of the information systems. Given the sensitive nature of the Group's business, employees must be able, in order to meet the business' needs, to always work in compliance with group security policies; hence, the Group implements, for instance, secured nomad IT solutions facilitating mobility and business reactivity with confidence.

Since 2006, a particular focus was developed on risk management, addressing and challenging all the security matters and business security needs. Particularly, new procedures have been defined and implementation to specific applications has begun (e.g. e-HR).

2.4.3.3 Diversity: Commitment to Ensure Equal Opportunity for all EADS Employees

Policy

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

Women at EADS	31 st December 2007 In percentage	31 st December 2006 In percentage	31 st December 2005 In percentage
Airbus	12.9	13.2	12.7
Defence & Security	18.7	18.9	18.7
Eurocopter	14.0	13.1	12.6
Military Transport Aircraft	13.4	13	12.6
Astrium	19.6	19.6	19.2
HQ, Innovation Works and other businesses	18.5	17.6	15.7
TOTAL EADS	15.3	15.2	15

EADS has committed to a long-term plan for the promotion of women in aerospace and has set two priorities: at least 20% of its annual recruitment will be women, and it will have active communication within universities and schools in order to convince female students through lively role models and concrete examples that the aerospace industry, and more specifically EADS, is an attractive employer for women.

Performance and Best Practices

EADS has always promoted diversity through its existing culture of cross-border collaboration.

EADS' principles regarding respecting and promoting diversity are listed in the Group's Code of Ethics as well as in the “International Framework Agreement” signed with the European Works Council.

The following examples illustrate the implementation of these principles:

Nationalities

EADS welcomes 44 different nationalities among its employees worldwide (each of the nationalities is represented by 10 employees at least).

Gender Diversity

The percentage of women employed in 2007 in the Group is about 15.3%. It has steadily increased since 2004, when the Group started to reinforce its policy in this field; the increase in the percentage of women was registered across all Divisions.

As of 31st December 2007, according to the Group-wide internal grading system, around 5% of executive positions (highest EADS management level) were held by women, and 8% of senior manager positions.

Since 1st January 2004, BUs are asked to report quarterly on their success in recruiting women.

In 2007, the recruitment of women was 21.5% of total recruitment, and so exceeded the Group's target.

The Defence & Security and Astrium Divisions as well as EADS Innovation Works are leading the way in this field.

- The EADS CBA promotes diversity in all development programmes. Since 2006, the percentage of women has increased in these programmes to be consistent with the Group' recruitment target;
- A woman was nominated in 2007 as “Expert Executive”, which is the highest level in the category of Technical Sciences Experts. She is in charge of leading the “Collège des Experts” and she participates as such in the Expert Executive Committee;
- Since 2004, EADS has been involved in a partnership with the **FEMTEC** university career centre for women Berlin GmbH in Germany. Working in cooperation with well-known companies, the aim of this cooperation between FEMTEC and industrial companies is to promote engineering studies among young girls and women, and to help high potential and specialized female students enter the aerospace industry. EADS takes an active part in career advice workshops designed for FEMTEC students as well as in conference days;
- In France, EADS sponsored the **Irène Joliot-Curie award** for the fourth time in 2007 (See “2.2.2 Sustaining and Protecting Innovation – Innovation Chapter”);
- Furthermore, EADS is an active member of the **WIST** (Women Initiative in Science and Technology), a programme funded by the European Commission and aiming at exploring the partnerships between private and public research, as well as the links between diversity and business performance;
- **Airbus** also agreed on a partnership with the Academy of Toulouse to facilitate contacts between female professionals and students, to provide information to students, teachers and career advisors on technological advances and new skills, as well as to participate in relevant events.

Other personnel marketing initiatives include:

- In Germany, the organisation of a “**girls' day**” which is an open day for girls at the EADS German sites to allow them to find out more about the engineering profession;
- In France, participation in the “*Elles bougent*” (“they move”) initiative. Led by major French engineering universities (ENSAM, ESTACA) together with key players from the

transportation industry (EADS, PSA, Dassault, SNCF...), this project aims at raising young women's awareness of technical studies, as well as getting them interested in complex technologies through plant visits, conferences, as well as regular contacts with female engineers currently working in the member companies;

- In 2007, at the Paris Airshow, more than 500 students and young graduates were welcomed at the HR section of the EADS stand to participate in the various workshops and conferences organised by the Divisions. Events such as the “Junior Programme” or “*Elles bougent*” special day and the numerous tours of the EADS stand and the A380 were big successes; and
- A “Diversity Committee” was created in 2007 at the level of the EADS Group. It consists of 8 men and 8 women representing various managements (Human Resources, Marketing and Sales, Strategy, Finances, engineering, programs, etc.) and EADS entities. Its role is to define a strategic plan and to promote actions aiming at developing diversity within the Group.

In France, a first agreement on gender diversity and equal professional treatment (“*Accord sur l'égalité et la mixité professionnelle*”) which was signed in 2004 with trade unions, is monitored by each EADS company, and also at Group level, using a defined set of common indicators to evaluate results and track progress with an action plan covering the 2004-2006 period. This action plan was to be re-negotiated every three years. Accordingly a new agreement was signed in July 2007 by general management and trade unions, establishing new priority rights and indicators of follow-up, notably for:

- The harmonisation of compulsory reports;
- The implementation of salary policy and career development;
- The promotion of aeronautics, space and defence professions among female students;
- The feminisation of recruitment.

Age diversity

A group agreement covering EADS' entities in France signed with trade union organisations in 2005 aims at banning all career development based on age criteria.

Being concerned with the lengthening of working life, the other European entities of the EADS Group are also working on second half of career development.

Number of employees per age group	31 st December 2007	31 st December 2006	31 st December 2005
18-25	7,763	7,578	7,179
26-35	29,678	29,621	27,303
36-45	36,315	37,026	37,127
46-55	37,329	36,545	35,358
56-65	12,521	12,227	11,229
TOTAL EADS	122,606	122,997	118,196

Consolidated companies are counted 100%.

Average age of employees	31 st December 2007	31 st December 2006	31 st December 2005
France	41.3	41.3	41.4
Germany	42.4	42.0	42.2
Spain	42.3	42.8	42.4
U.K.	41.7	42.3	41.9
U.S.	44.7	44.2	43.9
Other countries	n/a	n/a	40.8
TOTAL EADS	41.9	41.8	41.9

Average length of service	2007 In years	2006 In years	2005 In years
Airbus	13.6	13.4	13.4
Military Transport Aircraft	19.3	20.1	20.8
Eurocopter	12.2	13.4	14.2
Defence & Security	16.4	16.3	16.7
Astrium	14.9	15	15
HQ, Innovation Works and other businesses	12.8	12.5	13.3
TOTAL EADS	14.3	14.3	14.6

2.4.3.4 Career Development: Efficient Management of Skills and Know-How

Policy

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

- *Associating personnel to the performances of the Group and its subsidiaries through a success sharing scheme.”*

Performance and Best Practices

Recruitment and retaining of talent

EADS strongly believes that developing close contacts with target universities and their students will contribute to the students’ growth and will efficiently brand the Group among potential future recruits.

EADS demonstrates its commitment in many different ways: by sitting on boards, advising on classroom content, preparing case studies, giving technical lectures or on-campus conferences, arranging plant visits, maintaining its presence at career fairs, or by enhancing cooperation in common research areas.

Recruiting events and Partnerships

EADS attends numerous **recruitment events** such as the Bonding student fairs in Germany, the *Ecole Polytechnique*, the *Ecole Centrale* and the Toulouse Technology career fairs in France, as well as the MIT or Embry Riddle fairs in the U.S. to name but a few. Dedicated branding and recruitment meetings are also held during major air shows such as ILA, the Paris Air Show or the Bangalore airshow in India, thus promoting EADS' employer brand among real aerospace fans and attracting talented candidates.

In the framework of the EADS Business Development policy, HR Marketing decided to go one step deeper in the Asian aerospace market with the aim of developing the EADS employer brand on a group wide level in India in 2007; furthermore, the HR team was part of the EADS Australian Show.

EADS Group is maintaining a relationship with the Pegasus Network (Partnership of a European Group of Aeronautics and Space Universities). EADS, together with all EADS Divisions, is present on campus in order to forge new contacts with the leading "aeronautics and space" universities in Europe as well as to build a powerful image of EADS as a desirable employer. In addition, discussions with faculty members, professors and EADS engineers helped to develop first steps into future education and skills of students to prepare them for a successful career within the aerospace industry.

Such partnerships also demonstrate EADS' long-term commitment to building and maintaining a lasting relationship with key universities or networks.

In addition to increasing on-site presence among students directly at universities, EADS also organises more than **60 factory tours** at most of its Divisions and BUs.

eRecruiting

The new wide eRecruiting@EADS platform has been rolled out. This platform responds to the Company's future workforce requirements and brings transparency to the Group-wide job market. Hundreds of thousands of applications are posted every year on the EADS job platform.

Launched in November 2006, this new recruitment platform is now fully operational and the system was delivered to the HR population end of 2006 and opened to candidates on the internal and external job market on 30st January 2007. The new eRecruiting tool responds to the Company's workforce requirements and grants transparency and integration on a common platform to all Divisions.

Internships and entry options

With more than 5,000 **internships** offered each year in Europe, EADS provides students with valuable technical and personal experience as well as with the unique opportunity to have a closer look at the industrial world. Most of EADS' internships target students in the fields of aviation and space technology, electronics, information technology, finance, or management.

In order to enhance the personal skills and abilities of its former trainees, EADS developed the **Juniors programme** to follow-up all EADS interns, and thus retain and recruit highly motivated interns.

A variety of other opportunities (depending on national regulations and policies), including vocational training and scholarship programmes, are also offered to students.

In order to increase the efforts of integration, new specific recruitment and development programmes have been created internally to contribute to the ongoing development of EADS' workforce. A new programme called PROGRESS (PROfessional Graduate Entry Support Scheme) consists of first stretching assignments for talented recruits in addition to mobility within the EADS Group. The recruitment started in October 2007. Fifty participants will be selected to be part of the first PROGRESS generation in September 2008.

Moreover, EADS Development Programmes (Financial Management Development Programme and Advanced Marketing and Sales Programme) offered to professionals interested in joining EADS in key fields such as finance and sales have now proven their efficiency.

Breakdown of employees per qualification	2007 In percentage	2006 In percentage	2005 In percentage
University (4 years and more)	24.5	24.4	24
University (up to 3 years)	19.4	19.3	18.9
Higher vocational school	8.7	9.9	11.3
Vocational school	42.9	40.9	41.5
General school	4.5	5.5	4.3

Development and training

Development is a priority for EADS employees.

Personal development includes **training**. EADS expenses approximately 4% of its payroll (over €150 million) in training per year. EADS trains more than 70,000 employees every year for a total of 2.5 million hours.

To improve the effectiveness of that significant investment, EADS has set up a Learning Directorate with the ambition to deliver better training programmes, to share internal resources, to be more proactive in that domain and to create more value for the business. The Learning Directorate is managed by the EADS head of Leadership Development and Learning.

- One of the decisions of that directorate has been to create a “Shared College” which will be the place where all the Divisions will share common training programmes and common resources, including internal trainers. Created in 2006, the Shared College has delivered its first programmes in 2007 and should ramp up very quickly to face the needs of EADS. The first programmes targeted within the Shared College will be on Quality, on System engineering and on Programme management.
- In keeping with this trend of integration, EADS has decided to create a Leadership Model based on 6 principles which illustrate the successful way of leading and managing within EADS. This Model is used in development with tools such as a specific EADS 360° feedback processes, or Development Centres.
- The CBA, created in 2000 as an EADS’ Corporate University to develop the current executives and prepare the next generation of executives, has focused some of its programmes to actively prepare EADS leaders on internationalisation, improvement and innovation.

In 2007, the Centre for Executive Education of EADS (Domaine de Villepreux) close to Bordeaux hosted more than 1,300 guests for its third year (30% increase from 2006). This centre has been designed to provide facilities to the whole Group for top management meetings, training sessions and executive seminars.

2007 was an important year for EADS in terms of promoting innovation and reinforcing technical expertise. Significant actions were implemented:

- **the creation of the EADS Hall of Fame award** (See “2.2.2 Sustaining and Protecting Innovation – Innovation Strategy”);

The award ceremony was held in Paris, at La Cité des Sciences, with the participation of 160 employees, their spouses and their managers. Two special guests, famous

rugby players from Le Stade Toulousain, Fabien Pelous and Byron Kelleher, offered an interesting parallel between rugby, team spirit and innovation. The main benefits of this Hall of Fame are a strong recognition of talents but also a good opportunity to identify and share good practices at every level of the Company while encouraging their protection with patents; and

- **the full deployment of the Experts policy.**

Recognising the development of technical expertise as a major asset, EADS has developed a specific policy for engineering experts, who are key to EADS for maintaining its competitive advantage through R&T developments. Aimed at creating attractive career paths for engineering experts, the policy also includes development programmes customised for the specific requirements of technical experts. Created in 2005, the Expert policy is now entering a maturity phase. Experts have been nominated in the Group’s main technical disciplines such as aerodynamic, composite or on board systems. The objectives are to attract, develop and retain engineers in a technical career but also to reinforce roles in organisation: technical advisory, innovation, knowledge management, intellectual property.

On a strategic point of view, the experts’ policy is also a way to secure the EADS experts’ portfolio by two means: develop new experts on emerging technologies but also transfer the know-how of retiring experts.

