

# Registration Document 2008



BUSINESS, GOVERNANCE  
AND CORPORATE RESPONSIBILITY

FINANCIAL STATEMENTS



The step beyond

# Registration Document 2008



BUSINESS, GOVERNANCE  
AND CORPORATE RESPONSIBILITY

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European Aeronautic Defence and Space Company EADS N.V. (the “**Company**” or “**EADS**” and together with its subsidiaries, the “**Group**”) is a Dutch company, which is listed in France, Germany and Spain. The applicable regulations with respect to public information and protection of investors, as well as the commitments made by the Company to securities and market authorities, are described in this registration document (the “**Registration Document**”).

In addition to historical information, this Registration Document includes forward-looking statements. The forward-looking statements are generally identified by the use of forward-looking words, such as “anticipate”, “believe”, “estimate”, “expect”, “intend”, “plan”, “project”, “predict”, “will”, “should”, “may” or other variations of such terms, or by discussion of strategy. These statements relate to EADS’ future prospects, developments and business strategies and are based on analyses or forecasts of future results and estimates of amounts not yet determinable. These forward-looking statements represent the view of EADS only as of the dates they are made, and EADS disclaims any obligation to update forward-looking statements, except as may be otherwise required by law. The forward-looking statements in this Registration Document involve known and unknown risks, uncertainties and other factors that could cause EADS’ actual future results, performance and achievements to differ materially from those forecasted or suggested herein. These include changes in general economic and business conditions, as well as the factors described in “Risk Factors” below.

**This Registration Document was prepared in accordance with Annex 1 of EC Regulation 809/2004, filed in English with, and approved by, the *Autoriteit Financiële Markten* (the “AFM”) on 22 April 2009 in its capacity as competent authority under the *Wet op het financieel toezicht* (as amended) pursuant to Directive 2003/71/EC. This Registration Document may be used in support of a financial transaction as a document forming part of a prospectus in accordance with Directive 2003/71/EC only if it is supplemented by a securities note and a summary approved by the AFM.**

# Registration Document 2008

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Risk Factors

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- 2 Management's Discussion and Analysis of Financial Condition and Results of Operations
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# Risk Factors

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

## 1. FINANCIAL MARKET RISKS

### Impact of Ongoing Financial Crisis

The current financial turmoil affecting the banking system and financial markets and ongoing concerns about the sustainability of the business model of investment banks and of other financial institutions have resulted in higher cost and lower availability of credit, a reduced level of liquidity in many financial markets and extreme volatility across all asset classes. This has in turn negatively affected the global real economy. There could be a number of follow-on effects from the financial crisis on EADS' business, including but not limited to:

- economic distress of customers, resulting in requests to postpone or cancel orders for aircraft due to the inability to obtain credit to finance aircraft purchases, or due to the broad economic downturn and weakening of passenger and cargo demand for air travel more generally;
- a significant increase in the amount of sales financing that EADS provides to its customers to support aircraft purchases, thereby increasing its exposure to the risk of defaults by customers;
- economic distress or insolvency of key suppliers, resulting in product delays;
- the default of investment or derivative counterparties and other financial institutions, which could negatively impact EADS' treasury operations;
- continued de-leveraging as well as mergers and bankruptcies of banks or other financial institutions, resulting in a smaller universe of counterparties and lower availability of credit,

which may in turn reduce the availability of bank guarantees needed by EADS for its businesses;

- lower availability of credit by hedging counterparties, which could constrain EADS' ability to implement desired foreign currency hedges;
- changes in long-term interest rates, credit spreads or inflation, which may affect the discount rate applicable to the Group's pension liabilities;
- changes in short-term interest rates as well as potential illiquidity of certain asset classes, which may affect the financial performance of the Group;
- continued divestments across all risky asset classes, which may cause a further depreciation of asset values and lower diversification benefits for the pension plan assets held to match the pension liabilities, thereby resulting in an increase in the Group's provisions for retirement plans;
- reduced access to capital markets and other sources of financing, which, despite EADS' net cash position of €9.2 billion as of the end of 2008 and no immediate short-term refinancing needs other than €1.0 billion in notes maturing in March 2010, may limit EADS' future ability to make capital expenditures, fully carry out its research and development efforts and fund operations.

Uncertainty about current global economic conditions could also increase the volatility of EADS' stock price.

### Exposure to Foreign Currencies

A significant portion of EADS' revenues is denominated in US dollars, while a substantial portion of its costs is incurred in euro, and to a lesser extent, in pounds sterling. Consequently,

to the extent that EADS does not use financial instruments to cover its exposure resulting from this foreign currency mismatch, its profits will be affected by market changes in the

exchange rate of the US dollar against these currencies, and to a lesser extent, by market changes in the exchange rate of pound sterling against the euro. EADS has therefore implemented an exchange rate strategy in order to manage and minimise such exposure. In order to secure the rates at which US dollar revenues (arising primarily at Airbus and in the commercial satellite business) are converted into euro or pound sterling, EADS manages a long-term hedging portfolio.

There are complexities inherent in determining whether and when foreign exchange rate exposure of EADS will materialise, in particular given the possibility of unpredictable revenue variations arising from order cancellations and postponements. Furthermore, as a significant portion of EADS' foreign currency exposure is hedged through contractual arrangements with third parties, EADS is exposed to the risk of non-performance by its hedging counterparties. EADS may also have difficulty in fully implementing its hedging strategy depending on the willingness of hedging counterparties to extend credit. Accordingly, no assurances may be given that EADS' exchange rate hedging strategy will protect it from significant changes in the exchange rate of the US dollar to the euro and the pound sterling and that such changes will not affect its results of operation and financial condition.

EADS' consolidated revenues, costs, assets and liabilities denominated in currencies other than the euro are translated into the euro for the purposes of compiling its financial

statements. EADS' exchange rate hedging strategy aims to cover its cash flows, and, to a large extent, earnings before interest and taxes, pre-goodwill impairment and exceptionals ("EBIT\*"). Changes in the value of these currencies relative to the euro will have an effect on the euro value of EADS' reported revenues, other financial result, costs, assets and liabilities and EBIT\*.

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

See "Management's Discussion and Analysis of Financial Condition and Results of Operations — 2.1.8 Hedging Activities" for a discussion of EADS' foreign currency hedging policy. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — 2.1.3.6 Accounting for Hedged Foreign Exchange Transactions in the Financial Statements" for a summary of EADS' accounting treatment of foreign currency hedging transactions.

## Exposure to Sales Financing Risk

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

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

the purpose of securing customers' performance of their financial obligations to EADS, and because it guarantees part of the market value of certain aircraft during limited periods after their delivery to customers. Under adverse market conditions, the market for used aircraft could become illiquid and the market value of used aircraft could significantly decrease below projected amounts. In the event of a financing customer default at a time when the market value for a used aircraft has unexpectedly decreased, EADS would be exposed to the difference between the outstanding loan amount and the market value of the aircraft, net of ancillary costs (such as maintenance and remarketing costs, etc.). Similarly, if an unexpected decrease in the market value of a given aircraft coincided with the exercise window of an asset value guarantee ("AVG") with respect to that aircraft, EADS would be exposed to losing as much as the difference between the market value of such aircraft and the AVG amount. No assurances may be given that the provisions taken by EADS will be sufficient to cover these potential shortfalls. Through the Airbus Asset Management department or as a result of past financing transactions, EADS is

\* EBIT: earnings before interest and taxes, pre-goodwill impairment and exceptionals.

the owner of used aircraft, exposing it directly to fluctuations in the market value of these used aircraft.

Finally, EADS also has several outstanding backstop commitments to provide financing related to orders on Airbus' and ATR's backlog. While past experience suggests it is unlikely that all such proposed financing actually will be implemented, the ongoing financial crisis has resulted in a tightening in the credit markets and eliminated or reduced the amount of outside financing available to customers to fund their aircraft purchases.

Accordingly, such customers may seek to increase their utilisation of backstop commitments provided by EADS. Depending on the agreement reached with customers, EADS' sales financing exposure could increase significantly in the future. Despite the measures taken by EADS to mitigate the risks arising from sales financing activities described above, EADS will be further exposed to the risk of defaults by its customers or significant decreases in the value of the financed aircraft in the resale market, which may have a negative effect on its future results of operation and financial condition.

## Counterparty Credit Risk

EADS is exposed to credit risk to the extent of non-performance by its counterparties for financial instruments, such as hedging instruments and cash investments. However, the Group has policies in place to avoid concentrations of credit risk and to ensure that credit risk is limited.

Cash transactions and derivative counterparties are contracted with a large number of financial institutions worldwide, but only if they meet certain high credit quality criteria. 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 counterparties of financial transactions, based at a minimum on their credit ratings as published by Standard & Poor's, Moody's and Fitch Ratings. The respective limits are regularly monitored and updated, but there can be no assurances that despite these limits and the diversification of counterparties, EADS will not lose the benefit of certain derivatives, or cash investments, in case of a systemic extension of market disruptions.

## Exposure on Equity Investment Portfolio

EADS holds several equity investments for industrial or strategic reasons, the business rationale for which may vary over the life of the investment. Equity investments are either accounted for using the equity method (associated companies), if EADS has the ability to exercise significant influence, or at fair value. If fair value is not readily determinable, the investment is measured at cost.

EADS' principal investment in associates is Dassault Aviation. The net asset value of this investment was €2.2 billion at 31 December 2008. EADS is exposed to the risk of unexpected material adverse changes in the fair value of Dassault Aviation and that of other associated companies. For equity investments other than associates, which make up only a fraction of EADS' total assets, EADS regards the risk of negative changes in fair value or impairments on these investments as non-significant.

Treasury shares held by EADS are not considered to be equity investments. Additionally, treasury shares are not regarded as being exposed to risk, as any change in value of treasury shares is recognised directly in equity only when sold to the market and never affects net income. Treasury shares are primarily held to hedge the dilution risk arising from employee stock ownership plans and the exercise by employees of stock options.

For further information relating to financial market risks and the ways in which EADS attempts to manage these risks, see "Notes to Consolidated Financial Statements (IFRS) — Note 35A: Information about Financial Instruments — Financial risk management".

## Pension Commitments

EADS participates in several pension plans for both executive as well as non-executive employees, some of which are under funded. For further information related to these plans, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Notes to Consolidated Financial Statements (IFRS) — Note 26B: Provisions for retirement plans”. Although EADS has recorded a provision in

its balance sheet for its share of the under funding based on current estimates, there can be no assurance that these estimates will not be revised upward in the future, leading EADS to record additional provisions in respect of such plans. These additional provisions would in turn have a negative effect on EADS’ total equity (net of deferred taxes), which could have a negative effect on its future financial condition.

## 2. BUSINESS-RELATED RISKS

### Commercial Aircraft Market Cyclicity

Historically, the market for commercial aircraft has shown cyclical trends, due in part to changes in passenger and cargo demand for air travel, which is itself primarily driven by economic or gross domestic product (“GDP”) growth. Other factors, however, play an important role in determining the market for commercial aircraft, such as (i) the average age and technical obsolescence of the fleet relative to new aircraft, (ii) the number and characteristics of aircraft taken out of service and parked pending potential return into service, (iii) passenger load factors, (iv) airline pricing policies, (v) airline financial health and the availability of outside financing for aircraft purchases, (vi) deregulation and (vii) environmental constraints imposed upon aircraft operations. EADS expects that the market for commercial aircraft, including to a certain extent the market for civil helicopters, will continue to be cyclical, and that downturns in broad economic trends, such as those currently being experienced, may have a negative effect on its future results of operation and financial condition.

In particular, the current volatility in the oil, financial and credit markets and overall economic uncertainty — including the official entry into recession of the US and the euro-zone and recent declines in air passenger traffic — increase the risk that customers will seek to postpone or cancel otherwise binding contractual orders, to which EADS may agree. In addition, the liquidation or bankruptcy of airline customers could lead to the cancellation of their existing orders. If any of these events were to occur, it could significantly reduce EADS’ revenues and ability to generate a profit.

Moreover, EADS may be required to adopt significant changes to its business plan in response to market conditions, including production rate changes or the re-configuration of aircraft originally intended for customers whose orders have been postponed or cancelled. Failure to successfully implement such changes could have a negative effect on EADS’ future results of operation and financial condition.

### Impact of Terrorism, Epidemics and Catastrophic Events on Commercial Aircraft Market

As the terrorist attacks in New York and Madrid and the spread of the Severe Acute Respiratory Syndrome (“SARS”) virus and avian flu have demonstrated, terrorism and epidemics may negatively affect public perception of air travel safety and comfort, which may in turn reduce demand for air travel and commercial aircraft. The outbreak of war in a given region may also affect the willingness of the public to travel by air. Furthermore, major airplane crashes may have a negative effect on the public’s or regulators’ perceptions of the safety of a given

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

## Dependence on Public Spending and on Certain Markets

In any single market, public spending (including defence spending) depends on a complex mix of geopolitical considerations and budgetary constraints. Public spending may be subject to significant fluctuations from year to year and country to country. Adverse economic and political conditions as well as downturns in broad economic trends in EADS' markets may reduce the amount of public spending and have a negative effect on EADS' future results of operations and financial condition.

In the case where several countries undertake to enter together into defence or other procurement contracts, economic, political

or budgetary constraints in any one of these countries may have a negative effect on the ability of EADS to enter into or perform such contracts.

Further, a significant portion of EADS (including Airbus) backlog is concentrated in certain regions or countries, including the United States of America, China, India and the United Arab Emirates. Adverse economic and political conditions as well as downturns in broad economic trends in these countries or regions may have a negative effect on EADS' and Airbus' future results of operations and financial condition.

## Availability of Government and Other Sources of Financing

Since 1992, the EU and the US have operated under an agreement that sets the terms and conditions of financial support that governments may provide to civil aircraft manufacturers. In late 2004, however, the US sought to unilaterally withdraw from this agreement, which eventually led to the US and the EU making formal claims against each other before the World Trade Organization ("WTO"). While both sides have expressed a preference for a negotiated settlement that provides for a level playing field when funding future aircraft developments, they have thus far failed to reach agreement on key issues. The terms and conditions of any new agreement, or the outcome of the formal WTO proceedings, may limit access by EADS to risk-sharing-funds for large projects, may establish an unfavourable balance of access to government funds by EADS as compared to its US competitors or may theoretically cause the European Commission and the involved governments to analyse possibilities for a change in the commercial terms of funds already advanced to EADS.

In prior years, EADS and its principal competitors have each received different types of government financing of product

research and development. For example, EADS received repayable financing from certain governments in relation to the A380 commercial aircraft programme, and is in discussions with certain EU countries regarding financing for the development of the A350 XWB commercial aircraft programme. However, no assurances can be given that government financing will continue to be made available in the future for these and other projects, in part as a result of the proceedings mentioned above.

Moreover, the availability of other outside sources of financing will depend on a variety of factors such as market conditions, the general availability of credit, EADS' credit ratings, as well as the possibility that lenders or investors could develop a negative perception of EADS' long- or short-term financial prospects if it incurred large losses or if the level of its business activity decreased due to an economic downturn. EADS may therefore not be able to successfully obtain additional outside financing on favorable terms, or at all, which, despite EADS' currently strong net cash position, may limit EADS' future ability to make capital expenditures, fully carry out its research and development efforts and fund operations.

## Emergence of Public-Private Partnerships and Private Finance Initiatives

Defence customers, particularly in the UK, increasingly request proposals and grant contracts under schemes known as public-private partnerships ("PPPs") or private finance initiatives ("PFIs"). PPPs and PFIs differ substantially from traditional

defence equipment sales, as they often incorporate elements such as:

- the provision of extensive operational services over the life of the equipment;

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

EADS is party to PPP and PFI contracts, for example through Paradigm with Skynet 5 and related telecommunications

services, and involved in additional PFI proposals, such as the AirTanker (FSTA) project. One of the complexities presented by PFIs lies in the allocation of risks and the timing thereof among different parties over the lifetime of the project.

There can be no assurances of the extent to which EADS will efficiently and effectively (i) compete for future PFI or PPP programmes, (ii) administer the services contemplated under the contracts, (iii) finance the acquisition of the equipment and the ongoing provision of services related thereto, or (iv) access the markets for the commercialisation of excess capacity. EADS may also encounter unexpected political, budgetary, regulatory or competitive risks over the long duration of PPP and PFI programmes.

## Competition and Market Access

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

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

## Technologically Advanced Products and Services

EADS offers its customers products and services that are often technologically advanced, the design and manufacturing of which can be complex and require substantial integration and coordination along the supply chain. In addition, most of EADS' products must function under demanding operating conditions. Even though EADS believes it employs sophisticated design, manufacturing and testing practices, there can be no assurance that EADS' products or services will be successfully developed, manufactured or operated or that they will be developed or will perform as intended.

Certain of EADS' contracts require it to forfeit part of its expected profit, to receive reduced payments, to provide a replacement launch or other products or services, or to reduce the price of subsequent sales to the same customer if its products fail to be delivered on time or to perform adequately. No assurances can be given that performance penalties or contract

cancellations will not be imposed should EADS fail to meet delivery schedules or other measures of contract performance.

For example, following the production difficulties that EADS encountered in 2006 in connection with its A380 programme, certain customers decided to cancel their A380 freighter orders. In 2007 and 2008, EADS announced significant delivery delays on its A400M programme. In each of these years, EBIT\* at EADS was negatively affected as a result. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Notes to the Consolidated Financial Statements (IFRS) — Note 3: Accounting for the A400M programme".

There can be no assurances that similar problems will not occur in the future. In addition to any costs resulting from product warranties, contract performance or required remedial action, such problems may result in increased costs or loss of revenues

\* EBIT: earnings before interest and taxes, pre-goodwill impairment and exceptionals.

— in particular as a result of contract cancellations — which could have a negative effect on EADS' future results of operation and financial condition. Any problems in this respect

may also have a significant adverse effect on the competitive reputation of EADS' products.

## Major Research and Development Programmes

The business environment in many of EADS' principal operating business segments is characterised by extensive research and development costs requiring significant up-front investments with a high level of complexity. The business plans underlying such investments often contemplate a long payback period before these investments are recouped, and assume a certain level of return over the course of this period in order to justify the initial investment. There can be no assurances that the commercial, technical and market assumptions underlying such business plans will be met, and consequently, the payback period or returns contemplated therein achieved. EADS expects that its consolidated research and development expenses may increase significantly in future years in connection with the ramp-up of new programmes across all Divisions, in particular development on the A350 XWB.

Successful development of new programmes also depends on EADS' ability to attract and retain aerospace engineers and other professionals with the technical skills and experience required to meet its specific needs. Demand for such engineers may often exceed supply depending on the market, resulting in intense competition for qualified professionals. There can be no assurances that EADS will attract and retain the personnel it requires to conduct its operations successfully. Failure to attract and retain such personnel or an increase in EADS' employee turnover rate could negatively affect EADS' future results of operation and financial condition.

## "Power8", "Power8 Plus" and "Future EADS" Restructuring and Cost Saving Programmes

EADS has announced in 2007 the implementation of a significant cost reduction and restructuring programme at Airbus, referred to as "Power8". This programme looks at all aspects of Airbus to make it leaner, more integrated, more efficient and more productive. As part of Power8, Airbus management is seeking to implement strong cost reduction and cash generating efforts with the goal of achieving EBIT\* contributions of €2.1 billion from 2010 onwards and an additional €5 billion of cumulative cash flow from 2007 to 2010. A large part of the cost savings is expected to be realised through the reduction of Airbus' headcount by 10,000 employees (with temporary and on-site subcontractors accounting for approximately 50% of such reduction).

In addition, in 2008, EADS launched a Group-wide cost savings programme referred to as "Power8 Plus", with the goal of achieving EBIT\* contributions of €1 billion beginning in 2011-2012. Airbus is expected to contribute roughly two-thirds of the targeted cost savings, with the remaining portion to be contributed by the Eurocopter, Astrium and Defence & Security divisions as well as by EADS headquarters.

Finally, EADS is currently working on a further integration and cost savings programme referred to as "Future EADS", with the goal of achieving a minimum EBIT\* contribution of €200 million in 2011-2012. It aims at further integration, improvement of decision making process and cost savings through the Headquarters, the Divisions and the interaction between Headquarters and the Divisions. As part of this initiative, the former Military Transport Aircraft division has been integrated into Airbus under the name of "Airbus Military". See "Information on EADS' Activities — 1.1.2 Airbus — Airbus Military" below.

All of these anticipated cost savings are based on preliminary estimates, however, and actual savings may vary significantly. In particular, EADS' cost reduction measures are based on current conditions and do not take into account any future cost increases that could result from changes in its industry or operations, including new business developments, wage and cost increases or other factors. EADS' failure to successfully implement these planned cost reduction measures, or the possibility that these efforts may not generate the level of cost savings it expects going forward, could negatively affect its future results of operation and financial condition.

\* EBIT: earnings before interest and taxes, pre-goodwill impairment and exceptionals.

In addition to the risk of not achieving the anticipated level of cost savings from the programmes above, EADS may also incur higher than expected implementation costs, depending on the outcome of its current negotiations with labour and other representatives. In many instances, there may be internal resistance to the various organisational restructuring and cost reduction measures contemplated, including site divestitures by Airbus and the integration of the Military Transport Aircraft division into Airbus. Restructuring, closures, site divestitures and job reductions may also harm EADS' labour relations and public relations, and have led and could lead to work stoppages and/or demonstrations. In the event that these work stoppages and/or demonstrations become prolonged, or the costs of

implementing the programmes above are otherwise higher than anticipated following such negotiations, EADS' future results of operation and financial condition may be negatively affected.

Finally, EADS may fail to fully realise the anticipated benefits of the programmes above. Divestitures may result in continued financial involvement in the divested businesses, such as through guarantees or other financial arrangements, following the transaction. They may also trigger the recording of an impairment charge at or prior to closing, which would have a negative impact on EADS' future results of operation. Risk-sharing partners at divested businesses may also fail to perform as expected.

## Dependence on Certain Suppliers and Subcontractors

EADS is dependent on numerous key suppliers and subcontractors to provide it with the raw materials, parts and assemblies that it needs to manufacture its products. Certain of these suppliers have experienced severe financial difficulties recently in light of the ongoing financial crisis. If these difficulties were to intensify, some suppliers could be forced to reduce their output, shut down their operations or file for bankruptcy protection, which could disrupt the delivery of supplies to EADS. It may be difficult for

EADS to find a replacement for certain suppliers without significant delay, which could negatively affect EADS' future results of operation and financial condition.

EADS may also decide in the future to provide financial or other assistance to certain suppliers to ensure an uninterrupted supply of materials and parts, which could expose it to credit risk on the part of such suppliers.

## Programme-Specific Risks

In addition to the risk factors mentioned above, EADS also faces the following programme-specific risks (while this list does not purport to be comprehensive, it highlights the current risks believed to be material by management):

- *A380 programme.* In connection with the A380 programme and following the delivery delays announced in 2006, EADS faces the following main challenges: (i) management of stress in the supply chain as a result of the steep ramp-up in production in coming years, (ii) avoidance of production disruptions and related costs, in particular in connection with the implementation of Power8 and its effect on labour relations, (iii) successful implementation of a digital mock-up for future A380 production, and (iv) managing maturity in service. EADS' ability to successfully meet these challenges will be critical in ensuring the smooth production of "Wave 2" aircraft, *i.e.* those beyond the initial 25 aircraft produced;
- *A350 XWB programme.* In connection with the A350 XWB programme, EADS faces the following main challenges: (i) meeting the technical performance targets for the aircraft, (ii) ensuring the ramp-up of key skilled personnel, *e.g.* for composite stress and design, (iii) securing the achievement of recurring cost targets, (iv) ensuring that the new industrial organisation resulting from Power8 supports effective development, (v) ensuring the performance of the risk sharing partners, including those selected for sites divested by Airbus, and (vi) achieving a second engine choice;
- *A400M programme.* In connection with the A400M programme which represents a significant exposure for EADS, the Company faces the following main challenges: (i) negotiating changes to the programme schedule along with changes to other areas of the contract with launch customers, (ii) working with the engine consortium and with major



suppliers of mission critical systems and system integration to firm up a reliable programme schedule, including a reliable date for the first flight, (iii) managing a flight test programme that differs significantly from that of commercial Airbus aircraft, (iv) integrating the civil systems (flight management, navigation, etc.) with the complex military systems, (v) ensuring that the aircraft is both commercially certified and meets the range of military qualifications required by programme customers in each jurisdiction, and (vi) managing the anticipated difficulties on the ramp-up.

Further, in light of the ongoing delays on the A400M programme, the *Organisation Conjointe en Matière d'Armement* (“OCCAR”) has the contractual right with unanimous mandate of all launch customer nations to claim termination of the whole A400M launch contract as of 1 April 2009. In case of valid termination, Airbus Military SL (“AMSL”) would be obliged to repay to OCCAR all initial payments, pre-delivery payments and any other payments received from OCCAR. The total amount is approximately €5.7 billion. Separately, each of the launch customer nations may claim cancellation of those individual aircraft ordered which would be substantially delayed. This would trigger reimbursement of the initial payments and pre-delivery payments received from OCCAR in respect of such aircraft. Depending on the magnitude of these potential cancellations, there could be a material negative effect on EADS’ future results of operation, financial condition and reputation.

Under the current scenario of a continuation of the A400M programme, significant penalties based on contractual clauses could also be notified for a cumulative amount of €1.4 billion, due in case each aircraft delivery would be delayed by more than 10 months from the original contractual timetable. Based upon the current probable minimum delivery delays, this penalty clause would apply at least to a significant number of aircraft, but would be subject to future discussion with customers. The A400M provision as of 31 December 2008 includes EADS’ current assessment of the prorated amount of penalties to be finally paid.

As they cannot currently be estimated, various potential additional costs linked to the unquantifiable financial

consequences of the shift in the delivery schedule have not been taken into account when reassessing the A400M provision in the 2008 financial statements. Therefore, significant negative income statement impacts may still have to be accounted for in future periods when such costs become estimable or triggering events lead to a return to the estimate at completion method of accounting. Potential benefits from future discussions with customers, if any, might reduce such impacts, but would only be taken into account once agreed upon by OCCAR and the launch customer nations.

In conclusion, while EADS believes that the cost and revenue estimates currently incorporated in the financial statements under the early stage method of accounting reflect its most appropriate judgments under the current circumstances, the technical complexity of the A400M programme and the uncertainty about the outcome of on-going technical developments imply that further financial risks may arise, such as significant additional delays in delivery schedule, additional contract completion costs as well as the ultimate amount of liquidated damages to be paid. Materialisation of these risks could also trigger an additional significant financial exposure to potential order cancellations or even a potential termination of the whole A400M programme.

For further information relating to the A400M programme, see “Information on EADS’ Activities — 1.1.2 Airbus — Airbus Military”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Notes to the Consolidated Financial Statements (IFRS) — Note 3: Accounting for the A400M programme”; and

- *NH90 programme.* In connection with the NH90 programme, EADS faces the following main challenges: (i) meeting the development schedule, the cost objectives and the technical content (full operational configuration of the TTH (Tactical Transport Helicopter) version and final configuration of the NFH (Nato Frigate Helicopter) version) of ongoing development programmes on the numerous versions, (ii) managing the industrial ramp-up on the programme, and (iii) assuring support readiness in connection with multiple fleets entering into service.

## 3. LEGAL RISKS

### Dependence on Joint Ventures and Minority Holdings

EADS generates a substantial proportion of its revenues through various consortia, joint ventures and equity holdings. These arrangements include primarily:

- the Eurofighter and AirTanker consortia;
- three principal joint ventures: MBDA, ATR and Atlas Elektronik;
- majority interest: Dornier GmbH; and
- investment in associates: Dassault Aviation.

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

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

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

### Product Liability and Warranty Claims

EADS designs, develops and produces a number of high profile products of large individual value, particularly civil and military aircraft and space equipment. EADS is subject to the risk of product liability and warranty claims in the event that any of its

products fails to perform as designed. While EADS believes that its insurance programmes are adequate to protect it from such liabilities, no assurances can be given that claims will not arise in the future or that such insurance cover will be adequate.

### Intellectual Property

EADS relies upon patent, copyright, trademark and trade secret laws, and agreements with its employees, customers, suppliers and other parties, to establish and maintain its intellectual property rights in technology and products used in its operations. Despite these efforts to protect its intellectual property rights, any of EADS' direct or indirect intellectual property rights could be challenged, invalidated or circumvented. Further, the laws of certain countries do not protect EADS' proprietary rights to the same extent as the laws in Europe and the United States. Therefore, in certain

jurisdictions EADS may be unable to protect its proprietary technology adequately against unauthorised third-party copying or use, which could adversely affect its competitive position.

In addition, although EADS believes that it lawfully complies with the intellectual property rights granted to others, it could have claims asserted against it for infringement of the intellectual property rights of third parties. These claims could harm its reputation, cost it money and prevent it from offering certain products or services. Any claims or litigation in this area,

whether EADS ultimately wins or loses, could be time-consuming and costly, injure EADS' reputation or require it to enter into licensing arrangements. EADS might not be able to

enter into these licensing arrangements on acceptable terms. If a claim of infringement were successful against it, an injunction might be ordered against EADS, causing further damages.

## Export Controls and Other Regulations

The export market is a significant market for EADS. In addition, many of the products EADS designs and manufactures for military use are considered to be of national strategic interest. Consequently, the export of such products outside of EADS' domestic markets may be restricted or subject to licensing and export controls, notably by the UK, France, Germany and Spain, where EADS carries out its principal military activities as well as by other countries where suppliers come from, notably, the US. There can be no assurance (i) that the export controls to which EADS is subject will not become more restrictive, (ii) that new generations of EADS products will not also be subject to similar or more stringent controls or (iii) that geopolitical factors will not make it impossible to obtain export licenses for one or more clients or constrain EADS' ability to perform under previously signed contracts. Reduced access to military export

markets may have a material adverse effect on EADS' business, financial condition and results of operations.

EADS is also subject to a variety of other governmental regulations that may adversely affect its business and financial condition, including among others, regulations relating to commercial relationships (including the recent modifications to French law in this regard), the use of its products, labour practices and dealings with foreign officials. In addition, EADS' ability to market new products and enter new markets may be dependent on obtaining government certifications and approvals in a timely manner. Although EADS seeks to comply with all such regulations, even unintentional violations or a failure to comply could have a material adverse effect on EADS' business, financial condition and results of operations.

## Securities Litigation

Since 2006, several investigations and proceedings have been initiated against EADS and certain of its executives for alleged breaches of market regulations and insider trading rules, respectively, with respect to, among other things, the A380 programme delays announced in 2006. See "Information on EADS' Activities — 1.1.9 Legal and Arbitration Proceedings". Although EADS is unable at this point to predict the outcome of these investigations and proceedings, it is possible that they

could result in the imposition of fines, damages or other remedies and sanctions. The conduct of these proceedings could negatively impact EADS' stock price and reputation. In addition, EADS expects to continue to incur time and expenses associated with its defence, regardless of the outcome, and this may divert the efforts and attention of management from normal business operations.

## 4. INDUSTRIAL AND ENVIRONMENTAL RISKS

Given the scope of its activities and the industries in which it operates, EADS is subject to stringent environmental, health and safety laws and regulations in numerous jurisdictions around the world. EADS therefore incurs, and expects to continue to incur, significant capital expenditure and other operating costs to comply with increasingly complex laws and regulations covering the protection of the natural environment as well as occupational health and safety, including costs to prevent, control, eliminate or reduce emissions into the environment, releases of air pollutants into the atmosphere, discharges to surface and subsurface water and soil, usage of certain substances, the disposal and treatment of waste materials, and costs to comply with reporting or warning regulations. Moreover, new laws and regulations, the imposition of tougher licence requirements, increasingly strict enforcement or new interpretations of existing laws and regulations may cause EADS to incur increased capital expenditure and operating costs in the future in relation to the above, which could have a negative effect on its results of operation and financial condition.

If EADS fails to comply with these environmental, health and safety laws and regulations, even if caused by factors beyond its control, that failure may result in the assessment of civil or criminal penalties and fines against it. Regulatory authorities may require EADS to conduct investigations and undertake remedial activities, curtail operations or close installations or facilities temporarily, including to prevent imminent risks. In the event of an industrial accident or other serious incident, employees, customers and other third parties may file claims

for personal injury, property damage or damage to the environment (including natural resources). These potential liabilities may not always be covered by insurance, or may be only partially covered. The obligation to compensate for such damages could have a negative effect on EADS' results of operation and financial condition.

In addition, the various products manufactured and sold by EADS must comply with relevant environmental, health and safety and substances/preparations related laws and regulations in the jurisdictions in which they operate. Although EADS seeks to ensure that its products meet the highest quality standards, increasingly stringent and complex laws and regulations, new scientific discoveries, delivery of defective products or the obligation to notify or provide regulatory authorities or others with required information (such as under the EU regulation known as "REACH", which addresses the production and use of chemical substances) may force EADS to adapt, redesign, redevelop, recertify and/or eliminate its products from the market. Seizures of defective products may be pronounced, and EADS may incur administrative, civil or criminal liability. In the event of an accident or other serious incident involving a product, EADS may be required to conduct investigations and undertake remedial activities. Employees, customers and other third parties may also file claims for personal injury, property damage or damage to the environment (including natural resources).

For more information, please see "Corporate Responsibility & Sustainability — 5.3 Environmental Care".



# Information on EADS' Activities

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# 1.1 PRESENTATION OF THE EADS GROUP

## 1.1.1 Overview

*Due to the nature of the markets in which EADS operates and the confidential nature of its businesses, any statements with respect to EADS' competitive position set out in paragraphs 1.1.1 through 1.1.7 below have been based on EADS' internal information sources, unless another source has been specified below.*

With consolidated revenues of €43.3 billion in 2008, EADS is Europe's premier aerospace and defence company and the second largest aerospace and defence company in the world. In terms of market share, EADS is among the top two manufacturers of commercial aircraft, civil helicopters, commercial space launch vehicles and missiles, and a leading supplier of military aircraft, satellites and defence electronics. In 2008, it generated approximately 75% of its total revenues in the civil sector and 25% in the defence sector.

### 2008 HIGHLIGHTS

EADS delivered satisfactory results in 2008, while continuing to face challenges in critical programmes. EADS recorded strong order intake across its product portfolio in 2008, receiving €98.6 billion in orders for the year. In addition, Airbus aircraft and helicopter deliveries were at historically high levels. For the full year 2008, EADS delivered an EBIT\* of €2.8 billion. The Group benefited from its strong underlying performance and foreign currency effects while dealing with challenges in critical programmes. Revenues increased by 10.6% to €43.3 billion. EADS' order backlog increased to €400.2 billion. Net cash amounted to €9.2 billion at the end of the year due to better than expected free cash flow generation.

EADS has taken several proactive decisions to face the ongoing financial and economic crisis head on. With weaker air traffic and more difficult financing conditions, the commercial aircraft market is expected to slow, with the risk of deferrals and cancellations. Accordingly, Airbus has adapted production rates of its A320 family programme from 36 to 34 aircraft per month from October 2009 onwards. Production rates of the A330/A340 family will be paused at the current level of 8.5 aircraft per month, and not increased further as previously planned (see “— 1.2 Recent Developments”). Airbus is continuously monitoring the business environment and intends to adapt its production policy as the economic environment changes.

The transformation process initiated in 2006 in reaction to the A380 delays and the US\$ volatility is expected to allow EADS

to weather the financial crisis from a stronger position. Through a new organisational structure, leaner processes and stricter cash management, Power8 has significantly reduced Airbus' cost base. In 2008, Power8 delivered cost savings of approximately €1.3 billion, which is more than half way to the €2.1 billion objective for 2010. To complement Power8 launched in 2007, EADS initiated other measures to improve its global efficiency. Power8 Plus has been launched as a Group-wide initiative with the goal of achieving EBIT\* contributions of €1 billion beginning in 2011–2012. Airbus is expected to contribute roughly two-thirds of the targeted cost savings, with the remaining portion to be contributed by the Eurocopter, Astrium and Defence & Security divisions as well as by EADS headquarters. In addition, a programme called “Future EADS” aims at a leaner organisation at Group level and better integration mainly through shared services and targets cost savings at a minimum level of €200 million in 2011–2012.

In 2008, EADS also made significant progress in focusing on its core business and successfully completed its aerostructures reorganisation strategy initiated under Power8. In the course of 2008, the Laupheim site and part of the Filton site were sold, while the German sites Nordenham, Varel and Augsburg were merged into Premium AEROTEC and the French sites at Meaulte and St. Nazaire Ville into Aerolia. These two companies became operational on 1 January 2009. Furthermore, EADS sold a 70% holding in Socata to Daher in early 2009, and has retained the remaining 30% for the time being. In parallel, Airbus continues to expand its industrial footprint. The new A320 Final Assembly Line in Tianjin, China opened in September and will help to secure access to the fast-growing Chinese market.

At the same time, the year 2008 was characterised by challenges on key development programmes. The A400M programme has been delayed and constitutes a significant risk, while Airbus continues to face a strong challenge in ramping up A380 production. With respect to the A400M programme in particular, it will have to be brought back on track, with a clear and visible time schedule. In order to simplify the management structure and to exploit synergies with the rest of Airbus, EADS announced in December 2008 that it would integrate the Military Transport Aircraft division into Airbus under the name “Airbus Military”. In particular, the integration is intended to strengthen management of the challenging A400M military transport programme.

\* EBIT: earnings before interest and taxes, pre-goodwill impairment and exceptionals.

In the meantime, in January 2009, Airbus Military and EADS announced that they had proposed a new programme approach for the A400M to the European launch nations, through OCCAR, with the aim to find an appropriate way forward for this programme. Airbus Military and EADS wanted to initiate discussions around the programme schedule along with changes to other areas of the contract including in particular certain technical characteristics of this military aircraft. In line with complex military development programmes, Airbus Military suggested to resume series production only once adequate maturity is reached based on flight test results. With such new approach, the first delivery of the A400M would then occur three years after its first flight. Airbus Military and EADS will only be able to update all of the financial consequences of a revised industrial plan, once the availability of the engines and mission critical systems is firmly determined and once OCCAR's position on the proposal is known. See "Risk Factors", "— 1.1.2 Airbus — Airbus Military", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Notes to the Consolidated Financial Statements (IFRS) — Note 3: Accounting for the A400M programme".

The year 2008 started strongly for the commercial business with the order backlog reaching new highs while the defence and institutional activities showed a promising performance. However, the overall business environment became unpredictable and turbulent in the second half of the year, due to fluctuating oil prices and exchange rates. The financial landscape was hit by a credit crisis that impacted general growth prospects, household wealth and industry liquidity. Despite downgraded air traffic growth forecasts and indications of consolidation in the airline industry, the civil business ended the year with solid order backlogs. A weaker financing environment will certainly put pressure on manufacturers to find solutions for their customers' financing needs. Historically, air traffic follows changes in annual global GDP and consequently this has had a slowdown effect on air transport and passenger traffic. The fall in the oil price provides some relief for airlines and commercial customers and the general easing of commodity prices may lead to lower costs for manufacturers in the mid-term.

Defence spending is expected to remain stable as it is closely linked to geopolitical tensions and security needs as well as economic considerations. The long term nature of the investments in defence and space markets makes these segments less impacted in the short term. In addition, defence related investments are an efficient means of sustaining a country's industrial base and supporting high-technology jobs. Although precedents suggest that the new US Administration may alter the defence budget during 2009, there is also a possibility that any significant change in this budget will be postponed due to the Quadrennial Defence Review to be held at the end of 2010. It is also worth noting that there is a time lag of several months between the defence budget appropriations and outlays.

Following the ministerial conference of European Space Agency, or ESA, in November 2008, the council called for investments in innovation, including space technologies and services, despite the financial crisis.

During 2008, Airbus delivered a record number of aircraft while addressing major industrial challenges. Airbus delivered 483 aircraft, 30 more than compared to 2007. The revised target of delivering 12 A380 aircraft in 2008 was reached. In what was a difficult year for the global economy, Airbus' order intake was strong and above expectations. Airbus recorded 900 firm new gross orders, increasing the order backlog to a new record of 3,715 aircraft. Net orders, after accounting for cancellations, stood at 777 in 2008. The recently launched A350 XWB won 163 new firm orders increasing the total order count to 478 from 29 customers.

Airbus Military (the former Military Transport Aircraft division) experienced delays in its flagship A400M heavy transport aircraft, which overshadowed its other activities and weighed on its financial results. In September 2008, EADS announced an undefined delay of the first flight of the A400M, mainly due to the unavailability of the propulsion system. In the meantime, Airbus Military and EADS have proposed a new programme approach for the A400M programme, as discussed above. Otherwise, the first C-295 aircraft has been delivered to Portugal. The A330 Multi-Role Tanker Transport (MRTT) aircraft won four out of the five competitive tenders worldwide, including the UK's Future Strategic Tanker Aircraft programme (14 orders), the United Arab Emirates' order (3 orders) and Saudi Arabia's order (1 order). The Northrop Grumman KC-30 Tanker aircraft that is based on A330 MRTT was initially selected by the US Air Force, even though the decision was later overturned for legal reasons related to the management of the tender process by the DoD (US Department of Defense).

Eurocopter met its 2008 objectives for helicopter sales and deliveries and increased its revenues by 7.5%. Representing a production ramp-up of 20% as compared to 2007, a total of 588 helicopters have been delivered. At the end of 2008, the order backlog amounted to €13.8 billion, or the equivalent of 1,515 helicopters. Eurocopter made technical progress during the year by fully qualifying the Tiger in its HAP and UHT variants, and by ramping up NH90 production with the first deliveries from the Finnish and Australian assembly lines. After the delivery of the 50<sup>th</sup> UH-72A Lakota to the US Army, the US Navy became a Lakota customer. Meanwhile, production of the first EC175 prototype that is being co-developed with Chinese partners was launched.

Astrium reinforced its competitive position in 2008. As prime contractor on Europe's contribution to the International Space Station (ISS), Astrium achieved a historic technical success as the Columbus laboratory and Automated Transfer Vehicle (ATV) docked with the ISS in early 2008. The Ariane 5 launcher won



13 orders, more than half the open market. It has proven highly reliable, performing 28 successful launches in a row since 2003. Also within the Space Transportation business unit, France's new-generation M51 ballistic missile completed its final trial flight in 2008. While the telecommunications satellite market slowed, the Satellites business unit maintained its market share, winning two orders, and launching seven telecommunication and two observation satellites. ESA awarded Astrium three major scientific satellites, while Chile and Spain each ordered an observation satellite. The Services business unit reached maturity. The Paradigm secure communications system became fully operational and able to service the UK Ministry of Defence following delivery of the third and final satellite, Skynet 5c. Progress was satisfactory on similar communications programmes for Germany and the United Arab Emirates.

Finally, within the Defence & Security division, the established Eurofighter, missiles and radar programmes continue to support growth, with increasingly competitive technologies in unmanned aerial vehicles (UAVs) and global security systems playing an increasing role. For Eurofighter, delivery of the first tranche of 148 aircraft was completed in 2008 and final assembly of the second tranche of 236 aircraft is currently ramping up, with 22 aircraft delivered in 2008. Regarding UAVs, the Defence & Security division is the only European supplier able to provide both large and small systems. Work on the risk reduction study for the Advanced UAV continued with the identification of France, Germany and Spain's capability requirements; for the two French UAV programmes, DRAC and SIDM, delivery milestones were achieved. Furthermore, aerial target drones were delivered to the US Army. In line with Group strategy, the Defence & Security division continued to expand security capabilities. The acquisition of PlantCML brought access to the US market. In Beijing, an EADS-supplied TETRA network — the largest in Asia — played a vital role in securing the 2008 Olympic Games.

## STRATEGY

In order to maximise value for its shareholders, management intends to reinforce EADS' position as a leader in major global aerospace and defence markets. Beyond addressing current operational challenges, EADS will continue to focus on providing superior value to its customers through innovative product and service solutions. EADS has defined the following long-term objectives for the future pursuant to its "Vision 2020" plan:

- *Improve portfolio balance between Airbus and other EADS activities.* In 2008, revenues at Airbus represented 63.5% of EADS' consolidated revenues for the year. As a result, the Group remains highly vulnerable to commercial aircraft cycles, the financial burden and risk associated with aircraft programmes and US dollar exchange rate fluctuation. EADS will therefore seek to increase the contribution to revenues by

other divisions in future years while still maintaining long-term parity with Boeing in the commercial aircraft segment. In particular, EADS will seek to increase the proportion of revenues emanating from its defence and security businesses, which tend to be less cyclical and more predictable in nature. Within this area, EADS will focus on further strengthening its presence in platforms and systems (in particular platform-related systems architecture and integration). The Group will consider all options for achieving such growth, including targeted acquisitions or partnerships that enhance its overall competitive position and add capabilities to its portfolio, in particular in the US and Asia;

- *Increase profitability.* Through better internal cost control, lightened capital intensity, enhanced programme and risk management and a more streamlined industrial organisation, EADS has taken the initial steps towards restoring its profitability. EADS intends to increasingly focus on its core activities, which means moving towards a new business model and reallocating resources away from certain non-core legacy activities. Through more optimal resource allocation and stronger development of more profitable segments, EADS will strive to establish a level of profitability that is both attractive to its shareholders and sufficient to fund its future development initiatives;
- *Expand its services offering.* Historically, EADS' growth has been driven by the sale of technologically advanced products and solutions. At the same time, management is focused on increasing EADS' presence in the high value services market, given its countercyclical nature and opportunities for sustained growth. Factors supporting this market include the rapid expansion of EADS' in-service commercial and defence fleet — which will require support throughout its life cycle — as well as the increasing tendency on the part of defence and governmental agencies to outsource various key functions. EADS will seek the provision of high value-added services related to both platforms and systems, including training, advanced in-service support and air traffic management systems. Revenue from services activities is targeted to account for 25% of EADS' consolidated revenues by 2020;
- *Become a truly global industrial group.* A significant portion of EADS' suppliers, facilities and employees are based in Europe, while the majority of its revenues originate outside of Europe. In order to ensure continued access to certain markets and technology, optimise its costs and hedge against future US dollar volatility, EADS will aim to implement a long-term industrial strategy that corrects this imbalance by expanding its industrial footprint and partnerships in key markets outside of Europe, including the US, China, Russia and India. In the US, the goal is to establish a firm industrial and commercial presence in the world's largest defence and homeland security market. By 2020, EADS is seeking to have 40% of its suppliers and 20% of its employees based outside of Europe;

- *Continue to innovate.* Innovation in product, technology, manufacturing and customer offerings will define EADS' future. With development cycles shortening and new competitors emerging in all fields, EADS must maintain its technological edge and cover a broad spectrum of capabilities in order to remain a market leader. To maintain its innovative edge, EADS will seek to systematically employ the latest digital design and engineering tools in order to complete major platform developments more quickly, and will seek to accelerate the pace at which it reviews its core technologies so as to close gaps against the competition. These core technologies are expected to include C4I, network centric operations and UAV technology, among others;
- *Focus on the environment.* EADS will seek to anticipate and address future environmental challenges as part of its commitment to reconciling environmental responsibility with economic success. Being greener, cleaner, quieter and smarter, the A380 has already set new standards for air transport and the environment. EADS will pursue additional initiatives in the future — including a comprehensive environmental management system based on ISO 14001 to cover all EADS activities — in order to render eco-efficiency a competitive advantage over the long-term.

## ORGANISATION OF EADS BUSINESSES

Following the integration of the former Military Transport Aircraft division (the “**MTA division**”) into Airbus as of 1 January 2009 under the name “Airbus Military”, EADS organises its businesses into the following four operating divisions: (1) Airbus, (2) Eurocopter, (3) Astrium and (4) Defence & Security. The chart set out in “General Description of the Company and its Share Capital — 3.3.6 Simplified Group Structure Chart” illustrates the allocation of activities among these four divisions.

### Airbus

#### Commercial Aircraft

Airbus is one of the world's two leading suppliers of commercial aircraft of more than 100 seats. Since it was founded in 1970 and up to the end of 2008, Airbus has received orders for 9,215 aircraft from approximately 306 customers around the world. Its market share of annual deliveries worldwide has grown from 15% in 1990 to 54% in 2008. At 31 December 2008, Airbus' backlog of orders (3,715 aircraft) stood at approximately 86% of total EADS worldwide backlog. Gross order intake was 900 aircraft and after accounting for cancellations, net order intake for 2008 was 777 aircraft. In 2008, Airbus recorded revenues of €27.5 billion, representing 63.5% of EADS' total revenues. See “— 1.1.2 Airbus”.

### Airbus Military (former MTA division)

Airbus Military produces and sells special mission aircraft, which are derived from existing aircraft platforms and are dedicated to specialised military and security tasks such as in-flight refuelling capabilities, maritime surveillance and antisubmarine warfare. Airbus Military also manufactures and sells medium and light military transport aircraft and is responsible for the European heavy military transport A400M project. In 2008, the former MTA division recorded revenues of €2.8 billion, representing 6.4% of EADS' total revenues. See “— 1.1.2 Airbus — Airbus Military”.

### Eurocopter

Eurocopter is a global leader in the civil and military helicopter market, offering one of the most complete and modern ranges of helicopters and related services. In 2008, Eurocopter maintained its leadership by capturing more than 50% of the civil helicopter market in terms of deliveries and by achieving strong growth in its military order book. In 2008, Eurocopter recorded revenues of €4.5 billion, representing 10.4% of EADS' total revenues. See “— 1.1.3 Eurocopter”.

### Astrium

Astrium designs, develops and manufactures satellites, orbital infrastructures and launcher systems and provides space services. It is the third largest space systems manufacturing company in the world after Boeing and Lockheed Martin and the leading European supplier of satellites, orbital infrastructures, launchers and associated services. Astrium has three main business units: Astrium Satellites, Astrium Space Transportation and Astrium Services. These include the provision of launch services through Astrium's shareholdings in Arianespace (Ariane 5 launcher), Starsem (Soyuz launcher) and Eurockot (Rockot launcher), as well as services related to telecommunications and Earth observation satellites through wholly or majority owned subsidiaries such as Paradigm Secure Communications, Infoterra and Spot Image. In 2008, Astrium recorded revenues of €4.3 billion, representing 9.9% of EADS' total revenues. See “— 1.1.4 Astrium”.

### Defence & Security

The Defence & Security division (the “**DS division**”) serves as the main pillar of EADS' defence and security activities. By combining its Defence and Communications Systems, Defence Electronics, Military Air Systems and missile systems (consisting of EADS' 37.5% stake in MBDA) business units within one division, EADS has streamlined its defence and security business to better meet the needs of customers that require integrated defence and security solutions. In 2008, the DS division recorded revenues of €5.7 billion, representing 13.1% of EADS' total revenues. See “— 1.1.5 Defence & Security”.

## Investments

Among its significant investments, EADS holds a 46.3% stake in Dassault Aviation, a major participant in the world market for military jet aircraft and business jets. See “— 1.1.7 Investments”.

## SUMMARY FINANCIAL AND OPERATING DATA

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

### CONSOLIDATED REVENUES BY DIVISION FOR THE YEARS ENDED 31 DECEMBER 2008, 2007 AND 2006

	Year ended 31 December 2008		Year ended 31 December 2007		Year ended 31 December 2006	
	Amount in €bn	In percentage*	Amount in €bn	In percentage*	Amount in €bn	In percentage*
Airbus	27.4	61.5%	25.2	63.9%	25.2	62.5%
Military Transport Aircraft	2.8	6.2%	1.1	2.9%	2.2	5.5%
Eurocopter	4.5	10.0%	4.2	10.5%	3.8	9.4%
Astrium	4.3	9.6%	3.6	9.0%	3.2	8.0%
Defence & Security**	5.7	12.7%	5.4	13.7%	5.9	14.6%
<b>Total divisional Revenues</b>	<b>44.7</b>	<b>100%</b>	<b>39.5</b>	<b>100%</b>	<b>40.3</b>	<b>100%</b>
Other Businesses	1.5		1.4		1.2	
Headquarters/Consolidation***	(2.9)		(1.8)		(2.1)	
<b>Total</b>	<b>43.3</b>		<b>39.1</b>		<b>39.4</b>	

\* Before "Other Businesses" and "Headquarters/Consolidation".

\*\* MBDA proportionally consolidated at 37.5% in 2007 and 2008, 50% in 2006. 2006 figures have not been restated. In addition, business activities at EADS North America have been reclassified from Defence & Security to Other Businesses in 2007 and 2008 and are not material. 2006 figures have not been restated. See "Management's Discussion and Analysis of Financial Condition and Results of Operations".

\*\*\* Includes inter-company eliminations and headquarters sales.

### CONSOLIDATED REVENUES BY GEOGRAPHICAL AREA FOR THE YEARS ENDED 31 DECEMBER 2008, 2007 AND 2006

	Year ended 31 December 2008		Year ended 31 December 2007		Year ended 31 December 2006	
	Amount in €bn	In percentage*	Amount in €bn	In percentage*	Amount in €bn	In percentage*
Europe	18.9	43.6%	17.4	44.4%	17.1	43.6%
North America	7.8	18.0%	7.9	20.3%	9.4	23.9%
Asia/Pacific	10.8	24.9%	8.8	22.6%	7.9	19.9%
Rest of the World**	5.8	13.5%	5.0	12.7%	5.0	12.6%
<b>Total</b>	<b>43.3</b>	<b>100%</b>	<b>39.1</b>	<b>100%</b>	<b>39.4</b>	<b>100%</b>

\* Percentage of total revenues after eliminations.

\*\* Including the Middle East.

CONSOLIDATED ORDERS BOOKED FOR THE YEARS ENDED 31 DECEMBER 2008, 2007 AND 2006

	Year ended 31 December 2008		Year ended 31 December 2007		Year ended 31 December 2006	
	Amount in €bn	In percentage*	Amount in €bn	In percentage*	Amount in €bn	In percentage*
<b>Orders booked**</b>						
Airbus***	82.0	82%	117.3	86%	53.4	77%
Military Transport Aircraft	5.1	5%	0.8	1%	1.6	2%
Eurocopter	4.9	5%	6.6	5%	4.9	7%
Astrium	3.3	3%	4.5	3%	4.4	6%
Defence & Security****	5.3	5%	7.5	5%	5.2	8%
<b>Total divisional orders</b>	<b>100.6</b>	<b>100%</b>	<b>136.7</b>	<b>100%</b>	<b>69.5</b>	<b>100%</b>
Other Businesses	1.9		2.0		1.5	
Headquarters/Consolidation	(3.9)		(1.9)		(1.9)	
<b>Total</b>	<b>98.6</b>		<b>136.8</b>		<b>69.1</b>	

\* Before "Other Businesses" and "Headquarters/Consolidation".

