DOCUMENTATION FOR THE ANNUAL GENERAL MEETING

on Tuesday, May 6, 2003 at 11 a.m.

at Sheraton Hotel Amsterdam Airport
Schiphol Boulevard 101,
1118 BG Amsterdam, The Netherlands.

AGENDA

1. Appointment of Mr. Arnaud Lagardère as a member of the Board of Directors;
2. Acceptance and approval of the Report of the Board of Directors;
3. Adoption of the audited accounts for the financial year 2002;
4. Approval of the result allocation, distribution and payment date;
5. Release from liability of the members of the Board of Directors;
6. Appointment of the auditors for the financial year 2003;
7. Appointment of Mr. Hans Peter Ring as a member of the Board of Directors;
8. Delegation to the Board of Directors of powers to issue shares and to set aside preferential subscription rights of existing shareholders;
9. Renewal of the authorization for the Board of Directors to repurchase shares of the Company;
10. Amendment of the Company's Articles of Association.

Summary

Shareholders Information
(free call)

France: 0800 01 2001
Germany: 00 800 00 02 2002
Spain: 00 800 00 02 2002

e-mail: ir@eads.net

EADS

TEXT OF THE RESOLUTIONS PROPOSED BY THE BOARD OF DIRECTORS

FIRST RESOLUTION

Appointment of Mr. Arnaud Lagardère as a member of the Board of Directors

RESOLVED THAT Mr. Arnaud Lagardère be appointed as a member of the Board of Directors with immediate effect to succeed Mr. Jean-Luc Lagardère.

SECOND RESOLUTION

Report of the Board of Directors

RESOLVED THAT the Report of the Board of Directors as submitted to the Annual General Meeting be and hereby is accepted and approved.

THIRD RESOLUTION

Adoption of the audited accounts for the financial year 2002

RESOLVED THAT the audited annual accounts for the accounting period from January 1, 2002 to December 31, 2002, as submitted to the Annual General Meeting by the Board of Directors, be and hereby are adopted.

FOURTH RESOLUTION

Approval of the result allocation, distribution and payment date proposed by the Board of Directors

RESOLVED THAT the net loss of € 299 million, as shown in the audited profit and loss statement for the financial year 2002, is deducted from reserves and that a payment of a gross amount of € 0.30 per share shall be made from distributable reserves on June 12, 2003.

FIFTH RESOLUTION

Release from liability of the members of the Board of Directors for their activity during the financial year 2002

RESOLVED THAT the members of the Board of Directors be and hereby are granted a release from liability for the performance of their duties during and with respect to the financial year 2002, to the extent that their activity has been reflected in the audited annual accounts for the financial year 2002 or in the Report of the Board of Directors.

SIXTH RESOLUTION

Appointment of the auditors for the financial year 2003

RESOLVED THAT the Company's auditors for the accounting period being the financial year 2003 shall be Ernst & Young Accountants whose registered office is at Drentestraat 20, 1083 HK Amsterdam, The Netherlands, and KPMG Accountants N.V., whose registered office is at Churchillplein 6, 2517 JW The Hague, The Netherlands.

SEVENTH RESOLUTION

Appointment of Mr. Hans Peter Ring as a member of the Board of Directors

RESOLVED THAT effective at the end of this Annual General Meeting Mr. Hans Peter Ring be appointed as a member of the Board of Directors to replace Mr. Axel Arendt who resigned from the Board of Directors with effect from November 1, 2002.

EIGHTH RESOLUTION

Delegation to the Board of Directors of powers to issue shares and to set aside preferential subscription rights of existing shareholders

RESOLVED THAT in accordance with the Articles of Association, the Board of Directors be and hereby is designated, subject to revocation by the General Meeting, to have powers to issue shares of the Company which are part of the Company's authorized share capital provided that such powers shall be limited to 1% of the Company's authorized capital from time to time and to have powers to limit or to exclude preferential subscription rights, in both cases for a period expiring at the Annual General Meeting to be held in 2005. Such powers include the approval of stock option plans and employee share ownership plans which may include the granting of rights to subscribe for shares which can be exercised at such time as may be specified in or pursuant to such plans.

NINTH RESOLUTION

Authorization for the Board of Directors to repurchase shares of the Company

RESOLVED THAT the Board of Directors be and hereby is authorized, for a period of 18 months from the date of this Annual General Meeting, to repurchase shares of the Company, on any stock exchange or otherwise, within the limit of 5% of the Company's issued share capital and at a price not less than the nominal value and not more than 110% of the price at which the Company's shares were quoted at close of business on any stock exchange on the trading day before such repurchase. This authorization supersedes and replaces the authorization given by the Annual General Meeting of May 17, 2002 in its sixth resolution.

TENTH RESOLUTION

Amendment of the Company's Articles of Association

RESOLVED THAT Article 29, paragraph 3 of the Company's Articles of Association which now reads "Unless expressly decided otherwise, the adoption of the annual accounts by the general meeting of shareholders without reservation shall discharge the members of the Board of Directors for their actions in the preceding financial year, without prejudice to the provisions of Section 2:138 of the Civil Code." shall be deleted to reflect a change of Dutch law.

REPORT OF THE BOARD OF DIRECTORS

Ladies and gentlemen, dear shareholders,

We have pleasure in convening this Annual General Meeting of the Shareholders (the **"AGM"**) of **European Aeronautic Defence and Space Company EADS N.V.** (hereinafter referred to as **"EADS"** or the **"Company"**). The business of this meeting is :

- first, to decide on the composition of the Board of Directors (the **"Board"**);
- second, to present the financial statements of EADS for the 12 months ended December 31, 2002, to submit for your approval the accounts and cash distribution for this period and to appoint the auditors for the financial year 2003;
- finally, to seek renewal of the financial authorisations previously granted to the Board.

The **"Documentation for the Annual General Meeting"** contains :

- the agenda of this AGM,
- the text of the resolutions which will be submitted to your approval during the AGM,
- this Board Report,
- the consolidated and statutory financial statements for the years 2001 and 2002, and
- the Auditors' Report from Ernst & Young Accountants and KPMG Accountants N.V.

This Board Report is limited to fundamental issues. For fuller information and detail, the reader is referred to the Reference Document *(Document de Référence)*, the relevant parts of which are deemed parts of this report, a copy of which is filled with the Stock Exchange Authorities. These documents are also available on EADS web-site www.eads.net (financial information).

1. GENERAL OVERVIEW

Since its creation, in July 2000, by combining the businesses previously operated by Aerospatiale Matra **("ASM"),** DaimlerChrysler Aerospace AG **("DASA")** and Construcciones Aeronauticas SA **("CASA"),** EADS is a recognised leader across most sectors of its operations, consolidating its control in such areas of longstanding collaboration as Airbus, Eurocopter, Eurofighter, Astrium, MBDA and Arianespace.

With a workforce of 103,967 employees (at year-end 2002) and revenues of € 29.9 billion in 2002, EADS is Europe's premier aerospace and defence company and the second largest of such grouping in the world.

In terms of market share, the Company is among the top two manufacturers of commercial aircraft, civil helicopters, space commercial launch vehicles and missiles, and a leading supplier of military aircraft, satellites and defence system electronics, and has organised its businesses into five divisions: (i) Airbus, (ii) Military Transport Aircraft, (iii) Aeronautics (other than Airbus and Military Transport Aircraft), (iv) Defence and Civil Systems and (v) Space.

In 2002, EADS generated 80% of its sales in the civil sector and 20% in the military sector.

2. MAIN EVENTS FOR 2002

In 2002, for the second year in a row, EADS achieved or exceeded all its financial objectives, demonstrating its ability to deliver despite a very uncertain environment, characterised in particular by continuing weakness in the airline industry and a severe downturn in the space market.

The Company remains a key player in all its businesses, maintaining competitive positions in world markets and successfully pursuing growth in its defence activities. Major developments in 2002 included the preparation for deliveries of the NH90 and Tiger military helicopters, the ramp up of the serial production of Eurofighter and the signing of contracts for the Meteor and Taurus missiles.

EADS has also made progress in expanding its global presence. The appointment of Ralph Crosby as CEO of EADS North America and as an EADS Executive Committee member is a strong signal of the Company's commitment to the US market. EADS has been selected to participate in the US Coast Guard's Deepwater Capability Replacement programme, which constitutes a major success in accessing the US homeland security market and validates the Group's approach to cooperative agreements with US partners.

In addition, despite a very difficult year for air passenger traffic, Airbus managed to slightly exceed its forecasts and to deliver 303 aircraft, including the first A340-600 to Virgin Atlantic. Airbus has continued to win new clients including easyJet (which ordered 120 A319s) and Air New Zealand and, by the end of the year, had orders for 1,505 aircraft - the world's largest forward order book.

Meanwhile, manufacture of the first A380 prototype has begun, and the building of new facilities in Hamburg, Toulouse and other locations is on track. Fedex, the US express courier operation, has ordered 10 A380s, bringing the total number of firm orders for the aircraft to 95, at the end of 2002.

Restructuring in the Defence and Civil Systems Division, which started in 2001, returned the division to profit in 2002.

In the Space business, Paradigm, an EADS entity, was selected as preferred bidder for the provision of telecommunication services to the UK MoD using the Skynet 5 satellite. However, 2002 was a year of heavy losses for the Space Division, reflecting the depressed market. As a result, EADS is launching a comprehensive restructuring plan to achieve profitability in 2004.

EADS will pursue its prudent management of resources, implement further cost reductions, and continue to produce synergies from integration in order to generate lasting future growth.

3. SHAREHOLDING AND STOCK PRICE EVOLUTION

3.1 Evolution of EADS' issued share capital

As of December 31, 2002, EADS' issued share capital is set up at € 811,198,500 divided into 811,198,500 shares of a nominal value of € 1 each.

On August 9 and October 11, 2002, the Board, under the authorisations granted by the shareholders' meetings of May 10, 2001 and May 17, 2002, approved the following measures:

- the granting of stock options to EADS selected employees for subscription of 7,276,700 shares in the Company, within the framework of a stock option plan (**"SOP"**);
- the delegation given to the Chief Executive Officers (**"CEOs"**) to set up and to implement a share buy-back programme whereby up to 10,100,000 shares could be purchased by the Company (in aggregate, it is entitled to repurchase up to 20.6 million of EADS shares, representing 2.54% of the Company's issued share capital);
- the offering of up to 2,022,939 shares to eligible employees of EADS within the framework of an employee share ownership plan (**"ESOP"**). As a result, on December 4, 2002, a number of 2,022,939 shares were issued.

Currently, the ownership of EADS is made up as follows:

- 30.13% of the issued share capital is owned indirectly by DaimlerChrysler AG;
- 30.13% of the issued share capital is owned by Société de Gestion de l'Aéronautique, de la Défense et de l'Espace (**"SOGEADE"**), a French partnership limited by shares whose share capital is held 50% by Société de Gestion de Participations Aéronautiques (**"SOGEPA"**) (a French state holding company) and 50% by Lagardère SCA acting through a French holding company controlled by the latter at 74%, and whose remaining shareholding of 26% is held by first rank French financial institutions.

Thus, 60.26% of the Company's issued share capital is held in equal proportions by DaimlerChrysler AG and SOGEADE, who jointly control EADS through a contractual partnership under Dutch law.

- 5.51% of the issued share capital is owned by Sociedad Estatal de Participaciones Industriales (**"SEPI"**) (a Spanish state holding company), also being a party to the contractual partnership mentioned above;
- 30.16% of the issued share capital is owned by the public (including 3.37% owned by EADS employees);
- 2.74% of the issued share capital is indirectly owned by DaimlerChrysler AG and 0.06% directly by the French State, such shareholdings being subject to certain specific provisions;
- 1.27% of the issued share capital is owned by the Company itself, and consists of shares deprived from voting rights, while owned by the Company.

3.2 Stock price evolution 2002

Trading of EADS shares went through two distinct phases in 2002:

EADS shares soundly outperformed the CAC40, DAX30 and IBEX35 indices in the first half of 2002. This strong showing reflected EADS' business achievements, renewed market confidence due to improving air travel passenger traffic statistics, and successes with defence products: the selection of EADS team "Paradigm" for Skynet 5, positive momentum for the A400M programme, the successful maiden flight of the first German series Eurofighter, and inclusion in the US Coast Guards "Deepwater" programme all contributing to raised investor awareness of the value of EADS' defence segment.

EADS' stock underwent strong pressure in the second half of the year, precipitated by US Airways' bankruptcy filling and exacerbated by the anticipated filling of United Airlines and negative news from American Airlines. This trend was amplified by the general climate of economic and political uncertainty and by further delays in the A400M and Meteor programmes which cast shadows on the budgetary backdrop of European defence programmes.

As general market uncertainties rose during the year, there was a transition from investment predicated on fundamental analysis towards more technical investing styles, such as pair-trading, and increased volatility arising from short-term positions triggered by news flow. Investor focus on near term liquidity and cash, brought about by the unsure environment, did not allow prospects from the A380 "Superjumbo", the A400M military transport aircraft, Eurofighter or our helicopter programmes, Tiger or NH90, to be factored into the share price. Management expects that as the market focus returns to growth, the contribution of these long term programmes will increasingly be reflected in EADS' stock performance.

4. CORPORATE GOVERNANCE

The role of the Board is to ensure that the Company is managed with the aim of maximising shareholder value in accordance with the law and the established rules of Corporate Governance, whilst maintaining good relationships with both employees and customers.

The Board met seven times in the year 2002 and was regularly informed of developments through business reports from the CEOs, including rolling forecasts as well as strategic and operational plans. Topics discussed and operations authorised at these meetings included EADS strategy, reorganisation processes (such as the Space Division restructuring), major business issues (such as the Airbus Production Plan 2002/2003, the Skynet 5/Paradigm contract and the US Cost Guard Department Deepwater Programme), major investments projects (such as the A400M Programme), the approval of operational plans, budgets, hedging policy, remuneration (including a SOP and an ESOP) and the Group's financial results and forecasts.

The Audit Committee, set up by the Board in 2000 from among its members, met twice in the year 2002 to review the 2001 results as well as the half-year results for 2002.

The Personnel Committee, also set up by the Board in 2000 from among its members, met five times in the year 2002 to review the bonus payments for 2001, the remuneration policy and the SOP for 2002.

The European Work Council met twice in the year 2002 to review the Group structure and its evolution, the activity of the divisions and business units, the harmonisation of profit sharing schemes and mobility policy at Group level.

5. FINANCIAL HIGHLIGHTS

5.1 EADS Consolidated Financial Statements

EADS prepares its consolidated financial statements in accordance with International Financial Reporting Standards (**"IFRS"**), with the exception that all development costs are expensed as incurred. The consolidated financial statements include all material subsidiaries under the control of EADS. Significant investments in which EADS has (i) a 20% to 50% ownership or (ii) any other ability to exercise significant influence generally accounted for using the equity method. For investments in material joint ventures, EADS uses the proportionate method of consolidation. Other investments are accounted for at fair value.

5.1.1 Consolidated Income Statements

Table 1- Consolidated Income Statements

(in millions of €)	2002	2001
Revenues	**29,901**	**30,798**
Cost of sales	(24,465)	(25,440)
Gross margin	**5,436**	**5,358**
Selling, administrative and other expenses	(2,492)	(2,561)
Research and development expenses	(2,096)	(1,841)
Other income	248	3,024
Amortization of goodwill and related impairment losses	(936)	(1,466)
Income before financial result, income taxes and minority interests	**160**	**2,514**
Financial result, net	27	(513)
Profit (loss) before income taxes and minority interests	**187**	**2,001**
Income taxes	(453)	(646)
Minority interests	(33)	17
Net income (loss)	**(299)**	**1,372**

Included in cost of sales of 2001 are reclassifications of € 205 million of depreciation on jigs and tools which had previously been recorded as development expenses, as it results in a more appropriate presentation. The comparable figure for depreciation of jigs and tools for 2002 is € 245 million.

5.1.2 Revenues

In 2002, EADS revenues reached € 29.9 billion , a slight decrease of € 0.9 billion comparison to € 30.8 billion in 2001.

Table 2 - Revenues by division

(in millions of €)	2002	2001	Change
Airbus	19,512	20,549	(1,037)
Military Transport Aircraft	524	547	(23)
Aeronautics	5,304	5,065	239
Defence & Civil Systems	3,306	3,345	(39)
Space	2,216	2,439	(223)
HQ/Consolidation	(961)	(1,147)	186
Total EADS Group	**29,901**	**30,798**	**(897)**

Revenues at the **Airbus** Division decreased by 5%. Airbus delivered 303 aircraft in 2002, slightly ahead of its 300 target, after 325 in the previous year. Revenues were also impacted by a lower US Dollar exchange rate compared to Euro. Revenues at the **Military Transport Aircraft** Division decreased by 4%, mainly reflecting the loss of contract with Fairchild Dornier. The **Aeronautics** Division recorded a solid revenue increase of 5%, mainly due to an increase in revenues from Eurocopter.

Revenues at the **Defence and Civil Systems** Division slightly decreased by 1%.
Revenues at the **Space** Division decreased by 9%, mainly due to the end of the Ariane 4 programme and the negative market impact in civil telecommunications satellites.

5.1.3 EBIT pre goodwill amortization and exceptionals

EADS uses EBIT* (Earnings Before Interest and Taxes) pre goodwill amortization and exceptionals as a key indicator of its economic performance. The term "exceptionals" refers to income or expenses of a non-recurring nature, such as amortization expenses of fair value adjustments relating to the EADS merger, the Airbus Combination and the formation of MBDA.

EBIT pre goodwill amortization and exceptionals is treated by the management as a key indicator to measure the segments' economic performances.

Table 3 - Reconciliation Income before financial result, income taxes and minority interests to EBIT*

(in millions of €)	2002	2001
Income before financial result, income taxes and minority interests	**160**	**2,514**
Dilution gain Airbus UK, MBDA	0	(2,794)
Goodwill amortisation and related impairment charges	936	1,466
Exceptional depreciation (fixed assets)	227	260
Exceptional depreciation (financial assets)	0	315
Exceptional depreciation (inventories)	16	275
Income from investments	87	(342)
EBIT pre goodwill amortization and exceptionals	**1,426**	**1,694**

** pre goodwill amortization and exceptionals*

Table 4 - EBIT* by division

(in millions of €)	2002	2001	Change
Airbus	1,361	1,655	(294)
Military Transport Aircraft	(80)	1	(81)
Aeronautics	261	308	(47)
Defence & Civil Systems	40	(79)	119
Space	(268)	(222)	(46)
HQ/Consolidation	112	31	81
Total EADS Group	**1,426**	**1,694**	**(268)**

In 2002, EADS achieved an EBIT* of € 1,426 million (2001: € 1,694 million), slightly above its target. Before Research and Development (R&D) costs, EADS slightly improved its EBIT*margin from 11.5% to 11.8%, despite lower Airbus deliveries. R&D costs increased, as anticipated, to € 2.1 billion (2001: € 1.8 billion), particularly due to the A380 programme.

The EBIT* of the **Airbus** Division reached € 1,361 million, compared to € 1,655 million in 2001. R & D cost increased by € 257 million to reach € 1,682 million, mainly due to the A380 programme. Therefore, the EBIT* margin pre-R&D increased from 15% to 15.6% despite lower deliveries.

The **Military Transport Aircraft** Division recorded an EBIT* loss of € -80 million (2001: € 1 million). The Division's result was impacted by a one time charge from its investment as a subcontractor of the Dornier 728 programme of insolvent Fairchild Dornier of € -54 million, by the lost margin for this project and also by the delay of the € 17.7 billion A400M order (90% EADS share), which is now expected for spring 2003.