Mobility

EADS employees are also offered a wide range of mobility opportunities. Mobility at EADS means mobility across functions, BUs and Divisions in its four home countries, France, Germany, Spain and the U.K., as well as appointments to regions such as America or Asia.

As of 30th June 2007, nearly 2,200 EADS employees were recorded as expatriates⁽²⁾, 75% of them working in one of the European countries.

Remuneration

The total wage bill amounted to €9.08 billion in 2007 (See “Part 1 – 1.2 Financial Statements – Note 7”).

Success Sharing Practices

EADS’ reward schemes policy is strongly linked to the achievement of individual and Company objectives, both for each Division and for the overall Group. In 2007, a performance and restricted shares unit plan was established for the senior management of the Group (See “Part 1 – 2.3.3 Long Term Incentives Plans”).

(2) Scope: approximately 90% EADS.

The employee offering originally scheduled for June 2006 took place in March 2007. (See “Part 1 – 2.3.2 Employee Share Ownership Plans”).

Since 2005, the success sharing schemes which are implemented in EADS in France, Germany, Spain, and the U.K. follow one set of common rules of the Group, ensuring a consistent application in these four countries.

2.4.3.5 Employee Relations: A Proactive Dialogue

Policy

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

Performance and Best Practices

European Works Council

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

- The EWC meets twice a year for information and consultation on evolution of the business and the prospects of the Group.
- The EWC also comprises an economic committee which meets four times a year and focuses on economic matters.
- European sub-committees have also been set up in various BUs such as Airbus, Eurocopter, Astrium and EADS DS and replicate the EADS EWC model.

Two agreements concluded in June 2007 by EADS’ Central Management and the EADS EWC have been attached to the initial agreement for the establishment of the EWC:

- agreement on setting up the rules of information – consultation about EADS strategy and implementation of the Group’s global industrial projects;
- agreement on setting up the rules of confidentiality about information given during the EWC sessions.

National committees in France, Germany, and Spain enable dialogue on national matters, under the subsidiarity principle.

In the context of the preparation of the Airbus restructuring programme and the evolution of EADS’ organisation (such as shared services), and in addition to the legal procedure, informal dialogue process has been agreed upon with personnel and unions representatives. It thus results in increasing the number of meetings initially planned and in developing cross-divisional coordination and information cascading down for both the preparation and implementation phases.

International Framework Agreement

Placed in the context of the globalisation of EADS’ activities and as an illustration of the continuous dialogue principle the EADS Group and the Group’s European Works Council concluded in June 2005 an International Framework Agreement. By this agreement, the signatories expressed their commitment to common principles and social standards which they recognise as fundamental, and which they intend to promote worldwide, in the countries where EADS’ activities are implemented. EADS and the Group’s European Works Council expressed their strong belief that CSR is a key to long-term success.

The European Metalworkers’ Federation (EMF) and the International Metalworkers’ Federation (IMF) associate themselves with these principles and are, accordingly, co-signatories of the agreement.

The principles contained in the International Framework Agreement are aligned with the general rules of ILO conventions, the OECD Guidelines for Multinational Enterprises and the principles laid down by the UN Global Compact, which EADS signed in October 2003, and they are in compliance with the Code of Ethics.

They cover the fields of equal opportunities and non-discrimination in respect of employment, of working conditions and environmental protection, condemn recourse to child labour, recognise the principles of freedom of association and the protection of trade unions’ rights.

EADS expects all its suppliers to recognise and apply the principles of this framework agreement.

Overview of collective agreements/works agreements signed with Unions/Works Councils since 2000

EADS Group Agreements were concluded on the following matters:

- establishment of a European Works Council*;
- linking personnel to the business performance of the Group**; and

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

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

- International Framework Agreement.
- In Germany, Tariff Agreements were concluded in relation to such matters as holiday pay, Christmas bonus, sick pay, and early retirement, as well as agreements with the works council on success sharing, insurance package, company pension, early retirement deferred compensation, suggestion scheme, family and work life balance, disabled people, and time saving system.
- In France, Group Agreements were concluded in relation to such matters as employment issues, union's rights and social dialogue, pre-retirement, management of the second half of careers, health cost coverage, French national committee and unions coordinators, professional equality and diversity,

working time, career-long training, new frame for health insurance, skills management.

- In Spain, a collective bargaining agreement covering various subjects regarding working time and organisation of work, includes also social benefits such as aid to children of employees, collective transport, retirement, life insurance, loans, prize at retirement, canteens, aids to worker association.

It has to be noted that collective agreements can be signed at the BU level on matters directly related to their specific social perimeters.

2.5 Corporate Citizenship

2.5.1 MAINTAINING AN OPEN DIALOGUE WITH EADS' STAKEHOLDERS

2.5.1.1 Policy

“As one of the largest European companies, EADS is aware of its duties and is willing to develop its contribution to the cultural, educational and social background in the countries where EADS operates. In particular, EADS aims at reinforcing project partnerships with universities and research centres, through, for example, the EADS Research Foundation.

EADS shall do its best to maintain an open dialogue with its stakeholders and to provide clear answers for requests for clarifications within the limits of its obligations.”

2.5.1.2 Organisation

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

However, EADS has implemented donation guidelines (under the responsibility of EADS' Corporate Secretary) as well as sponsoring guidelines (under the responsibility of EADS Corporate Communications) which set out criteria for granting contributions to projects.

The guidelines also provide certain thresholds above which such activity has to be reported to the Corporate Secretary or

Corporate Communications respectively and approved at the level of the CEOs.

2.5.1.3 Performance and Best Practices

Sponsorships and Donations

In 2007, EADS contributed more than €2 million to social, cultural, sport or educational projects (this figure does not include contributions to the EADS Foundation for Research and similar CTO programmes).

Like in previous years, a special focus is made on industry-related initiatives and science and educational oriented projects. To name a few examples: EADS provided scholarships to students at U.K. universities for their final year of a Master's Programme in Aeronautical Science; it participated in the C Génial event which aims at promoting scientific and technical culture among young generations; the Group partnered the 50 years of E.U. celebration in Berlin where it presented R&D topics; EADS has also a continuing partnership with the London Science Museum. The opening in 2007 of its refurbished space gallery, supported by EADS and Astrium well demonstrates this fruitful partnership.

Furthermore, EADS contributes to humanitarian activities by donating and giving material or providing air transportation capacities when necessary. Among others, EADS has a long-term partnership with “Aviation sans Frontières” (“ASF”) a non-profit organisation in France, Germany and Spain, a humanitarian organisation which provides air transport for, in particular,

seriously ill children. In 2007, an ASF branch was created in the only EADS home country which was not covered yet: the U.K. All missions provided for in the association status were already delivered in the course of the year: Wings of Smile, child escort, and air freight of medical good. The 2007 milestones include: joint missions of the German (Luftfahrt Ohne Grenzen) and U.K. (Aviation Without Borders) branches in Peru after the Auhust earthquake and in Bangladesh after the July flooding; and Airbus teaming up with ASF France in the first Wings of Smile mission in December by organising an A320 flight for disabled children. The partnership with the ASF network was presented at the occasion of the Summerfestival of the German President, which EADS sponsored. EADS also contributed significantly, as in previous years, to the RAF Charitable Trust through the sponsorship of the Royal International Air Tattoo.

EADS encourages its employees who individually participate actively and responsibly in local initiatives which contribute to the overall development of local communities.

Dialogue with Stakeholders

EADS is always ready to listen to critical voices and welcomes constructive contribution. The Group strives to maintain an open dialogue with any stakeholder who genuinely seeks additional information on EADS' businesses, operations or CSR activities.

Particularly, in order to provide the most accurate information to stakeholders and stockholders, the Group proactively interacts with the main sustainability rating agencies. EADS aims at continuously improving the ways of integrating CSR into its day-to-day business. In keeping with this objective, the agencies' analyses contribute to EADS' efforts in assessing the Group' strengths and weaknesses and point out possible gaps in CSR reporting. They also provide an indication of the benchmark positioning of EADS within the aerospace and defence industry which is currently behind the other industries in terms of CSR reporting.

2.5.2 ENCOMPASSING COMMUNITY INTERESTS IN EADS' GLOBAL STRATEGY

2.5.2.1 Policy

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

2.5.2.2 Organisation

A new organisation was set up early 2008, in order to fulfil EADS' Vision 2020; it seeks namely to better balance EADS' footprint between Europe and the rest of the world. Within the Strategy and Marketing organisation, International Development has been created to integrate sales and industrial development functions.

2.5.2.3 Performance and Best Practices

EADS pursues international development through setting up plants and engineering centres in strategic countries, completing acquisitions or partnering with local industry. 2007 was another year of achievements in all these areas.

Airbus opened during 2007 new engineering centres in the U.S. (Mobile) and in India (Bangalore). Both centres will each hire more than 100 skilled local engineers by the end of 2008. 2007 is also the year when construction of the A320 China Final Assembly Line started. Another example of EADS' industrial global deployment is the decision to set a C212 Final Assembly Line in Brazil.

On 2nd April 2007, Airbus set up an Engineering Centre in Bangalore, India. The purpose of this centre, which will ultimately employ more than 250 local engineers, is to become an Airbus pole of excellence for Advanced Methods & Simulation Tools in Flight Physics, Structure, Systems and Testing domains. The Bangalore centre employed around 30 Indian skilled engineers by the end of 2007, and should more than double its capacity in the course of 2008. After a training period of 3 months in Airbus' European design offices, Indian engineers are performing high added-value work package tasks related to Airbus' existing and future programs. The performance quality fully meets worldwide standards set by Airbus.

In the U.S., EADS North America is committed to increasing its investment, expanding its industrial presence, creating high value jobs and in-sourcing world-leading technology and products to the U.S. marketplace. Moreover, as a responsible local citizen, EADS North America is contributing to the associations and institutions where its employees live and work.

Airbus is implementing locally a people management policy that favours quality of the job environment and career development for local employees. The success of this policy is highlighted by the employee attrition rate which is still equal to zero after one year of operations.

General Description of the Company and its Share Capital 3

3.1	General Description of the Company	86	3.3	Shareholdings and Voting Rights	98
3.1.1	COMMERCIAL AND CORPORATE NAMES, SEAT AND REGISTERED OFFICE	86	3.3.1	SHAREHOLDING STRUCTURE	98
3.1.2	LEGAL FORM	86	3.3.2	RELATIONSHIPS WITH PRINCIPAL SHAREHOLDERS	100
3.1.3	GOVERNING LAWS	86	3.3.3	FORM OF SHARES	105
3.1.4	DATE OF INCORPORATION AND DURATION OF THE COMPANY	89	3.3.4	CHANGES IN THE SHAREHOLDING OF THE COMPANY SINCE ITS INCORPORATION	105
3.1.5	OBJECTS OF THE COMPANY	89	3.3.5	PERSONS EXERCISING CONTROL OVER THE COMPANY	107
3.1.6	COMMERCIAL AND COMPANIES REGISTRY	89	3.3.6	SIMPLIFIED GROUP STRUCTURE CHART	108
3.1.7	INSPECTION OF CORPORATE DOCUMENTS	90	3.3.7	PURCHASE BY THE COMPANY OF ITS OWN SHARES	110
3.1.8	FINANCIAL YEAR	90	3.4	Dividends	114
3.1.9	ALLOCATION AND DISTRIBUTION OF INCOME	90	3.4.1	DIVIDENDS AND CASH DISTRIBUTIONS PAID SINCE THE INCORPORATION OF THE COMPANY	114
3.1.10	GENERAL MEETINGS	90	3.4.2	DIVIDEND POLICY OF EADS	114
3.1.11	DISCLOSURE OF HOLDINGS	92	3.4.3	UNCLAIMED DIVIDENDS	114
3.1.12	MANDATORY TENDER OFFERS	93	3.4.4	TAXATION	114
3.2	General Description of the Share Capital	95	3.5	Annual Securities Disclosure Report	116
3.2.1	MODIFICATION OF SHARE CAPITAL OR RIGHTS ATTACHING TO THE SHARES	95			
3.2.2	ISSUED SHARE CAPITAL	96			
3.2.3	AUTHORISED SHARE CAPITAL	96			
3.2.4	SECURITIES GRANTING ACCESS TO THE COMPANY'S CAPITAL	96			
3.2.5	CHANGES IN THE ISSUED SHARE CAPITAL SINCE INCORPORATION OF THE COMPANY	97			

3.1 General Description of the Company

3.1.1 COMMERCIAL AND CORPORATE NAMES, SEAT AND REGISTERED OFFICE

Commercial Name: EADS

Seat (statutaire zetel): Amsterdam

Corporate Name: European Aeronautic Defence and Space Company EADS N.V.

Tel: +31.20.655.48.00

Registered Office: Le Carré, Beechavenue 130-132, 1119 PR, Schiphol-Rijk, the Netherlands

Fax: +31.20.655.48.01

3.1.2 LEGAL FORM

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

As a company operating worldwide, EADS is subject to, and operates under, the laws of each country in which it conducts business.

3.1.3 GOVERNING LAWS

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 have been admitted for trading at the Traded but Not Listed Segment of Euronext Amsterdam.

shared the same household), and (iv) legal entities, trusts or partnerships whose managerial responsibilities are discharged by any person referred to in categories (i), (ii) or (iii) or which are directly or indirectly controlled by such a person, or that have been set up for the benefit of such a person, or whose economic interests are substantially equivalent to those of such a person.

The Company is subject to various legal provisions of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) (the “**WFT**”). These are summarised below.