\*\* Without options.

\*\*\* Based on catalogue prices for commercial aircraft activities.

\*\*\*\* MBDA proportionally consolidated at 37.5% in 2007 and 2008, 50% in 2006. 2006 figures have not been restated. In addition, business activities at EADS North America have been reclassified from Defence & Security to Other Businesses in 2007 and 2008 and are not material. 2006 figures have not been restated. See "Management's Discussion and Analysis of Financial Condition and Results of Operations".

CONSOLIDATED BACKLOG FOR THE YEARS ENDED 31 DECEMBER 2008, 2007 AND 2006\*

	Year ended 31 December 2008		Year ended 31 December 2007		Year ended 31 December 2006	
	Amount in €bn	In percentage**	Amount in €bn	In percentage**	Amount in €bn	In percentage**
<b>Backlog***</b>						
Airbus****	344.8	84%	283.8	81%	210.1	77%
Military Transport Aircraft	22.3	6%	19.9	6%	20.3	8%
Eurocopter	13.8	3%	13.5	4%	11.0	4%
Astrium	11.0	3%	12.9	4%	12.3	5%
Defence & Security*****	17.0	4%	17.8	5%	17.6	6%
<b>Total divisional Backlog</b>	<b>408.9</b>	<b>100%</b>	<b>347.9</b>	<b>100%</b>	<b>271.3</b>	<b>100%</b>
Other Businesses*****	3.4		2.7		2.3	
Headquarters/Consolidation	(12.1)		(11.1)		(10.8)	
<b>Total</b>	<b>400.2</b>		<b>339.5</b>		<b>262.8</b>	

\* For a discussion on the calculation of backlog, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — 2.1.4.1 Order Backlog".

\*\* Before "Other Businesses" and "Headquarters/Consolidation".

\*\*\* Without options.

\*\*\*\* Based on catalogue prices for commercial aircraft activities.

\*\*\*\*\* MBDA proportionally consolidated at 37.5% in 2007 and 2008, 50% in 2006. 2006 figures have not been restated. In addition, business activities at EADS North America have been reclassified from Defence & Security to Other Businesses in 2007 and 2008 and are not material. 2006 figures have not been restated. See "Management's Discussion and Analysis of Financial Condition and Results of Operations".

**RELATIONSHIP BETWEEN EADS N.V. AND THE GROUP**

EADS N.V. itself does not engage in the core aerospace, defence or space business of its Group but coordinates related businesses, sets and controls objectives and approves major decisions for its Group. As the parent company, EADS N.V. conducts activities which are essential to the Group activities and which are an

integral part of the overall management of the Group.

In particular, finance activities pursued by EADS N.V. are in support of the business activities and strategy of the Group.

In connection therewith, EADS N.V. provides or procures the provision of services to the subsidiaries of the Group. General management service agreements have been put in place with the subsidiaries and services are invoiced on a cost plus basis.

For management purposes, EADS N.V. acts through its Board of Directors, Executive Committee, and Chief Executive Officer in accordance with its corporate rules and procedures detailed in “Corporate Governance”.

Within the framework defined by EADS, each division, business unit and subsidiary is vested with full entrepreneurial responsibility.

## 1.1.2 Airbus

### COMMERCIAL AIRCRAFT

#### Introduction and Overview

Airbus is one of the world's two leading suppliers of commercial aircraft of more than 100 seats. Since it was founded in 1970 and up to the end of 2008, Airbus has received orders for 9,215 aircraft from approximately 306 customers around the world. Its market share of annual deliveries worldwide has grown from 15% in 1990 to 54% in 2008. In 2008, Airbus recorded revenues of €27.5 billion, representing 63.5% of EADS' total revenues.

With 483 aircraft deliveries in 2008 (453 in 2007), Airbus was for the sixth consecutive year the largest supplier of commercial aircraft in the world. Airbus received 900 gross orders in 2008 (compared to 1,458 gross orders in 2007). After accounting for cancellations, net order intake for 2008 was 777 aircraft (compared to 1,341 aircraft in 2007). At 31 December 2008, Airbus' backlog of orders was 3,715 aircraft, representing approximately 86% of total EADS worldwide backlog.

As of 1 January 2009, the former Military Transport Aircraft division has been integrated into Airbus under the name of “Airbus Military”. This integration aims at reinforcing the management of the A400M programme and other Airbus military derivatives programmes while maximising synergies with other Airbus functions and entities. For further information related to Airbus Military, see “Airbus Military” below.

#### Strategy

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

##### **Building a leaner, more fully integrated company**

In order to address the challenges posed by persistent US dollar weakness, increased competitive pressures and the financial burden related to the A380 and A400M delays, and to meet its future investment needs, Airbus launched a four-year restructuring programme at the beginning of 2007 referred to as

Power8. As part of Power8, Airbus management is seeking to implement strong cost reduction and cash generating efforts with the goal of achieving EBIT\* contributions of €2.1 billion from 2010 onwards and an additional €5 billion of cumulative cash flow from 2007 to 2010. Savings realised pursuant to Power8 provided gross cost savings of €1.3 billion in 2008 compared to the projected cost baseline. See “Management's Discussion and Analysis of Financial Condition and Results of Operations”.

In addition, a further cost savings programme referred to as “Power8 Plus” was launched in September 2008, with the goal of achieving EBIT\* contributions of €650 million beginning in 2011-2012. Airbus management intends to achieve the Power8 Plus objectives by extending the Power8 initiatives up to 2012 (€350 million) and through further globalisation of engineering and manufacturing work (€300 million).

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

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

##### **Focusing on key geographic markets**

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

\* EBIT: earnings before interest and taxes, pre-goodwill impairment and exceptionals.

### Expanding its customer services offering

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

### Market

#### Cyclicality and Market Drivers

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

In recent years, China and India have emerged as significant new aircraft markets. According to internal estimates, they are expected to constitute the second and fifth most important markets for aircraft deliveries, respectively, in the next twenty years. As a result, Airbus has sought to strengthen its commercial and industrial ties in these countries.

The no-frills/low-cost carriers also continue to emerge as a significant sector, and are expected to continue growing around the world, particularly in Asia. Airbus single aisle aircraft continue to be a popular choice for these carriers. As some of these carriers begin testing the market with new long-haul operations, demand for Airbus' range of twin aisle aircraft may also increase.

*Overall Growth.* The long-term market for passenger aircraft depends primarily on passenger demand for air travel, which is itself primarily driven by economic or gross domestic product (“GDP”) growth, fare levels and demographic growth. Measured in revenue passenger kilometres, air travel increased every year from 1967 to 2000, except for 1991 due to the Gulf War, resulting in an average annual growth rate of 7.9% for the period. Demand for air transportation also proved resilient in the years following 2001, when successive shocks, including 9/11 and SARS in Asia, dampened demand. Nevertheless, the market quickly recovered, with more than 38% traffic growth recorded over the past seven years (source: International Civil Aviation Organization (ICAO) world traffic data for 2001, Airbus internal estimate for world traffic in 2008).

Based on internal estimates, Airbus believes that air travel will grow at 4.9% per annum during the period 2007-2026. Airbus

therefore expects passenger traffic, as measured in revenue passenger kilometres, to more than double in the next twenty years.

*Cyclicality.* Despite the expected overall growth in the air travel market, the market for aircraft has proven to be cyclical, due to the volatility of airline profitability and cyclicality of the world economy. Accordingly, following the peak in new orders reached in 2007, Airbus recorded significantly fewer new orders in 2008 and expects this trend to continue in 2009. Isolated events — such as 9/11 and SARS — may also have an impact on aircraft demand and exacerbate the current downturn.

When cyclical downturns have occurred in the past, aircraft manufacturers have typically experienced decreases in aircraft orders and have made fewer deliveries, with some customers seeking to postpone or cancel their existing orders. This has generally been followed by a period of sustained new order and delivery activity. Accordingly, while total worldwide orders for aircraft of 100 seats or more reached a cyclical low of 524 in 2003, the number of new orders rebounded to an industry record of 2,881 in 2007. As with any macro-economic development, however, it is difficult to predict how the current downturn and the next cycle will develop.

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

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

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

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

*Alliances.* The development of world airline alliances has reinforced the pattern of airline network development described above. According to data from Ascend, a UK-based aviation industry consultancy, more than one third of the world's jetliner fleet of over 100 seats was operated by just 20 airlines as of February 2009. In the 1990s, the major airlines began to enter into alliances that gave each alliance member access to the other alliance members' hubs and routings, allowing airlines to concentrate their hub investments while extending their product offering and market access. Airlines have also begun to explore different merger possibilities in recent years. Examples include the merger of Air France and KLM, US Airways and America West and Delta and Northwest, with talks between other airlines currently ongoing.

*Governmental Funding.* A 1992 bilateral agreement between the EU and the US provided for ceilings on reimbursable launch investments (typically used by European governments) of 33% of the total development costs of new large civil aircraft programmes. It also set a ceiling at 3% of industry revenues for indirect support in relation to the development or production of large civil aircraft (typically the Department of Defense and National Aeronautics and Space Administration ("NASA") mechanisms used in the US). This bilateral agreement provided a level playing field for government support, reflecting the needs of both Europe and the US.

However, the unilateral withdrawal from the 1992 agreement by the US government in late 2004 eventually led to formal claims and counterclaims being made by the US and the EU,

respectively, with the WTO. The EU and the US have conducted negotiations to seek a formal settlement of the issues pending before the WTO. Absent agreement between the parties, the WTO tribunal hearing the dispute will issue reports evaluating the legality of any governmental funding provided to Boeing and Airbus. These reports and any associated recommendations will be addressed to the WTO members (*i.e.* national governments), and not to Boeing, Airbus or EADS directly.

### Market Structure and Competition

*Market Segments.* According to a study conducted by Airbus, a total of 13,715 aircraft with more than 100 seats were in service with airlines worldwide at the end of 2008 (as compared to 13,284 aircraft at the end of 2007). Currently, Airbus competes in each of the three principal market segments for aircraft with more than 100 seats. "Single aisle" aircraft, such as the A320 family, have 100-210 seats, typically configured with two triple seats per row divided by one aisle, and are used principally for short-range and medium-range routes. "Twin aisle" or "wide body" aircraft, such as the A330/A340/A350 XWB families, have a wider fuselage with more than 210 seats, typically configured with eight seats per row and with two aisles. The A330/A340/A350 XWB families are capable of serving all short to long-range markets, with the A340-500/600 designed for ultra-long-range operations in particular. "Very large aircraft", such as the A380 family, are designed to carry more than 400 passengers, non-stop, over very long-range routes with superior comfort standards and with significant cost-per-seat benefits to airlines. Freight aircraft, which form a fourth, related segment, are often converted ex-passenger aircraft. See "— 1.1.6 Other Businesses — Aerostructures, Aircraft Conversion and Floor Panels".

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

*Geographic differences.* The high proportion of single aisle aircraft in use in both North America and Europe reflects the predominance of domestic short-range and medium-range flights, particularly in North America due to the development of hubs following deregulation. In comparison with North America and Europe, the Asia-Pacific region uses a greater proportion of twin aisle aircraft, as populations tend to be more concentrated in fewer large urban centres. The tendency towards use of twin aisle aircraft is also reinforced by the fact that many of the region's major airports limit the number of flights, due either to environmental concerns or to infrastructure constraints that limit the ability to increase flight frequency. These constraints necessitate higher average aircraft seating capacity per flight. However, Airbus believes that demand for single aisle aircraft in Asia will grow over the next 20 years, particularly as

domestic markets in China and India continue to develop. This is expected to occur at the same time that Asian demand for larger/long-range aircraft continues to increase.

*Competition.* Airbus has been operating in a duopoly since Lockheed's withdrawal from the market in 1986 and Boeing's acquisition of McDonnell Douglas in 1997. As a result, the market for passenger aircraft of more than 100 seats is now effectively divided between Airbus and Boeing. According to the manufacturers' published figures, in 2008 Airbus and Boeing, respectively, accounted for 56% and 44% of total deliveries, 57% and 43% of total gross orders, and 50% and 50% of the total year-end backlog.

The high technology and high value nature of the business makes aircraft manufacturing an attractive industry in which to participate, with China recently expressing its interest in the long-term manufacturing of large commercial aircraft. However, significant barriers to entry into the market for passenger aircraft of more than 100 seats make it unlikely that a newcomer will be able to compete effectively with either of the established aircraft manufacturers for a considerable number of years.

### Customers

As of 31 December 2008, Airbus had 306 customers, 5,500 Airbus aircraft had been delivered to operators worldwide since the creation of Airbus, and 3,715 aircraft were on order. The table below shows Airbus' largest commitments in terms of total gross firm orders by customer for the year 2008.

Customer	Firm Orders*
CASGC	110
DAE Capital	100
AWAS	75
Etihad	51
TAM	46
Gulf Air	35
Air One	34
Vietnam Airlines	30
CIT	30
Asiana	30

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

## Products and Services

### The Family Concept — Commonality across the Fleet

Airbus' aircraft families promote fleet commonality. This philosophy takes a central aircraft and tailors it to create derivatives to meet the needs of specific market segments. This approach means that all new-generation Airbus aircraft share the same cockpit design, fly-by-wire controls and handling characteristics. Pilots can transfer among any aircraft within the

Airbus family with minimal additional training. Cross-crew qualification (CCQ) across families of aircraft provides airlines with significant operational flexibility. In addition, the emphasis on fleet commonality permits aircraft operators to realise significant cost savings in crew training, spare parts, maintenance and aircraft scheduling.

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

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

In 2008, Airbus pursued its innovation drive and successfully tested a fuel cells system in flight, for example. For the first time on a civil aircraft this innovative energy source powered the aircraft's back-up hydraulic and electric power systems. The test is part of Airbus' overall plans for an eco-efficient aviation industry and supports on-going research to evaluate the potential use and environmental benefits of fuel cell technology and zero emissions power generation in civil aviation.

### A320 Family

Airbus' family of single aisle aircraft, based on the A320 (which entered service in 1988 following a development programme launched in 1984), includes the A318, A319 and A321 derivatives, as well as the A319-based Airbus Corporate Jetliner and A318 Elite business jet, which Airbus launched in 1997 and 2005, respectively. Each aircraft in the A320 family shares the same systems, cockpit, operating procedures and cross-section. The A320 family covers the market from 100 to 220 seats, flying routes up to 3,000nm/5,700km.

At 3.96 metres diameter, the A320 family has the widest fuselage cross-section of any competing single aisle aircraft. This provides a roomy passenger cabin, a high comfort level and a more spacious underfloor cargo volume than its competitors. The A320 family incorporates digital fly-by-wire controls, an ergonomic cockpit and a lightweight carbon fibre composite horizontal stabiliser. The use of composite material has also been extended to the vertical stabiliser. The A320 family's competitor is the Boeing 737 series.

With more than 6,300 aircraft sold and 3,683 currently in service, the A320 family has proven extremely popular with



customers, offering high standards of cabin comfort, technology and economic performance. Its success with low-cost airlines in particular demonstrates the economic appeal of the A320 family.

In 2008, Airbus received 472 firm orders for the A320 family of aircraft, and delivered 386 to customers.

#### A320 FAMILY TECHNICAL FEATURES

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

\* Two-class layout.

#### A330/A340 Family

With approximately 1,400 aircraft sold and 940 currently in service, the A330/A340 family is Airbus' solution for regional, long-range and ultra long-range travel, designed to carry between 250 to 350 passengers. The A330/A340 family concept is unique: one airframe is powered by either two or four engines. The twin-engine A330 offers attractive economic performance for regional up to long-range routes, while the four-engine A340 can perform on the most demanding long-range and ultra long-range routes, including non-stop flights such as Los Angeles — Singapore.

The A330/A340 family is composed of six passenger versions. Each shares the same 222-inch fuselage cross-section, cockpit and other advanced features, delivering the commonality that encourages airlines to adopt the most efficient mix of aircraft for

their networks. The A330/A340 family offers high levels of passenger comfort as well as large under-floor cargo areas. The competitors of the A330/A340 family are the Boeing 767, 777 and 787 aircraft series.

Development also continues on the A330-200F, Airbus' new freighter offering for mid-size markets. With a maximum payload capability of up to 69 tonnes, the A330-200F will offer airlines the opportunity to increase services in low frequency long-haul markets currently served with much larger aircraft, develop new routes and respond to market growth. First flight of the initial aircraft is planned for 2009.

In 2008, Airbus received 138 firm orders for the A330/A340 family of aircraft, and delivered 85 to customers.

#### A330/A340 FAMILY TECHNICAL FEATURES

Model*	Entry into service	Passenger capacity*	Maximum range (km)	Length (metres)	Wingspan (metres)
A330-200	1998	253	12,500	59.0	60.3
A330-300	1994	295	10,500	63.7	60.3
A340-300	1992	295	13,700	63.7	60.3
A340-500	2002	313	16,700	67.8	63.6
A340-600	2002	380	14,600	75.3	63.6

\* Three-class layout.

#### A380

The A380 is the most spacious aircraft ever conceived, and represents Airbus' offering in the very large aircraft market. Its cross-section provides flexible and innovative cabin space, allowing passengers to benefit from wider seats, wider aisles and more floor space, tailored to the needs of each airline. Seating 525 passengers in three classes and with a range of 8,000nm/19,400km, the A380 offers superior economic performance, lower fuel consumption, less noise and reduced emissions. The A380's main competitor is the 400-seat Boeing 747-8.

In 2008, Airbus announced changes to the A380 delivery schedule as it transitioned from low rate "individual" aircraft production, so-called Wave 1, to the full serial design and manufacturing process, called Wave 2. Time and resources needed for Wave 1 production aircraft have been higher than expected, which created some delay in the changeover to Wave 2 with its new design and manufacturing process. In addition, the ramp-up in production on Wave 2 has presented its own set of challenges.

Accordingly, Airbus delivered 12 aircraft in 2008 (instead of the 13 previously announced). In 2009, Airbus currently targets delivery of 18 aircraft (instead of the 21 announced in May 2008). Airbus continues to face significant challenges as it seeks to ramp-up A380 production, and is currently focused on

meeting its delivery commitments for 2009. See also “Management’s Discussion and Analysis of Financial Condition and Results of Operations”.

In 2008, Airbus received 9 firm orders for the A380, for a total of 198 firm orders from 16 customers at the end of the year.

#### A380 TECHNICAL FEATURES

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

\* Three-class layout.

#### New Product Development

##### A350 XWB Family

At the end of 2006, Airbus launched the A350 XWB Family, a new extra-wide body medium capacity long-range family, which will accommodate between 270 to 350 passengers and is expected to enter service in 2013. The A350 XWB features A380 technology, a wider fuselage than that of competing new generation aircraft and a greater use of composite material. The A350 XWB’s main competitor is the Boeing 787 aircraft series.

At the end of 2008, the A350 XWB passed the detailed definition freeze milestone, which assessed the maturity of the programme. Airbus will now continue with further specific design work, in parallel with the development of associated tooling and building investments.

In 2008, Airbus received 163 firm orders from 16 customers for the A350 XWB Family of aircraft, for a total of 478 firm orders from 29 customers at the end of the year.

#### A350 XWB FAMILY TECHNICAL FEATURES

Model*	Entry into service	Passenger capacity*	Maximum range (km)	Length (metres)	Wingspan (metres)
A350-800	2014	270	15,400	61.0	64.0
A350-900	2013	314	15,000	67.3	64.0
A350-1000	2015	350	14,800	74.3	64.0

\* Three-class layout.

##### A400M

For information related to the A400M programme, see “Airbus Military” below.

Management division also provides a full range of support services, including assistance with entry into service, interior reconfiguration and maintenance checks.

#### Asset Management

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

#### Sales Finance

Airbus favours cash sales, and does not envisage customer financing as an area of business development. However, Airbus recognises the commercial need for manufacturers to assist customers in arranging financing of new aircraft purchases, and in certain cases to participate in such financing itself.

Its key roles comprise the commercial and risk management of the Airbus portfolio of used aircraft. Most of the aircraft are available to customers for cash sale, while some can only be offered on operating lease, depending on the financing attached to such aircraft. At the end of 2008, the Airbus Asset Management portfolio contained 10 aircraft, a net reduction of four aircraft compared to the end of 2007. The Asset

An extension of credit or assumption of exposure is subject to corporate oversight and monitoring, and follows strict standards of discipline and caution. Airbus’ dedicated customer finance team has accumulated decades of expertise in aircraft finance. When Airbus finances a customer, the financed aircraft generally serve as collateral, with the engine manufacturer participating in the financing. These elements assist in reducing the risk borne by Airbus. Airbus’ customer financing transactions are designed to facilitate subsequent sell-down of the exposure to the financial markets, third party lenders or lessors.

Airbus' financing exposure is counter-cyclical and Airbus was therefore able to conclude significant sell-down of its exposure in the 2005-2007 period. However, in light of the current volatility in the financial and credit markets, Airbus expects to increase the amount of financing it provides to customers in the future. Management believes, in light of its experience, that the level of provisioning protecting Airbus from default costs is adequate and consistent with standards and practice in the aircraft financing industry. See "Management's Discussion and Analysis of Financial Condition and Results of Operations".

*Cape Town Convention.* The Cape Town Convention on International Interests in Mobile Equipment ("**CTC**") as applied to aircraft equipment through a protocol is an international treaty intended to standardise transactions involving movable property, particularly aircraft and aircraft engines, and has been ratified so far by 26 countries including the US, India, Indonesia, United Arab Emirates (UAE) and Ireland. The CTC creates international standards for registration of ownership, security interests, leases and conditional sales contracts, and various legal remedies for default in financing agreements, including repossession and the effect of particular states' bankruptcy laws. The goal of the CTC is to facilitate asset-based financing and leasing transactions by creating the concept of an "international interest" and setting out the rules and procedures that govern the registration, priority and remedies associated with such international interests.

### Customer Service

Airbus Customer Services provides a full range of support services to airlines so that they can operate their Airbus fleet safely, efficiently and on schedule. The Airbus Customer Services directorate heads an engineering and technical support group, a flight operations support group, a technical documentation organisation, a network of training and spare parts support centres, customer support teams and field services teams that are based at customer airlines. Airbus thereby aims to satisfy all of its customers' pre-delivery and in-service support and services requirements. Airbus Customer Services currently supports approximately 5,200 Airbus aircraft, ranging from the smallest short range A318 to the large double deck A380.

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

The development of services is particularly important in the area of integrated maintenance packages, where Airbus offers a suite of services, Flight Hours Services (FHS) and Tailored Support Package (TSP), to assist customers seeking to reduce their spare parts and maintenance investments.

In 2008, Airbus launched several innovations in the area of customer services, such as AirStart, a consulting service specifically designed for new operators which offers broad expertise in flight operations, maintenance and engineering, material and logistics and training. Airbus has also established a comprehensive fuel efficiency service to optimise aircraft performance and identify fuel-efficient maintenance tasks. Improvements have also been made in repair engineering support through development of a new tool (Repair Manager) to allow better and faster response times to repair needs.

Finally, to accompany Airbus operators in all regions of the world, Airbus opened a new Material and Logistics Centre located next to the Dubai International Airport in 2008. The 24-hour a day centre will stock more than 5,000 different parts with around 43,000 items in at any one time, offering customer support and aircraft spares distribution to regional and worldwide destinations 24-hours a day.

## Production

### Industrial Organisation

Each task in the building of Airbus aircraft (from design, definition and production to product or operational support) is allocated to a designated Centre of Excellence ("**CoE**") according to its specialised expertise. In connection with the implementation of Power8, as discussed above, Airbus underwent a major reorganisation and revised its CoEs to ensure that they were fully transnational. The current CoEs cover Fuselage and Cabin, Wing and Pylon, Aft Fuselage and Empennage and Aerostructures. The development of centres of excellence constitutes an essential feature of Airbus manufacturing.

The CoEs are overseen by Airbus' head of operations and his team, who are in charge of all industrial processes. This includes ensuring that the best tools, methods and processes are selected and implemented across the CoEs in order to increase efficiency and control costs.

Programmes, which is responsible for the work of the final assembly lines including cabin definition and installation as well as overall management processes, works closely with the CoEs, to secure firm commitments from them on what is delivered to the final assembly lines.

The CoEs also maintain close links with core functions such as procurement, human resources, engineering, quality and customer services to develop and manage skills, manage policies and ensure that Airbus employees share knowledge and ideas with colleagues in other CoEs.

In 2008, EADS and Airbus completed the aerostructures reorganisation strategy initiated under Power8. This initiative combines the divestment of non-core activities and sites in order to establish a network of strong tier one suppliers, allowing Airbus to concentrate on its core business as an aircraft architect and integrator. Accordingly, GKN Aerospace acquired the Airbus wing component and sub-assembly manufacturing facility in Filton, UK, and Diehl/Thales acquired Airbus' site in Laupheim, Germany. Prior to this, the carve-out process for the former German Airbus sites in Nordenham and Varel and the former EADS site in Augsburg to create the new Premium AEROTEC GmbH was also accomplished. A similar process was undertaken in France, where Meaulte and St. Nazaire Ville are now the foundation of Aerolia S.A. Both Premium AEROTEC and Aerolia commenced full operations on 1 January 2009 under EADS ownership, and are well positioned to become major players on the global aerostructure market. Not only will all companies be significantly involved in the A350 XWB programme, they will also commit to the EADS/Airbus Power8 targets.

### Engineering

Engineering innovation at Airbus is driven by Centres of Competence ("CoCs"), which develop general aircraft technologies and provide functional design leadership for specific aircraft components. The CoCs operate transnationally with engineers from each of the CoCs present at all Airbus sites. Airbus engineers work on specific and non-specific aircraft designs to create solutions that meet airline customer needs.

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

The Airbus Engineering testing centre gathers all major systems and integration laboratories as well as the flight test centre in order to have a common approach towards testing of the critical aircraft systems.

Over the course of the last seven years, Airbus has opened engineering centres in Wichita (Kansas, US), in Mobile (Alabama, US), in Moscow (Russia), in Bangalore (India) and in Beijing (China), through which it has gained access to a large pool of experienced aerospace engineers.

In 2008, Airbus Engineering took significant steps towards maturing the A350 design in terms of structural architecture and large-scale structural demonstrators, tuning of aerodynamic performance, systems architecture design, major system supplier selection and propulsion integration studies. Airbus Engineering also signed on to the European CleanSky Research & Technology programme, in which Airbus is involved with all major European aeronautics companies.

### Manufacturing Facilities and Production Flow

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

### Targeted Deliveries in 2009

Airbus delivered 483 aircraft in 2008 (compared to 453 in 2007) and is targeting delivery of approximately the same number of aircraft in 2009. Any major production, market disruption or economic downturn could lead to revision of these figures. See also "— 1.2 Recent Developments".

## AIRBUS MILITARY

### Introduction and Overview

As discussed above, the former Military Transport Aircraft division has been integrated into Airbus under the name of "Airbus Military".

Airbus Military produces and sells special mission aircraft, which are derived from existing aircraft platforms and are dedicated to specialised military and security tasks such as in-flight refuelling capabilities, maritime surveillance and antisubmarine warfare. Airbus Military also manufactures and sells medium and light military transport aircraft and is responsible for the European heavy military transport A400M project.

In 2008, the former MTA division recorded revenues of €2.8 billion, representing 6.4% of EADS' total revenues.

### Strategy

Airbus Military's strategy is to further develop its core businesses and increase market share by leveraging EADS'

technology know-how, while at the same time enhancing profitability. Accordingly, Airbus Military is actively:

#### **Consolidating its position as a major supplier of special mission aircraft**

As a supplier of special mission aircraft, Airbus Military satisfies customers' mission-specific requirements by relying on its own specialised technologies as well as those of EADS' wide range of platforms. Airbus Military will seek further consolidation of its position in this market in the future, in particular through its offering of the A330 Multi-Role Tanker Transport (MRTT) aircraft.

#### **Maintaining its leadership for military transport aircraft**

Airbus Military is a global leader in the market segments for medium and light military transport aircraft. Through the addition of the A400M heavy transport aircraft, Airbus Military expects to offer a full range of tactical military transport aircraft.

### **Market**

#### **Special Mission Aircraft**

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

Moreover, modern defence and warfare require independent access to complex forms of information in various operational theatres, and customers are therefore increasingly demanding comprehensive systems tailored to their specific operational requirements. This development and European defence and security needs are expected to boost demand for special mission aircraft in the near term. Airbus Military believes that it is well positioned in this market based on the range of customised solutions that it offers.

#### **Military Transport Aircraft**

Governments and national organisations constitute the main customers in the market for military transport aircraft. This market consists of three segments: (i) light transport aircraft, with a payload of one to three tonnes, (ii) medium transport aircraft, with a payload of four to fourteen tonnes, and (iii) heavy transport aircraft, with a payload of fifteen tonnes or more. According to an analysis by the Teal Group — an independent aerospace and defence industry consulting firm — the global market for military transport aircraft during the next ten years is expected to amount to approximately US\$ 52 billion.

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

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

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

### **Products and Services**

#### **Special Mission Aircraft**

*Strategic Tanker Aircraft — A330 MRTT.* The A330 MRTT, a derivative of the successful Airbus A330/A340 family, is the world's leading air-to-air refuelling aircraft. Its huge basic fuel capacity means that no auxiliary tanks are needed to give air-to-air refuelling performance that far exceeds its nearest competitors. Fuel is passed through an innovative fly-by-wire refuelling boom that delivers a larger refuelling envelope and better control than other systems. As the A330 MRTT does not need auxiliary fuel tanks, the entire cargo bay is available for freight, with the possibility of incorporating LD3 or LD6 containers, military pallets and/or any other type of load device in use today.

The A330 MRTT is being considered for multi-role tanker transport mission requirements throughout the world. To date, Airbus Military has won contracts for the A330 MRTT with the governments of Australia, Saudi Arabia and the UAE, which have ordered five, three and three aircraft, respectively. In addition, in early 2008, AirTanker (the EADS-led consortium) signed a 27-year contract with the UK Ministry of Defence in connection with the latter's Future Strategic Tanker Aircraft ("FSTA") programme. The FSTA programme includes the provision of a fleet of 14 new tanker aircraft, based on the latest

generation Airbus A330-200 to enter service from 2011, replacing the previous fleet of VC-10 and Tristar refuelling aircraft. The contract also includes provision for all necessary infrastructure, training, maintenance, flight management, fleet management and ground services to enable the Royal Air Force to fly air-to-air refuelling and transport missions worldwide.

In the US, the Air Force had also been conducting a programme to replace its ageing fleet of air-to-air refuelling aircraft, pursuant to which EADS had teamed up with Northrop Grumman (as prime contractor) in preparing a proposal to satisfy the US Air Force's requirements. In early 2008, the US Air Force announced that it had awarded the initial contract to Northrop Grumman, which was later challenged by Boeing before the Government Accountability Office (GAO). Following the upholding of this challenge by the GAO, the US Department of Defense has announced the termination of the current tanker competition for the time being.

Finally, Airbus Military is leading a technological programme aimed at developing a new "air-to-air refuelling boom system" ("ARBS"). The new ARBS is designed to provide a refuelling performance that is substantially faster than that of the competition — a considerable advantage given the vulnerability of the aircraft during the refuelling procedure. During 2008, Airbus Military conducted multiple wet and dry contacts and a flight test, while finalising development of a prototype. The industrial planning for serial production of the new ARBS has been fixed for 2009.

**Maritime Patrol Aircraft.** Airbus Military provides different solutions ranging from maritime surveillance to anti-submarine warfare missions through aircraft based on the C-212, CN-235, C-295 or P-3 Orion platforms. The accomplishment of these missions is achieved by means of a Fully Integrated Tactical System (FITS), a new generation, open architecture, proven, reliable and cost efficient solution. In 2008, the US Coast Guard ordered three additional CN-235 aircraft as part of the "Deepwater" programme, bringing its total to 11 firm orders from a plan to purchase a total of 36 aircraft. The Mexican Navy ordered two CN-235 aircraft in 2008 for maritime patrol missions. In terms of deliveries, Airbus Military delivered five CN-235 aircraft (military patrol version) in 2008, to the Guardia Civil and US Coast Guard.

The modernisation of two CN-235 aircraft on behalf of the Irish Air Corps and the conversion of six CN-235 military transport aircraft into maritime patrol aircraft on behalf of the Spanish MoD are also progressing on schedule. In both cases, the first deliveries took place at the end of 2007 and the following ones in 2008.

### Military Transport Aircraft

**Airbus A400M.** The A400M is designed to meet the future large aircraft requirements of seven European nations seeking to replace their ageing C-130 Hercules and C-160 Transall fleets. In addition to fast and flexible intercontinental force projection, the new aircraft is intended to respond to changing geopolitical requirements (including increased humanitarian and peacekeeping missions).

In May 2003, OCCAR signed a contract with Airbus Military to order 180 A400M aircraft on behalf of seven nations: Germany committed to 60 aircraft, France to 50, Spain to 27, the UK to 25, Turkey to 10 and Belgium to 8 (including one on behalf of Luxembourg). In addition to the initial 180 aircraft, export orders (8 for South Africa and 4 for Malaysia) bring the total order book for the A400M aircraft to 192 at the end of 2008.

On 25 September 2008, EADS announced an undefined delay of the first flight of the A400M, mainly due to the unavailability of the propulsion system. This undefined delay was primarily due to an official notice from the engine manufacturers' consortium as to their inability to specify a new delivery date for the A400M engines. Moreover, other major suppliers of mission critical systems and of system integration indicated that they were severely struggling with the challenging technical requirements of this aircraft.

On 9 January 2009, Airbus Military and EADS announced that they had proposed a new programme approach for the A400M to the European launch nations, through OCCAR, with the aim to find an appropriate way forward for this programme. Airbus Military and EADS wanted to initiate discussions around the programme schedule along with changes to other areas of the contract including in particular certain technical characteristics of this military aircraft. In line with complex military development programmes, Airbus Military suggested to resume series production only once adequate maturity is reached based on flight test results. With such new approach, the first delivery of the A400M would then occur three years after its first flight. Airbus Military and EADS will only be able to update all of the financial consequences of a revised industrial plan, once the availability of the engines and mission critical systems is firmly determined and once OCCAR's position on the proposal is known. See "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" for further detail.

**CN-235 — Medium Military Transport.** The first version in the CN-235 family, the S-10, entered into service in 1987. The latest one, the Series 300, is a new-generation, twin turboprop, pressurised aircraft. The CN-235-300 is capable of transporting a payload of up to 6,000 kg, accommodating (i) 36 paratroopers,

(ii) 18 stretchers plus three medical attendants, (iii) four of the most widely used types of freight pallets, or (iv) oversized loads such as aircraft engines or helicopter blades. Paratrooper operations can be performed through the two lateral doors in the rear part of the aircraft or over the rear ramp. Variants of the CN-235-300 are used for other missions such as maritime patrol or pollution control, among others.

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

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

In 2008, Airbus Military signed a contract with Botswana for the supply of one CN-235 aircraft and with the US Company

L3 for two, one of which as already been delivered. During 2008, Airbus Military delivered two CN-235s to L3, a US company, as well as four C-295 aircraft to Brazil as part of a contract for twelve C-295 aircraft signed in 2005. In addition, two C-295 aircraft were delivered to Poland.

*C-212 — Light Military Transport.* The C-212 was designed as a simple and reliable unpressurised aircraft able to operate from makeshift airstrips in order to perform both civilian and military tasks. The first version, the S-100, entered into service in 1974. The latest version, the S-400, incorporates several improvements such as new avionics and engines for enhanced performance in hot climates and high altitudes, as well as improved short take-off and landing performance. In addition, the C-212's rear cargo door provides multi-mission capability with a configuration that can be changed quickly and easily, thereby reducing turnaround times. In 2008, three C-212 aircraft were ordered by Vietnam, and one C-212 aircraft was delivered to Korea.

### Production

The C-212, CN-235 and C-295 are manufactured at a facility located at the San Pablo airport in Seville. In 2007, the assembly of the A400M started in a new facility in Seville.

## 1.1.3 Eurocopter

### INTRODUCTION AND OVERVIEW

Eurocopter is a global leader in the civil and military helicopter market, offering one of the most complete and modern ranges of helicopters and related services. In 2008, Eurocopter maintained its leadership by capturing more than 50% of the civil helicopter market in terms of deliveries and by achieving strong growth in its military order book.

In 2008, Eurocopter recorded revenues of €4.5 billion, representing 10.4% of EADS' total revenues.

### STRATEGY

Eurocopter aims at strengthening its market position by further balancing its portfolio of military and civil business, and increasing its share of revenue generated by services activities in order to achieve sustained profitable growth. To this end, Eurocopter is actively:

#### Pursuing internal growth and international expansion

Management is focused on strengthening Eurocopter's position in the markets where it has traditionally held a strong position, such as the US civil and homeland security market, and further

developing its presence in potential growth markets such as China, India, South America and Eastern Europe. Part of its strategy relies on the offering of leading edge technology products in all its markets, such as the first successful sale of large quantities of helicopter systems to the US Army by a non-US manufacturer. Eurocopter will seek to pursue this expansion through both organic and external growth, with a focus on services. Eurocopter will also seek to capitalise on its experience of cooperation with local industries for programme development and joint production projects.

#### Implementing an ambitious product and services policy

In order to maintain market leadership and technological superiority, Eurocopter must continuously invest in and renew its comprehensive product line of civil and military helicopters. Accordingly, management is currently focused on (i) strengthening the market position of key products such as the Ecureuil family, the Dauphin, the EC135, the EC145 and the EC225/725, (ii) promoting Eurocopter's most recent products (Tiger and NH90), and (iii) enhancing its product line (e.g. co-development of the civil medium lift EC175 with China and partnership with Korean industry to develop the military utility Korean Helicopter Programme ("KHP")). Through the

combination of core technological solutions with high-value customisation capabilities, Eurocopter seeks to offer a cost efficient solution to multi mission needs, for both civil and military customers throughout all segments of the helicopter market.

In addition, Eurocopter will seek a significant expansion in its service offering in order to enhance aircraft availability as well as mission performance and cost effectiveness for its customers, while increasing margins on longer-term contracts through the provision of higher value added services. Eurocopter is also considering further development on training and software maintenance activities, which have been identified as key drivers for the future.

## MARKET

### Market Drivers

In 2008, the value of helicopters delivered worldwide was estimated at over €8.8 billion, a figure that management believes may grow to €11.5 billion in 2009. According to market forecasts published by The Teal Group, Honeywell and Rolls Royce, between 7,500 to 9,000 civil helicopters and 5,000 to 5,500 military helicopters are expected to be built globally between 2008 and 2016. This forecast, particularly with respect to the military segment, relies to a large extent on the large US development programmes.

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

The military segment is highly competitive and is characterised by competitive restrictions on foreign manufacturers' access to the domestic defence bidding process, sometimes to the virtual exclusion of imports. Nevertheless, with the introduction of the Tiger, NH90 and EC725 and with a more aggressive approach to international industrial cooperation, Eurocopter's share of the global market for military helicopters has increased, and the market in 2008 was nearly balanced between competitors. Eurocopter's main competitors in this segment are Agusta-Westland in Europe, and in the United States Bell Helicopter (a division of Textron Inc.), Boeing and Sikorsky. In addition, the

Russian manufacturers have reappeared after a complete reorganisation on commercial and industrial fronts. Recently they have been more aggressive particularly in the Asian and Latin American markets. Military sales accounted for 46% of Eurocopter's revenues in 2008.

Helicopters sold in the civil sector provide transport for corporate executives, offshore oil operations, diverse commercial applications and state agencies, including coast guard, police, medical and fire-fighting services. Management expects that the value of global civil deliveries will stabilise and possibly decrease if the financial crisis deepens and lasts beyond 2010. Market data indicates that in 2008, worldwide deliveries of civil turbine helicopters stood at approximately 945 units.

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

### Customers and Marketing

Approximately 2,800 operators worldwide currently operate Eurocopter helicopters in 142 countries, forming a broad base for Eurocopter's customer support activities. Eighty-five percent of Eurocopter's customers have fleets of between one and four helicopters. Eurocopter's principal military clients are European Ministries of Defence (MoDs), as well as MoDs in Asia and the US. In the civil and parapublic market, Eurocopter has a leading market share in Europe, the US and Canada.

The versatility and reliability of Eurocopter products have made them the preferred choice of the most prominent customers. The world's largest offshore operators (Bristow, CHC, Era, PHI, etc.) use Eurocopter helicopters for passenger transport and offshore oil industry support. In the emergency medical services market segment, Eurocopter helicopters dominate the fleets of large operators such as Air Methods in the US and ADAC in Germany. Agencies with high serviceability requirements, including police and armed forces, also rely on Eurocopter products.

Eurocopter's global marketing strategy is reflected in the scale of its large international network. Eurocopter's network currently encompasses 18 foreign subsidiaries, complemented by a network of authorised distributors and service centres aimed at a large number of existing and potential clients. Eurocopter strengthened its subsidiary network in 2008 through the creation of a wholly owned subsidiary in Indonesia and the acquisition of Mortorflug in Germany. In addition, Eurocopter has developed expertise in production licensing, joint production and subcontracting agreements, and has been developing links with industrial partners and suppliers in more than 35 countries.



## PRODUCTS AND SERVICES

### Existing Products

Eurocopter offers a complete range of helicopters that covers nearly the entire civil and military market spectrum, which it updates continuously with leading-edge technologies. This

product range includes light single-engine, light twin-engine, medium and medium-heavy helicopters, and is based on a series of new-generation platforms designed to be adaptable to both military and civil applications. In addition, products share multiple technical features as part of a family concept approach.

The following table sets forth Eurocopter's existing product line, consisting of optimised products for different mission types:

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

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

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

*Civil range.* Eurocopter has consistently made strong efforts to update and renew its civil product line in order to enhance and maintain its competitive edge in the civil segment. Over the years Eurocopter has successfully introduced internationally new products such as the light single-engine EC120 and the light twin-engine EC135, and major product upgrades such as the EC155 latest evolution of the medium-class Dauphin, as well as the EC145. The latest addition to the heavy-class family is the EC225. It is designed for passenger transport, in particular Oil & Gas and VIP, but also for public service missions, such as search and rescue (SAR).

In 2008, Eurocopter received 703 firm orders for its civil range of helicopters, and delivered 559 to customers.

*Light Utility Helicopter (LUH) programme.* The US Army has selected the UH-72A Lakota (a military derivative of the commercial EC145) as its next-generation LUH, with a requirement for up to 345 aircraft over a 10-year span with a total life-cycle value of more than \$ 2 billion. The US Army ordered 42 aircraft in 2006, followed by additional orders for 43 aircraft in 2007 and 39 aircraft in 2008. There were 38 LUH deliveries in 2008, for a total of 51 deliveries as of the end of 2008. All deliveries were made from American Eurocopter's new facility in Columbus, Mississippi.

### Products in Development

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

*NH90.* Designed for modern multi-mission capabilities and cost effectiveness throughout its lifecycle, the NH90 has been developed as a multi-role helicopter for both tactical transport (TTH) and naval (NFH) applications. The programme, mainly financed by the governments of France, Germany, Italy and the Netherlands, has been jointly developed by Eurocopter, Agusta-Westland of Italy and Fokker Services of the Netherlands as joint partners in Nato Helicopter Industries ("NHI") in direct proportion to their countries' expressed procurement commitments. Eurocopter's share of NHI is 62.5%. Production of the first lot of 243 helicopters and 55 optional helicopters to be delivered to the four partner countries started in 2000, with 14 deliveries in 2008 (2 to Germany, 4 to Italy, 5 to Finland and 3 to Australia) for a total of 25 deliveries as of the end of 2008.

Following the contract signed in December 2007 with the French Defence Procurement Agency (DGA) for 68 NH90, Eurocopter received an order in 2008 for a first batch of 12 aircraft. At the end of 2008 the NH90's backlog stood at 482 firm orders.

The NH90 has rapidly become the reference military tactical helicopter for armed forces worldwide, with orders for 23 different versions from 14 countries. The strong commercial success of the NH90, combined with the complexity of such a modern aircraft and the management of relationships between industry and customers has generated a significant increase in programme management challenges. In order to better manage these challenges, Eurocopter launched an action plan in 2008 to revisit programme governance (including industry re-organisation), reframe contract management, and restructure industry processes (with a focus on simplification, clearer allocation of responsibility and increased responsiveness).

*Tiger.* The Tiger combat attack helicopter programme includes four variants based on the same airframe: the HAP (turreted gun, rockets and air-to-air missile), 40 of which have been ordered by France; the UHT (antitank missile, air-to-air missile, axial gun and rockets), 80 of which have been ordered by Germany; the ARH (antitank missile, turreted gun and rockets), 22 of which have been ordered by Australia; and the HAD (antitank missile, air-to-air missile, turreted gun, rockets and upgraded avionics and engines), 24 and 40 of which have been ordered by Spain and France, respectively. In 2008, Eurocopter received final qualification of the HAP and UHT versions, and made continued progress on the HAD version.

There were 15 Tiger deliveries in 2008 (4 to France, 2 to Spain, 4 to Germany and 5 to Australia), for a total of 48 deliveries as of the end of 2008.

*KHP.* The Korean government chose Eurocopter as the prime partner of Korea Aerospace Industries ("KAI") in the new KHP programme for the development of Korea's first military transport helicopter in the 8 metric ton class. The 6-year KHP development phase will run from 2006 to 2011. In the following 10-year production phase, 245 helicopters are to be manufactured. As the primary partner of KAI, Eurocopter has a stake of 30% in the development phase and 20% in the production phase. Eurocopter and KAI have agreed to establish a 49% EC/51% KAI subsidiary to market the export version of the KHP.

*EC175.* Eurocopter and Chinese AVIC II Corporation launched the joint development and production (on a 50/50 basis) of the EC175, a civil helicopter in the 6-ton category, which will broaden both partners' product ranges. The 5-year development phase began in 2006. In 2008, the EC175 was unveiled at the US-based Heli-Expo, which led to the signature of letters of intent with 13 operators for a total of 111 aircraft. Assembly of

the first prototype began at the end of 2008 in Marignane following the delivery of the first airframe structure from the Chinese partner. The new civil helicopter is due to make its first flight in 2009, with delivery of the first EC175 helicopter expected to occur in 2012.

### Customer Support

As of 31 December 2008, Eurocopter products constituted the world's second largest manufacturer fleet, with more than 10,600 helicopters in service worldwide. As a result, customer support activities to service this large fleet generated 33% of Eurocopter's revenues for 2008. Eurocopter's customer support activities consist primarily of training, technical support, maintenance, repairs and spare parts supply. To provide efficient worldwide service, Eurocopter has established an international network of subsidiaries, authorised distributors and service centres. Furthermore, in order to meet globalising customer demand, Eurocopter is extending the range of services it provides to its customers.

In 2008, Eurocopter launched an EC225 Flight Training Device project in Aberdeen (UK) to reinforce local support to Oil & Gas customers, and inaugurated the first EC225 full flight simulator to reinforce training capacities for customers. In addition, the RFT (Ready For Training) declaration of the first NH90 Full Mission Flight Simulator was signed in Germany.

Eurocopter seeks to continuously improve the quality of its service offering, such as spares delivery performance, which in 2008 recorded an on-time delivery ratio of approximately 90%.

### PRODUCTION

Eurocopter's industrial activities are conducted in five primary locations, two in France, two in Germany and one in Spain. The French sites are Marignane, in southern France, and La Courneuve, near Paris. The German sites are located in Donauwörth and Ottobrunn, near Munich. The Spanish site is located in Albacete.

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

The Columbus plant of American Eurocopter in Mississippi continued to undergo major expansion in 2008 to support LUH production, assembly and delivery. Industrial activity commenced in 2006 with LUH assembly and delivery and is now at full-scale production following the production authorisation granted by the Federal Aviation Administration in 2007. Activities at the Columbus plant also include production

and assembly of the AS350 and EC120 for US Customs and Border Patrol as well as the support of the US Coast Guard's programme of modernisation of its Dolphin helicopter fleet.

Overall, serial helicopter deliveries increased by approximately 21% in 2008 and are expected to stabilise in 2009. Eurocopter will continue to pursue international expansion of its global supply chain with an emphasis on dollar-based and low-cost sourcing in particular. For example, in 2008, Eurocopter signed

partnerships with HAL (India) for the manufacturing of Ecureuil airframes, transferred the NH90 front fuselage manufacturing to Spain and the EC145 tailboom to AE (Mississippi, US), started the serial production in HAI (Greece) of new composite elements and completed a composite facility in Australia (Brisbane) within the framework of a joint venture with Daher (production to start in early 2009). It is also actively seeking to rationalise its supply network and streamline its internal industrial organisation.

## 1.1.4 Astrium

### INTRODUCTION AND OVERVIEW

Astrium designs, develops and manufactures satellites, orbital infrastructures and launcher systems and provides space services. It is the third largest space systems manufacturing company in the world after Boeing and Lockheed Martin and the leading European supplier of satellites, orbital infrastructures, launchers and associated services. In 2008, Astrium recorded revenues of €4.3 billion, representing 9.9% of EADS' total revenues.

Astrium has three main business units: Astrium Satellites, Astrium Space Transportation and Astrium Services. These include the provision of launch services through Astrium's shareholdings in Arianespace (Ariane 5 launcher), Starsem (Soyuz launcher) and Eurocot (Rockot launcher), as well as services related to telecommunications and Earth observation satellites through wholly or majority owned subsidiaries such as Paradigm Secure Communications, Infoterra and Spot Image.

### STRATEGY

With an established presence in five European countries with active space programmes (France, Germany, United Kingdom, Spain and the Netherlands), Astrium is the only European company to offer comprehensive expertise in all areas of the space industry (satellites, launchers, orbital infrastructure and services). Astrium's strategy is to build on these key strategic assets and to strengthen its position in the market. In particular, with the launchers and satellites markets being flat, Astrium has successfully built a services activity which is expected to provide the largest part of its development in the coming years.

#### Generate profitable growth in a flat market

Institutional and military spending on space activities is flat in Europe due to existing budget constraints. There is also intense competition in commercial markets for launchers and telecommunication satellites, in particular given the historical lows reached by the US dollar against the euro during most of

2008. Within this difficult market context, Astrium is pursuing the following strategy:

- with respect to the Ariane launcher and M51 missile systems, Astrium Space Transportation has sought to rationalise and streamline its activities by assuming the role of prime contractor (as opposed to a main supplier and industrial architect only). This has strongly contributed to increasing the reliability and cost effectiveness of these products. In addition, Astrium is currently the second largest shareholder of Arianespace with a 30.5% stake. Astrium Space Transportation will seek to build on this leadership to better serve its customers;
- with respect to satellites and services, Astrium has sought in recent years to move from being solely a systems supplier to a leader of satellite service provision in secure communications and navigation. The successful deployment of a secure global military satellite communications system to primarily serve the UK Ministry of Defence in 2008 and the planned launch of a similar system on behalf of the German Armed Forces (Bundeswehr) in 2009 represent important steps forward. In the future, Astrium will seek to expand its offering of innovative, highly competitive end-to-end tailored solutions in the field of secure communications. It will also seek to enhance its presence in the satellite navigation field, in particular following the reorganisation of development of a European global satellite navigation system, "Galileo", as discussed below, and to leverage its leading position in earth observation services.

#### Attain European benchmark profitability

Management is committed to the implementation of additional measures to enhance profitability and innovation ("Innovex" for Astrium Satellites, "Boost+" for Astrium Space Transportation and "Impact" for Astrium Services). These measures target continued margin improvement between now and the end of the decade.

## ASTRIUM SATELLITES

Astrium Satellites is a world leader in the design and manufacture of satellite systems, payloads, ground infrastructure and space equipment for a wide range of civil and military applications. Prime contractor for over 80 communications satellites, Astrium Satellites is a partner of choice for many of the world's most prestigious operators. Astrium Satellites' business covers the four categories of satellite systems described below:

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

At the end of 2008, Astrium acquired Surrey Satellite Technology Limited (SSTL), the innovative University of Surrey spin-out company, expanding its product range to the small satellites and subsystems end of the market.

### Market

The commercial telecommunications satellite market is extremely competitive, with customer decisions based on price, technical expertise and track record. Astrium Satellites has a worldwide market share of approximately 20% according to internal estimates, and its main competitors are Boeing, Lockheed Martin and Loral of the United States and Thales Alenia Space (TAS) of France and Italy. Management views the telecommunications satellite market as one of slow but sustained growth, supported by factors such as (i) increased telecommunications demand, including Internet, multimedia and military needs, and (ii) greater demand to replace aging products. In the face of continued strong competition, Astrium Satellites will seek to consolidate its position in this market.

In the market for observation, scientific and navigation satellites, competition in Europe is organised either on a national or multinational (European Space Agency (ESA), Eumetsat) level. In the latter instance, a fair return principle pursuant to which contracts are awarded to national suppliers in proportion to the respective financial contribution made by their governments is often employed. There is also sizable export demand for Earth observation systems, for which EADS is currently the sole significant European provider. Furthermore, civil state agencies, including ESA, have displayed increased needs for Earth observation satellites in the framework of European environmental programmes. Management expects this market to remain stable over the medium term.

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

### Products

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

*Telecommunications Satellites.* Astrium Satellites produces telecommunication satellites for fixed and mobile applications and direct-to-home broadcast services. EADS' geostationary telecommunications satellites are based on the EUROSTAR family platforms (56 ordered to date), the latest version of which is EUROSTAR 3000.

Astrium Satellites won two commercial satellite orders in 2008 (for an 18% worldwide market share), all based on the EUROSTAR platform (Express AM 4 for RSCC and Astra 1N for SES). Six commercial telecommunication satellites were successfully launched in 2008: Arabsat 4 AR for Arabsat, Inmarsat IV F3 for Inmarsat (August 2008); Nimiq for Telesat (September 2008); Astra 1M for SES (November 2008); HB9 and W2M for Eutelsat in December 2008).