The **Aeronautics** Division EBIT* amounted to € 261 million (2001: € 308 million). Eurocopter and Military Aircraft were the main profit contributors. However, the civil aviation downturn impacted the maintenance and aerostructure businesses of the Division. Major defence programmes, such as Tiger (military helicopter) and Eurofighter (combat aircraft) are now entering the delivery phase and will contribute to future profitable growth.

The **Defence and Civil Systems** Division realized a strong turnaround thanks to first effects of past restructuring and achieved an EBIT* of € 40 million (2001 : € -79 million). Further strong EBIT* growth is expected as a result of continued restructuring and missiles programmes entering the delivery phase such as Storm Shadow/Scalp EG and PAAMS/Aster.

The **Space** Division recorded a negative EBIT* of € -268 million (2001: € -222 million), due to high provisions made in the context of further deterioration of the space markets, mainly for restructuring and investments depreciation, a satellite contract cancellation and losses on some programmes. The implementation of further restructuring at Space is now being facilitated by the full control of Astrium by EADS (subject to EU approval). Savings will be generated through adaptations to market demand, overhead reductions, implementation of integrated cross national centres of competence, industrial reorganisation and savings in procurement. The target is to achieve EBIT* breakeven by 2004.

** pre goodwill amortization and exceptionals*

5.1.4 Consolidated Balance Sheet

Table 5 - Consolidated Balance Sheets

	December 31		
(in millions of €)	2002	2001	Change
Fixed assets	25,173	25,364	(191)
Non-fixed assets	18,270	18,318	(48)
Deferred taxes and prepaid expenses	3,957	5,033	(1,076)
Total assets	**47,400**	**48,715**	**(1,315)**
Stockholders' equity	12,765	9,877	2,888
Minority interests	1,361	559	802
Provisions	8,248	11,918	(3,670)
Liabilities	20,292	22,597	(2,305)
Deferred taxes and deferred income	4,734	3,764	970
Total liabilities and equity	**47,400**	**48,715**	**(1,315)**

Stockholder's equity increased to € 12,765 million in 2002, compared to € 9,877 million in 2001, mainly resulting from the revaluation of hedges according to IAS 39 due to the strength of the Euro against the US Dollar and GPB.

5.1.5 Net Cash

As of December 31, 2002, the net cash position for EADS was € 1.2 billion better than anticipated. The € 300 million decrease from the year 2001 reflects namely investment ramp up for the A380. Active cash management and prudent sales financing contributed to limit cash outflows in 2002.

Cash flows provided by operating activities of € 2,666 million remained stable from 2001 despite lower EBIT*, thanks to successful cash management and including the receipt of European government refundable advances.

In 2002, EADS invested a net € 2.1 billion capital expenditure on plant, property, and equipment of which approximately € 900 million on the A380 programme.

Additionally, sales financing needs were limited to € 865 million in 2002 thanks to active sell-downs to third parties of existing and new financing exposure to airlines.

Cash flows used for financing activities of € 1,447 million were principally related to dividend payments (€ 403 million), and repayments of financial liabilities.

** pre goodwill amortization and exceptionals*

5.1.6 Order Intake and Order Book

EADS order intake reached € 31 billion in 2002, a decrease of € 29.2 billion in comparison to 2001 (€ 60.2 billion), but still exceeding 2002 revenues and thus further contributing to the overall order book. The **Space** & **Defense and Civil Systems** Divisions increased their order intake by 61% and 43% respectively with namely orders from the French Navy for military launchers and order for Meteor and Taurus missiles. **Airbus** order intake was, as anticipated, significantly reduced reflecting the slowdown of new orders (2002: 233 net orders after 67 cancellations; 2001: 274 net orders after 101 cancellations). It should also be noted that 85 units of the Airbus A380 were recorded as order intake in 2001, thus further enhancing the value of 2001 order intake. **Military Transport Aircraft** and **Aeronautics** Divisions order intakes decreased in comparison to 2001, as a result of the discontinuation of the Dornier 728 programme and a decline in military aircraft business (Aerostructures and Tornado maintenance).

The EADS order book remained strong at nearly € 170 billion, which represents more than five years of business and is still unparalleled in the global aerospace and defence industry. Its decrease, however, is mainly attributable to the revaluation of the order book based on a weaker exchange rate of € 1 = $ 1.05 at year-end, amounting to an adjustment of about € 14 billion.

Table 6 - Order Intake and Order Book by Division

	Order Intake		Order Book	
(in millions of €)	2002	2001	2002	2001
Airbus	19,712	50,279	140,996	156,075
Military Transport Aircraft	403	993	633	1,320
Aeronautics	5,099	5,315	13,458	13,722
Defence & Civil Systems	4,410	3,081	10,110	9,094
Space	2,145	1,333	3,895	3,796
HQ /Consolidation	(760)	(793)	(753)	(751)
Total EADS Group	**31,009**	**60,208**	**168,339**	**183,256**

5.2 EADS N.V. Statutory Accounts

Table 7 - Statutory Balance Sheet

(in millions of €)	December 31 2002	2001
Goodwill	4,618	5,068
Financial assets	5,479	2,232
Fixed assets	**10,097**	**7,300**
Receivables and other assets	5,335	2,825
Securities	4,355	5,047
Cash and cash equivalents	95	828
Non-fixed assets	**9,785**	**8,700**
Deferred taxes	8	22
Total assets	**19,890**	**16,022**
Capital stock	811	809
General reserves	11,954	9,068
Stockholders`equity	**12,765**	**9,877**
Other liabilities	7,125	6,145
Liabilities	**7,125**	**6,145**
Total liabilities and stockholders' equity	**19,890**	**16,022**

Table 8 - Statutory Income Statement

(in millions of €)	2002	2001
Income from investments	118	1,807
Other results	(417)	(435)
Net result	**(299)**	**1,372**

6. FINANCIAL TARGETS FOR 2003

For 2003, EADS management is setting prudent financial targets that preserve the Company's flexibility to respond to market changes. In this uncertain environment, EADS will continue to favour profitability and cash control over market share gains.

Based on the current exchange rate (1€ = 1.10$ as of March 10, 2003) and 300 deliveries of Airbus aircraft, EADS management expects to maintain 2003 revenues in the same range as 2002. Growth from the first time 100% consolidation of Astrium and the ramp up of Defence programmes would be offset by the deterioration of the US$ rate (average 2002: € 1 = $ 0.95).
EADS anticipates 2003 EBIT* in the same range as 2002 (€ 1.4 billion), based on 300 deliveries by Airbus - currently backed by a higher order book - and taking into account the increase in R&D spending to peak levels in 2003.

** pre goodwill amortization and exceptionals*

The EADS 2003 EBIT* target also includes a considerable provision for a significant re-engineering of the Space business in order to achieve EBIT* breakeven during 2004. The Space Division 2003 expected EBIT* represents a further deterioration compared to 2002 due to ongoing restructuring and programme contingencies, and the first-time full consolidation of Astrium.

These negative effects will be offset by the expected improved performance of the Divisions which are now ramping up defence programmes.

EADS management's top priority remains cash control and customer financing containment. Free Cash Flow before customer financing is anticipated to remain positive in 2003, reflecting the continued ability to self-finance the A380 programme. EADS' budget for additional customer financing is lower in 2003 than last year's budget, and EADS will continue with its restrictive practice of keeping net additions at the lowest possible level.

7. EADS STRATEGIC CHALLENGES

7.1 Group Strategic Challenges

To confront the uncertain geo-political environment, with in particular a potential military conflict and asymmetrical threats from terrorist attacks, EADS Management will reinforce further efforts to reach EADS strategic goals:

**** Broad Group Portfolio enabling Cross Business Synergies***

EADS Management intends to mitigate the cyclical effects of the Company commercial aviation businesses, by growing its governmental activities. The Company has therefore set the target of increasing defence revenues by 60% from € 6 billion in 2002 to nearly € 10 billion in 2005. This long-term aim is to generate at least 30% of our group revenues from defence businesses compared to 20% in 2002.

Furthermore, EADS broad and complementary portfolio of aerospace and defence businesses creates important "cross-business" opportunities as well as technological synergies. Current key cross-business projects include a number in the areas of Ballistic Missile Defence, Homeland Security, Air Traffic Management and Navigation.

**** A Global Company with Strong Competitive Positions***

EADS' objective is to reinforce its position as a leading company in major global aerospace and defence markets. The EADS Management has to push forward European consolidation and expand outside Europe - also through partnerships and acquisitions.

In Europe, the Company main challenge is to make the most efficient use of its customers' defence budgets. EADS aims to harmonise procurement and to join R&T efforts in order to narrow the capability gap between US and Europe. It views the UK as a key defence market in Europe, as it presents the most growth opportunities in the near future and seeks to penetrate this market as a prime contractor for significant military programmes.

EADS will further enhance its Trans-Atlantic partnerships with Northrop Grumman, Boeing and Lockheed Martin.
The recently created EADS North America Inc., tasked with pooling the Company efforts and looking for potential acquisitions of US defence companies, underlines its determination to become a recognised prime contractor in the US.

In other key regions such as Russia, the Company will consolidate existing activities into a joint EADS approach. For example in Asia, companies are being involved as risk sharing partners and suppliers in the A380 development.

** pre goodwill amortization and exceptionals*

7.2 Divisions Outlook

7.2.1 Airbus Outlook

Current political and economic uncertainties are bearing particularly hard on the civil aviation industry, and there is no doubt that 2003 will be another difficult year with many airlines facing low or negative air traffic growth, expensive oil and financial difficulties. Airbus' target for 2003 is to deliver 300 aircraft if the global situation remains stable. These are fully backed by higher firm orders and significant advance payments by customers. Its lean cost structure, combined with the value of its products, allow Airbus to generate significantly better industrial margins than its major competitor, and the flexibility of its industrial tool remains a key asset in adapting production capacity to market demand quickly and effectively.

Airbus profitability will continue to be impacted by the R&D increase for the A380 programme.

7.2.2 Military Transport Aircraft Outlook

2003 is expected to see the coming into force of the A400M contract (the biggest in EADS history to date) the start of the US Coast Guard's Deepwater programme, and - as anticipated - the launch of the Abu Dhabi Shaheen Programme for C-295 platforms with the MTAD Mission System. Overall, EADS expects a substantial upturn in the coming year, with EBIT* becoming positive, and, with the A400M contract, a fourfold increase in the order book.

7.2.3 Aeronautics Outlook

Overall, the Division is confident of meeting its challenging targets for 2003, supported by contributions to the A380 and A400M programmes. Commercial activities should remain stable, and military activities will ramp up further. EBIT* is expected to grow substantially over the coming years, backed by growing and coming deliveries of major programmes such as Eurofighter combat aircraft, Tiger and NH90 helicopters.

7.2.4 Defence and Civil Systems Outlook

EADS continues to develop its position in networking defence and security systems, investing in the technologies and skills that enable EADS to provide customers with complete solutions - leveraging the broad product portfolio and synergies between the business units and other EADS divisions. After successful turnaround in 2002, the Division expects to increase EBIT* in 2003. EADS' unique competences, together with intelligent restructuring for greater efficiency and the ramp up of our missile programmes should produce fast growing results over the next few years.

7.2.5 Space Outlook

The key priority for 2003 is to implement a fundamental restructuring of EADS Space, with the aim of reducing the cost base and of focusing even more on the customer needs. In this context, the Division announced jobs cuts up to 3,300 people. This includes the reduction by 1,600 jobs already announced in 2002 and an additional restructuring of 1,700 jobs that consists of :

- Establishment of centres of competence (which means taking "make or buy" decisions and, when "make" is decided, concentrating the activity on one or two sites),
- Further reduction in functional staff,
- Reorganising of sourcing and implementation of ambitious sourcing savings targets,
- Optimisation of engineering, system design, integration and test.

This plan is designed to allow the space activities to be profitable in 2004 and to lead further European sector consolidation.

As a conclusion, EADS believes in the continuation of its success story. The Company commits to its strategic goals of managing a broad and complementary portfolio of aerospace and defence businesses and of increasing its global footprint by building on strong competitive positions.

** pre goodwill amortization and exceptionals*

8. PRESENTATION OF THE RESOLUTIONS PROPOSED BY THE BOARD

The information contained in this Board Report and its related documents is accurate and complete. It will enable you to form an opinion on the situation of the Company and its operations.

You will find below a short explanation on the resolutions submitted to your approval.

8.1 First Resolution

We propose that this AGM appoints Arnaud Lagardère with immediate effect to replace Jean-Luc Lagardère as a Board member. Please note that the Board already decided that, subject to and with immediate effect from the appointment by this AGM, Arnaud Lagardère shall be appointed Chairman of the Board and member of the Audit and Personnel Committees in order to succeed Jean-Luc Lagardère in these positions. Arnaud Lagardère is Managing Partner of Lagardère SCA.

8.2 Second Resolution

We recommend to this AGM to approve this Board Report.

8.3 Third Resolution

We propose to this AGM to approve the audited annual financial statement for 2002.

8.4 Fourth Resolution

We propose to the AGM to resolve that, the net loss of € 299 million, as shown in the profit and loss statement for the financial year 2002, is deducted from reserves and that a payment of a gross amount of € 0.30 per share shall be made from distributable reserves on June 12, 2003.

8.5 Fifth Resolution

We recommend that this AGM discharge the members of the Board of their responsibility for the conduct of the Company's business with respect to the financial year 2002.

8.6 Sixth Resolution

We suggest that the Company's auditors for the financial year 2003 should be Ernst & Young Accountants and KPMG Accountants N.V. The Board appointed Ernst & Young Accountants on July 24, 2002, in order to replace Arthur Andersen, in addition to KPMG Accountants N.V, as the Company's auditors for the financial year 2002. Thus, our proposal is to renew the same auditors for the current financial year.

8.7 Seventh Resolution

We recommend that this AGM (i) takes note of the resignation of Axel Arendt with effect from November 1, 2002 and (ii) appoints Hans Peter Ring as his successor as of the end of this AGM. Hans Peter Ring was previously Senior Vice-President in charge of Controlling at EADS, and was appointed as Chief Financial Officer of EADS, on November 1, 2002.

8.8 Eighth Resolution

We propose that this AGM approves the renewal of the authorization given to the Board to issue shares representing up to 1% of the Company's authorized share capital for a period expiring at the AGM to be held in 2005, including specific powers to approve SOP as well as ESOP plans, since the previous authorization expires at the end of this AGM.

As done in the previous years, the Company anticipates a possible implementation of a SOP in 2003. Such a plan would have to be formally approved by the Board. This plan would have the following main characteristics: rights to subscribe for up to approximately 8 million shares in the Company, i.e. up to 1% of its issued share capital, given to specific beneficiaries, at an exercise price equal to 110% of the average opening prices of the shares over the last 20 sessions of the Paris Stock Exchange preceding the date of the decision of the Board. The SOP will have a duration of ten years from the date of the grant of the options. 50% of the options may be exercised after a period of two years and four weeks from the date of the grant; the remaining 50% may be exercised as of the third anniversary of the date of the grant. The target group of the SOP plan is about 1500 employees of the Company including the 1,000 executives.

The Company also anticipates to implement an ESOP in 2003. It would again have to be formally approved by the Board. This plan would have the following main characteristics: offer and issue of up to approximately 2 million shares of the Company, i.e. up to 0.25% of its issued share capital, to certain eligible employees, at a subscription price equal to the lowest price on the Paris Stock Exchange on the date of the decision of the Board, minus 14.5%. Eligible employees may also invest through a French saving plan at a price equal to the higher of such subscription price and 80% of the average opening prices of the shares over the last 20 sessions of the Paris Stock Exchange preceding the date of the decision of the Board.

8.9 Ninth Resolution

We propose to this AGM to approve the renewal of the authorization given to the Board to repurchase shares of the Company within the limit of 5% of the Company's issued share capital for a period of 18 months from the date of this meeting. The above authorization will supersede and replace the authorization granted by the AGM on May 17, 2002.

8.10 Tenth Resolution

Finally, we propose to amend the Company's Articles of Association. Due to a recent change in the Dutch company law, the approval of the annual financial statements by the shareholders does not have the automatic effect of providing release from liability to its directors, in respect of the performance of their duties. However, even though the current Articles of Association provide that the adoption of the annual financial statements by the shareholders shall discharge the members of the Board for their actions in the preceding year, separate resolutions on such discharge have been proposed to the AGM in the preceding years. It is proposed to amend the Articles of Association in accordance with this amendment of Dutch law as well as the practice adopted by the Company.

The resolutions submitted to your vote are strictly conform to the terms of this Board Report and are in our opinion in the interests of the Company and the development of its activities.

Consequently, we invite you to adopt the resolutions and thank you for the trust you have repeatedly shown us at the key stages of the creation of EADS.

The Board of Directors

EADS N.V. CONSOLIDATED FINANCIAL STATEMENTS

1. CONSOLIDATED ACCOUNTS

1.1 CONSOLIDATED INCOME STATEMENTS

(in millions of €)	Note	2002	2001
Revenues	**5,26**	**29,901**	**30,798**
Cost of sales	6	(24,465)	(25,440)
Gross margin		**5,436**	**5,358**
Selling, administrative and other expenses	6	(2,492)	(2,561)
Research and development expenses		(2,096)	(1,841)
Other income	7	248	3,024
Amortization of goodwill and related impairment losses	10	(936)	(1,466)
Income before financial result, income taxes and minority interests		**160**	**2,514**
Income (loss) from investments		87	(342)
thereof income from associates		*108*	*22*
Interest income (expense), net		(81)	63
Other financial result		21	(234)
Financial result, net	8	27	(513)
Profit (loss) before income taxes and minority interests		**187**	**2,001**
Income taxes	9	(453)	(646)
Minority interests		(33)	17
Net income (loss)		**(299)**	**1,372**
Earnings per share		**€**	**€**
Basic and diluted	31	(0.37)	1.70
Dividends per share (2002: proposal)	**17**	**0.30**	**0.50**

The accompanying notes are an integral part of these Consolidated Financial Statements.

1.2 CONSOLIDATED BALANCE SHEETS

(in millions of €)	Note	At December 31 2002	2001
Assets			
Intangible assets	10	9,789	10,588
Property, plant and equipment	11	10,509	10,050
Investments in associates	12	1,333	1,252
Other investments and long-term financial assets	12	3,542	3,474
Fixed assets		**25,173**	**25,364**
Inventories	13	2,700	2,469
Trade receivables	14	4,114	5,183
Other receivables and other assets	15	5,256	2,633
Securities	16	4,497	5,341
Cash and cash equivalents		1,703	2,692
Non-fixed assets		**18,270**	**18,318**
Deferred taxes	**9**	**2,992**	**4,288**
Prepaid expenses		**965**	**745**
Total Assets		**47,400**	**48,715**

(in millions of €)	Note	2002	2001
Liabilities and shareholders' equity			
Capital stock		811	809
Reserves		9,658	10,346
Accumulated other comprehensive income		2,452	(1,278)
Purchase of treasury shares		(156)	0
Shareholders' equity	**17**	**12,765**	**9,877**
Minority interests		**1,361**	**559**
Provisions	**18**	**8,248**	**11,918**
Financial liabilities	19	4,976	6,500
Trade liabilities	20	5,070	5,466
Other liabilities	20	10,246	10,631
Liabilities		**20,292**	**22,597**
Deferred taxes	**9**	**2,014**	**806**
Deferred income	**21**	**2,720**	**2,958**
Total Liabilities and Equity		**47,400**	**48,715**

The accompanying notes are an integral part of these Consolidated Financial Statements.