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 Dutch, German, Spanish and French disclosure requirements applicable to members of the Board of Directors and the Executive Committee, see “3.1.11 Disclosure of Holdings – Disclosure Requirements for Members of the Board of Directors and of the Executive Committee”). 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 inside information, and (ii) certain persons are only allowed to trade in EADS shares or stock options within very limited periods and have specific information obligations to the compliance officer of the Company and the competent financial market authorities with respect to certain transactions. The updated version of the

Pursuant to section 5:60 of the WFT, certain persons discharging managerial responsibilities within the Company and, where applicable, persons closely associated with them (together “**Insiders**”, as defined below) must notify the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten* (the “**AFM**”)) of all transactions conducted on their own account relating to shares of the Company, or to derivatives or other financial instruments linked to them. In principle, failure to comply with the requirements of the WFT is a criminal offence punishable by criminal and administrative penalties in the Netherlands.

In particular, “**Insiders**” include (i) members of the Board of Directors and the Executive Committee of the Company, (ii) certain senior executives, (iii) persons closely associated with any person mentioned under categories (i) and (ii) (including their spouses, dependent children and other relatives who have

Insider Trading Rules effective from 1st January 2007 is available on the Company's website.

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

Pursuant to section 5:59 paragraph 7 of the WFT, the Company must maintain a list of all persons working for it by virtue of a labour relationship or otherwise, who may have access to inside information. Equivalent requirements exist under French, German and Spanish law.

In addition, given the fact that its shares are admitted for trading on a regulated market in France, Germany and Spain, the Company is subject to certain 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 Periodic Disclosure Obligations

Pursuant to Directive 2004/109/EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market (the "**Transparency Directive**"), EADS is required to disclose certain periodic and ongoing information (the "**Regulated Information**"). The expiry date for the implementation of the Transparency Directive by the Member States of the European Community was 20th January 2007.

Pursuant to the Transparency Directive, EADS must disseminate Regulated Information throughout the European Community in a manner ensuring fast access to such information on a non-discriminatory basis. For this purpose, EADS may use a professional service provider (wire). In addition, Regulated Information must be filed at the same time with the relevant competent market authority. EADS must then ensure that Regulated Information remains publicly available for at least five years.

Finally, Regulated Information must be made available for central storage by a mechanism that is to be officially designated by the issuer's home member state.

Dutch Regulations

For the purpose of the Transparency Directive, supervision of EADS is effected by the member state in which it maintains its registered office, which is the Netherlands. In addition, the competent market authority that assumes final responsibility for supervising compliance by EADS is the competent market authority designated in the Netherlands, the AFM.

As of the date of this document, the Netherlands has implemented provisions of the Transparency Directive relating to the requirements on notification of the acquisition or disposal of major holdings and major proportions of voting rights held by shareholders (See "3.1.11 Disclosure of Holdings"), but not in relation to other disclosure requirements.

Once the Transparency Directive is fully implemented in the Netherlands (expected: October 2008), EADS will be subject to a number of periodic disclosure requirements, such as:

- Publishing a financial report, together with an audit report drawn up by an external accountant, within four months after the end of each financial year;
- Publishing a semi-annual financial report covering the first six months of the financial year, within two months after the end of the first six months of the financial year; and
- Publishing quarterly financial information.

In addition to the requirements of the Transparency Directive, pursuant to section 5:15 of the WFT, resulting from the implementation of EC Directive 2003/71 dated 4th November 2003, the Company may prepare a registration document, the purpose of which is to provide legal and financial information on the Company (shareholding, activities, management, recent events, possible evolution and other financial information). Such registration document must be filed for approval with the AFM and, once approved, is made available to the public. In practice, the registration document of the Company may be used as a prospectus provided it is supplemented with a securities note and a summary approved by the AFM.

Additionally, and pursuant to section 5:24 of the WFT also resulting from the implementation of EC Directive 2003/71, the Company is required to provide at least annually a list of certain corporate and financial documents or other information that it has published or made available to the public over the last 12 months and details of where these documents can be obtained (see "3.5 Annual Securities Disclosure Report").

French Regulations

Since the Transparency Directive was implemented in France on 20th January 2007, EADS is no longer obliged to comply with certain disclosure obligations pursuant to the general regulations of the *Autorité des marchés financiers* (the "**AMF**").

In line with the requirement set forth in the Transparency Directive to disseminate Regulated Information throughout the European Community, EADS is required to provide simultaneously in France the same information as that provided abroad.

German Regulations

Since the Transparency Directive was implemented in Germany on 20th January 2007, EADS is no longer obliged to comply with certain German law disclosure obligations according to the German Stock Exchange Act (*Börsengesetz*) and the German Stock Exchange Admissions Regulation (*Börsenzulassungs-Verordnung*).

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

According to sections 47 and 48 of the Exchange Rules (*Börsenordnung*) of the Frankfurt Stock Exchange, the listing in the *Prime Standard* of the *regulierter Markt* results in the obligation of the Company to publish consolidated annual accounts as well as quarterly reports.

In addition, the Company is required as a result of its listing in the *regulierter Markt (Prime Standard)* to prepare an update of a corporate action timetable at the beginning of each fiscal year. The Company is also required to hold a meeting of analysts at least once a year in addition to the press conference regarding the balance sheet.

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

Spanish Regulations

Since the entering into force of the law and regulation implementing the Transparency Directive in Spain in April and December 2007, respectively, EADS is no longer obliged to comply with certain disclosure obligations pursuant to the Spanish Securities Act as developed by Royal Decree 1362/2007 of 19th October 2007.

In this context, the Company will not be under the obligation to submit its annual accounts for year 2007 to the CNMV. As far as both quarterly and half-yearly financial information are concerned, the Company has submitted quarterly and half-yearly information for the year 2007 to the CNMV, but will no longer be under the obligation to submit such information for any fiscal year as from 1st January 2008.

3.1.3.2 Ongoing Disclosure Obligations

Pursuant to the Transparency Directive, Regulated Information includes in particular inside information as defined pursuant to article 6 of Directive EC/2003/6 on insider dealing and market manipulation (the "**Market Abuse Directive**"). Such information must be disseminated throughout the European

Community (see introduction to section "3.1.3.1 Periodic Disclosure Obligations").

Inside information shall mean information of a precise nature which has not been made public, relating, directly or indirectly, to one or more issuers of financial instruments or to one or more financial instruments and which, if it were made public, would be likely to have a significant effect on the prices of those financial instruments or on the price of related derivative financial instruments.

Inside information must be disclosed to the markets as soon as possible. However, an issuer may under its own responsibility delay the public disclosure of inside information so as not to prejudice its legitimate interests provided that such omission would not be likely to mislead the public and provided that the issuer is able to ensure the confidentiality of that information.

Dutch Regulations

Upon implementation of the Transparency Directive into Dutch law, EADS will, whenever it discloses inside information pursuant to applicable mandatory law, disclose and disseminate throughout the European Community any such information (as part of the Regulated Information) and also file that information with the AFM which will keep all relevant information in a publicly available register.

French Regulations

Upon implementation of the Transparency Directive into the general regulations of the AMF (the "**AMF General Regulations**") on 20th January 2007, the French requirements to publish inside information in France according to Article 223-1 et seq of the AMF General Regulations no longer apply to EADS.

However, any inside information as defined above will be disclosed in France by means of dissemination throughout the European Community, as it will be organised under Dutch law implementing the Transparency Directive so as to provide simultaneously in France equivalent information to that provided abroad.

German Regulations

Upon implementation of the Transparency Directive in German law on 20th January 2007, the German requirements to publish inside information according to Section 15 of the Securities Trading Act (*Wertpapierhandelsgesetz*) no longer apply to EADS.

However, any inside information as defined above will be disclosed in Germany by means of dissemination throughout the European Community, as it will be organised under Dutch law implementing the Transparency Directive so as to provide simultaneously in Germany equivalent information to that provided abroad.

Spanish Regulations

Pursuant to Article 82 of the Spanish Securities Act, the Company is required to make public, as soon as possible, any fact or decision that may substantially affect the quotation of its shares (“**a relevant event**”). Any relevant event must be notified to the CNMV simultaneously with its diffusion by any other means, 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. The Company may, under its own responsibility, delay the publication of any relevant event if it considers that such publication damages its legitimate interests, provided that such lack of publication does not mislead the public and that the Company is in a position to guarantee the confidentiality of the relevant information. Nonetheless, the Company will immediately inform the CNMV should it decide to delay the publication of any relevant event. Furthermore, pursuant to the Spanish Securities Act, the Company must post details of any relevant event on its website.

The Company must try to ensure that the relevant information is disclosed simultaneously to all types of investors in the member States of the European Union where it is listed.

Pursuant to the Spanish Securities Act and its developing rules and regulations, 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 by Spanish regulations;
- (iv) To file a corporate governance report with the CNMV on an annual basis (the “**Annual Corporate Governance Report**”); and
- (v) In respect of the provisions of any shareholders’ agreement which relate to the exercise of voting rights at shareholders’ meetings or restrictions or conditions on the free transferability of shares or convertible bonds, to (a) provided the Company is a party to the shareholders’ agreement, file such provisions with the CNMV who will then publish the provisions as a relevant event, (b) post the provisions on the Company’s website, unless the CNMV exempts the Company from doing so, and (c) 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 29th December 1998 for an unlimited duration.

3.1.5 OBJECTS OF THE COMPANY

Pursuant to Article 2 of the Articles of Association, the objects of the Company are to hold, co-ordinate and manage participations or other interests 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 articles R.123-115, R.123-116 and R.123-117 of the French Commercial code, 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.: + 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 (Willy-Messerschmitt-Str. – Tor 1, 81663 Munich, Germany, Tel.: + 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.: + 34 91 585 70 00).

3.1.8 FINANCIAL YEAR

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

3.1.9 ALLOCATION AND DISTRIBUTION OF INCOME

3.1.9.1 Dividends

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

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

The declaration of a dividend, an interim dividend or another distribution to the shareholders shall be made known to them within seven days after such declaration. Declared dividends shall be payable within four weeks of such declaration unless

another date for payment is proposed by the Board of Directors and approved by the shareholders' meeting.

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

3.1.9.2 Liquidation

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

3.1.10 GENERAL MEETINGS

3.1.10.1 Calling of Meetings

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

The Board of Directors must give notice of general meetings in at least one of the Netherlands' national daily newspapers, at least

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

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

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

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

A request as referred to in the preceding paragraph may only be made in writing. The Board of Directors can decide that in "writing" is understood to include a request that is recorded electronically.

3.1.10.2 Right to attend Meetings

Each holder of one or more shares may attend shareholders' meetings, either in person or by written proxy, to speak and to vote according to the Articles of Association. See "— 3.1.10.4 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 recognised as authorised to exercise the rights to attend, speak and vote at the shareholders' meetings, who at the point in time mentioned in the convening notice are authorised 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 authorised 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 "— 3.1.10.1 Calling of Meetings") in such a manner that the person acting as chairman of the meeting is convinced that such a person is properly participating in the meeting, shall be deemed to be present or represented at the meeting, shall be entitled to vote and shall be counted towards a quorum accordingly.

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

Such convening notice shall also state the day that 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 (the Board must receive such written information ultimately on the date specified in the notice by which the meeting is convened).

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 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.

In accordance with the resolutions proposed to and adopted by the Annual General Meeting of Shareholders held on 4th May 2007, the Articles of Association of the Company were amended to the effect that they include the possibility for EADS to (i) set a "registration date" at which the persons entitled to attend and vote at the shareholders' meetings are recorded for this purpose irrespective of who is shareholder at the time of the meeting, and (ii) provide for electronic means of convocation, attendance and voting at the shareholders' meetings. The introduction of such electronic means will depend on the availability of the necessary technical means and the market practice.

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 pre-emption 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 shareholders' meeting, whatever the quorum present at such meeting.

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

3.1.11 DISCLOSURE OF HOLDINGS

Pursuant to the WFT, any person who, directly or indirectly, acquires or disposes of an interest in the capital or voting rights of the Company must immediately give written notice to the AFM by means of a standard form, if, as a result of such acquisition or disposal, the percentage of capital interest or voting rights held by such person meets, exceeds or falls below the following thresholds: 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%. Once in every calendar year, every holder of an interest in the share capital or voting rights of 5% or more in the Company must renew its notification to reflect changes in the percentage held in the share capital or voting rights of the Company, including changes as a consequence of changes in the total issued share capital. The disclosures are published by the AFM on its website (www.afm.nl).

In order to comply with these disclosure rules under the WFT, the Articles of Association of the Company have been amended in accordance with the resolutions adopted by the Annual General Meeting of Shareholders held on 4th May 2007 to the effect that they now include the obligation for shareholders to notify both the competent authorities and the Company when crossing thresholds in the share capital and/or voting rights of EADS set at: 5%, 10%, 15%, 20%, 25%, 30%,

3.1.10.4 Conditions of Exercise of Right to Vote

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

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

Article 25 (paragraph 2 and 3) of the Articles of Association provides that "The right to vote can be granted to an usufructuary. The right to vote can be granted to a pledgee, but only with the prior consent of the Board of Directors. No vote may be cast at the general meeting of shareholders on a share that is held by the Company or a subsidiary; nor for a share in respect of which one of them holds the depository receipts. Usufructuaries and pledgees of shares that are held by the Company or its subsidiaries are, however, not excluded from their voting rights, in case the right of usufruct or pledge was vested before the share was held by the Company or its subsidiary."

40%, 50%, 60%, 75% and 95%. Previously, such thresholds were set at 5%, 10%, 25%, 33 1/3%, 50%, 66 2/3% and more.