*Observation and Science Satellites.* Astrium Satellites is the leading European supplier of Earth observation satellite systems for both civil and military applications. In this field, Astrium

Satellites derives significant benefits from the common elements of its civil and military programmes.

Astrium Satellites designs and manufactures a wide range of highly versatile platforms, optical and radar instruments, and ground segment equipment for the complete scope of remote-sensing applications, operations and services. Astrium Satellites is the prime contractor for many of ESA's and French Space Agency's (CNES) principal observation programmes. In particular, it is the prime contractor for (i) the Spot multi-mission platform series, in use in 15 European Earth observation satellites and recognised as an industry standard, (ii) Metop, a next-generation polar-orbiting meteorological satellite, with the first one out of three having been launched in 2006, (iii) Pleiades, two small and highly agile earth observation satellites for civil and military applications, expected to be launched in 2009, (iv) Swarm, a climatology satellite monitoring the evolution of the earth's magnetic fields, (v) Cryosat 2, a radar satellite designed to monitor the thickness of polar ice caps, (vi) Tandem X, an imagery satellite, (vii) Bepi Colombo, an observation mission to Mercury, and (viii) Seosat and Seosar, a radar earth observation system for the Spanish government.

An observation satellite was sold to Chile in 2008. Theos, an observation satellite for Thailand, was launched in October 2008.

*Navigation Satellites.* Following the decision reached by the European Union at the end of 2007 to move ahead with the development of a European global satellite navigation system, "Galileo", ESA has been placed in charge of direct procurement of the various necessary components (space segment, ground segment, system support, launchers, etc.). With respect to the satellites needed for the validation phase of the programme, Astrium successfully launched the Giove B satellite in April 2008.

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

## ASTRIUM SPACE TRANSPORTATION

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

## Orbital Infrastructure

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

### Market

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

### Products

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

Astrium Space Transportation is also the prime contractor for the development and construction of the ATV, designed to carry fuel and supplies to the ISS and to provide reboost capability and a waste disposal solution. The first ATV, Jules Vernes, was launched on 9 March 2008, and docked to the ISS. After six months in orbit, it was de-docked from the ISS and burned when re-entering the atmosphere. Additional ATV missions are scheduled through 2013.

## Launchers & Launch Services

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

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

### Market

The commercial market for launch services has changed significantly in recent years. Russian companies and state agencies have increased their prices dramatically, thereby making other launchers more competitive in the market. Management believes that the commercial market for launch services will likely remain stable at 20/25 payloads per year, relating primarily to the launch of geostationary telecommunications satellites. However, due to various factors (e.g., technology advances and consolidation of customers), this figure remains highly volatile. This market does not include institutional launch services for the US, Russian and Chinese military and governmental agencies.

In the area of national defence, Astrium Space Transportation has been the exclusive supplier of ballistic missiles to the French State since the early 1960s. In addition to conducting production and state-financed development work, Astrium Space Transportation performs substantial maintenance work on the ballistic missile arsenal to ensure system readiness over the life span of the equipment, which may stretch over several decades. Astrium Space Transportation also provides on-site support to the French military. Finally, Astrium Space Transportation is working in partnership with others on a NATO contract relating to theatre missile defence architecture.

### Products and Services

**Launch Services.** Astrium Space Transportation is active in the field of launch services through its shareholdings in Arianespace (for heavy-lift launchers), Starsem (for medium-lift launchers) and Eurockot (for small-lift launchers).

➤ **Arianespace.** Astrium Space Transportation is Arianespace's second largest shareholder (after CNES) with a 30.5% stake (direct and indirect), and its largest industrial shareholder. Arianespace is the world's largest commercial launch service provider in terms of total order book. At the end of 2008, Ariane had launched a total of 265 satellites. Arianespace markets and sells the Ariane launcher worldwide and carries out launches from the Kourou space centre in French Guyana.

In 2008, Arianespace won twelve new commercial contracts, representing more than 70% of the available market, and one institutional contract. Arianespace conducted six Ariane launches, which placed eight commercial satellites, two institutional satellites and the ATV into orbit. Since 1999, when the first Ariane 5 commercial launch occurred, 37 Ariane 5 rockets have been successfully launched.

➤ **Starsem.** Astrium Space Transportation directly owns 35% of Starsem, a French corporation, along with Arianespace (15%), the Russian space agency (25%) and the Russian state-owned Central Specialised Design Bureau "Progress" (25%). Through Arianespace, Starsem markets launch services by Soyuz launchers for medium-weight spacecrafts into low or sun-synchronous orbits as well as for interplanetary missions. One new contract was signed in 2008, and Starsem successfully launched the Giove B satellite for ESA in April 2008. Work is progressing on the Kourou launch pad, with the first launch (to be operated by Arianespace) scheduled in 2009.

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

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

Astrium Space Transportation has been the sole prime contractor for the Ariane 5 system since 2004. Given the commercial success of Ariane 5, Astrium Space Transportation signed a memorandum of understanding with Arianespace in 2008 to produce 35 Ariane 5 launchers, in addition to the batch of 30 Ariane 5 launchers ordered in 2004.

**Ballistic Missiles.** Astrium Space Transportation is the only company in Europe which designs, manufactures, tests and maintains ballistic missiles. Under its contracts with the French State, Astrium Space Transportation has produced the submarine launched MSBS family (M1, M2, M20, M4 and M45) and developed the launch facilities at the Brest naval base. The M45 is deployed onboard France's new-generation nuclear-powered ballistic missile submarine. Astrium Space Transportation manages the operational maintenance of the M45 missile system, assisting the French armed forces until the end of its operational service.

Astrium Space Transportation is also under contract to develop the M51, a new submarine-based strategic missile system with

increased technical and operational capabilities. The third and last test flight of this new missile was conducted in November 2008 and was fully successful. At the end of 2004, the French MoD awarded Astrium Space Transportation a contract for the M51 production phase and test range facilities with a frame-contract in excess of €3 billion. At the end of 2006 a contract for an enhanced upper-stage was awarded by the French MoD for an amount of more than €200 million, helping to secure Astrium Space Transportation's technical capabilities in this field for the long term.

## ASTRIUM SERVICES

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

### Products and Services

*Military Communications.* In 2003, the UK MoD selected Paradigm to deliver a global military satellite communications service for its next-generation Skynet 5 programme. This groundbreaking contract, pursuant to which Paradigm currently owns and operates the UK military satellite communications infrastructure, allows the UK MoD to place orders and to pay for services as required. Offering a catalogue of services, Paradigm delivers tailored in-theatre and back-to-base communication solutions for voice, data and video services, ranging from a single voice channel to a complete turnkey system incorporating terminals and network management. Paradigm also provides welfare services, ensuring that deployed troops can call home and can use the Internet. The first two Skynet 5 satellites were launched in 2007 and the third was lifted in June 2008, enabling the UK MoD to pronounce full operational service (limited acceptance).

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

75%, ND Satcom: 25%) will operate the system on a long-term basis and provide additional capacity from commercial operators.

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

*Navigation.* Following extensive negotiation and discussion, the EU decided at the end of 2007 to move ahead with development of the Galileo programme. The ESA has been placed in charge of direct procurement of the various necessary components (space segment, ground segment, system support, launchers, etc.) with full deployment targeted for 2013. This process has begun, Astrium Services being a major player in the reorganised programme. The Galileo programme is a major step forward for Europe, representing the first major European-level infrastructure procurement programme with a global dimension that will bring numerous benefits to the continent and the rest of the world. The market potential is promising, as global demand for satellite navigation services and derivative products is growing at approximately 25% a year according to internal estimates.

*Earth Observation Services.* Infoterra provides geoinformation products and services to customers including international corporations, governments and authorities around the world. The successful launch of TerraSAR-X in 2007 — a new radar-based Earth observation satellite that provides high-quality topographic information — enabled Infoterra to significantly expand its capabilities by proposing new kinds of images based on radar. In 2008, Astrium, Infoterra's parent company, increased its shareholding in Spot Image, a provider of satellite-based geographic information and services, from 40% to 81%. In addition, Infoterra acquired Imass Ltd in the UK, a company specialising in precise-positioning solutions.

## PRODUCTION

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

## 1.1.5 Defence & Security

### INTRODUCTION AND OVERVIEW

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

In 2008, the DS division recorded revenues of €5.7 billion, representing 13.1% of EADS’ total revenues.

### STRATEGY

The DS division seeks to provide its customers with a complete portfolio of platforms, systems and services, in support of EADS’ stated objective to improve portfolio balance between Airbus and other EADS activities in the future. DS will therefore focus on maintaining its leadership in core areas (such as combat aircraft, defence electronics, defence and security equipment and systems or missiles) and simultaneously pursue future growth areas (such as unmanned aerial vehicles, integrated systems for global security or comprehensive security and communications solutions). In addition, the DS division will seek to enhance its offering of comprehensive packages of mission-critical services — ranging from consultancy, concept development and simulation to operations and outsourcing solutions. At the same time, it continues to pursue new ways in which to generate internal synergies and cost savings. To this end, the DS division is actively:

#### Supporting the transformation process of customers

Through already existing programmes with NATO and the Defence Ministries of its home countries France, the UK, Germany and Spain, among others, the DS division is actively promoting European and NATO transformation. The DS division also participates in the Network Centric Operations Industry Consortium (NCOIC), an industry-based collaborative forum formed to recommend an architectural approach for system and platform developers within a global network environment. In the future, the DS division will continue to work closely with industry and customer working groups to help define and deliver system solutions geared towards customers’ capacity requirements and transformation needs.

#### Consolidating its position in home markets and targeting selective expansion globally

The DS division will seek to sustain growth by consolidating its position in its home markets of France, Germany, Spain and the

UK. Within these markets, further efforts in the platform, missiles, and security businesses will remain a strategic goal towards profitable growth. At the same time, the DS division will seek to expand its presence in developing markets, including the Middle East, India and Asia.

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

- pursuing specific market segments in the US in which it can offer superior products and technologies, such as the HELLAS obstacle avoidance system for helicopters and the fire control radar electronics of the air defence system MEADS. The DS division has also made headway in the market for professional mobile radio by demonstrating its P25 technology to US states like Wisconsin;
- building strong transatlantic industrial partnerships with US prime contractors to explore new opportunities driven by military transformation, including Northrop Grumman (Euro Hawk®), Lockheed Martin (MEADS, Deepwater, Littoral Combat Ship, COBRA, Missile Defence) and Raytheon (Missile Defence); and
- seeking acquisitions and new partnerships to expand the DS division’s industrial presence in the US across several market sectors, including platform, systems, operational support, defence electronics and security solutions — similar to the acquisition of the US company PlantCML (a leading provider of emergency response solutions) in 2008.

### DEFENCE AND COMMUNICATIONS SYSTEMS (DCS)

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

In 2008, DCS generated 25% of the DS division’s total revenues.



## Market

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

## Products and Services

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

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

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

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

In 2008, DCS reinforced its capabilities in this area through the acquisition of California-based PlantCML, a leading provider of emergency response solutions. PlantCML provides call management and radio dispatch products for emergency call centres, among other things.

## APSYS: Safety Engineering

APSYS is a DS division subsidiary and is managed by the DCS business unit. In 2008, APSYS strengthened its position in the French market for consulting, training and studies services in technical risk management. New expertise was developed to address specific markets and maintain the competitive edge of APSYS, such as software quality insurance, communication systems security, 3D phenomena modeling and transportation scheme performance analysis.

## Dornier Consulting GmbH

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

## Sofrelog

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

## ATLAS ELEKTRONIK

ATLAS ELEKTRONIK GmbH, headquartered in Bremen (Germany), is a joint venture of ThyssenKrupp (51%) and EADS (49%). In 2008, ATLAS ELEKTRONIK achieved important successes, including orders for the command and weapon control system as well as the tactical data link for the new German frigate F125, the delivery of submarine command systems for the Indian Navy, orders by the Finnish Navy in the field of mine hunting and orders by international customers within the sector of maritime safety and security. The company took important steps to assert itself firmly in a market that — although growing — is characterised by increasing competition and cost pressures.

## DEFENCE ELECTRONICS (DE)

As the “Electronics House” of the DS division, DE provides mission-critical elements for data gathering, data processing and distribution for defence and civil security systems. Its dominant business is based on high-end security electronic equipment and subsystems addressing the market for surveillance and reconnaissance, military mission management, protection of own forces and critical infrastructures, as well as testing systems and services.

In 2008, DE generated 16% of the DS division's total revenues.

### Market

DE's main competitors in defence electronics are large and medium-sized US and European companies (*i.e.*, Raytheon, Northrop Grumman, Thales, BAE Systems, Galileo Avionica, Indra and Saab) as well as competitors from Israel. DE's key customers include MoDs, interior ministries, military services, security forces, the in-house EADS systems suppliers and other LSI's worldwide. Through various joint ventures, participations and partnerships, DE has access to customers in every NATO country, in particular in Germany, France, the UK, Spain and Italy, and to important export markets, such as the US, Turkey, India and South Africa.

### Products and Services

*Electronic Warfare and Self Defence.* Growth in electronic warfare (EW) and self-defence is a key strategic goal for DE. DE supplies electronic self-protection systems for aircraft, ships and armoured vehicles, such as laser warning, missile warning and active electronic countermeasure units, including directed infrared countermeasures, self-protection jammers and towed decoys. For example, DE delivers jammers to counter the increasing threat by roadside bombs. It has subsystem responsibility for the A400M's self-protection system, also supplying core EW equipment such as the infrared missile warning system MIRAS. For military mission aircraft, helicopters (NH90, Tiger) and VIP aircraft, DE is developing

solutions to counter threats posed by infrared-guided missiles in particular. To date, DE has sold approximately 5,600 units of its missile warning sensor (MILDS), which is deployed on a variety of helicopters and transport aircraft.

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

*Sensors.* DE is a principal partner in the development of airborne multi-mode radars such as the Captor radar in the Eurofighter programme, and also provides integrated logistics support, maintenance and upgrades. DE is also heavily involved in the technological development and application of next-generation active electronically scanning (AESA) radars for air, naval and ground applications. In the field of fighter radars, an AESA radar demonstrator demonstrated its capabilities in flight on Eurofighter, and in 2008 DE finalised a demonstrator for the land-based application of this new technology. In the area of air defence, DE produces mid-range radars for ship (TRS-3D) and land (TRML-3D) applications. DE also takes a lead role in developing and manufacturing synthetic aperture radars (SAR), which are considered essential for future reconnaissance and surveillance operations. In this field, DE has developed the European stand-off SAR sensor for wide-area surveillance (SOSTAR-X) and provides the Tandem-X space-borne Earth observation satellites with unique radar components.

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

## MILITARY AIR SYSTEMS (MAS)

The MAS business unit specialises in the field of combat air systems — in particular development, production and delivery of the Eurofighter combat aircraft (46% owned by EADS). In addition, MAS produces and tests mission air systems, including unmanned aerial vehicles (UAV). MAS offers corresponding product support, including maintenance, repair and overhaul, modernisation, logistics optimisation, product-specific training and integrated system support centres.

In 2008, MAS finalised the centralisation of all German business activities relating to military air systems at a single site in Manching. The new Military Air Systems Centre in Manching is expected to foster synergies with other parts of the DS division and to reinforce customer relationships, especially with WTD 61 and the German Air Force.

In 2008, MAS generated 40% of the DS division's total revenues.

### Products and Services

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

The Eurofighter programme is organised through the NATO Eurofighter and TORNADO Management Agency (NETMA) for the participating nations. NETMA contracts with Eurofighter GmbH, the programme management company for the Eurofighter programme. The Eurofighter GmbH shareholders and subcontractors are EADS (46% share), BAE Systems (33% share) and Alenia Aerospazio, a division of Finmeccanica (21% share). With regard to series production, the respective production workshares of the participating partners within the Eurofighter consortium stand at 43% for EADS, 37.5% for BAE Systems and 19.5% for Alenia, reflecting the relative number of aircraft ordered by each country's programme participant. EADS is responsible for the centre fuselage, the flight control system, the manufacturing of the right wing and leading edge slats for all aircraft ordered under the programme, as well as the final assembly of the 180 aircraft ordered by the German Air Force

and 87 aircraft ordered by the Spanish Air Force. The final assembly of the Eurofighter takes place in the relevant contracting country: Manching in Germany, Getafe in Spain, Warton in the UK and Torino in Italy.

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

Delivery of the first tranche of 148 aircraft (including six instrumented production aircraft) was completed in 2008 and final assembly of the second tranche of 236 aircraft is currently ramping up, with 22 aircraft (including one instrumented production aircraft) delivered in 2008. Outside the core programme, Eurofighter has already sold 15 aircraft to Austria (with nine deliveries through the end of 2008), and further export opportunities are believed to exist in Europe and the Far East. A government-to-government agreement has been reached between the UK and Saudi Arabia on the purchase of Eurofighter aircraft, marking the first export success of the aircraft outside Europe. The respective contract between the two governments regarding the delivery of 72 aircraft was signed in 2007. Delivery of the Eurofighter for the Royal Saudi Air Force (RSAF) is planned to begin in mid-2009.

*Mission Air Systems - Advanced UAV Systems.* In response to Germany's need for wide-area surveillance and stand-off reconnaissance, MAS and its US partner Northrop Grumman are, through their joint venture EuroHawk GmbH, supplying it with the HALE-UAV System Euro Hawk. Euro Hawk is a high-altitude unmanned aerial system for signal intelligence (SIGINT) that has been specially equipped to meet national requirements. It is based on the Global Hawk RQ4-B platform developed by Northrop Grumman. MAS is responsible for the overall mission system including situation analysis and report, as well as sensor-payload and modifications. The German air force plans to start operational flying with the Euro Hawk FSD by 2011.

The European countries Germany, France and Spain have commissioned the programme “Advanced UAV” to analyse and more closely define the system needed to fulfil the requirements placed by the military customer for future unmanned surveillance and reconnaissance missions. The novel aspect of this approach is a modular system-of-systems design and the integration of the UAV in a network-enabled operations scenario. The three countries awarded a 15-month risk-reduction study in December 2007 for high performance UAVs.

DRAC (Drone de Renseignement Au Contact) tactical UAV is based on the TRACKER, developed in partnership between MAS and SurveyCopter, which is providing the aerial vehicle and the cameras. Following its industrial qualification achieved in 2007, the DRAC system has received the airworthiness certificate of the French authorities. After having delivered 25 DRAC systems to DGA, initial operator training was completed at the end of June 2008 paving the way for operational use of the system by the French Army. A second batch of 35 DRAC systems was ordered by DGA in June 2008. In addition, a couple of systems were delivered to export customers.

SIDM (Système Intérimaire de Drone MALE)/Eagle 1 is a Medium Altitude Long Endurance (MALE) UAV system that has been developed for the French Air Force. SIDM — based on the IAI (Israel Aeronautic Industries) Eagle 1 platform — is a latest-generation system in the MALE category of UAVs and is dedicated to reconnaissance and tracking operations in the depth of the battlefield. The first SIDM systems were successfully delivered to the French customer in summer 2008 and operated at a high rate in the last half of 2008 in France.

Atlante is the long endurance tactical unmanned aerial vehicle that MAS provides to the Spanish customer. The unmanned aerial system is designed by MAS in Spain and will be operated by the Ejército de Tierra to carry out target identification, shoot correction and damage evaluation operations, among other ISTAR missions (intelligence, surveillance, target acquisition and reconnaissance).

MAS is also working on the “Generic System Demonstrator Agile UAV in Network Centric Environment” (Agile UAV-NCE). It is a German Armed Forces’ Research and Technology (R&T) programme aimed at demonstration of technologies and operational aspects with emphasis on network enabled operations. The major contribution from MAS will be the Barracuda demonstrator UAV system.

*Support Services and Upgrades.* MAS offers its customers a full suite of services associated with operating their military air systems, including maintenance, repair and overhaul, modernisation, logistics optimisation, product-specific training and integrated system support centres.

In addition to these services, MAS offers its clients the possibility of upgrading their military air systems. If the purchase of new aircraft is either politically or economically unfeasible, conducting an upgrade of existing airframes is the most cost-effective solution. MAS has developed expertise in this area through upgrade programmes for such aircraft as the Tornado, F-4 Phantom, F-18, F-5, MiG-29, Mirage F-1, C101 Aviojet, Harrier AV-8B, E-3A AWACS, P-3C Orion, C-160 Transall and Breguet Atlantic 1.

*Pilot Training and Training Aircraft and Services.* MAS offers a pilot training programme for European fighter jets: in 2007, it launched the new European Advanced Training Jet Pilot School at Talavera together with the Spanish Air Force. The school provides comprehensive jet pilot training using an upgraded F-5 with near latest-generation combat aircraft performance characteristics and sophisticated ground equipment. Pursuant to a ten-year multi-services contract signed in 2006, MAS also manages “ab-initio” pilot training for future military aircrews at the French Air Force’s flying school in Cognac. The ECATS (EADS Cognac Aviation Training Services) contract includes the procurement of new aircraft, line and base aircraft maintenance as well as ground-based training devices.

Finally, MAS offers training for air defence crews. MAS develops, produces and maintains aerial target systems and coordinates aerial target services worldwide.

## MISSILE SYSTEMS

MBDA (a joint venture between EADS, BAE Systems and Finmeccanica with stakes of 37.5%, 37.5% and 25% respectively) is the missile systems group within the DS division (which beginning in 2007 consolidates 37.5% of MBDA’s sales). MBDA offers superior capabilities in missile systems and covers the whole range of solutions for air superiority, land control and sea power missions, while also providing the most advanced technological solutions in strike weapons and missile defence. The further integration of the four home markets (France, Germany, Italy and the UK), the consolidation of the business and increased efforts in the export market remain the principal goals for 2009.

In 2008, Bayern-Chemie GmbH, the German rocket motor subsidiary of MBDA, completed the sale of its subsidiary Protac SA to Roxel, a jointly owned company of MBDA (50%) and SNPE (50%).

In 2008, MBDA generated 18% of the DS division’s total revenues.

## Market

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

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

Thereafter, the worldwide market is nevertheless expected to strengthen due to:

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

## Products and Services

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

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

*METEOR.* METEOR is a highly flexible, visual and beyond visual range, agile, air-to-air weapon system that provides a comprehensive operational capability in the most complex combat scenarios. METEOR was ordered by the UK MoD and five other European nations (France, Germany, Italy, Spain and Sweden) to meet their future air-to-air requirements. In 2006, the first air-launched demonstration firings of METEOR were

carried out. The test firing programme continued in 2007 with a high altitude supersonic launch that successfully demonstrated the missile's integrated boost, ramjet sustain motor and control systems during extended free flight and manoeuvring.

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

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

*Taurus KEPD 350.* MBDA Deutschland and SAAB Bofors are working together through Taurus Systems GmbH to create and deliver the Taurus KEPD 350, a precision stand-off guided missile system for Tornado, Gripen and Eurofighter aircraft. Taurus KEPD 350 is in series production for the German Air Force, with which the weapon is now in service. During 2007, the 300<sup>th</sup> Taurus missile left the production line in Schrobenhausen, marking the production halfway mark for the German Air Force. In 2005, Spain also announced its intention to procure 43 Taurus KEPD 350 missiles for its F/A-18 and Eurofighter aircraft, with the first two missiles delivered in 2007.

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

## Production — System Design Centre (SDC)

Within the DS division, the System Design Centre (with branches in France, Germany and the UK) supports defence and security customers in designing, developing and testing their products and system architectures through use of advanced modelling and simulation techniques. The SDC

thereby provides a framework for systems design and related skills on behalf of the DS division and EADS as a whole. Thanks to its use of standardised methods (such as the architecture frameworks used by the US Department of Defense and the UK Ministry of Defence) and other system development

tools, the SDC also helps to reinforce the DS division's strategy of improving capabilities in LSI more generally. One tool at the SDC's disposal in this regard is a transnational networked experimentation and test environment, referred to as Network Centric Operations Simulations Centres (NetCOS).

## 1.1.6 Other Businesses

### REGIONAL AIRCRAFT — ATR

ATR (*Avions de Transport Régional*) is a world leader in the market for regional turboprop aircraft of 40 to 74 seats. ATR Integrated is a consortium composed of EADS and Alenia Aeronautica, in which each hold a 50% stake. The EADS ATR business unit, which represents EADS' 50% share of ATR Integrated, is under the responsibility of Airbus.

#### Market

The regional aircraft industry has experienced growing concentration over the years. During the 1990s, a number of manufacturers merged, closed or ceased production of regional aircraft, leading to the withdrawal from the market of BAe, Beechcraft, Fokker, Saab and Shorts. Currently, the worldwide market for turboprop aircraft of 40-70 seats in production is dominated by two manufacturers: ATR and Bombardier.

After a number of years of relatively low activity, the regional turboprop market has experienced sustained growth since 2005, due in large part to the advantages of turboprop aircraft over jet aircraft in terms of fuel efficiency and CO<sub>2</sub> emissions. In 2008, ATR delivered 55 new aircraft (compared to 44 in 2007) and recorded orders for 42 new aircraft (compared to 113 in 2007). In addition, ATR added five new customers in 2008, which together represented almost 40% of the total new orders for the year. As of 31 December 2008, ATR had a backlog of 169 aircraft (compared to 195 in 2007). The relative fuel efficiency and reduced CO<sub>2</sub> emissions of turboprop engines are expected to lead to sustained market activity over the coming years. The market for second-hand aircraft also remained strong in 2008, which led to a further increase in the residual value of used ATR aircraft.

#### Products and Services

*ATR 42 and ATR 72 Series Aircraft.* Commencing with the ATR 42, which entered service in 1985, ATR has developed a family of high-wing, twin turboprop aircraft in the 40-74 passenger market that are designed for optimal efficiency, operational flexibility and comfort. In 1996, in order to respond to operators' increasing demands for comfort and performance, ATR launched a new generation of aircraft, the ATR 72-500

and ATR 42-500. Like Airbus, the ATR range is based on the family concept, which provides for savings in training, maintenance operations, spare parts supply and CCQ. In its effort to improve its product performance and value for airlines, ATR launched a new version in 2007, the ATR-600 family, with new glass cockpit and improved engine performance.

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

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

ATR Asset Management also responds to the growing market for second-hand aircraft by assisting in the placement and financing of used and end-of-lease aircraft. By providing quality reconditioned aircraft at attractive prices, ATR Asset Management has helped both to broaden ATR's customer base, in particular in emerging markets, and to maintain the residual values of used aircraft. In the past, clients for such used aircraft have subsequently purchased new aircraft as they have gained experience in the operation of ATR turboprops. Returned aircraft generally remain out of service for approximately five months as they await reconditioning and resale or leasing, subject to market conditions.

#### Production

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

## AEROSTRUCTURES, AIRCRAFT CONVERSION AND FLOOR PANELS

### EADS Sogerma

EADS Sogerma is specialised in aerostructures and cabin interior activities. The company designs and manufactures major aerostructure elements in metal and composite for commercial and military aircraft and is also a leading provider of cockpit and passenger seats (first and business class) for commercial and military aircraft as well as for business jets and helicopters.

In the aerostructures field, EADS Sogerma engages in the design, manufacturing and assembly of Airbus aircraft sections (A318/A320/A330/A340), manufacturing and assembly of ATR wings, design and manufacturing of the A400M ramp door as well as design and manufacturing of pilot and co-pilot seats. In the cabin interior segment, EADS Sogerma designs and manufactures first and business class seats for Airbus and Boeing platforms.

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

### EADS Elbe Flugzeugwerke GmbH — EFW

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

The conversion of passenger aircraft into freighter aircraft is a common heavy modification undertaken on behalf of commercial aircraft owners. The market for aircraft freighter conversion encompasses freight service airlines such as FedEx, airlines with small aircraft fleets and finance groups. In the aerostructures field, EFW is the supplier of fibre reinforced flat sandwich panels for all Airbus models. Its product range covers floor and ceiling panels, cargo linings and bullet-proof cockpit doors. EFW's engineering department is a certified design organisation that works to develop future products.

## 1.1.7 Investments

### DASSAULT AVIATION

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

### Aerolia

Aerolia is a wholly owned subsidiary of EADS which was formed from the spin-off of the former French Airbus sites in Meault and St-Nazaire Ville pursuant to the aerostructures reorganisation strategy initiated under Power8. Having commenced operations as of 1 January 2009, Aerolia has 2,200 employees who work on the design and manufacture of 4 million detail parts and 500 work packages of the Airbus nose fuselage. The company comprises four operational directorates (Engineering, Operations, Procurement, Programmes & Commercial) and four support directorates (Quality, Finances, Human Resources, Strategy & Communications), privileging proximity with its customers and in-house teams. The Design Office, based in Toulouse, will assemble the competencies of some 250 engineers and collaborators, coming for the most part from the Airbus design offices.

The activities integrated in Aerolia will maintain and develop commercial and industrial relations mainly with Airbus, while continuing to develop relations with others such as Bombardier, ATR, Latecoere, Sonaca, Sogerma, Stork Fokker, Piaggio, SAAB and SABCA.

### Premium AEROTEC

Premium AEROTEC is a wholly owned subsidiary of EADS which was formed from the spin-off of the former German Airbus sites in Nordenham and Varel and the former EADS site in Augsburg pursuant to the aerostructures reorganisation strategy initiated under Power8. Having commenced operations as of 1 January 2009, the company will focus on the design and manufacturing of metal and CFRP (carbon-fibre-reinforced plastic) aerostructures and related manufacturing systems. Premium AEROTEC is a partner in all major European aircraft development programmes, such as the commercial Airbus aircraft families, the A400M military transport aircraft programme and the Eurofighter Typhoon. It plays a significant role in the design of new concepts in such fields as carbon composite technologies.

Dassault Aviation is a major player in the world market for military jet aircraft and business jets. Founded in 1945, Dassault Aviation has delivered more than 7,500 military and civil aircraft to purchasers in more than 75 countries. On the basis of its experience as designer and industrial architect of complex systems, Dassault Aviation designs, develops and

produces a wide range of military aircraft and business jets. In order to avoid any potential conflict between the military products of Dassault Aviation and EADS (Rafale and Eurofighter) and to facilitate a “Chinese wall” approach, EADS’ Dassault Aviation shareholding is managed by EADS Corporate, whereas the Eurofighter programme is managed by EADS’ Defence & Security division.

In 2008, Dassault Aviation recorded orders totalling €5.8 billion (compared to €6.3 billion in 2007), including 115 firm orders received worldwide for Falcon business jets (compared to 212 orders in 2007). Consolidated revenues amounted to €3.7 billion in 2008 (compared to €4.1 billion in 2007), with consolidated net profit of €373 million (compared to €382 million in 2007).

### Military Jet Aircraft

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

*Rafale.* The Rafale is a twin-engine, omni-role combat aircraft developed for both Air Force and Navy applications. According to government budgetary documents, France is considering the acquisition of 294 Rafale, 234 for the Air Force and 60 for the Navy, for a total programme cost of €32.3 billion. 120 aircraft have already been ordered; of these, 82 are destined to the Air Force, and 38 to the Navy.

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

*nEUROn.* Dassault Aviation is the prime contractor for the development of the UCAV (Unmanned Combat Air Vehicle) demonstrator, nEUROn. The programme was open to European cooperation and five countries have decided to join in and share

the skills of their aerospace industries: EADS CASA (Spain), SAAB (Sweden), HAI (Greece), RUAG (Switzerland) and Alenia Aeronautica (Italy). The nEUROn demonstrator is scheduled to fly in 2011.

### Business Jets

Dassault Aviation offers a wide range of products at the top end of the business jet sector. Over 1,700 Falcon business jets have been delivered since the first Falcon 20 delivery in 1965. In-service Falcons currently operate in over 65 countries worldwide, filling corporate, VIP and government transportation roles. The family of Falcon jets currently includes four tri-jets: the Falcon 50EX, 900C, 900EX and 7X, the twin-engine Falcon 2000 and the Falcon 2000EX EASy.

### SOCATA

In early January 2009, EADS sold a 70% stake in Socata to Daher, while retaining the remaining 30% stake.

Socata is one of the world’s leading general aviation manufacturers, with more than 17,000 aircraft built since its creation as Morane-Saulnier in 1911. Current products include the TBM 850 family of high-speed turboprop aircraft and aerostructure development for Airbus civil airliners, the A400M military transporter, Dassault Falcon jets, Eurocopter helicopters and Embraer regional jets.

Socata is expanding its customer service activities to support its growing fleet of TBMs and offer its light aviation expertise for aircraft below 5.7 metric tonnes through avionics modernisation, maintenance, repair and overall package offers. SOCATA is headquartered in Tarbes (France) with North American operations in Pembroke Pines, Florida (US).

## 1.1.8 Insurance

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

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

A systematic review and monitoring procedure is in place to assess the exposure and protection systems applicable to all EADS sites, (i) ensuring comprehensive and timely identification



and evaluation of risks, (ii) the initiation of appropriate mitigation and risk avoidance measures (iii) and/or related adjustments of insurance coverage.

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

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

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

Claims related to Property Damage are covered up to a limit of €2.5 billion per loss and in an annual aggregate. Aviation Liability Coverage is provided up to a limit of €2.5 billion per loss, with an annual aggregate cap of €2.5 billion for product liability claims. Certain sub limits are applicable for Core Insurance Policies as outlined above.

Non Core Insurance Policies cover risks such as:

- Personal Accidents;

➤ Company Automobiles; and

➤ Personal and property exposures during business trips.

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

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

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

The insurance industry is still undertaking efforts to reduce its overall exposure. These efforts include increasing premiums, raising deductible amounts and limiting the scope of coverage. Furthermore, the number of insurers having the capabilities and financial strength to underwrite industrial risks is still shrinking. No assurance can be given that EADS will be able to maintain its current levels of coverage on similar financial terms in the future.

### 1.1.9 Legal and Arbitration Proceedings

EADS is involved from time to time in various legal and arbitration proceedings in the ordinary course of its business, the most significant of which are described below. Other than as described below, EADS is not aware of any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which EADS is aware), during a period covering at least the previous twelve months which may have, or have had in the recent past significant effects on EADS and/or the Group's financial position or profitability.

In 2005, a liquidator representing the special purpose vehicle GFAC (a joint venture between Swissair and GATX) sued Airbus before a New York court to recover USD 227 million

in pre-delivery payments, together with interest and costs. The lawsuit followed Airbus' termination of the Purchase Agreement with GFAC in October 2001 for 38 SA and LR aircraft, in the context of Swissair's bankruptcy. On 6 February 2009, the judge decided in favour of GFAC. Airbus has asked the court to reconsider its decision at a hearing on 18 March 2009 and has also filed an appeal. Both requests are under consideration by the courts, and it cannot be excluded that Airbus could be ordered to pay an amount equal to the pre-delivery payments plus legal interest.

Although EADS is not a party, EADS is supporting the European Commission in litigation before the WTO. Following its unilateral withdrawal from the 1992 EU-US Agreement on

Trade in Large Civil Aircraft, the US lodged a request on 6 October 2004 to initiate proceedings before the WTO. On the same day, the EU launched a parallel WTO case against the US in relation to its subsidisation of Boeing. On 31 May 2005, the US and the EU each requested the establishment of a panel. At its meeting on 20 July 2005, the Dispute Settlement Body established the panels. Between November 2005 and the present, the parties filed numerous written submissions and attended several oral hearings in both cases. The parties continue to provide input in response to the WTO's written questions in advance of issuance of the WTO panels' reports. Exact timing of further steps in the WTO litigation process is subject to ruling of the panels and to negotiations between the US and the EU. Unless a settlement, which is currently not under discussion, is reached between the parties, the WTO panels have indicated that they will issue draft reports sometime in 2009.

The French *Autorité des marchés financiers* (the "AMF") began investigations in 2006 for alleged breaches of market regulations and insider trading rules with respect to, among other things, the A380 delays announced in 2006. On 1 April 2008, the AMF announced the notification of charges against EADS and certain of its executives for breach of such market regulations and insider trading rules, respectively. EADS and the individual defendants intend to vigorously exercise their defence rights in front of the Sanction Commission of the AMF, which will decide whether to impose fines after due hearing of the parties. EADS believes that the financial risk associated with this procedure and its possible consequences is not material. However, it recognises that these proceedings may have significant consequences on its image and reputation. Following criminal complaints filed by a shareholders' association and by an individual shareholder (including a civil claim for damages), French investigating judges are also carrying out investigations on the same facts.

In Germany, the German Federal Financial Supervisory Authority (the "BaFin") began its own investigations in 2006 for alleged breaches of market regulations and insider trading rules. However, the BaFin formally notified EADS on 2 March 2007 that it had discontinued its investigation for suspected breaches of market regulations. Upon referral by the BaFin, German criminal proceedings regarding suspected insider trading offences are still pending against a small number of individuals at lower management level, while investigations against other individuals were discontinued without charges being brought.

Furthermore, in Germany, several shareholders have filed civil actions against EADS since 2006 to recover their alleged losses in connection with the disclosure of A380 programme delays, the latest such actions being filed in early 2009. A plaintiff motion for "model proceedings" is also currently pending before the court, which would allow common issues of fact or law in multiple individual securities actions to be bundled together. The actions are in their preliminary stage and the amounts claimed are relatively small. EADS anticipates a vigorous defence.

On 12 June 2008, two actions were initiated in the United States District Court for the Southern District of New York, one of which has since been voluntarily withdrawn. The remaining action purports to be a class action brought on behalf of all persons and entities residing in the United States who purchased or otherwise acquired EADS' common stock during the period from 27 July 2005 through 9 March 2007. Named as defendants are EADS and four current or former executives of EADS and Airbus. The action seeks damages in an unspecified amount, with interest and attorneys' fees, for alleged violations of the US securities laws in connection with financial disclosures issued by EADS in 2005, 2006 and 2007 and public statements made during that same time frame relating to A380 programme delays. On 2 January 2009, defendants filed motions to dismiss the complaint in the action, to which plaintiff filed its opposition brief on 17 March 2009. EADS anticipates a vigorous defence.

Regarding EADS' provisions policy, EADS recognises provisions for litigation and claims when (i) it has a present obligation from legal actions, governmental investigations, proceedings and other claims resulting from past events that are pending or may be instituted or asserted in the future against the Group, (ii) it is probable that an outflow of resources embodying economic benefits will be required to settle such obligation and (iii) a reliable estimate of the amount of such obligation can be made. EADS believes that it has made adequate provisions to cover current or contemplated general and specific litigation risks. For the amount of provisions for litigation and claims, see "Notes to Consolidated Financial Statements (IFRS) — Note 26C. Other provisions".

### 1.1.10 Incorporation by Reference

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

➤ “Part 2/1.1 Presentation of the EADS Group” of the Registration Document filed in English with, and approved by, the AFM on 25 April 2007; and

➤ “Part 2/1.1 Presentation of the EADS Group” of the Registration Document filed in English with, and approved by, the AFM on 24 April 2008.

Copies of the above-mentioned documents are available free of charge upon request in English, French, German and Spanish at the registered office of the Company and on [www.eads.com](http://www.eads.com).

## 1.2 RECENT DEVELOPMENTS

### EADS APPOINTS BODO UEPPER AS NEW CHAIRMAN

The EADS Board of Directors has appointed Bodo Uebber as Chairman of the Board of Directors. Mr Uebber, who has been member of the EADS Board of Directors since 2007, has succeeded Ruediger Grube effective 14 April 2009. Mr Grube resigned his current position following his new appointment at Deutsche Bahn.

Furthermore, the EADS Board of Directors has proposed the appointment of a new Board Member, Wilfried Porth (Member of the Management Board of Daimler AG), to fill the Board vacancy left by Mr Grube's departure. EADS' shareholders will be asked to confirm this appointment at their Annual General Meeting to be held on 27 May 2009.

### EADS APPOINTS DOMINGO UREÑA-RASO AS HEAD OF AIRBUS MILITARY, MEMBER OF THE EADS EXECUTIVE COMMITTEE AND CHAIRMAN OF EADS CASA

On 24 February 2009, EADS announced that upon proposal of the CEO of EADS Louis Gallois, the Board of Directors of EADS has appointed Domingo Ureña-Raso as the new Head of Airbus Military, Member of the EADS Executive Committee and Chairman of EADS CASA, replacing Carlos Suárez. He will be further appointed as member of the Airbus Executive Committee. Domingo Ureña-Raso will report to Tom Enders, CEO of Airbus.

### AIRBUS REVISES PRODUCTION RATES — DELIVERY TARGET 2009 REMAINS UNCHANGED

On 19 February 2009, Airbus announced that it was adapting production rates of its A320 family programme from 36

to 34 aircraft per month from October 2009 onwards.

Production rates of the A330/A340 family will be paused at the current level of 8.5 aircraft per month, and not increased further as previously planned. This decision reflects Airbus' current view on market demand in times of airlines adapting their capacities and of continuing uncertainties caused by the worldwide economic crisis. At this point, no impact on employment is foreseen.

Airbus monitors the market continuously and tries to be proactive. Flexibility and adaptability are essential in times of crises. Airbus reached record production rates in late 2008, but now sees a drop of air traffic in most regions, as many airlines are taking capacity out of the market. Airbus does not exclude further production cuts if the need arises.

Airbus achieved 483 deliveries in 2008 and aims to achieve a similar figure in 2009. This precautionary measure will not affect the 2009 Airbus delivery target.

### ARIANESPACE ORDERS 35 ARIANE 5 ECA LAUNCHERS FROM ASTRIUM

On 30 January 2009, Arianespace and Astrium signed a contract for the production of 35 Ariane 5 ECA launchers (designated the “PB” batch). Worth more than €4 billion, this contract follows the letter of intent signed at the last Paris Air Show in 2007. The launchers in the PB batch will be used starting in the second half of 2010, after the 30 Ariane 5 launchers ordered in 2004 (the “PA” batch).

Astrium is the sole prime contractor for Ariane 5, delivering a complete, tested and integrated launcher to Arianespace at the Guyana Space Center. Astrium manages all industry contracts for the 12 countries who are partners in the Ariane programme.





# Management's Discussion and Analysis of Financial Condition and Results of Operations

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## 2.1 OPERATING AND FINANCIAL REVIEW

The following discussion and analysis is derived from and should be read together with the audited Consolidated Financial Statements (IFRS) of EADS as of and for the years ended 31 December 2008, 2007 and 2006 incorporated by reference herein. These financial statements have been prepared in accordance with International Financial Reporting Standards

("IFRS") adopted by the International Accounting Standards Board as endorsed by the European Union, and with Part 9 of Book 2 of the Netherlands Civil Code. For the purposes of this section, provisions for loss-making contracts is the collective term used for both "loss at completion contract provisions" and "onerous contract provisions".

### 2.1.1 Certain Information

#### EXCHANGE RATE INFORMATION

The financial information presented in this document is expressed in euros, US dollars or pounds sterling. The following table sets out, for the periods indicated, certain information concerning the exchange rate between the euro and the US dollar and pound sterling, calculated using the official European Central Bank fixing rate:

Year ended	Average		Period End	
	€-US\$	€-£	€-US\$	€-£
31 December 2006	1.2556	0.6817	1.3170	0.6715
31 December 2007	1.3702	0.6842	1.4721	0.7334
31 December 2008	1.4708	0.7963	1.3917	0.9525

#### RATINGS

EADS is currently rated A1 with a stable outlook by Moody's Investors Service, BBB+ with a stable outlook by Standard and Poor's and BBB+ with a stable outlook by Fitch Ratings.

### 2.1.2 Overview

With consolidated revenues of €43.3 billion in 2008, EADS is Europe's premier aerospace and defence company and one of the largest aerospace and defence companies in the world. In terms of market share, EADS is among the top two manufacturers of commercial aircraft, civil helicopters, commercial space launch vehicles and missiles, and a leading supplier of military aircraft, satellites and defence electronics. In 2008, it generated approximately 75% of its total revenues in the civil sector (compared to 77% in 2007) and 25% in the defence sector (compared to 23% in 2007). As of 31 December 2008, EADS' active headcount was 118,349.

Through the end of 2008, EADS organised its businesses into the following five operating divisions:

- **Airbus:** Development, manufacturing, marketing and sale of commercial jet aircraft of more than 100 seats and the development and manufacturing of aircraft for military use;
- **Military Transport Aircraft:** Development, manufacturing, marketing and sale of military transport aircraft and special mission aircraft;
- **Eurocopter:** Development, manufacturing, marketing and sale of civil and military helicopters, and provision of maintenance services;

- **Astrium:** Development, manufacturing, marketing and sale of satellites, orbital infrastructures and launchers, and provision of space services; and
- **Defence & Security:** Development, manufacturing, marketing and sale of missile systems, military combat aircraft and training aircraft; provision of defence electronics and defence-related telecommunications solutions and logistics, training, testing, engineering and other related services.

In addition, EADS has five business units (“BUS”) — ATR, EFW (*Elbe Flugzeugwerke GmbH*), EADS Socata, EADS Sogerma and EADS North America — which are allocated to “Other Businesses” for purposes of segment reporting. Their activities comprise the development, manufacturing, marketing and sale of regional turboprop aircraft, light commercial aircraft and aircraft components, civil and military aircraft conversion and maintenance services, as well as the prime contractorship in the LUH programme.

### 2.1.2.1 SIGNIFICANT PROGRAMME AND RESTRUCTURING DEVELOPMENTS IN 2006, 2007 AND 2008

**A400M programme.** At the end of 2006, Airbus performed a financial review of its workshare on the A400M programme. Based on the programme’s risks and complexities, Airbus recorded a loss-making contract provision of €-352 million in 2006 for its workshare on the programme, with a corresponding negative impact on its EBIT\* for the year. However, as the other divisions of EADS foresaw a positive contribution from the whole A400M programme at the time, the provision at Airbus was reversed at the EADS group level in 2006. Nevertheless, due to the overall cost increase for the whole programme, a negative catch-up of €-66 million was recorded at the EADS group level in 2006 in order to adjust the cumulative EBIT\* recognised on the programme for the years 2003 to 2006.

Just before the end of 2007, EADS announced that the first deliveries of the A400M would be delayed by six to twelve months. In terms of financial impact, Airbus recorded an additional loss-making contract provision and charges totalling €-1.2 billion in 2007, in addition to provisions and charges of €-0.2 billion recorded at EADS group level and €-0.1 billion recorded at other divisions. The provisions were intended to cover, among other things, cost overruns on the programme and the risk of penalty payments to customers.

On 25 September 2008, EADS announced an undefined delay of the first flight of the A400M, mainly due to the unavailability of the propulsion system. This undefined delay was primarily due to an official notice from the engine manufacturers’ consortium as to their inability to specify a new delivery date for the A400M engines. Moreover, other major suppliers of mission critical systems and of system integration indicated that they were severely struggling with the challenging technical requirements of this aircraft.

On 9 January 2009, Airbus Military and EADS announced that they had proposed a new programme approach for the A400M to the European launch nations, through OCCAR, with the aim to find an appropriate way forward for this programme. Airbus Military and EADS wanted to initiate discussions around the programme schedule along with changes to other areas of the contract including in particular certain technical characteristics of this military aircraft. In line with complex military development programmes, Airbus Military suggested to resume series production only once adequate maturity is reached based on flight test results. With this new approach, the first delivery of the A400M would then occur three years after its first flight. Airbus Military and EADS will only be able to update all of the financial consequences of a revised industrial plan, once the availability of the engines and mission critical systems is firmly determined and once OCCAR’s position on the proposal is known.

As a result of the undefined delays and the uncertain technical environment which eventually led to the proposed new programme approach as described above, EADS applied the early stage method of accounting on the A400M programme from 25 September 2008 onwards. Under this method, all A400M related work-in-progress, which would have been expensed upon the completion of technical milestones according to the estimate at completion method of accounting, have since then been expensed as incurred, with related revenues recognised up to the recoverable part of these costs as per the A400M contract. At the same time, the A400M loss-making contract provision was updated on the basis of the probable excess contract costs over remaining contract revenues that could be estimated at year-end 2008.

\* EBIT: earnings before interest and taxes, pre-goodwill impairment and exceptionals.



The following table sets forth the income statement impact in 2008 of the items described above:

(in €m)	Year ended 31 December 2008		
	Early stage accounting	Estimate at completion before early stage	Total impact of the A400M programme
Revenues	1,107	419	1,526
Expensed work in progress	(1,449)	(489)	(1,938)
<b>Subtotal</b>	<b>(342)</b>	<b>(70)</b>	<b>(412)</b>
Consumption of provision	334	70	404
Additional costs (including increase in provision)	(696)	0	(696)
<b>Total EBIT* impact</b>	<b>(704)</b>	<b>0</b>	<b>(704)</b>

As they cannot currently be estimated, various potential additional costs linked to the unquantifiable financial consequences of the shift in the delivery schedule have not been taken into account when reassessing the A400M loss-making contract provision in the 2008 financial statements. Therefore, significant negative income statement impacts may still have to be accounted for in future periods when such costs become estimable or triggering events lead to a return to the estimate at completion method of accounting. Potential benefits from future discussions with customers, if any, might reduce such impacts, but would only be taken into account once agreed upon by OCCAR and the launch nations.

For further information on the A400M programme, including related contingent liabilities, see “Notes to Consolidated Financial Statements (IFRS) — Note 3: Accounting for the A400M programme” and “— Note 34: Commitments and Contingencies”.

**A380 programme.** During 2006, Airbus twice revised its delivery schedule for the A380 after having encountered difficulties in the industrialisation of the programme, in particular in the area of electrical engineering. As a result, EBIT\* at Airbus was negatively affected by a net charge of €-2.5 billion in 2006 compared to 2005. This net charge related to the following items:

- excess costs above the initially expected learning curve, as difficulties in the production process caused Airbus to fall short of the expected improvements in production efficiency over time;
- the recording of loss-making contract provisions, related to contractual penalties to be paid to customers as a result of the delivery delays;
- write-down of inventories, where necessary to align book value with net realisable value;

- all other settlement obligations as a result of the delivery delays and accrued for in 2006. Together with the three preceding charges, this accounted for approximately €-2.0 billion of the €-2.5 billion decrease in EBIT\* in 2006;
- impairment of assets and provision charges recorded following the freezing of development on the freighter version of the A380 (€-0.3 billion); and
- ongoing production support for the programme, representing recurring expenses unallocated to unit production costs (€-0.2 billion).

In 2007, Airbus continued to incur significant costs in respect of the A380 programme, due primarily to excess costs above the initially expected learning curve and ongoing fleet support. Nevertheless, the impact on EBIT\* represented a €1.5 billion improvement over 2006.

In 2008, the business update of the A380 programme led to the recording of an additional loss-making contract provision of €-1.1 billion. This charge incorporates the latest change to the A380 production plan to be implemented in 2009 and some higher recurring costs reflecting the ramp-up challenges that EADS is facing. In addition, ongoing support costs are reflected in the underlying EBIT\* performance.

**A350 XWB programme.** At the end of 2006, Airbus formally launched its new A350 XWB programme and at the same time discontinued the original A350 programme. The launch of the A350 XWB triggered the accrual of a €505 million provision in 2006, related to the anticipated buy-out of delivery commitments under firm orders for the original A350 aircraft that could no longer be fulfilled.

In 2007, EBIT\* at Airbus continued to be burdened by charges with respect to the A350 XWB programme, which amounted to approximately €-1.0 billion. These charges related in particular to the recording of loss-making contract provisions on the first orders for the A350 XWB, the margins of which were weighed down by launch-order pricing and initial learning curve costs.

\* EBIT: earnings before interest and taxes, pre-goodwill impairment and exceptionals.

At the end of 2008, the A350 XWB passed the detailed definition freeze milestone, which assessed the maturity of the programme. Airbus will now continue with further specific design work, in parallel with the development of associated tooling and building investments.

#### **Power8, Power8 Plus and Future EADS programmes.**

At the beginning of 2007, Airbus launched a four-year restructuring programme referred to as "Power8", with the goal of achieving EBIT\* contributions of €2.1 billion from 2010 onwards and an additional €5 billion of cumulative cash flow from 2007 to 2010. As part of the planned measures under Power8 to reduce overhead costs, and specifically headcount, EADS recorded a restructuring expense of €-624 million in EBIT\* in 2007. In 2008, €194 million of this provision has been reversed to reflect the current level of restructuring obligation which is lower than originally anticipated.

Savings realised pursuant to Power8 provided gross cost savings of €1.3 billion in 2008 compared to the initial cost baseline. Given the progress and prospects achieved on the Power8 programme so far, EADS maintains the previously communicated Power8 targets regarding EBIT\* and cash savings.

In 2008, EADS launched a Group-wide cost savings programme referred to as "Power8 Plus", with the goal of achieving further EBIT\* contributions of €1 billion beginning in 2011-2012. Airbus is expected to contribute roughly two-thirds of the targeted cost savings, with the remaining portion to be contributed by the Eurocopter, MTA, Astrium and Defence & Security divisions as well as by EADS headquarters.

In addition, EADS is currently working on an integration programme with resulting streamlining and cost savings, referred to as "Future EADS", with the goal of achieving a minimum EBIT\* contribution of €200 million in 2011-2012. It aims at further integration of the organisational structure, improvement of decision making processes and cost savings through the Headquarters and the Divisions as well as an enhanced interaction between Headquarters and the Divisions.

**EADS Sogerma.** On 10 January 2007, EADS Sogerma completed the sale of three of its subsidiaries dedicated to global support and maintenance — Sogerma Services, Sogerma America Barfield B.C. and Sogerma Tunisia — to the TAT Group. Prior to their sale, EADS recorded an asset impairment totalling €-117 million in 2006 — including €-33 million relating to its retained subsidiaries, Seca and Revima — as well as restructuring provisions of €-42 million. Combined with an underlying operational loss of €-96 million, EADS Sogerma recorded EBIT\* of €-351 million in 2006, a deterioration of €-114 million compared to 2005. Following the sale of these subsidiaries, EADS Sogerma's EBIT\* was positive in 2007. In 2008, EADS Sogerma sold its subsidiary, Revima, and further confirmed its recovery.