1.3 CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of €)	2002	2001
Net income (loss)	(299)	1,372
Income applicable to minority interests	33	(17)
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization of fixed assets	2,768	3,560
Valuation adjustments	177	493
Dilution gain Airbus/MBDA	0	(2,817)
Change in deferred taxes	255	109
Results on disposal of fixed assets/businesses and result of associates (equity method)	(227)	(93)
Change in provisions	(845)	47
Change in other operating assets and liabilities:	**804**	**2**
Inventories, net	274	(655)
Trade receivables	895	(894)
Trade liabilities	(139)	766
Other assets and liabilities	(226)	785
Cash provided by operating activities	**2,666**	**2,656**
Investments:		
- Purchases of fixed assets and increase in equipment of leased assets	(2,314)	(2,196)
- Payments for investments in financial assets and acquisitions of subsidiaries	(1,134)	(1,096)
- Proceeds from disposal of fixed assets and decrease in equipment of leased assets	240	402
- Proceeds from disposal of financial assets and subsidiaries	849	850
- Change in finance lease receivables	(599)	138
Change in securities	(264)	(390)
Cash from changes in consolidation	5	20
Cash used for investing activities	**(3,217)**	**(2,272)**
Change in financial liabilities	(774)	(465)
Cash contribution by minority interests	0	253
Dividends paid	(403)	(404)
Repayments/ dividends to minorities	(127)	(52)
Capital increase	16	21
Purchase of treasury shares	(156)	0
Others	(3)	(30)
Cash used for (provided by) financing activities	**(1,447)**	**(677)**
Effect of foreign exchange rate changes on cash and cash equivalents	(82)	14
Net increase (decrease) in cash and cash equivalents	**(2,080)**	**(279)**
Cash and cash equivalents		
Cash at beginning of period	**7,481**	**7,760**
Cash at end of period	**5,401**	**7,481**
Additional securities medium-term	**799**	**552**
Cash and securities as stated in Balance Sheet	**6,200**	**8,033**

The following represents supplemental information with respect to cash flows from **operating activities**:

(in millions of €)	2002	2001
Interest paid	(407)	(335)
Income taxes paid	(318)	(520)

Interest received for 2002 amounts to € 403 million (2001: € 506 million), dividends received amount to € 19 million (2001: € 36 million).

The accompanying notes are an integral part of these Consolidated Financial Statements.
For details, see Note 22, "Consolidated cash-flow statement"

1.4 CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS 2002 AND 2001

(in millions of €)	Note	Capital stock	Reserves	Accumulated other comprehensive income	Treasury shares	Total
Balance at December 31, 2000		**807**	**9,359**	**84**		**10,250**
First application of IAS 39				(337)		(337)
Balance at January 1, 2001, adjusted		**807**	**9,359**	**(253)**		**9,913**
Capital increase ESOP		2	19			21
Net profit			1,372			1,372
Dividend			(404)			(404)
Other comprehensive income				(1,025)		(1,025)
thereof changes in fair values of securities				(10)		
thereof changes in fair values of hedging instruments				(878)		
thereof currency translation adjustment				(137)		
Balance at December 31, 2001/ January 1, 2002		**809**	**10,346**	**(1,278)**		**9,877**
Capital increase ESOP	17, 27	2	14			16
Net loss	26		(299)			(299)
Dividend	17		(403)			(403)
Purchase of treasury shares	17				(156)	(156)
Other comprehensive income				3,730		3,730
thereof changes in fair values of securities				(10)		
thereof changes in fair values of hedging instruments				2,713		
thereof currency translation adjustment				1,027		
Balance at December 31, 2002		**811**	**9,658**	**2,452**	**(156)**	**12,765**

The accompanying notes are an integral part of these Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

BASIS OF PRESENTATION

1. The company

The accompanying consolidated financial statements present the operations of European Aeronautic Defence and Space Company EADS N.V. and its subsidiaries ("EADS" or the "Group"), a Dutch public limited liability company (naamloze vennootschap) legally seated in Amsterdam (Le Carré, Beechavenue 130-132, 1119 PR, Schiphol-Rijk, The Netherlands). EADS' core business is the manufacturing of commercial aircraft, civil helicopters, commercial space launch vehicles, missiles, military aircraft, satellites and defence electronics and rendering of services related to these activities. The consolidated financial statements were authorised for issue by EADS' Board of Directors on March 7, 2003 and are prepared and reported in euros ("€").

2. Summary of significant accounting policies

Basis of preparation - The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), the accounting standards and interpretations approved by the International Accounting Standards Board ("IASB"), except that the Group expenses all development costs as incurred. The consolidated financial statements are prepared under the historical cost convention as modified by the revaluation of available-for-sale financial instruments, financial assets and financial liabilities classified as held-for-trading, and hedged items in fair value hedges.

Consolidation - The consolidated financial statements include the subsidiaries under the control of EADS. Investments in which EADS has significant influence ("associated companies") are accounted for using the equity method. For investments in material joint ventures, EADS uses the proportionate method of consolidation. The effects of intercompany transactions are eliminated.

Business combinations are accounted for under the purchase accounting method; all assets acquired and liabilities assumed are recorded at fair value. An excess of the purchase price over the fair value of net assets acquired is capitalized as goodwill and amortized over the estimated period of benefit on a straight-line basis.

Foreign Currency Translation - The assets and liabilities of foreign entities, where the local currency is other than Euro, are translated using period-end exchange rates, while the statements of income are translated using average exchange rates during the period. All resulting translation differences are included as a separate component of shareholders' equity ("Accumulated other comprehensive income" or "AOCI").

Transactions in foreign currencies are translated into Euro at the foreign exchange rate in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Euro at the exchange rate in effect at that date. Foreign exchange gains and losses arising from translation are recognized in the income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into Euro at the foreign exchange rate in effect at the date of the transaction.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the acquiring company and are recorded at the exchange rate at the date of the transaction.

Revenue Recognition - Revenue from the sale of goods is recognized upon the transfer of risks and rewards of ownership to the buyer and when the amount of revenue can be measured reliably. Revenue from services rendered is recognized in proportion to the stage of completion of the transaction at the balance sheet date. For construction contracts, when the outcome can be estimated reliably, revenue is recognized by reference to the stage of completion of the contract activity. The stage of completion of a contract may be determined by a variety of ways. Depending on the nature of the contract, revenue is recognized as contractually agreed-upon milestones are reached, the work progresses or units are delivered. Changes in profit rates are reflected in current earnings as identified. Contracts are reviewed for possible losses at each reporting period and provisions for estimated losses on contracts are recorded when identified.

Incentives applicable to performance on contracts are considered in estimated profit rates and are recorded when anticipated contract performance is probable and can be reliably measured.

Sales of aircraft that include asset value guarantee commitments are accounted for as operating leases when these commitments are considered substantial compared to the fair value of the related aircraft. Revenues then comprise lease income from such operating leases.

Product-Related Expenses - Expenses for advertising and sales promotion and other sales-related expenses are charged to expense as incurred. Provisions for estimated warranty costs are recorded at the time the related sale is recorded. Penalties are charged to expense in the period it becomes probable that the Group will be subject to the penalties.

Research and Development Expenses - Contrary to International Accounting Standard (IAS) 38, Intangible Assets, which requires development costs to be capitalized if certain conditions are met, the Group expenses all internally funded development activities as incurred. While the effects of such departure are not reasonably determinable, EADS believes that it better reflects the true and fair view of the Group's global operations. Research and development activities carried out in the scope of externally financed research and development contracts are expensed when the related revenues are recorded.

Income Taxes - Deferred tax assets and liabilities reflect lower or higher future tax consequences that result for certain assets and liabilities from temporary valuation differences between the financial statement carrying amounts and their respective tax bases as well as from net operating losses and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period the new rates are enacted. As deferred tax assets anticipate potential future tax benefits, they are recorded in the consolidated financial statements of EADS only when the likelihood that the tax benefits will be realized is probable.

Intangible Assets - Purchased intangible assets, other than goodwill, are valued at acquisition cost and are generally amortized over their respective useful lives (3 to 10 years) on a straight line basis. Goodwill arising from purchase accounting is amortized over 5 to 20 years.

Property, Plant and Equipment - Property, plant and equipment is valued at acquisition or manufacturing costs less accumulated depreciation. Depreciation expense is recognized principally using the straight-line method. The costs of internally produced equipment and facilities include direct material and labour costs and applicable manufacturing overheads, including depreciation charges. Borrowing costs are not capitalized. The following useful lives are assumed: buildings 6 to 50 years; site improvements 6 to 20 years; technical equipment and machinery 3 to 20 years; and other equipment, factory and office equipment 2 to 10 years. The cost of specialized tooling for commercial production is capitalized and generally depreciated using the straight-line method over 5 years or, if more appropriate, using the number of production or similar units expected to be obtained from the tools (sum-of-the-units method). Especially for aircraft production programs such as the Airbus A380 with an estimated number of aircraft to be produced using such tools, the sum-of-the-units method effectively allocates the diminution of value of specialized tools to the units produced.

Investment Property - The group accounts for investment property using the cost model. Investment property is recorded on balance sheet at book value, that is, at cost less any accumulated depreciation and any accumulated impairment losses. The fair value of investment property is reviewed annually by using cash-flow models or by determinations of open market prices.

Non-current available-for-sale financial assets - Non-current available-for-sale financial assets are included in the line **investments and long-term financial assets** in the consolidated balance sheet and are accounted for at fair value. Unrealised gains and losses on available-for-sale investments are recognised directly as part of a separate component of shareholders' equity ("AOCI"), net of applicable deferred income taxes. As soon as such investments are sold or otherwise disposed of, or are determined to be impaired, the cumulative gain or loss previously recognised in equity is included in "Financial result" in the consolidated income statement for the period. Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably estimated by alternative valuation methods are measured at cost, less any accumulated impairment losses. The fair values of investments are based on quoted market or bid prices or amounts derived from cash-flow models.

Impairment of assets - The Group reviews property, plant and equipment and other non-current assets, including goodwill and intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists and where the carrying amount exceeds the recoverable amount, the respective asset or cash-generating unit is written down to its recoverable amount.

Leasing - The Group is a lessor and a lessee of assets, primarily in connection with commercial aircraft sales financing. Lease transactions where substantially all risks and rewards incident to ownership are transferred from the lessor to the lessee are accounted for as finance leases. All other leases are accounted for as operating leases.

Assets held for leasing out under operating leases are included in property, plant and equipment at cost less depreciation (see Note 11, "Property, plant and equipment"). Rental income from aircraft operating leases is recorded as revenue over the term of the lease. Assets leased out under finance leases cease to be recognized in the balance sheet after the inception of the lease. Instead, a finance lease payments receivable representing the discounted future lease payments to be received from the lessee plus any discounted unguaranteed residual value is recorded as long-term financial assets (see Note 12, "Investments and long-term financial assets"). Unearned finance income is recorded over time in "Financial result". Revenues and the related cost of sales are recognised at the inception of the finance lease.

Assets obtained under finance leases are included in property, plant and equipment at cost less depreciation (see Note 11, "Property, plant and equipment"), unless such assets have been further leased out to customers. In such a case, the respective asset is either qualified as an operating lease or as a finance lease with EADS being the lessor (head-lease-sublease-transaction) and is recorded accordingly. For the relating liability from finance leases see Note 19, "Financial liabilities". When EADS is the lessee under an operating lease contract, rental payments are recorded when they fall due (see Note 24, "Commitments and contingencies" for future operating lease commitments). Such leases often form part of commercial aircraft customer financing transactions with the related sublease being an operating lease (headlease-sublease-transaction).

Non-fixed Assets - Non-fixed assets represent the Group's inventories, receivables, securities and cash, including amounts to be realized in excess of one year. In the accompanying notes, the portion of assets and liabilities to be realized and settled in excess of one year has been disclosed.

Inventories - Inventories are measured at the lower of acquisition or manufacturing cost or net realizable value. Manufacturing costs comprise direct material and labour and applicable manufacturing overheads, including depreciation charges. Borrowing costs are not capitalized. Inventory is presented in the consolidated balance sheet net of allocable advance payments received.

Securities - The group's securities are accounted for at fair value. All of the Group's securities are classified as available-for-sale securities. Management determines the appropriate classification at the time of purchase and revaluates such determination at each balance sheet date. Unrealised gains and losses on available-for-sale securities are recognised directly within a separate component of stockholders' equity ("AOCI"), net of applicable deferred income taxes. As soon as such securities are sold or otherwise disposed of, or are determined to be impaired, the cumulative gain or loss previously recognised in equity is recorded as part of "Financial result" in the consolidated income statement for the period. Short-term securities which are subject to an insignificant risk of changes in value are treated as cash equivalents in the consolidated cash flow statement. The fair value of available-for-sale securities is determined using quoted market prices. If a quoted market price is not available, fair value is determined on the basis of generally accepted valuation methods on the basis of market information available at the reporting date. All purchases and sales of securities are recognized on settlement date according to market conventions.

Cash and cash equivalents - Cash and cash equivalents consist of cash on hand, cash in bank, checks, and fixed deposits having a short-term maturity.

Derivative Financial Instruments - Effective January 1, 2001, EADS adopted International Accounting Standard (IAS) 39, Financial Instruments: *Recognition and Measurement*, which requires all derivative financial instruments be recognized in the financial statements. Derivative financial instruments are initially recognized in the consolidated balance sheet at cost and are subsequently measured at fair value. Changes in the fair value of derivative financial instruments are recognized periodically either in income or, in the case of a cash flow hedge, within a separate component of stockholders' equity ("AOCI"), net of applicable income taxes, and subsequently recognized in the consolidated income statement as a component of the related transactions, when realized. For derivative financial instruments designated as fair value hedges, changes in the fair value of the hedged item and the derivative are recognised in the consolidated income statement. Gains and losses on derivative financial instruments, both realized and unrealized, that do not qualify for hedge accounting are included in "Net income (loss)".

EADS uses derivative financial instruments for hedging purposes. Derivative financial instruments used in micro-hedging strategies to offset the Group's exposure to identifiable transactions are accounted for together with the underlying business transactions ("hedge accounting"). The Group's criteria for classifying a derivative financial instrument as a hedge include: (1) the hedge transaction is expected to be highly effective in achieving offsetting changes in cash flows attributable to the hedged risk, (2) for cash flow hedges, a forecasted transaction that is subject of the hedge must be highly probable, (3) the effectiveness of the hedge can be reliably measured, (4) there is adequate documentation of the hedging relationships at the inception of the hedge.

With the adoption of IAS 39, all derivative financial instruments have been recognized as assets or liabilities. The opening balance of equity as at January 1, 2001 has been adjusted. Comparative figures for 2000 have not been restated. Under the new standard, the Group applies hedge accounting for certain foreign currency derivative contracts on qualifying cash flow hedges of future sales as well as for certain interest rate swaps used as cash flow and fair value hedges of future interest payments. In case certain derivative transactions, while providing effective economic hedges under the Group's risk management policies, do not qualify for hedge accounting under the specific rules in IAS 39, changes in fair value of such derivative financial instruments are recognized immediately in "Net income (loss)". Derivative financial instruments with a negative fair value are recorded as "Provisions for financial instruments". Such derivative financial instruments with positive fair values are recorded in "Other receivables and other assets".

See Note 25, "Information about financial instruments" for a description of the group's financial risk management strategies, the fair values of the Group's derivative financial instruments as well as the methods used to determine such fair values.

Provisions - Provisions for losses on completion of contracts are recorded when it becomes probable that total estimated contract costs will exceed total contract revenues. Such provisions are recorded as write-downs of work-in-process for that portion of the work which has already been completed, and as provisions for risks for the remainder. Losses are determined on the basis of estimated results on completion of contracts and are updated regularly.

Provisions for financial guarantees corresponding to aircraft sales are recorded to reflect the underlying risk to the Group in respect of guarantees given when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimates can be made of the amount of the obligation. Sales contracts for aircraft may stipulate financial guarantees for lease payments, for the residual values of aircraft, for the repayment of the balance of outstanding borrowings and for the financing of the sales of certain aircraft on behalf of the Group. Guarantees may be sole, joint (e.g., with engine manufacturers) or restricted to a ceiling defined in the contract.

The valuation of **pension and post-retirement benefits** classified as defined benefit plans is based upon the projected unit credit method in accordance with IAS 19, "Employee Benefits". According to the corridor approach of IAS 19.92, EADS does not recognize actuarial gains and losses as income and expense unless, for each individual plan, they exceed 10% of the higher of the present value of the defined benefit obligation and the fair value of plan assets.

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Financial liabilities - Financial liabilities are recorded initially at the proceeds received, net of transaction costs incurred. Subsequently, financial liabilities are measured at amortized cost using the effective interest rate method with any difference between proceeds (net of transaction costs) and redemption amount being recognized in "Financial result" over the period of the financial liability.

Refundable Advances - Refundable advances from European Governments are provided to the Group to finance research and development activities for certain projects on a risk-sharing basis, i.e. they have to be repaid to the European Governments according to the success of the project. Because of their risk-sharing basis, such refundable advances are recorded as "Other Liabilities".

Equity compensation plans - Currently, there is no IFRS covering recognition and measurement requirements for equity compensation plans (that is, stock, stock options, or other awards). EADS classifies equity compensation plans as either compensatory plans or non-compensatory plans. If a plan qualifies as a non-compensatory plan, no compensation expense is recorded. On the other hand, a compensatory plan may result in recognition of compensation expense. Upon adoption of a new plan, the Group determines whether the plan is compensatory or non-compensatory. EADS recognises all employee stock ownership plans to be non-compensatory if, at grant date, the granted discount does not exceed 15% of the market share price, and the plan covers virtually all of the Group's employees.

Compensation cost for compensatory equity compensation plans is measured on the measurement date, which is the date on which both the number of shares and the exercise price are first known, using the intrinsic-value-based method of accounting. If the terms of the plan or award are such that the number of shares and exercise price are set on the grant date, fixed-plan accounting applies. If, on the other hand, the number of shares, the exercise price, or both are not "fixed" on the grant date, variable-plan accounting applies.

Fixed-plan accounting prescribes calculating compensation cost on the grant date. When the share price at grant date is exceeding the granted exercise price, compensation has to be recognized as compensation expense over the vesting period. The compensation cost that is calculated cannot be adjusted (assuming that future events do not trigger the need to subsequently apply variable-plan accounting or to re-measure compensation cost) for future changes in the stock-based compensation award's intrinsic value. On the other hand, variable-plan accounting requires a continual recalculation of compensation cost until both the number of shares and the exercise price are known (i.e., until there has been a measurement date).

Use of Estimates - The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent amounts at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassification - The presentation of certain prior year information has been reclassified to conform to the current year presentation.

3. Scope of consolidation

Perimeter of consolidation (December 31, 2002) - The consolidated financial statements include, in addition to EADS N.V.:

- 216 companies which are fully consolidated (2001: 206),
- 34 companies which are proportionately consolidated (2001: 33),
- 16 companies, which are investments in associates and are accounted for using the equity method (2001: 17).

Significant subsidiaries, associates, and joint ventures are listed in the appendix entitled "Information on principal investments".

4. Acquisitions and disposals

a) Acquisitions

In 2002, no material acquisitions occurred.

Following the creation of MBDA on December 18, 2001, and the acquisitions of Tesat-Spacecom on November 30, 2001, and Cogent on December 1, 2001, the financial statements 2002 include for the first time one year of income statements for these entities.

b) Disposals

On March 6, 2002, Airbus sold its share in **Aircelle**, a joint venture with Snecma, to Snecma. The selling price amounted to 63 € million.