Upon implementation of the Transparency Directive in German law on 20th January 2007, EADS is no longer required to publish changes of voting rights pursuant to the German Securities Trading Act (*Wertpapierhandelsgesetz*).

Upon implementation of the Transparency Directive into Spanish law, EADS is no longer required to publish changes of voting rights pursuant to the Spanish Securities Act and its developing regulation.

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

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

Disclosure Requirements for Members of the Board of Directors and the Executive Committee

Disclosure of holdings

In addition to the requirements under the WFT regarding the disclosure of holdings in case the specified thresholds are met or exceeded or if holdings fall below these thresholds, members of the Board of Directors must report to the AFM the number of shares in EADS and attached voting rights⁽⁵⁾ held by him or an entity controlled by him, within two weeks following their appointment as director, whether or not such shareholdings meet or exceed any of the specified thresholds. Subsequently, any member of the Board of Directors is required to notify the AFM of any changes in such number of shares in EADS and attached voting rights.

Disclosure of transactions carried out on any securities issued by the Company

Pursuant to section 5:60 of the WFT, certain persons discharging managerial responsibilities within the Company (*i.e.*, for EADS, the members of the Board of Directors and of the Executive Committee) and, where applicable, persons closely associated with them must in principle notify the AFM of all transactions conducted for their own account relating to shares of the Company, or to derivatives or other financial instruments linked to them. These persons have to notify the AFM of the transactions within five trading days unless the aggregate amount of such transactions does not exceed €5,000 in respect of all transactions in a calendar year.

According to paragraph 15a of the German Securities Trading Act, persons with significant managerial responsibility with respect to the Company (*i.e.*, for EADS, the members of the Board of Directors and the members of the Executive Committee), or the persons closely associated with them, must disclose transactions conducted for their own account involving shares of the Company or financial instruments that relate to those shares, especially derivatives. These persons have to notify the Company and the German Federal Financial Supervisory Authority of the transactions within five trading days unless the aggregate amount of such transactions does not exceed €5,000 in respect of all transactions in a calendar year. Upon implementation of the Transparency Directive into German law on 20th January 2007, EADS is no longer required to publish such notifications on its website or in a German supra-regional mandatory stock exchange newspaper.

Pursuant to Articles 223-22 to 223-25 of the AMF General Regulations, directors, persons with significant managerial responsibility with respect to the Company and having access on a regular basis to inside information about the Company (members of the Board of Directors and members of the Executive Committee), and, where applicable, any person closely associated with them, must report by e-mail to the AMF, within a period of five trading days following completion, any transactions in securities of the Company carried out by these persons, unless the aggregate amount of such transactions does not exceed €5,000 in respect of all transactions carried out in a calendar year. The AMF makes such disclosure information publicly available on its website. In addition, the Company must establish, update and provide the AMF with a list detailing the persons with significant managerial responsibility with respect to the Company and having access on a regular basis to inside information about the Company.

3.1.12 MANDATORY TENDER OFFERS

3.1.12.1 Takeover Directive

The Directive 2004/25/EC on takeover bids (the “**Takeover Directive**”) sets forth the principles governing the allocation of laws applicable to EADS. The applicable laws refer to the rules of the Netherlands and the rules of the European Union Member State of the competent authority that must be chosen by EADS from among the various market authorities supervising the markets where its shares are listed.

For EADS, matters relating to the consideration offered in the case of a bid, in particular the price, and matters relating to the bid procedure, in particular the information on the offeror’s decision to make a bid, the contents of the offer document and

the disclosure of the bid, shall be determined by the laws of the European Union Member State having the competent authority, which will be selected by EADS at a future date.

For EADS, matters relating to the information to be provided to the employees of EADS and matters relating to company law, in particular the percentage of voting rights which confers control and any derogation from the obligation to launch a bid, the conditions under which the Board of Directors of EADS may undertake any action which might result in the frustration of the bid, and the applicable rules and the competent authority shall be dealt with in accordance with Dutch law (see sections 3.1.12.2 and 3.1.12.3).

(5) 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. Equally, the term “voting rights” also includes actual or contingent rights to voting rights (*e.g.*, embedded in call options, warrants or convertible bonds).

3.1.12.2 Dutch Law

The bill implementing the Takeover Directive (the “**Takeover Act**”) in Dutch Law entered into force on 28th October 2007. In accordance with the Takeover Act, shareholders are required to make a public offer for all issued and outstanding shares in EADS’ share capital if they — individually or acting in concert (as such terms are defined below), directly or indirectly — have 30% or more of the voting rights (significant control) in EADS. In addition to the other available exemptions listed below, the requirement to make a public offer does not apply to persons, who at the time the Takeover Act came into force, already held — individually or acting in concert — 30% or more of the voting rights in EADS.

Under the Takeover Act, natural persons, legal entities or companies are “acting in concert” if they cooperate on the basis of an agreement with the objective to acquire significant control (as defined above) in the target company, or if they cooperate with its Board of Directors with the objective to prevent the success of an already announced public offer for the shares in such company. The following categories of natural persons, legal entities or companies are deemed to be “acting in concert” under the Takeover Act: (i) legal entities or companies that form a group of companies as defined in section 2:24b of the Dutch Civil Code, (ii) legal entities or companies and their subsidiaries, and (iii) natural persons and their subsidiary companies.

In addition to the exemption stated above, the obligation to make a public offer does not apply to the natural person, legal entity or company that, amongst others:

- Acquires significant control as a result of declaring unconditional (*gestand doen*) a public offer made for all shares (or depositary receipts) in the target company;
- Is a legal entity, independent from the target company, that acquires significant control after a public offer has been announced by a third party, provided that such entity (i) holds the shares in the target company for a maximum period of two years and for purposes of protection of the target company and (ii) the corporate objects of such entity are to preserve the interests of the target company;
- Is a legal entity, independent from the target company, which has issued depositary receipts for the shares in the target company;
- Acquires significant control as a result of: (i) an intra-group transfer of the shares representing significant control; or (ii) a transfer between a parent company and its subsidiary;
- Acquires significant control acting in concert with one or more other natural persons, legal entities or companies, in which case the obligation to make a public offer lies with the natural person, legal entity or company that can exercise most of the voting rights in the general meeting of shareholders of the Company;

- Acts as a custodian (if and to the extent it cannot exercise any voting rights in its sole discretion).

The obligation to make a public offer does also not apply if:

- The natural person, legal entity or company, after acquiring significant control, loses such control within a thirty day grace period, unless (i) loss of control is due to a transfer to a natural person, legal entity or company to which one of the exemptions set out above applies, or (ii) the acquirer of the significant control has exercised its voting rights during this thirty day period; or
- 95% of the general meeting of shareholders of the Company agrees up front with the acquisition of significant control by a third party (a reversed takeover).

The Takeover Act also introduces the right for a minority shareholder to make a request for his shares to be purchased by an offeror who holds at least 95% of the issued share capital and the voting rights. This claim should be brought before the Enterprise Chamber of the Court of Appeals in Amsterdam within the three-month period after the closing of the acceptance period of the public offer.

3.1.12.3 Articles of Association

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 set out in Section 5:45 of theWFT) 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 15 days of receipt of notice from the Board of Directors confirming the obligation to make the public offer, then any person(s) who is (are) required to make the offer shall within the period specified by the notice sent by the Board of Directors exchange for depositary 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 14 days from a further notice from the Board of Directors,

the person required to exchange his shares representing his Excess Percentage for depository receipts still has not done so, then the Company is irrevocably authorised to exchange such shares for depository receipts issued by the Foundation. The constitutive documents of the Foundation provide that the Foundation shall not have the right to attend shareholders' meetings of the Company as a shareholder, to speak at such meetings and to exercise the voting rights attached to the shares it holds, except if, in the view of the Board of Directors of the Foundation, 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⁽⁶⁾:

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

3.2 General Description of the Share Capital

3.2.1 MODIFICATION OF SHARE CAPITAL OR RIGHTS ATTACHED TO THE SHARES

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

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

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

meeting in the case where less than half of the capital issued is present or represented at said meeting.

In accordance with the ninth resolution passed by the annual shareholders' meeting of EADS held on 4th May 2007, the Board of Directors was granted the powers (i) to issue shares and to grant rights to subscribe for shares which are part of EADS's authorised share capital provided that such powers shall be limited to 1% of the Company's authorised share capital from time to time and (ii) to limit or exclude preferential subscription rights, in both cases for a period expiring at the annual shareholders' meeting to be held in 2009.

The shareholders' meeting may reduce the issued share capital by cancellation of shares or by reducing the nominal value of the shares by means of an amendment to the Articles of Association, the latter requiring the approval of at least two-thirds of the votes cast at the general meeting. At the annual general meeting of shareholders to be held on 26th May 2008, it will be proposed to cancel up to a maximum of 1,291,381 shares.

⁽⁶⁾ Article 17 of the Articles of Association.

3.2.2 ISSUED SHARE CAPITAL

As at 31st December 2007, the Company's issued share capital is €814,014,473 comprising 814,014,473 fully paid shares of a nominal value of €1.0 each.

3.2.3 AUTHORISED SHARE CAPITAL

As at 31st December 2007 the authorised 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 of EADS shares (See "Part 1 – 2.3.3 Long Term Incentive Plans"), 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 that would occur if all the stock options issued as at 31st December 2007 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 31 st December 2007	814,014,473	96.59%	809,807,471	96.57%
Total number of EADS shares which may be issued following exercise of stock options	28,749,782	3.41%	28,749,782	3.43%
Total potential EADS share capital	842,764,255	100%	838,557,253	100%

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

3.2.5 CHANGES IN THE ISSUED SHARE CAPITAL SINCE INCORPORATION OF THE COMPANY

Date	Nature of Transaction	Nominal value per share	Number of shares issued/cancelled	Premium*	Total number of issued shares after transaction	Total issued capital after transaction
29 th December 1998	Incorporation	NLG 1,000	100	-	100	NLG 100,000
3 rd April 2000	Conversion into €	€1	50,000	-	50,000	€50,000
8 th July 2000	Issue of shares in exchange for contributions by Aerospatiale Matra, Dasa AG and SEPI	€1	715,003,828	€1,511,477,044	715,053,828	€715,053,828
13 th July 2000	Issue of shares for the purpose of the initial public offering and listing of the Company	€1	80,334,580	€1,365,687,860	795,388,408	€795,388,408
21 st September 2000	Issue of shares for the purpose of the employee offering carried out in the context of the initial public offering and listing of the Company	€1	11,769,259	€168,300,403	807,157,667	€807,157,667
5 th December 2001	<i>Issue of shares for the purpose of an employee offering (note d'opération approved by the COB** on 13th October 2001 under number 01-1209)</i>	€1	2,017,894	€19,573,571.80	809,175,561	€809,175,561
4 th December 2002	<i>Issue of shares for the purpose of an employee offering (note d'opération approved by the COB on 11th October 2002 under number 02-1081)</i>	€1	2,022,939	€14,470,149.33	811,198,500	€811,198,500
5 th December 2003	<i>Issue of shares for the purpose of an employee offering (note d'opération approved by the COB on 25th September 2003 under number 03-836)</i>	€1	1,686,682	€19,363,109.36	812,885,182	€812,885,182
20 th July 2004	<i>Cancellation of shares upon authorisation granted by the annual shareholders' meeting held on 6th May 2004</i>	€1	5,686,682	-	807,198,500	€807,198,500
3 rd December 2004	<i>Issue of shares for the purpose of an employee offering (note d'opération approved by the AMF on 10th September 2004 under number 04-755)</i>	€1	2,017,822	€34,302,974	809,216,322	€809,216,322
In 2004	<i>Issue of shares following exercise of options granted to employees***</i>	€1	362,747	€6,133,436	809,579,069	€809,579,069
25 th July 2005	<i>Cancellation of shares upon authorisation granted by the annual shareholders' meeting held on 11th May 2005</i>	€1	1,336,358	-	808,242,711	€808,242,711
29 th July 2005	<i>Issue of shares for the purpose of an employee offering (note d'opération approved by the AMF on 4th May 2005 under number 05-353)</i>	€1	1,938,309	€34,618,198.74	810,181,020	€810,181,020
In 2005	<i>Issue of shares following exercise of options granted to employees***</i>	€1	7,562,110	€144,176,031.61	817,743,130	€817,743,130
20 th July 2006	<i>Cancellation of shares upon authorisation granted by the annual shareholders' meeting held on 4th May 2006</i>	€1	6,656,970	-	811,086,160	€811,086,160
In 2006	<i>Issue of shares following exercise of options granted to employees***</i>	€1	4,845,364	€89,624,589	815,931,524	€815,931,524
In 2007	<i>Cancellation of shares upon authorisation granted by the annual shareholders' meeting held on 4th May 2007</i>	€1	4,568,405	-	811,363,119	€811,363,119
In 2007	<i>Issue of shares for the purpose of an employee offering</i>	€1	2,037,835	€33,482,173	813,400,954	€813,400,954
In 2007	<i>Issue of shares following exercise of options granted to employees***</i>	€1	613,519	€9,438,683	814,014,473	€814,014,473

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

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

(***) For information on stock option plans under which these options were granted to EADS employees, see "Part 1 – 2.3.3 Long Term Incentive Plans".