#### **2.1.2.2 TRENDS**

EADS expects that new aircraft orders at Airbus will continue to decline in 2009 to between 300 and 400 gross orders (following the 900 gross orders recorded in 2008), which is challenging taking into account current market conditions. It also expects that its consolidated research and development expenses will increase in 2009 in connection with the ramp-up of new programmes, in particular the A350 XWB, and that some deterioration in the price of aircraft delivered in 2009 will occur as a result of strong past competition, particularly on long-range aircraft. In addition, EADS will be faced with significant currency deterioration in 2009 linked to the declining dollar rate in the hedge portfolio.

On 19 February 2009, Airbus also announced that it was adapting production rates of its A320 Family programme from 36 to 34 aircraft per month from October 2009 onwards. Production rates of the A330/A340 family will be paused at the current level of 8.5 aircraft per month, and not increased further as previously planned. These decisions reflect EADS' current view on market demand as airlines adapt their capacities in light of continuing uncertainties caused by the worldwide economic crisis. Production rates may be further adjusted as EADS deems appropriate. Airbus delivered 483 aircraft in 2008 and aims to achieve a similar performance in 2009.

\* EBIT: earnings before interest and taxes, pre-goodwill impairment and exceptionals.

## 2.1.3 Critical Accounting Considerations, Policies and Estimates

### 2.1.3.1 SCOPE OF AND CHANGES IN CONSOLIDATION PERIMETER

Disposals and acquisitions of interests in various businesses can account, in part, for differences in EADS' results of operations for one year as compared to another year.

**Airbus:** Airbus has been fully consolidated by EADS since 1 January 2001, in light of the control EADS has exercised over the assets, liabilities and operations of Airbus since that date. BAE Systems held a 20% share in Airbus until October 2006, at which time this share was purchased by EADS.

BAE Systems held a put option with respect to its share in Airbus that was granted to it by EADS as part of the Airbus business combination in 2001. BAE Systems' put option was exercisable at fair value and payable in cash or an equivalent amount of EADS shares. In light of these characteristics, revised IAS 32 (which EADS retrospectively applied as of 1 January 2005) required EADS to account for the put option as a liability ("liability for puttable instruments") in the consolidated balance sheet, stated at fair value. (Before this change in accounting policy, EADS recorded BAE Systems' stake in Airbus as minority interests within equity).

Pursuant to revised IAS 32, dividend payments to BAE Systems were treated as partial repayments of the liability, thus reducing the liability for puttable instruments, without affecting minority interests. Other changes to the liability's fair value were recorded as changes to the liability for puttable instruments and adjustments of goodwill, without any direct impact on the consolidated income statement.

At 31 December 2005, the fair value of the liability for puttable instruments was assessed at €3.5 billion.

In June 2006, BAE Systems exercised its put option. An independent investment bank then determined the fair value of its 20% share in Airbus at €2.75 billion, a decrease of €750 million from the assessed value at 31 December 2005. Dividend payments to BAE Systems in 2006 accounted for €129 million of the decrease, while most of the remaining portion of €621 million led to a corresponding reduction in Airbus' goodwill (€613 million). Following payment of the €2.75 billion purchase price in cash by EADS in October 2006, the liability for puttable instruments was derecognised from the balance sheet.

**MBDA:** EADS and BAE Systems each hold a 37.5% stake in MBDA, with Finmeccanica holding the remaining 25%. In 2006, EADS proportionally consolidated 50% of MBDA within the DS division, with Finmeccanica's holding reflected as a 12.5%

minority interest. As of 1 January 2007, the percentage of the proportional consolidation of MBDA changed from 50% to 37.5%. In 2007 and 2008, therefore, Finmeccanica's holding is no longer reflected as a minority interest in EADS' accounts. 2006 consolidated figures have not been restated.

### Acquisitions and Disposals

On 22 April 2008, EADS acquired PlantCML based in California (US), a leading provider of emergency response solutions, which is fully consolidated from that date in the DS division. The difference between the purchase price and the acquired net assets led to the recognition of a preliminary goodwill of US\$ 302 million (not yet finally determined).

On 28 July 2008, EADS acquired an additional 41% of Spot Image based in Toulouse (France), a world leader in the provision of satellite imagery and geo-information value-added services. EADS thereby increased its stake in Spot Image to 81% but had been consolidating it fully in Astrium since 1 January 2008 based on effective control since that date. This additional purchase led to the recognition of additional goodwill of €4 million.

On 7 April 2008, EADS acquired Surrey Satellite Technology Limited (SSTL) based in the UK, which is specialised in the design and manufacture of small and micro satellites. The acquisition was approved by the European Commission in December 2008 leading to consolidation of the SSTL balance sheet as at 31 December 2008 in Astrium. This purchase led to the recognition of a preliminary goodwill of £43 million (not yet finally determined).

In January 2007, EADS increased its share in the Atlas Elektronik group from 40% to 49% in connection with the contribution in kind of EADS' naval business to Atlas Elektronik. Atlas Elektronik is proportionately consolidated and the final determination of the difference between the purchase price and the acquired net assets then led to the recognition of €42 million of goodwill.

On 10 January 2007, EADS sold its remaining 60% stake in Sogerma Services, as well as its remaining stakes in Sogerma America Barfield B.C. (100%) and EADS Sogerma Tunisia (50.1%), as described above.

On 13 October 2006, EADS acquired BAE Systems' 20% minority share in Airbus after BAE Systems had exercised the put option it held on its Airbus stake in June 2006. Before the transaction, EADS already controlled Airbus and therefore fully consolidated this division.

On 3 August 2006, EADS acquired 40% of the shares of the Atlas Elektronik group, specialised in equipment and systems for naval forces.

On 28 February 2006, 81% of LFK GmbH and TDW GmbH, which had been fully consolidated by EADS, were sold to the European missile group MBDA, which EADS proportionally consolidates.

See “Notes to Consolidated Financial Statements (IFRS) — Note 5: Acquisitions and disposals”.

### 2.1.3.2 UK PENSION COMMITMENTS

In the UK, EADS participates in several funded trustee-administered pension plans for both executive and non-executive employees, with BAE Systems being the principal employer. These plans qualify as multi-employer defined benefit plans under IAS 19 “Employee Benefits”. EADS’ most significant investments in terms of employees participating in these BAE Systems UK pension plans are Airbus UK and MBDA UK. For Airbus, this remains the case even subsequent to the acquisition of BAE Systems’ 20% minority interest in Airbus on 13 October 2006. Participating Airbus UK employees have continued to remain members in the BAE Systems UK pension plans due to the UK pension agreement between EADS and BAE Systems and a change in UK pension legislation enacted in April 2006.

Generally, based on the funding situation of the respective pension plans, the pension plan trustees determine the contribution rates to be paid by the participating employers to adequately fund the plans. The different UK pension plans in which EADS investments participate are currently underfunded. BAE Systems has agreed with the trustees to undertake various measures in order to remedy such underfunding. These include: (i) making regular contribution payments for active employees at levels well above those that would prevail in the case of adequately funded plans and (ii) making extra employers’ contributions.

Due to contractual arrangements between EADS and BAE Systems, the contributions that EADS must make in respect of its participation in the two largest pension plans are capped for a defined period of time (until July 2011 for Airbus UK and until December 2007 for MBDA UK). Contributions exceeding the respective capped amounts are paid by BAE Systems. During the period of the contribution caps, EADS is therefore neither exposed to increased regular contribution payments resulting from the pension plans’ underfunding, nor to a participation in extra contribution payments. Even after the expiry of the contribution caps, the unique funding arrangements between BAE Systems and EADS create a situation for EADS different from common

UK multi-employer plans, with special regulations limiting the regular contributions that must be paid by Airbus UK and MBDA UK to rates applicable to all participating employers.

Based on the information that BAE Systems has provided regarding the various pension plans, EADS has prepared an estimate of its share in plan assets, defined benefit obligations and related underfunding, which takes into account the impacts of the contribution caps’ mechanism described above as well as those of future extra contributions agreed by BAE Systems with plan trustees. Accordingly, EADS has recorded a provision of €-578 million as of 31 December 2008 (compared to €-494 million as of 31 December 2007) for its current share of the net pension underfunding in the UK. A related amount of actuarial gains and losses of €-804 million has been recorded in total equity (net of deferred taxes) as of 31 December 2008 (compared to €-554 million as of 31 December 2007) in accordance with IAS 19.

For further information related to EADS’ participation in multi-employer pension plans in the UK, see “Notes to Consolidated Financial Statements (IFRS) — Note 26B: Provisions for retirement plans”.

### 2.1.3.3 FAIR VALUE ADJUSTMENTS

The merger of the operations of Aerospatiale-Matra (“**ASM**”), DaimlerChrysler Aerospace (“**DASA**”) and Construcciones Aeronáuticas S.A. (“**CASA**”), leading to the creation of EADS in 2000, was recorded using the purchase method of accounting with ASM as the acquirer. Accordingly, the book value of certain assets and liabilities, mainly property, plant and equipment and inventories, was adjusted by an aggregate amount of €1.8 billion, net of income taxes, to allocate a portion of the respective fair market values of DASA and CASA at the time of the merger (the “**fair value adjustments**”). These aggregate additions in value are generally being depreciated over four to fifteen years for fixed assets and were amortised over approximately 24 months for inventories. In addition, in 2001 in connection with the formation of Airbus S.A.S., EADS adjusted the book value of Airbus fixed assets and inventories by an aggregate amount of €0.3 billion, net of income taxes, to reflect their fair market values. The fair value adjustments lead to a depreciation expense that is recorded in cost of sales in the consolidated income statement. For management reporting purposes, EADS treats these depreciation charges as non-recurring items in EBIT\* pre-goodwill impairment and exceptionals. See “— 2.1.4.2 Use of EBIT\*”.

\* EBIT: earnings before interest and taxes, pre-goodwill impairment and exceptionals.

In 2006, a tax audit of DASA for the years 1994 until 1999 was finalised. Pursuant to the EADS shareholders' agreement, the related tax expense was reimbursed by Daimler AG. As a result of this audit, goodwill and deferred tax assets were adjusted as of 31 December 2006 with respective impacts in the DS division and at the Headquarters/Consolidation level of €52 million and €12 million, leading to both a charge within "Other expenses" and a tax benefit of €64 million in the consolidated income statement for 2006. EADS has treated the charge as a non-recurring item in EBIT\*. See "— 2.1.4.2 Use of EBIT\*".

#### 2.1.3.4 IMPAIRMENT/WRITE-DOWN OF ASSETS

When a triggering event, such as an adverse material market event or a significant change in forecasts or assumptions, occurs, EADS performs an impairment test on the assets, group of assets, subsidiaries, joint ventures or associates likely to be affected. In addition, EADS tests goodwill for impairment in the fourth quarter of each financial year, whether or not there is any indication of impairment. An impairment loss is recognised in the amount by which the asset's carrying amount exceeds its recoverable amount.

Generally, the discounted cash flow method is used to determine the value in use of the assets. The discounted cash flow method is sensitive to estimates of future cash flows by EADS' management ("**Management**") and the selected discount rate. Consequently, slight changes to these elements can materially affect the resulting asset valuation and therefore the amount of the potential impairment charge.

The discount rate used by EADS is derived from the Group's weighted average cost of capital, adjusted to reflect the risk of the business concerned. See "Notes to Consolidated Financial Statements (IFRS) — Note 2: Summary of significant accounting policies — Significant Accounting Policies — Impairment of non-financial assets" and "— Note 14: Intangible assets".

The impairment of goodwill has an effect on profitability, as it is recorded in the line item "Other expenses" on EADS' consolidated income statement. No goodwill was impaired in 2006, 2007 or 2008. However, in 2006, non-goodwill asset impairment charges were recorded at EADS Sogerma (€-84 million in respect of its subsidiaries Sogerma Services, Sogerma Tunisia and Barfield, which were sold to the TAT Group on 10 January 2007, and €-33 million relating to the remaining Sogerma subsidiaries, Seca and Revima), and at Airbus (€-250 million) related primarily to write-down of inventory and impairment of fixed assets on the A380 programme. These charges in turn had a negative effect on EBIT\* for 2006. For a discussion of goodwill impairment testing methodology, in particular at Airbus, see "Notes to Consolidated Financial Statements (IFRS) — Note 14: Intangible assets".

#### 2.1.3.5 RESEARCH AND DEVELOPMENT EXPENSES

Since 2003, with the application of IAS 38 "Intangible Assets", EADS has assessed whether product-related development costs qualify for capitalisation as internally generated intangible assets. Criteria for capitalisation are strictly applied. All research and development costs not meeting the IAS 38 criteria are expensed as incurred in the consolidated income statement.

In 2006, €411 million of product-related development costs were capitalised in accordance with IAS 38 (including €335 million relating to the Airbus A380 programme). €93 million were capitalised in 2007 (with no further capitalisation relating to the Airbus A380 programme following its entry into the production phase at the end of 2006), and €87 million were capitalised in 2008.

Capitalised development costs are generally amortised over the estimated number of units produced. If the number of units produced cannot be estimated reliably, capitalised development costs are amortised over the estimated useful life of the internally generated intangible asset. Amortisation of capitalised development costs is recognised within "Cost of sales". Amortisation of capitalised development costs amounted to €-46 million in 2007 and €-56 million in 2008, most of which related to the MRTT and the Airbus A380 programme. Amortisation in respect of the Airbus A380 programme began in 2007 following its entry into the production phase at the end of 2006.

Internally generated intangible assets are reviewed for impairment annually when the asset is not yet in use and subsequently whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

#### 2.1.3.6 ACCOUNTING FOR HEDGED FOREIGN EXCHANGE TRANSACTIONS IN THE FINANCIAL STATEMENTS

More than 60% of EADS' revenues are denominated in US dollars, whereas a substantial portion of its costs is incurred in euros and, to a lesser extent, pounds sterling. EADS uses hedging strategies to manage and minimise the impact of exchange rate fluctuations on its profits. See "— 2.1.8.1 Foreign Exchange Rates" and "Risk Factors — 1. Financial Market Risks — Exposure to Foreign Currencies".

**Cash flow hedges.** The Group generally applies cash flow hedge accounting to foreign currency derivative contracts that hedge the foreign currency risk on future sales as well as to certain interest rate swaps that hedge the variability of cash flows attributable to recognised assets and liabilities. Changes in fair value of the hedging instruments related to the effective part of the hedge are reported in accumulated other

\* EBIT: earnings before interest and taxes, pre-goodwill impairment and exceptionals.

comprehensive income (“**AOCI**”), a separate component of total consolidated equity, net of applicable income taxes and recognised in the consolidated income statement in conjunction with the result of the underlying hedged transaction, when realised. See “— 2.1.6 Changes in Consolidated Total Equity (including Minority Interests)”. The ineffective portion is immediately recorded in “Profit (loss) for the period”. Amounts accumulated in equity are recognised in profit or loss in the periods when the hedged transaction affects the income statement, such as when the forecast sale occurs or when the finance income or finance expense is recognised in the income statement. If hedged transactions are cancelled, gains and losses on the hedging instrument that were previously recorded in equity are generally recognised in “Profit (loss) for the period”. For products such as aircraft, EADS typically hedges the first forecasted highly probable future cash inflows for a given month based upon final payments at delivery. See “— 2.1.8.1 Foreign Exchange Rates”.

Cash flow hedges associated with transactions that are cancelled are generally deemed terminated for accounting purposes. The sum of (i) changes in the fair value of these hedges since 1 January and (ii) a reversal of the portion of AOCI corresponding to these hedges prior to 1 January, are then generally recorded in revenues and deferred tax benefits (expenses) in the consolidated income statement.

Revenues in currencies other than the euro that are not hedged through financial instruments are translated into euro at the spot exchange rate at the date the underlying transaction occurs.

### 2.1.3.7 FOREIGN CURRENCY TRANSLATION

EADS' consolidated financial statements are presented in euros. The assets and liabilities of foreign entities whose reporting currency is other than euro are translated using period-end exchange rates, while the corresponding income statements are translated using average exchange rates during the period. All resulting translation differences are included as a component of AOCI.

Transactions in foreign currencies are translated into euro at the exchange rate prevailing on transaction date. Monetary assets and liabilities denominated in foreign currencies at period-end are translated into euro using the period-end exchange rate. Foreign exchange gains and losses arising from translation of monetary assets are recorded in the consolidated income statement, except when deferred in equity as qualifying hedging instruments in cash flow hedges.

Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into euro at the exchange rate in effect on the date of the transaction. Translation differences on non-monetary financial assets and

liabilities are reported as part of the fair value gain or loss. Translation differences of non-monetary financial assets such as equity securities classified as available for sale are included in AOCI.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity that was acquired after 31 December 2004 are treated as assets and liabilities of the acquired company and are translated into euro at the period-end exchange rate. Regarding transactions prior to that date, goodwill, assets and liabilities acquired are treated as those of the acquirer.

The accumulated amount of translation differences recorded in AOCI is released to profit or loss when the associated foreign entity is disposed of or liquidated or the associated asset or liability is disposed of, respectively.

### Currency Translation Adjustment Related to Airbus

Following the signing of an Advance Pricing Agreement with tax authorities in April 2004, Airbus GIE (a US dollar-denominated entity) was merged into Airbus S.A.S. (a euro-denominated entity) with retrospective effect as of 1 January 2004. Consequently, as from such date, operations of the former Airbus GIE are treated as “foreign currency operations” and accounted for in accordance with EADS' consistently applied accounting principles.

Prior to the merger, Airbus GIE operations, with the exception of those hedged with financial instruments, were recorded at the exchange rate prevailing at the time of aircraft delivery, with outstanding operations being re-valued in the balance sheet at each period end using the closing exchange rate of such period. From 1 January 2004, all non-hedged US dollar-denominated operations, including outstanding operations of the former Airbus GIE, are recorded on the basis of exchange rates prevailing at the date of receipt or payment of US dollars.

In particular, customer advances (and the corresponding revenues recorded when sales recognition occurs) are now translated at the exchange rate prevailing on the date they are received. US dollar-denominated costs are converted at the exchange rate prevailing on the date they are incurred. To the extent that US dollar-denominated customer advances differ, in terms of timing of receipt or amount, from corresponding US dollar-denominated costs, there is a foreign currency exchange impact on EBIT\*. Additionally, the magnitude of any such difference, and the corresponding impact on EBIT\*, is sensitive to variations in the number of deliveries.

\* EBIT: earnings before interest and taxes, pre-goodwill impairment and exceptionals.

### 2.1.3.8 ACCOUNTING FOR SALES FINANCING TRANSACTIONS IN THE FINANCIAL STATEMENTS

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. Certain sales contracts may include the provision of an asset value guarantee (“AVGs”), whereby EADS guarantees a portion of the market value of an aircraft during a limited period, starting at a specific date after its delivery (in most cases, 12 years post-delivery). See “— 2.1.7.4 Sales Financing” and “Notes to Consolidated Financial Statements (IFRS) — Note 34: Commitments and contingencies”. The accounting treatment of sales financing transactions varies based on the nature of the financing transaction and the resulting exposure.

**On Balance Sheet.** When, pursuant to a financing transaction, the risks and rewards of ownership of the financed aircraft reside with the customer, the transaction is characterised as either a loan or a finance lease. In such instances, revenues from the sale of the aircraft are recorded upon delivery, while financial interest is recorded over time as financial income. The outstanding balance of principal is recorded on the balance sheet in long-term financial assets, net of any accumulated impairments. See “Notes to Consolidated Financial Statements (IFRS) — Note 17: Investments in associates accounted for under the equity method, other investments and other long-term financial assets”.

By contrast, when the risks and rewards of ownership remain with Airbus or ATR, the transaction is characterised as an operating lease. EADS’ general policy is to avoid, whenever possible, operating leases for new aircraft to be delivered to customers. Therefore, new operating leases primarily arise in connection with the future re-marketing of aircraft. Rather than recording 100% of the revenues from the “sale” of the aircraft at the time of delivery, rental income from such operating leases is recorded in revenues over the term of the respective leases. The leased aircraft are recorded at production cost on the balance sheet as property, plant and equipment, and the corresponding depreciation and potential impairment charges are recorded in cost of sales. See “Notes to Consolidated Financial Statements (IFRS) — Note 15: Property, plant and equipment”.

If the present value of an AVG exceeds 10% of the sales price of the aircraft, the sale of the underlying aircraft is accounted for as an operating lease in the consolidated financial statements. In this case, upon aircraft delivery, the cash payment received from the customer is recognised on the consolidated balance sheet as deferred income and amortised straight-line up to the amount, and up to the last exercise date, of the AVG. The production cost of the aircraft is recorded on the balance sheet as property, plant and equipment. Depreciation expenses are recorded in cost of sales in the consolidated income statement. See “Notes to

Consolidated Financial Statements (IFRS) — Note 15: Property, plant and equipment” and “Note 31: Deferred income”.

**Off Balance Sheet — Contingent Commitments.** Certain sales financing commitments, such as lease in/lease out structures and AVGs the present value of which is below the 10% threshold, are not recorded on the balance sheet.

As a result, transactions relating to such AVGs are accounted for as sales, with the related exposure deemed to be a contingent commitment. To reduce exposure under AVGs and to minimise the likelihood of their occurrence, Airbus and ATR extend them with prudent guaranteed asset values and restrictive exercise conditions, including limited exercise window periods.

Under lease in/lease out structures, which Airbus and ATR applied in the past to allow investors to take advantage of certain jurisdictions’ leasing-related tax benefits, the risks and rewards of ownership of the aircraft are typically borne by a third party, usually referred to as the head lessor. The head lessor leases the aircraft to Airbus or ATR, which in turn sub-leases it to the customer. To the extent possible, the terms of the head lease and sub-lease match payment streams and other financial conditions. Such commitments by Airbus or ATR are reported as off-balance sheet contingent liabilities. See “Notes to Consolidated Financial Statements (IFRS) — Note 34: Commitments and contingencies”.

**Provisions and Allowances.** Under its provisioning policy for sales financing risk, EADS records provisions to fully cover its estimated financing and asset value net exposure. Provisions pertaining to sales financing exposure, whether on-balance sheet or off-balance sheet, are recorded as impairments of the related assets or in provisions. Provisions recorded as liabilities relate primarily to off-balance sheet commitments. See “Notes to Consolidated Financial Statements (IFRS) — Note 26C: Other provisions”. Provisions are recorded as impairments of the related assets when they can be directly related to the corresponding asset. See “Notes to Consolidated Financial Statements (IFRS) — Note 15: Property, plant and equipment” and “— Note 17: Investments in associates accounted for under the equity method, other investments and other long-term financial assets”. While management views its estimates of valuations of collateral as conservative, changes in provisions reflecting revised estimates may have a material impact on net income in future periods.

### 2.1.3.9 PROVISIONS FOR LOSS-MAKING CONTRACTS

EADS records provisions for loss-making contracts when it becomes probable that total contract costs will exceed total contract revenues. Due to the size, length of time and nature of many of EADS’ contracts, the estimation of total revenues and costs at completion is complicated and subject to many variables and estimates, including penalties to be paid to customers related

to contract performance. Loss-making contract provisions are therefore reviewed and reassessed regularly. However, future changes in the assumptions used by EADS or a change in the underlying circumstances — including the impact of foreign currency exchange rate fluctuations, as described above under “— 2.1.3.7 Foreign Currency Translation” — may adversely or positively affect the amount of EADS' loss-making contract provisions and its future financial performance. In particular, its

provisions for loss-making contracts do not take into account assumptions on the hedge rates that may apply under such contracts. Therefore, such provisions will vary depending on the evolution of currency exchange rates (in particular the euro versus the US dollar and the pound sterling) and other assumptions resulting from regular contract review, including cost reviews, with a corresponding impact on EBIT\*.

## 2.1.4 Measurement of Management's Performance

### 2.1.4.1 ORDER BACKLOG

Year-end order backlog (valued at catalogue prices for commercial aircraft activities) consists of contracts signed up to that date. Only firm orders are included in calculating order backlog — for commercial aircraft, a firm order is defined as one for which EADS receives a non-refundable down payment on a definitive contract not containing a “walk-away” provision. Defence-related orders are included in the backlog upon signature of the related procurement contract (and the receipt, in most cases, of an advance payment). Commitments under defence “umbrella” or “framework” agreements by governmental

customers are not included in backlog until they are officially notified to EADS.

For civil market contracts, amounts of order backlog reflected in the table below are derived from catalogue prices, escalated to the expected delivery date and, to the extent applicable, converted into euro (at the corresponding hedge rate for the hedged portion of expected cash flows, and at the period-end spot rate for the non-hedged portion of expected cash flows). The amount of defence-related order backlog is equal to the contract values of the corresponding programmes.

#### CONSOLIDATED BACKLOG<sup>(1)</sup> FOR THE YEARS ENDED 31 DECEMBER 2008, 2007 AND 2006

	Year ended 31 December 2008		Year ended 31 December 2007		Year ended 31 December 2006	
	Amount in €bn	In percentage <sup>(3)</sup>	Amount in €bn	In percentage <sup>(3)</sup>	Amount in €bn	In percentage <sup>(3)</sup>
Airbus <sup>(2)</sup>	344.8	84%	283.8	81%	210.1	77%
Military Transport Aircraft	22.3	6%	19.9	6%	20.3	8%
Eurocopter	13.8	3%	13.5	4%	11.0	4%
Astrium	11.0	3%	12.9	4%	12.3	5%
Defence & Security <sup>(4)</sup>	17.0	4%	17.8	5%	17.6	6%
<b>Total divisional backlog</b>	<b>408.9</b>	<b>100%</b>	<b>347.9</b>	<b>100%</b>	<b>271.3</b>	<b>100%</b>
Other Businesses <sup>(4)</sup>	3.4		2.7		2.3	
Headquarters/Consolidation	(12.1)		(11.1)		(10.8)	
<b>Total</b>	<b>400.2</b>		<b>339.5</b>		<b>262.8</b>	

(1) Without options.

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

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

(4) MBDA proportionally consolidated at 37.5% in 2007 and 2008, 50% in 2006. 2006 figures have not been restated. In addition, business activities at EADS North America have been reclassified from Defence & Security to Other Businesses in 2007 and 2008 and are not material. 2006 figures have not been restated.

The €60.7 billion increase in the 31 December 2008 order backlog, to €400.2 billion, primarily reflects an order intake at EADS in 2008 (€98.6 billion) that was more than double the revenues accounted for in the same year (€43.3 billion). Also contributing to the increase was the stronger US dollar spot rate

used for conversion of the non-hedged portion of the backlog into euro (€-US\$ 1.39 at the end of 2008 as compared to €-US\$ 1.47 at the end of 2007), which had a positive impact of approximately €10 billion at year end.

\* EBIT: earnings before interest and taxes, pre-goodwill impairment and exceptionals.



Airbus' backlog increased by €61.0 billion from 2007, to €344.8 billion, primarily reflecting a book-to-bill ratio of more than three with new orders of €82.0 billion. This strong order intake consisted of 777 new net orders in 2008 (as compared to 1,341 in 2007). Also contributing to the increase was the positive net foreign currency adjustment to the backlog, reflecting the year-end valuation of the non-hedged portion of Airbus' order backlog. Total order backlog amounted to 3,715 aircraft at the end of 2008 (as compared to 3,421 aircraft at the end of 2007).

The MTA division's backlog increased by €2.4 billion from 2007, to €22.3 billion, reflecting a book-to-bill ratio of more than one with new orders of €5.1 billion. Order intake was driven by orders for 20 A330 MRTT aircraft from the UK, Saudi Arabia and the United Arab Emirates.

The Eurocopter division's backlog posted a slight €0.3 billion increase from 2007, to €13.8 billion, reflecting a book-to-bill ratio of more than one with new orders of €4.9 billion. This strong order intake consisted of 715 total new orders in 2008 (as compared to 802 in 2007). Total order backlog amounted to 1,515 helicopters at the end of 2008 (as compared to 1,388 helicopters at the end of 2007).

Astrium's backlog decreased by €-1.9 billion from 2007, to €11.0 billion, reflecting a book-to-bill ratio of less than one with new orders of €3.3 billion. Order intake was driven by orders for commercial telecommunications and earth observation satellites.

The DS division's backlog decreased by €-0.8 billion from 2007, to €17.0 billion, reflecting a book-to-bill ratio of slightly less than one with new orders of €5.3 billion. Order intake was driven by orders for military air systems and secured communication networks.

The amounts recorded under "Headquarters/Consolidation" primarily reflect the elimination of Airbus' work share in the A400M programme. The MTA division's order backlog includes 100% of the value of the A400M order to reflect the Division's prime-contractor responsibility over the programme. The effect of internal subcontracting (corresponding to the work share of other EADS divisions on the A400M programme) is therefore eliminated in EADS' consolidated order backlog.

The table below illustrates the proportion of commercial and defence backlog at the end of each of the past three years.

	Year ended 31 December 2008		Year ended 31 December 2007		Year ended 31 December 2006	
	Amount in €bn <sup>(1)</sup>	In percentage	Amount in €bn <sup>(1)</sup>	In percentage	Amount in €bn <sup>(1)</sup>	In percentage
<b>Backlog:</b>						
Commercial Sector	345	86%	285	84%	210	80%
Defence Sector <sup>(2)</sup>	55	14%	55	16%	53	20%
<b>Total</b>	<b>400</b>	<b>100%</b>	<b>340</b>	<b>100%</b>	<b>263</b>	<b>100%</b>

(1) Including "Other Businesses" and "Headquarters/Consolidation".

(2) MBDA proportionally consolidated at 37.5% in 2007 and 2008, 50% in 2006. 2006 figures have not been restated.

#### 2.1.4.2 USE OF EBIT\*

EADS uses EBIT\* pre-goodwill impairment and exceptionals as a key indicator of its economic performance. The term "exceptionals" refers to such items as depreciation expenses of fair value adjustments relating to the EADS merger, the Airbus combination and the formation of MBDA, as well as impairment charges thereon. It also comprises disposal

impacts related to goodwill and fair value adjustments resulting from these transactions.

Set forth below is a table reconciling EADS' profit (loss) before finance costs and income taxes (as reflected in EADS' consolidated income statement) with EADS' EBIT\*.

(in €m)	Year ended 31 December 2008	Year ended 31 December 2007	Year ended 31 December 2006
Profit (loss) before finance costs and income taxes	2,772	(33)	278
Disposal of goodwill/Subsequent adjustment to goodwill	-	12	64 <sup>(1)</sup>
Exceptional depreciation	52	49	57
Exceptional disposal (fixed assets)	6	24	-
<b>EBIT*</b>	<b>2,830</b>	<b>52</b>	<b>399</b>

(1) Relates to the finalisation of a tax audit for DASA for the years 1994 until 1999. See " — 2.1.3.3 Fair Value Adjustments".

\* EBIT: earnings before interest and taxes, pre-goodwill impairment and exceptionals.

### 2.1.4.3 EBIT\* PERFORMANCE BY DIVISION

Set forth below is a breakdown of EADS' consolidated EBIT\* by division for the past three years.

(in €m)	Year ended 31 December 2008	Year ended 31 December 2007	Year ended 31 December 2006
Airbus	1,790	(881)	(572)
Military Transport Aircraft	(16)	(155)	75
Eurocopter	293	211	257
Astrium	234	174	130
Defence & Security <sup>(1)</sup>	408	345	348
<b>Total divisional EBIT*</b>	<b>2,709</b>	<b>(306)</b>	<b>238</b>
Other Businesses <sup>(1)</sup>	80	84	(288)
HQ/Consolidation <sup>(2)</sup>	41	274	449
<b>Total</b>	<b>2,830</b>	<b>52</b>	<b>399</b>

(1) MBDA proportionally consolidated at 37.5% in 2007 and 2008, 50% in 2006. 2006 figures have not been restated. In addition, business activities at EADS North America have been reclassified from Defence & Security to Other Businesses in 2007 and 2008 and are not material. 2006 figures have not been restated.

(2) HQ/Consolidation includes results from headquarters, which mainly consist of the "share of profit from associates accounted for under the equity method" from EADS' investment in Dassault Aviation. It also reflects the consolidation adjustments at group level in respect of the A400M programme (€286 million in 2006; €(169) million in 2007; €(135) million in 2008).

**2008 compared to 2007.** EADS' consolidated EBIT\* increased from €0.1 billion for 2007 to €2.8 billion for 2008, primarily reflecting the increased EBIT\* at Airbus. Also contributing to the increase was an improvement in EBIT\* at the Group's four other operating divisions.

Airbus' EBIT\* increased from €-0.9 billion for 2007 to €1.8 billion for 2008, primarily reflecting (i) good underlying business performance, including an increase in the number of aircraft delivered (483 in 2008, as compared to 453 in 2007) and savings from Power8, and (ii) lower programme and restructuring charges than in 2007. See "— 2.1.2.1 Significant Programme and Restructuring Developments in 2006, 2007 and 2008". Also contributing to the increase in EBIT\* was an approximate €0.7 billion positive impact of exchange rate effects compared to 2007 relating to (x) revaluation of loss-making contract provisions which had a positive effect of €1.3 billion compared to 2007, partially offset by (y) generally less favourable rates of hedges that matured in 2008 as compared to 2007 (based on Airbus' 2008 compounded conversion rate of €-US\$ 1.15, as compared to €-US\$ 1.14 in 2007) which had a negative effect of €-0.1 billion and (z) other currency translation adjustments (€-0.5 billion), including those related to the mismatch between US dollar-denominated customer advances and corresponding US dollar-denominated costs. See "— 2.1.3.7 Foreign Currency Translation". The increase in 2008 EBIT\* was partially offset by (i) the impact of the A400M programme, (ii) an increased level of recurring costs recorded in respect of the A380 programme, reflecting the continued challenges that Airbus faces on the ramp-up in industrial production, and (iii) approximately €-0.3 billion deterioration in the price of delivered aircraft.

The MTA division's EBIT\* improved from €-155 million for 2007 to €-16 million for 2008, primarily reflecting a ramp-up in tanker development and lower exceptional charges than in 2007.

The Eurocopter division's EBIT\* increased by 38.9%, from €211 million for 2007 to €293 million for 2008, primarily reflecting strong growth in deliveries (588 in 2008, as compared to 488 in 2007) and a favourable mix effect. The increase in EBIT\* was partially offset by negative foreign exchange rate effects and higher research and development expenses, mainly related to the joint development of the EC175 civil helicopter with China.

Astrium's EBIT\* increased by 34.5%, from €174 million for 2007 to €234 million for 2008, primarily reflecting increased productivity and a ramp-up in production at Astrium Space Transportation, as well as an increased contribution from services due to the consolidation of Spot Image within Astrium's accounts (see "— 2.1.3.1 Scope of and Changes in Consolidation Perimeter") which had a positive EBIT\* impact of €16 million, as well as a decrease in research and development expenses in 2008 as a result of R&D tax credits. The increase in EBIT\* was partially offset by negative foreign exchange rate effects as a result of the decline in the pound sterling versus the euro.

The DS division's EBIT\* increased by 18.3%, from €345 million for 2007 to €408 million for 2008, due primarily to profitability improvement across all businesses. Maturing programmes — such as missiles, radar and secure networks — drove such improvement, as did further cost reduction initiatives and lower restructuring costs.

\* EBIT: earnings before interest and taxes, pre-goodwill impairment and exceptionals.

The EBIT\* of Other Businesses decreased slightly from €84 million for 2007 to €80 million for 2008, due primarily to negative foreign exchange rate effects. EBIT\* decreased at ATR, EFW and Socata in 2008 while increasing at EADS Sogerma.

Headquarters/Consolidation EBIT\* decreased by 85.0%, from €274 million for 2007 to €41 million for 2008, with the decrease primarily due to the gains from real estate disposals and the sale of Embraer shares that occurred in 2007. The decrease in EBIT\* was also partially due to a decrease in “share of profit from associates accounted for under the equity method” from EADS’ investment in Dassault Aviation, including the absence of an IFRS catch-up in 2008 (as compared to a positive €17 million IFRS catch-up in 2007).

**2007 compared to 2006.** EADS’ consolidated EBIT\* decreased by 87.0%, from €0.4 billion for 2006 to €0.1 billion for 2007, primarily reflecting the increased loss at Airbus as well as the loss at the MTA division. This decrease was partially offset by an increase in EBIT\* at Other Businesses and at Astrium.

Airbus’ EBIT\* decreased by 54.0%, from €-0.6 billion for 2006 to €-0.9 billion for 2007, primarily reflecting (i) a larger loss-making contract provision recorded in respect of the A400M programme, (ii) a restructuring expense recorded in respect of Power8 implementation, (iii) charges recorded in respect of the A350 XWB programme, and (iv) approximately €-0.2 billion deterioration in the price of delivered aircraft. See “— 2.1.2.1 Significant Programme and Restructuring Developments in 2006, 2007 and 2008”. Also contributing to the decrease was an approximate €-0.2 billion negative impact of exchange rate effects relating to (x) generally less favourable rates of hedges that matured in 2007 as compared to 2006 (based on Airbus’ 2007 compounded conversion rate of €-US\$ 1.14, as compared to €-US\$ 1.10 in 2006) which had a negative effect of €-0.4 billion and (y) revaluation of loss-making contract provisions which had a negative effect of €-0.4 billion, partially offset by (z) gains on maturing A380 hedges and some positive impact of the revaluation of certain assets and liabilities and other currency translation adjustments. The decrease in EBIT\* was partially offset by (i) an increase in the number of aircraft delivered (453 in 2007, as compared to 434 in 2006), (ii) lower charges recorded in respect of the A380 programme, and (iii) initial savings from Power8.

The MTA division’s EBIT\* decreased from €75 million for 2006 to €-155 million for 2007, primarily reflecting (i) a margin reduction of €-92 million recorded in respect of the A400M programme as a result of the announced delay, combined with revenue recognition of only two milestones in 2007 as compared to five in 2006, and (ii) €-62 million of inventory write-down related to medium and light aircraft. See “— 2.1.2.1 Significant Programme and Restructuring Developments in 2006, 2007 and 2008”.

The Eurocopter division’s EBIT\* decreased by 17.9%, from €257 million for 2006 to €211 million for 2007, primarily reflecting a margin correction and provision in the NH90 programme for €-125 million. The decrease in EBIT\* was partially offset by a record level of deliveries (488 in 2007, as compared to 381 in 2006) with a favourable mix effect.

Astrium’s EBIT\* increased by 33.8%, from €130 million for 2006 to €174 million for 2007, primarily reflecting an increased contribution from services, in particular from Paradigm Secure Communications Ltd., as well as a volume increase and better process efficiency in space transportation. The increase in EBIT\* was partially offset by a decline in the satellites business.

The DS division’s EBIT\* decreased by 0.9%, from €348 million for 2006 to €345 million for 2007, due primarily to (i) the change of consolidation effect relating to MBDA in 2007, and (ii) higher one-time effects in 2006 (mainly €121 million higher capital gains). The decrease in EBIT\* was partially offset by (i) improved operating performance at Defence & Communication Systems, Defence Electronics and Military Air Systems, and (ii) restructuring costs that were lower than in 2006. At comparable perimeter, the DS division’s EBIT\* increased by 8.3% in 2007 compared to 2006.

The EBIT\* of Other Businesses increased from €-288 million for 2006 to €84 million for 2007. EBIT\* in 2006 primarily reflected the burden of non-recurring asset impairment charges and restructuring provisions recorded at EADS Sogerma. In contrast, EBIT\* was positive at EADS Sogerma in 2007, while also increasing at ATR, EFW and Socata.

Headquarters/Consolidation EBIT\* decreased by 39.0%, from €449 million for 2006 to €274 million for 2007, primarily reflecting the €-169 million consolidation adjustment at group level in respect of the A400M programme in 2007, in contrast to the positive €286 million adjustment in 2006. See “— 2.1.2.1 Significant Programme and Restructuring Developments in 2006, 2007 and 2008”. Partially offsetting the decrease in EBIT\* was an increase in “share of profit from associates accounted for under the equity method” from EADS’ investment in Dassault Aviation, including a positive €17 million IFRS catch-up in 2007 (as compared to the absence of an IFRS catch-up in 2006), as well as a higher €69 million in gains from real estate disposals and the sale of Embraer shares totalling €46 million.

**Foreign Currency Impact on EBIT\*.** More than 60% of EADS’ consolidated revenues in 2008 were denominated in currencies other than the euro. Given the long-term nature of its business cycles (evidenced by its multi-year backlog), EADS hedges a significant portion of its net foreign exchange exposure to mitigate the impact of exchange rate fluctuations on its EBIT\*. See “— 2.1.8.1 Foreign Exchange Rates” and “Risk Factors — 1. Financial Market Risks — Exposure to Foreign

\* EBIT: earnings before interest and taxes, pre-goodwill impairment and exceptionals.

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Currencies". In addition to the impact that hedging activities have on EADS' EBIT\*, the latter is also affected by the impact of revaluation of certain assets and liabilities at the closing rate, such as loss-making contract provisions, as described above.

During 2008, cash flow hedges covering approximately US\$ 16.4 billion of EADS' US dollar-denominated revenues matured. In 2008, the compounded exchange rate at which hedged US dollar-denominated revenues were accounted for was €-US\$ 1.18, as compared to €-US\$ 1.16 in 2007. This difference resulted in an approximate €-0.2 billion decrease in EBIT\* from 2007 to 2008, of which approximately three-quarters was at Airbus. In addition, foreign currency effects on EBIT\*, including those related to the mismatch between US dollar-denominated customer advances and corresponding US dollar-denominated costs, resulted in an approximate €-0.5 billion decrease in EBIT\* compared to 2007. These decreases were more than offset by the revaluation of loss-making contract provisions related to the

significant impact of US dollar and pound sterling which had a positive effect of €1.3 billion compared to 2007.

During 2007, cash flow hedges covering approximately US\$ 16.3 billion of EADS' US dollar-denominated revenues matured. In 2007, the compounded exchange rate at which hedged US dollar-denominated revenues were accounted for was €-US\$ 1.16, as compared to €-US\$ 1.12 in 2006. This difference resulted in an approximate €-450 million decrease in EBIT\* from 2006 to 2007, of which approximately €-400 million was at Airbus. This decrease, together with the revaluation of loss-making contract provisions which had a negative effect of €-400 million, was partially offset by the €667 million positive impact of gains on matured A380 hedges and some higher positive impact of the revaluation of certain assets and liabilities and currency translation adjustments related to former Airbus GIE.

## 2.1.5 EADS Results of Operations

The following table sets forth a summary of EADS' Consolidated Income Statements for the past three years.

### IFRS CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008, 2007 AND 2006

(in €m, except for earnings (losses) per share)	Year ended 31 December 2008	Year ended 31 December 2007	Year ended 31 December 2006
Revenues	43,265	39,123	39,434
Cost of sales	(35,907)	(34,802)	(34,722)
<b>Gross margin</b>	<b>7,358</b>	<b>4,321</b>	<b>4,712</b>
Selling and administrative expenses	(2,186)	(2,178)	(2,274)
Research and development expenses	(2,669)	(2,608)	(2,458)
Other income	189	233	297
Other expenses	(131)	(97)	(188)
Share of profit from associates accounted for under the equity method and other income from investments	211	296	189
<b>Profit (loss) before finance costs and income taxes</b>	<b>2,772</b>	<b>(33)</b>	<b>278</b>
Interest result	36	(199)	(121)
Other financial result	(508)	(538)	(123)
Income taxes	(703)	333	81
<b>Profit (loss) for the period</b>	<b>1,597</b>	<b>(437)</b>	<b>115</b>
Attributable to:			
<b>Equity holders of the parent (Net Income (loss))</b>	<b>1,572</b>	<b>(446)</b>	<b>99</b>
Minority interests	25	9	16
<b>Earnings (losses) per share (basic) (in €)</b>	<b>1.95</b>	<b>(0.56)</b>	<b>0.12</b>
<b>Earnings (losses) per share (diluted) (in €)</b>	<b>1.95</b>	<b>(0.55)</b>	<b>0.12</b>

Set forth below are year-to-year comparisons of results of operations, based upon EADS' Consolidated Income Statements.

\* EBIT: earnings before interest and taxes, pre-goodwill impairment and exceptionals.

## CONSOLIDATED REVENUES

Consolidated revenues increased by 10.6% in 2008 to €43.3 billion, as compared to €39.1 billion for 2007. This increase was due to revenue growth at all divisions during 2008 and includes €1.1 billion due to the shift to early stage accounting for the A400M programme.

Set forth below is a breakdown of EADS' consolidated revenues by division for the past three years.

(in €m)	Year ended 31 December 2008	Year ended 31 December 2007	Year ended 31 December 2006
Airbus	27,453	25,216	25,190
Military Transport Aircraft	2,759	1,140	2,200
Eurocopter	4,486	4,172	3,803
Astrium	4,289	3,550	3,212
Defence & Security <sup>(1)</sup>	5,668	5,392	5,864
<b>Total divisional revenues</b>	<b>44,655</b>	<b>39,470</b>	<b>40,269</b>
Other Businesses <sup>(1)</sup>	1,528	1,407	1,257
HQ/Consolidation <sup>(2)</sup>	(2,918)	(1,754)	(2,092)
<b>Total</b>	<b>43,265</b>	<b>39,123</b>	<b>39,434</b>

(1) MBDA proportionally consolidated at 37.5% in 2007 and 2008, 50% in 2006. 2006 figures have not been restated. In addition, business activities at EADS North America have been reclassified from Defence & Security to Other Businesses in 2007 and 2008 and are not material. 2006 figures have not been restated.

(2) HQ/Consolidation includes, in particular, adjustments and eliminations for intercompany transactions.

## Airbus

Set forth below is a breakdown of Airbus' deliveries by aircraft type for the past three years.

Number of aircraft	Year ended 31 December 2008	Year ended 31 December 2007	Year ended 31 December 2006
Single Aisle	386	367	339
Widebody	-	6	9
Long-Range	85	79	86 <sup>(1)</sup>
Large Aircraft	12	1	-
<b>Total</b>	<b>483</b>	<b>453</b>	<b>434</b>

(1) Includes internal delivery of green a/c (MRTT for Australia) from Airbus to MTA division.

**2008 compared to 2007.** Airbus' consolidated revenues increased by 8.9%, from €25.2 billion for 2007 to €27.5 billion for 2008. The increase was primarily due to higher aircraft deliveries (483 in 2008 as compared to 453 in 2007), in particular single-aisle A318/A319/A320/A321 aircraft and A380 aircraft. The shift to early stage accounting for the A400M programme also yielded a revenue increase of €765 million compared to 2007, reflecting Airbus' workshare in the programme.

Partially offsetting this revenue increase was (i) an approximate €-0.3 billion deterioration in the price of delivered aircraft, and (ii) an approximate €-1.4 billion negative impact resulting primarily from the continued decline of the average exchange rates used to convert payments upon deliveries. For a discussion of the impact of exchange rate variations on EADS' results of

operations, see "— 2.1.3.6 Accounting for Hedged Foreign Exchange Transactions in the Financial Statements", "— 2.1.3.7 Foreign Currency Translation", "— 2.1.8.1— Foreign Exchange Rates" and "Risk Factors — 1. Financial Market Risks — Exposure to Foreign Currencies".

**2007 compared to 2006.** Airbus' consolidated revenues remained stable, amounting to €25.2 billion for 2006 and 2007. Aircraft deliveries recognised in revenues increased (453 in 2007 as compared to 434 in 2006), driven by deliveries of single-aisle A318/A319/A320/A321 aircraft. Airbus delivered 28 more aircraft of this type in 2007 (367 aircraft) than in the previous year. Deliveries of long-range aircraft decreased slightly from 86 in 2006 to 79 in 2007.

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Partially offsetting this positive volume increase was a decrease in revenue recognition on the A400M programme, as well as an approximate €-1.1 billion negative impact resulting primarily

from the continued decline of the hedge rates used to convert payments upon deliveries for the portion of such payments which was hedged.

### Military Transport Aircraft

Set forth below is a breakdown of the MTA division's deliveries by aircraft type for the past three years.

Number of aircraft	Year ended 31 December 2008	Year ended 31 December 2007	Year ended 31 December 2006
CN-235	7	7	1
C-212	1	-	-
C-295	11	7	7
P-3	-	1	-
<b>Total</b>	<b>19</b>	<b>15</b>	<b>8</b>

For 2008, consolidated revenues of the MTA division increased from €1.1 billion for 2007 to €2.8 billion for 2008. This increase is primarily due to the shift to early stage accounting for the A400M programme which yielded a revenue increase of €1,107 million compared to 2007, as well as to a ramp-up in tanker activity and an increase in medium and light aircraft deliveries.

For 2007, consolidated revenues of the MTA division decreased by 48.2%, from €2.2 billion for 2006 to €1.1 billion for 2007. The large decrease is primarily due to the completion of fewer milestones on the A400M programme (two in 2007 as compared to five in 2006 (including the shift of revenue recognition for one milestone to the first quarter of 2006 from 2005)).

### Eurocopter

Set forth below is a breakdown of Eurocopter's deliveries by product type for the past three years.

Number of aircraft	Year ended 31 December 2008	Year ended 31 December 2007	Year ended 31 December 2006
Tiger	15	10	9
Light	302	275	217
Medium	229	172	134
Heavy	42	31	21
<i>Of which NH90</i>	14	8	3
<b>Total</b>	<b>588</b>	<b>488</b>	<b>381</b>

For 2008, consolidated revenues of Eurocopter increased by 7.5%, from €4.2 billion for 2007 to €4.5 billion for 2008, primarily reflecting an overall increase in helicopter deliveries from 488 in 2007 to 588 in 2008, as well as growth in customer services and development activities.

For 2007, consolidated revenues of Eurocopter increased by 9.7%, from €3.8 billion for 2006 to €4.2 billion for 2007, primarily reflecting an overall increase in helicopter deliveries from 381 in 2006 to 488 in 2007, in particular in the civil segment, as well as growth in customer services.

### Astrium

Set forth below is a breakdown of Astrium's deliveries of telecommunications satellites for the past three years.

Telecommunications Satellites	Year ended 31 December 2008	Year ended 31 December 2007	Year ended 31 December 2006
	6	2	4

For 2008, consolidated revenues of Astrium increased by 20.8%, from €3.6 billion for 2007 to €4.3 billion for 2008. The increase was primarily due to higher deliveries of commercial telecommunication satellites, ramp-up in Ariane 5 production and an increase in earth observation services. The increase in revenues also reflects the consolidation of Spot Image in 2008.

For 2007, consolidated revenues of Astrium increased by 10.5%, from €3.2 billion for 2006 to €3.6 billion for 2007. The increase was primarily due to an increase in revenues from Paradigm services, Ariane 5 production and ballistic missile deliveries.

### Defence & Security

For 2008, consolidated revenues of the DS division amounted to €5.7 billion. Eurofighter, radar and missiles businesses represent the majority of the revenues. The increase of 5.1% from €5.4 billion for 2007 primarily reflects further development of integrated security systems, secure networks and UAVs, as well as the shift to early stage accounting for the A400M programme which yielded a revenue increase of €171 million compared to 2007. The increase in revenues also reflects the acquisition of PlantCML in 2008.

For 2007, consolidated revenues of the DS division decreased by 8.0%, from €5.9 billion for 2006 to €5.4 billion for 2007, primarily reflecting the change of proportionate consolidation effect (€-0.4 billion) relating to MBDA and a decrease in stand-off missile activity. Partially offsetting this decrease was the ramp-up in Eurofighter production and growth in security revenues.

### CONSOLIDATED COST OF SALES

For 2008, consolidated cost of sales increased by 3.2%, from €34.8 billion for 2007 to €35.9 billion for 2008. The increase was primarily due to the higher number of aircraft deliveries and the shift to early stage accounting for the A400M programme, partially offset by lower programme and restructuring charges than in 2007 and foreign exchange effects from natural hedging. See “— 2.1.2.1 Significant Programme and Restructuring Developments in 2006, 2007 and 2008”.

Consolidated cost of sales also includes the amortisation of capitalised development costs pursuant to IAS 38, which amounted to €-56 million in 2008. Mainly as a result of the above stated items and despite a negative dollar effect at Airbus in respect of revenues, the gross margin increased from 11.0% in 2007 to 17.0% in 2008.

For 2007, consolidated cost of sales was roughly stable, increasing from €34.7 billion for 2006 to €34.8 billion for 2007. The slight increase was primarily due to the higher number of aircraft deliveries and to charges relating to the A400M programme, A350 XWB programme and Power8 implementation (as described above), which were partially offset by decreased charges in respect of the A380 programme in 2007.

Consolidated cost of sales also includes the amortisation of capitalised development costs pursuant to IAS 38, which amounted to €-46 million in 2007. Mainly as a result of the above stated items and a negative dollar effect at Airbus in respect of revenues, the gross margin decreased from 11.9% in 2006 to 11.0% in 2007.

### CONSOLIDATED SELLING AND ADMINISTRATIVE EXPENSES

For 2008, consolidated selling and administrative expenses remained stable, at the 2007 level of €2.2 billion. Higher expenses at Astrium (primarily related to services growth and the consolidation of Spot Image), the MTA division (related to activity growth) and other areas were largely offset by the absence of Power8 restructuring expenses recorded at Airbus in 2007. See “— 2.1.2.1 Significant Programme and Restructuring Developments in 2006, 2007 and 2008”.

For 2007, consolidated selling and administrative expenses decreased by 4.2%, from €2.3 billion for 2006 to €2.2 billion for 2007, primarily reflecting lower expenses at the DS division (perimeter effect relating to MBDA, business unit savings, etc.) and at EADS Sogerma (following the sale of its support and maintenance activities at the beginning of 2007). This decrease was partially offset by higher expenses at the Eurocopter division and Astrium, primarily reflecting an overall increase in selling activities, and by restructuring expenses relating to Power8 implementation at Airbus.

### CONSOLIDATED RESEARCH AND DEVELOPMENT EXPENSES

For 2008, consolidated research and development (“R&D”) expenses increased by 2.3%, from €2.6 billion for 2007 to €2.7 billion for 2008. Most of the increase was attributable to higher expenses at Airbus and Eurocopter, due to development on the A350 XWB and various helicopter programmes. This increase was partially offset by less R&D for the A380 programme and at the other divisions as well as higher R&D tax credits.