On November 20, 2002, EADS sold **EADS Matradatavision** ("MDTV") to IBM. The sales agreement includes all except two subsidiaries of MDTV, which will be sold separately. The selling price amounted to 12 € million.

Apart from those mentioned, other dispositions by the Group were not significant.

c) Subsequent changes in value of assets and liabilities acquired and cost of acquisition

Subsequent to the creation of MBDA and the acquisitions of Tesat and Cogent, all in 2001, it became evident in 2002 that previous estimates of assets and liabilities regarding these three transactions had to be adjusted. Further to this, subsequent to the acquisition of Tesat and Cogent, the amounts of the final purchase prices were resolved in 2002. Accordingly, goodwill was increased by 73 € million in 2002. The consolidated financial statements of December 31, 2001, as presented, do not reflect these adjustments.

5. Revenues

Revenues in 2002 reach 29,901 € million compared with 30,798 € million in 2001. Revenues in 2002 slightly decreased in comparison with 2001, mainly due to a lower US Dollar exchange rate compared to Euro and fewer deliveries of Airbus aircraft, partly offset by a more favourable aircraft mix and price effects.

Revenues are comprised of sales of goods and services, as well as of revenues associated with construction contracts accounted for under the percentage-of-completion-method, financed research and development, customer financing revenues and others. For a breakdown of revenues by business segment and geographical region, refer to Note 26, "Segment reporting".

6. Functional costs and other expenses

Included in cost of sales and other functional costs are **Cost of materials** of 19,216 € million (2001: 20,036 € million).

Cost of sales comprise the amortization charge of the remaining capitalized settlement payment to the German Government with respect to refundable advances of 99 € million. Included in cost of sales of 2001 are reclassifications of 205 € million of depreciation on jigs and tools which had previously been recorded as development expenses, as it results in a more appropriate presentation. The comparable figure for depreciation of jigs and tools for 2002 is 245 € million.

Selling, administrative and other expenses are comprised of selling expenses (829 € million and 800 € million in 2002 and 2001, respectively), administrative expenses (1,422 € million and 1,386 € million in 2002 and 2001, respectively) and other expenses (241 € million and 375 € million in 2002 and 2001, respectively). Other expenses include losses from sales of fixed assets (5 € million and 20 € million in 2002 and 2001, respectively) and additions to other provisions (58 € million and 34 € million in 2002 and 2001, respectively).

Personnel expenses are comprised of:

(in millions of €)	2002	2001
Wages, salaries and social contributions	7,147	6,606
Net periodic pension cost (see Note 18 a)	319	257
Total	**7,466**	**6,863**

7. Other income

Other income of 248 € million (2001: 3,024 € million) is mainly driven by the gain on the disposal of EADS' 50% share in Aircelle (63 € million) and rental income (45 € million and 33 € million in 2002 and 2001, respectively). In 2001 it mainly comprised the dilution gain as a result of the Airbus UK transaction as well as a dilution gain as a result of the MBDA transaction, totalling 2,817 € million.

8. Financial result

(in millions of €)	2002	2001
Income (loss) from investments	87	(342)
Interest income/ (expense), net	(81)	63
Other financial result	21	(234)
Total	**27**	**(513)**

The income from investments in 2002 is mainly derived from the result of the equity investments in Dassault Aviation of 111 € million (2001: 111 € million) and the depreciation of Arianespace Participation S.A. ((29) € million). Since for 2002 no financial figures are available yet from Dassault Aviation, the prior year's net income was used as a basis to report the current year's net income from this equity investment. In 2001, the loss from investments is mainly caused by a depreciation, following an impairment test, of Nortel Networks France and Nortel Networks Germany totalling (315) € million.

Interest income / (expense), net, in 2002 comprises interest income of 526 € million and interest expense of (607) € million. Included in interest income is the return on cash and cash equivalents, securities and financial assets such as loans and finance leases. Interest expense includes interest on financial liabilities and European Government refundable advances.

Other financial result in 2002 comprises fair value gains on financial instruments of 117 € million. Fair value gains and losses on financial instruments result from mark-to-market revaluation of financial instruments that do not qualify for "hedge accounting" (see Note 25, "Information about financial instruments").

9. Income taxes

Income (loss) before income taxes and minority interests amounts to 187 € million for the year ended December 31, 2002 (2001: 2,001 € million).

The (expense) benefit for income taxes consists of the following:

(in millions of €)	2002	2001
Current tax expense	(198)	(549)
Deferred tax (expense) / benefit	(255)	(97)
Total	**(453)**	**(646)**

For the Group's German subsidiaries, deferred taxes are calculated using a federal corporate tax rate of 25% for December 31, 2002 and 2001, plus (i) an annual solidarity surcharge of 5.5% on the amount of federal corporate taxes payable and (ii) the after federal tax benefit rate for trade tax of 12.125% for 2002 and 2001. In aggregate, the tax rate applied to German deferred taxes amounts to 38.5% in 2002 and 2001. In September 2002, the "Flutopfersolidaritätsgesetz (flood victim solidarity act)" was enacted, leading to a 1.5% increase of federal corporate tax in Germany in 2003. Deferred tax assets which will reverse in 2003 are calculated accordingly.

In France, the corporate tax rate in effect for 2001 was 33 1/3% plus a surcharge of 6%. For the year 2002, the French government established a reduced surcharge of 3% in 2002. Accordingly, deferred tax assets and liabilities for the Group's French subsidiaries were calculated using the enacted tax rate of 35.43% at December 31, 2002 for temporary differences (35.43% at December 31, 2001). The effects of the tax rate reduction on deferred tax assets and liabilities at December 31, 2002 and 2001, are reflected in the reconciliation presented below.

The following table shows a reconciliation from an expected income tax expense - using the Dutch corporate tax rate of 34.5% at December 31, 2002 (35% at December 31, 2001) - to the reported tax expense. The reconciling items represent non-taxable benefits or non-deductible expenses arising from permanent differences between the local tax base and the reported financial statements according to IFRS rules.

(in millions of €)	2002	2001
Profit (loss) before income taxes and minority interests	187	2,001
(Corporate income tax rate)	34.5%	35%
Expected benefit (expense) for income taxes	(65)	(700)
Effect of changes in tax laws	0	(1)
Foreign tax rate differential	(35)	(4)
Dilution gains	-	936
Goodwill amortization and impairments	(321)	(588)
Write down/ release of write down of deferred tax assets, net	(11)	(264)
Tax credit for R&D expenses	53	48
Results on associates (at equity)	28	15
Tax effect on depreciations on investments	(39)	(73)
Other	(63)	(15)
Reported tax benefit (expense)	**(453)**	**(646)**

Deferred income taxes reflect temporary valuation differences between the carrying amounts of certain assets and liabilities in the financial statements and their tax bases. Future tax impacts from net operating losses and tax credit carry forwards are also considered in the deferred income tax calculation. Deferred income taxes are recorded on the following assets and liabilities:

	December 31	
(in millions of €)	2002	2001
Intangible assets	15	12
Inventories	341	379
Prepaid expenses	-	174
Net operating loss and tax credit carry forwards	654	613
Retirement plans	585	498
Other provisions	482	2,239
Liabilities	711	585
Deferred income	725	870
	3,513	**5,370**
Write down of deferred tax assets	(564)	(625)
Deferred tax assets (before netting)	**2,949**	**4,745**
Property, plant and equipment	932	1,046
Investments and long-term financial assets	107	81
Receivables and other current assets	900	107
Prepaid expenses	32	-
Other	-	29
Deferred tax liabilities (before netting)	**1,971**	**1,263**
Deferred tax assets, net	**978**	**3,482**

The decrease of deferred tax assets on other provisions is related to the valuation of the financial instruments according to IAS 39. In 2002 the mark-to-market of the financial instruments are mainly shown under other current assets. Accordingly, the deferred tax liabilities on receivables and other current assets increased.

At December 31, 2002, the Group records 23 € million of domestic corporate tax net operating losses ("NOL") , 1,723 € million foreign NOL and credit carry forwards (of which Germany: 602 € million; UK: 520 € million; France: 347 € million; Spain: 159 € million), and 524 € million of German trade tax NOL . The total NOL and tax credit carry forwards represent an amount of deferred tax assets of 654 € million, of which 282 € million are written down as at December 31, 2002. The amount of the Group's deferred tax valuation allowances is based upon management's estimate of the level of deferred tax assets that will be realized. In future periods, depending upon the Group's financial results, management's estimate of the amount of the deferred tax assets considered realizable may change, and hence the write down of deferred tax assets may increase or decrease.

After netting of deferred income tax assets and liabilities within the same taxable entity and maturity, the deferred income tax assets and liabilities in the consolidated balance sheets are as follows:

	December 31, 2002		December 31, 2001	
(in millions of €)	Total	thereof non-current	Total	thereof non-current
Deferred tax assets	2,992	1,877	4,288	2,924
Deferred tax liabilities	(2,014)	(1,350)	(806)	(689)
Deferred tax assets, net	**978**	**527**	**3,482**	**2,235**

The deferred tax recognized directly in equity is as follows:

(in millions of €)	2002	2001
Effect of adopting IAS 39	-	222
Fair value reserves in equity:		
Available-for-sale investments	8	1
Cash flow hedges	(1,051)	606
Total	**(1,043)**	**829**

10. Intangible assets

Intangible assets principally represent goodwill. Schedules detailing gross values, accumulated depreciation and net values of intangible assets are as follows:

Cost (in millions of €)	Balance at January 1, 2002	Exchange differences	Additions	Change in consolidation scope	Reclassification	Disposals	Balance at December 31, 2002
Other intangible assets	378	(10)	132	(5)	-	(25)	470
Goodwill	12,263	(9)	79	9	-	(3)	12,339
Total	**12,641**	**(19)**	**211**	**4**	**-**	**(28)**	**12,809**

Amortization (in millions of €)	Balance at January 1, 2002	Exchange differences	Amorti-zation charge	Change in consolidation scope	Reclassification	Disposals	Balance at December 31, 2002
Other intangible assets	(232)	6	(68)	4	-	23	(267)
Goodwill	(1,821)	1	(936)	3	-	0	(2,753)
Total	**(2,053)**	**7**	**(1,004)**	**7**	**-**	**23**	**(3,020)**

Carrying amount (in millions of €)	Balance at January 1, 2002	Balance at December 31, 2002
Other intangible assets	146	203
Goodwill	10,442	9,586
Total	**10,588**	**9,789**

Goodwill mainly increased in 2002 due to subsequent purchase price and fair value adjustments for MBDA (+39 € million), Cogent (+29 € million) and Tesat Spacecom (+5 € million).

Impairment tests

Mostly because of the continuing market downturn in the space industry, in particular the satellite industry, there was an indication for impairments of goodwill recognized for the Space division. The impairment tests for goodwill were performed on the level of the Cash Generating Units Satellite and Communication, Launchers and Infrastructure as well as Casa Space Business. To identify the recoverable amounts which are the values in use, the impairment tests have been conducted using the discounted cash-flow method. Based on current forecasts and projections of pre-tax cash-flows the value in use of these Cash Generating Units was determined applying a pre-tax discount rate of 12.5%. Since the recoverable amounts have fallen below the carrying amounts of the Cash Generating Units Satellite and Communication and Casa Space Business, an impairment charge of 350 € million is recognized in the consolidated income statement 2002 and is included within the amortization charge of 936 € million.

In 2001, following the events caused by the terrorist attacks on September 11, 2001, the Group performed an impairment test on goodwill for the Airbus division, which is to be seen as a Cash Generating Unit by itself. As the recoverable amount exceeded the carrying amount, no impairment had to be recognized. Further impairment tests were performed for goodwill for the Space and Defence divisions, which resulted in impairments charges in 2001 for Astrium of 210 € million, for Systems & Defence Electronics (S&DE) of 240 € million, for LFK of 170 € million and for Matra Datavision of 170 € million.

11. Property, plant and equipment

Schedules detailing gross values, accumulated depreciation and net values of property, plant and equipment show the following:

Cost (in millions of €)	Balance at January 1, 2002	Exchange differences	Additions	Change in consolidation scope	Reclassification	Disposals	Balance at December 31, 2002
Land, leasehold improvements and buildings including buildings on land owned by other	3,876	(39)	303	3	123	(44)	4,222
Technical equipment and machinery	4,512	(258)	466	(12)	1,202	(119)	5,791
Other equipment, factory and office equipment	7,219	(308)	340	31	(990)	(428)	5,864
Advance payments relating to plant and equipment as well as construction in progress	812	(31)	1,074	2	(108)	(62)	1,687
Total	**16,419**	**(636)**	**2,183**	**24**	**227**	**(653)**	**17,564**

Depreciation (in millions of €)	Balance at January 1, 2002	Exchange differences	Depre-ciation charge	Change in consolidation scope	Reclassification	Disposals	Balance at December 31, 2002
Land, leasehold improvements and buildings including buildings on land owned by other	(1,267)	16	(200)	-	(53)	32	(1,472)
Technical equipment and machinery	(2,259)	170	(636)	7	(735)	101	(3,352)
Other equipment, factory and office equipment	(2,833)	164	(543)	(19)	760	292	(2,179)
Advance payments relating to plant and equipment as well as construction in progress	(10)	-	(46)	-	4	-	(52)
Total	**(6,369)**	**350**	**(1,425)**	**(12)**	**(24)**	**425**	**(7,055)**

Carrying amount

(in millions of €)	Balance at January 1, 2002	Balance at December 31, 2002
Land, leasehold improvements and buildings including buildings on land owned by other	2,609	2,750
Technical equipment and machinery	2,253	2,439
Other equipment, factory and office equipment	4,386	3,685
Advance payments relating to plant and equipment as well as construction in progress	802	1,635
Total	**10,050**	**10,509**

The item "Other equipment, factory and office equipment" includes aircraft which (i) have been leased out to customers and are classified as operating lease with a cost value of 1,336 € million and 1,294 € million at December 31, 2002 and 2001, and (ii) have been sold under terms that include asset value guarantee commitments with the present value of the guarantee being more than 10% of the aircraft's sales price (assumed to be the fair value) and thus accounted for as operating lease with a cost value of 1,709 € million and 1,912 € million at December 31, 2002 and 2001. Upon the initial sale of the aircraft, its total cost previously recognized in inventory is transferred to "Other equipment, factory and office equipment" and depreciated over its estimated useful economic life, with the proceeds received from the customer being recorded as deferred income (see Note 21, "Deferred income").

The total cost value of aircraft under operating lease amounts to 3,045 € million and 3,206 € million as of December 31, 2002 and 2001, respectively (related accumulated depreciation is 1,445 € million and 1,384 € million, respectively). Depreciation expense for 2002 amounts to 263 € million (2001: 419 € million). See Note 24, "Commitments and contingencies" for details on sales financing transactions.

Non-cancellable future operating lease payments (not discounted) due from customers to be included in revenues, at December 31, 2002 are as follows:

(in millions of €)	
not later than 2003	179
later than 2003 and not later than 2007	653
later than 2007	352

In 2002, the Group reclassified five Beluga aircraft from "Other equipment, factory and office equipment" to "Technical equipment and machinery". These Beluga aircraft are used for production purposes. This was partly offset by a reclassification of certain leased Airbus aircraft from finance lease to operating lease, following a re-negotiation of terms, which are now part of "Other equipment, factory and office equipment".

At December 31, 2002 and 2001, Property, plant and equipment include buildings, technical equipment and other equipment accounted for in fixed assets under finance lease agreements for net amounts of 146 € million and 169 € million, net of accumulated depreciation of 296 € million and 273 € million.The related depreciation expense for 2002 was 23 € million.

12. Investments and long-term financial assets

The following table sets forth the composition of investments and long-term financial assets:

(in millions of €)	December 31, 2002	December 31, 2001
Investments in associates	1,333	1,252
Other investments	810	766
Other financial assets	2,732	2,708
Total	**4,875**	**4,726**

Investments in associates are accounted for using the equity method. As of December 31, 2002 and 2001, investments in associates contain EADS' interest in Dassault Aviation (45.96% at December 31, 2002 and 2001, respectively) of 1,333 € million and 1,252 € million. Since for 2002 no financial figures are available yet from Dassault Aviation, the prior year's net income was used as a basis to report the current year's income from this equity investment, adjusted by dividends received (see Note 8, "Financial result"). A list of major investments in associates and the proportion of ownership is included in Appendix "Information on principal investments".

Other investments comprise EADS' investment in various non-consolidated entities, the most significant being at December 31, 2002, a 42% interest in Nortel Networks Germany of 156 € million, a 45% interest in Nortel Networks France of 119 € million and a participation in Embraer of 75 € million. The investments in the two Nortel subsidiaries are considered as non-consolidated entities because of the changes initiated by Nortel in 2001 in the management structures of these companies.

Other financial assets encompass mainly the Group's sales finance activities. This includes as of December 31, 2002 and 2001: (i) loans to customers of 656 € million and 949 € million; (ii) finance lease receivables from aircraft financing operations of 749 € million and 514 € million; (iii) defeased bank deposits of 1,146 € million and 1,044 € million. Loans are provided to customers to finance the sale of aircraft. These loans are long-term and normally have a maturity which is linked to the use of the aircraft by the customer. Both finance lease receivables and loans are part of the aircraft finance risk exposure, net of accumulated write down of 444 € million and 477 € million at December 31, 2002 and 2001, respectively. These sales financing transactions are generally secured by the underlying aircraft used as collateral. (See Note 24, "Commitments and contingencies" for details on sales financing transactions).

The components of investment in finance leases are as follows:

(in millions of €)	December 31, 2002	December 31, 2001
Minimum lease payments receivables	1,114	1,022
Unearned finance income	(217)	(222)
Allowance	(148)	(286)
Total	**749**	**514**

Future minimum lease payments and investments in finance leases to be received are as follows (not discounted):

(in millions of €)	
not later than 2003	76
later than 2003 and not later than 2007	340
later than 2007	698

Defeased bank deposits are recognized when, as part of a sales financing transaction, Airbus reserves a certain amount to offset its exposure towards a finance lessor. Other financial assets also include 181 € million and 201 € million of other loans as of December 31, 2002 and 2001, e.g. loans to employees.

13. Inventories

(in millions of €)	December 31, 2002	December 31, 2001
Raw materials and manufacturing supplies	853	929
Work in progress	8,478	8,108
Finished goods, parts and products held for resale	1,525	1,796
Advance payments to suppliers	1,342	1,230
	12,198	**12,063**
Less: Advance payments received	(9,498)	(9,594)
Total	**2,700**	**2,469**

All inventories are classified as current assets. Incipient with December 31, 2002, the Group has changed the allocation from work in progress to finished goods, representing Airbus aircraft. EADS believes that it is a more appropriate presentation to include in finished goods only those aircraft which are ready for final delivery, including aircraft in flight tests. Previous to this, aircraft had been included in finished goods from the date of Theoretical First Flight. For comparative reasons, EADS has reclassified 1,518 € million from finished goods to work in progress at December 31, 2001.

14. Trade receivables

(in millions of €)	December 31, 2002	December 31, 2001
Receivables from sales of goods and services	4,472	5,572
Allowance for doubtful accounts	(358)	(389)
Total	**4,114**	**5,183**

Trade receivables are classified as current assets. As of December 31, 2002, 275 € million (155 € million as of December 31, 2001) of trade receivables are not expected to be collected within one year.