3.3 Shareholdings and Voting Rights

3.3.1 SHAREHOLDING STRUCTURE

EADS combined the activities of Aerospatiale Matra (“**Aerospatiale Matra**” or “**ASM**”), Daimler 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 Daimler AG (“**Daimler**”), SEPI and *Société de Gestion de l’Aéronautique, de la Défense et de l’Espace* (“**Sogeadé**”), for which EADS Participations B.V. exercises all the attached voting rights as well as Lagardère SCA (“**Lagardère**”) and *Société de Gestion de Participations Aéronautiques* (“**Sogepa**”), or the companies of their group, the number of EADS shares held indirectly via Sogeadé, reflecting by transparency, their respective interest in Sogeadé.

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

As at 31st December 2007, 22.52% of the EADS shares were held by Dasa AG, which is a subsidiary of Daimler Luft- und Raumfahrt Holding AG (“**DLRH**”), a 93.85% subsidiary of Daimler. Sogeadé, a French partnership limited by shares (*société en commandite par actions*) whose share capital, as at 31st December 2007, is held 54.55% by Sogepa (a French state holding company) and 45.45% by Désirade (a French *société par actions simplifiée* wholly owned by Lagardère), held 27.53% of the EADS shares. Thus, 50.05% of the share capital of EADS was held by Daimler and Sogeadé 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, held 5.49% of the share

capital of EADS. The public (including EADS employees) and the Company held, respectively, 43.88% and 0.52% of the share capital of EADS. The *République française* (the “**French State**”) held directly 0.06% of such share capital, such shareholding being subject to certain specific provisions.

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

On 11th November 2005, Dasa AG transferred its entire interest in EADS to its wholly owned subsidiary DaimlerChrysler Luft- und Raumfahrt Beteiligungs GmbH & Co. KG (“**DC KG**”). However, in November 2006, DC KG then transferred its entire interest in EADS back to Dasa AG.

In April 2006, Daimler reduced by 7.5% its stake in EADS and Lagardère issued bonds redeemable into EADS shares, as a result of which it is committed to reduce its stake in EADS by 2.5% in June 2007, 2.5% in June 2008 and 2.5% in June 2009, i.e a total of 7.5%.

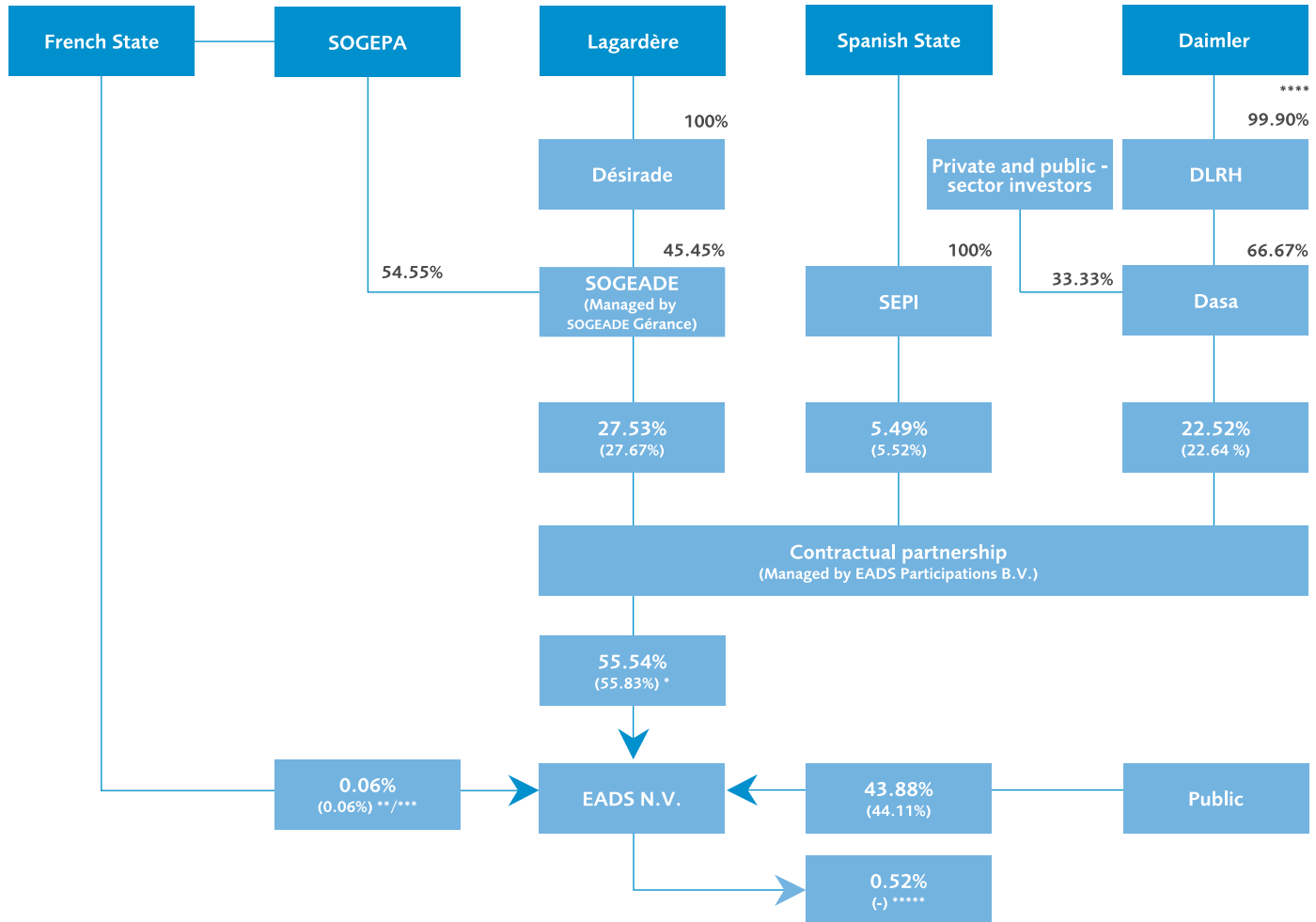
On 8th September 2006, the Company was notified that JSC Vneshtorgbank (formerly Bank of Foreign Trade) acquired 41,055,530 shares of EADS, representing 5.04% of the share capital of EADS at that time.

On 9th February 2007, Daimler reached an agreement with a consortium of private and public-sector investors by which it reduced its economic rights in EADS by 7.5% while keeping the voting rights. For more information on this transaction, see “3.3.4 Changes in the Shareholding of the Company Since its Incorporation”.

On 26th December 2007, JSC Vneshtorgbank has sold and transferred its shares in EADS to the Bank for Development and Foreign Economic Affairs (Vnesheconombank). EADS was notified of such transaction thereafter.

The diagram below shows the ownership structure of EADS as at 31st December 2007 (% of capital (voting rights) before exercise of outstanding stock options granted for the subscription of EADS shares. See “Part 1 – 2.3.3 Long Terms Incentive Plans”.

OWNERSHIP STRUCTURE OF EADS AS AT 31ST DECEMBER 2007



(*) EADS Participations B.V. exercises the voting rights attached to these EADS shares pledged by Sogead, Daimler and SEPI who retain title to their respective shares.
 (**) The French State exercises the voting rights attached to these EADS shares (such shares being placed with the Caisse des dépôts et consignations) in the same way that EADS Participations B.V. exercises the voting rights pooled in the Contractual Partnership.
 (***) Shares held by the French State following the distribution without payment of consideration to certain former shareholders of Aerospatiale Matra as a result of its privatisation in June 1999. All the shares currently held by the French State will have to be sold on the market.
 (****) DLRH is 99,90% held by Daimler; almost all the balance is held by individual minority shareholders.
 (*****) As at 31st December 2007, the Company holds, directly or indirectly through another company in which the Company holds directly or indirectly more than 50% of the share capital, 4,207,002 of its own shares. The EADS shares owned by the Company itself do not carry voting rights.

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

Approximately 1.89% of the capital and 1.90% 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 Daimler, Dasa AG, Lagardère, Sogepa, Sogeaide and SEPI, and a Dutch law Contractual Partnership agreement entered into on Completion between Sogeaide, 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 “**Sogeaide Shareholders’ Agreement**”) entered into on Completion between Sogepa and Lagardère and an agreement between the French State, Daimler 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 Daimler, Sogeaide and SEPI have been pledged to EADS Participations B.V., which has been granted the exclusive power to exercise the voting rights attached 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 Sogeaide Gérance (*gérant commandité* of Sogeaide);
- Restrictions on the transfer of EADS shares and Sogeaide shares;
- Pre-emptive and tag-along rights of Daimler, Sogeaide, Sogepa and Lagardère;
- Defences against hostile third parties;
- Consequences of a change of control of Daimler, Sogeaide, Lagardère, Sogepa or SEPI;
- A put option granted by Sogeaide to Daimler over its EADS shares in certain circumstances;
- Specific rights of the French State in relation to certain strategic decisions, regarding among other issues, EADS’ ballistic missiles activity; and
- Certain limitations on the extent of the French State’s ownership of EADS.

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

Organisation of EADS Participations B.V.

The Board of Directors of EADS Participations B.V. has an equal number of directors nominated by Daimler and by Sogeaide, respectively (taking into account proposals made by Lagardère in respect of the Sogeaide-nominated directors). Daimler and Sogeaide each nominate two directors, unless otherwise agreed, and the Daimler-Directors and the Sogeaide-Directors jointly have the right to nominate and to remove the Chairman and the Chief Executive Officer. In addition, SEPI has the right to nominate a director, as long as the shareholding of SEPI in EADS is 5% or more but in any case until the Annual General Meeting of Shareholders to be held in 2012. The Chairman shall either have French or German nationality and the Chief Executive Officer shall have the other nationality.

This structure gives Daimler and Sogeaide 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 four directors.

Transfer of EADS Shares

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

Following the expiration of the Standstill Period, as of 1st July 2003, Daimler, Sogeaide, SEPI, Lagardère and Sogepa will each have the right to sell its EADS shares on the market, subject to the following conditions:

- If a party wishes to sell any EADS shares, it shall first sell its shares other than its Indirect EADS Shares before exercising its right to sell its Indirect EADS Shares in accordance with the provisions set out below;
- On the sale of Indirect EADS Shares, Daimler (in the case of a sale by Sogeaide), Sogeaide (in the case of a sale by Daimler) or Sogeaide and Daimler (in the case of a sale by SEPI) may either exercise a pre-emption right or sell its Indirect EADS Shares on the market in the same proportions as the respective Indirect EADS Shares of the relevant parties bear to each other;
- 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 Daimler's consent and (b) if such consent is not obtained, the Indirect EADS Shares may be sold on the market, subject to Daimler's pre-emption right referred to above;

- Lagardère and Sogepa shall each have a proportional right to tag-along on a sale of its Indirect EADS Shares; and
- The pre-emption and tag-along rights of Lagardère and Sogepa referred to above do not apply to a transfer of EADS shares directly held by one of them.

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

Control of EADS

In the event that a third party to which Daimler or Sogeadé 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 Daimler and Sogeadé agree that the Hostile Third Party should no longer be considered a Hostile Third Party or the Hostile Third Party no longer holds a Qualifying Interest, the parties to the Participation Agreement shall exercise all means of control and influence in relation to EADS to avoid such Hostile Third Party increasing its rights or powers in relation to EADS.

Following the expiration of the Standstill Period, as of 1st July 2003, the parties to the Participation Agreement may accept an offer (whether by way of tender offer or otherwise) by a Hostile Third Party which is not acceptable to either Daimler or Sogeadé (a "**Hostile Offer**"), subject to provisions requiring, inter alia, the party wishing to accept, to first offer its EADS shares to Daimler and/or Sogeadé, in which case Daimler and/or Sogeadé 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 Daimler, Sogeadé 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 Sogeadé, Daimler and Sogepa respectively. In the case of a sale by Lagardère, if Sogepa does not exercise its right of pre-emption, Daimler 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 Daimler or Sogeadé bears to the total number of EADS shares is less than 10%, unless the difference between the holdings of Daimler and Sogeadé (calculated as a percentage by reference to the number of Indirect EADS Shares held by each of them as against the total number of EADS shares) is 5% or less, in which case the dissolution and winding up shall only occur if the proportion which the Indirect EADS Shares of Daimler or Sogeadé bears to the total number of EADS shares is 5% or less; or
- If, on a change of control of either Lagardère, Sogepa, Sogeadé or Daimler, no notice of an offer by a third party to purchase the Sogeadé 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 Daimler so elects (b) Sogeadé undergoes a change of control and Daimler so elects (c) Daimler undergoes a change of control and Sogeadé so elects (d) SEPI undergoes a change of control and Sogeadé or Daimler so elects then:

- The party undergoing the change of control shall use its reasonable efforts to procure the sale of its Sogeadé 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 Daimler, Sogeadé 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 Daimler's consent, not to be unreasonably withheld; and

- (ii) In the event that a third party offers to purchase the Sogead interest held by Lagardère or Sogepa or the Indirect EADS Shares held by Daimler, Sogead 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) Daimler in the case of a change of control occurring to Lagardère or Sogepa, (b) Sogead in the case of the change of control occurring to Daimler, (c) Daimler in the case of the change of control occurring to Sogead, or (d) Daimler or Sogead 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 Sogead interest or the Indirect EADS shares being offered for sale at the price being offered by the third party. In relation to (d), if Daimler and Sogead 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 Sogead interest or the Indirect EADS Shares within 30 days of the offer being made, then the Changed Party is obliged to sell such Sogead 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, Sogead or Daimler (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 Daimler, Sogead or SEPI, the non-defaulting party (respectively Sogead, Daimler and Sogead and Daimler 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 Sogead on bona fide arm's length terms to a third party purchaser (who must not be a competitor of EADS or Daimler). In the case of a sale by Lagardère, the third party purchaser must be nominated by Sogead with Daimler's consent (which may not be unreasonably withheld). In the case of such a sale by Sogepa, Daimler 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 Daimler and DCLRH on 14th October 1999 (as amended) pursuant to which:

- The French State undertakes to hold an interest of no more than 15% of the entire issued share capital of EADS through Sogepa, Sogead 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 Sogead 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 Daimler 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 Sogead Shareholders' Agreement and (b) a right to oppose the transfer of any such assets or shares during the duration of the Sogead Shareholders' Agreement.