For 2007, consolidated R&D expenses increased by 6.1%, from €2.5 billion for 2006 to €2.6 billion for 2007. Most of the increase was attributable to higher expenses at Airbus, due to development on the A350 XWB and A330-200F. The DS division recorded slightly lower R&D expenses in 2007, whereas the MTA division, Eurocopter and Astrium recorded slightly higher expenses than in 2006. These changes also reflect the fact that in 2007 only €93 million of R&D qualified for capitalisation as an intangible asset under IAS 38, which was considerably less than the €411 million of R&D capitalised in 2006. See “— 2.1.3.5 Research and Development Expenses”.

## CONSOLIDATED OTHER INCOME AND OTHER EXPENSES

Consolidated other income and other expenses represent gains and losses on disposals of investments in fixed assets, income from rental properties and certain provisions.

For 2008, the net of other income and other expenses was positive €58 million as compared to positive €136 million for 2007. The decrease was mainly attributable to gains from sale of land and buildings in France and Germany recorded in 2007.

For 2007, the net of other income and other expenses was positive €136 million as compared to positive €109 million for 2006. The increase was mainly attributable to the recording of lower overall expenses in 2007, as well as to gains on the sale of land and buildings in France and Germany.

## CONSOLIDATED SHARE OF PROFIT FROM ASSOCIATES ACCOUNTED FOR UNDER THE EQUITY METHOD AND OTHER INCOME FROM INVESTMENTS

Consolidated share of profit from associates accounted for under the equity method and other income from investments principally includes results from companies accounted for under the equity method and the results attributable to non-consolidated investments.

For 2008, EADS recorded €211 million in consolidated share of profit from associates accounted for under the equity method and other income from investments as compared to €296 million for 2007. The €-85 million decrease primarily reflects the reduced contribution from EADS' equity investment in Dassault Aviation, including the absence of an IFRS catch-up in 2008, as well as the one-off gain from EADS' sale of its 2.13% interest in Embraer in 2007. See "Notes to Consolidated Financial Statements (IFRS) — Note 11: Share of profit from associates accounted for under the equity method and other income from investments".

For 2007, EADS recorded €296 million in consolidated share of profit from associates accounted for under the equity method and other income from investments as compared to €189 million for 2006. The €107 million increase primarily reflects the results of EADS' equity investment in Dassault Aviation, including a €17 million positive IFRS catch-up in 2007 (as compared to the absence of an IFRS catch-up in 2006), as well as a capital gain of €46 million from EADS' sale of its 2.13% interest in Embraer.

## CONSOLIDATED INTEREST RESULT

Consolidated interest result reflects the net of interest income and expense arising from financial assets and liabilities, including interest expense on refundable advances provided

by European governments to finance research and development activities.

For 2008, EADS recorded a consolidated net interest result of €36 million, as compared to a consolidated net interest expense of €-199 million for 2007. The improvement is due primarily to a higher average net cash balance held during 2008 and an increase in investments in short- and medium-term securities.

For 2007, EADS recorded a consolidated net interest expense of €-199 million, as compared to €-121 million of consolidated net interest expense for 2006. The deterioration is due primarily to a lower average net cash balance held during 2007 following the acquisition of BAE Systems' 20% share in Airbus in October 2006, as well as the incurrence of higher interest expenses on European government refundable advances.

## CONSOLIDATED OTHER FINANCIAL RESULT

For 2008, consolidated other financial result improved to €-508 million from €-538 million for 2007. This positive €30 million change primarily results from (i) a €-28 million negative effect in 2008 from valuation changes of US dollar- and pound sterling-denominated cash balances on the euro-denominated balance sheets of Group companies, compared to a €-274 million negative effect in 2007, (ii) the €-230 million negative effect in 2008 from the unwinding of discounts on provisions recorded primarily at Airbus, compared to a €-202 million negative effect in 2007, and (iii) a negative €-121 million effect from the mark-to-market valuation of "embedded derivatives", compared to a negative €-5 million effect in 2007. Such "embedded derivatives" are financial instruments that, for accounting purposes, are deemed to be embedded in US dollar-denominated purchase orders of equipment, where the US dollar is not conclusively the currency in which the price of the related equipment is routinely denominated in international commerce and is not the functional currency of any of the parties to the transaction. Also included in 2008 is the negative impact of the reassessment of counterparty risk in the amount of €-49 million. See "Notes to Consolidated Financial Statements (IFRS) — Note 12: Total finance costs".

For 2007, consolidated other financial result deteriorated to €-538 million from €-123 million for 2006. This negative €-415 million change primarily results from (i) the €-202 million negative effect in 2007 from the unwinding of discounts on provisions recorded at Airbus, compared to a €-22 million negative effect in 2006, and (ii) a €-274 million negative effect in 2007 from valuation changes of US dollar-denominated cash balances on the euro-denominated balance sheets of Group companies, compared to a €-136 million negative effect in 2006, and (iii) a negative €-5 million effect from the mark-to-market valuation of "embedded derivatives", compared to a positive €46 million effect in 2006.



## CONSOLIDATED INCOME TAXES

For 2008, income taxes yielded a €-703 million expense, compared to a €333 million benefit in 2007. The expense was due to the taxable income of €2,300 million recorded in 2008, compared to a taxable loss of €-770 million recorded in the previous year. The effective tax rate was 31% in 2008. See “Notes to Consolidated Financial Statements (IFRS) — Note 13: Income taxes”.

For 2007, income taxes yielded a positive €333 million benefit, compared to a positive €81 million in 2006. The increase was due to a taxable loss of €-770 million recorded in 2007, compared to taxable income of €34 million recorded in the previous year.

## CONSOLIDATED MINORITY INTERESTS

For 2008, consolidated minority interests were €25 million, as compared to €9 million for 2007, reflecting primarily the minority interest in the results of EADS Deutschland GmbH and subsidiaries of Airbus Financial Services. The increase of minority interests for 2008 primarily relates to the increase in minority interest in the results of Airbus Financial Services, and the minority interest recorded in respect of Spot Image following its initial consolidation. See “— 2.1.3.1 Scope of and Changes in Consolidation Perimeter”.

For 2007, consolidated minority interests were €9 million, as compared to €16 million for 2006, reflecting primarily the minority interest in the results of Dornier GmbH. The decrease in minority interests for 2007 primarily relates to the change in the proportional consolidation of MBDA from 50% to 37.5% as of 1 January 2007, as a result of which Finmeccanica’s 12.5% stake in MBDA is no longer reflected as a minority interest in EADS’ accounts.

## CONSOLIDATED NET INCOME (LOSS) (PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT)

As a result of the factors discussed above, EADS recorded a consolidated net income of €1,572 million for 2008, as compared to a consolidated net loss of €-446 million for 2007 and a consolidated net income of €99 million for 2006.

## EARNINGS PER SHARE (EPS)

Basic earnings per share increased by €2.51 per share, from a loss of €-0.56 per share in 2007 to a profit of €1.95 per share in 2008. The number of outstanding shares at 31 December 2008 was 809,509,147. The denominator used to calculate EPS was 806,978,801 shares, reflecting the weighted average number of shares outstanding during the year. In 2006, EADS reported basic earnings per share of €0.12.

Diluted earnings per share increased by €2.50 per share, from a loss of €-0.55 per share in 2007 to a profit of €1.95 per share in 2008. The denominator used to calculate diluted EPS was 807,596,942, reflecting the weighted average number of shares outstanding during the year, adjusted to assume the conversion of all potential ordinary shares. In 2006, EADS reported diluted earnings per share of €0.12.

See “Notes to Consolidated Financial Statements (IFRS) — Note 24: Total equity” and “— Note 39: Earnings per share”.

## 2.1.6 Changes in Consolidated Total Equity (including Minority Interests)

The following table sets forth a summary of the changes in consolidated total equity for the period 1 January 2008 through 31 December 2008.

(in €m)	
<b>Balance at 31 December 2007</b>	<b>13,175</b>
Actuarial gains and losses	(313)
Accumulated other comprehensive income	(3,321)
<i>Thereof currency translation adjustments</i>	417
Profit for the period	1,597
Capital increase	25
Share-based payments (IFRS 2)	22
Cash distribution to EADS N.V. shareholders/dividends paid to minorities	(107)
Change in minority interests	9
Change in treasury shares	39
<b>Balance at 31 December 2008</b>	<b>11,126</b>

The decrease in consolidated total equity in 2008 primarily reflects the effects of changes in accumulated other comprehensive income (“AOCI”) and changes in actuarial gains and losses. These were partially offset by net income for the period. Set forth below is a discussion of AOCI and its impact on consolidated total equity. For a discussion of the other line items affecting consolidated total equity, see “Notes to Consolidated Financial Statements (IFRS) — Note 24: Total equity”.

In 2008, AOCI decreased by €-3,321 million. The change in AOCI was primarily due to the negative variation (net of tax) of the year-end mark-to-market valuation of that portion of EADS’ hedge portfolio qualifying for cash flow hedge accounting under IAS 39.

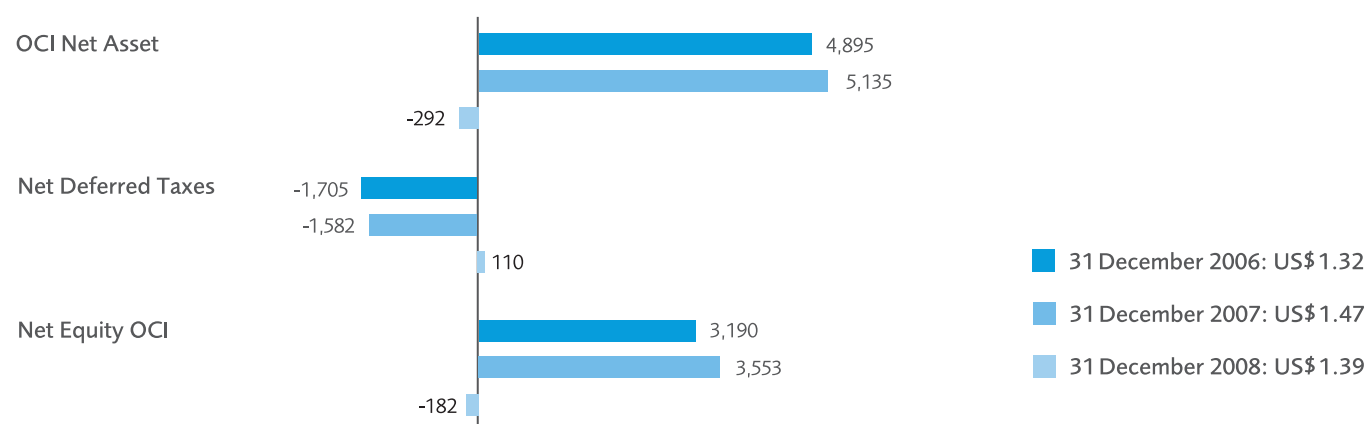
### IAS 39 RELATED IMPACT ON AOCI

At 31 December 2008, the notional amount of the outstanding portfolio of hedges qualifying for IAS 39 hedge accounting treatment (“cash flow hedges”) amounted to approximately

US\$68.1 billion hedged against the euro and the pound sterling. The year-end mark-to-market valuation of EADS’ portfolio of cash flow hedges resulted in a negative pre-tax AOCI valuation change of €-5.4 billion from 31 December 2007, based on a closing rate of €-US\$ 1.39, as compared to a positive pre-tax AOCI valuation change of €0.2 billion at 31 December 2007 from 31 December 2006, based on a closing rate of €-US\$ 1.47.

Positive pre-tax mark-to-market values of cash flow hedges are included in other financial assets, while negative pre-tax mark-to-market values of cash flow hedges are included in other financial liabilities. Year-to-year changes in the mark-to-market value of cash flow hedges are recognised as adjustments to AOCI. These adjustments to AOCI are net of corresponding changes to deferred tax assets (for cash flow hedges with negative mark-to-market valuations) and deferred tax liabilities (for cash flow hedges with positive mark-to-market valuations). Set out below is a graphic presentation of cash flow hedge related movements in AOCI over the past three years (in €m).

#### RELATED MOVEMENTS IN AOCI IN €M



As a result of the negative change in the fair market valuation of the cash flow hedge portfolio in 2008, AOCI amounted to a net liability of €-0.3 billion for 2008, as compared to a net asset of €5.1 billion for 2007. The corresponding €1.7 billion tax effect

led to a net deferred tax asset of €0.1 billion at 31 December 2008 as compared to a net deferred tax liability of €-1.6 billion at 31 December 2007.

## CURRENCY TRANSLATION ADJUSTMENT IMPACT ON AOCI

The positive €417 million currency translation adjustment (CTA) related impact on AOCI in 2008 reflects the positive effect of the strengthening US dollar and the weakening pound sterling (in total positive €517 million), partially offset by the consequences (negative €-100 million) of the merger of Airbus GIE (a US dollar-denominated entity) into Airbus S.A.S. (a euro-denominated entity). Before the merger, Airbus GIE operations were recorded at the current exchange rate of the period except

for those hedged with financial instruments. As from 1 January 2004, former Airbus GIE operations are recorded on the basis of historical exchange rates. As a result, no additional CTA is generated by former Airbus GIE operations. The portion of outstanding CTA as at 31 December 2003, booked in respect of non-monetary balance sheet items relating to transactions realised as from 1 January 2004 (*i.e.*, mainly aircraft deliveries), is gradually released to the consolidated income statement, in line with such deliveries. See “— 2.1.3.7 Foreign Currency Translation”.

## 2.1.7 Liquidity and Capital Resources

The Group's objective is to maintain sufficient cash and cash equivalents at all times to meet its present and future cash requirements and maintain a favourable credit rating. It attempts to achieve this policy objective by:

- implementing measures designed to generate cash;
- developing and maintaining access to the capital markets; and
- containing its exposure to customer financing.

EADS benefits from a strong positive cash position, with €13.7 billion of consolidated gross cash (including securities of €7.0 billion) at 31 December 2008, with no immediate short-term refinancing needs other than €1.0 billion in notes maturing in March 2010. This cash position is further supported by a €3.0 billion syndicated back-up facility, undrawn as at 31 December 2008 with no covenants. Overall, financing liabilities (short and long-term) amounted to €4.5 billion at 31 December 2008.

EADS defines its consolidated net cash position as the difference between (i) cash and cash equivalents, (ii) securities, and (iii) financing liabilities (as recorded in the consolidated balance sheet). The net cash position at 31 December 2008 was €9.2 billion. The factors affecting EADS' cash position, and consequently its liquidity risk, are discussed below.

### 2.1.7.1 CASH FLOWS

EADS generally finances its manufacturing activities and product development programmes, and in particular the development of new commercial aircraft, through a combination of flows generated by operating activities, customers' advance payments, risk-sharing partnerships with sub-contractors and European government refundable advances. In addition, EADS' military activities benefit from government-financed research and development contracts. If necessary, EADS may raise funds in the capital markets.

The following table sets forth the variation of EADS' consolidated net cash position over the periods indicated.

(in €m)	Year ended 31 December 2008	Year ended 31 December 2007	Year ended 31 December 2006
<b>Consolidated net cash position at 1 January</b>	<b>7,024</b>	<b>4,229</b>	<b>5,489</b>
Gross cash flows from operations <sup>(1)</sup>	4,571	3,862	3,541
Changes in other operating assets and liabilities (working capital) <sup>(2)</sup>	(172)	1,236	1,017
<i>Thereof customer financing</i>	(327)	61	1,160
<i>Thereof Paradigm refinancing</i>	58	1,158	98
Cash used for investing activities <sup>(3)</sup>	(1,840)	(1,744)	(2,590)
<i>Thereof industrial capital expenditures</i>	(1,837)	(2,028)	(2,708)
<i>Thereof others</i>	(3)	284	118
Cash distribution to shareholders/dividends paid to minorities	(107)	(98)	(536)
Capital increase	24	46	94
Change in treasury shares	39	-	(35)
Contribution to plan assets of pension schemes	(436)	(303)	-
Payments related to liability for puttable instruments	-	-	(2,879) <sup>(4)</sup>
Other changes in financial position	90	(204)	128
<b>Consolidated net cash position at 31 December</b>	<b>9,193</b>	<b>7,024</b>	<b>4,229</b>
<b>Free cash flows<sup>(3)</sup></b>	<b>2,559</b>	<b>3,354</b>	<b>1,968</b>
<i>Thereof free cash flows before customer financing</i>	2,886	3,293	808

(1) Represents cash flow from operations, excluding variations in working capital.

(2) Including cash outflows of €302 million for option premiums in 2008. In addition, following a change in presentation under IFRS, working capital now contains the net effect of customer financing. 2006 and 2007 figures have been restated.

(3) Does not reflect (i) investments in, or disposals of, available-for-sale securities (disposal of €3,357 million for 2006; addition of €(2,641) million for 2007; addition of €(2,676) million for 2008), which are classified as cash and not as investments solely for the purposes of this net cash presentation; (ii) changes in cash from changes in consolidation (€(249) million for 2007); or (iii) contribution to plan assets of pension schemes (€(303) million for 2007; €(436) million for 2008).

(4) Payments include the acquisition price of €2,750 million for the 20% stake in Airbus as well as a dividend payment from Airbus to BAE Systems amounting to €129 million.

The consolidated net cash position at 31 December 2008 was €9.2 billion, a 30.9% increase from 31 December 2007. The increase primarily reflects a solid €4.6 billion gross cash flow from operations. This increase was partially offset by investing activities that consumed €-1.8 billion as well as other items.

### Gross Cash Flows from Operations

Gross cash flow from operations increased by €709 million to €4,571 million for 2008, primarily as a result of the higher earnings generated during the year.

### Changes in Other Operating Assets and Liabilities (Working Capital)

Working capital is comprised of inventory, trade receivables, other assets and prepaid expenses netted against trade liabilities, other liabilities (including customer advances), deferred income and customer financing. Changes in working capital resulted in a negative impact on the net cash position for 2008 (€-0.2 billion) and a positive impact on the net cash position for 2007 (€1.2 billion). In 2008, the main net contributors to the negative working capital variation were (i) the change in inventory (€-1.2 billion), reflecting inventory growth in Airbus, Eurocopter and the DS division, and (ii) the change in other assets and liabilities (€-1.0 billion), primarily reflecting

the payment for option premiums (€-0.3 billion) and customer financing (€-0.3 billion). The negative working capital variation within the year was almost entirely offset by pre-delivery payments from customers (€2.4 billion), approximately half of which resulted from customer payments at non-Airbus divisions.

In 2007, the main net contributor to the positive working capital variation was pre-delivery payments from customers (€4.8 billion), €1.2 billion of which resulted from the securitisation of future receivables (guaranteed customer payments) following achievement of an important milestone on the Paradigm programme in 2007. Approximately half of the remaining €3.6 billion in pre-delivery payments resulted from customer payments at Airbus. The positive variation of advance payments received was partially offset by the change in gross inventory in 2007 (€-3.0 billion), reflecting inventory growth across all divisions, in particular at Airbus which accounted for approximately half of the total.

**European Government Refundable Advances.** As of 31 December 2008, total European government refundable advances received, recorded on the balance sheet in the line items "non-current other financial liabilities" and "current other financial liabilities", amounted to €4.9 billion, including accrued interest.

For 2008, new receipts of European government refundable advances totalled €0.1 billion and reimbursements totalled €-0.4 billion. Related accrued interest of €-0.3 billion was recorded in 2008.

Set out below is a breakdown of the total amount of European government refundable advances outstanding, by product/project.

(in €bn)	2008	2007	2006
Long Range & Wide Body	1.1	1.3	1.5
A380	3.4	3.5	3.3
Eurocopter	0.1	0.2	0.2
Others	0.3	0.3	0.4
<b>Total</b>	<b>4.9</b>	<b>5.3</b>	<b>5.4</b>

### Cash Used for Investing Activities

Management categorises cash used for investing activities into two components: (i) industrial capital expenditures, and (ii) others.

**Industrial Capital Expenditures.** Industrial capital expenditures (investments in property, plant and equipment and intangible assets) amounted to €1.8 billion for 2008, as compared to €2.0 billion for 2007 and €2.7 billion for 2006. Capital expenditures in 2008 related to programmes at Airbus of €0.9 billion (relating primarily to the A350 XWB, single-aisle and MRTT projects) and additional projects in the other divisions of €0.9 billion, including the build-up of Skynet 5 satellites at Paradigm and ongoing businesses. Excluding Airbus and Paradigm-related expenditures, EADS' other divisions incur approximately €0.8 billion annually in capital expenditures related to ongoing businesses.

For the period 2009 to 2010, it is expected that the majority of EADS' capital expenditures will occur in connection with Airbus activities — in particular, for the A350 XWB programme — and be broadly distributed across EADS' home markets of France, Germany, the Spain and UK, as well as at the A320 Final Assembly Line in Tianjin, China.

**Others.** For 2008, negative €-3 million was recorded in this category. For 2007, the positive €284 million figure primarily reflects the sale of buildings and participations in small entities as well as the sale of Embraer shares. For 2006, the positive €118 million figure primarily reflects the sale of LFK GmbH to MBDA and other asset sales.

### Free Cash Flows

As a result of the factors discussed above, positive free cash flows amounted to €2.6 billion for 2008, as compared to €3.4 billion for 2007 and €2.0 billion for 2006. Positive free cash flow before customer financing was €2.9 billion for 2008, as compared to €3.3 billion for 2007 and €0.8 billion for 2006.

### Contribution to Plan Assets of Pension Schemes

In 2007, the cash outflow of €-0.3 billion relates to the implementation of a Contractual Trust Arrangement (CTA) for allocating and generating pension plan assets in accordance with IAS 19. The CTA was initially funded by a €0.5 billion contribution in cash and securities (thereof €0.3 billion in cash, €0.2 billion in securities not classified as cash-equivalent) by certain EADS companies in Germany.

In 2008, there was a cash outflow of €-0.4 billion representing mainly an additional contribution to the CTA by certain EADS companies. See “Notes to Consolidated Financial Statements (IFRS) — Note 26B: Provisions for retirement plans”. EADS may make additional contributions to plan assets over time in order to reduce the provision for retirement plans on its balance sheet.

### Other Changes in Financial Position

In 2008, the positive change of €90 million generally mirrors the currency effects on financing liabilities. In 2007, the cash outflow of €-204 million primarily reflects the change in the percentage of proportional consolidation of MBDA from 50% in 2006 to 37.5% in 2007. The cash inflow of €128 million in 2006 generally mirrors the currency effects on financing liabilities.

#### 2.1.7.2 CONSOLIDATED CASH AND CASH EQUIVALENTS AND SECURITIES

The cash and cash equivalents and securities portfolio of the Group is invested mainly in non-speculative financial instruments, mostly highly liquid, such as certificates of deposit, overnight deposits, commercial paper, other money market instruments and bonds. See “— 2.1.8.2 Interest Rates” and “Notes to Consolidated Financial Statements (IFRS) — Note 35A: Information about Financial Instruments — Financial risk management”.

EADS has a fully automated cross-border cash pooling system (covering France, Germany, Spain, the Netherlands, the UK and the US). The cash pooling system enhances management's ability to assess reliably and instantaneously the cash position of each subsidiary within the Group and enables management to allocate

cash optimally within the Group depending upon shifting short-term needs.

Total cash and cash equivalents (including available-for-sale securities) in 2008 included €0.7 billion from the 37.5% consolidation of MBDA, compared to €0.6 billion in 2007.

### 2.1.7.3 CONSOLIDATED FINANCING LIABILITIES

The following table sets forth the composition of EADS' consolidated financing liabilities, including both short-and long-term debt, as of 31 December 2008:

(in €m)	31 December 2008			
	Not Exceeding 1 year	Over 1 year up to 5 years	More Than 5 years	Total
Bonds	-	1,029	498	1,527
Liabilities to financial institutions	103	304	591	998
Loans	197	169	312	678
Finance Leases	19	46	97	162 <sup>(1)</sup>
Others	1,139	-	-	1,139
<b>Total</b>	<b>1,458</b>	<b>1,548</b>	<b>1,498</b>	<b>4,504<sup>(2)</sup></b>

(1) This figure reflects the €373 million effect of the netting of defeased bank deposits against finance lease liabilities.

(2) Financing liabilities include non-recourse Airbus debt for €737 million.

The outstanding balance of financing liabilities decreased from €4.8 billion at 31 December 2007 to €4.5 billion at 31 December 2008. Financing liabilities include liabilities connected with sales financing transactions amounting to €836 million at 31 December 2008, most of which bore interest at variable rates. See “— 2.1.7.4 Sales Financing”.

**EMTN Programme.** EADS currently has a €3 billion Euro Medium Term Note (“EMTN”) Programme in place. In 2003, it conducted an initial €1.0 billion issue of notes maturing in 2010 and bearing interest at 4.625% (effective interest rate: 4.686%), which was later swapped into a variable rate of 3-month EURIBOR plus 1.02%. Later in 2003, it issued an additional €0.5 billion of notes maturing in 2018 and bearing interest at 5.5% (effective interest rate: 5.6%), which was swapped during 2005 into a variable rate of 3-month EURIBOR plus 1.72%.

**European Investment Bank Loan.** In 2004, the European Investment Bank granted a long-term loan to EADS in the amount of US\$421 million at an interest rate of 5.1% (effective interest rate: 5.1%).

**Commercial Paper Programme.** EADS has the ability to issue commercial paper on a rolling basis, under a so-called “billet de trésorerie” programme. This commercial paper would bear interest at fixed or floating rates with individual maturities ranging from 1 day to 12 months. The programme has been in place since 2003 and has a maximum authorised volume limit of €2 billion. As of 31 December 2008, there was no commercial paper outstanding under the programme.

#### 2.1.7.4 SALES FINANCING

EADS favours cash sales, and encourages independent financing by customers, in order to avoid retaining credit or asset risk in

relation to delivered products. However, 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 response to the continued demand by its customers for financing and the current volatility in the financial and credit markets, EADS expects to increase its outlays in connection with customer financing of commercial aircraft, mostly through finance leases and secured loans. Nevertheless, it intends to keep the amount as low as possible.

Dedicated and experienced teams structure such financing transactions and closely monitor total EADS finance and asset value exposure and its evolution in terms of quality, volume and intensity of cash requirements. EADS aims to structure all financing it provides to customers in line with market-standard contractual terms so as to facilitate any subsequent sale or reduction of such exposure.

In determining the amount and terms of a 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.

Approximately 19% of the €4.5 billion of total consolidated financing liabilities as at 31 December 2008 are derived from the funding of EADS' sales financing assets, which are of a long-term nature and have predictable payment schedules.

Set out below is a breakdown of the total amount of sales financing liabilities outstanding.

(in €m)	2008	2007	2006
Finance Leases <sup>(1)</sup>	14	35	72
Liabilities to financial institutions	664	742	905
Loans	158	183	245
<b>Total sales financing liabilities</b>	<b>836</b>	<b>960</b>	<b>1,222</b>

(1) These figures reflect the effect of the netting of defeased bank deposits against finance lease liabilities (€373 million in 2008; €677 million in 2007; €927 million in 2006).

The amounts of total sales financing liabilities at 31 December 2008, 2007 and 2006 reflect the offsetting of sales financing liabilities by €0.4 billion (for 2008), €0.7 billion (for 2007) and €0.9 billion (for 2006). Of the remaining €0.8 billion total sales financing liabilities at 31 December 2008, €0.7 billion is in the form of non-recourse debt, where EADS' repayment obligations are limited to its receipts from transaction counterparties. A significant portion of financial assets representing non-cancellable customer commitments have terms closely matching those of the related financing liabilities. See "Notes to Consolidated Financial Statements (IFRS) — Note 27: Financing liabilities". See also "— 2.1.3.8 Accounting for Sales Financing Transactions in the Financial Statements".

Furthermore, in 1999, Airbus received a reinvestment note from Deutsche Bank AG in the amount of US\$ 800 million, with an outstanding debt of €372 million (2007: €396 million, 2006: €480 million). 2006 and 2007 sales financing loans have been adjusted by the preceding amounts.

Sales financing transactions are generally collateralised 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 of each transaction.

EADS classifies the exposure arising from its sales financing activities into two categories: (i) Customer Financing Exposure, where the customer's credit — its ability to perform its obligations under a financing agreement — constitutes the risk; and (ii) Asset Value Exposure, where the risk relates to decreases in the future

value of the financed aircraft. See also "Risk Factors — 1. Financial Market Risks — Exposure to Sales Financing Risk".

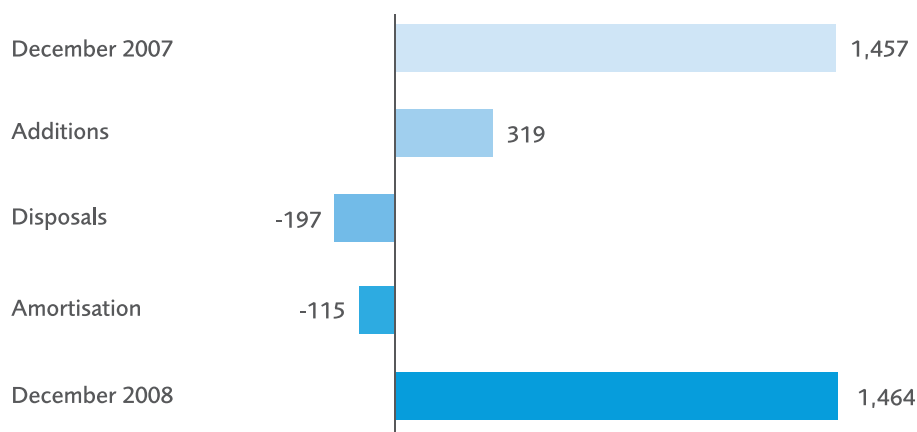
### Customer Financing Exposure

*Gross Exposure:* Gross Customer Financing Exposure is computed as the sum of (i) the net book value of aircraft under operating leases; (ii) the outstanding principal amount of finance leases or loans; and (iii) the net present value of the maximum commitment amounts under financial guarantees.

Gross Customer Financing Exposure from operating leases, finance leases and loans differs from the value of related assets on EADS' balance sheet and related off-balance sheet contingent commitments for the following reasons: (i) assets are recorded in compliance with IFRS, but may relate to transactions where there is limited recourse to Airbus or ATR; (ii) the value of the assets is impaired or depreciated on the consolidated balance sheet; (iii) off-balance sheet gross exposure is calculated as the net present value of future payments, whereas the financial statements present the total future payments in nominal terms; and (iv) exposure related to certain AVGs recorded as operating leases in the financial statements is categorised under Asset Value Exposure, not Customer Financing Exposure.

Airbus' Gross Customer Financing Exposure amounted to US\$ 1.5 billion (€1.1 billion) as of 31 December 2008. The chart below illustrates the evolution of this exposure during 2008 (in US\$ million).

#### EVOLUTION OF AIRBUS GROSS EXPOSURE DURING 2008



Airbus Gross Customer Financing Exposure as of 31 December 2008 is distributed over 74 aircraft, operated at any time by approximately 20 airlines. In addition, the level of exposure may include other aircraft-related assets, such as spare parts. 90% of Airbus Gross Customer Financing Exposure is distributed over 11 airlines in 11 countries (this excludes backstop commitments).

ATR's Gross Customer Financing Exposure amounted to US\$0.3 billion (€0.2 billion) as of 31 December 2008. This exposure is distributed over 182 aircraft. EADS proportionally consolidates only 50% of ATR and shares the risk with its partner, Alenia.

*Net Exposure.* Net exposure is the difference between gross exposure and the estimated value of the collateral security. Collateral value is assessed using a dynamic model based on the net present value of expected future rentals from the aircraft in the leasing market and potential cost of default. This valuation model yields results that are typically lower than residual value estimates by independent sources in order to allow for what management believes is its conservative assessment of market conditions, as well as for repossession and transformation costs. See “— 2.1.3.8 Accounting for Sales Financing Transactions in the Financial Statements”.

The table below shows the transition from gross to net financing exposure (which does not include AVGs) as at 31 December 2008, 2007 and 2006. It includes 100% of Airbus' customer financing exposure and 50% of ATR's exposure, reflecting EADS' stake in ATR.

(in €m)	Note*	Airbus			ATR 50%			Total EADS		
		12/31/2008	12/31/2007	12/31/2006	12/31/2008	12/31/2007	12/31/2006	12/31/2008	12/31/2007	12/31/2006
Operating Lease	15	366	506	1,080	67	94	136	433	600	1,216
Finance leases and loans	17	1,329	1,017	957	23	19	29	1,352	1,036	986
Others		-	-	-	88	81	87	88	81	87
On Balance sheet customer financing		1,695	1,523	2,037	178	194	252	1,873	1,717	2,289
Off Balance sheet customer financing	34	484	526	834	46	42	43	530	568	877
Non-recourse transactions on balance sheet		(1,012)	(931)	(1,121)	-	-	-	(1,012)	(931)	(1,121)
Off balance sheet adjustments		(115)	(128)	(351)	-	-	-	(115)	(128)	(351)
<b>Gross customer financing exposure</b>	34	<b>1,052</b>	<b>990</b>	<b>1,399</b>	<b>224</b>	<b>236</b>	<b>295</b>	<b>1,276</b>	<b>1,226</b>	<b>1,694</b>
Collateral Values	34	(476)	(411)	(521)	(203)	(211)	(270)	(679)	(622)	(791)
<b>Net exposure</b>		<b>576</b>	<b>579</b>	<b>878</b>	<b>21</b>	<b>25</b>	<b>25</b>	<b>597</b>	<b>604</b>	<b>903</b>
<b>Asset impairments and provisions on:</b>										
Operating Lease	34	(52)	(102)	(272)	-	-	-	(52)	(102)	(272)
Finance lease & loans	34	(244)	(191)	(199)	-	-	-	(244)	(191)	(199)
On balance sheet commitments	34	-	-	-	(21)	(25)	(25)	(21)	(25)	(25)
Off balance sheet commitments	34	(280)	(286)	(407)	-	-	-	(280)	(286)	(407)
<b>Asset impairments and provisions</b>		<b>(576)</b>	<b>(579)</b>	<b>(878)</b>	<b>(21)</b>	<b>(25)</b>	<b>(25)</b>	<b>(597)</b>	<b>(604)</b>	<b>(903)</b>
Residual exposure		-	-	-	-	-	-	-	-	-

\* The indicated numbers refer to the number of the Notes to Consolidated Financial Statements (IFRS).

The gross value of consolidated operating leases shown in the table above (€433 million in 2008, €600 million in 2007 and €1,216 million in 2006) is accounted for in “Property, Plant and Equipment” at net book value of operating leases before impairment. Corresponding accumulated asset impairments (€52 million in 2008, €102 million in 2007 and €272 million in 2006) are charged against this net book value. See “Notes to Consolidated Financial Statements (IFRS) — Note 15: Property, plant and equipment” and “— Note 34: Commitments and contingencies”.

Also shown in the table above is the gross value for consolidated finance leases and loans (€1,352 million in 2008, €1,036 million in 2007 and €986 million in 2006). Consolidated finance leases (€848 million in 2008, €690 million in 2007 and €739 million in 2006) are accounted for as long-term financial assets, recorded at their book value before impairment. Loans (€504 million in 2008, €346 million in 2007 and €247 million in 2006) are also accounted for as long-term financial assets, recorded at their outstanding gross amount. Corresponding overall accumulated impairments (€244 million in 2008, €191 million in 2007 and



€ 199 million in 2006) are charged against the book values. See “Notes to Consolidated Financial Statements (IFRS) — Note 17: Investments in associates accounted for under the equity method, other investments and other long-term financial assets”.

Off-balance sheet customer financing exposure at Airbus and ATR (accounted for at 50% by EADS) was €530 million in 2008, €568 million in 2007 and €877 million in 2006. These amounts reflect the total nominal value of future payments under lease in/lease out structures. The corresponding net present value of future payments (discounted and net of mitigating factors) is included in total Gross Financing Exposure for an amount of €415 million in 2008, €440 million in 2007 and €526 million in 2006. A provision of €280 million has been accrued for in EADS' balance sheet as of 31 December 2008 to cover the full amount of the corresponding net exposure. See “Notes to Consolidated Financial Statements (IFRS) — Note 34: Commitments and contingencies”.

**Asset Value Exposure.** A significant portion of EADS' asset value exposure arises from outstanding AVGs, primarily at 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 AVG-related exposure is diversified over a large number of aircraft and customers; and (iii) the exercise periods of outstanding AVGs are distributed through 2019, resulting in low levels of exposure maturing in any year. Because exercise dates for AVGs occur on average in the 12th year following aircraft delivery, AVGs issued in 2008 will generally not be exercisable prior to 2020, and, therefore, an increase in near-term exposure is not expected. In addition, these AVGs must generally be exercised during a pre-defined window and contain specific conditions that must be met in order for them to be exercisable.

**Gross Exposure.** Gross Asset Value Exposure is defined as the sum of the maximum guaranteed tranche amounts (as opposed to the sum of the maximum guaranteed asset value amounts) under outstanding AVGs. At 31 December 2008, Airbus Gross Asset Value Exposure was US\$2.5 billion (€1.8 billion). The off-balance sheet portion of Airbus Gross Asset Value, representing AVGs with net present values of less than 10% of the sales price of the corresponding aircraft, was €946 million, excluding €476 million where the risk is considered to be remote. In many cases, the risk is limited to a specific portion of the residual value of the aircraft. The remaining Airbus Gross Asset Value Exposure is recorded on-balance sheet.

**Net Exposure.** The present value of the risk inherent to the given asset value guarantees, where a settlement is considered to be probable, is fully provided for and included in the total amount of provisions for asset value risks of €604 million. This provision covers a potential expected shortfall between the estimated value of the aircraft of the date upon which the guarantee can be exercised and the value guaranteed on a transaction basis taking counter guarantees into account. See “Notes to Consolidated Financial Statements (IFRS) — Note 26C: Other provisions”.

**Backstop Commitments.** 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 (although it is possible that customers not benefiting from such commitments may nevertheless request financing assistance ahead of aircraft delivery), (ii) until the aircraft is delivered, Airbus or ATR retain the asset and do not incur an unusual risk in relation thereto (other than the corresponding work-in-progress), and (iii) third parties may participate in the financing.

**Orders and Backstop Commitments.** Over the last three years (2006, 2007 and 2008), the average number of newly ordered aircraft in respect of which a backstop commitment has been offered amounted to 5% of the average orders recorded over the same period, *i.e.* 56 supported aircraft per year out of 1,061 orders per year on average. These financing commitments may or may not materialise at the contractual delivery date of the aircraft. In addition, the level of financing support together with the terms and conditions offered to customers will vary.

**Deliveries and Financing Support Implemented at Delivery.** Over the last three years (2006, 2007 and 2008), the average number of aircraft delivered in respect of which financing support has been provided by Airbus amounted to 2% of the average number of deliveries over the same period, *i.e.* 8 aircraft financed per year out of 457 deliveries per year on average. This financing support may take the form of senior or junior loans or guarantees. Such support may have originated from EADS' contractual backstop commitments provided at signing of the purchase agreement (see above) or may be the result of a request for financing assistance made by the customer ahead of aircraft delivery.

See “Notes to Consolidated Financial Statements (IFRS) — Note 34: Commitments and contingencies” for further discussion of EADS' sales financing policies and accounting procedures.

## 2.1.8 Hedging Activities

### 2.1.8.1 FOREIGN EXCHANGE RATES

More than 60% of EADS' revenues are denominated in US dollars (approximately US\$31 billion at Airbus in 2008), with approximately half of such currency exposure "naturally hedged" by US dollar-denominated costs. The remainder of costs is incurred primarily in euros, and to a lesser extent, in pounds sterling. Consequently, to the extent that EADS does not use financial instruments to hedge its net current and future exchange rate exposure from the time of a customer order to the time of delivery, its profits will be affected by market changes in the exchange rate of the US dollar against these currencies, and to a lesser extent, by market changes in the exchange rate of pound sterling against the euro. As EADS intends to generate profits only from its operations and not through speculation on foreign currency exchange rate movements, EADS uses hedging strategies solely to mitigate the impact of exchange rate fluctuations on its EBIT\*. See "— 2.1.4.3 EBIT\* Performance by Division — Foreign Currency Impact on EBIT\*". See also "Risk Factors — 1. Financial Market Risks — Exposure to Foreign Currencies".

As EADS uses financial instruments to hedge its net foreign currency exposure, the portion of its US dollar-denominated revenues not hedged by financial instruments (approximately 28% of total consolidated revenues) is exposed to changes in exchange rates. Of this non-hedged portion of revenues, a certain percentage (relating to customer pre-delivery payments) is converted into euro at the spot rate effective at the time the payment was received by EADS. The remainder of non-hedged US dollar-denominated revenues (corresponding to payments upon delivery) are subject to changes in the spot rate at the time of delivery. See "— 2.1.3.7 Foreign Currency Translation".

**Exposure on aircraft sales.** For products such as aircraft, EADS typically hedges forecasted sales in US dollars. 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 expected flows to be hedged can cover up to 100% of the equivalent of the net US dollar exposure at inception. For EADS, a forecasted transaction is regarded as highly probable if the future delivery is included in the firm order book or is very likely to materialise in view of contractual evidence (e.g., a letter of intent). The coverage ratio is adjusted to take into account macroeconomic movements affecting the spot and interest rates as well as the robustness of the commercial cycle.

**Exposure on non-aircraft business.** For the non-aircraft business, EADS typically hedges inflows and outflows of

foreign currencies from sales and purchase contracts following the same logic, typically in lower volumes.

**Exposure on treasury operations.** In connection with its treasury operations, EADS enters into foreign exchange swaps (notional amount of €5.2 billion at year-end 2008) to adjust for short-term fluctuations of non-euro cash balances at the business unit level. Year-to-year changes in the fair market value of these swaps are recorded in the consolidated income statement in the line item "other financial result". These changes may have a material impact on EADS' net income.

**Embedded derivatives.** EADS also has foreign currency derivative instruments which are embedded in certain purchase and lease contracts denominated in a currency other than the functional currency of the significant parties to the contract, principally US dollar and pound sterling. Gains or losses relating to such embedded foreign currency derivatives are reported in the line item "other financial result". These changes may have a material impact on EADS' net income. In addition, EADS hedges currency risk arising from financial transactions in other currencies than euro, such as funding transactions or securities.

**Hedge Portfolio.** 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 (and to a lesser extent, of the Eurocopter division, ATR, the DS division and the MTA division). The net exposure is defined as the total currency exposure (US dollar-denominated revenues), net of the part that is "naturally hedged" by US dollar-denominated costs. The hedge portfolio covers the vast majority of the Group's hedging transactions.

For financial reporting purposes, EADS mostly designates a portion of the total firm future cash flows as the hedged position to cover its expected net foreign currency exposure. Therefore, as long as the actual gross foreign currency cash inflows (per month) exceed the portion designated as being hedged, a postponement or cancellation of sales transactions and corresponding cash inflows have no impact on the hedging relationship. As hedging instruments, EADS primarily uses foreign currency forwards and synthetic forwards, as well as options.

\* EBIT: earnings before interest and taxes, pre-goodwill impairment and exceptionals.

The table below sets forth the notional amount of foreign exchange hedges in place as of 31 December 2008, and the average US dollar rates applicable to corresponding EBIT\*.

	2009	2010	2011	2012	2013	2014	2015+	Total
<b>Total Hedges (in US\$ bn)</b>	<b>16.0</b>	<b>18.7<sup>(1)</sup></b>	<b>15.3<sup>(1)</sup></b>	<b>9.9<sup>(1)</sup></b>	<b>4.5</b>	<b>2.2</b>	<b>1.5</b>	<b>68.1</b>
<b>Forward Rates (in US\$)<sup>(2)</sup></b>								
€-US\$	1.26	1.35	1.41	1.41	1.41	1.42	1.42	
£-US\$	1.69	1.78	1.87	1.85	1.81	1.81	1.87	

(1) Including \$3.5 billion, \$4.4 billion and \$1.1 billion of options in 2010, 2011 and 2012, respectively.  
 (2) Excluding options.

For further information regarding the notional amounts of the Group's foreign exchange derivative financial instruments, see "Notes to Consolidated Financial Statements (IFRS) — Note 35C: Information about Financial Instruments — Notional amounts of derivative financial instruments".

### 2.1.8.2 INTEREST RATES

EADS uses an asset and liability management approach with the objective of limiting its interest rate risk. EADS attempts to match the risk profile of its assets with a corresponding liability structure. The remaining net interest rate exposure is managed through several types of instruments in order to minimise risks and financial impacts. Therefore, EADS may use interest rate derivatives for hedging purposes.

Hedging instruments that are specifically related to debt instruments (such as the notes issued under the EMTN

programme) have at most the same nominal amounts, as well as the same maturity dates, as the corresponding hedged item.

Regarding the management of its cash balance, EADS invests mainly in short-term instruments and/or floating rate instruments in order to further minimise any interest risk in its cash and securities portfolio.

For information regarding the notional amounts of the Group's interest rate derivative financial instruments, see "Notes to Consolidated Financial Statements (IFRS) — Note 35C: Information about Financial Instruments — Notional amounts of derivative financial instruments".

For further information relating to market risk and the ways in which EADS attempts to manage this risk, see "Notes to Consolidated Financial Statements (IFRS) — Note 35A: Information about Financial Instruments — Financial risk management".

## 2.2 FINANCIAL STATEMENTS

The Consolidated Financial Statements (IFRS) and the Company Financial Statements of EADS for the year ended 31 December 2008, together with the related notes, appendices and auditors' reports, are attached hereto and shall be deemed to be incorporated in and form part of this Registration Document.

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

- the Consolidated Financial Statements (IFRS) and the Company Financial Statements of EADS for the year ended 31 December 2006, together with the related notes, appendices and auditors' reports, as included in "Part 1/1.2 Financial Statements" of the Registration Document filed in English with, and approved by, the AFM on 25 April

2007 and filed in English with the Chamber of Commerce of Amsterdam; and

- the Consolidated Financial Statements (IFRS) and the Company Financial Statements of EADS for the year ended 31 December 2007, together with the related notes, appendices and auditors' reports, as included in "Part 1/1.2 Financial Statements" of the Registration Document filed in English with, and approved by, the AFM on 24 April 2008 and filed in English with the Chamber of Commerce of Amsterdam.

Copies of the above-mentioned Registration Documents are available free of charge upon request in English, French, Spanish and German at the registered office of the Company and on [www.eads.com](http://www.eads.com). Copies of the financial statements

\* EBIT: earnings before interest and taxes, pre-goodwill impairment and exceptionals.

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referred to above are also available in English on [www.eads.com](http://www.eads.com) and for inspection at the Chamber of Commerce of The Hague.

EADS confirms that the reports of the auditors attached hereto (as well as those incorporated by reference herein) have been

accurately reproduced and that as far as EADS is aware and is able to ascertain from the information provided by the auditors, no facts have been omitted which would render such reports inaccurate or misleading.

## 2.3 STATUTORY AUDITORS' FEES

Services provided to the Group by statutory auditors and members of their network for the financial years 2008, 2007 and 2006:

	KPMG Accountants N.V.						Ernst & Young Accountants					
	2008		2007		2006		2008		2007		2006	
	Amount in €K	%	Amount in €K	%	Amount in €K	%	Amount in €K	%	Amount in €K	%	Amount in €K	%
<b>Audit</b>												
Audit process, certification, examination of individual and consolidated accounts	4,872	67.5	5,291	73.2	6,181	75.2	4,684	84.7	4,571	86.7	4,843	82.5
Additional tasks	821	11.4	491	6.8	630	7.7	548	9.9	284	5.4	646	11.0
<b>Sub-total</b>	<b>5,693</b>	<b>78.9</b>	<b>5,782</b>	<b>80.0</b>	<b>6,811</b>	<b>82.9</b>	<b>5,232</b>	<b>94.6</b>	<b>4,855</b>	<b>92.1</b>	<b>5,489</b>	<b>93.5</b>
<b>Other services as relevant</b>												
Legal, tax, employment	1,191	16.5	897	12.4	1,051	12.8	160	2.9	333	6.3	271	4.6
Information Technology	251	3.5	117	1.6	50	0.6	-	-	-	-	30	0.5
Other (to be specified if >10% of the fees for the audit)	82	1.1	428	6.0	301	3.7	138	2.5	82	1.6	83	1.4
<b>Sub-total</b>	<b>1,524</b>	<b>21.1</b>	<b>1,442</b>	<b>20.0</b>	<b>1,402</b>	<b>17.1</b>	<b>298</b>	<b>5.4</b>	<b>415</b>	<b>7.9</b>	<b>384</b>	<b>6.5</b>
<b>Total</b>	<b>7,217</b>	<b>100.0</b>	<b>7,224</b>	<b>100.0</b>	<b>8,213</b>	<b>100.0</b>	<b>5,530</b>	<b>100.0</b>	<b>5,270</b>	<b>100.0</b>	<b>5,873</b>	<b>100.0</b>

## 2.4 INFORMATION REGARDING THE STATUTORY AUDITORS

	Date of First Appointment	Expiration of Current Term of Office*
KPMG Accountants N.V. Fascinatio Boulevard 200, 3065 WB Rotterdam — The Netherlands Represented by L.A. Blok	10 May 2000	27 May 2009
Ernst & Young Accountants LLP Antonio Vivaldistraat 150, 1083 HP Amsterdam — The Netherlands Represented by F.A.L. van der Bruggen	24 July 2002	27 May 2009

\* A resolution will be submitted to the Annual General Meeting of shareholders to be held on 27 May 2009, in order to appoint Ernst & Young Accountants LLP and KPMG Accountants N.V. as the Company's auditors for the 2009 financial year.

KPMG Accountants N.V., Ernst & Young Accountants LLP and their respective representatives are registered with the Royal NIVRA (*Nederlands Instituut van Register Accountants*).



# General Description of the Company and its Share Capital

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## 3.1 GENERAL DESCRIPTION OF THE COMPANY

### 3.1.1 Commercial and Corporate Names, Seat and Registered Office

**Commercial Name:** EADS

**Seat (*statutaire zetel*):** Amsterdam

**Corporate Name:** European Aeronautic Defence and Space Company EADS N.V.

**Tel:** + 31 (0)71 5245 600

**Registered Office:** Mendelweg 30, 2333 CS Leiden, the Netherlands

**Fax:** +31 (0)71 5232 807

### 3.1.2 Legal Form

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

As a company operating worldwide, EADS is subject to, and operates under, the laws of each country in which it conducts business.

### 3.1.3 Governing Laws and Disclosures

The Company is governed by the laws of the Netherlands (in particular Book 2 of the Dutch Civil Code) and by its Articles of Association (the “**Articles of Association**”).

Pursuant to the Transparency Directive, EADS must disseminate such Regulated Information throughout the European Community in a manner ensuring fast access to such information on a non-discriminatory basis. For this purpose, EADS may use a professional service provider (wire). In addition, Regulated Information must be filed at the same time with the relevant competent market authority. EADS must then ensure that Regulated Information remains publicly available for at least five years.

The Company is subject to various legal provisions of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) (the “**WFT**”). In addition, given the fact that its shares are admitted for trading on a regulated market in France, Germany and Spain, the Company is subject to certain laws and regulations in these three jurisdictions. A summary of the main regulations applicable to the Company in relation to information to be made public in these three jurisdictions, as well as the Netherlands, is set out below.

Finally, Regulated Information must be made available for central storage by a mechanism that is to be officially designated by the issuer’s home member state.

#### 3.1.3.1 PERIODIC DISCLOSURE OBLIGATIONS

Pursuant to Directive 2004/109/EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market (the “**Transparency Directive**”), EADS is required to disclose certain periodic and ongoing information (the “**Regulated Information**”).

#### Dutch Regulations

For the purpose of the Transparency Directive, supervision of EADS is effected by the member state in which it maintains its registered office, which is the Netherlands. The competent market authority that assumes final responsibility for supervising compliance by EADS in this respect is the AFM.

Under the Transparency Directive as implemented under Dutch law, EADS is subject to a number of periodic disclosure requirements, such as:

- publishing an annual financial report, together with an audit report drawn up by the statutory auditors, within four months after the end of each financial year;
- publishing a semi-annual financial report, within two months after the end of the first six months of the financial year; and
- publishing quarterly financial reports, within a period between ten weeks after the beginning and six weeks before the end of the first or second six-month period of the financial year.

In addition, the Company must file with the AFM, within five days following their adoption by the Company's shareholders, its audited consolidated annual financial accounts, the management report, the auditors' report and other information related to the financial accounts.

The Company has also provided in this Registration Document a list of certain corporate and financial documents and other information that it has published or made available to the public over the last 12 months and details of where these documents can be obtained (see “— 3.5 Annual Securities Disclosure Report”).

### French Regulations

Since the Transparency Directive was implemented in France on 20 January 2007, EADS is no longer required to comply with certain disclosure obligations pursuant to the general regulations of the AMF.

In accordance with the requirement set forth in the Transparency Directive to disseminate Regulated Information throughout the European Community, EADS is required to provide simultaneously in France the same information as that provided abroad.

### German Regulations

Since the Transparency Directive was implemented in Germany on 20 January 2007, EADS is no longer required to comply with certain disclosure obligations pursuant to the German Stock Exchange Act (*Börsengesetz*) and the German Stock Exchange Admissions Regulation (*Börsenzulassungs-Verordnung*).

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

According to sections 65 and 66 of the Exchange Rules (*Börsenordnung*) of the Frankfurt Stock Exchange, the listing in the *Prime Standard* of the *regulierter Markt* results in the obligation of the Company to publish consolidated annual accounts as well as quarterly reports.

In addition, the Company is required as a result of its listing in the *regulierter Markt (Prime Standard)* to prepare an update of a corporate action timetable at the beginning of each fiscal year. The Company is also required to hold a meeting of analysts at least once a year in addition to the press conference regarding the balance sheet.

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

### Spanish Regulations

Since the entering into force of the law and regulation implementing the Transparency Directive in Spain in April and December 2007, respectively, EADS is no longer required to comply with certain disclosure obligations pursuant to the Spanish Securities Act as developed by Royal Decree 1362/2007 of 19 October 2007.

In accordance with the requirement set forth in the Transparency Directive to disseminate Regulated Information throughout the European Community, EADS is required to provide simultaneously in Spain the same information as that provided abroad.