15. Other receivables and other assets

Other receivables and other assets as of December 31, 2002 and 2001 (5,256 € million and 2,633 € million, respectively) include positive fair values of derivative financial instruments of 2,819 € million and 92 € million, respectively, and the remaining capitalized settlement payments to the German Government (355 € million and 454 € million, respectively) attributable to refundable advances which are amortized through the income statement at the delivery pace of the corresponding planes.

As of December 31, 2002, other receivables and other assets further comprise receivables from affiliated companies of 247 € million (189 € million as of December 31, 2001), receivables from related companies of 357 € million (352 € million as of December 31, 2001), net of allowance of (132) € million ((112) € million as of December 31, 2001) and income taxes of 389 € million.

Other receivables and other assets, which are expected to be collected within one year are 2,243 € million as of December 31, 2002 (1,610 € million as of December 31, 2001), are classified as current assets.

16. Securities

The Group's security portfolio amounts to 4,497 € million and 5,341 € million as of December 31, 2002 and 2001, respectively, and is entirely classified as "Available-for-Sale". Securities expected to be realized within twelve months of the balance sheet date are classified as current assets and amount to 4,043 € million and 4,954 € million as of December 31, 2002 and 2001, respectively.

17. Shareholders' equity

The change of shareholders' equity is provided in the Consolidated Statements of Changes in Shareholders' Equity.

The issued share capital of the Group consists of 811,198,500 and 809,175,561 shares as of December 31, 2002 and 2001, respectively. EADS' shares are exclusively ordinary shares with a par value of 1.00 €. The authorized share capital consists of 3,000,000,000 shares. In connection with the 2002 Employee Stock Ownership Plan (see Note 27, "Stock-based compensation"), EADS issued 2,022,939 shares, representing a nominal value of 2,022,939.00 €.

Authorized by the Shareholders' General Meeting of EADS held on May 17, 2002, the Board of Directors resolved on August 9 and October 11, 2002 to direct the Chief Executive Officers to implement a plan for the Company to repurchase up to a maximum of 10,100,000 of its own shares, representing 1.25% of the issued share capital of the Company. On July 12 and September 18, 2001, the Group's Board of Directors decided to launch a share buy back plan as authorized by the general meeting of shareholders on May 10, 2001. As a result, the Board of Directors directed the Chief Executive Officers to set up a buy back plan for 10,500,000 shares. In aggregate, the Company is entitled to repurchase up to 20.6 million of EADS shares, representing 2.54% of the Company's share capital.

In 2002, EADS purchased 10,241,252 of its own shares, resulting in an amount of 800,957,248 shares outstanding at December 31, 2002. Prior to 2002, the Group had not repurchased any shares.

On May 17, 2002, the Shareholders' General Meeting also decided to pay a cash dividend for 2001 for a gross amount of 0.50 € per share, which was paid on June 28, 2002.

Capital stock comprises the nominal amount of shares outstanding. The addition to capital stock represents the contribution of 2,022,939 € by employees under the 2002 Employee Stock Ownership Plan. Reserves contain capital reserves, retained earnings as well as the net result for the period. Accumulated other comprehensive income consists of all amounts recognized directly in equity resulting from changes in fair value of financial instruments that are classified as available-for-sale or that form part of hedging relationships in effective cash-flow hedges as well as from currency translation adjustments of foreign entities. Treasury shares represent the amount paid for own shares held in treasury.

18. Provisions

Provisions are comprised of the following:

(in millions of €)	December 31, 2002	December 31, 2001
Retirement plans (see Note 18 a) and similar obligations	3,392	3,176
Financial instruments (see Note 18 b)	161	3,673
Other provisions (see Note 18 c)	4,695	5,069
Total	**8,248**	**11,918**

As of December 31, 2002 and 2001, respectively, 3,209 € million and 3,019 € million of retirement plans and similar obligations, 11 € million and 1,627 € million of financial instruments as well as 3,194 € million and 2,833 € million of other provisions mature after more than one year.

a) Retirement plans

When Group employees retire, they receive indemnities as stipulated in retirement agreements, in accordance with regulations and practices of the countries (principally France and Germany) in which the Group operates. French law stipulates that employees are paid retirement indemnities on the basis of the length of service. In Germany, retirement indemnities are principally paid on the basis of salaries and seniority. Certain pension plans are based on salary earned in the last year or on an average of the last three years of employment while others are fixed plans depending on ranking (both salary level and position).

Actuarial assessments are regularly made to determine the amount of the Group's commitments with regard to retirement indemnities. This assessment includes an assumption concerning changes in salaries, retirement ages and long-term interest rates. It comprises all the expenses the Group will be required to pay to meet these commitments. The resulting obligation is recorded in the balance sheet as a provision. Actuarial gains and losses are deferred and recorded over the expected average remaining working lives of the employees participating in each plan when they exceed the greater of 10% of the present value of the defined benefit obligation and 10% of the fair value of plan assets.

The following provides information with respect to the Group's pension liabilities.

Change in provision for pension obligations in 2002

(in millions of €)	
Provision for pension obligations at beginning of year	3,151
Net periodic pension cost	319
Contributions	(16)
Consumption (benefits paid)	(109)
Acquisitions and other	12
Provision for pension obligations at end of year	**3,357**

The difference between the total amount of retirement plans and similar obligations of 3,392 € million and 3,176 € million as of December 31, 2002 and 2001, respectively, and the net amount recognized as provision for pension obligations (3,357 € million and 3,151 € million at December 31, 2002 and 2001) is caused by additional commitments for deferred compensation (35 € million and 25 € million at December 31, 2002 and 2001), which in the year of its origin do not form part of the net amount recognized as pension liability.

Change in defined benefit obligations

(in millions of €)	2002	2001
Defined benefit obligations at beginning of year	3,880	3,512
Service cost	124	84
Interest cost	229	220
Plan amendments	0	(8)
Actuarial losses	201	191
Acquisitions and other	8	12
Benefits paid	(155)	(131)
Defined benefit obligations at end of year	**4,287**	**3,880**

The defined benefit obligation at end of the year is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods. Actuarial losses of 201 € million at December 31, 2002, result mainly from the decrease of the discount rate for pension obligations in Germany from 6.0% to 5.75%.

Change in plan assets

(in millions of €)	2002	2001
Fair value of plan assets at beginning of year	571	682
Actual return on plan assets	(35)	(70)
Contributions/ other	42	1
Benefits paid	(46)	(42)
Fair value of plan assets at end of year	**532**	**571**

The fair value of plan assets at end of the year comprises assets held by long-term employee benefit funds that exist solely to pay or fund employee benefits. Plan assets are not entirely exposed to fluctuations of stock markets, as only the smaller portion of plan assets is invested in such instruments.

A reconciliation of the funded status to the amounts recognized in the consolidated balance sheets is as follows:

(in millions of €)	December 31, 2002	December 31, 2001
Funded status [1]	3,755	3,309
Unrecognized actuarial net gains (losses)	(398)	(158)
Net amount recognized	**3,357**	**3,151**

(1) Difference between the defined benefit obligations and the fair value of plan assets.

The net amount recognized represents the amount recognized as a defined benefit pension liability and is part of the caption "Retirement plans and similar obligations". It includes the funded status, adjusted by actuarial net gains/ losses, which do not have to be recognized because they do not meet the recognition criteria.

The weighted-average assumptions used in calculating the actuarial values of the retirement plans are as follows:

Assumptions in%	December 31, 2002	December 31, 2001
Discount rate	5.0-5.75	5.0-6.0
Rate of compensation increase	3.0	3.0-3.5
Inflation rate	1.75	2.0

The components of the net periodic pension cost, included in "Income before financial result, income taxes and minority interests", are as follows:

(in millions of €)	2002	2001
Service cost	124	84
Interest cost	229	220
Expected return on plan assets	(42)	(47)
Net actuarial loss (gain)	8	0
Net periodic pension cost	319	257

b) Financial instruments

The provision for financial instruments (161 € million and 3,673 € million as of December 31, 2002 and 2001) depicts the negative fair market value of foreign currency derivative financial instruments. The decrease is due to the strengthening of Euro against US Dollar (2002: 1 Euro = 1.0487 US Dollar; 2001: 1 Euro = 0.8813 US Dollar).

c) Other provisions

Other provisions consist of the following:

(in millions of €)	December 31, 2002	December 31, 2001
Aircraft financial risks	1,215	1,498
Outstanding invoices	802	820
Contract losses	433	450
Tax provisions	255	213
Warranties	180	198
Other risks and charges	1,810	1,890
Total	**4,695**	**5,069**

The provision for aircraft financial risks covers, in line with the Group's policy for sales financing risk, the net exposure to aircraft financing (689 € million at December 31, 2002) and asset value risks (526 € million at December 31, 2002) related to Airbus and ATR of Aeronautic division.

Movements in provisions during the year were as follows:

(in millions of €)	Balance at January 1, 2002	Exchange differences	Additions	Reclassification	Used/ Released	Balance at December 31, 2002
Aircraft financial risks	1,498	(236)	227	(126)	(148)	1,215
Outstanding invoices	820	0	380	(54)	(344)	802
Contract losses	450	(5)	145	(28)	(129)	433
Tax provisions	213	0	90	(7)	(41)	255
Warranties	198	(10)	64	7	(79)	180
Other risks and charges	1,890	(107)	636	98	(707)	1,810
Total	**5,069**	**(358)**	**1,542**	**(110)**	**(1,448)**	**4,695**

19. Financial liabilities

(in millions of €)	December 31, 2002	December 31, 2001
Bonds	209	426
Liabilities to financial institutions	256	286
Liabilities to affiliated companies	166	90
Loans	80	106
Liabilities from finance leases	100	110
Others	374	444
Short-term financial liabilities (due within one year)	**1,185**	**1,462**
Bonds	44	195
Liabilities to financial institutions *thereof due in more than five years: 810 (December 31, 2001: 1,162)*	1,313	1,541
Liabilities to affiliated companies *thereof due in more than five years: 0 (December 31, 2001: 9)*	0	18
Loans *thereof due in more than five years: 667 (December 31, 2001: 1,217)*	968	1,648
Liabilities from finance leases *thereof due in more than five years: 688 (December 31, 2001: 1,094)*	1,466	1,636
Long-term financial liabilities	**3,791**	**5,038**
Total	**4,976**	**6,500**

The decrease in financial liabilities from 6,500 € million at December 31, 2001 to 4,976 € million at December 31, 2002 is caused by positive foreign exchange rate effects of 782 € million, repayments of bond obligations of 368 € million and settlement of bank liabilities. Included in "Others" are financial liabilities against joint venture partners. Liabilities from finance lease to certain lessors are backed by defeased bank deposits of 1,146 € million and 1,044 € million as of December 31, 2002 and 2001, respectively.

The aggregate amounts of financial liabilities maturing during the next five years and thereafter are as follows:

(in millions of €)	Financial liabilities
2003	1,185
2004	193
2005	325
2006	393
2007	715
thereafter	2,165

20. Trade and other liabilities

(in millions of €)	December 31, 2002	December 31, 2001
Trade liabilities	5,070	5,466
Other liabilities	10,246	10,631
Total	**15,316**	**16,097**

At December 31, 2002, Other liabilities mainly comprise customer advance payments of 3,578 € million (4,509 € million as of December 31, 2001), as well as European Governments refundable advances of 4,265 € million (3,469 € million as of December 31, 2001). They also include further liabilities to related companies of 85 € million (68 € million as of December 31, 2001) and to affiliated companies amounting to 80 € million (85 € million as of December 31, 2001). Because of the US Dollar weakening in 2002, customer advance payments decreased by 449 € million. The increase in European Governments refundable advances relates mostly to the A380-programme.

Maturities - Out of trade liabilities as of December 31, 2002, 33 € million (173 € million as of December 31, 2001) mature after more than one year. Included in "Other liabilities" are 3,982 € million due within one year and 3,715 € million maturing after more than five years.

21. Deferred income

The main part of deferred income is related to sales of Airbus aircraft that include asset value guarantee commitments and that are accounted for as operating leases (2,031 € million and 2,309 € million as of December 31, 2002 and 2001, respectively).

NOTES TO THE CONSOLIDATED STATEMENTS OF CASH-FLOW

22. Consolidated cash-flow statement

As of December 31, 2002, EADS' cash position (stated as Cash and Cash Equivalents in the Consolidated Statement of Cash Flows) includes 227 € million (386 € million as of December 31, 2001) representing the amount Airbus has deposited at BAES. Additionally included are 596 € million and 414 € million as of December 31, 2002 and 2001, respectively, which represent EADS' share in MBDA's cash and cash equivalents, deposited at BAES and Finmeccanica. These funds are immediately available for EADS upon demand.
For the December 31, 2002 Consolidated Balance Sheet's and the 2002 Consolidated Statement of Cash-Flow's presentation, EADS has considered as part of the cash position (being cash and cash equivalents and certain qualifying securities, see Note 2, "Summary of significant accounting policies"), inter alia, an amount of 160 € million related to Astrium. Due to the proportionate consolidation method for Astrium, this amount corresponds to cash advances made to Astrium for which EADS could claim the reimbursement from BAES, in accordance with the Astrium shareholders' agreement.

The following chart provides details on acquisitions and disposals of subsidiaries and business units:

(in millions of €)	December 31, 2002	December 31, 2001
Total purchase (disposal) price, aggregate	(71)	415
thereof discharged by cash and cash equivalents	(71)	415
Aggregate cash and cash equivalents from acquisitions and disposals	(9)	13

Included in the aggregate disposal price received in 2002 of 71 € million is the cash amount received for the sale of Aircelle (63 € million). In 2001, the aggregate purchase price paid of 415 € million mainly included the purchase of Cogent, Tesat and Dornier. The line "Results on disposal of fixed assets/ businesses and result of associates (equity method)" in the consolidated cash flow statement includes in 2002 the gross result of associated companies (134 € million). The effect of foreign exchange rate changes on cash and cash equivalents amounts to 82 € million, mainly caused by the weakening of the US Dollar in 2002.

23. Litigation and claims

Various legal actions, governmental investigations, proceedings and other claims are pending or may be instituted or asserted in the future against the Group. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. EADS believes that it has made adequate provisions to cover current or contemplated litigation risks. It is reasonably possible that the final resolution of some of these matters may require the Group to make expenditures, in excess of established reserves, over an extended period of time and in a range of amounts that cannot be reasonably estimated. The term "reasonably possible" is used herein to mean that the chance of a future transaction or event occurring is more than remote but less than likely. Although the final resolution of any such matters could have an effect on the Group's consolidated operating results for the particular reporting period in which an adjustment of the estimated reserve would be recorded, the Group believes that any such potential adjustment should not materially affect its consolidated financial position.

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

EADS (more specifically, DADC and Dornier GmbH) is and was a party to several disputes and arbitration proceeding with the Dornier family shareholders, minority shareholders of Dornier GmbH. These disputes were about the validity of various resolutions of shareholders' meetings of Dornier GmbH primarily concerning contributions of Dornier activities and assets. These contributions were the subjects of two arbitration proceedings, which were successfully completed recently with the decisions being made in favour of EADS/Dornier GmbH. Also, the validity of some of these contributions was confirmed by the regional court of appeals in Stuttgart. However, other proceedings, in particular regarding the contribution of shares in Dornier Luftfahrt GmbH by Dornier to Fairchild Dornier Luftfahrt Beteiligungs GmbH, are still pending. EADS and Dornier GmbH expect that the remaining proceedings will be decided in their favour, as was the case with the recent decisions.

At the end of 2002 a request for arbitration was filed against a subsidiary of EADS involved in the supply of equipments under a commercial contract that was completed several years ago. EADS considers to have strong defences, both procedural and of substance, to oppose the claim. At this early stage of the procedure the financial risk cannot be assessed.

24. Commitments and contingencies

Contingent assets

EADS (more specifically Euromissile GIE) has recently been successful in an arbitration proceeding initiated by Thales and has been awarded on the basis of its counterclaim damages for which the principal amounts to 107.6 € million, which were neither collected nor accounted for at December 31, 2002. The decision is immediately enforceable and the sums were paid to Euromissile GIE on February 17, 2003. However, Thales has filed a request for annulment of the arbitration decision.

Commitments and contingent liabilities

Sales financing - In relation to its Airbus and ATR activities, EADS is committing itself in sales financing transactions with selected customers.Sales financing transactions are generally collateralized by the underlying aircraft. Additionally, Airbus and ATR benefit from protective covenants and from security packages tailored according to the perceived risk and the legal environment. EADS believes that the estimated fair value of the aircraft securing such commitments will substantially offset any potential losses from the commitments. Any remaining difference between the amount of financing commitments given and the collateral value of the aircraft financed is provided for as a write-down to the relating asset, if assignable, or as a provision for aircraft financial risk. The basis for this write-down is a risk-pricing-model, which is applied at every closing to closely monitor the remaining value of the aircraft.

Depending on which party assumes the risks and rewards of ownership of a financed aircraft, the assets relating to sales financing are accounted for on the balance sheet either as (i) an operating lease (see Note 11, "Property, plant and equipment") or (ii) a loan to customers or (iii) a finance lease receivable (see Note 12, "Investments and long-term financial assets"). As of December 31, 2002, related accumulated write-down amounts to 459 € million for operating lease and 444 € million for loans and finance lease. 72 € million are recorded as part of provisions for aircraft financial risk (see Note 18c, "Other provisions").

Certain sales financing transactions include the sale and lease back of the aircraft with a third party lessor under operating lease. Unless the Group has sold down the relating operating lease commitments to third parties, which assume liability for the payments, it is exposed to future lease payments. Future nominal **operating lease payments** that result from aircraft sales financing transactions are recorded off balance sheet and are scheduled to be paid as follows:

(in millions of €)	
not later than 2003	244
later than 2003 and not later than 2007	1,022
later than 2007	1,738

Total aircraft lease commitments of 3,004 € million as of December 31, 2002, arise from aircraft head-leases and are typically backed by corresponding sublease income from customers. A large part of these lease commitments (1,552 € million as of December 31, 2002) arises from transactions that were sold down to third parties, which assume liability for the payments. The nominal value of future Airbus aircraft lease commitments where EADS bears the risk has decreased from 1,853 € million at December 31, 2001 to 1,452 € million, mainly due to the weakening of the US Dollar as compared to Euro of 296 € million. EADS determines its gross exposure to such operating leases as the present value of the related payment streams. The difference between gross exposure and the estimated value of underlying aircraft used as collateral, the net exposure, is provided for in full with an amount of 617 € million as of December 31, 2002,as part of the provision for aircraft financial risk (see Note 18c, "Other provisions").

In addition, EADS is contingently liable in case **asset value guarantees** are provided to customers as part of aircraft sales. Airbus' management considers the financial risks associated with such guarantees to be manageable. Three factors contribute to this assessment: (i) the guarantee only covers a tranche of the estimated future value of the aircraft, and its level is considered prudent in comparison to the estimated future value of each aircraft; (ii) the asset value guarantee -related exposure is diversified over a large number of aircraft and customers; and (iii) the exercise dates of outstanding asset value guarantees are distributed through 2017, resulting in low levels of exposure maturing over the years. For instance, for each of the years 2003 to 2006, the average annual gross asset value exposure from asset value guarantees is approximately 280 € million. The change in average exposure reflects the peak of asset value guarantee exercise dates in 2007. On a year-to-year basis, gross asset value guarantee exposure was unchanged in 2002 from 2001. The 526 € million net exposure is fully provided for on the balance sheet, resulting in a residual net exposure of zero.

Because exercise dates for asset value guarantees are on average in the 10th year following aircraft delivery, asset value guarantees issued in 2003 will generally not be exercisable prior to 2013, and, therefore, an increase in near-term exposure is not expected.