Sogead

Sogead is a French partnership limited by shares (*société en commandite par actions*) the share capital of which is split between Sogepa (54.55%) and Désirade, a French *société par actions simplifiée* (45.45%). The share capital of Désirade is itself wholly owned by Lagardère. Lagardère hence owns indirectly 45.45% of Sogead.

The general partner (*associé commandité*) of Sogead, Sogead Gérance, is a French *société par actions simplifiée* which is the manager of Sogead and the share capital of which is split equally between Sogepa and Lagardère SCA.

Sogead Gérance's Board of Directors consists of eight directors, four of them nominated by Lagardère (among whom one shall be designated as the Chairman of the Board) and four by Sogepa. Decisions of Sogead Gérance's board shall be

approved by a simple majority of directors except for the following matters which require the approval of a qualified majority of six of the eight directors: (a) acquisitions or divestments of shares or assets the individual value of which exceeds €500 million; (b) agreements establishing strategic alliances, or industrial or financial co-operation; (c) a capital increase of EADS of more than €500 million to which no preferential right to subscribe for the shares is attached; (d) any decision to divest or create a security interest over the assets relating to prime contractor status, design, development and integration of ballistic missiles or the majority shareholdings in the companies Cilas, Sodern, Nuclétudes and the GIE Cosyde (each a “**Sogade Reserved Matter**”). 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 Sogade Gérance’s board on such matters does not reach the qualified majority of six directors by reason of any of the Sogepa-nominated directors casting a negative vote, the Sogade-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 Sogade Shareholders’ Agreement remains in existence.

In addition, in the case where the Board of Directors of EADS Participations BV and/or the Board of Directors of EADS would be called to address the following matters:

- (a) Appointment/removal of the Chairman and the Chief Executive Officer of EADS and appointment/removal of the Chief Executive Officer of Airbus;
- (b) Investments, projects, launch of new products or divestments within the Group with an individual value/ amount exceeding €500 million;
- (c) Strategic and cooperation agreements;
- (d) Modifications of the authorised share capital of EADS and increase in the issued capital of EADS, with the exception of capital increases for the purposes of ESOP or other securities issuances in favour of employees for an amount, per year or per plan, less than 2% of the issued capital;
- (e) Modifications of (1) the Articles of Association of EADS, (2) the internal rules for the Board of Directors and (3) the internal rules for the Executive Committee;
- (f) Change of name, place of incorporation and nationality of EADS, and
- (g) Significant decisions in connection with the ballistic missiles activities of EADS.

Sogade Gérance’s board shall previously meet to come to a decision on the appropriateness of any of the above-mentioned

matters. In this respect, the decision of Sogade Gérance’s board shall be in writing and require the approval of a qualified majority of six of the eight directors; it being understood that the Sogade-nominated directors on the board of EADS Participations B.V. shall in no event be bound by such decision. Such procedure shall not apply in the case where the relevant matter will have been examined as a Sogade Reserved Matter in accordance with the above.

The shareholding structure of Sogade shall reflect at all times the indirect interests of all the shareholders of Sogade 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 Sogade shares to any non-public third party designated by Sogepa and approved by Daimler. This option may be exercised during the term of the Sogade Shareholders’ Agreement on the basis of the market price for the EADS shares.

The Sogade Shareholders’ Agreement shall terminate if Lagardère or Sogepa ceases to hold at least 20% of the capital of Sogade, 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 Sogade share, it will remain entitled to nominate a Sogade Gérance Director whose approval will be required with respect to 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 Sogade Shareholders’ Agreement will be terminated in the event of a dissolution of EADS Participations B.V. caused by Daimler. In the latter case, the parties have undertaken to negotiate a new shareholders’ agreement in the spirit of the shareholders’ agreement between them dated 14th April 1999 relating to Aerospatiale Matra and with regard to their respective shareholdings in Sogade at the time of the dissolution of EADS Participations B.V.

Put Option

Under the Participation Agreement, Sogade grants a put option to Daimler over its EADS shares which shall be exercisable by Daimler, (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 Sogade) 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 Daimler’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 Daimler exercises the put option granted to it by Sogead, Sogead will acquire the EADS shares from Daimler. However, Lagardère has the right to require Sogepa to substitute itself for Sogead in relation to the acquisition of Daimler's EADS shares following the exercise by Daimler of the put option. Such substitution right has been accepted by Daimler. 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 Sogead. Should Lagardère decide not to take part in the financing, (a) Sogepa undertakes to substitute itself for Sogead to buy the shares sold by Daimler as a result of the exercise of its put option and Sogepa or Lagardère may request the liquidation of Sogead and EADS Participations B.V. and the termination of the Sogead Shareholders' Agreement (notwithstanding the termination provisions of the Sogead Shareholders' Agreement described under the paragraph "Sogead" 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, Sogead, Daimler 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 by Aerospatiale Matra, Dasa AG and SEPI for a period of seven years. The contribution agreements entered into between EADS on the one hand and Aerospatiale Matra, Dasa AG and SEPI on the other hand, provide that EADS may, if it determines that this is desirable, dispose of such shares provided that EADS shall, on demand, indemnify Lagardère and Sogepa (in the case of a sale of shares contributed by Aerospatiale Matra), Dasa AG or SEPI, as the case may be, for all tax disadvantages (tax actually paid or borne by them as well as any consumption of loss-carry-forward potential) they suffer as a result of the loss of the tax benefit triggered by the disposal of the shares by EADS. Such obligation to indemnify shall cease after seven years from the date of contribution. In the event that the indemnification would be made to all three of Lagardère, Sogepa and Dasa AG, the Board of Directors would decide on the amount of the indemnity on the basis of a report made and presented by the two independent Directors of EADS. The amount and the conditions of this indemnification will be reported to the shareholders' meeting.

DADC

EADS holds 75% of the shares in DADC Luft- und Raumfahrt Beteiligungs AG ("DADC") (the other 25% being held by DCLRH). The share capital of Dornier GmbH is held as to 97.1% by DADC and as to 2.9% by the Dornier family. In shareholders' meetings, DADC is entitled to more than 95.2% and the Dornier family to less than 4.8% 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 Daimler, which is assumed to be the case if Daimler 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 Daimler Group (including associated enterprises) subject to certain exceptions including the transfer to other Daimler Group companies (including associated enterprises). Furthermore, the Dornier family receives a guaranteed dividend from Dornier GmbH (depending on the nature of the shares) of 8.7% or 15% of the nominal amount of their shares plus any corporation tax credits. The guaranteed dividend is indexed. Daimler 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 30th November 1988 Daimler and the Dornier family entered into a separate agreement to strengthen the rights of Daimler 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 Daimler shares or (iii) in exchange for shares in a company in which, or under which, Daimler concentrates its aerospace activities by Daimler or another company associated with Daimler and nominated by Daimler. On 29th March 2000 Daimler, DCLRH, DADC, EADS Deutschland GmbH and Dasa AG entered into an agreement according to which Daimler has the right to demand from DADC to buy the shares so offered by the Dornier family shareholders. Daimler shall reimburse DADC for any amount to be paid being above the fair market value of the

shares. Moreover, DADC will assume certain other rights and obligations relating to the protection of the interests of the Dornier family.

On 29th December 2004, Silvius Dornier and Daimler entered into an agreement to transfer all of the remaining shares of Silvius Dornier in Dornier GmbH (3.58%) to Daimler or another company of the Daimler Group nominated by Daimler and to settle all of the rights and potential claims of Silvius Dornier resulting from or in connection with his shareholding in Dornier GmbH. None of the other family shareholders exercised their three month right of first refusal to acquire these shares so that the legal transfer became effective on 17th April 2005. According to the above mentioned agreement between Daimler, DCLRH, DADC, EADS Deutschland GmbH and Dasa AG (“*Handhabungsvereinbarung*”), DADC had irrevocably offered to Daimler to buy these shares at market value upon effectiveness of their sale to Daimler, which offer was accepted by Daimler and the deal being brought to closure on 3rd May 2005.

Under the terms of the business combination agreements entered into in the context of the creation of EADS, DCLRH has undertaken to indemnify Lagardère (for itself and on behalf

of each member of the Lagardère Group) and SEPI and shall keep them indemnified, against (save in respect of any consequential loss not foreseeable by DCLRH (or any member of the Daimler 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 Daimler which is to become a member of the Group or any member of the Dasa AG Group. This indemnity shall also extend to EADS to the extent that such protection is not provided for in the transfer of the Dasa business to EADS.

Other than the relationships between the Company and its principal shareholders described above in this Section 3.3.2, there are no potential conflicts of interest between the duties to the Company of the Directors and their respective private interests or other duties.

3.3.3 FORM OF SHARES

The shares of EADS are in registered form. The Board of Directors may decide with respect to 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, with respect to 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 authorised share capital of 500,000 Netherlands Guilders (“**NLG**”) divided into 500 shares each having a nominal value of 1,000 NLG, of which 100 were issued to Aerospatiale Matra on 29th December 1998. These shares were transferred to Dasa AG by way of notarised transfer certificate on 28th December 1999.

The changes in the shareholding of the Company since its initial public offering and listing are set forth below (for a description of the changes in the issued share capital of the Company since its incorporation, see “3.2.5 Changes in the Issued Share Capital Since Incorporation of the Company”).

Since July 2000, 4,293,746 EADS shares 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) 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 “— 3.3.2 Relationships with Principal Shareholders — Specific Rights and

Undertakings of the French State”) that they held as a result of the non-exercise of the over-allotment option granted to the underwriters in the context of the initial public offering carried out by the Company for the purpose of its listing in July 2000 (including, in the case of Lagardère, those shares other than its Indirect EADS Shares purchased from the French Financial Institutions at the end of the exercise period of the over-allotment option).

On 8th July 2004, Daimler announced that it had placed on the market (in the context of a hedging transaction) all of its EADS shares (22,227,478 EADS shares), representing 2.73% of the capital and 2.78% of the EADS voting rights at that date, except for its Indirect EADS Shares.

On 4th April 2006, Daimler and Lagardère announced the entry into simultaneous transactions aimed at reducing by 7.5% each their respective shareholdings in EADS. Daimler entered into a forward sale agreement of approximately 61 million EADS shares with a group of investment banks. Daimler indicated that it lent these shares to the banks in anticipation of the settlement of the forward sale. Lagardère issued mandatory exchangeable bonds. The EADS shares deliverable at the maturity of the bonds will represent a maximum of 7.5% of the share capital of EADS, or approximately 61 million EADS shares and will be delivered in three equal instalments representing 2.5% of the share capital of EADS in June 2007, June 2008 and June 2009.

On 9th February 2007, Daimler reached an agreement with a consortium of private and public-sector investors by which it

effectively reduced its shareholding in EADS from 22.5% to 15%. Pursuant to this agreement, on 13th March 2007, Daimler has placed its entire 22.5% equity interest in EADS into a new company, in which the consortium of investors acquired a one-third interest through a special-purpose entity. This gives the consortium of investors an economic interest over a 7.5% stake in EADS while the associated voting rights are still exercised by Daimler. Daimler will continue to control the voting rights of the entire 22.5% package of EADS shares. Daimler has the option of dissolving the new structure on 1st July 2010 at the earliest. If the structure is dissolved, Daimler has the right either to provide the investors with EADS shares or to pay cash compensation. If EADS shares are provided, the German State, and the French State and Lagardère through Sogeadé, will be entitled to pre-empt such EADS shares to retain the balance between the German and the French side. This transaction constitutes a specific exception to the agreements described in section 3.3.2 Relationships with Principal Shareholders.

On 26th December 2007, JSC Vneshtorgbank has sold and transferred 41,055,530 EADS shares to the Bank for Development and Foreign Economic Affairs (Vnesheconombank). EADS was notified of such transaction thereafter.

The breakdown of the issued shares and voting rights of the Company before exercise of outstanding stock options granted for the subscription of EADS shares (see Part 1 – 2.3.3 Long Terms Incentive Plans”) in respect of the past three years is indicated in the table below:

Shareholders	Position as at 31 st Dec. 2007			Position as at 31 st Dec. 2006			Position as at 31 st Dec. 2005		
	% of capital	% of voting rights	Number of shares	% of capital	% of voting rights	Number of shares	% of capital	% of voting rights	Number of shares
Dasa AG	22.52%	22.64%	183,337,704	22.47%	22.71%	183,337,704	29.89%	30.29%	244,447,704
Sogeadé	27.53%	27.67%	224,077,704	29.96%	30.27%	244,447,704	29.89%	30.29%	244,447,704
SEPI	5.49%	5.52%	44,690,871	5.48%	5.54%	44,690,871	5.47%	5.53%	44,690,871
Sub-total Contractual Partnership	55.54%	55.83%	452,106,279	57.91%	58.52%	472,476,279	65.25%	66.11%	533,586,279
French State	0.06%	0.06%	502,746	0.06%	0.06%	502,746	0.06%	0.06%	502,746*
Public	43.88%	44.11%	357,198,446	40.99%	41.42%	334,448,355	33.39%	33.83%	273,061,396**
Own share buy-back***	0.52%	-	4,207,002	1.04%	-	8,504,144	1.30%	-	10,592,709
Total	100%	100%	814,014,473	100.00%	100.00%	815,931,524	100.00%	100.00%	817,743,130

(*) 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 at 31st December 2007, EADS employees hold approximately 1.89% of the share capital and 1.90% 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 “3.3.2 Relationships with Principal Shareholders”, there are no pledges over the shares of the Company.