#### 3.1.3.2 ONGOING DISCLOSURE OBLIGATIONS

Pursuant to the Transparency Directive, Regulated Information includes in particular inside information as defined pursuant to Article 6 of Directive EC/2003/6 on insider dealing and market manipulation (the “**Market Abuse Directive**”). Such information must be disseminated throughout the European Community (see introduction to section “— 3.1.3.1 Periodic Disclosure Obligations”).

Inside information shall mean information of a precise nature which has not been made public, relating, directly or indirectly, to one or more issuers of financial instruments or to one or more financial instruments and which, if it were made public, would be likely to have a significant effect on the prices of those financial instruments or on the price of related derivative financial instruments.

Inside information must be disclosed to the markets as soon as possible. However, an issuer may under its own responsibility delay the public disclosure of inside information so as not to prejudice its legitimate interests provided that such omission



would not be likely to mislead the public and provided that the issuer is able to ensure the confidentiality of that information.

### Dutch Regulations

Following the implementation of the Transparency Directive into Dutch law, EADS must publicly disclose Regulated Information and also file Regulated Information with the AFM, which will keep all relevant Regulated Information in a publicly available register. EADS will, whenever it discloses inside information pursuant to applicable mandatory law as part of the Regulated Information, disclose and disseminate throughout the European Community any such information.

Under Dutch law, the Company must also publish any change in the rights attached to its shares, as well as any changes in the rights attached to any rights issued by the Company to acquire the Company's shares.

### French Regulations

Since the Transparency Directive was implemented in France on 20 January 2007, the French requirement to publish inside information in France according to Article 223-1 et seq. of the AMF general regulations no longer applies to EADS.

However, any inside information as defined above will be disclosed in France by means of dissemination throughout the European Community, as it will be organised under Dutch law implementing the Transparency Directive so as to provide simultaneously in France equivalent information to that provided abroad.

### German Regulations

Since the Transparency Directive was implemented in Germany on 20 January 2007, the German requirement to publish inside information according to Section 15 of the Securities Trading Act (*Wertpapierhandelsgesetz*) no longer applies to EADS.

However, any inside information as defined above will be disclosed in Germany by means of dissemination throughout the European Community, as it will be organised under Dutch law implementing the Transparency Directive so as to provide simultaneously in Germany equivalent information to that provided abroad.

### Spanish Regulations

Pursuant to Article 82 of the Spanish Securities Act, the Company is required to make public, as soon as possible, any fact or decision that may substantially affect the quotation of its

shares ("**a relevant event**"). Any relevant event must be notified to the CNMV simultaneously with its diffusion by any other means, as soon as the relevant fact is known, the relevant decision has been made or, the relevant agreement has been executed, as the case may be. The Company may, under its own responsibility, delay the publication of any relevant event if it considers that such publication damages its legitimate interests, provided that such lack of publication does not mislead the public and that the Company is in a position to guarantee the confidentiality of the relevant information. Nonetheless, the Company will immediately inform the CNMV should it decide to delay the publication of any relevant event. Furthermore, pursuant to the Spanish Securities Act, the Company must post details of any relevant event on its website.

The Company must try to ensure that the relevant information is disclosed simultaneously to all types of investors in the member States of the European Union where it is listed.

Pursuant to the Spanish Securities Act and its developing rules and regulations, the Company is required:

- (i) to have rules of the Board of Directors which must be filed with the CNMV and published on the Company's website;
- (ii) to file with the CNMV a description of the relevant Dutch law provisions and provisions in the Articles of Association governing the conduct of shareholders' meetings and post such description on its website;
- (iii) to have a website which must contain as a minimum the information specified by Spanish regulations;
- (iv) to file a corporate governance report with the CNMV on an annual basis (the "**Annual Corporate Governance Report**"); and
- (v) in respect of the provisions of any shareholders' agreement which relate to the exercise of voting rights at shareholders' meetings or restrictions or conditions on the free transferability of shares or convertible bonds, to (a) provided the Company is a party to the shareholders' agreement, file such provisions with the CNMV who will then publish the provisions as a relevant event, (b) post the provisions on the Company's website, unless the CNMV exempts the Company from doing so, and (c) set out details of the provisions in the Annual Corporate Governance Report.

### 3.1.4 Date of Incorporation and Duration of the Company

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

### 3.1.5 Objects of the Company

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

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

### 3.1.6 Commercial and Companies Registry

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

### 3.1.7 Inspection of Corporate Documents

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

Pursuant to Articles R. 123-115, R. 123-116 and R. 123-117 of the French Commercial code, a certified copy of a translation in French of the Articles of Association has been filed with the *Greffe* of the *Tribunal de commerce* of Paris. A copy is also available at the head office of EADS in France (37, boulevard de Montmorency, 75016 Paris, France, Tel.: + 33 1 42 24 24 24). In the event of amendments being made to the Articles of Association, an updated certified copy of the translation in

French thereof will be filed with the *Greffe* of the *Tribunal de commerce* of Paris and made available at the head office of EADS in France.

In Germany, the Articles of Association are available at the head office of EADS in Germany (Willy-Messerschmitt-Str. – Tor 1, 81663 Munich, Germany, Tel.: + 49 89 60 70).

In Spain, the Articles of Association are available at the CNMV and at the head office of EADS in Spain (Avda. Aragón 404, 28022 Madrid, Spain, Tel.: + 34 91 585 70 00).

### 3.1.8 Financial Year

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

## 3.1.9 Allocation and Distribution of Income

### 3.1.9.1 DIVIDENDS

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

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

The declaration of a dividend, an interim dividend or another distribution to the shareholders shall be made known to them within seven days after such declaration. Declared dividends shall be payable within four weeks of such declaration unless

another date for payment is proposed by the Board of Directors and approved by the shareholders' meeting.

Dividends, interim dividends and other distributions on shares shall be paid by bank transfer to the bank or giro accounts designated in writing to the Company by, or on behalf of, shareholders at the latest 14 days after their announcement.

### 3.1.9.2 LIQUIDATION

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

## 3.1.10 General Meetings

### 3.1.10.1 CALLING OF MEETINGS

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

The Board of Directors must give notice of general meetings in at least one of the Netherlands' national daily newspapers, at least one international daily newspaper and at least one daily newspaper in each of the countries in which the Company's shares are listed. Such publication must be made at least 15 days before the day of the meeting, not counting the day on which notice was given, and shall state either the matters to be considered at such meeting or that the agenda is open to inspection by the shareholders at the offices of the Company and at such other locations as may be specified in the notice.

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

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

The Board of Directors must announce the date of the annual shareholders' meeting at least two months before the meeting. Requests made by one or more shareholders collectively representing at least 1% of the issued share capital (or shares

having an aggregate market value of €50 million), to put items on the agenda for the annual shareholders' meeting, must be effected by the Board of Directors, if such requests to the Board of Directors have been made at least six (6) weeks prior to the date scheduled for the meeting except if, in the opinion of the Board of Directors, important interests of the Company prevail over the insertion of such items into the agenda.

A request as referred to in the preceding paragraph may only be made in writing. The Board of Directors can decide that in "writing" is understood to include a request that is recorded electronically.

### 3.1.10.2 RIGHT TO ATTEND MEETINGS

Each holder of one or more shares may attend shareholders' meetings, either in person or by written proxy, to speak and to vote according to the Articles of Association. See "— 3.1.10.4 Conditions of Exercise of Right to Vote".

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

In relation to holders of registered shares, the Board of Directors may provide in the convening notice that those persons are recognised as authorised to exercise the rights to attend, speak and vote at the shareholders' meetings, who at the point in time mentioned in the convening notice are authorised to exercise those rights and as such have been registered in the register

appointed for the purpose by the Board of Directors, irrespective of who is authorised to exercise those rights on the day of the meeting.

Any person who is entitled to exercise the rights set out in the above paragraph (either in person or by means of a written proxy) and is attending the meeting from another location (see “— 3.1.10.1 Calling of Meetings”) in such a manner that the person acting as Chairman of the meeting is convinced that such a person is properly participating in the meeting, shall be deemed to be present or represented at the meeting, shall be entitled to vote and shall be counted towards a quorum accordingly.

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

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

As far as registered shares are concerned, the Board of Directors should be informed in writing within the timeframe mentioned in the two preceding sentences of the intention to attend the meeting (the Board must receive such written information ultimately on the date specified in the notice by which the meeting is convened).

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

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

In order to exercise their voting rights, the shareholders will also be able, by contacting their financial intermediary or accountholder, to give their voting instructions to Euroclear

France S.A. or to any other person designated for this purpose, as specified by the Company in the convening notice.

Pursuant to the Articles of Association, EADS may set a “registration date” at which the persons entitled to attend and vote at the shareholders’ meetings are recorded for this purpose irrespective of who is shareholder at the time of the meeting. It may also provide for electronic means of convocation, attendance and voting at the shareholders’ meetings. The introduction of such electronic means will depend on the availability of the necessary technical means and the market practice.

### 3.1.10.3 MAJORITY AND QUORUM

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

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

### 3.1.10.4 CONDITIONS OF EXERCISE OF RIGHT TO VOTE

In all shareholders’ meetings, each shareholder has one vote in respect of each share it holds. The major shareholders of EADS —as set forth in “— 3.3.2 Relationships with Principal Shareholders”— do not enjoy different voting rights from those of the other shareholders.

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

Article 25 (paragraph 2 and 3) of the Articles of Association provides that “The right to vote can be granted to an

usufructuary. The right to vote can be granted to a pledgee, but only with the prior consent of the Board of Directors. No vote may be cast at the general meeting of shareholders on a share that is held by the Company or a subsidiary; nor for a share in respect of which one of them holds the depositary receipts.

Usufructuaries and pledgees of shares that are held by the Company or its subsidiaries are, however, not excluded from their voting rights, in case the right of usufruct or pledge was vested before the share was held by the Company or its subsidiary.”

### 3.1.11 Disclosure of Holdings

Pursuant to the WFT, any person who, directly or indirectly, acquires or disposes of an interest in the capital or voting rights of the Company must immediately give written notice to the AFM by means of a standard form, if, as a result of such acquisition or disposal, the percentage of capital interest or voting rights held by such person meets, exceeds or falls below the following thresholds: 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%. Under certain circumstances (such as the conversion of certain types of securities or the exercise of rights under voting rights agreements), an investor must provide an update of its previous disclosure within four weeks of the end of each calendar year by giving written notice thereof to the AFM. The disclosures are published by the AFM on its website (www.afm.nl). Pursuant to the Articles of Association, shareholders must also notify the Company when crossing the thresholds above.

The Articles of Association also require that any person acquiring directly or indirectly or with others with whom it is acting in concert more than one tenth of the issued share capital or voting rights of the Company must notify the Company of its intentions (i) to buy or sell shares of the Company in the following 12 months; (ii) to continue or to stop acquiring shares or voting rights of the Company; (iii) to acquire control of the Company; or (iv) to seek to designate a member of the Board of Directors of the Company. The Company will provide the AMF with the information received in this context.

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

#### DISCLOSURE REQUIREMENTS FOR MEMBERS OF THE BOARD OF DIRECTORS AND THE EXECUTIVE COMMITTEE

##### Disclosure of holdings

In addition to the requirements under the WFT regarding the disclosure of holdings in case the specified thresholds are met or exceeded or if holdings fall below these thresholds, members of the Board of Directors must report to the AFM the number of

shares in EADS and attached voting rights<sup>(1)</sup> held by him or an entity controlled by him, within two weeks following their appointment as director, whether or not such shareholdings meet or exceed any of the specified thresholds. Subsequently, any member of the Board of Directors is required to notify the AFM of any changes in such number of shares in EADS and attached voting rights.

##### Disclosure of transactions carried out on any securities issued by the Company

Based on Section 5:60 of the WFT, certain persons discharging managerial responsibilities within the Company and, where applicable, persons closely associated with them (together “**Insiders**”, as defined below), notify the AFM of all transactions conducted for their own account involving shares of the Company, or derivatives or other financial instruments related to such shares. These persons notify the AFM of the transactions within five trading days unless the aggregate amount of such transactions does not exceed €5,000 in respect of all transactions in a calendar year.

“**Insiders**” for EADS include (i) members of the Board of Directors and the Executive Committee of the Company, (ii) persons closely associated with any person mentioned under category (i) (including their spouses, dependent children and other relatives who have shared the same household), and (iii) legal entities, trusts or partnerships whose managerial responsibilities are discharged by any person referred to in categories (i) or (ii) or which are directly or indirectly controlled by such a person, or that have been set up for the benefit of such a person, or whose economic interests are substantially equivalent to those of such a person.

EADS has adopted specific internal insider trading rules (the “**Insider Trading Rules**”) in order to ensure compliance with the above requirements and with other share trading regulations applicable in the Netherlands, France, Germany and Spain. Pursuant to the Insider Trading Rules, (i) all employees and directors are prohibited from conducting transactions in EADS shares or stock options if they have inside information, and (ii) certain persons are only allowed to trade in EADS shares or stock options within very limited periods and have specific

(1) In this context, the term “shares” also includes for example depositary receipts for shares and rights resulting from an agreement to acquire shares or depositary receipts for shares, specifically call options, warrants, and convertible bonds. Equally, the term “voting rights” also includes actual or contingent rights to voting rights (e.g., embedded in call options, warrants or convertible bonds).

information obligations to the ITR Compliance Officer of the Company and the competent financial market authorities with respect to certain transactions. The updated version of the Insider Trading Rules effective from 1 January 2007 is available on the Company's website.

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

Pursuant to section 5:59 paragraph 7 of the WFT, the Company must maintain a list of all persons working for it by virtue of a labour relationship or otherwise, who may have access to inside information. Equivalent requirements exist under French, German and Spanish law.

According to paragraph 15a of the German Securities Trading Act, persons with significant managerial responsibility within the Company (*i.e.*, for EADS, the members of the Board of Directors and of the Executive Committee), or the persons closely associated with them, must disclose transactions conducted for their own account involving shares of the Company or financial instruments that relate to those shares, especially derivatives. These persons have to notify the Company and the German Federal Financial Supervisory Authority of the transactions within five trading days unless the aggregate amount of such transactions does not exceed €5,000 in respect of all transactions in a calendar year. Upon implementation of the Transparency Directive into German law on 20 January 2007, EADS is no longer required to publish such notifications on its website or in a German supra-regional mandatory stock exchange newspaper.

## 3.1.12 Mandatory Offers

### 3.1.12.1 TAKEOVER DIRECTIVE

The Directive 2004/25/EC on takeover bids (the “**Takeover Directive**”) sets forth the principles governing the allocation of laws applicable to EADS in the context of a takeover bid for the shares of the Company. The Takeover Directive refers to the rules of the Netherlands and the rules of the European Union Member State of the competent authority that must be chosen by EADS from among the various market authorities supervising the markets where its shares are listed.

For EADS, matters relating to, *inter alia*, the consideration offered in the case of a bid, in particular the price, and matters relating to the bid procedure, in particular the information on the offeror's decision to make a bid, the contents of the offer document and the disclosure of the bid, shall be determined by the laws of the European Union Member State having the competent authority, which will be selected by EADS at a future date.

Matters relating to the information to be provided to the employees of EADS and matters relating to company law, in particular the percentage of voting rights which confers control and any derogation from the obligation to launch a bid, the conditions under which the Board of Directors of EADS may undertake any action which might result in the frustration of the bid, the applicable rules and the competent authority will be governed by Dutch law (see sections — 3.1.12.2 and — 3.1.12.3). Dutch law also contains provisions on the consideration offered, in particular the price and determination of a fair price by the Enterprise Chamber of the Amsterdam Court of Appeals at the request of the bidder, the target company or any holder of shares.

### 3.1.12.2 DUTCH LAW

The bill implementing the Takeover Directive (the “**Takeover Act**”) in Dutch Law entered into force on 28 October 2007. In accordance with the Takeover Act, shareholders are required to make an unconditional public offer for all issued and outstanding shares in EADS' share capital if they — individually or acting in concert (as such term is defined below), directly or indirectly — have 30% or more of the voting rights (significant control) in EADS. In addition to the other available exemptions listed below, the requirement to make a public offer does not apply to persons, who at the time the Takeover Act came into force, already held — individually or acting in concert — 30% or more of the voting rights in EADS.

Under the Takeover Act, natural persons, legal entities or companies are “acting in concert” if they cooperate on the basis of an agreement with the objective to acquire significant control (as defined above) in the target company, or if they cooperate with the company with the objective to prevent the success of an announced public offer for the shares in such company. The following categories of natural persons, legal entities or companies are deemed to be “acting in concert” under the Takeover Act: (i) legal entities or companies that form a group of companies as defined in section 2:24b of the Dutch Civil Code, (ii) legal entities or companies and their subsidiaries, and (iii) natural persons and their subsidiary companies.

In addition to the exemption stated above, the obligation to make a public offer does not apply to the natural person, legal entity or company that, amongst others:

- acquires significant control as a result of declaring unconditional (*gestand doen*) a public offer made for all shares (or depositary receipts) in the target company;
- is a legal entity, independent from the target company, that acquires significant control after a public offer has been announced by a third party, provided that such entity (i) holds the shares in the target company for a maximum period of two years and for purposes of protection of the target company and (ii) the corporate objects of such entity are to preserve the interests of the target company;
- is a legal entity, independent from the target company, which has issued depositary receipts for the shares in the target company;
- acquires significant control as a result of: (i) an intra-group transfer of the shares representing significant control; or (ii) a transfer between a parent company and its subsidiary;
- acquires significant control acting in concert with one or more other natural persons, legal entities or companies, in which case the obligation to make a public offer lies with the natural person, legal entity or company that can exercise most of the voting rights in the general meeting of shareholders of the Company;
- acts as a custodian (if and to the extent it cannot exercise any voting rights in its sole discretion).

The obligation to make a public offer also does not apply if:

- the natural person, legal entity or company, after acquiring significant control, loses such control within a thirty day grace period, unless (i) loss of control is due to a transfer to a natural person, legal entity or company to which one of the exemptions set out above applies, or (ii) the acquirer of the significant control has exercised its voting rights during this thirty day period; or
- the Company's general meeting of shareholders agrees upfront with the acquisition of significant control - and any subsequent acquisition of shares - by a third party with 95% of votes cast in favour of such proposal, excluding any votes by such third party and any of its concert parties.

Under the Takeover Act, a minority shareholder may also make a request for his shares to be purchased by an offeror who holds at least 95% of the issued share capital and the voting rights. This

claim must be brought before the Enterprise Chamber of the Court of Appeals in Amsterdam within the three-month period after the closing of the acceptance period of the public offer.

### 3.1.12.3 ARTICLES OF ASSOCIATION

Without prejudice to the provisions of the Takeover Act as set out in section — 3.1.12.2 above, the Company's Articles of Association contain a number of provisions that could also trigger the requirement to make a public offer for the shares in the Company.

Pursuant to Article 15 of the Articles of Association, in the event that a direct or indirect acquisition of shares in the Company results in a person acting alone or in concert (as set out in Section 5:45 of the WFT) holding shares or voting rights where the control over the number of shares or votes reaches or exceeds 33 1/3% of the issued share capital of the Company then such person(s) is (are) required to make an unconditional public offer to all shareholders to acquire all of their shares or to procure that such an offer is made. Such offer must comply with all of the applicable regulatory or other legal requirements in each jurisdiction in which the Company's shares are listed.

Pursuant to Article 16 of the Articles of Association, in the event of a failure to launch such an offer (or if the offer does not satisfy the relevant legal or regulatory requirements in each of the jurisdictions where the Company's shares are listed) within two months after notification to the Company of shareholdings reaching or exceeding 33 1/3% or failing such notification, within a period of 15 days of receipt of notice from the Board of Directors confirming the obligation to make the public offer, then any person(s) who is (are) required to make the offer shall within the period specified by the notice sent by the Board of Directors exchange for depositary receipts to be issued by the *Stichting Administratiekantoor EADS* (the "**Foundation**"), such percentage of shares they hold over and above the 33 1/3% of the shares issued by the Company (the "**Excess Percentage**"). From the date specified in the notice sent by the Board of Directors, the right to attend meetings, to vote and to receive dividends shall be suspended in respect of the Excess Percentage. If, within a period of 14 days from a further notice from the Board of Directors, the person required to exchange his shares representing his Excess Percentage for depositary receipts still has not done so, then the Company is irrevocably authorised to exchange such shares for depositary receipts issued by the Foundation. The constitutive documents of the Foundation provide that the Foundation shall not have the right to attend shareholders' meetings of the Company as a shareholder, to speak at such meetings and to exercise the voting rights attached to the shares it holds, except if, in the view of the Board of Directors of the Foundation, such action is required for the performance of the mandatory offer provisions in the Articles of Association.

Pursuant to Article 17 of the Articles of Association, the obligation to make a public offer does not apply in the following situations:

- (i) to a transfer of shares to the Company itself or to the Foundation;
- (ii) to a securities custody, clearing or settlement institution acting in that capacity, provided that the provisions of Article 16 of the Articles of Association described above shall be applicable where shares are held for persons acting in breach of the provisions of Articles 15 and 16 of the Articles of Association described above;
- (iii) to a transfer of shares by the Company or to an issue of shares by the Company on a merger or on an acquisition by the Company of another company or business;
- (iv) to a transfer of shares from one party to another party who is a party to an agreement as envisaged in the WMZ to

define “concert parties” where the agreement is entered into before 31 December 2000 (as amended, supplemented or replaced by a new agreement by the admission of one or more new parties or the exclusion of one or more parties), except that this exemption will not apply to a new party that individually or with its subsidiaries and/or group companies holds at least 33 1/3% of the control over shares or votes in the Company; this exemption is intended to exclude the parties to the Participation Agreement (See “— 3.3.2 Relationships with Principal Shareholders”) (as amended, supplemented or replaced by a new agreement by the admission of one or more new parties or the exclusion of one or more parties) from the obligation to make the mandatory offer in the event of a transfer of shares between themselves; or

- (v) to a transfer by a shareholder to a subsidiary in which it holds more than 50% or by a shareholder to a company which holds more than 50% in such transferring shareholder.

## 3.2 GENERAL DESCRIPTION OF THE SHARE CAPITAL

### 3.2.1 Modification of Share Capital or Rights Attached to the Shares

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

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

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

In accordance with the ninth resolution passed by the annual shareholders’ meeting of EADS held on 4 May 2007, the Board of Directors was granted the powers (i) to issue shares and to grant rights to subscribe for shares which are part of EADS’ authorised share capital provided that such powers shall be limited to 1% of the Company’s authorised share capital from time to time and (ii) to limit or exclude preferential subscription rights, in both cases for a period expiring at the Annual General Meeting of shareholders to be held on 27 May 2009. Shareholders will be asked to renew this authority at such meeting.

The shareholders’ meeting may reduce the issued share capital by cancellation of shares or by reducing the nominal value of the shares by means of an amendment to the Articles of Association, the latter requiring the approval of at least two-thirds of the votes cast at the general meeting. It will be proposed to cancel up to a maximum of 22,987 shares at the Annual General Meeting of shareholders to be held on 27 May 2009.



### 3.2.2 Issued Share Capital

As at 31 December 2008, the Company's issued share capital amounted to €814,769,112, consisting of 814,769,112 fully paid-up shares of a nominal value of €1.0 each.

### 3.2.3 Authorised Share Capital

As at 31 December 2008, the Company's authorised share capital amounted to €3 billion, consisting of 3,000,000,000 shares of €1.0 each.

### 3.2.4 Securities Granting Access to the Company's Capital

Except for stock options granted for the subscription of EADS shares (See "Corporate Governance — 4.3.3 Long Term Incentive Plans"), there are no securities that give access, immediately or over time, to the share capital of EADS.

The table below shows the total potential dilution that would occur if all the stock options issued as at 31 December 2008 were exercised:

	Number of shares	% of diluted capital	Number of voting rights	% of diluted voting rights*
Total number of EADS shares issued as of 31 December 2008	814,769,112	96.69%	811,627,354	96.67%
Total number of EADS shares which may be issued following exercise of stock options	27,935,589	3.31%	27,935,589	3.33%
<b>Total potential EADS share capital</b>	<b>842,704,701</b>	<b>100%</b>	<b>839,562,943</b>	<b>100%</b>

\* The potential dilutive effect on capital and voting rights of the exercise of these stock options may be limited as a result of the Company's share purchase programmes and in the case of subsequent cancellation of repurchased shares. See "— 3.3.7.1 Dutch Law and information on repurchase buyback programmes".

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

Date	Nature of Transaction	Nominal value per share	Number of shares issued/cancelled	Premium*	Total number of issued shares after transaction	Total issued capital after transaction
29 December 1998	Incorporation	NLG 1,000	100	-	100	NLG 100,000
3 April 2000	Conversion into €	€1	50,000	-	50,000	€50,000
8 July 2000	Issue of shares in exchange for contributions by Aerospatiale Matra, DASA AG and SEPI	€1	715,003,828	€1,511,477,044	715,053,828	€715,053,828
13 July 2000	Issue of shares for the purpose of the initial public offering and listing of the Company	€1	80,334,580	€1,365,687,860	795,388,408	€795,388,408
21 September 2000	Issue of shares for the purpose of the employee offering carried out in the context of the initial public offering and listing of the Company	€1	11,769,259	€168,300,403	807,157,667	€807,157,667
5 December 2001	Issue of shares for the purpose of an employee offering ( <i>note d'opération</i> approved by the COB** on 13 October 2001 under number 01-1209)	€1	2,017,894	€19,573,571.80	809,175,561	€809,175,561
4 December 2002	Issue of shares for the purpose of an employee offering ( <i>note d'opération</i> approved by the COB on 11 October 2002 under number 02-1081)	€1	2,022,939	€14,470,149.33	811,198,500	€811,198,500
5 December 2003	Issue of shares for the purpose of an employee offering ( <i>note d'opération</i> approved by the COB on 25 September 2003 under number 03-836)	€1	1,686,682	€19,363,109.36	812,885,182	€812,885,182
20 July 2004	Cancellation of shares upon authorisation granted by the annual shareholders' meeting held on 6 May 2004	€1	5,686,682	-	807,198,500	€807,198,500
3 December 2004	Issue of shares for the purpose of an employee offering ( <i>note d'opération</i> approved by the AMF on 10 September 2004 under number 04-755)	€1	2,017,822	€34,302,974	809,216,322	€809,216,322
In 2004	Issue of shares following exercise of options granted to employees***	€1	362,747	€6,133,436	809,579,069	€809,579,069
25 July 2005	Cancellation of shares upon authorisation granted by the annual shareholders' meeting held on 11 May 2005	€1	1,336,358	-	808,242,711	€808,242,711
29 July 2005	Issue of shares for the purpose of an employee offering ( <i>note d'opération</i> approved by the AMF on 4 May 2005 under number 05-353)	€1	1,938,309	€34,618,198.74	810,181,020	€810,181,020
In 2005	Issue of shares following exercise of options granted to employees***	€1	7,562,110	€144,176,031.61	817,743,130	€817,743,130
20 July 2006	Cancellation of shares upon authorisation granted by the annual shareholders' meeting held on 4 May 2006	€1	6,656,970	-	811,086,160	€811,086,160
In 2006	Issue of shares following exercise of options granted to employees***	€1	4,845,364	€89,624,589	815,931,524	€815,931,524
In 2007	Cancellation of shares upon authorisation granted by the annual shareholders' meeting held on 4 May 2007	€1	4,568,405	-	811,363,119	€811,363,119
In 2007	Issue of shares for the purpose of an employee offering	€1	2,037,835	€33,482,173	813,400,954	€813,400,954
In 2007	Issue of shares following exercise of options granted to employees***	€1	613,519	€9,438,683	814,014,473	€814,014,473
In 2008	Cancellation of shares upon authorisation granted by the annual shareholders' meeting held on 26 May 2008	€1	1,291,381	-	812,723,092	€812,723,092
In 2008	Issue of shares for the purpose of an employee offering	€1	2,031,820	€22,084,500	814,754,912	€814,754,912
In 2008	Issue of shares following exercise of options granted to employees***	€1	14,200	€208,030	814,769,112	€814,769,112

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

\*\* Predecessor of the AMF.

\*\*\* For information on stock option plans under which these options were granted to EADS employees, see "Corporate Governance — 4.3.3 Long Term Incentive Plans".

## 3.3 SHAREHOLDINGS AND VOTING RIGHTS

### 3.3.1 Shareholding Structure

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

In this document, the term “**Completion**” relates to the July 2000 completion of the contributions made by Aerospatiale Matra, DASA AG and *Sociedad Estatal de Participaciones Industriales* (“**SEPI**”) (a Spanish state holding company) to EADS to combine such activities into EADS.

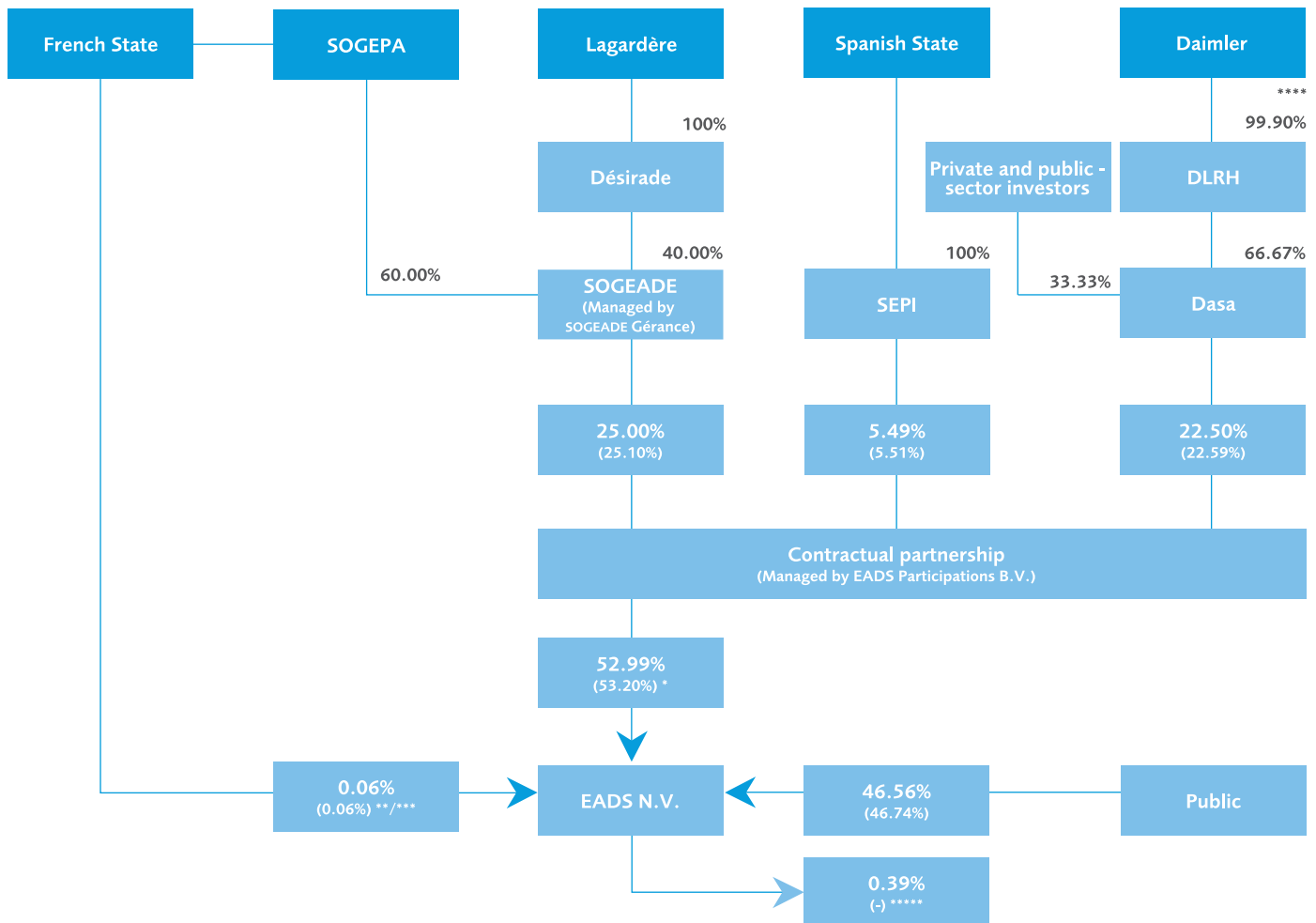
The term “**Indirect EADS Shares**” relates to the EADS shares held by Daimler AG (“**Daimler**”), SEPI and *Société de Gestion de l’Aéronautique, de la Défense et de l’Espace* (“**Sogead**”), for which EADS Participations B.V. exercises all the attached voting rights, as well as, for Lagardère SCA (“**Lagardère**”) and *Société de Gestion de Participations Aéronautiques* (“**Sogepa**”), or the companies of their group, the number of EADS shares held indirectly via Sogead, reflecting by transparency, their respective interest in Sogead.

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

As at 31 December 2008, 22.50% of EADS’ share capital was held by DASA AG, which is a 66.67% subsidiary of Daimler Luft- und Raumfahrt Holding AG (“**DLRH**”), a 99.90% subsidiary of Daimler. The remaining 33.33% of DASA AG is held by a consortium of private and public-sector investors. Sogead, a French partnership limited by shares (*société en commandite par actions*) whose share capital, as at 31 December 2008, is held 60% by Sogepa (a French state holding company) and 40% by Désirade (a French *société par actions simplifiée* wholly owned by Lagardère), held 25.00% of EADS’ share capital. Thus, 47.50% of the share capital of EADS was held by Daimler and Sogead who jointly control EADS through a Dutch law contractual partnership managed by EADS Participations B.V. (the “**Contractual Partnership**”). SEPI, which is a party to the Contractual Partnership, held 5.49% of the share capital of EADS. The public (including EADS employees) and the Company held, respectively, 46.56% and 0.39% of the share capital of EADS. The *République française* (the “**French State**”) directly held 0.06% of EADS’ share capital, such shareholding being subject to certain specific provisions.

The diagram below shows the ownership structure of EADS as at 31 December 2008 (% of capital (voting rights) before exercise of outstanding stock options granted for the subscription of EADS shares. See “Corporate Governance — 4.3.3 Long Term Incentive Plans”.

OWNERSHIP STRUCTURE OF EADS AS AT 31 DECEMBER 2008



\* EADS Participations B.V. exercises the voting rights attached to these EADS shares pledged by Sogead, Daimler and SEPI who retain title to their respective shares.  
 \*\* The French State exercises the voting rights attached to these EADS shares (such shares being placed with the Caisse des Dépôts) in the same way that EADS Participations B.V. exercises the voting rights pooled in the Contractual Partnership.  
 \*\*\* Shares held by the French State following the distribution without payment of consideration to certain former shareholders of Aerospatiale Matra as a result of its privatisation in June 1999. All the shares currently held by the French State will have to be sold on the market.  
 \*\*\*\* DLRH is 99.90% held by Daimler; the balance is held by individual minority shareholders.  
 \*\*\*\*\* As at 31 December 2008, the Company holds, directly or indirectly through another company in which the Company holds directly or indirectly more than 50% of the share capital, 3,141,758 of its own shares. The EADS shares owned by the Company itself do not carry voting rights.

For the number of shares and voting rights held by members of the Board of Directors and Executive Committee, see “Corporate Governance — 4.2.1 Compensation Granted to Directors and Principal Executive Officers”.

Approximately 2.1% of the capital and 2.1% of the voting rights are held by EADS employees as of 31 December 2008.

### 3.3.2 Relationships with Principal Shareholders

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

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

- the composition of the Boards of Directors of EADS, EADS Participations B.V. and Sogead Gérance (*gérant commandité* of Sogead);
- restrictions on the transfer of EADS shares and Sogead shares;
- pre-emptive and tag-along rights of Daimler, Sogead, Sogepa and Lagardère;
- defences against hostile third parties;
- consequences of a change of control of Daimler, Sogead, Lagardère, Sogepa or SEPI;
- a put option granted by Sogead to Daimler over its EADS shares in certain circumstances;
- specific rights of the French State in relation to certain strategic decisions, regarding among other issues, EADS’ ballistic missiles activity; and
- certain limitations on the extent of the French State’s ownership of EADS.

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

#### ORGANISATION OF EADS PARTICIPATIONS B.V.

The Board of Directors of EADS Participations B.V. has an equal number of directors nominated by Daimler and by Sogead, respectively (taking into account proposals made by Lagardère in respect of the Sogead-nominated directors). Daimler and Sogead each nominate two directors, unless otherwise agreed, and the Daimler-Directors and the Sogead-Directors jointly have the right to nominate and to remove the Chairman and the Chief Executive Officer. In addition, SEPI has the right to nominate a director, as long as the shareholding of SEPI in EADS is 5% or more but in any case until the Annual General Meeting of shareholders to be held in 2012. The Chairman shall either have French or German nationality and the Chief Executive Officer shall have the other nationality.

This structure gives Daimler and Sogead equal nominating rights in respect of the majority of the directors of the decision-making body of EADS Participations B.V. All decisions of EADS Participations B.V.’s Board of Directors shall require the vote in favour of at least four directors, including the vote in favour of all Sogead-Directors and all Daimler-Directors. The quorum for transacting any business at a meeting of the Board of Directors of EADS Participations B.V. is one Sogead director and one Daimler director being present.

#### TRANSFER OF EADS SHARES

During the period commencing at Completion and ending on 1 July 2003 (the “**Standstill Period**”), there were restrictions on Daimler’s, Sogead’s, SEPI’s, Lagardère’s, Sogepa’s and the French State’s ability to transfer EADS shares.

Following the expiration of the Standstill Period, as of 1 July 2003, Daimler, Sogead, SEPI, Lagardère and Sogepa each have the right to sell its EADS shares on the market, subject to the following conditions:

- if a party wishes to sell any EADS shares, it shall first sell its shares other than its Indirect EADS Shares before exercising its right to sell its Indirect EADS Shares in accordance with the provisions set out below;
- on the sale of Indirect EADS Shares, Daimler (in the case of a sale by Sogead), Sogead (in the case of a sale by Daimler) or Sogead and Daimler (in the case of a sale by SEPI) may either exercise a pre-emption right or sell their respective Indirect EADS Shares on the market in the same proportions as the respective Indirect EADS Shares of the relevant parties bear to each other;
- any transfer of Indirect EADS Shares by either Sogepa or Lagardère is subject to a pre-emption right in favour of

Lagardère or Sogepa, as the case may be. In the event that such pre-emption right is not exercised, the Indirect EADS Shares may be sold (a) to an identified third party subject to Lagardère's or Sogepa's consent (as the case may be) and also to Daimler's consent and (b) if such consent is not obtained, the Indirect EADS Shares may be sold on the market, subject to Daimler's pre-emption right referred to above;

- Lagardère and Sogepa shall each have a proportional right to tag-along on a sale of its Indirect EADS Shares; and
- the pre-emption and tag-along rights of Lagardère and Sogepa referred to above do not apply to a transfer of EADS shares directly held by one of them.

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

### CONTROL OF EADS

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

Following the expiration of the Standstill Period, as of 1 July 2003, the parties to the Participation Agreement may accept an offer (whether by way of tender offer or otherwise) by a Hostile Third Party which is not acceptable to either Daimler or Sogeadé (a "**Hostile Offer**"), subject to provisions requiring, inter alia, the party wishing to accept, to first offer its EADS shares to Daimler and/or Sogeadé, in which case Daimler and/or Sogeadé may exercise their pre-emption rights in respect of all or some only of the EADS shares held by the party wishing to accept the Hostile Offer.

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

### DISSOLUTION OF CONTRACTUAL PARTNERSHIP AND EADS PARTICIPATIONS B.V.

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

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

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

### CHANGE OF CONTROL

The Participation Agreement provides, inter alia, that if (a) Lagardère or Sogepa undergoes a change of control and Daimler so elects (b) Sogeadé undergoes a change of control and Daimler so elects (c) Daimler undergoes a change of control and Sogeadé so elects (d) SEPI undergoes a change of control and Sogeadé or Daimler so elects then:

- (i) the party undergoing the change of control shall use its reasonable efforts to procure the sale of its Sogeadé interest (if the party undergoing the change of control is Lagardère or Sogepa) or of its Indirect EADS Shares (if the party undergoing the change of control is Daimler, Sogeadé or SEPI) to a third party purchaser on bona fide arm's length terms. When the party subject to the change of control is Lagardère or Sogepa, the third party purchaser shall be

nominated with Daimler's consent, not to be unreasonably withheld; and

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

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

### EVENTS OF DEFAULT OTHER THAN CHANGE OF CONTROL

The Participation Agreement provides for certain actions following events of default (other than a change of control) (*i.e.*, insolvency-related or a material breach of the Participation Agreement). In particular, if such an event of default occurs in relation to Daimler, Sogead or SEPI, the non-defaulting party (respectively Sogead, Daimler and Sogead and Daimler acting together) has a call option over the defaulting party's EADS shares and interest in EADS Participations B.V. If such an event of default occurs in relation to Lagardère or Sogepa, such party is obliged to use its best efforts to sell its interest in the capital of Sogead on bona fide arm's length terms to a third party purchaser (who must not be a competitor of EADS or Daimler). In the case of a sale by Lagardère, the third party purchaser must be nominated by Sogepa with Daimler's consent (which may not be unreasonably withheld). In the case of such a sale by Sogepa, Daimler must consent to the sale (again, such consent may not be unreasonably withheld).

### SPECIFIC RIGHTS AND UNDERTAKINGS OF THE FRENCH STATE

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

- the French State undertakes to hold an interest of no more than 15% of the entire issued share capital of EADS through Sogepa, Sogead and EADS Participations B.V.;
- the French State undertakes that neither it nor any of its undertakings will hold any EADS shares directly;
- in each case disregarding (i) those EADS shares held by the French State following the distribution without payment of consideration to certain former shareholders of Aerospatiale Matra as a result of its privatisation in June 1999 and which will have to be sold on the market; (ii) those shares held by Sogepa or the French State which may be sold or acquired pursuant to the Participation Agreement or the Sogead Shareholders' Agreement (see below); and (iii) those shares held for exclusively investment purposes.

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

### SOGEADE

Sogead is a French partnership limited by shares (*société en commandite par actions*) the share capital of which is split between Sogepa (60%) and Désirade, a French *société par actions simplifiée* (40%). The share capital of Désirade is itself wholly owned by Lagardère. Lagardère hence owns indirectly 40% of Sogead.

The general partner (*associé commandité*) of Sogead, Sogead Gérance, is a French *société par actions simplifiée* which is the manager of Sogead and the share capital of which is split equally between Sogepa and Lagardère SCA.

Sogead Gérance's Board of Directors consists of eight directors, four of them nominated by Lagardère (among whom one shall be designated as the Chairman of the Board) and four by Sogepa. Decisions of Sogead Gérance's board shall be approved by a

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

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

In addition, in the case where the Board of Directors of EADS Participations B.V. and/or the Board of Directors of EADS would be called to address the following matters:

- (a) appointment/removal of the Chairman and the Chief Executive Officer of EADS and appointment/removal of the Chief Executive Officer of Airbus;
- (b) investments, projects, launch of new products or divestments within the Group with an individual value/ amount exceeding €500 million;
- (c) strategic and cooperation agreements;
- (d) modifications of the authorised share capital of EADS and increase in the issued capital of EADS, with the exception of capital increases for the purposes of ESOP or other securities issuances in favour of employees for an amount, per year or per plan, less than 2% of the issued capital;
- (e) modifications of (1) the Articles of Association of EADS, (2) the internal rules for the Board of Directors and (3) the internal rules for the Executive Committee;
- (f) change of name, place of incorporation and nationality of EADS; and
- (g) significant decisions in connection with the ballistic missiles activities of EADS.

Sogeaed Géraance’s board shall previously meet to come to a decision on the appropriateness of any of the above-mentioned matters. In this respect, the decision of Sogeaed Géraance’s board shall be in writing and require the approval of a qualified majority of six of the eight directors; it being understood that the Sogeaed-nominated directors on the board of EADS Participations B.V. shall in no event be bound by such decision. Such procedure shall not apply in the case where the relevant matter will have been examined as a Sogeaed Reserved Matter in accordance with the above.

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

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

The Sogeaed Shareholders’ Agreement shall terminate if Lagardère or Sogepa ceases to hold at least 20% of the capital of Sogeaed, except that: (a) the provisions relating to the call option granted by Lagardère described above shall remain in force as long as the Participation Agreement is in force, (b) as long as Sogepa holds at least one Sogeaed share, it will remain entitled to nominate a Sogeaed Géraance Director whose approval will be required with respect to any decision to divest or create a security interest over the assets relating to prime contractor status, design, development and integration of ballistic missiles activity or the majority shareholdings in the companies Cilas, Sodern, Nuclétudes and the GIE Cosyde; and (c) the Sogeaed Shareholders’ Agreement will be terminated in the event of a dissolution of EADS Participations B.V. caused by Daimler. In the latter case, the parties have undertaken to negotiate a new shareholders’ agreement in the spirit of the shareholders’ agreement between them dated 14 April 1999 relating to Aerospatiale Matra and with regard to their respective shareholdings in Sogeaed at the time of the dissolution of EADS Participations B.V.

#### PUT OPTION

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



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

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

### PLEDGE OVER EADS' SHARES GRANTED TO EADS PARTICIPATIONS B.V.

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

### DADC

EADS holds 75% of the shares in DADC Luft- und Raumfahrt Beteiligungs AG ("**DADC**") (the other 25% being held by DLRH). The share capital of Dornier GmbH is held as to 97.1% by DADC and as to 2.9% by the Dornier family. In shareholders' meetings, DADC is entitled to more than 95.2% and the Dornier family to less than 4.8% of the voting rights in Dornier GmbH. DADC and Dornier GmbH have entered into a control and profit and loss transfer agreement.

A considerable number of shareholders' resolutions in Dornier GmbH require a majority of 100% of the votes cast in the shareholders' meeting notably resolutions to dissolve the Company, alterations of the Articles of Association if they terminate, limit or have an impact on the rights of the minority shareholders, reduction of share capital, mergers (unless Dornier GmbH is the surviving entity), the transfer of holdings in other enterprises or the transfer of whole areas of enterprise activities with the exception of transfers of assets in return for shares or as a contribution in kind or to a company associated

with Daimler, which is assumed to be the case if Daimler controls at least 20% of its share capital. The same requirement applies with regard to all transfers of shares of Dornier GmbH held by the Daimler Group (including associated enterprises) subject to certain exceptions including the transfer to other Daimler Group companies (including associated enterprises). Furthermore, the Dornier family receives a guaranteed dividend from Dornier GmbH (depending on the nature of the shares) of 8.7% or 15% of the nominal amount of their shares plus any corporation tax credits. The guaranteed dividend is indexed. Daimler has guaranteed the payment of the minimum dividend to the Dornier family shareholders. In the case of the profit and loss transfer agreement, which presently exists between DADC and Dornier GmbH, the Dornier family shareholders are entitled to receive payments corresponding at least to the amount which they would be entitled to in the absence of such profit and loss transfer agreement. Internally DADC has assumed this obligation.

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

On 29 December 2004, Silvius Dornier and Daimler entered into an agreement to transfer all of the remaining shares of Silvius Dornier in Dornier GmbH (3.58%) to Daimler or another company of the Daimler Group nominated by Daimler and to settle all of the rights and potential claims of Silvius Dornier resulting from or in connection with his shareholding in Dornier GmbH. None of the other family shareholders exercised their three month right of first refusal to acquire these shares so that the legal transfer became effective on 17 April 2005. According to the above mentioned agreement between Daimler, DLRH, DADC, EADS Deutschland GmbH and DASA AG ("*Handhabungsvereinbarung*"), DADC had irrevocably offered to Daimler to buy these shares at market value upon effectiveness of their sale to Daimler, which offer was accepted by Daimler and the deal being brought to closure on 3 May 2005.

Under the terms of the business combination agreements entered into in the context of the creation of EADS, DLRH has

undertaken to indemnify Lagardère (for itself and on behalf of each member of the Lagardère Group) and SEPI and shall keep them indemnified, against (save in respect of any consequential loss not foreseeable by DLRH (or any member of the Daimler Group)) all or any costs, claims, demands, expenses, losses or liabilities that they (or any of them) may suffer or incur from the date of the business combination agreements entered into in the context of the creation of EADS as a result of all or any of the shareholders of Dornier GmbH other than a member of the DASA Group obtaining or seeking to obtain any rights or remedies against Lagardère (or any member of the Lagardère Group), SEPI, the Contractual Partnership, EADS

Participation B.V., DASA AG, EADS or any entity contributed by or on behalf of Daimler which is to become a member of the Group or any member of the DASA AG Group. This indemnity shall also extend to EADS to the extent that such protection is not provided for in the transfer of the DASA business to EADS.

Other than the relationships between the Company and its principal shareholders described above in this Section 3.3.2, there are no potential conflicts of interest between the duties to the Company of the Directors and their respective private interests or other duties.

### 3.3.3 Form of Shares

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

Shares shall be registered in the shareholders' register without the issue of a share certificate or, should the Board of Directors

so decide, with respect to all or certain shares, with the issue of a certificate. Share certificates shall be issued in such form as the Board of Directors may determine. Registered shares shall be numbered in the manner to be determined by the Board of Directors.

### 3.3.4 Changes in the Shareholding of the Company Since its Incorporation

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

The changes in the shareholding of the Company since its initial public offering and listing are set forth below (for a description of the changes in the issued share capital of the Company since its incorporation, see “— 3.2.5 Changes in the Issued Share Capital Since Incorporation of the Company”).

Since July 2000, 4,293,746 EADS shares have been distributed without payment of consideration by the French State to certain former shareholders of Aerospatiale Matra as a result of its privatisation in June 1999. The last distribution took place in July 2002.

In addition, in January 2001, the French State and Lagardère sold on the market all of their EADS shares (respectively 7,500,000 and 16,709,333 EADS shares) other than their Indirect EADS Shares (and, in the case of the French State,

other than the EADS shares to be distributed to former shareholders of Aerospatiale Matra, see “— 3.3.2 Relationships with Principal Shareholders — Specific Rights and Undertakings of the French State”) that they held as a result of the non-exercise of the over-allotment option granted to the underwriters in the context of the initial public offering carried out by the Company for the purpose of its listing in July 2000 (including, in the case of Lagardère, those shares other than its Indirect EADS Shares purchased from the French Financial Institutions at the end of the exercise period of the over-allotment option).

On 8 July 2004, Daimler announced that it had placed on the market (in the context of a hedging transaction) all of its EADS shares (22,227,478 EADS shares), representing 2.73% of the capital and 2.78% of the EADS voting rights at that date, except for its Indirect EADS Shares.

On 11 November 2005, DASA AG transferred its entire interest in EADS to its wholly owned subsidiary DaimlerChrysler Luft-und Raumfahrt Beteiligungs GmbH & Co. KG (“DC KG”). However, in November 2006, DC KG then transferred its entire interest in EADS back to DASA AG.

On 4 April 2006, Daimler and Lagardère announced the entry into simultaneous transactions aimed at reducing by 7.5% each their respective shareholdings in EADS. Daimler entered into a forward sale agreement of approximately 61 million EADS shares with a group of investment banks. Daimler indicated that it had lent these shares to the banks in anticipation of the settlement of the forward sale. Lagardère issued mandatory exchangeable bonds. The EADS shares deliverable at the maturity of the bonds represented a maximum of 7.5% of the share capital of EADS, or approximately 61 million EADS shares, and were delivered in three equal tranches representing 2.5% of the share capital of EADS. The first two tranches were delivered in June 2007 and June 2008, with delivery of the third tranche brought forward from June 2009 to March 2009, as discussed below.

On 8 September 2006, the Company was notified that JSC Vneshtorgbank (formerly Bank of Foreign Trade) acquired 41,055,530 shares of EADS, representing 5.04% of the share capital of EADS at that date.

On 9 February 2007, Daimler reached an agreement with a consortium of private and public-sector investors by which it effectively reduced its shareholding in EADS from 22.5% to 15%, while keeping and maintaining the balance of voting rights between German and French controlling shareholders. Pursuant to this agreement, on 13 March 2007, Daimler has placed its entire 22.5% equity interest in EADS into a new company controlled by Daimler, in which the consortium of investors has acquired a one-third interest through a special-purpose entity. This effectively represents a 7.5% stake in EADS. Daimler

continues to control the voting rights of the entire 22.5% package of EADS shares. Daimler has the option of dissolving the new structure on 1 July 2010 at the earliest. If the structure is dissolved, Daimler has the right either to provide the investors with EADS shares or to pay cash compensation. If EADS shares are provided, the German State, and the French State and Lagardère through Sogead, will be entitled to pre-empt such EADS shares to retain the balance between the German and the French side. This transaction constitutes a specific exception to the agreements described in “— 3.3.2 Relationships with Principal Shareholders”.

On 26 December 2007, JSC Vneshtorgbank has sold and transferred 41,055,530 EADS shares to the Bank for Development and Foreign Economic Affairs (Vnesheconombank). EADS was notified of such transaction thereafter.

On 26 January 2009, Lagardère and Natixis, the sole subscriber to and sole holder of the outstanding mandatory exchangeable bonds issued by Lagardère in 2006, signed an amendment to the subscription contract whereby they agreed, on the initiative of Natixis, to bring forward the redemption date of the mandatory exchangeable bonds — and consequently, the delivery date of the third tranche of EADS shares — from 25 June 2009 to 24 March 2009. Under the terms of this amendment, Lagardère delivered 20,370,000 EADS shares, representing 2.5% of the capital and voting rights of EADS, to Natixis on 24 March 2009. As of such date, Sogead therefore held 22.50% of EADS' share capital, *i.e.* 183,337,704 shares out of the total issued share capital of 814,769,112 shares.