While **backstop commitments** to provide financing related to orders on Airbus' and ATR's backlog are also given, such commitments are not considered to be part of gross exposure until the financing is in place, which occurs when the aircraft is delivered. This is due to the fact that (i) past experience suggests it is unlikely that all such proposed financings actually will be implemented, (ii) until the aircraft is delivered, Airbus or ATR retain the asset and do not incur an unusual risk in relation thereto, and (iii) third parties may participate in the financing. In order to mitigate Airbus and ATR exposure to unacceptable credits, such commitments typically contain financial conditions which guaranteed parties must satisfy in order to benefit therefrom.

Despite the underlying collateral, if Airbus should be unable to honour its obligations under sales financing transactions and asset value guarantees, certain EADS and BAES group companies retain joint and several liability for sales financing exposure incurred by Airbus prior to January 1, 2001. EADS' exposure to liabilities incurred by Airbus following January 1, 2001 is limited by its status as a shareholder in Airbus S.A.S. With respect to ATR, each shareholder is jointly and severally liable to third parties without limitation. Amongst the shareholders, the liability is limited to each partner's proportionate share.

Pension commitments - EADS has several joint ventures with BAES, of which the most significant in terms of employees are Airbus and MBDA. In respect of each joint venture, for so long as BAES remains a shareholder, UK employees may stay in the BAES pensions schemes, which currently qualify as defined benefit plans. BAES has recently announced a shortfall in post retirement pension assets when compared with the respective liabilities amounting to £2,164m (after assumed deferred tax) which would have been recognised in BAES' books had the new UK accounting standard FRS 17 already been implemented. As participants in the BAES schemes, EADS joint ventures are potentially affected by this shortfall. However, the joint venture agreements between EADS and BAES have the effect of capping the contributions that the joint venture has to make to the pension scheme for a certain period of time (e.g. until 2011 for Airbus). Any additional contribution would be paid by BAES. EADS is therefore not exposed to increased contribution payments resulting from the pension underfunding during the period of the contribution caps. At present, EADS has only limited information about how the underfunding could impact the joint ventures after the period of contribution caps has expired.

In the case of Astrium, following the agreement signed on January 30, 2003, it will no longer be a joint venture with BAES. EADS will establish a pension scheme for UK employees on the basis of a transfer payment from the existing scheme. Depending on the type of pension scheme that EADS sets up for UK employees, the estimate of the maximum exposure as at December 31, 2002 would be in the range of 30 M GBP and would be treated as acquisition costs, thereby not affecting net income.

Other commitments - Other commitments comprise contractual guarantees and performance bonds to certain customers.

Future nominal **operating lease payments** (for EADS as a lessee) for rental and lease agreements (not relating to aircraft sales financing) amount to 740 € million as of December 31, 2002, and relate mainly to procurement operations (e.g., facility leases, car rentals). Maturities are as follows:

(in millions of €)	
not later than 2003	71
later than 2003 and not later than 2007	229
later than 2007	440

25. Information about financial instruments

a) Financial risk management

By the nature of the activities carried out, EADS is exposed to a variety of financial risks, especially foreign currency exchange rate risks and interest rate risks, as explained below. The management and limitation of such financial risks at EADS is carried out by a central treasury department at EADS Headquarters under policies approved by the Board of Directors. The identification, evaluation and hedging of the financial risks is in the responsibility of established treasury committees and the Group's Divisions and Business Units.

Market risk

Currency risk - EADS manages a long-term hedge portfolio with a maturity of several years covering its net exposure to US Dollar sales, mainly from the activities of Airbus. This hedge portfolio covers the vast majority of the Group's hedging transactions.

EADS' revenues are mainly denominated in US Dollars, whereas a major portion of its costs is incurred in Euros and to a smaller extent in GBP. Consequently, to the extent that EADS does not use financial instruments to cover its net current and future foreign currency exchange rate exposure, its profits would be affected by changes in the Euro-US Dollar exchange rate. As the Group intends to generate profits only from its operations and not through speculation on foreign currency exchange rate movements, EADS uses hedging strategies to manage and minimize the impact of exchange rate fluctuations on these profits.

For financial reporting purposes, EADS designates a portion of the underlying items as the hedged position to cover its net US Dollar exposure, as appropriate. As hedging instruments, EADS primarily uses foreign currency forwards and option contracts.

EADS endeavours to hedge the majority of its exposure based on firm commitments and forecasted transactions. For products such as aircraft, EADS typically hedges forecasted sales in US Dollar for the following year up to 2010. The hedged items are defined as the first forecasted highly probable future cash inflows for a given month based upon final payments at delivery. The amount of the first flows is decided by a treasury committee and typically covers up to 100% of the equivalent of the net US Dollar exposure. For EADS, a forecasted transaction is regarded as highly probable if the future delivery is included in the audited order book or is very likely to materialize in view of contractual evidence (e.g., Letter of Intent). The coverage ratio may be adjusted to take into account macroeconomic movements affecting the spot and interest rates, as applicable.

For project related business EADS generally hedges 100% based on specific flows arising out of firm and individual contracts. Hedging is implemented on a individual project basis, i.e. a new contract.

Interest rate risk - The Group uses an asset and liability management approach with the objective to limit its interest rate risk. The Group undertakes to match the risk profile of its assets with a corresponding liability structure. The net interest rate exposure is managed through several types of instruments in order to minimize risks and financial impacts. Therefore, the Group may use interest rates derivatives for hedging purposes.

Hedging instruments that are specifically designated to debt instruments have at the maximum the same nominal amounts as well as the same maturity dates compared to the hedged item, with the exception of a few residual positions with non-material positive mark-to-market effects. Regarding cash, EADS is only investing in short-term instruments and/or instruments that are related to a floating interest index in order to further minimize any interest risk in its cash and securities portfolio.

Price Risk - The cash and cash equivalents and securities portfolio of the Group is invested in non-speculative financial instruments, mostly highly liquid, such as certificates of deposits, overnight deposits, commercial papers and other money market instruments which generally have a maturity of less than three months, as well as in some listed fixed income securities with a maturity of generally less than one year. Therefore, the Group assesses its exposure towards price risk as minimal.

Liquidity risk

The Group's policy is to maintain sufficient cash and cash equivalents at any time to meet its present and future commitments. This is safeguarded by the reported total amount of the Group's cash and cash equivalents, which is further supported by a substantial amount of unused committed credit facilities (2.85 € billion as December 31, 2002) . On a daily basis, EADS invests any surplus cash in non-speculative highly liquid financial instruments, such as certificates of deposits, overnight deposits, commercial papers and other money market instruments which generally have a maturity of less than three months.

Credit risk

EADS is exposed to credit risk to the extent of non-performance by its counterparts (e.g., airlines) with regards to e.g. financial instruments. However, the Group has policies in place to avoid concentrations of credit risk and to ensure that credit risk is limited. Sales of products and services are made to customers with an appropriate credit history. Cash transactions and derivative counterparts are limited to high credit quality financial institutions. EADS has set up a credit limit system to actively manage and limit its credit risk exposure. This limit system assigns maximum exposure lines to counterparts of financial transactions, based at a minimum on their credit ratings as published by Standard & Poors, Moody's and Fitch IBCA. The respective limits are regularly monitored and updated.

In order to support product sales, primarily at Airbus and ATR, EADS may agree to participate in the financing of customers, on a case-by-case basis, directly or through guarantees provided to third parties. In determining the amount and terms of the financing transaction, Airbus and ATR take into account the airline's credit rating as well as risk factors specific to the intended operating environment of the aircraft and its expected future value. Market yields and current banking practices also serve to benchmark the financing terms offered to customers, including price.

b) Notional amounts

The contract or notional amounts of derivative financial instruments shown below do not necessarily represent amounts exchanged by the parties and, thus, are not necessarily a measure for the exposure of the Group through its use of derivatives.

The notional amounts of foreign exchange derivative financial instruments are as follows, specified by year of expected maturity:

Year ended December 31, 2002 (in millions of €)	Remaining period not exceeding 1 year	Remaining period 1 year up to 5 years	Remaining period More than 5 years	Total
Foreign Exchange Contracts :				
Net forward sales contracts	10,852	23,408	6,122	40,382
Purchased put options, net	1,094	343	0	1,437
Written call options, net	1,094	343	0	1,437

Year ended December 31, 2001 (in millions of €)	Remaining period not exceeding 1 year	Remaining period 1 year up to 5 years	Remaining period More than 5 years	Total
Foreign Exchange Contracts :				
Net forward sales contracts	6,160	19,094	4,800	30,054
Purchased put options, net	3,290	1,507	0	4,797
Written call options, net	4,184	1,507	0	5,691

c) Fair value of financial instruments

The fair value of a financial instrument is the price at which one party would assume the rights and/or duties of another party. Fair values of financial instruments have been determined with reference to available market information at the balance sheet date and the valuation methodologies discussed below. Considering the variability of their value-determining factors and the volume of financial instruments, the fair values presented herein may not be indicative of the amounts that the Group could realize in a current market exchange.

The carrying amounts and fair values of the Group's financial instruments are as follows:

(in millions of €)	December 31, 2002 Carrying amount	December 31, 2002 Fair value	December 31, 2001 Carrying amount	December 31, 2001 Fair value
Balance Sheet Treasury Instruments				
Assets:				
Financial assets	4,875	4,875	4,726	4,726
Securities	4,497	4,497	5,341	5,341
Cash and cash equivalents	1,703	1,703	2,692	2,692
Liabilities:				
Financial liabilities	4,976	4,976	6,500	6,500
Derivative Financial Instruments				
Currency contracts with positive fair values	2,804	2,804	54	54
Currency contracts with negative fair values	(161)	(161)	(3,673)	(3,673)
Interest rate contracts with positive fair values	15	15	38	38
Interest rate contracts with negative fair values	0	0	(29)	(29)

The fair value gains and losses at December 31, 2002 on open currency contracts which hedge future foreign currency sales will be transferred from the accumulated other comprehensive income to the income statement when the related transactions occur, at various dates between the balance sheet date and 7 years from the balance sheet date. As at December 31, 2002, a net unrealised gain, net of deferred tax of 1,498 € million, was recognized in equity in respect of these contracts.

Financial Assets and Liabilities - Fair values are based on estimates using various valuations techniques, such as present value of future cash flows. However, methods and assumptions followed to disclose data presented herein are inherently judgmental and involve various limitations like estimates as of December 31, 2002 and 2001, which are not necessarily indicative of the amounts that the Company would record upon further disposal/ termination of the financial instruments.

The methodologies used are as follows:
Short-term investments, cash, short-term loans, suppliers - The carrying amounts reflected in the annual accounts are reasonable estimates of fair value because of the relatively short period of time between the origination of the instruments and its expected realization.

Long-term debt; short-term debt - Neither long term nor short term debt is classified as liabilities held for trading. Therefore, no fair value computation is exercised.

Securities - The fair value of securities included in available-for-sale investments is estimated by reference to their quoted market price at the balance sheet date. If a quoted market price is not available, fair value is determined on the basis of generally accepted valuation methods on the basis of market information available at the reporting date.

Currency and Interest Rate Contracts - The fair value of these instruments is the estimated amount that the Company would receive or pay to settle the related agreements as of December 31, 2002 and 2001.

26. Segment Reporting

The Group operates in 5 divisions (segments) which reflect the internal organisational and management structure according to the nature of the products and services provided:

- **Airbus -** Development, manufacturing, marketing and sale of commercial jet aircraft of more than 100 seats.
- **Military Transport** - Development, manufacturing, marketing and sale of light and medium military transport aircraft and special mission aircraft.
- **Aeronautics** - Development, manufacturing, marketing and sale of civil and military helicopters, military combat and trainer aircraft, regional turboprop aircraft and light commercial aircraft; and civil and military aircraft conversion and maintenance services.
- **Defence and Civil systems** - Development, manufacturing, marketing and sale of missiles systems; and provision of defence electronics, military and commercial telecommunications solutions; and logistics, training, testing, engineering and other related services
- **Space** - Development, manufacturing, marketing and sale of satellites, orbital infrastructures and launchers; and provision of launch services.

The following tables present information with respect to the Group's business segments. Consolidation effects, the holding function of EADS headquarters and other activities not allocable to the divisions are disclosed in the column "HQ/ Conso".

Business Segment Information
Year ended December 31, 2001

(in millions of €)	Airbus	Military Transport	Aero-nautics	Defence and Civil Systems	Space	HQ/ Conso.	Conso-lidated
External revenues	19,512	524	5,304	3,306	2,216	(961)	29,901
Internal revenues	177	184	599	91	7	43	1,101
Total revenues	**19,689**	**708**	**5,903**	**3,397**	**2,223**	**(918)**	**31,002**
Result before financial income and income tax	818	(87)	182	(107)	(626)	(20)	160
EBIT pre goodwill amortization and exceptionals (see definition below)	1,361	(80)	261	40	(268)	112	1,426
Share of net profit of associates	0	0	0	0	(3)	111	108
Income/ loss from other investments, interest and other financial result							(81)
Income taxes							(453)
Minority interest							(33)
Net income (loss)							(299)
OTHER INFORMATION							
Identifiable segment assets (incl. goodwill)	26,776	696	6,969	6,440	3,068	3,451	47,400
Goodwill	6,715	0	948	1,455	436	32	9,586
Investments in equity method associates	0	0	0	0	0	1,333	1,333
Segment liabilities	20,797	521	5,394	4,290	2,698	(426)	33,274
Capital expenditures	1,674	68	198	128	89	157	2,314
Depreciation, amortization	1,614	64	225	214	141	160	2,418
Impairment losses recognized in income	0	0	0	0	350	0	350
Research and development expenses	1,682	40	150	167	59	(2)	2,096

Business Segment Information for the year ended December 31, 2001:

Business Segment Information Year ended December 31, 2001 (in millions of €)	Airbus	Military Transport	Aero-nautics	Defence and Civil Systems	Space	HQ/ Conso.	Conso-lidated
External revenues	20,549	547	5,065	3,345	2,439	(1,147)	30,798
Internal revenues	179	185	721	131	15	57	1,288
Total revenues	**20,728**	**732**	**5,786**	**3,476**	**2,454**	**(1,090)**	**32,086**
Result before financial income and income tax	905	(53)	286	132	(131)	1,375	2,514
EBIT pre goodwill amortization and exceptionals (see definition below)	1,655	1	308	(79)	(222)	31	1,694
Share of net profit of associates	(12)	0	0	(14)	(63)	111	22
Income/ loss from other investments, interest and other financial result							(535)
Income taxes							(646)
Minority interest							17
Net income (loss)							1,372
OTHER INFORMATION							
Identifiable segment assets (incl. goodwill)	27,264	568	7,187	5,583	3,462	4,651	48,715
Goodwill	7,089	0	1,005	1,464	736	148	10,442
Investments in equity method associates	0	0	0	0	0	1,252	1,252
Segment liabilities	25,532	365	5,869	3,545	2,601	367	38,279
Capital expenditures	1,433	63	281	159	99	161	2,196
Depreciation, amortization	1,625	21	278	567	121	158	2,770
Impairment losses recognized in income	0	0	0	580	210	0	790
Research and development expenses	1,425	53	132	173	60	(2)	1,841

As a rule, inter-segment transfers are carried out on an arm's length basis. Inter-segment sales predominantly take place between Aeronautics and Airbus, as the Aeronautics division acts as a main supplier for Airbus aircraft. Capital expenditures represent the additions to property, plant and equipment and to intangible assets (excluding goodwill).

EADS uses EBIT* pre goodwill amortization and exceptionals as a key indicator of its economic performance. The term "exceptionals" refers to income or expenses of a non-recurring nature, such as amortization expenses of fair value adjustments relating to the EADS merger, the Airbus Combination and the formation of MBDA, as well as impairment charges. EBIT* pre goodwill amortization and exceptionals is treated by management as a key indicator to measure the segments' economic performances.

(in millions of €)	2002	2001
Income before financial result, income taxes and minority interests	**160**	**2,514**
Dilution gain Airbus UK, MBDA	0	(2,794)
Goodwill amortization and related impairment charges	936	1,466
Exceptional depreciation (fixed assets)	227	260
Exceptional depreciation (financial assets)	0	315
Exceptional depreciation (inventories)	16	275
Income from investments	87	(342)
EBIT pre goodwill amortization and exceptionals	**1,426**	**1,694**

Revenues by destination:

(in millions of €)	2002	2001
France	3,872	3,521
Germany	2,476	3,588
Other European Countries	8,009	6,946
North America	10,562	10,394
Latin America	1,259	1,749
Asia	2,767	2,920
Other Countries	956	1,680
Consolidated	29,901	30,798

Revenues are allocated to geographical areas based on the location of the customer. Included in "Other European Countries" in 2001 is the reclassification of revenues to external customers in Turkey (218 € million), which have previously been classified to Asia. In 2002, external revenues in Turkey amounted to 201 € million.

Most of the Group's assets are located in the European Union.

27. Stock-based compensation

a) Stock Option Plans

The Board of Directors of EADS approved the establishment of a stock option plan for 2002 for the members of the Executive Committee and senior managers of the Group. Stock options for the purchase of 7,276,700 EADS shares were granted on August 9, 2002, of which 864,000 were granted to the members of the Executive Committee. 1,562 employees of the Group were granted options, which are only exercisable after a vesting period. The vesting period amounts to two years and four weeks from the date of granting with respect to 50% of the options and three years for the remaining options. The options expire ten years after their grant.

The exercise price is equal to 16.96 € representing 110% of fair market value of the shares at the date of grant. The options may not be exercised during the period of three weeks before either the Annual General Meeting or the announcement of annual or semi-annual or quarterly results.

Previous to 2002, EADS established the stock option plans of 2001 and 2000. These plans provide, similar to the 2002 stock option plan, for the granting of options for the purchase of EADS shares to the members of the Executive Committee as well as to senior managers of the Group. The following table summarizes the development of stock options:

	Number of Options				
	Originally issued	Balance at January 1, 2002	Exercised	Forfeited	Balance at December 31, 2002
2000	5,564,884	5,375,400	-	-	5,375,400
2001	8,524,250	7,926,425	-	-	7,926,425
2002	7,276,700	-	-	(600)	7,276,100
Total	**21,365,834**	**13,301,825**	**-**	**(600)**	**20,577,925**

For the 2002 stock option plan, analogous to all of EADS' previous existing stock option plans, the granted exercise price was exceeding the share price at grant date. Therefore, no compensation expense has been recognized.

b) Employee Stock Ownership Plan (ESOP)

In 2002, the Board of Directors approved an additional ESOP following two ESOPs established in 2001 and in 2000. For the 2002 ESOP, eligible employees were able to purchase a maximum of 500 shares per employee of previously unissued shares . The offer was broken down into two tranches which were available for all employees to choose. The subscription price for tranche A was 7.93 €, calculated as a discount of 14.5% from the lowest market price on the Paris stock exchange on October 11, 2002 (fixed at 9.28 €), the day the Board of Directors granted the right to purchase shares within the ESOP 2002. The subscription price for tranche B was the higher of the subscription price for tranche A or 80% of the average opening market price for EADS shares on the Paris stock exchange during the twenty stock market days preceding October 12, 2001, resulting in a subscription price of 8.86 €.

During a vesting period of at least one year under tranche A or five years under tranche B, employees are restricted from selling the shares, but have the right to receive all dividends paid as well as have the ability to vote at the annual shareholder meetings. EADS sold 2,022,939 ordinary shares with a nominal value of 1.00 € under both tranches. No compensation expense was recognized in connection with the ESOP 2002.