The Company requested a disclosure of the identity of the beneficial holders of its shares held by identifiable holders (“*Titres au porteur identifiables*”) holding more than 2,000 shares each. The study, which was completed on

31st December 2007, resulted in the identification of 1,786 shareholders holding a total of 319,553,855 EADS shares (including 12,669,088 shares held by Iberclear on behalf of the Spanish markets and 39,176,722 shares held by Clearstream on behalf of the German market).

The shareholding structure of the Company is as shown in the diagram in “3.3.1 Shareholding Structure”.

3.3.5 PERSONS EXERCISING CONTROL OVER THE COMPANY

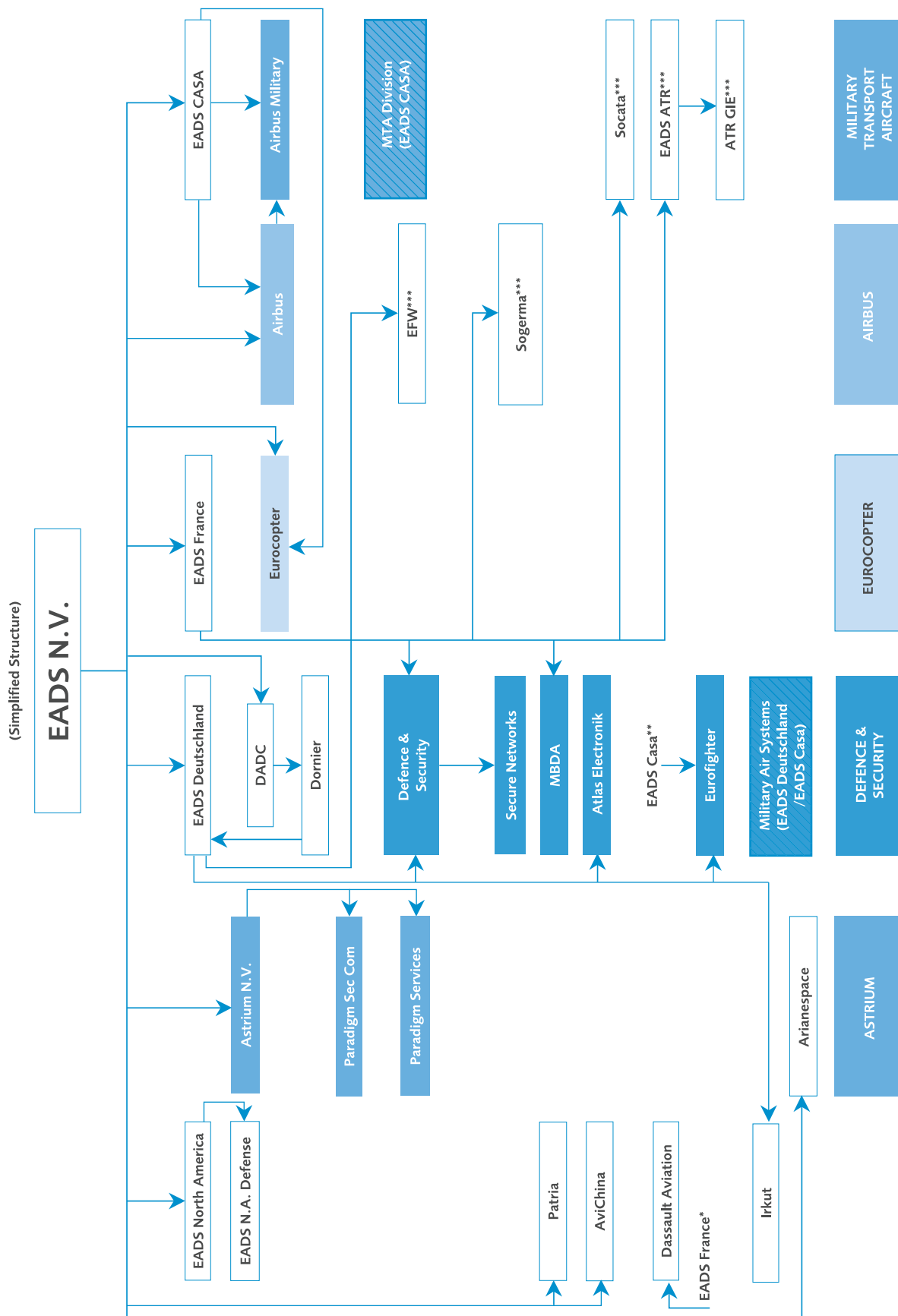
See “3.3.1 Shareholding Structure” and “3.3.2 Relationships with Principal Shareholders”.

3.3.6 SIMPLIFIED GROUP STRUCTURE CHART

The following chart illustrates the simplified organisational structure of EADS, comprising five Divisions and the main business units. For ease of presentation, intermediate holding companies have been omitted. The shaded boxes represent Divisions (with respect to the MTA Division) or business units (with respect to Military Air Systems) that are part of the legal entities referred to in parentheses. The coloured boxes denote entities forming part of one of EADS' five Divisions.

The non- coloured boxes denote entities that are holding companies or participations not within one of EADS' five Divisions and do not directly form part of the management responsibility of a specified director. Socata, EADS ATR, ATR GIE, EFW and Sogerma are 'Other Businesses' and do not form part of EADS' five Divisions. See "1.1.1 Overview - Organisation of EADS Businesses".

EADS GROUP MAIN SHAREHOLDINGS



(*) EADS holds its interest in Dassault Aviation through EADS France.
 (**) EADS' interest in Eurofighter is jointly held by EADS Deutschland and EADS Casa.
 (***) EFW, Sogerma ATR and Socata are allocated to "Other Businesses".

3.3.7 PURCHASE BY THE COMPANY OF ITS OWN SHARES

3.3.7.1 Dutch Law and Information on Share Buy-Back Programmes

Pursuant to Commission Regulation (EC) No. 2273/2003, the Company is subject to conditions for share buy-back programmes and disclosure relating thereto, as described below.

Under Dutch Civil 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 authorised the Board of Directors to effect such repurchases. Such authorisation may apply for a maximum period of 18 months.

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

The annual shareholders' meeting of EADS held on 4th May 2007 authorised the Board of Directors, in a resolution that renewed the previous authorisation given by the annual shareholders' meeting of EADS held on 4th May 2006, for a period of 18 months from the date of such meeting, to repurchase shares of the Company, by any means, including derivative products, on any stock exchange or otherwise, as long as, upon such repurchase, the Company shall not hold more than 10% of the Company's issued share capital and at a price not less than the nominal value and not more than the higher of the price of the last independent trade and the highest current independent bid on the trading venues where the purchase is carried out.

As of July 2007, the Company had purchased in aggregate 8,719,103 of its own shares, 4,568,405 of which were cancelled on July 2007.

As of the date of this document, the Company has purchased in aggregate 4,434,889 of its own shares.

A resolution will be submitted to the annual shareholders' meeting of EADS called for 26th May 2008 in order to supersede and replace the authorisation given by the annual shareholders' meeting held on 4th May 2007 and authorise the Board of Directors, for a new period of 18 months as from the date of such meeting, to repurchase shares of the Company, by any means, including derivative products, on any stock exchange or otherwise, as long as, upon such repurchase, the Company shall not hold more than 10% of the Company's issued share capital and at a price not less than the nominal value and not more than the higher of the price of the last independent trade and the highest current independent bid on the trading venues where the purchase is carried out.

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 summarised below.

Pursuant to Articles 241-1 to 241-6 of the AMF General Regulations, the purchase by a company of its own shares, in principle, requires the publication of the description of the share-buy programme. Such description must be published prior to the implementation of the share buy-back programme.

Under Articles 631-1 to 631-4 of the AMF General Regulations, a company may not trade in its own shares for the purpose of manipulating the market. Articles 631-5 and 631-6 of the AMF General Regulations also define the conditions for a company's trading in its own shares to be valid.

After purchasing its own shares, the Company is required to disclose on its website specified information regarding such purchases within at least seven trading days.

Additionally, the Company must notably report to the AMF, on at least a monthly basis, all the specified information regarding such purchases previously published on its website and information concerning the cancellation of such repurchased shares.

3.3.7.3 German Regulations

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

3.3.7.4 Spanish Regulations

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

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

3.3.7.5 Description of the Share Buy-Back Programme to be Authorised by the Annual General Shareholders' Meeting to be held on 26th May 2008

Pursuant to Articles 241-2-I and 241-3-III of the AMF General Regulations, below is a description of the share buy-back programme ("*descriptif du programme*") to be implemented by the Company:

- **Date of the general shareholders' meeting to authorise the share buy-back programme to be held:** 26th May 2008;
- **Number of EADS shares and corresponding percentage of share capital held directly and indirectly by the Company:** 4,434,889 shares representing 0.54% of the share capital as at the date of this document;
- **Intended use of the EADS shares held by the Company as at the date of this document:** the reduction of share capital by cancellation of all or part of the repurchased shares, in particular to avoid the dilution effect related to certain share capital increases for cash (i) reserved or to be reserved for employees of the EADS Group and/or (ii) carried out or to be carried out in the context of the exercise of stock options granted or to be granted to certain EADS Group employees: 4,434,889 shares.

For information on shares held by EADS at the date of the entry into force of EC Regulation No. 2273/2003 of 22nd December 2003 on 13th October 2004 and still held by EADS at the date of this document, see below:

- **Purposes of the share buy-back programme to be implemented by the Company (by order of decreasing priority, without any effect on the actual order of use of the buy-back authorisation, which shall be determined according to needs and possibilities):**
 - The reduction of share capital by cancellation of all or part of the repurchased shares, in particular to avoid the

dilution effect related to certain share capital increases for cash (i) reserved or to be reserved for employees of the EADS Group and/or (ii) carried out or to be carried out in the context of the exercise of stock options granted or to be granted to certain EADS Group employees, it being understood that the repurchased shares shall not carry any voting or dividend rights,

- The owning of shares for the performance of obligations related to:
 - (i) Debt financial instruments convertible into EADS' shares,
 - (ii) Employee share option programmes or other allocations of shares to EADS Group employees,
 - The purchase of shares for retention and subsequent use for exchange or payment in the framework of potential external growth transactions, and
 - The liquidity or dynamism of the secondary market of the EADS shares carried out pursuant to a liquidity agreement to be entered into with an independent investment services provider in compliance with the decision of the AMF dated 22nd March 2005 (as amended) related to approval of liquidity agreements recognised as market practices by the AMF.
- **Procedure:**
 - Maximum portion of the issued share capital to be repurchased by the Company: 10%,
 - Maximum number of shares to be repurchased by the Company upon authorisation by the general shareholders' meeting: the portion of 10% would represent 81,402,867 shares of the Company issued share capital representing 814,028,673 shares as of the date of this document. This maximum portion of 10% would represent 84,243,099 shares based on the 842,430,992 shares which would make up the entire fully-diluted share capital of the Company after the issue of 28,402,319 shares as a result of the exercise of stock options, which can still be exercised as of the date of this document, which the Board of Directors decided to grant to certain EADS Group employees in 2000, 2001, 2002, 2003, 2004, 2005 and 2006,
 - Furthermore, the amounts to be paid in consideration for the purchase of the treasury shares must not, in accordance with applicable Dutch law, exceed the equity components which are, per se, repayable or distributable to the shareholders. "Equity components repayable or distributable to the shareholders" means the contribution premiums (in relation to contributions in kind), the issue premiums (in relation to cash contributions) and the other

reserves as set out in the financial statements of EADS, from which the repurchase price for the treasury shares must be deducted.

As at 31st December 2007, the respective values of each of these EADS' equity components which are by nature repayable or distributable to the shareholders were: €7,968,000,000 (contribution premiums), €(1,343,000,000) (other reserves) and € (206,000,000) (treasury shares), i.e., an aggregate amount of €6,419,000,000.

EADS reserves the right to implement the share purchase programme to its full extent and undertakes not to exceed, directly or indirectly, the threshold of 10% of the issued share capital as well as the amount of €6,419,000,000 throughout the term of the programme.

Finally, EADS undertakes to maintain at any time a sufficient number of shares in public hands to meet the thresholds of Euronext Paris S.A.

- Shares may be bought or sold at any time (including during a public offering) to the extent authorised by the stock exchange regulations and by any means, including, without limitation, by means of block trades and including the use of options, combinations of derivative financial instruments or the issue of securities giving rights in any way to EADS shares within the limits set out in this document. Moreover, EADS will use call options and swaps that have been acquired pursuant to the agreements it had entered into during the previous share repurchase programme (see below) and does not exclude the possibility of using a structure of transaction similar to the one that had been used in the previous share repurchase programme in order to repurchase its own shares.

The portion of shares repurchased by means of the use of block trades may amount to all the shares to be repurchased in the context of this programme.

In addition, in the event that derivative financial instruments are used, EADS shall ensure that it does not use mechanisms which would significantly increase the volatility of the shares in particular in the context of call options,

- characteristics of the shares to be repurchased by the Company upon authorisation by the general shareholders' meeting: shares of EADS, a company listed on Euronext Paris, on the *regulierter Markt* of the Frankfurt Stock Exchange and on the Madrid, Bilbao, Barcelona and Valencia Stock Exchanges,
- Daimler, Dasa AG, the French State, Lagardère, SEPI, Sogade and Sogepa will retain all of their rights, depending on the circumstances, to sell their available EADS shares to EADS as part of this share buy-back programme,
- maximum purchase price per share: €70.