The evolution in ownership of the share capital and voting rights of the Company over the past three years is set forth in the table below:

Shareholders	Position as at 31 December 2008			Position as at 31 December 2007			Position as at 31 December 2006		
	% of capital	% of voting rights	Number of shares	% of capital	% of voting rights	Number of shares	% of capital	% of voting rights	Number of shares
DASA AG	22.50%	22.59%	183,337,704	22.52%	22.64%	183,337,704	22.47%	22.71%	183,337,704
Sogead	25.00%	25.10%	203,707,704	27.53%	27.67%	224,077,704	29.96%	30.27%	244,447,704
SEPI	5.49%	5.51%	44,690,871	5.49%	5.52%	44,690,871	5.48%	5.54%	44,690,871
Sub-total Contractual Partnership	52.99%	53.20%	431,736,279	55.54%	55.83%	452,106,279	57.91%	58.52%	472,476,279
French State*	0.06%	0.06%	502,746	0.06%	0.06%	502,746	0.06%	0.06%	502,746
Public**	46.56%	46.74%	379,388,329	43.88%	44.11%	357,198,446	40.99%	41.42%	334,448,355
Own share buy-back***	0.39%	-	3,141,758	0.52%	-	4,207,002	1.04%	-	8,504,144
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>814,769,112</b>	<b>100%</b>	<b>100%</b>	<b>814,014,473</b>	<b>100%</b>	<b>100%</b>	<b>815,931,524</b>

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

\*\* Including EADS employees. As at 31 December 2008, EADS employees held 2.1% of the share capital and 2.1% of the voting rights.

\*\*\* The shares owned by the Company do not carry voting rights.

To the knowledge of the Company, except as disclosed previously in “— 3.3.2 Relationships with Principal Shareholders”, there are no pledges over the shares of the Company.

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The Company requested a disclosure of the identity of the beneficial holders of its shares held by identifiable holders (“*Titres au porteur identifiable*”) holding more than 10 shares each. The study, which was completed on 31 December 2008, resulted in the identification of 456,958 shareholders holding a total of 371,542,120 EADS shares (including 6,996,161 shares

held by Iberclear on behalf of the Spanish markets and 43,599,839 shares held by Clearstream on behalf of the German market).

The current shareholding structure of the Company is as shown in the diagram in “— 3.3.1 Shareholding Structure”.

### 3.3.5 Persons Exercising Control over the Company

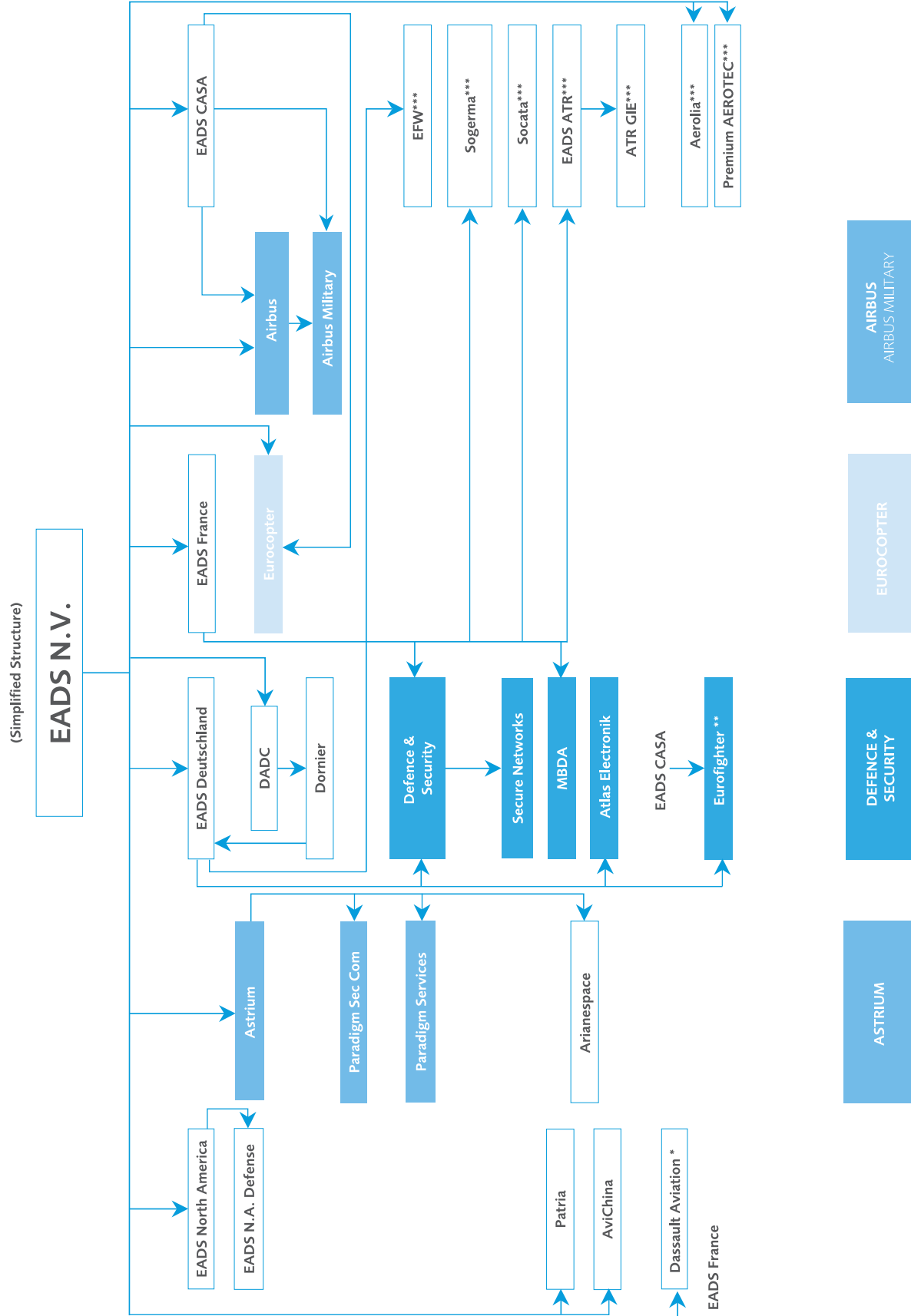
See “— 3.3.1 Shareholding Structure” and “— 3.3.2 Relationships with Principal Shareholders”.

### 3.3.6 Simplified Group Structure Chart

The following chart illustrates the simplified organisational structure of EADS as of 1 January 2009, comprising four divisions (following the integration of the former MTA division into Airbus under the name “Airbus Military”) and the main business units. For ease of presentation, intermediate holding companies have been omitted. The coloured boxes denote entities forming part of one of EADS’ four divisions. The non-coloured

boxes denote entities that are holding companies or participations not within one of EADS’ four divisions and do not directly form part of the management responsibility of a specified director. EFW, Sogerma, ATR, Aerolia and Premium AEROTEC are allocated to “Other Businesses” and do not form part of EADS’ four divisions. See “Information on EADS’ Activities — 1.1.1 Overview — Organisation of EADS Businesses”.

EADS GROUP MAIN SHAREHOLDINGS



\* EADS holds its interest in Dassault Aviation through EADS France.

\*\* EADS' interest in Eurofighter is jointly held by EADS Deutschland and EADS CASA.

\*\*\* EFW, Sogerma, ATR, Aerolia and Premium AEROTECH are allocated to "Other Businesses". In early January 2009, EADS sold a 70% stake in Socata to Daher, while retaining the remaining 30% stake.

### 3.3.7 Purchase by the Company of its Own Shares

#### 3.3.7.1 DUTCH LAW AND INFORMATION ON SHARE REPURCHASE PROGRAMMES

Pursuant to EC Regulation No. 2273/2003, the Company is subject to conditions for share repurchase programmes and disclosure relating thereto, as described below.

Under Dutch Civil law, the Company may acquire its own shares, subject to certain provisions of the law of the Netherlands and the Articles of Association, if (i) the shareholders' equity less the payment required to make the acquisition does not fall below the sum of paid-up and called portion of the share capital and any reserves required by the law of the Netherlands and (ii) the Company and its subsidiaries would not thereafter hold or hold in pledge shares with an aggregate nominal value exceeding one-half (50%) of the Company's issued share capital. Share acquisitions may be effected by the Board of Directors only if the shareholders in general meeting have authorised the Board of Directors to effect such repurchases. Such authorisation may apply for a maximum period of 18 months.

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

The annual shareholders' meeting of EADS held on 26 May 2008 authorised the Board of Directors, in a resolution that renewed the previous authorisation given by the annual shareholders' meeting of EADS held on 4 May 2007, for a period of 18 months from the date of such meeting, to repurchase shares of the Company, by any means, including derivative products, on any stock exchange or otherwise, as long as, upon such repurchase, the Company shall not hold more than 10% of the Company's issued share capital and at a price not less than the nominal value and not more than the higher of the price of the last independent trade and the highest current independent bid on the trading venues of the regulated market of the country in which the purchase is carried out.

A resolution will be submitted to the annual shareholders' meeting of EADS called for 27 May 2009 in order to renew the authorisation given by the annual shareholders' meeting held on 26 May 2008 and authorise the Board of Directors, for a new period of 18 months as from the date of such meeting, to repurchase shares of the Company, by any means, including derivative products, on any stock exchange or otherwise, as long as, upon such repurchase, the Company shall not hold more than 10% of the Company's issued share capital and at a price

not less than the nominal value and not more than the higher of the price of the last independent trade and the highest current independent bid on the trading venues of the regulated market of the country in which the purchase is carried out.

As of the date of this document, the Company held 3,140,708 of its own shares, representing 0.39% of its share capital.

#### 3.3.7.2 FRENCH REGULATIONS

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

Pursuant to Articles 241-1 to 241-6 of the AMF General Regulations, the purchase by a company of its own shares requires the publication of the description of the share repurchase programme. Such description must be published prior to the implementation of the share repurchase programme.

Under Articles 631-1 to 631-4 of the AMF General Regulations, a company may not trade in its own shares for the purpose of manipulating the market. Articles 631-5 and 631-6 of the AMF General Regulations also define the conditions for a company's trading in its own shares to be valid.

After purchasing its own shares, the Company is required to disclose on its website specified information regarding such purchases within at least seven trading days.

Additionally, the Company must notably report to the AMF, on at least a monthly basis, all the specified information regarding such purchases previously published on its website and information concerning the cancellation of such repurchased shares.

#### 3.3.7.3 GERMAN REGULATIONS

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

#### 3.3.7.4 SPANISH REGULATIONS

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

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

### 3.3.7.5 DESCRIPTION OF THE SHARE REPURCHASE PROGRAMME TO BE AUTHORISED BY THE ANNUAL GENERAL SHAREHOLDERS' MEETING TO BE HELD ON 27 MAY 2009

Pursuant to Articles 241-2-I and 241-3 of the AMF General Regulations, below is a description of the share repurchase programme ("*descriptif du programme*") to be implemented by the Company:

- **Date of the general shareholders' meeting to authorise the share repurchase programme:** 27 May 2009;
- **Intended use of the EADS shares held by the Company as at the date of this document:** the reduction of share capital by cancellation of all or part of the repurchased shares, in particular to avoid the dilution effect related to certain share capital increases for cash (i) reserved or to be reserved for employees of the EADS Group and/or (ii) carried out or to be carried out in the context of the exercise of stock options granted or to be granted to certain EADS Group employees: 3,140,708 shares;

For information on shares held by EADS at the date of the entry into force of EC Regulation No. 2273/2003 and still held by EADS at the date of this document, see below;

- **Purposes of the share repurchase programme to be implemented by the Company (by order of decreasing priority, without any effect on the actual order of use of the repurchase authorisation, which shall be determined according to needs and possibilities):**
  - the reduction of share capital by cancellation of all or part of the repurchased shares, in particular to avoid the dilution effect related to certain share capital increases for cash (i) reserved or to be reserved for employees of the EADS Group and/or (ii) carried out or to be carried out in the context of the exercise of stock options granted or to be granted to certain EADS Group employees, it being understood that the repurchased shares shall not carry any voting or dividend rights;
  - the owning of shares for the performance of obligations related to (i) debt financial instruments convertible into EADS shares, or (ii) employee share option programmes or other allocations of shares to EADS Group employees;
  - the purchase of shares for retention and subsequent use for exchange or payment in the framework of potential external growth transactions; and
  - the liquidity or dynamism of the secondary market of the EADS shares carried out pursuant to a liquidity agreement to be entered into with an independent investment services provider in compliance with the decision of the

AMF dated 1 October 2008 related to approval of liquidity agreements recognised as market practices by the AMF;

#### ➤ Procedure:

- maximum portion of the issued share capital that may be repurchased by the Company: 10%;
- Maximum number of shares that may be repurchased by the Company: 81,476,911 shares, based on an issued share capital of 814,769,112 shares as of the date of this document. Assuming the exercise of all stock options outstanding as of the date of this document, the threshold of 10% would represent 84,110,342 shares based on the 841,103,422 shares which would make up the entire fully-diluted share capital of the Company;
- the amounts to be paid in consideration for the purchase of the treasury shares must not, in accordance with applicable Dutch law, exceed the equity components which are repayable or distributable to the shareholders. "Equity components repayable or distributable to the shareholders" means the contribution premiums (in relation to contributions in kind), the issue premiums (in relation to cash contributions) and the other reserves as set out in the financial statements of EADS, from which the repurchase price for the treasury shares must be deducted.

As at 31 December 2008, the respective values of each of these EADS equity components which are by nature repayable or distributable to the shareholders were: € 7,836,000,000 (contribution premiums), € -1,319,000,000 (other reserves and retained earnings, including net profit for the year) and € -109,000,000 (treasury shares), *i.e.*, an aggregate amount of € 6,408,000,000.

EADS reserves the right to implement the share purchase programme to its full extent and undertakes not to exceed, directly or indirectly, the threshold of 10% of the issued share capital as well as the amount of € 6,408,000,000 throughout the term of the programme.

Finally, EADS undertakes to maintain at any time a sufficient number of shares in public hands to meet the thresholds of Euronext Paris S.A.;

- shares may be bought or sold at any time (including during a public offering) to the extent authorised by the stock exchange regulations and by any means, including, without limitation, by means of block trades and including the use of options, combinations of derivative financial instruments or the issue of securities giving rights in any way to EADS shares within the limits set out in this document. Moreover, EADS will use call options and swaps that have been acquired pursuant to the agreements it had entered into during the previous share repurchase programme (see below) and does not exclude the

possibility of using a structure of transaction similar to the one that had been used in the previous share repurchase programme in order to repurchase its own shares.

The portion of shares repurchased through the use of block trades may amount to all the shares to be repurchased in the context of this programme.

In addition, in the event that derivative financial instruments are used, EADS shall ensure that it does not use mechanisms which would significantly increase the volatility of the shares in particular in the context of call options;

- characteristics of the shares to be repurchased by the Company: shares of EADS, a company listed on Euronext Paris, on the *regulierter Markt* of the Frankfurt Stock Exchange and on the Madrid, Bilbao, Barcelona and Valencia Stock Exchanges;
- Daimler, DASA AG, the French State, Lagardère, SEPI, Sogead and Sogepa will retain all of their rights, depending on the circumstances, to sell their available EADS shares to EADS as part of this share repurchase programme;
- maximum purchase price per share: €50;
- **Term of the share repurchase programme:** this share repurchase programme shall be valid until 27 November 2010 inclusive, *i.e.*, the date of expiry of the authorisation requested from the Annual General Meeting of shareholders to be held on 27 May 2009. As one of the main aims of this EADS share repurchase programme is related to the possible exercise by EADS Group employees of stock options granted to them in 2000, 2001 and 2002, it is currently intended (i) that such a programme be continued and renewed so that it expires on 9 August 2012 (8 August 2012 being the latest date upon which an employee of the EADS Group may exercise all or part of his/her stock options granted in 2002) and (ii) that the EADS Annual General Meeting of shareholders be asked to renew the authorisations until such date;

#### ➤ Declaration by the Company of transactions carried out in relation to its own shares from 26 May 2008 to the date of this document:

Percentage of share capital held directly and indirectly	0.39%
Number of shares cancelled during the last 24 months	5,859,786
Number of shares held in portfolio	3,140,708
Book value of portfolio*	€48,789,707
Market value of portfolio*	€27,512,602

\* As of 31 March 2009.

The 1,843,814 EADS shares held by EADS at the date of the entry into force of EC Regulation No. 2273/2003 of 22 December 2003 on 13 October 2004 and still held by EADS at the date of this document shall be, in order of decreasing priority, either (i) cancelled pursuant to a decision to be made, according to Dutch law, by an Annual General Meeting of shareholders, to avoid the dilution effect related to certain share capital increases for cash carried out, during the fiscal year preceding such Annual General Meeting, in the context of an EADS employee share ownership programme and/or upon the exercise of stock options granted to certain EADS Group employees, or (ii) retained in order to allow the performance of certain obligations described within the aims of the share repurchase programme referred to in this document, or (iii) used for exchange or payment in the framework of a potential external growth transaction, or (iv) sold in the context of a liquidity agreement.

In addition, it is envisaged that the annual meeting of EADS shareholders to be held on 27 May 2009 will be requested to decide upon the cancellation of 22,987 repurchased shares to compensate the dilution effect resulting from the issuance of shares in 2008 following the exercise of stock options under the 2000 and 2002 stock option plans.

As of the date of this document, EADS has not entered into any liquidity agreement with an independent investment services provider in the context of this share repurchase programme.



In the context of this share repurchase programme, EADS has used derivative financial instruments (see below). These derivative financial instruments (call options) have the characteristics set out in the table below.

	Gross cumulative flows		Opening positions as of the date of this document			
	Purchases	Sales/transfers (exercise of option)	Opening position on the purchase		Opening position on the sale	
Number of Shares	0	-	Call purchased 8,686,593	Forward sale	Call purchased	Sale
Average Maximum Maturity Date*			9 August 2012	-	-	-
Average Price of the Transaction*		-				
Average Exercise Price*		-	-	-	-	-
<b>Total</b>	<b>€0</b>	-				

\* See "Corporate Governance — 4.3.3 Long Term Incentive Plans".

A share repurchase programme has been implemented since 2004 in order to avoid the dilution effect related to the share capital increases in cash which would result from the exercise of the stock options granted to certain employees of the EADS Group in 2000, 2001 and 2002. This share repurchase programme is implemented according to the neutral delta method as a means of repurchase in order to compensate for the dilution effect of such stock option plans as approved by the Board of Directors on 5 December 2002 and 10 October 2003.

In relation to this repurchase programme, EADS entered into the following agreements: (i) call options agreements allowing EADS to acquire from a top ranking French bank a number of EADS' shares equal to the number of shares to be created as a result of the exercise of stock options granted to certain employees of the EADS Group in 2000, 2001 and 2002, and (ii) swap agreements for the periodical adjustment of an amount in cash equal to the premiums paid by EADS to a top ranking French bank pursuant to the call options agreements, in accordance with the neutral delta method.

Pursuant to these agreements, the call options which EADS acquired from a top ranking French bank, have the same terms (as to exercise prices, exercise dates, quantities and expiry dates) as the stock options granted pursuant to the 2000, 2001 and 2002 stock option plans. If the EADS share price increases, the top ranking French bank must buy the number of EADS shares which then derived from the increase in price according to the delta neutral method formula. The total amount paid for these shares by the top ranking French bank corresponds to the financial charge borne by EADS, as determined from the variable amounts in the swap agreement. On the other hand, in the case of a reduction in the EADS share price, the top ranking French bank must sell a number of EADS shares which derived from the reduction in the share price according to the neutral delta method formula. The total amount received by the top ranking French bank for the sale of these shares corresponds to the financial revenues received by EADS as determined from the variable amounts in the swap contract. Under these

conditions, the final amount due as a result of the purchases of the call options is only known at the time of the payment as determined from the last variable amount of the swap contract.

The structure of the transaction aims at covering off the dilution effect and the price risk for EADS linked to the exercise of stock options granted to certain EADS Group employees in 2000, 2001 and 2002.

Within this context, EADS uses the internal control procedures put in place by the Company in order to ensure the reliability of the management of the risks linked to these call options and swap. The procedures and tools for reporting have been set up, the responsibility and powers have been delegated to the Finance and Treasury department of EADS which has responsibility for all operational decisions and all activities within its competence. The relevant competent bodies within the organisation must be made aware of all substantial transactions, activities and risks.

From an accounting standpoint, the call options qualify as equity instruments, provided that they are physically settled in EADS' own stock (IAS 32.16). The initial accounting led to a reduction in cash balances for the premiums paid and in stockholder's equity for the same corresponding amount. With each variable payment made in application of the delta neutral method formula, there is a corresponding impact on cash and on equity to reflect the cumulative premiums paid on the call options. Upon exercise of the call options, EADS decreases cash by the amount paid (strike price times number of options) and deducts treasury shares from shareholder's equity. Variations in the market value of the call options are not recognised in the financial statements. All such transactions are therefore neutral on the income statement.

The top ranking French bank has contractually undertaken to comply with the regulations in force in relation to repurchase procedures applicable to EADS and in particular the provisions of Articles 241-1 to 241-6 and 631-1 *et seq.* of the AMF General Regulations.

## 3.4 DIVIDENDS

### 3.4.1 Dividends and Cash Distributions Paid Since the Incorporation of the Company

Cash distributions paid to the shareholders since the incorporation of the Company are set forth in the table below:

Financial Year	Date of the cash distribution payment	Gross amount per share*
2000	27 June 2001	€0.50
2001	28 June 2002	€0.50
2002	12 June 2003	€0.30
2003	4 June 2004	€0.40
2004	8 June 2005	€0.50
2005	1 June 2006	€0.65
2006	16 May 2007	€0.12
2007	4 June 2008	€0.12

\* Note: figures have not been adjusted to take into account changes in the number of shares outstanding.

### 3.4.2 Dividend Policy of EADS

The Group's improved operational performance in legacy programmes and the strong cash development drove earnings per share to €1.95 and justify the increase in dividend.

The Board of Directors is proposing to the Annual General Meeting of shareholders a dividend of €0.20 per share (gross amount dividend per share 2007: €0.12). Subject to the Annual General Meeting approval, the dividend will be paid on 8 June 2009.

### 3.4.3 Unclaimed Dividends

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

of interim dividends shall lapse five years after the day on which the claim for payment of the dividend against which the interim dividend could be distributed becomes due and payable.

### 3.4.4 Taxation

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

may be subject to special rules which are not addressed below and which may be substantially different from the general rules described below. Investors who are in doubt as to their tax position in the Netherlands and in their state of residence should consult their professional advisors.

## WITHHOLDING TAX ON DIVIDENDS

In general, a dividend distributed by the Company in respect of Shares will be subject to a withholding tax imposed by the Netherlands at a statutory rate of 15%. Dividends include dividends in cash or in kind, deemed and constructive dividends, repayment of paid-in capital not recognised as capital for Netherlands dividend withholding tax purposes, and liquidation proceeds in excess of the average paid-in capital recognised as capital for Netherlands dividend withholding tax purposes. Stock dividends paid out of the Company's paid-in-share premium, recognised as capital for Netherlands dividend withholding tax purposes, will not be subject to this withholding tax.

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

## WITHHOLDING TAX ON SALE OR OTHER DISPOSITIONS OF SHARES

Payments on the sale or other dispositions of Shares will not be subject to Netherlands withholding tax, unless the sale or other disposition is, or is deemed to be, made to the Company or a direct or indirect subsidiary of the Company. A redemption or sale to the Company or a direct or indirect subsidiary of the Company will be treated as a dividend and will in principle be subject to the rules set forth in "Withholding Tax on Dividends" above.

## TAXES ON INCOME AND CAPITAL GAINS

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

- such income or gain is attributable to an enterprise or part thereof which is either effectively managed in the Netherlands or carried on through a permanent establishment ("*vaste inrichting*") or permanent representative ("*vaste vertegenwoordiger*") in the Netherlands;
- the Non-Resident Holder is not an individual and the Non-Resident Holder has, directly or indirectly, a substantial interest ("*aanmerkelijk belang*") or a deemed substantial interest in the Company and such interest does not form part of the assets of an enterprise; or

- the Non-Resident Holder is an individual and (i) the Non-Resident Holder has, directly or indirectly, a substantial interest ("*aanmerkelijk belang*") or a deemed substantial interest in the Company and such interest does not form part of the assets of an enterprise, or (ii) such income or gain qualifies as income from miscellaneous activities ("*belastbaar resultaat uit overige werkzaamheden*") in the Netherlands as defined in the Dutch Income Tax Act 2001 ("*Wet inkomstenbelasting 2001*").

Generally, a Non-Resident Holder of Shares will not have a substantial interest in the Company's share capital, unless the Non-Resident Holder, alone or together with certain related persons holds, jointly or severally and directly or indirectly, Shares in the Company, or a right to acquire Shares in the Company representing 5% or more of the Company's total issued and outstanding share capital or any class thereof. A deemed substantial interest exists if all or part of a substantial interest has been or is deemed to have been disposed of with application of a roll-over relief.

## GIFT OR INHERITANCE TAXES

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

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

## VALUE-ADDED TAX

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

## OTHER TAXES AND DUTIES

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

## RESIDENCE

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

## 3.5 ANNUAL SECURITIES DISCLOSURE REPORT

The list of the following announcements comprises the disclosures made pursuant to Section 5:25f of the WFT and constitutes the annual securities disclosure report in application of Article 10 of EC Directive 2003/71. The announcements and underlying information can be accessed through the Company's website at [www.eads.com](http://www.eads.com):

Press release – A380 Review	13 May 2008
Press release – First Quarter 2008 Results	14 May 2008
Press release – First Half 2008 Results	30 July 2008
Press release – Third Quarter 2008 Results	14 November 2008
Press release – Airbus Military and EADS propose a new approach for the A400M Programme	9 January 2009
Press release – 2008 Annual Results	10 March 2009

In addition, EADS publishes announcements made in the ordinary course of business which are also available through its website at [www.eads.com](http://www.eads.com).



# Corporate Governance

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EADS is a company registered in the Netherlands and listed in France, Germany and Spain. Given the numerous corporate governance regimes applicable to it, EADS applies a set of common corporate governance principles and recommendations in order to be in line with the corporate governance best practices applicable in these jurisdictions.

In accordance with Dutch law and with the provisions of the Dutch Corporate Governance Code (the “**Dutch Code**”), which includes a number of non-mandatory recommendations, the Company either applies the provisions of the Dutch Code or, if applicable, explains the reasons for their non-application. While EADS, in its continuous efforts to adhere to the highest standards, applies most of the current recommendations of the Dutch Code, it must, in accordance with the “apply or explain” principle, provide the explanations below.

At the end of 2008, the Dutch Corporate Governance Code Monitory Committee presented various amendments to the Dutch Code (the “**Revised Code**”), which will become applicable in respect of financial years starting on or after 1 January 2009. EADS will state in its next board report for the 2009 financial year how it applied the principles and best practice provisions of the Revised Code and will, where applicable, explain why a provision was not applied.

#### 1. EADS IS A CONTROLLED COMPANY AND, THEREFORE, A NUMBER OF THE MEMBERS OF THE BOARD OF DIRECTORS, AUDIT COMMITTEE, REMUNERATION AND NOMINATION COMMITTEE AND STRATEGIC COMMITTEE ARE DESIGNATED AND CAN BE REMOVED BY ITS CONTROLLING SHAREHOLDERS

Nevertheless, it should be noted that a self-assessment of the Board of Directors confirmed that the members of the Board of Directors designated by the controlling shareholders hold opinions and defend positions that are in all relevant aspects aligned with the economic interests of individual shareholders. Given the absence of material conflicting business interests between EADS and its controlling shareholders, and the independence of the controlling shareholders from one another, the members of the Board of Directors designated by the controlling shareholders are deemed to fairly represent the interest of all shareholders in acting critically and independently of one another and of any particular interests. Furthermore, the Board of Directors’ composition, as reshaped in October 2007 to increase in particular the number of independent Board members, with a wide range of different experiences represented in the Board of Directors and the running of meetings is conducive to the expression of autonomous and complementary views.

Accordingly:

- (a) four Members of the Board out of eleven are independent (whereas provision III.2.1 of the Dutch Code recommends that there be no more than one non-independent Board member);
- (b) members of the Board retire simultaneously on a five-year basis (whereas provision III.3.6 of the Dutch Code recommends that there be a retirement schedule to avoid, as far as possible, a situation in which many non-executive members of the Board retire at the same time);
- (c) the Board is headed by the Chairman of the Board. In case of dismissal or resignation of the Chairman, the Board shall immediately designate a new Chairman. There is therefore no need for a vice-Chairman to deal with the situation when vacancies occur (whereas provision III.4.1(f) of the Dutch Code recommends that there be a vice-Chairman);
- (d) EADS’ Audit Committee includes two members of the Board designated by the controlling shareholders (whereas provision III.5.1 of the Dutch code recommends that there be no more than one non-independent Audit Committee member);
- (e) EADS’ Remuneration and Nomination Committee includes two members of the Board designated by the controlling shareholders (whereas provision III.5.1 of the Dutch code recommends that there be no more than one non-independent Committee member);
- (f) EADS’ Remuneration and Nomination Committee is not the relevant body responsible for the selection procedure and nomination proposals for members of the Board of Directors (whereas provision III.5.13 (a) of the Dutch Code recommends that such Committee focus on drawing up selection criteria and the appointment procedures for members of the Board of Directors; and provision III.5.13 (d) recommends that such Committee focus on making proposals for appointments and reappointments).

#### 2. AS FOR REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS

EADS applies different rules for the remuneration of Executive (the Chief Executive Officer) and non-executive members of the Board of Directors, as explained in “— 4.2.1.2 Compensation of the Members of the Board of Directors”.

In case of dismissal from the Company of the Chief Executive Officer, a termination indemnity equal to one and a half time the annual total target salary would be paid subject to the following conditions (whereas provision II.2.7 of the Dutch Code recommends that the maximum remuneration in the event of dismissal be one year’s salary (the “fixed” remuneration

component), and that if the maximum of one year's salary would be manifestly unreasonable for an Executive Board member who is dismissed during his first term of office, such board member be eligible for severance pay not exceeding twice the annual salary): the Board of Directors has concluded that the Chief Executive Officer can no longer fulfil his position as a result of change of EADS' strategy or policies or as a result of a change in control of EADS. Termination indemnity will be paid only provided that the performance conditions assessed by the Board of Directors have been fulfilled by the Chief Executive Officer.

However this termination indemnity would be reduced pro rata or would even not be applicable depending on the age and date of retirement. No termination indemnity would be paid when the Chief Executive Officer is terminated and has reached the age of 65 prior or on the date of termination.

This change in the policy for the termination indemnity of the Chief Executive Officer will be proposed by the Board of Directors to be adopted at the Annual General Meeting of shareholders to be held on 27 May 2009.

### 3. EADS IS LISTED ON THE FRANKFURT, PARIS AND SPANISH STOCK EXCHANGES AND ENDEAVOURS TO STRICTLY COMPLY WITH THE RELEVANT REGULATIONS AND FOLLOW THE GENERAL PRACTICES ON THESE MARKETS PROTECTING ALL ITS STAKEHOLDERS

- (a) Moreover EADS has adopted Insider Trading Rules providing for specific internal rules, inter alia, governing members' of the Board holding and trading of shares in EADS and other companies. Therefore, in line with these rules and these regulations and common practices in the jurisdictions in which the Company is listed;
- (b) EADS does not require members of the Board to give periodic notice of any changes in their holding of securities in Dutch listed companies to the ITR Compliance Officer (whereas provisions II.2.6 and III.7.3 of the Dutch Code recommend such a notice unless a Board member only invests in listed investments funds);
- (c) EADS does not require members of the Board to treat their securities in the Company as a long-term investment (whereas provision III.7.2 of the Dutch Code recommends such a treatment);
- (d) The term of the office of members of the Board is five years without limitation on renewal (whereas provisions II.1.1 and III.3.5 of the Dutch Code recommend that there be no more than three four-year-terms for non-executive members of the Board and that there be four-year-terms (without limitation on renewal) for Executive members of the Board);

- (e) EADS does not follow various recommendations for dealings with analysts, including allowing shareholders to follow meetings with analysts in real time and publishing presentations to analysts on the website as set out in provision IV.3.1 of the Dutch Code;
- (f) In accordance with EADS' Articles of Association, if the Board does not set a "registration date", the shareholders must be shareholders at the date of the meeting to exercise their voting rights and other rights at the meeting (whereas provision IV.1.7 of the Dutch Code recommends that the Company set a "registration date" prior to the shareholder's meeting and that the shareholders must be shareholders on the date of such "registration date" to exercise their voting rights at the shareholders' meetings even if those persons are no longer shareholders on the date of such meeting).

### 4. EADS MAINTAINS AN INTEGRATED GROUP-WIDE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM WITH THE PURPOSE OF PROVIDING REASONABLE ASSURANCE THAT RISKS ARE EFFECTIVELY MANAGED

One of management's fundamental goals is to foster an effective Internal Control ("IC") and Risk Management ("RM") environment at EADS. In 2008, EADS began implementation of a new group-wide Enterprise Risk Management ("ERM") system that further develops and builds upon the achievements of the previous IC and RM system. The new ERM system seeks to provide management with an enhanced tool for effectively dealing with the uncertainty and associated risks inherent in EADS' business and to track opportunities. At the same time, the ERM system seeks to ensure compliance with corporate governance requirements and best practices in the Netherlands, France, Germany and Spain with respect to IC and RM. EADS' ERM system is based on the Internal Control and Enterprise Risk Management Frameworks of the Committee of Sponsoring Organisations of the Tread way Commission (COSO II).

The ERM system serves as the basis for all sub-ERM, sub-IC and sub-RM procedures present throughout EADS at the various organisational levels such as the divisions, business units and headquarters departments. It encompasses a hierarchical bottom-up and top-down reporting procedure to help ensure greater transparency of the risks and opportunities faced by the Group. The internal controls process consists of regularly up-dated documentation and assessment of the effectiveness of the individual controls for all applicable processes.

See "Risk Factors" for information on certain principal risks to which the Group is exposed.



### Limitations

No matter how well designed, all ERM systems have inherent limitations, such as vulnerability to circumvention or management overrides of the controls in place. Consequently, no assurance can be given that EADS' ERM system and procedures are or will be, despite all care and effort, entirely effective.

### Developments in 2008 and Outlook

During 2008, EADS sought primarily to apply the newly developed ERM approach to IC and RM, seeking to combine the two subjects into a more effective management tool. Building on the comprehensive ERM review and evaluation procedures carried out in 2008, EADS will assess the results over the course of 2009. Moreover, reviews of the ERM systems were performed by internal audit to substantiate the self-assessment during 2008. As a result of the ongoing monitoring activities of the ERM system's effectiveness, further modifications to the ERM system and integration efforts are expected throughout 2009.

As the new ERM system (and relevant aspects referred to in the Dutch Code) is currently being implemented throughout the Group, the Board of Directors has not yet made a declaration on the adequacy and effectiveness of the Group's IC and RM systems (whereas provision II.1.4 of the Dutch Code recommends that such a declaration be made).

Further, under the Revised Code which will become applicable in respect of financial years starting on or after 1 January 2009, the recommendation that a declaration be made on the adequacy and effectiveness of the IC and RM system will be replaced by a statement that the IC and RM system provides reasonable assurance that the financial reporting does not contain any errors of material importance and that the risk management and control systems worked properly in the year under review. Based on the progress of the implementation of EADS' ERM system during the financial year 2009, the Board of Directors will assess whether such a statement can be made or explain why such statement cannot be made in the board report for the 2009 financial year.

### EADS ERM Policy

The core policy, objectives and procedures that define EADS' ERM system are communicated throughout the Group in a manual referred to as the "EADS ERM Policy", which sets forth:

- the ERM policy and objectives;
- the ERM procedures adopted by EADS including a standardised ERM monitoring system:
  - to ensure a uniform understanding of a comprehensive enterprise-wide risk and opportunity management and IC system,

- to comprehensively cover risk and opportunity management in programmes/projects, functions and processes, with both internal and external sources,
- to satisfy compliance requirements for an effective IC and RM system.

The EADS ERM Policy constitutes the framework for all existing IC and RM guidance and practice throughout EADS. The EADS ERM Policy is applicable throughout EADS to all divisions, business units and headquarters' departments. Joint ventures may also operate separate ERM systems, though the fundamental principles of the EADS ERM Policy generally apply.

The "EADS ERM Policy" is supplemented by:

- codes of conduct (e.g. EADS Code of Ethics, Corporate Social Responsibility);
- handbooks (e.g. "EADS Corporate Management Principles and Responsibilities", the "Financial Control Handbook");
- manuals (e.g. Treasury Procedures, "Accounting Manual", "Reporting Manual"); and
- guidelines (e.g. "Funding Policy").

External standards influencing the EADS ERM System include the IC and ERM frameworks of COSO, as well as industry-specific standards as defined by the International Standards Organisation (ISO).

For further information relating to financial market risks and the ways in which EADS attempts to manage these risks, see "Notes to Consolidated Financial Statements (IFRS) — Note 35A: Information about Financial Instruments — Financial risk management".

### Responsibility for the ERM System

Responsibility for the ERM system is as follows:

- the Board of Directors assumes overall responsibility for the ERM system and defines the level of risk that EADS wishes to accept on a corporate level;
- the divisions, business units and headquarters' departments assume responsibility for the operation and monitoring of the ERM system. They seek to ensure transparency and effectiveness of the ERM system and adherence to its objectives. They take responsibility for the implementation of appropriate response activities to reduce probability and impact of risk exposures, and conversely for the implementation of appropriate response activities to increase probability and impact of opportunity exposures. They are responsible for the communication of risks and opportunities which affect others within EADS;

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- corporate objectives are defined with an accountable owner for each. These objectives are cascaded throughout the whole organisation. Each level within the business adopts business objectives that link into and support EADS' corporate objectives;
- EADS uses its employees' knowledge of the business to identify and assess key risks that might prevent EADS from achieving its objectives and to identify and assess new opportunities. EADS strives to do this on a regular basis through normal business processes to ensure it focuses on identifying and managing risks that might undermine its performance.

### Objectives of ERM

The ERM system is designed to provide reasonable assurance to the Board of Directors, the Chief Executive Officer and the Chief Financial Officer regarding the achievement of the following objectives:

- the delivery of products on time and in accordance with cost and quality objectives;
- the reliability of financial reporting and the achievement of financial targets;
- the adequate identification, assessment, response, control action and monitoring of risks and opportunities on a timely basis throughout the Group, consistent with EADS objectives;
- the compliance with applicable external laws and regulations and with internal policies and guidelines;
- the effectiveness and efficiency of operations;
- the transparency and quality of risk, opportunity and monitoring and reporting (*e.g.* internal management reporting, financial statements, etc.).

### ERM Procedures

To enhance its effectiveness and operational reliability as well as to satisfy compliance requirements, certain mandatory procedures exist:

- **Risk and Opportunity Management procedures** to enhance operational risk and opportunity management throughout EADS by using ERM methodology;
- **Financial risk measurement procedures** for consistent risk and opportunity quantification;
- **ERM reporting procedures** for the status reporting of the ERM system and the risk and opportunity situation;
- **ERM compliance and monitoring procedures** to substantiate to the Chief Executive Officer and Chief Financial Officer assessment of the effectiveness of the EADS ERM system;

- **ERM support procedures** covering important topics like ERM trainings, knowledge transfer, change management and the role of corporate audit.

ERM at EADS seeks to cover all types of risk such as operational, functional (*e.g.* strategic, compliance, reputational risks) and process risks, both quantifiable and unquantifiable, potentially affecting EADS short-, middle- and long-term as well as opportunities.

### Risk and Opportunity Management procedures

The recurring Risk and Opportunity Management procedures comprise several components:

- setting of objectives and definition of risk tolerances;
- identification and assessment of risks and opportunities;
- determination of risk and opportunity responses and control activities (*i.e.* policies, procedures and other activities);
- monitoring and reporting of risks and opportunities.

The detailed processes and associated procedures will vary according to the size and nature of the programme/project or function, but the principles apply in any case. Local tailoring may be performed according to the internal business constraints and/or customer specific requirements.

### ERM compliance and monitoring procedures

EADS has established formal ERM self-assessment mechanisms, to be applied by each identified process/control owner on a regular basis, who must assess his operational and functional risks as well as the operating and design effectiveness of the internal controls in place for his process. The progress is monitored by the respective division, business unit and headquarters department and reported to EADS headquarters. To verify the successful implementation of the remediation actions, the remedied controls are periodically re-assessed. The relevant risks are subject to a management discussion process at the Group level. Each year, corporate audit provides an independent review of the status of the ERM systems in selected divisions, business units and headquarters departments.

Based on the ERM self-assessments, management of each division, business unit and headquarters department prepares a formal representation letter as to the adequacy and effectiveness of the ERM systems within their scope of responsibility. Joint ventures, such as MBDA, operate separate IC and RM systems. Alignment with the EADS ERM system is facilitated, *inter alia*, through EADS' presence on such affiliates' supervisory and management bodies (*e.g.* Board of Directors, Audit Committees).

In addition to regular monitoring activities at the divisional, business unit and headquarters levels, assessments about the adequacy and effectiveness of the ERM system are discussed between the Chief Executive Officer and Chief Financial Officer and the respective division, business unit or headquarters department heads. These discussions serve to prioritise potential issues at the EADS level, define and implement appropriate actions, if needed, and derive conclusions for the overall EADS ERM report.

#### ERM reporting procedures

Every year, identified significant deficiencies and material weaknesses are reported in sub-representation letters. The sign-off process requires the Chief Executive Officer and Chief Financial Officer confirm to the Board of Directors, to the best of their knowledge, whether:

- the IC system is adequate to provide reasonable assurance regarding the reliability of financial reporting as well as compliance with applicable laws and regulations;
- the control objectives are being achieved by controls that are documented, adequately designed for their business and are operating effectively, in all material respects;
- the owner of each control activity is clearly identified; and
- the RM system is designed and operated to identify, assess, respond to, design controls and monitor/report on risks on a timely basis.

The Chief Executive Officer and Chief Financial Officer's ERM statement is mainly based on the self-assessments, reviews (including internal audits) and management discussions described above, and is substantiated by sub-representation letters provided to the Chief Executive Officer and Chief Financial Officer by all divisional and business unit management.

## 5. ETHICS ALERT SYSTEM

EADS is in the process of putting in place an alert system procedure for receiving, in full confidentiality, concerns regarding *e.g.* financial reporting, internal risk management and control systems, as well as regarding general operational matters.

The Board of Directors and the Audit Committee have decided to implement this alert system procedure as part of the Ethics and Compliance Programme, under the authority of the Group Chief Compliance Officer ("CCO"). After a decision has been made on the detailed procedure and various proceedings including those with the respective works councils have been completed, the Group alert system will be implemented. The Company will thereafter comply with provision II.1.6 of the Dutch Code, which recommends that a company ensure that its employees have the possibility of reporting alleged irregularities of a general, operational and financial nature in the company or concerning the functioning of the Executive member of the Board of Directors to the Chairman of the Board of Directors or to an official designated by them and that such arrangements for whistleblowers be posted on the Company's website.

## 4.1 MANAGEMENT AND CONTROL

Since its creation in 2000 and until 22 October 2007, EADS was led by a dual-headed management structure, with two Chairmen and two co-Chief Executive Officers, which provided the necessary balance and stability required for a company with such a unique industrial and multi-national heritage.

On 16 July 2007, Daimler (formerly DaimlerChrysler), the French Government and Lagardère decided, together with the EADS management team, to implement a new management and leadership structure. The German Government was also consulted. Guiding principles of this modification were efficiency, cohesiveness and simplification of EADS' management and leadership structure, towards corporate governance best practices while maintaining a balance between the French and the German core shareholders. Under the

simplified management structure, EADS is now led by a single Chairman and a single Chief Executive Officer.

The core shareholders also concluded that it was in the best interest of the Group to recommend an increase in the number of independent members on the Board of Directors to appropriately reflect the global profile of EADS by conforming to international corporate governance best practices.

In this respect, both Daimler and Sogade relinquished two seats on the Board of Directors and four independent directors were elected during the Extraordinary General Meeting of Shareholders held on 22 October 2007. Apart from the Chief Executive Officer, the Board of Directors no longer comprises executive directors.

The core shareholders have also decided to amend the responsibilities assumed by the Board of Directors, the Chairman, the Chief Executive Officer and the Executive Committee, as described below. These modifications were fully implemented and

became effective from the Extraordinary General Meeting of Shareholders and Board of Directors' meeting both held on 22 October 2007.

## 4.1.1 Board of Directors, Chairman and Chief Executive Officer

### 4.1.1.1 COMPOSITION, POWERS AND RULES

Pursuant to the Articles of Association, the Board of Directors is responsible for the management of the Company.

The Board of Directors consists of a maximum of eleven members appointed and removed by the shareholders' meeting. The Board of Directors adopted rules governing its internal affairs (the "**Rules**") at a Board of Directors' meeting held on 7 July 2000. The Rules were amended at a Board of Directors' meeting held on 5 December 2003 to take into account recommendations for changes to corporate governance. These Rules were further amended at a Board of Directors' meeting held on 22 October 2007, to take into account the corporate governance modifications approved during the Extraordinary General Meeting of Shareholders held the same day.

The Rules specify the composition, the role and the key responsibilities of the Board of Directors, and also determine the manner of appointment and the responsibilities of the Chairman and the Chief Executive Officer. The Rules also specify the creation of three committees (the Audit Committee, the Remuneration and Nomination Committee and the Strategic Committee) and specify their composition, role and operating rules.

The Board of Directors has also adopted specific Insider Trading Rules, which restrict its members from trading in EADS shares in certain circumstances (for more information, please see "General Description of the Company and its Share Capital — 3.1.3 Governing Laws and Disclosures").

The parties to the Participation Agreement (as amended on 22 October 2007 and as defined in the opening paragraph of "General Description of the Company and its Share Capital — 3.3.2 Relationships with Principal Shareholders") have agreed that the voting rights attached to the Indirect EADS Shares shall be exercised by EADS Participations B.V. to ensure that the Board of Directors of EADS comprises the Directors of EADS Participations B.V. and four additional independent Directors.

According to the Rules, an independent Director is defined as "a Director who is not an officer, director, employee, agent or otherwise has any significant commercial or professional connection with either the DASA Group, the Lagardère Group, the Sogepa Group, the SEPI Group, the French State, the German State, the Spanish State or the EADS Group".

Pursuant to the Participation Agreement, the Board of Directors comprises eleven members as follows (the "**Board of Directors**", the members of the Board of Directors being referred to as the "**Directors**"):

- one non-executive Chairman, appointed on joint proposal by the Daimler-Directors and the Sogead-Directors;
- the Chief Executive Officer of EADS, appointed on joint proposal by the Daimler-Directors and the Sogead-Directors;
- two Directors nominated by Daimler;
- two Directors nominated by Sogead;
- one Director nominated by SEPI, so long as the Indirect EADS Shares held by SEPI represent 5% or more of the total number of EADS Shares but in any case until the general meeting of shareholders to be held in 2012; and
- four independent Directors, jointly proposed by the Chairman and the Chief Executive Officer of EADS and individually approved by the Board.

Pursuant to the Articles of Association, each member of the Board of Directors holds office for a term that expires at the annual shareholders' meeting of EADS to be held in 2012. Members of the Board of Directors will be elected at each fifth annual shareholders' meeting thereafter.

The shareholders' meeting may at all times suspend or dismiss any member of the Board of Directors. There is no limitation on the number of terms that a Director may serve.

The Board of Directors appoints a Chairman, upon the joint proposal of the Daimler-Directors and the Sogead-Directors. The Chairman ensures the smooth functioning of the Board of Directors in particular with respect to its relations with the Chief Executive Officer with whom he teams up for top level strategic discussions with outside partners, which are conducted under his supervision.

The Chairman shall have either French or German nationality, provided that the Chief Executive Officer is of the other nationality.

The Chairman can submit his resignation as Chairman to the Board of Directors or can be dismissed as Chairman by the Board of Directors, upon the joint proposal of the Daimler-Directors and the Sogade-Directors. The appointment further terminates if the Chairman is dismissed or resigns as Director. Immediately following the dismissal or resignation of the Chairman, and if the Daimler-Directors and the Sogade-Directors do not immediately jointly designate a new Chairman, the Board of Directors appoints by simple majority a Director (with the same citizenship as the former Chairman) as interim Chairman for a period which expires at the earlier of either (i) twenty clear days after the Daimler-Directors and the Sogade-Directors jointly designate a new Chairman (during which period, a Board of Directors meeting is called in order to appoint the new Chairman, upon the joint proposal of the Daimler-Directors and the Sogade-Directors), or (ii) two months from that interim Chairman's appointment.

Upon request by any member of the Board of Directors made three years after the beginning of the Chairman's term and alleging that significant adverse deviation(s) from objectives and/or failure(s) to implement the strategy defined by the Board of Directors occurred, the Board of Directors shall meet, to decide whether deviations and/or failures actually occurred during this period and if so, to decide whether to renew its confidence in the Chairman (the "**Vote of Confidence**"). The Board of Directors resolves upon such Vote of Confidence by simple majority. The Chairman is removed if he does not obtain such Vote of Confidence, a new Chairman being then appointed in accordance with the above.

Upon the joint proposal by the Daimler-Directors and the Sogade-Directors, the Board of Directors has appointed a Chief Executive Officer to be responsible for the day-to-day management of the Company. The way the Chief Executive Officer can resign or be dismissed and the way the Chief Executive Officer would, if any, be replaced are identical to those applying to the Chairman. The Vote of Confidence procedure stated above is also applicable to the Chief Executive Officer under the same conditions as for the Chairman.

### Powers of the Board of Directors

The Company is represented by the Board of Directors or by the Chief Executive Officer. The Chief Executive Officer may not enter into transactions that form part of the key responsibilities of the Board of Directors unless these transactions have been approved by the Board of Directors.

The key responsibilities of the Board of Directors include amongst others:

- approving any change in the nature and scope of the business of the Group;
- approving any proposal to be submitted to the general meeting of shareholders in order to amend the Articles of association of EADS (Qualified Majority, as defined below);

- approving the overall strategy and the strategic plan of the Group;
- approving substantial changes to the business plan and the yearly budget of the Group;
- setting the major performance targets of the Group;
- designating or removing the Chairman and the Chief Executive Officer and deciding upon the designation or removal of the Chief Executive Officer of Airbus (Qualified Majority);
- appointing the members of the Executive Committee (see below), as a whole team, not on an individual basis;
- establishing and approving amendments to the Rules and to the rules for the Executive Committee (Qualified Majority);
- deciding upon the appointments of the Airbus Shareholder Committee, the EADS Corporate Secretary and the chairmen of the Supervisory Board (or similar organ) of other important Group companies and business units;
- approving material changes to the organisational structure of the Group;
- approving investments, projects or product decisions or divestments of the Group with a value exceeding € 350,000,000 (it being understood that this item shall require the Qualified Majority only for investments, projects or product decisions or divestments of the EADS Group with a value exceeding € 500,000,000);
- approving strategic alliances and co-operation agreements of the Group (Qualified Majority);
- approving matters of shareholder policy, major actions or major announcements to the capital markets;
- approving any material decision regarding the ballistic missiles business of the Group (Qualified Majority);
- approving other measures and business of fundamental significance for the Group or which involve an abnormal level of risk;
- approving any proposal by the Chairman and the Chief Executive Officer as to the appointment of the independent Directors, for submission to the general meeting of shareholders.

### Voting and rules

Each Director has one vote, provided that, if there are more Sogade-nominated Directors than Daimler-nominated Directors present or represented at the meeting, the Daimler-nominated

Director who is present at the meeting can exercise the same number of votes as the Sogeadé-nominated Directors who are present or represented at the meeting, and vice versa. All decisions of the Board of Directors are taken by a simple majority of votes (six Directors, present or represented, voting in favour of the decision), except for the votes relating to certain matters which can only be validly resolved upon a majority of votes including the unanimous vote of the two Sogeadé-nominated Directors and the two Daimler nominated Directors (the “**Qualified Majority**”). The quorum for the transaction of business at meetings of the Board of Directors requires the presence of at least one of the Sogeadé-nominated Directors and one of the Daimler-nominated Directors. A Director can authorise another Director to represent him or her at a Board meeting and to vote on his or her behalf. Such authorisation must be in writing.

In the event of a deadlock in the Board of Directors, other than a deadlock giving Daimler the right to exercise the put option granted to it by Sogeadé (see “General Description of the Company and its Share Capital — 3.3.2 Relationships with Principal Shareholders — Put Option”), the matter shall be referred to Arnaud Lagardère (or such person as shall be nominated by Lagardère) as representative of Sogeadé and to the chief executive officer of Daimler. In the event that the matter in question, including a deadlock giving Daimler the right to exercise the put option (but in this case with the agreement of Sogepa and Daimler) is a matter within the competence of the general meeting of EADS, a resolution on the issue shall be put to the general meeting, with the voting rights of Sogeadé, Daimler and SEPI being negated.

Pursuant to the Rules, the Board of Directors may form committees from its members. In addition to the Audit Committee, the Remuneration and Nomination Committee and the Strategic Committee, the Board of Directors may form other committees to which it may transfer certain minor or ancillary decision-making functions although such assignment does not negate the joint responsibility of all Directors. The quorum for the transaction of business at any meeting of a committee requires the presence of at least one of the Sogeadé-nominated Directors and one of the Daimler-nominated Directors. All decisions of a committee require the simple majority of the members.

In addition to the Rules, the work of the Board of Directors is governed by internal directors’ guidelines (the “**Directors’ Guidelines**”) adopted in light of corporate governance best practices. The Directors’ Guidelines are composed of a Directors’ charter (the “**Directors’ Charter**”) detailing the rights and duties of the members of the Board of Directors, an Audit Committee charter (the “**Audit Committee Charter**”), a Remuneration and Nomination Committee charter (the “**Remuneration and Nomination Charter**”) and a Strategic Committee charter (the “**Strategic Committee Charter**”), with each such charter setting forth the respective committees’ roles.

The Directors’ Charter sets out core principles that bind each and every Director, such as acting in the best interest of the Company and its stakeholders, devoting necessary time and attention to the carrying out of their duties and avoiding any and all conflicts of interest.