28. Related party transactions

Related parties - The Group has entered into various transactions with related companies in 2002 and 2001 that have all been carried out in the normal course of business. As is the Group's policy, all related party transactions have to be carried out at arm's length. Transactions with related parties include the French State, DaimlerChrysler, Lagardère, and SEPI (Spanish State). Except for the transactions with the French State the transactions are not considered material to the Group either individually or in the aggregate. The transactions with the French State include mainly sales from the Aeronautics, Defence, and Space divisions.

Remuneration - Remuneration and related costs of the members of the Board of Directors and former Directors amount to 7.29 € million as of December 31, 2002 (2001: 5.60 € million). Since the exercise price for stock options granted to Directors exceeded the share price at grant date, this amount does not comprise compensation cost for stock-based compensation. EADS has not provided any loans to/ advances to/ guarantees on behalf of (retired) Directors. Reference is made to Note 27, "Stock-based compensation", in this document and to Note 9, "Remuneration", of the Notes to EADS N.V. Financial Statements.

29. Investment property

The Group owns investment property, mainly contributed by Dasa to EADS, that is leased to third parties. The investment property contributed by Dasa was recorded at fair value as of July 1, 2000. For the purposes of IAS 40 disclosure requirements, EADS developed the fair values of investment property based on the values on the opening balance sheet of EADS.

The fair values have been determined using official guideline numbers for land and insured values as well as values reconciled from rental income for buildings. The determination of fair values is mainly supported by market evidence and was performed with regard to the fair values as of July 1, 2000 by a registered independent valuer having an appropriate recognized professional qualification and recent experience in the location and category of the property being valued. As there have only been very minor changes since that date, the Group has not used an independent certifier since then.

Buildings held as investment property are depreciated on a linear basis over their useful life which is mainly around 40 to 50 years. The values assigned to investment property are as follows:

(in millions of €)	Net at December 31, 2001	Exchange differences	Additions	Disposals	Depreciation/ amortization	Changes in consolidation scope	Net at December 31, 2002
Book value of Investment Property	97	0	0	0	(1)	0	96

As of December 31, 2002 and 2001, the fair value of the Group's investment property amounts to 98 € million. Related rental income in 2002 is 13 € million (2001: 12 € million) with direct operating expenses arising from investment property that generated rental income amount of 10 € million (2001: 7 € million).

30. Interest in Joint Ventures

The Group's principal investments in joint ventures and the proportion of ownership are included in Appendix "Information on principal investments". Joint ventures are consolidated for using the proportionate method. The following amounts represent the Group's aggregate share of the assets and liabilities and income and expenses of the joint ventures:

(in millions of €)	2002	2001
Fixed assets	1,073	1,302
Non-fixed assets	2,909	2,342
Provisions	661	774
Liabilities	2,937	2,256
Revenues	2,556	1,811
Result before income taxes	(205)	(91)
Income taxes	(6)	(7)
Net income (loss)	(212)	(95)

31. Earnings Per Share

Basic earnings per share - Basic earnings per share is calculated by dividing net income attributable to shareholders by the weighted average number of issued ordinary shares during the year, excluding ordinary shares purchased by the Group and held as treasury shares.

	2002	2001
Net income/ (loss) attributable to shareholders	(299) € million	1,372 € million
Weighted average number of ordinary shares in issue	804,116,877	807,295,879
Basic earnings per share	(0.37) €	1.70 €

Diluted earnings per share - For the calculation of the diluted earnings per share, the weighted average number of ordinary shares is adjusted to assume conversion of all potential ordinary shares. The Group's only category of dilutive potential ordinary shares is stock options. Since the exercise price of the stock options under all existing stock option plans initiated by the Group is exceeding the share price of EADS shares, to include these potential ordinary shares would be anti-dilutive. As a consequence, net income as well as the weighted number of ordinary shares in issue is the same for both basic and diluted earnings per share.

	2002	2001
Net income/ (loss) attributable to shareholders	(299) € million	1,372 € million
Weighted average number of ordinary shares in issue	804,116,877	807,295,879
Diluted earnings per share	(0.37) €	1.70 €

32. Number of Employees

The number of employees at December 31, 2002 is 103,967 as compared to 102,967 at December 31, 2001.

33. Events after the balance sheet date

Astrium

EADS acquired BAES' 25 percent interest (27.5 percent economic share) in Astrium N.V. The transaction was signed on January 30, 2003 and will be accounted for under the purchase method as soon as all regulatory clearances have been obtained. Full control of Astrium N.V. as well as of Paradigm Secure Communications Ltd., formerly held jointly by BAES and EADS, will then be transferred to EADS at this date.

At completion of the transaction, EADS acquired BAES' share in Astrium N.V. for 84 € million. Prior to completion, EADS and BAES each made a capital contribution into Astrium N.V. of 84 € million (total 168 € million). Taking into account the cash contribution, BAES' interest has been effectively transferred to EADS for no net cash consideration.

In July 2002, EADS and BAES had announced their intention for EADS to acquire the interest of BAES in Astrium N.V. and formed Paradigm Secure Communications Ltd. to address service provision for the proposed Skynet 5 military communications satellite programme for the UK Ministry of Defence. Under the original terms, completion of the sale of the Astrium interest was conditional on completion of contracts with the UK Ministry of Defence for the Skynet 5 programme. In the event of EADS not achieving financial close of the Skynet 5 contract, BAES will pay 55 € million to EADS.

Euro Medium Term Note ("EMTN") programme

On February 6, 2003, EADS launched a 3.0 € billion EMTN programme, a contractual framework that allows EADS to raise debt from capital markets through dealers in successive issues of notes governed by the same terms. Each issue, however, may bear a different maturity (in this case between one month and 30 years) and interest rate.

On February 27, 2003, EADS has issued an inaugural Eurobond benchmark transaction under the EMTN programme of 1 € billion. The objectives of this initial issue are to refinance existing debt and lengthen the maturity profile of the Group's debt. This bond has a maturity of seven years and carries a yearly coupon of 4.625%.

APPENDIX: INFORMATION ON PRINCIPAL INVESTMENTS - CONSOLIDATION SCOPE

	2002	%	2001	%	Company	Head office
AIRBUS						
	F	80,00	F	80,00	Airbus S.A.S	Toulouse (France)
	F	80,00	F	80,00	Airbus France S.A.S	Toulouse (France)
	F	80,00	F	80,00	Airbus Holding SA	France
	F	80,00	F	80,00	EADS CASA S.A. (Unit : EADS CASA AIRBUS)	Madrid (Spain)
liquidated			F	80,00	SATIC G.I.E.	Colomiers (France)
	F	80,00	F	80,00	Airbus Finance Company Holdings BV	Amsterdam (Netherlands)
	F	80,00	F	80,00	Airbus Finance Company Ltd	Dublin (Ireland)
	F	80,00	F	80,00	Airbus Deutschland GmbH	Hamburg (Germany)
	F	80,00	F	80,00	KID-Systeme GmbH	Buxtehude (Germany)
	F	80,00	F	80,00	Aircabin GmbH	Laupheim (Germany)
merged into Airbus Deutschland GmbH (01/01/02)	F	80,00	F	80,00	DEX Beteiligungs- und Verwaltungs GmbH	Ottobrunn (Germany)
merged into Airbus Deutschland GmbH (01/01/02)	F	80,00	F	80,00	ZDW Beteiligungs- und Verwaltungs GmbH	Munich (Germany)
merged into Airbus Deutschland GmbH (01/01/02)	F	80,00	F	80,00	Airbus Beteiligungs GmbH	Ottobrunn (Germany)
	F	80,00	F	80,00	Airbus Industrie G.I.E.	Blagnac (France)
	F	79,99	F	79,99	AVSA SARL	Blagnac (France)
	F	80,00	F	80,00	AI Participations S.A.R.L.	Blagnac (France)
liquidated			F	79,90	Société Commerciale A-300 S.A.SOCA	Blagnac (France)
	F	80,00	F	80,00	Airbus Simulators Services S.N.C. (ASS)	Blagnac (France)
	F	80,00	F	80,00	Airbus Transport International S.N.C. (ATI)	Blagnac (France)
	F	40,00	F	40,00	Airbus Military Company S.A.S.	Toulouse (France)
	P	16,00	P	16,00	Groupemente Immobilier Aéronautique S.A. (GIA)	France
	F	80,00	F	80,00	Airbus Mauritius limited	Mauritius
	E	16,00	E	16,00	Alexandra Bail G.I.E	France
	F	80,00	F	80,00	Airbus China limited	Hong-Kong
disposal			F	40,00	Aircelle S.A.S	France
	F	80,00	F	80,00	Airbus Ré S.A.	Luxemburg
	F	80,00	F	80,00	AVSA Canada Inc	Canada
	F	80,00	F	80,00	Airbus North American Holdings Inc. (ANA)	U.S.A.
	F	80,00	F	80,00	Airbus Service Company Inc. (ASCO)	U.S.A.
	F	80,00	F	80,00	AI leasing Inc.	U.S.A.
	F	80,00	F	80,00	Norbus	U.S.A.
	F	80,00	F	80,00	AINA Inc.	U.S.A.
	F	80,00	F	80,00	128829 Canada Inc.	Canada
addition			F	80,00	Wichita	U.S.A.
	F	80,00	F	80,00	Airbus Industrie Financial Service Holdings B.V. (AIFS)	Netherlands
	F	80,00	F	80,00	Airbus Industrie Financial Service Holdings ltd (AIFS)	Ireland
	F	80,00	F	80,00	Airbus Industrie Financial Service ltd. (AIFS)	Ireland
	F	80,00	F	80,00	AIFS (Cayman) ltd.	Cayman Isle
	F	80,00	F	80,00	AIFS Cayman Liquidity ltd.	Cayman Isle
	F	80,00	F	80,00	A 320 Financing limited	Ireland
	F	72,00	F	72,00	AIFI LLC	Isle Of Man
	F	80,00	F	80,00	Airbus UK Limited	UK
	F	80,00	F	80,00	Airbus Invest	Toulouse (France)
	F	80,00	F	80,00	EADS Aéro	Toulouse (France)
	F	80,00	F	80,00	EADS Star Real Estate SAS	Boulogne (France)
	E	24,00	E	24,00	Tenzing commucation inc	USA
	F	80,00	F	80,00	AFS (Cayman) Ltd	Cayman Isle
	F	80,00	F	80,00	Aviateur Limited	Ireland

F: Fully consolidated - P: Proportionate - E: Equity method - FMV: Fair Market Value

	2002	%	2001	%	Company	Head office
	F	80,00	F	80,00	Aviateur international limited	Ireland
	F	80,00	F	80,00	Aviateur Finance Limited	Ireland
	F	80,00	F	80,00	Aviateur Leasing Limited	Ireland
	F	80,00	F	80,00	Avalo LLC	Isle Of Man
	F	80,00	F	80,00	Avalo Leasing Limited	Ireland
	F	80,00	F	80,00	Avalo Aerospace limited	Ireland
	F	80,00	F	80,00	Avalo International limited	Ireland
	F	80,00	F	80,00	Total Airline Service Company	Ireland
	F	80,00	F	80,00	AIFS Leasing Company Limited	Ireland
	F	80,00	F	80,00	AA Credit Aviation LLC	Ireland
	F	80,00	F	80,00	AFC (USA) 1 inc	USA
Additionally consolidated are 34 SPCs.						
DEFENCE & CIVIL SYSTEMS						
	F	100,00	F	100,00	FmElo Elektronik- und Luftfahrtgeräte GmbH	Ulm (Germany)
	F	100,00	F	100,00	Hagenuk Marinekommunikation GmbH	Flintbek (Germany)
	F	100,00	F	100,00	EUROBRIDGE Mobile Brücken GmbH	Friedrichshafen (Germany)
	F	100,00	F	100,00	EADS Deutschland GmbH – Verteidigung und Zivile Systeme	Ulm (Germany)
	F	75,89	F	57,55	Dornier Verteidigung und Zivile Systeme	Friedrichshafen (Germany)
	F	100,00	F	100,00	EADS Funkkommunikation GmbH	Ulm (Germany)
	F	100,00	F	100,00	Ewation GmbH	Ulm (Germany)
	F	100,00	F	100,00	Matra Aerospace Inc. (M.A.I.)	Frederick Maryland (USA)
	F	100,00	F	100,00	Fairchild Controls Corporation	Frederick Maryland (USA)
Disposal				100,00	Germantown Holding Company	Frederick Maryland (USA)
	F	100,00	F	100,00	Manhattan Beach Holdings Co.	Frederick Maryland (USA)
	F	100,00	F	100,00	EADS System & Defence Electronics	Velizy (France)
	F	50,97	F	50,97	APIC	Arcueil (France)
Disposal				100,00	G 2 I	Velizy (France)
	F	100,00	F	100,00	EADS Services	Boulogne (France)
	F	80,00	F	80,00	Pentastar Holding	Paris (France)
	F	55,00	F	55,00	Aviation Defense Service S.A.	Saint-Gilles (France)
Addition	F	100,00			Operations Services Germany	Unterschleißheim (Germany)
Addition	F	100,00			Gesellschaft für Flugzieldarstellung mbH	Germany
	F	100,00	F	100,00	M.C.N. SAT HOLDING	Velizy (France)
	F	100,00	F	100,00	MULTICOMS (MNC Sat Services)	Sèvres (France)
	F	100,00	F	100,00	International Test & Services	Velizy (France)
	F	100,00	F	100,00	TYX Corp.	Reston, VA, USA
	F	99,99	F	99,99	ARC	CA, USA
	F	100,00	F	100,00	EADS Telecom Federal Systems Division	San Antonio, TX, USA
Addition	F	100,00			Proj2	Paris (France)
	F	100,00	F	100,00	M.P. 13	Paris (France)
Disposal			F	100,00	EADS Matra Datavision S.A.	Paris (France)
Disposal			F	100,00	EADS Matra Datavision International	Les Ulis (France)
Disposal			F	100,00	EADS Matra Datavision Ltd	Coventry (UK)
Disposal			F	100,00	EADS Matra Datavision AG	Regensdorf (Switzerland)
Disposal			F	100,00	EADS Matra Datavision Benelux	Brussels (Belgium)
Disposal			F	100,00	EADS Matra Datavision Asia Pacific	Wanchai (Hong Kong)
Disposal			F	100,00	EADS Matra Datavision B.V.	Leiden (Netherlands)
Disposal			F	100,00	EADS Matra Datavision GmbH	Munich (Germany)
Disposal			F	100,00	EADS Matra Datavision Iberia	Madrid (Spain)
Disposal			F	100,00	EADS Matra Datavision Inc.	Andover (USA)
Disposal			F	100,00	EADS Matra Datavision Kk	Tokyo (Japan)
	F	100,00	F	100,00	EADS Matra Datavision SpA	Turin (Italy)
	F	100,00	F	100,00	Open CasCade	Paris (France)
	F	100,00	F	100,00	Matra Defense	Velizy (France)
	F	100,00	F	100,00	Matra Holding GmbH	Frankfurt (Germany)
	P	37,50	P	37,50	MBDA SAS	Velizy (France)
	P	37,50	P	37,50	MBD Management S.A	Velizy (France)
	P	37,50	P	37,50	ALKAN	Valenton (France)

F: Fully consolidated - P: Proportionate - E: Equity method - FMV: Fair Market Value

	2002	%	2001	%	Company	Head office
	P	37,50	P	37,50	MBDA France	Velizy (France)
	P	37,50	P	37,50	MBDA UK Ltd.	Stevenage, Herts (UK)
	P	37,50	P	37,50	Matra Electronique	La Croix Saint-Ouen (France)
	P	37,50	P	37,50	MBDA M S.A.	Chatillon sur Bagneux (France)
	P	37,50	P	37,50	MBDA Inc	Westlack, CA (USA)
	P	37,50	P	37,50	MBDA Italy SpA	Roma (Italy)
	P	37,50	P	37,50	MBDA Treasury	Jersey (UK)
	P	37,50	P	37,50	Marconi Overside Ldt.	Chelmsford (UK)
	P	37,50	P	37,50	AMS Dynamics Ldt:	Guernsey (UK)
	P	50,00	P	50,00	Celerg	Saint-Médard (France)
	P	50,00	P	50,00	Celerg international	Saint-Médard (France)
	P	50,00	P	50,00	International de systemes propulsifs	Paris (France)
	F	81,25	F	76,95	LFK – Lenkflugkörpersysteme GmbH	Unterschleißheim (Germany)
	F	98,00	F	98,00	TDW- Ges. für verteidigungstechnische Wirksysteme GmbH	Schrobenhausen (Germany)
	F	100,00	F	100,00	EADS Deutschland GmbH – VA (Restaktivitäten)	Unterschleißheim (Germany)
	F	67,00	F	67,00	TAURUS Systems GmbH	Schrobenhausen (Germany)
	P	50,00	P	50,00	Bayern-Chemie Gesellschaft für flugchemische Antriebe mbH	Aschau/Inn (Germany)
	F	100,00	F	100,00	Propulsion Tactique S.A.	La Ferte Saint Aubin (France)
	P	50,00	P	50,00	TDA – Armements S.A.S.	La Ferte Saint Aubin (France)
	P	50,00	P	50,00	Forges de Zeebrugge S.A.	Herstal-Liege (Belgium)
	F	59,00	F	59,00	EADS Telecom SAS	Bois d'Arcy (France)
	F	59,00	F	59,00	EADS Telecom Espana	Madrid (Spain)
	F	59,00	F	59,00	EADS Telecom Deutschland GmbH	Unterschleißheim (Germany)
	F	59,00	F	59,00	EADS Telecom Deutschland GmbH	Ulm (Germany)
	F	59,00	F	59,00	EADS Telecom Mexico SA de CV	Mexico DF (Mexico)
	F	59,00	F	59,00	EADS Telecom Benelux	Bruxelles (Belgium)
	F	59,00	F	59,00	EADS Telecom Danmark	Copenhague (Denmark)
	F	59,00	F	59,00	EADS Telecom SpA	Milan (Italy)
	F	100,00	F	100,00	EADS Telecom (ex-MNH)	Paris (France)
	F	100,00		100,00	MATRAnet	Velizy (France)
Disposal			F	100,00	MATRAnet Inc.	Redwood shores, CA (USA)
	F	100,00	F	100,00	Matra Communication USA Inc	Dallas, Texas (USA)
	F	98,95	F	93,00	EADS Telecom North America	Dallas, Texas (USA)
	F	98,95	F	100,00	Intecom Holding ULC	Dallas, Texas (USA)
	F	100,00	F	100,00	EADS Telecom Canada Ltd	Dallas, Texas (USA)
	F	98,95	F	100,00	Pyderion Contact Technologies Inc.	Dallas, Texas (USA)
	F	100,00	F	100,00	Cogent DSN	Newport (UK)
Addition	F	100,00			Sycomore S.A.	Boulogne (France)
SPACE						
	F	100,00	F	100,00	Amanthea Holding B.V.	Amsterdam (Netherlands)
	P	75,00	P	75,00	ASTRIUM GmbH	München (Germany)
	P	75,00	P	75,00	ASTRIUM Ltd.	Stevenage (Great Britain)
	P	75,00	P	75,00	ASTRIUM N.V.	The Hague (Netherlands)
	P	75,00	P	75,00	ASTRIUM SAS	Toulouse (France)
	P	75,00	P	75,00	Computadoras, Redes e Ingenieria SA (CRISA)	Madrid (Spain)
	F	100,00	F	100,00	EADS CASA S.A. (Unit: EADS CASA Space)	Madrid (Spain)
	F	100,00	F	100,00	EADS Deutschland GmbH – Space Services	Munich (Germany)
	F	68,40	F	68,40	EADS Dornier Raumfahrt Holding GmbH	Munich (Germany)
	F	100,00	F	100,00	EADS Launch Vehicles	Velizy (France)
	F	100,00	F	100,00	Global DASA LLC	New York (USA)
	E	33,30	E	33,30	Loral Dasa Globalstar L.P.	New York (USA)
	P	75,00	P	75,00	Matra Marconi Space UK Ltd.	Stevenage (Great Britain)
	P	50,00	P	50,00	MMS Space Holdings N.V.	Amsterdam (Netherlands)
	P	75,00	P	75,00	MMS Systems Ltd	Stevenage (Great Britain)
	E	48,00	E	43,00	Nahuelsat S.A.	Buenos Aires (Argentina)
	P	75,00	P	75,00	NRSCL Infoterra Ltd	Southwood (Great Britain)
	P	75,00	P	75,00	TESAT-Spacecom Geschäftsführung GmbH	Backnang (Germany)
	P	75,00	P	75,00	TESAT-Spacecom GmbH & Co. KG	Backnang (Germany)