- **Term of the share buy-back programme:** this share repurchase programme shall be valid until 26th November 2009 inclusive, i.e., the date of expiry of the authorisation requested from the Annual General Shareholders' Meeting of 26th May 2008. One of the main aims of this EADS share repurchase programme is linked to the possible exercise by EADS Group employees of stock options granted to them in 2000, 2001 and 2002, it is currently intended (i) that such a programme be continued and renewed so that it expires on 9th August 2012 (8th August 2012 being the latest date upon which an employee of the EADS Group may exercise all or part of his/her stock options granted in 2002) and (ii) that the EADS annual general meeting be asked to renew the authorisations until such date.

- **Declaration by the Company of transactions carried out in relation to its own shares from 4th May 2007 to the date of this document:**

Percentage of share capital held directly and indirectly	0.54%
Number of shares cancelled during the last 24 months	11,225,375
Number of shares held in portfolio	4,434,889
Book value of portfolio	€64.30 M
Market value of portfolio	€65.95 M

The 1,843,814 EADS shares held by EADS at the date of the entry into force of EC Regulation No. 2273/2003 of 22nd December 2003 on 13th October 2004 and still held by EADS at the date of this document shall be, in order of decreasing priority, either (i) cancelled pursuant to a decision to be made, according to Dutch law, by an EADS annual general meeting, to avoid the dilution effect related to certain share capital increases for cash carried out, during the fiscal year preceding such annual general meeting, in the context of an EADS employee share ownership programme and/or upon the exercise of stock options granted to certain EADS Group employees, or (ii) retained in order to allow the performance of certain obligations described within the aims of the share repurchase programme referred to in this document, or (iii) used for exchange or payment in the framework of a potential external growth transaction, or (iv) sold in the context of a liquidity agreement in compliance with the provisions of Instruction AMF No. 2005-07.

In addition, it is envisaged that the EADS Annual General Meeting to be held on 26th May 2008 be requested to decide upon the cancellation of 1,291,381 repurchased shares to avoid the dilution effect related to the share capital increases for cash carried out (i) in the context of the EADS employee share ownership plan (ESOP) 2007 (in an amount of 50% of the shares issued in such context) and (ii) upon the exercise in 2007 of stock options granted to certain EADS Group employees in 2000, 2001, 2002 and 2003 (in an amount of 100% of the shares issued in such context).

As of the date of this document, EADS has not entered into any liquidity agreement with an independent investment services provider in the context of this share repurchase programme.

In the context of this share repurchase programme, EADS used derivative financial instruments (see below). These derivative financial instruments (call options) have the characteristics set out in the table below.

	Gross cumulative flows		Opening positions as of the date of this document			
	Purchases	Sales/Transfers (Exercise of Option)	Opening Position on the Purchase		Opening Position on the Sale	
Number of Shares	138,741	-	Call purchased 8,686,633	Forward sale	Call purchased	Sale
Average Maximum Maturity Date*			9 th August 2012	-	-	-
Average Price of the Transaction*		-				
Average Exercise Price*		-	-	-	-	-
Total	€2,447,249	-				

(*) See "Part 1 – 2.3.3 Long Term Incentive Plans".

A share repurchase programme has been implemented since 2004 in order to avoid the dilution effect related to the share capital increases in cash which would result from the exercise of the stock options granted to certain employees of the EADS Group in 2000, 2001 and 2002. This share repurchase programme is implemented according to the neutral delta method as a means of repurchase in order to compensate for the dilution effect of such stock option plans as approved by the Board of Directors on 5th December 2002 and 10th October 2003.

In relation to this repurchase programme, EADS entered into the following agreements: (i) call options agreements allowing EADS to acquire from a top ranking French bank a number of EADS' shares equal to the number of shares to be created as a result of the exercise of stock options granted to certain employees of the EADS Group in 2000, 2001 and 2002, and (ii) swap agreements for the periodical adjustment of an amount in cash equal to the premiums paid by EADS to a top ranking French bank pursuant to the call options agreements, in accordance with the neutral delta method.

Pursuant to these agreements, the call options which EADS acquired from a top ranking French bank, have the same terms (as to exercise prices, exercise dates, quantities and expiry dates) as the stock options granted pursuant to the 2000, 2001 and 2002 stock option plans. If the EADS share price increases, the top ranking French bank must buy the number of EADS shares which then derived from the increase in price according to the delta neutral method formula. The total amount paid for these shares by the top ranking French bank corresponds to the financial charge borne by EADS, as determined from the variable amounts in the swap agreement. On the other hand, in the case of a reduction in the EADS share price, the top ranking French bank must sell a number of EADS shares which derived from the reduction in the share price according to the neutral delta method formula. The total amount received by the top ranking French bank for the sale of these shares corresponds to the financial revenues received by EADS as determined from the variable amounts in the swap contract. Under these conditions, the final

amount due as a result of the purchases of the call options is only known at the time of the payment as determined from the last variable amount of the swap contract.

The structure of the transaction aims at covering off the dilution effect and the price risk for EADS linked to the exercise of stock options granted to certain EADS Group employees in 2000, 2001 and 2002.

Within this context, EADS uses the internal control procedures put in place by the Company in order to ensure the reliability of the management of the risks linked to these call options and swap. The procedures and tools for reporting have been set up, the responsibility and powers have been delegated to the Finance and Treasury department of EADS which has responsibility for all operational decisions and all activities within its competence. The relevant competent bodies within the organisation must be made aware of all substantial transactions, activities and risks.

From an accounting standpoint, the call options qualify as equity instruments, provided that they are physically settled in EADS' own stock (IAS 32.16). The initial accounting led to a reduction in cash balances for the premiums paid and in stockholder's equity for the same corresponding amount. With each variable payment made in application of the delta neutral method formula, there is a corresponding impact on cash and on equity to reflect the cumulative premiums paid on the call options. Upon exercise of the call options, EADS decreases cash by the amount paid (strike price times number of options) and deducts treasury shares from shareholder's equity. Variations in the market value of the call options are not recognised in the financial statements. All such transactions are therefore neutral on the income statement.

The top ranking French bank has contractually undertaken to comply with the regulations in force in relation to repurchase procedures applicable to EADS and in particular the provisions of Articles 241-1 to 241-6 and 631-1 *et seq.* of the General Regulations of the AMF.

3.4 Dividends

3.4.1 DIVIDENDS AND CASH DISTRIBUTIONS PAID SINCE THE INCORPORATION OF THE COMPANY

Cash distributions, paid to the shareholders since the incorporation of the Company, are summarized in the table below:

Financial Year	Date of the cash distribution payment	Gross amount per share
2000	27 th June 2001	€0.50
2001	28 th June 2002	€0.50
2002	12 th June 2003	€0.30
2003	4 th June 2004	€0.40
2004	8 th June 2005	€0.50
2005	1 st June 2006	€0.65
2006	16 th May 2007	€0.12

3.4.2 DIVIDEND POLICY OF EADS

The Board of Directors will propose to the EADS Annual General Meeting to be held on 26th May 2008 a dividend of €0.12 per share in respect of the 2007 financial year (dividend per share for 2006: €0.12). The Group's sales successes, its financial strengths and its encouraging operational performance

in legacy programmes, are reflected in the dividend. The dividend proposal is a gesture of appreciation for shareholders' loyalty and an expression of confidence in the outlook for the years ahead, despite remaining challenges.

3.4.3 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 interim dividend could be distributed becomes due and payable.

3.4.4 TAXATION

The statements below represent a broad analysis of the present Netherlands tax laws. The description is limited to the material tax implications for a holder of the Company's shares (the "Shares") who is not, or is not treated as, a resident of the Netherlands for Netherlands tax purposes (a "Non-Resident Holder"). Certain categories of holders of the Company's shares may be subject to special rules which are not addressed below and which may be substantially different from the general rules described below. Investors who are in doubt as to

their tax position in the Netherlands and in their state of residence should consult their professional advisors.

Withholding Tax on Dividends

In general, a dividend distributed by the Company in respect of Shares will be subject to a withholding tax imposed by the Netherlands at a statutory rate of 15%. Dividends include dividends in cash or in kind, deemed and constructive dividends, repayment of paid-in capital not recognised as capital

for Netherlands dividend withholding tax purposes, and liquidation proceeds in excess of the average paid-in capital recognised as capital for Netherlands dividend withholding tax purposes. Stock dividends paid out of the Company's paid-in-share premium, recognised as capital for Netherlands dividend withholding tax purposes, will not be subject to this withholding tax.

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

Withholding Tax on Sale or Other Dispositions of Shares

Payments on the sale or other dispositions of Shares will not be subject to Netherlands withholding tax, unless the sale or other disposition is, or is deemed to be, made to the Company or a direct or indirect subsidiary of the Company. A redemption or sale to the Company or a direct or indirect subsidiary of the Company will be treated as a dividend and will in principle be subject to the rules set forth in "Withholding Tax on Dividends" above.

Taxes on Income and Capital Gains

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

- 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
- 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
- The Non-Resident Holder is an individual and (i) the Non-Resident Holder has, directly or indirectly, a substantial interest ("*aanmerkelijk belang*") or a deemed substantial interest in the Company and such interest does not form

part of the assets of an enterprise, or (ii) such income or gain qualifies as income from miscellaneous activities ("*belastbaar resultaat uit overige werkzaamheden*") in the Netherlands as defined in the Dutch Income Tax Act 2001 ("*Wet inkomstenbelasting 2001*").

Generally, a Non-Resident Holder of Shares will not have a substantial interest in the Company's share capital, unless the Non-Resident Holder, alone or together with certain related persons holds, jointly or severally and directly or indirectly, Shares in the Company, or a right to acquire Shares in the Company representing 5% or more of the Company's total issued and outstanding share capital or any class thereof. A deemed substantial interest exists if all or part of a substantial interest has been or is deemed to have been disposed of with application of a roll-over relief.

Gift or Inheritance Taxes

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

- 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
- The Shares are attributable to an enterprise or part thereof that is either effectively managed in the Netherlands or carried on through a permanent establishment or a permanent representative in the Netherlands.

Value-Added Tax

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

Other Taxes and Duties

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

Residence

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

3.5 Annual Securities Disclosure Report

The list of the following announcements comprises the regulatory disclosures relating to price sensitive information which can be accessed through the Company's website at www.eads.com:

Press release – First Quarter 2007 Results	10 th May 2007
Press release – First Half 2007 Results	26 th July 2007
Press release – Third Quarter 2007 Results	8 th November 2007
Press release – 2007 Annual Results	11 th March 2008

In addition, EADS publishes announcements made in the ordinary course of business which are also available through its website at www.eads.com.

This section constitutes the annual securities disclosure report in application Article 10 of EC Directive 2003/71.

Entity Responsible for the Registration Document

4

4.1	Entity Responsible for the Registration Document	118
4.2	Statement of the Entity Responsible for the Registration Document	118
4.3	Information Policy	118
4.4	Undertakings of the Company regarding Information	119
4.5	Significant Changes	119

4.1 Entity Responsible for the Registration Document

EADS

4.2 Statement of the Entity Responsible for the Registration Document

The Company declares that, having taken all reasonable care to ensure that such is the case, the information contained in the Registration Document is, to the best of the Company's knowledge, in accordance with the facts and contains no omission likely to affect its import.

EADS represented by:

Louis Gallois
Chief Executive Officer

4.3 Information Policy

Contact details for information:

Ms. Nathalie Errard
Head of Investor Relations and Financial Communication

EADS
37 bd Montmorency
75781 Paris Cedex 16 France
Telephone: +33 1 42 24 28 00
Fax: +33 1 42 24 28 40
E-mail: ir@eads.com

A website, www.eads.com, provides a wide range of information on the Company, including the Board of Directors Report. Additionally, for the life of this Registration Document, copies of EADS' Articles of Association, the Registration Document filed in English with, and approved by, the AFM on 26th April 2006, the Registration Document filed

in English with, and approved by, the AFM on 25th April 2007, the Consolidated Financial Statements (IFRS) and the Company financial statements of EADS for the year ended 31st December 2005, the Consolidated Financial Statements (IFRS) and the Company financial statements of EADS for the year ended 31st December 2006, the Consolidated Financial Statements (IFRS) and the Company financial statements of EADS for the year ended 31st December 2007 together with reports of the auditors for the years ended 31st December 2005, 31st December 2006 and 31st December 2007 may be inspected at EADS' registered office at: European Aeronautic Defence and Space Company EADS N.V., Le Carré, Beechavenue 130-132, 1119 PR, Schiphol-Rijk, the Netherlands, Seat (statutaire zetel): Amsterdam, Tel: +31 20 655 48 00.

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 e-mail box is dedicated to shareholders' messages: ir@eads.com.

4.4 Undertakings of the Company regarding Information

Given the fact that the shares of the Company are listed on Euronext Paris (the “**Paris Stock Exchange**”), in *regulierter 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 summarised in “3.1.3 Governing Laws”.

4.5 Significant Changes

As of the date of this registration document, there has been no significant change in EADS’ financial or trading position since 31st December 2007.



www.eads.com

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and Space Company EADS N.V.
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1119 PR Schiphol-Rijk
The Netherlands

This document is also available
at the following addresses:

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In Germany
81663 Munich - Germany

In Spain
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28022 Madrid - Spain