F: Fully consolidated - P: Proportionate - E: Equity method - FMV: Fair Market Value

	2002	%	2001	%	Company	Head office
MILITARY TRANSPORT AIRCRAFT						
	F	100,00	F	100,00	EADS CASA S.A. (Unit: EADS CASA Military Transport Aircraft)	Madrid (Spain)
AERONAUTICS						
	F	100,00	F	100,00	Elbe Flugzeugwerke GmbH	Dresden (Germany)
	F	100,00	F	100,00	EADS EFW Beteiligungs- und Verwaltungsgesellschaft GmbH	Munich (Germany)
	F	100,00	F	100,00	EADS Sogerma S.A.	Mérignac (France)
	F	100,00	F	100,00	EADS Seca S.A.	Le Bourget (France)
	F	100,00	F	100,00	Sogerma America Barfield B.C.	Miami, Florida (USA)
	F	100,00	F	100,00	EADS Revima S.A.	Tremblay en France (France)
	F	50,10	F	50,10	Composites Aquitaine S.A.	Salaunes (France)
	F	100,00	F	100,00	Maroc Aviation S.A.	Casablanca (Morocco)
	F	100,00	F	100,00	Noise Reduction Engineering B.C.	Washington D.C. (USA)
	F	80,00	F	80,00	Aerobail GIE	Paris (France)
	F	88,00	F	81,00	EADS Aeroframe services LLC	Lake Charles, Louisiana (USA)
	F	50,10	F	50,10	EADS Sogerma Tunisie	Monastir (Tunisia)
Addition	F	100,00			EADS Revima APU S.A.	Caudebec en Caux (France)
Addition	F	50,00			Composites Atlantic Ltd.	Halifax (Canada)
	F	100,00	F	100,00	Eurocopter Holding S.A.	Paris (France)
	F	100,00	F	100,00	Eurocopter S.A.	Marignane (France)
	F	100,00	F	100,00	Eurocopter Deutschland GmbH	Munich (Germany)
	F	100,00	F	100,00	American Eurocopter Corp.	Dallas, Texas (USA)
	F	100,00	F	100,00	Eurocopter Canada Ltd.	Ontario (Canada)
	F	75,00	F	75,00	Eurocopter South East Asia	Singapore
	F	76,52	F	76,52	Helibras - Helicopteros do Brasil S.A.	Itajuba (Brazil)
	F	100,00	F	100,00	EADS Socata S.A.	Le Bourget (France)
	F	100,00	F	100,00	EADS Deutschland GmbH – Military Aircraft	Munich (Germany)
	F	100,00	F	100,00	Dornier Flugzeugwerft GmbH	Manching (Germany)
	F	100,00	F	100,00	EADS CASA S.A. (Unit: EADS CASA Military Aircraft)	Madrid (Spain)
	F	100,00	F	100,00	EADS ATR S.A.	Toulouse (France)
	P	50,00	P	50,00	ATR GIE	Toulouse (France)
Additionally consolidated are 45 SPCs.						
HEADQUARTERS						
	F	100,00	F	100,00	EADS France	Paris (France)
	F	100,00	F	100,00	EADS Deutschland GmbH – Zentrale	Munich (Germany)
	F	100,00	F	100,00	EADS Deutschland GmbH, LO - Liegenschaften OTN	Munich (Germany)
	F	100,00	F	100,00	EADS Deutschland GmbH, FO - Forschung	Munich (Germany)
	F	100,00	F	100,00	EADS Raumfahrt Beteiligungs GmbH	Ottobrunn (Germany)
	F	75,00	F	75,00	DADC Luft- und Raumfahrt Beteiligungs AG	Munich (Germany)
	F	75,88	F	58,42	Dornier Zentrale	Friedrichshafen (Germany)
	F	100,00	F	100,00	EADS CASA S.A. (Headquarters)	Madrid (Spain)
	E	45.96	E	45.96	Dassault Aviation	Paris (France)
	E	45.96	E	45.96	Dassault International France	Vaucresson (France)
	E	45.96	E	45.96	Dassault Falcon Jet and subsidiaries	Teterboro NJ (USA)
	E	45.96	E	45.96	Sogitec Industries	Suresnes (France)
	E	45.96	E	45.96	Dassault Falcon Service	
	E	45.96	E	45.96	IPS	
	E	45.96	E	45.96	Dassault Aero Service	
	E	45.96	E	45.96	Dassault Assurances Courtage	
	E	45.96	E	45.96	Dassault International Inc	Paramus NJ (USA)
	E	45.96	E	45.96	Société Toulouse Colomiers	
	F	100,00	F	100,00	Airbus Financial Company Holding B.V.	Dublin (Ireland)
	F	100,00		100,00	EADS CASA France	Paris (France)

F: Fully consolidated - P: Proportionate - E: Equity method - FMV: Fair Market Value

EADS N.V. STATUTORY FINANCIAL STATEMENTS

BALANCE SHEETS

(in millions of €)		At December 31	
Assets	**Note**	**2002**	**2001**
Goodwill	3	4,618	5,068
Financial assets	3	5,479	2,232
Fixed assets		**10,097**	**7,300**
Receivables and other assets	4	5,335	2,825
Securities	5	4,355	5,047
Cash and cash equivalents		95	828
Non-fixed assets		**9,785**	**8,700**
Deferred taxes		**8**	**22**
Total Assets		**19,890**	**16,022**
Liabilities and Stockholders'equity			
Capital stock		811	809
General reserves		11,954	9,068
Stockholders'equity	**6**	**12,765**	**9,877**
Other Liabilities		7,125	6,145
Liabilities	**7**	**7,125**	**6,145**
Total Liabilities and Stockholders'equity		**19,890**	**16,022**

STATEMENTS OF INCOME

(in millions of €)	2002	2001
Income from investments	118	1,807
Other results	(417)	(435)
Net result	**(299)**	**1,372**

NOTES TO STATUTORY FINANCIAL STATEMENTS

1. GENERAL

EADS N.V., having its legal seat in Amsterdam, the Netherlands, is engaged in the holding, coordinating and managing of participations or other interests in and to finance and assume liabilities, provide for security and/or guarantee debts of legal entities, partnerships, business associations and undertakings that are involved in the aeronautic, defence, space and/or communication industry or activities that are complementary, supportive or ancillary thereto.

The description of the company's activities and the group structure, as included in the notes to the consolidated financial statements, also apply to the company-only financial statements. In accordance with article 402 Book 2 of the Dutch Civil Code the statement of income is presented in abbreviated form.

2. ACCOUNTING PRINCIPLES

The accounting principles as described in the notes to the consolidated financial statements also apply to the company-only financial statements, unless indicated otherwise.

3. FIXED ASSETS

The movement in fixed assets is as follows:

(in millions of €)	Goodwill	Financial Assets Participating Interests	Total
Balance at December 31, 2001	**5,068**	**2,232**	**7,300**
Disposals	-	(171)	(171)
Amortization Goodwill	(450)	-	(450)
Net income from investments	-	118	118
Fair value adjustments financial instruments/ others	-	3,730	3,730
Dividends received	-	(430)	(430)
Balance at December 31, 2002	**4,618**	**5,479**	**10,097**

The fair value adjustments financial instruments/others reflect mainly the impact in the other comprehensive income related to the application of IAS 39.

4. RECEIVABLES AND OTHER ASSETS

(in millions of €)	2002	2001
Receivables from affiliated companies	5,214	2,675
Receivables from related companies	49	47
Other assets	72	103
Total receivables and other assets	**5,335**	**2,825**

The receivables from affiliated companies include mainly receivables in connection with the cash pooling in EADS N.V.

The receivables and other assets mature within one year.

5. SECURITIES

The securities comprise mainly Available-for-Sales Securities.

6. STOCKHOLDERS' EQUITY

(in millions of €)	Capital stock	Share premium from contributions	Share premium from cash	Accumulated other comprehensive income	Treasury shares	Legal reserve investments	Retained earnings	Total equity
Balance at December 31, 2001	**809**	**8,459**	**1,065**	**(1,278)**	**-**	**240**	**582**	**9,877**
Capital increase	2		14					16
Net loss							(299)	(299)
Dividends paid							(403)	(403)
Transfer to legal reserve						40	(40)	
Repurchase treasury shares					(156)			(156)
Other comprehensive income				3,730				3,730
Balance at December 31, 2002	**811**	**8,459**	**1,079**	**2,452**	**(156)**	**280**	**(160)**	**12,765**

For further information to the Stockholders' equity, please see note 17 of the consolidated financial statements.

The cumulative foreign exchange translation adjustments are part of the accumulated other comprehensive income.

The accumulated other comprehensive income relates mainly to the fair value adjustments of financial instruments in relation to participating interests.

7. OTHER LIABILITIES

(in millions of €)	2002	2001
Liabilities to affiliated companies	6,335	5,829
Liabilities to related companies	741	214
Other liabilities	49	102
Total	**7,125**	**6,145**

The liabilities to affiliated companies include mainly liabilities in connection with the cash pooling in EADS N.V.

8. COMMITMENTS AND CONTINGENT LIABILITIES

Guarantees totaling € 298 million have been given on behalf of other group companies.

9. REMUNERATION

The total remuneration and related costs of the members of the Board of Directors and former directors in 2002 can be specified as follows:

(in €)	2002
Fixum	4,493,538
Bonus	2,578,743
Fees	220,000
	7,292,281

The cash remuneration of the individual members of the Board of Directors was as follows:

(in €)	Fixum	Bonus	Fees	2002 total
Directors				
Manfred Bischoff	60,000	133,000	70,000	263,000
Jean-Luc Lagardère	60,000	133,000	70,000	263,000
Philippe Camus	1,202,281 (1)	614,000	-	1,816,281
Rainer Hertrich	1,500,146 (2)	614,000	-	2,114,146
Noël Forgeard	1,042,997	482,953	-	1,525,950
Eckhard Cordes	30,000	66,500	25,000	121,500
Pedro Ferreras	30,000	66,500	35,000	131,500
Jean-René Fourtou	30,000	66,500	5,000	101,500
Michael Rogowski	30,000	66,500	15,000	111,500
Former directors				
Axel Arendt	508,114	335,790	-	843,904
Total	**4,493,538**	**2,578,743**	**220,000**	**7,292,281**

1) including € 57,399 additional payments related to previous years

2) including € 355,632 additional payments related to previous years

The table below gives an overview of the interests of the members of the Board of Directors under the stock options plans of EADS:

	Number of options				
	as of Jan. 1 2002	granted during 2002	as of Dec. 31 2002	exercise price in Euro	expiry date
Philippe Camus	135,000	-	135,000	20.90	July 8, 2010
	135,000	-	135,000	24.66	July 12, 2011
	-	135,000	135,000	16.96	August 8, 2012
Rainer Hertrich	135,000	-	135,000	20.90	July 8, 2010
	135,000	-	135,000	24.66	July 12, 2011
	-	135,000	135,000	16.96	August 8, 2012
Noël Forgeard	50,000	-	50,000	20.90	July 8, 2010
	88,000	-	88,000	24.66	July 12, 2011
	-	108,000	108,000	16.96	August 8, 2012
Total	**678,000**	**378,000**	**1,056,000**		

The pension benefit obligation for the Executive members of the Board of Directors is as follows:

Mr. Camus, Mr. Hertrich and Mr. Forgeard have a pension promise as part of their employment agreement which will give them annual pension of 50% of their annual base salary after five years in the Executive Committee of EADS at the age of 60. This obligation will increase to 60% after ten years of service in the EADS Executive Committee.

These pension schemes have been implemented and financed through collective executive pension plans in France and Germany.

EADS has not provided any loans to / advances to / guarantees on behalf of (retired) directors.

SUPPLEMENTARY INFORMATION

1. AUDITORS' REPORT

Introduction

We have audited the accompanying financial statements of EADS N.V., Amsterdam ("EADS" or "the Company") for the year 2002. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Matters affecting opinion

For business reasons pertaining to Dassault Aviation's management, EADS did not obtain 2002 current figures of Dassault Aviation's financial performance. As a consequence, we have not performed the audit procedures we normally would have performed in relation with the Dassault Aviation investment, which is accounted for under the equity method. The estimated level of net income from this equity investment accounted for by EADS for the period ended December 31, 2002 represented € 111 million and the estimated equity investment of EADS in Dassault Aviation as of December 31, 2002 amounted to € 1,333 million.

As mentioned in Note 2 ("Summary of significant accounting policies") of the consolidated financial statements, EADS has prepared its financial statements in accordance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standard Board, except that all development costs have been expensed as incurred. When certain criteria for asset recognition are met, IFRS require that development costs be capitalized as an intangible asset in the period in which they are incurred.

Furthermore, it is KPMG Accountants N.V.'s understanding that the following also constitutes a departure from IFRS : EADS accounts for its 37.5% interest in the MBDA joint venture using a proportionate consolidation of 50% of MBDA and accounts for a minority interest of 12.5%. IFRS require a venturer to report its effective net proportionate interest in a jointly controlled entity. The principal effects of consolidating amounts in excess of its proportionate ownership interest in MBDA are to overstate cash and cash equivalents by 10% in the December 31, 2002 consolidated balance sheet, to overstate the company's cash position (including short term securities) in 2002 cash flow statement by 3% and to overstate revenues for the Segment Defence and Civil Systems by 7%.

Opinion

In the opinion of the two auditors, except for the effects of such adjustments, if any, as might have been determined to be necessary had EADS been able to obtain current year figures and had we been able to perform the audit procedures we normally would have performed in relation to the Dassault Aviation investment and, except for the effect of the departure from IFRS with regards to development costs, and, in the opinion of KPMG Accountants N.V., except for the effect of the departure from IFRS with regard to the MBDA proportionate consolidation, the financial statements give a true and fair view of the company's financial position as of December 31, 2002 and of the result for the year then ended in accordance with IFRS and in accordance with the financial accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code.

The Hague, March 7, 2003	Amsterdam, March 7, 2003
KPMG Accountants N.V.	Ernst & Young Accountants

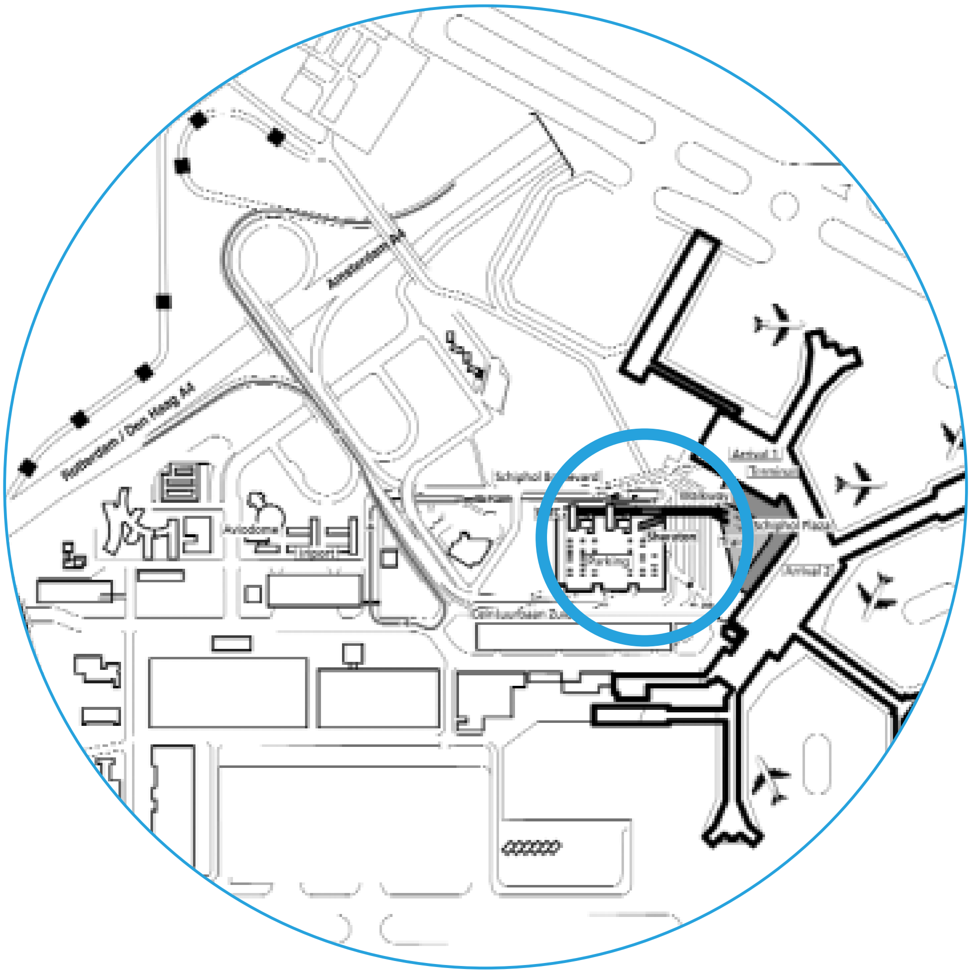
2. APPROPRIATION OF RESULT

Articles 30 and 31 of the Articles of Association provide that the Board of Directors shall determine which part of the result shall be attributed to the reserves. The general meeting of shareholders may dispose of a reserve only upon a proposal of the Board of Directors and to the extent it is permitted by law and the Articles of Association. Dividends may only be paid after adoption of the annual accounts from which it appears that the shareholders' equity of the company is more than the amount of the issued and paid-in part of the capital increased by the reserves that must be maintained by law.

It will be proposed at the Annual General Meeting of Shareholders that the net loss of € 299 million, as shown in the audited profit and loss statement for the financial year 2002, is to deduct from reserves and that a payment of a gross amount of € 0.30 per share shall be made to the shareholders from distributable reserves.

3. SUBSEQUENT EVENTS

For further information please see note 33 of the consolidated financial statements of EADS N.V.



How to get to the Sheraton Amsterdam Airport Hotel

- A4: from the Hague / Rotterdam & Amsterdam.
- From the A4 Motorway take Exit: Schiphol and follow the signs WCT Kantoren / Sheraton until the Sheraton Parking.
- Within the parking, take the elevator to the second floor.
- On the second floor (you are now in the Traverse walkway) go to the right in the direction of Schiphol Airport Arrival & Departure.
- After 50 meters, you will find the entrance of the Sheraton Amsterdam Airport Hotel on your right hand.

Shareholders Information
(free call)

France:	0800 01 2001
Germany:	00 800 00 02 2002
Spain:	00 800 00 02 2002

e-mail: ir@eads.net

EADS

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Registered at the Chamber of Commerce in Amsterdam under number 24288945