## Composition of the Board of Directors

Name	Age	Term started (as member of the Board of Directors)	Term expires	Principal function	Status
Bodo Uebber	49	2007	2012	Chairman of EADS	Non-Executive
Louis Gallois	65	2000, re-elected in 2005 and 2007	2012	Chief Executive Officer of EADS	Executive
Rolf Bartke	62	2007	2012	Chairman of Kuka AG	Nominated by Daimler
Dominique D'Hinnin	49	2007	2012	Chief Financial Officer of Lagardère	Nominated by Sogeadé
Juan Manuel Eguiagaray Ucelay	63	2005, re-elected in 2007	2012	Director of Studies at Fundación Alternativas	Nominated by SEPI
Arnaud Lagardère	48	2003, re-elected in 2005 and 2007	2012	General Partner and CEO of Lagardère	Nominated by Sogeadé
Hermann-Josef Lamberti	53	2007	2012	Member of the Management Board of Deutsche Bank AG	Independent
Lakshmi N. Mittal	58	2007	2012	President and Chief Executive Officer of ArcelorMittal	Independent
Sir John Parker	66	2007	2012	Chairman of National Grid	Independent
Michel Pébereau	67	2007	2012	Chairman of BNP Paribas	Independent

Note: The professional address of all members of the Board of Directors for any matter relating to EADS is Mendelweg 30, 2333 CS Leiden, The Netherlands.

On 14 April 2009, Mr Rüdiger Grube presented his resignation as Chairman of the Board and the Board decided to designate Mr Bodo Uebber as his successor in this position, with immediate effect. Mr Grube also presented his resignation as a Director, and the Board has decided to propose Mr Wilfried Porth as his replacement for the remaining term of his appointment (*i.e.*, until the Annual General Meeting of shareholders to be held in 2012). EADS' shareholders will be asked to confirm this appointment at their Annual General Meeting to be held on 27 May 2009. See "Information on EADS' Activities — 1.2 Recent Developments".

The Company has not appointed observers to the Board of Directors. Pursuant to applicable Dutch law, the employees are not entitled to elect a Director. There is no minimum number of shares that must be held by a Director.

### Curriculum Vitae and other Mandates and Duties Performed in any Company by the Members of the Board of Directors

#### Bodo Uebber

Mr Bodo Uebber is Chairman of EADS and has been a member of Daimler AG's Board of Management since 2003. He is currently responsible for finance, controlling, corporate procurement and Daimler Financial Services. In 2001, he was appointed member of the Board of Management and Chief Financial Officer of Daimler Financial Services AG and subsequently in 2003 Chairman of the Board of Management of Daimler Financial Services AG, as well as Deputy member of the Board of Management of Daimler AG. He previously held various financial positions within DASA AG, Dornier Luftfahrt and MTU Aero Engines GmbH. Mr Uebber graduated in engineering and economics at the Technical University of Karlsruhe.

Current mandates in addition to the one listed in the chart above are set forth below:

- Member of the Supervisory Board of Mercedes-Benz Bank AG;
- Chairman of the Supervisory Board of Daimler Financial Services AG;
- Member of the Board of Directors of Freightliner LLC;
- Member of the Advisory Board of Daimler Unterstützungskasse GmbH;
- Member of the Supervisory Board of McLaren;
- Member of the Supervisory Board of Talanx;
- Member of the Board of Directors of EADS Participations B.V.;

- Member of the Advisory Board of Landesbank Baden-Württemberg; and

- Member of the Advisory Board of Deutsche Bank AG in Munich.

Former mandates for the last five years:

- Chairman of the Board of Directors of debis Air Finance B.V. (resigned April 2005);
- Chairman of the Board of Directors of DaimlerChrysler Japan Holding, Ltd. (resigned 1 December 2005);
- Member of the Supervisory Board of Hannover Rückversicherungs AG (resigned 12 May 2006);
- Member of the Board of Directors of DaimlerChrysler México Holding S.A. de C.V. (resigned 31 July 2007);
- Chairman of the Board of Directors of DaimlerChrysler North America Holding Corporation (DCNAH) (resigned 3 August 2007);
- Chairman of the Board of Directors of DaimlerChrysler Corporation (DCC) (resigned 3 August 2007);
- Chairman of the Board of Directors of DC UK Holding plc (resigned 1 November 2007);
- Member of the Supervisory Board of Daimler España Holding S.A. (resigned 30 June 2008); and
- Chairman of the Supervisory Board of Daimler France Holding S.A.S. (resigned 31 October 2008).

#### Louis Gallois

Mr Louis Gallois has been Chief Executive Officer (CEO) of EADS since August 2007, after having been co-CEO of EADS, and President and CEO of Airbus since 2006. Previously, he served successively as Chairman and CEO of SNECMA, Chairman and CEO of Aerospatiale and Chairman of SNCF. Earlier in his career, he held positions in the French Ministry of Economy and Finance, the Ministry of Research and Industry, and the Ministry of Defence. Mr Gallois graduated from the École des Hautes Etudes Commerciales in economic sciences and is an alumnus of the École Nationale d'Administration.

Current mandates in addition to the one listed in the chart above are set forth below:

- Chief Executive Officer of EADS Participations B.V.;
- Member of the Board of Directors of Stichting Administratiekantoor EADS (the "Foundation");

- Member of the Supervisory Board of Michelin;
- Member of the Board of Directors of *École Centrale des Arts et Manufactures*; and
- President of the Fondation Vilette-Entreprises.

Former mandates for the last five years:

- Member of the Board of Directors of Thales (resigned 30 June 2005);
- President of SNCF (resigned 2 July 2006); and
- Member of the Board of Directors of Dassault Aviation (resigned 26 November 2008).

#### Rolf Bartke

Mr Rolf Bartke is Chairman of Kuka AG. He was Head of the vans business unit at DaimlerChrysler AG from 1995 to 2006. Previously, he was Mercedes Benz's Managing Director in the fields of commercial vehicle planning and projects, commercial vehicle development, marketing and sales planning for Unimog and MB-trac. He started his career in 1976 as Managing Director of commercial agents of Unimat GmbH in Düsseldorf. Mr Bartke holds a PhD in economics from the University of Karlsruhe.

Current mandates in addition to the one listed in the chart above are set forth below:

- Chairman of the Supervisory Board of SFC Smart Fuel Cell AG;
- Chairman of the Advisory Board of Keiper-Recaro-Group (Putsch GmbH & Co. KG);
- Member of the Board of Directors of J&R Carter Partnership Foundation;
- Member of the Board of Directors of SORTIMO North America Inc.; and
- Member of the Board of Directors of EADS Participations B.V.

Former mandates for the last five years:

- Chairman of the Supervisory Board of Daimler Ludwigsfelde GmbH (resigned 31 March 2006);
- Member of the Supervisory Board of Daimler Manufacturing International LLC (resigned 31 March 2006);
- Member of the Supervisory Board of Daimler España S.A. (resigned 31 March 2006); and
- Chairman of the Board of Directors of SAF-Holland S.A. (resigned 31 January 2009).

#### Dominique D'Hinnin

Mr Dominique D'Hinnin has been Chief Financial Officer (CFO) of Lagardère SCA since 1998. He joined Lagardère in 1990 as advisor to the Chairman of the Finance Committee of the Group. After that, he held different positions within the Group, first being appointed as Internal Audit Manager, and then CFO Hachette Livre in 1993, before being appointed Executive Vice President of Grolier Inc in the United States. Mr D'Hinnin is an alumnus of the École Normale Supérieure and is an Inspecteur des Finances.

Current mandates in addition to the one listed in the chart above are set forth below:

- Chairman and Managing Director of Ecrinvest 4 S.A.;
- Administrator of Hachette S.A.;
- Member of the Supervisory Board of Lagardère Active S.A.S.;
- Permanent representative of Hachette S.A. at the Supervisory Board of Lagardère Active Broadcast;
- Administrator of Lagardère Entertainment S.A.S.;
- Administrator of Lagardère Services S.A.;
- Administrator of Hachette Livre S.A.;
- Administrator of Lagardère Ressources S.A.S.;
- Member of the Supervisory Board of Lagardère Sports S.A.S.;
- Administrator of Sogeadé Gérance S.A.S.;
- Chairman of Eole S.A.S.;
- Member of the Supervisory Board of Financière de Pichat & CIE SCA;
- Member of the Supervisory Board of Matra Manufacturing & Services S.A.S.;
- Chairman of the Supervisory Board of the "Club des Normaliens dans l'Entreprise";
- Member of the Trustee Board and Treasurer of "Fondation de l'École Normale Supérieure";
- Chairman of the "Institut d'expertise et de prospective de l'École Nationale Supérieure";
- Chairman of the "Club des Trente";
- Vice-Chairman of Infogrames Entertainment S.A. and Chairman of the Audit Committee of Infogrames Entertainment S.A.;



- Member of the Supervisory Board and Chairman of the Audit Committee of Le Monde S.A.;
- Administrator of Le Monde Interactif S.A.;
- Member of the Supervisory Board and of the Audit Committee of CANAL + France S.A.;
- Director of Lagardère North America, Inc; and
- Member of the Board of Directors of EADS Participations B.V.

Former mandates for the last five years:

- Permanent representative of Lagardère Active Broadcast in the Supervisory Board of Multithématiques (resigned February 2005);
- Permanent representative of Lagardère SCA in the Supervisory Board of Hachette Filipacchi Medias (transformed in S.A.S. on 25 October 2006);
- Chairman and Managing Director of Lagardère Télévision Holdings S.A. (resigned January 2007);
- Administrator of Legion Group S.A. (resigned May 2007);
- Director of Lagardère Management, Inc (resigned October 2007);
- Member of the Supervisory Board of Hachette Holdings S.A.S. (resigned December 2007);
- Member of the Supervisory Board of Financière Pichat S.A.S. (resigned April 2008); and
- Chairman of the Supervisory Board of Newsweb S.A. (resigned June 2008).

#### Juan Manuel Eguiagaray Ucelay

Mr Juan Manuel Eguiagaray Ucelay is Director of Studies at the Madrid-based think tank Fundación Alternativas. Formerly Spain's Minister for Public Administration (1991-1993) and Minister for Industry and Energy (1993-1996), he resigned from Parliament in 2001. Between 1970 and 1982 he taught economics at Deusto University in Bilbao. Mr Eguiagaray Ucelay holds degrees in economics and law, as well as a Ph.D, from Deusto University.

Current mandates in addition to the one listed in the chart above are set forth below:

- President of Solidaridad Internacional (NGO);
- Member of the Council Adviser of the FoundationGroup EP;

- Member of the Council Adviser of Cap Gemini Spain; and
- Member of the Board of Directors of EADS Participations B.V.

Former mandates for the last five years:

- Member of the Advisory Board of Futurspace S.A. (resigned 5 July 2004);
- Associate Professor of Macroeconomics at the University of Carlos III in Madrid (resigned 30 September 2006).
- Member of the Council Adviser of Creation, Advising and Development (Creade), S.L. (resigned 1 July 2007); and
- Economic Adviser of Arco Valoraciones S.A. (resigned 1 November 2007).

#### Arnaud Lagardère

Mr Arnaud Lagardère has been General Partner and Chief Executive Officer (CEO) of Lagardère since 2003. He has been Managing Partner of Lagardère since 1998, being appointed CEO of both Lagardère Media and Lagardère Active in 1999. Previously he was CEO of Grolier Inc. in the United States, Head of emerging activities and electronic media for Matra and Vice President of the Supervisory Board of Arjil bank. He began his career in 1986 as General Manager of MMB, the holding company of Hachette and Europe 1. Mr Lagardère graduated in economics from the University of Paris Dauphine.

Current mandates in addition to the one listed in the chart above are set forth below:

- Chairman and Chief Executive Officer of Lagardère Media (corporate name: Hachette S.A.);
- Director of Hachette Livre (S.A.);
- Chairman of the Supervisory Board of Lagardère Services (S.A.S.) (ex Hachette Distribution Services);
- Chairman of the Supervisory Board of Lagardère Active (S.A.S.);
- Chairman of the Supervisory Board of Lagardère Sports (S.A.S.);
- Permanent Representative of Lagardère Active Publicité to the Board of Directors of Lagardère Active Radio International (S.A.);
- Director of Lagardère Ressources (S.A.S.);
- Chairman of SOGEADE Gérance (S.A.S.);

- Member of the Board of Directors of EADS Participations B.V.;
  - Chairman of Fondation Jean-Luc Lagardère;
  - President of the sports association Lagardère Paris Racing Ressources (Association loi 1901);
  - President of the sports association Lagardère Paris Racing (Association loi 1901);
  - Chairman of Lagardère (S.A.S.);
  - Chairman of Lagardère Capital & Management (S.A.S.);
  - Chairman and Chief Executive Officer of Arjil Commanditée — ARCO (S.A.);
  - Member of the Supervisory Board of Daimler (AG);
  - Director of LVMH Moët Hennessy Louis Vuitton (S.A.); and
  - President of the “Association des Amis de Paris Jean-Bouin C.A.S.G.” (Association loi 1901).
- Former mandates for the last five years:
- Co-Manager of I.S.-9 (SARL) (resigned May 2003);
  - Manager of Lagardère Active Publicité (SNC) (resigned May 2003);
  - Director of the Société d’Agences et de Diffusion (S.A.) (resigned June 2003);
  - Manager of the Nouvelles Messageries de la Presse Parisienne — N.M.P.P. (SARL) (resigned July 2003);
  - Director of Canalsatellite (S.A.) (resigned December 2003);
  - Director of Lagardère-Sociétés (S.A.S.) (resigned December 2003);
  - Director of the Editions P. Amaury (S.A.) (resigned December 2003);
  - Chairman and Chief Executive Officer of Lagardère Images (S.A.S.) (resigned October 2004);
  - Chairman and Chief Executive Officer of Lagardère Thematiques (S.A.) (resigned November 2004);
  - Manager of Lagardère Elevage (resigned March 2005);
  - Vice-President of the Supervisory Board of Arjil & Compagnie (SCA) (resigned April 2005);
  - President of the association “*Club des entreprises Paris 2012*” (resigned January 2006);
  - Director of Fimalac (S.A.) (resigned January 2006);
  - Chairman and Chief Executive Officer of Lagardère Active (S.A.S.) (resigned October 2006);
  - Director of Hachette Filipacchi Medias (S.A.) (resigned October 2006);
  - Permanent Representative of Hachette S.A. to the Management Board of SEDI TV-TEVA (SNC) (resigned December 2006);
  - Chairman and Chief Executive Officer (Président Délégué) of Lagardère Active Broadcast (S.A. Monégasque) (resigned March 2007);
  - Member of the Supervisory Board of Lagardère Sports (S.A.S.) (resigned April 2007);
  - Director of Lagardère Management, Inc (resigned October 2007);
  - Chairman of the Board of Directors of Lagardère Active North America, Inc (resigned October 2007);
  - Chairman of the Supervisory Board of Hachette Holding (S.A.S.) (ex Hachette Filipacchi Medias) (resigned December 2007);
  - Director of France Télécom (S.A.) (resigned January 2007);
  - Member of the Supervisory Board of Virgin Stores (S.A.) (resigned February 2008);
  - Member of the Supervisory Board of Le Monde (S.A.) (resigned February 2008); and
  - President (Chief Executive Officer) of Lagardère Active Broadband (S.A.S.) (resigned June 2008).

**Hermann-Josef Lamberti**

Mr Hermann-Josef Lamberti is a member of the Management Board of Deutsche Bank AG since 1999 and is the bank’s Chief Operating Officer. From 1985, he held various management positions within IBM, working in Europe and the United States, in the fields of controlling, internal application development, sales, personal software, marketing and brand management. In 1997, he was appointed Chairman of the Management of IBM Germany. He started his career in 1982 with Touche Ross in Toronto, before joining the Chemical Bank in Frankfurt. Mr Lamberti studied business administration at the Universities of Cologne and Dublin, and graduated with a Master’s degree.

Current mandates in addition to the one listed in the chart above are set forth below:

- Member of the Supervisory Board of BVV Pensionsfonds des Bankgewerbes AG;
- Member of the Supervisory Board of BBV Versicherungsverein des Bankgewerbes A.G. und BVV Versorgungskasse des Bankgewerbes e.V.;
- Member of the Supervisory Board of Carl Zeiss AG;
- Member of the Supervisory Board of Deutsche Börse AG;
- Chairman of the Supervisory Board of Deutsche Bank Privat- und Geschäftskunden AG;
- Member of the Board of Management of Arbeitgeberverband des privaten Bankgewerbes e.V.;
- Member of the Board of Trustees of Baden-Badener Unternehmensgespräche — Gesellschaft zur Förderung des Unternehmensnachwuchses e.V.;
- Member of the Advisory Board of Barmenia Versicherungen Wuppertal;
- Deputy member of the Deposit Insurance Committee of Bundesverband deutscher Banken e.V.;
- Delegate of the Delegatesassembly of Bundesverband deutscher Banken e.V.;
- Member of the Financial Community Germany Committee of Bundesverband deutscher Banken e.V.;
- Member of the Board of Management of Deutsches Aktieninstitut e.V.;
- Member of the Board of Trustees of e-Finance Lab Frankfurt am Main;
- Member of the Stock Exchange Council of Eurex Deutschland;
- Member of the Stock Exchange Council of Frankfurter Wertpapierbörse AG;
- Member of the Advisory Board of Freunde der Bachwoche Ansbach e.V.;
- Member of the Board of Trustees of Institute for Law and Finance Frankfurt;
- Member of the Advisory Board of Institut für Unternehmensplanung — IUP;
- Member of the Board of Trustees of Junge Deutsche Philharmonie;
- Deputy Chairman of the Board of Trustees of the Society of Promotion of Kölner Kammerorchester e.V.;
- Member of the Programme Advisory Board of LOEWE Landes-Offensive zur Entwicklung Wissenschaftlich-ökonomischer Exzellenz des Hessischen Ministeriums für Wissenschaft und Kunst;
- Member of the Advisory Circle of Münchner Kreis;
- Deputy member of the Advisory Board and the Examination Board of Prüfungsverband deutscher Banken e.V.;
- Executive Customer of the Advisory Council of Symantec Corporation;
- Member of the Board of Trustees of The Frankfurt International School e.V.;
- Member of the managing Committee of the Institut für Wirtschaftsinformatik der HSG of the Universität St. Gallen;
- Member of the Administrative Council of Universitätsgesellschaft Bonn-Freunde, Förderer, Alumni;
- Member of the Founder Council of Wallraf-Richartz-Museum;
- Member of the Board of Trustees of Wallraf-Richartz-Museum und Museum Ludwig e.V.;
- Member of the Advisory Board in the centre for market-orientated corporate management of WHU;
- Member of the Steering Committee and of the Federal Committee of Wirtschaftsrat der CDU e.V.;
- Member of the Commission of Börsensachverständigenkommission (Bundesfinanzministerium);
- Member of the Board of Management of Frankfurt Main Finance e.V.;
- Member of the Senate of Fraunhofer Gesellschaft;
- Member of the Advisory Board of Franhofer-IUK-Verbund;
- Member of the University Council of the University of Cologne; and
- Member of the Board of Directors of Stichting Administratiekantoor EADS (the “**Foundation**”).

Former mandates for the last five years:

- Member of the Supervisory Board of SupplyOn AG (resigned 1 January 2003);
- Chairman of the Board of Directors of Deutsche Bank S.A./N.V. (resigned 21 April 2004);
- Chairman of the Supervisory Board of European transaction bank AG (resigned 9 June 2004);
- Chairman of the Board of Directors Deutsche Bank S.A.E. (resigned 16 June 2004);
- Chairman of the Supervisory Board of Deutsche Bank Payments Projektgesellschaft AG (resigned 1 July 2004);
- Chairman of the Advisory Council of Deutsche Clubholding GmbH (resigned 1 May 2005);
- Chairman of the Supervisory Board of E-Millennium 1 GmbH & Co. KG (resigned 1 May 2005);
- Member of the Privat and Business Clients Committee of Bundesverband Deutscher Banken e.V. (resigned 1 July 2005);
- Non-Executive Director of the Board of Directors of Euroclear S.A./N.V. (resigned 19 September 2005);
- Non-Executive Director of the Board of Directors of Euroclear plc (resigned 19 September 2005);
- Member of the Supervisory Board of Schering AG (resigned 20 March 2006);
- Member of the Board of Directors of Fiat S.p.A. (resigned 24 July 2007);
- Member of the Verband der Sparda-Banken e.V. (resigned 30 September 2007);
- Member of the Foundation Board of Otto A. Wipprecht-Stiftung (resigned 31 May 2008); and
- Member of the Advisory Board of Universität Augsburg (resigned 30 September 2008).

#### Lakshmi N. Mittal

Lakshmi N. Mittal is the Chairman and CEO of ArcelorMittal. He founded Mittal Steel Company in 1976 and was the architect of its 2006 merger with Arcelor to found the world's largest steel maker. He is widely recognised for the leading role he played in restructuring the global steel industry, and has over 30 years' experience working in steel and related industries. Mr Mittal was awarded Fortune magazine's "European Businessman of the year 2004", "Business Person of 2006" by

Sunday Times, "International Newsmaker of the year 2006" by Time Magazine, "Person of the year 2006" by Financial Times, "2007 Dwight D. Eisenhower Global Leadership Award", "Grand Cross of Civil Merit from Spain", "Padma Vibushan" by the President of India and "Fellowship from King's College".

Current mandates in addition to the one listed in the chart above are set forth below:

- Member of the Board of Directors of ArcelorMittal S.A.;
- Member of the Board of Directors of ICICI Bank Limited;
- Member of the Foreign Investment Council in Kazakhstan;
- Member of the International Investment Council in South Africa;
- Member of the Presidential International Advisory Board of Mozambique;
- Member of the World Economic Forum's International Business Council;
- Chairman and Executive Committee member of World Steel Association (earlier named International Iron and Steel Institute);
- Member of the Advisory Board of the Kellogg School of Management;
- Member of the Investors' Council at Cabinet of Ministers of Ukraine;
- Member of the Board of Commonwealth Business Council Limited;
- Member of the Board of ArcelorMittal USA Inc.;
- Member of the Board of ONGC Mittal Energy Ltd.;
- Member of the Board of ONGC Mittal Energy Services Ltd.;
- Trustee of Gita Mittal Foundation;
- Trustee of Gita Mohan Mittal Trust;
- Member of Executive Board of Indian School of Business;
- Trustee of Lakshmi and Usha Mittal Foundation;
- Chairman of Governing Council of LNM Institute of Information Technology;
- Trustee of Mittal Champion Trust;

- Golden Patron of Prince's Trust;
- Member of the Board of the Managing Trustee of Lakshmi Niwas and Usha Mittal Foundation; and
- President of Ispat Inland U.L.C.

Former mandates for the last five years:

- Member of the International Advisory Board of Citigroup (resigned June 2008)

#### Sir John Parker

Sir John Parker is Chairman of National Grid and the Non-Executive Directors Committee of the Bank of England. He is joint Chairman of Mondri, Deputy Chairman of DP World (Dubai), Non-Executive Director of the Carnival Cruise Line Group, a member of the International Advisory Board of Citigroup and Chancellor of the University of Southampton. His career has spanned the engineering, shipbuilding and defence industries, including some 25 years' experience as a Chief Executive Officer with Harland & Wolff and the Babcock International Group. He studied Naval Architecture and Mechanical Engineering at the College of Technology, Queens University, Belfast.

Current mandates in addition to the one listed in the chart above are set forth below:

- Senior non-executive director of Bank of England;
- Director of Carnival plc;
- Director of Carnival Corporation;
- Deputy Chairman of D.P. World (Dubai);
- Member of the International Advisory Board of Citigroup;
- Governor of Royal National Lifeboat Institution;
- Chancellor of the University of Southampton;
- Director of White Ensign Association Limited;
- Non-Executive Co-Chairman of Mondri Group;
- Member of the Prime Ministers Business Council for Britain; and
- Member of the Board of Directors of Stichting Administratiekantoor EADS (the "Foundation").

Former mandates for the last five years:

None.

#### Michel Pébereau

Mr Michel Pébereau has been BNP Paribas' Chairman of the Board since 2003. He presided over the merger that created BNP Paribas in 2000, becoming Chairman and Chief Executive Officer (CEO). In 1993, he was appointed Chairman and CEO of the Banque Nationale de Paris and privatised it. Previously, he was Chairman and CEO of the Crédit Commercial de France. He started his career in 1967 at the Inspection Générale des Finances. In 1970 he joined the French Treasury where he held various high ranking posts. Mr Pébereau is an alumnus of the École Nationale d'Administration and of the École Polytechnique.

Current mandates in addition to the one listed in the chart above are set forth below:

- Member of the Board of Directors of Lafarge;
- Member of the Board of Directors of Saint-Gobain;
- Member of the Board of Directors of Total;
- Member of the Board of Directors of Pargesa Holding S.A., Switzerland;
- Member of the Board of Directors of BNP Paribas (Suisse) S.A.;
- Member of the Supervisory Board of Axa;
- Member of the Supervisory Board of Banque Marocaine pour le Commerce et l'Industrie, Morocco;
- Censor of Galeries Lafayette S.A.;
- Chairman of the European Banking Federation;
- Chairman of the Investment Banking and Financial Markets Committee of Fédération Bancaire Française;
- Chairman of the Management Board of Institut d'Etudes Politiques de Paris;
- Chairman of the Supervisory Board of Institut Aspen France;
- Chairman of the Institut de l'Entreprise;
- Member of the Executive Committee of Mouvement des Entreprises en France;
- Member of the Haut Conseil de l'Education;
- Member of the Institut International d'Etudes Bancaires;
- Member of the International Advisory Panel of Monetary Authority of Singapore;

- Member of the International Capital Markets Advisory Committee of Federal Bank of New York;
- Member of the International Business Leaders' Advisory Council for the Mayor of Shanghai (IBLAC);
- Member of the European Financial Round Table; and
- Member of the "Academie des sciences morales et politiques".

Former mandates for the last five years:

- Member of the Supervisory Board of Dresdner Bank AG (resigned 2002); and
- Member of the Board of Directors of EADS Participations B.V. (resigned 22 October 2007).

#### Independent Directors

The four independent directors appointed pursuant to the criteria of independence set out above are Hermann-Josef Lamberti, Lakshmi N. Mittal, Sir John Parker and Michel Pébereau.

#### Prior Offences and Family Ties

To the Company's knowledge, none of the Directors (in either their individual capacity or as director or senior manager of any of the entities listed above) has been convicted in relation to fraudulent offences, been the subject of any bankruptcy, receivership or liquidation, nor been the subject of any official public incrimination and/or sanction by a statutory or regulatory authority, nor been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of any issuer or conduct of affairs of any company, during at least the last five years. As of the date of this document, there are no family ties among any of the Directors.

### 4.1.1.2 OPERATION OF THE BOARD OF DIRECTORS IN 2008

#### Board of Directors meetings

The Board of Directors met nine times during 2008 and was regularly informed of developments through business reports from the Chief Executive Officer, including rolling forecasts as well as strategic and operational plans. The average attendance rate at such meetings was 80%.

Topics intensively discussed, and operations authorised at the Board of Directors meetings included: EADS' strategy (including M&A matters and the competitive environment), major business issues such as the A380 and A400M recovery efforts, the implementation of the future EADS programme and of the Power8 Plus programme for Airbus, the A350 programme progress and Airbus future product strategy, the regular updates on the remaining programmes, the approval of operational plans, reorganisation topics, budgets, the Group's financial results and

forecasts, as well as the creation of a new Compliance Organisation. The Board of Directors also dealt with topics regarding personnel and human resources, such as management qualification, remuneration (including a long-term incentive plan and an employee share ownership plan) as well as attracting, retaining and developing individuals with high potential in order to ensure the future quality of EADS' management and the multinational leadership structure. In addition, the Board of Directors took note of the decision to integrate the Military Transport Aircraft Division into Airbus under the name of "Airbus Military", and to establish a co-ordination (without merger) of Astrium and the Defence and Security Division to capture technical and commercial synergies between these divisions. In addition, the Board of Directors intensively discussed the impact of the financial and economic crisis on EADS.

#### Assessment of the Performance of the Board of Directors

The Board of Directors carries out a self-assessment of its performance on an annual basis and a more thorough assessment every three years conducted by independent consultants. Due to the reconfiguration of the Board in October 2007, the self-assessment for that year did not take place, as its findings would have been irrelevant due to the short period of operation of the newly constituted Board.

The 2008 self-assessment was conducted by the Corporate Secretary, based upon one-to-one discussions between each Director and the Corporate Secretary. A discussion of the results was planned for a subsequent Board of Directors meeting. The evaluation explored the role of the Board of Directors, the correlation of its operations with its mission, and the instruments and processes that affect its performance.

The assessment concluded that the Board is generally satisfied with its ability to work as a team and to tackle relevant matters openly in the best interest of the Company. In other words, there is room for enhancements, but no need for drastic adjustments, after 16 months of operation.

The Directors consider the frequency and the length of the Board meetings adequate and feel that issues are covered thoroughly. Supporting documentation is of good quality and informative, but deemed excessively detailed, with a need for refocusing to better support Board decision making. However, the comprehensiveness arises from the complexity of the business, and the proportion of information delivery relative to discussion reflects this fact.

With regards to the Board's teamwork, attendance is adequate and the unanimous opinion is that conflicting views are expressed, discussions are open and dissent can be voiced constructively. Overall, the Board considers it assembles a very international, diverse and relevant set of skills, with a strong emphasis on finance competencies which are valuable to navigate the global financial crisis.

In addition, the Directors feel that the Board-work allows them to fulfil their duty, and attention to compliance permeates the work of the Board. But they sense that the Board is too involved in operational matters — brought about by pressing programme difficulties — and absorbed by short term issues at the expense of the longer term view. Therefore the majority of Board members requires more time devoted to long lead questions, such as strategy and succession planning, by the whole Board.

Committees are very thorough and professional, and the articulation of the Audit Committee and of the Remuneration and Nomination Committee with the rest of the Board is satisfactory; however, Committee work should increasingly be held on dates separate from the Board meeting.

Finally, the Chairmanships of the Board and the Committees are recognised as very competent and dedicated.

Since the last assessment in 2006, the diversity of the skill set and experience in the Board room, and the focus on the agenda are the most tangible improvements. Meeting attendance for the Audit and the Remuneration and Nomination Committees has improved.

Continuous improvement and effectiveness of governance and management of the Group will remain a prime focus and key success factor of EADS.

### 4.1.2 Audit Committee

Pursuant to the Rules, the Audit Committee makes recommendations to the Board of Directors on the appointment of auditors and the determination of their remuneration, as well as the approval of the annual financial statements and the interim accounts, discusses with the auditors their audit programme and the results of their audit of the accounts and monitors the adequacy of the Group's internal controls, accounting policies and financial reporting. The Audit Committee has responsibility for ensuring that the internal and external audit activities are correctly directed and that the audit matters are given due importance at meetings of the Board of Directors. The rules and responsibilities of the Audit Committee have been set out in more detail in the Audit Committee Charter.

The Audit Committee reviews the quarterly, half and full year accounts on the basis of the documents distributed in advance and its discussions with the auditors. The Head of Accounting

and the Chief Financial Officer are requested to attend meetings of the Audit Committee to answer any questions.

During 2008, the Audit Committee was chaired by Hermann-Josef Lamberti, and also included Dominique D'Hinnin, Sir John Parker and Bodo Uebber as members. Following Mr Uebber's appointment as Chairman of EADS on 14 April 2009, the Audit Committee is currently chaired by Hermann-Josef Lamberti, and also includes Rolf Bartke, Dominique D'Hinnin and Sir John Parker as members. The Chairman and the Chief Executive Officer are invited to participate in each meeting of the Committee.

The Audit Committee meets four times a year, or more frequently according to need. It met five times during 2008, with a 75% average attendance rate, to review the 2007 results as well as the first half-year results for 2008 of the Company, the quarterly financial reviews, and topics such as enterprise risk management (ERM) and compliance.

### 4.1.3 Remuneration and Nomination Committee

Pursuant to the Rules, the Remuneration and Nomination Committee makes recommendations to the Board of Directors regarding the appointment of the EADS Corporate Secretary, the members of the Airbus Shareholder Committee, and the chairmen of the Supervisory Board (or similar organ) of other important Group member companies and business units. The Remuneration and Nomination Committee also makes recommendations to the Board of Directors regarding remuneration strategies and long-term remuneration plans and

decides on the service contracts and other contractual matters in relation to the Board of Directors and Executive Committee members. Once approved by the Chairman, it also reviews the proposals by the Chief Executive Officer for the appointment of members of the Executive Committee and of the Airbus Chief Executive Officer. The rules and responsibilities of the Remuneration and Nomination Committee have been set out in more detail in the Remuneration and Nomination Charter.

The guiding principles governing management appointments in the Group should be that the best candidate is appointed to the position (“best man for the job”), while maintaining at the same time a broad balance in terms of nationalities which should not be detrimental to the quality and cohesiveness of the management team. The implementation of these principles should not create restrictions on the diversity of nationalities within the EADS executive management team.

During 2008, the Remuneration and Nomination Committee was chaired by Sir John Parker, and also included Rolf Bartke, Dominique D’Hinnin and Hermann-Josef Lamberti as members. Following Bodo Uebber’s appointment as Chairman of EADS on 14 April 2009, the Board of Directors has decided to propose Mr Wilfried Porth to succeed Mr Rolf Bartke on the

Remuneration and Nomination Committee with effect from the Annual General Meeting of shareholders to be held on 27 May 2009. The Chairman and the Chief Executive Officer are invited to participate in each meeting of the Committee.

The Remuneration and Nomination Committee meets twice a year, or more frequently according to need. It met four times during 2008, with a 94% average attendance rate. In addition to making recommendations to the Board of Directors for major appointments within the Group, the Remuneration and Nomination Committee reviewed the compensation policy (including pension schemes), the bonus payments for 2007, the long-term incentive plan and the employee share ownership plan for 2008/2009, as well as the salary review of the Executive Committee members for 2008.

#### 4.1.4 Strategic Committee

The Strategic Committee was created in October 2007. It is not a decision making body but a resource available to the Board of Directors for the preparation of decisions on strategic matters. Pursuant to the Rules, the Strategic Committee makes recommendations to the Board of Directors regarding strategic developments, corporate strategies, major merger and acquisition projects, major investments, projects or product decisions or divestments, as well as major research and development projects.

During 2008, the Strategic Committee was chaired by Rüdiger Grube, and also included Louis Gallois, Arnaud Lagardère, Michel Pébereau and Bodo Uebber as members. Following Mr Uebber’s appointment as Chairman of EADS on 14 April 2009, the Strategic Committee is currently chaired by

Bodo Uebber, and also includes Louis Gallois, Arnaud Lagardère and Michel Pébereau as members. In addition, the Board of Directors has decided to propose Mr Wilfried Porth as an additional member with effect from the Annual General Meeting of shareholders to be held on 27 May 2009.

The Strategic Committee meets twice a year, or more frequently according to need. It met four times during 2008. In addition to approving the Strategic Committee Charter, the Strategic Committee monitored the implementation of the EADS Vision 2020, screened the share price developments, made recommendations to the Board on merger and acquisition projects and reviewed the Power8+ programme and the European consolidation process.

#### 4.1.5 Executive Committee

The Chief Executive Officer, supported by an Executive Committee (the “**Executive Committee**”), is responsible for managing the day-to-day operations of the Company. The Executive Committee, chaired by the Chief Executive Officer, also comprises the Heads of the major Functions and divisions of the Group. The Executive Committee met ten times during 2008.

The following matters are discussed, amongst others, at the Executive Committee meetings:

- appointment approvals of their management teams by the heads of the Group divisions (with the exception of the Airbus Chief Operating Officer);
- investment approvals up to €350,000,000;
- setting up and control of the implementation of the strategy for EADS businesses;
- management, organisational and legal structure of the Group;
- performance level of the Group’s businesses and support functions; and
- all business issues, including the operational plan of the Group and its divisions and Business Units.



The internal organisation of the Executive Committee is defined by the business allocation among the members under the supervision of the Chief Executive Officer. Notwithstanding the joint responsibilities as defined above, each member of the Executive Committee is individually responsible for the management of his portfolio and must abide by decisions taken by the Chief Executive Officer and the Executive Committee, as the case may be.

The Chief Executive Officer endeavours to reach consensus among the members of the Executive Committee on the matters discussed at the Executive Committee meetings. In the event a consensus is not reached, the Chief Executive Officer is entitled to decide the matter. If there is a fundamental or significant disagreement with respect to any undecided matter, the dissenting Executive

Committee member may request that the Chief Executive Officer submit such matter to the Chairman for his opinion.

The term of office for the Executive Committee members is five years.

The Executive Committee members are appointed by the Board of Directors on the proposal of the Chief Executive Officer first approved by the Chairman after review by the Remuneration and Nomination Committee. The appointment of the Executive Committee should be approved as a whole team, not on an individual basis, with the exception of the Chief Executive Officer of Airbus, who shall be appointed by the Board of Directors individually.

## COMPOSITION OF THE EXECUTIVE COMMITTEE

Name	Age	Term started	Term expires	Principal Occupation
Louis Gallois	65	2007	2012	Chief Executive Officer EADS
François Auque	52	2005	2010	Head of Astrium and Coordination Space & Defence
Lutz Bertling	46	2006	2011	Head of Eurocopter
Jean J. Botti	52	2006	2011	Chief Technical Officer
Fabrice Brégier	47	2005	2010	EADS Operational Performance
Ralph D Crosby Jr.	61	2007	2012	Head of EADS North America
Thomas Enders	50	2007	2012	Head of Airbus
Jussi Itävuori	53	2008	2013	Head of Human Resources
Marwan Lahoud	43	2007	2012	Chief Marketing and Strategy Officer
Hans Peter Ring	58	2007	2012	Chief Financial Officer EADS
Domingo Urena-Raso	50	2009	2014	Head of Airbus Military
Stefan Zoller	51	2005	2010	Head of Defence & Security

Note: The professional address of all members of the Executive Committee for any matter relating to EADS is Mendelweg 30, 2333 CS Leiden, The Netherlands.

### Louis Gallois, Chief Executive Officer EADS

See “— 4.1.1 Board of Directors, Chairman and Chief Executive Officer — Curriculum Vitae and other Mandates and Duties Performed in any Company by the members of the Board of Directors”.

### François Auque, Head of Astrium and Coordination Space & Defence

Mr Auque was appointed in 2000. He was previously Chief Financial Officer (CFO) of Aerospatiale and Managing Director for satellites. He spent his earlier career with the Suez Group and the French Cour des Comptes. Mr Auque graduated from École des Hautes Études Commerciales, Institut d'Études Politiques and is an alumnus of École Nationale d'Administration.

### Lutz Bertling, Head of Eurocopter

Mr Bertling was appointed in 2006, following a year as CEO of Eurocopter Deutschland. He joined Eurocopter in 2003 as Head of Governmental Programmes, coming from the Defence & Security division. Previously, he held various positions at

DaimlerChrysler Rail Systems and Braunschweig University. He earned a PhD in Engineering at the Braunschweig University.

### Jean J. Botti, Chief Technical Officer

Mr Botti was appointed in 2006. He joined from General Motors, where he was Chief Technologist and then Business Line Executive of the Delphi Powertrain business. He started his career in 1978 as product engineer for Renault. Mr Botti holds a degree from INSA Toulouse, an MBA from Central Michigan University and a PhD from the Conservatoire des Arts et Métiers and is an SAE fellow.

### Fabrice Brégier, EADS Operational Performance

Mr Brégier was appointed Airbus COO in 2006, with additional responsibility for EADS operational performance. He became President and Chief Executive Officer (CEO) of Eurocopter in 2003. Previously, he was CEO of MBDA. He joined Matra Défense in 1993 as Chairman of the Apache MAW and Eurodrone GIEs. He is alumnus of École Polytechnique and École des Mines.

### Ralph D. Crosby Jr., Head of EADS North America

Mr Crosby has been Chairman and Head of EADS North America since 2002. He serves on the supervisory boards of American Electric Power and the Ducommun Corporation. Mr Crosby holds degrees from the US Military Academy, the Graduate Institute of International Studies in Geneva and Harvard University.

### Thomas Enders, Head of Airbus

Mr Enders was appointed in August 2007. Previously, since 2005, he was co-CEO of EADS. From 2000 to 2005 he was Head of the Defence and Security Systems Division at EADS. Prior to that he had been Director Corporate Development and Technology at DASA. He joined DASA in 1991. Mr Enders holds a Doctorate degree from the University of Bonn.

### Jussi Itävuori, Head of Human Resources

Mr Itävuori joined EADS in 2001 and became a member of the Executive Committee in 2003. Previously, he had worked for KONE Corporation from 1982, being appointed Head of Human Resources and member of the Executive Committee of KONE Corporation in 1995. Mr Itävuori graduated from the Vaasa School of Economics, Finland, and served as an air force pilot.

### Marwan Lahoud, Chief Marketing and Strategy Officer

Mr Lahoud was appointed in June 2007. Previously, he was CEO of MBDA. He worked for Aerospatiale on its merger with Matra

and on the foundation of EADS. Within EADS, he served as Senior Vice President Mergers & Acquisitions. Mr Lahoud is an alumnus of École Polytechnique and graduated from the École Nationale Supérieure de l'Aéronautique et de l'Espace.

### Hans Peter Ring, Chief Operating Officer Finance EADS

Mr Ring was appointed EADS CFO in 2002, Chief Operating Officer in 2005 and Airbus CFO in dual role in 2007. In 1996, he was made Senior Vice President of Controlling at DASA and, subsequently, EADS. From 1992, he was CFO and Board member of Dornier Luftfahrt. He holds a degree in Business Administration from the University of Erlangen-Nuremberg.

### Domingo Urena-Raso, Head of Airbus Military

Mr Urena-Raso was appointed in February 2009. He was previously in charge of the Power8 and "Future EADS" programmes. Since 1989, he has held various positions, amongst others at CASA, EADS PZL, Defence & Security Division and Airbus. Mr Urena-Raso holds degrees from the Polytechnic University of Madrid, from ESSEC in Paris and has an MBA.

### Stefan Zoller, Head of Defence & Security

Mr Zoller was appointed in 2005, having held top management positions within the Division since 2000. Previously, he held various management positions within DASA, DaimlerChrysler, Dornier and Senstar/Canada. Mr Zoller graduated from the University Tübingen and holds a PhD.

## 4.1.6 Enterprise Risk Management System

### 4.1.6.1 OVERVIEW

One of Management's fundamental goals is to foster an effective Internal Control ("IC") and Risk Management ("RM") environment at EADS. In 2008, EADS began implementation of a new group-wide Enterprise Risk Management ("ERM") system that further develops and builds upon the achievements of the previous IC and RM system. The new ERM system seeks to provide Management with an enhanced tool for effectively dealing with the uncertainty and associated risks inherent in EADS' business and to track opportunities. At the same time, the ERM system seeks to ensure compliance with corporate governance requirements and best practices in the Netherlands, France, Germany and Spain with respect to IC and RM. EADS' ERM system is based on the Internal Control and Enterprise Risk Management Frameworks of the Committee of Sponsoring Organisations of the Tread way Commission (COSO II).

The ERM system serves as the basis for all sub-ERM, sub-IC and sub-RM procedures present throughout EADS at the

various organisational levels such as the divisions, business units and headquarters departments. It encompasses a hierarchical bottom-up and top-down reporting procedure to help ensure greater transparency of the risks and opportunities faced by the Group. The internal controls process consists of regularly up-dated documentation and assessment of the effectiveness of the individual controls for all applicable processes.

See "Risk Factors" for information on certain principal risks to which the Group is exposed.

### Limitations

No matter how well designed, all ERM systems have inherent limitations, such as vulnerability to circumvention or management overrides of the controls in place. Consequently, no assurance can be given that EADS' ERM system and procedures are or will be, despite all care and effort, entirely effective.

### Developments in 2008 and Outlook

During 2008, EADS sought primarily to apply the newly developed ERM approach to IC and RM, seeking to combine the two subjects into a more effective management tool. Building on the comprehensive ERM review and evaluation procedures carried out in 2008, EADS will assess the results over the course of 2009. Moreover, reviews of the ERM systems were performed by internal audit to substantiate the self-assessment during 2008. As a result of the ongoing monitoring activities of the ERM system's effectiveness, further modifications to the ERM system and integration efforts are expected throughout 2009.

As the new ERM system (and relevant aspects referred to in the Dutch Code) is currently being implemented throughout the Group, the Board of Directors has not yet made a declaration on the adequacy and effectiveness of the Group's IC and RM systems (whereas provision II.1.4 of the Dutch Code recommends that such a declaration be made).

Further, under the Revised Code which will become applicable in respect of financial years starting on or after 1 January 2009, the recommendation that a declaration be made on the adequacy and effectiveness of the IC and RM system will be replaced by a statement that the IC and RM system provides reasonable assurance that the financial reporting does not contain any errors of material importance and that the risk management and control systems worked properly in the year under review. Based on the progress of the implementation of EADS' ERM system during the financial year 2009, the Board of Directors will assess whether such a statement can be made or explain why such statement cannot be made in the board report for the 2009 financial year.

#### 4.1.6.2 EADS ERM POLICY

The core policy, objectives and procedures that define EADS' ERM system are communicated throughout the Group in a manual referred to as the "EADS ERM Policy", which sets forth:

- the ERM policy and objectives;
- the ERM procedures adopted by EADS including a standardised ERM monitoring system:
  - to ensure a uniform understanding of a comprehensive enterprise-wide risk and opportunity management and IC system;
  - to comprehensively cover risk and opportunity management in programmes/projects, functions and processes, with both internal and external sources;
  - to satisfy compliance requirements for an effective IC and RM system.

The EADS ERM Policy constitutes the framework for all existing IC and RM guidance and practice throughout EADS. The EADS ERM Policy is applicable throughout EADS to all divisions, business units and headquarters' departments. Joint ventures may also operate separate ERM systems, though the fundamental principles of the EADS ERM Policy generally apply.

The "EADS ERM Policy" is supplemented by:

- codes of conduct (e.g., EADS Code of Ethics, Corporate Social Responsibility policies (see "Corporate Responsibility & Sustainability"));
- handbooks (e.g., "EADS Corporate Management Principles and Responsibilities", the "Financial Control Handbook");
- manuals (e.g., Treasury Procedures, "Accounting Manual", "Reporting Manual"); and
- guidelines (e.g., "Funding Policy").

External standards influencing the EADS ERM System include the IC and ERM frameworks of COSO, as well as industry-specific standards as defined by the International Standards Organisation (ISO).

For further information relating to financial market risks and the ways in which EADS attempts to manage these risks, see "Notes to Consolidated Financial Statements (IFRS) — Note 35A: Information about Financial Instruments — Financial risk management".

### Responsibility for the ERM System

Responsibility for the ERM system is as follows:

- the Board of Directors assumes overall responsibility for the ERM system and defines the level of risk that EADS wishes to accept on a corporate level;
- the divisions, business units and headquarters' departments assume responsibility for the operation and monitoring of the ERM system. They seek to ensure transparency and effectiveness of the ERM system and adherence to its objectives. They take responsibility for the implementation of appropriate response activities to reduce probability and impact of risk exposures, and conversely for the implementation of appropriate response activities to increase probability and impact of opportunity exposures. They are responsible for the communication of risks and opportunities which affect others within EADS;
- corporate objectives are defined with an accountable owner for each. These objectives are cascaded throughout the whole organisation. Each level within the business adopts business objectives that link into and support EADS' corporate objectives;

- EADS uses its employees' knowledge of the business to identify and assess key risks that might prevent EADS from achieving its objectives and to identify and assess new opportunities. EADS strives to do this on a regular basis through normal business processes to ensure it focuses on identifying and managing risks that might undermine its performance.

### Objectives of ERM

The ERM system is designed to provide reasonable assurance to the Board of Directors, the Chief Executive Officer and the Chief Financial Officer regarding the achievement of the following objectives:

- the delivery of products on time and in accordance with cost and quality objectives;
- the reliability of financial reporting and the achievement of financial targets;
- the adequate identification, assessment, response, control action and monitoring of risks and opportunities on a timely basis throughout the Group, consistent with EADS objectives;
- the compliance with applicable external laws and regulations and with internal policies and guidelines;
- the effectiveness and efficiency of operations;
- the transparency and quality of risk, opportunity and monitoring and reporting (e.g. internal management reporting, financial statements, etc.).

#### 4.1.6.3 ERM PROCEDURES

To enhance its effectiveness and operational reliability as well as to satisfy compliance requirements, certain mandatory procedures exist:

- **Risk and Opportunity Management procedures** to enhance operational risk and opportunity management throughout EADS by using ERM methodology;
- **Financial risk measurement procedures** for consistent risk and opportunity quantification;
- **ERM reporting procedures** for the status reporting of the ERM system and the risk and opportunity situation;
- **ERM compliance and monitoring procedures** to substantiate to the Chief Executive Officer and Chief Financial Officer assessment of the effectiveness of the EADS ERM system;
- **ERM support procedures** covering important topics like ERM trainings, knowledge transfer, change management and the role of corporate audit.

ERM at EADS seeks to cover all types of risk such as operational, functional (e.g. strategic, compliance, reputational risks) and process risks, both quantifiable and unquantifiable, potentially affecting EADS short-, middle- and long-term as well as opportunities.

### Risk and Opportunity Management procedures

The recurring Risk and Opportunity Management procedures comprise several components:

- setting of objectives and definition of risk tolerances;
- identification and assessment of risks and opportunities;
- determination of risk and opportunity responses and control activities (i.e. policies, procedures and other activities);
- monitoring and reporting of risks and opportunities.

The detailed processes and associated procedures will vary according to the size and nature of the programme/project or function, but the principles apply in any case. Local tailoring may be performed according to the internal business constraints and/or customer specific requirements.

### ERM compliance and monitoring procedures

EADS has established formal ERM self-assessment mechanisms, to be applied by each identified process/control owner on a regular basis, who must assess his operational and functional risks as well as the operating and design effectiveness of the internal controls in place for his process. The progress is monitored by the respective division, business unit and headquarters department and reported to EADS headquarters. To verify the successful implementation of the remediation actions, the remedied controls are periodically re-assessed. The relevant risks are subject to a management discussion process at the Group level. Each year, corporate audit provides an independent review of the status of the ERM systems in selected divisions, business units and headquarters departments.

Based on the ERM self-assessments, management of each division, business unit and headquarters department prepares a formal representation letter as to the adequacy and effectiveness of the ERM systems within their scope of responsibility. Joint ventures, such as MBDA, operate separate IC and RM systems. Alignment with the EADS ERM system is facilitated, *inter alia*, through EADS' presence on such affiliates' supervisory and management bodies (e.g., Board of Directors, Audit Committees).

In addition to regular monitoring activities at the divisional, business unit and headquarters levels, assessments about the adequacy and effectiveness of the ERM system are discussed between the Chief Executive Officer and Chief Financial Officer and the respective division, business unit or headquarters department heads. These discussions serve to

prioritise potential issues at the EADS level, define and implement appropriate actions, if needed, and derive conclusions for the overall EADS ERM report.

### ERM reporting procedures

Every year, identified significant deficiencies and material weaknesses are reported in sub-representation letters. The sign-off process requires the Chief Executive Officer and Chief Financial Officer confirm to the Board of Directors, to the best of their knowledge, whether:

- the IC system is adequate to provide reasonable assurance regarding the reliability of financial reporting as well as compliance with applicable laws and regulations;
- the control objectives are being achieved by controls that are documented, adequately designed for their business and are operating effectively, in all material respects;
- the owner of each control activity is clearly identified; and
- the RM system is designed and operated to identify, assess, respond to, design controls and monitor/report on risks on a timely basis.

The Chief Executive Officer and Chief Financial Officer's ERM statement is mainly based on the self-assessments, reviews (including internal audits) and management discussions described above, and is substantiated by sub-representation letters provided to the Chief Executive Officer and Chief Financial Officer by all divisional and business unit management.

#### 4.1.6.4 BUSINESS PROCESSES COVERED BY THE ERM SYSTEM

Based on EADS' activities, 18 high-level business processes have been identified within EADS. They are categorised into core processes (research and development, production, sales, after sales and programme management), support processes (procurement, human resources, accounting, fixed assets, treasury, information technology, mergers & acquisitions, legal and insurance) and management processes (strategy, internal audit, controlling and management controls). Set out below is a description of certain of these business processes in place during 2008, and the correlating ERM procedures, covering risks that have a significant potential of affecting the Group's financial condition and results of operations.

### Accounting

At the core of EADS' ERM system are accounting processes and controls designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements and other financial information used by management

and disclosed to EADS' investors and other stakeholders. This integrated approach to planning and reporting aims to improve internal communication and transparency across departments and organisational units within EADS.

The EADS financial control model defines the planning and reporting procedures that apply to all operational units of the Group, as well as the responsibilities of the Chief Financial Officer, who is charged with developing, implementing and monitoring these procedures. Among the Chief Financial Officer's primary tasks is oversight of the preparation of the consolidated financial statements for EADS, which are prepared under the direct supervision of the Chief Accounting Officer ("CAO"). The CAO is responsible for the operation of the Group's consolidation systems and rules and for the definition of Group-wide accounting policies which comply with IFRS, reporting rules and financial guidelines that ensure the consistency and quality of financial information reported by the divisions and business units. EADS' accounting policies are set out in a written accounting manual, which is agreed with the Company's external auditors. Changes to the EADS accounting manual require approval by the CAO, and, where significant changes are involved, the Chief Financial Officer or the Board of Directors (based upon the advice of the Audit Committee).

Control of the financial planning and reporting processes is achieved not only through the elaboration of Group-wide accounting systems and policies, but also through an organised process for providing information from the reporting units on a timely basis as an up-to-date decision-oriented management information to control the operational performance of the Group. This information includes regular cash and treasury reports, as well as other financial information used for future strategic and operative planning and control and supervision of economic risks arising from the Group's operations.

During the course of each reporting cycle, the business unit chief financial officers are in regular contact with the division chief financial officers, and frequently meet with the CAO and his responsible staff to discuss the financial information generated by the divisions and business units.

Prior to being disclosed to the public and subsequently submitted for approval to the shareholders, the consolidated year-end financial statements are audited by EADS' external auditors, reviewed by the Audit Committee and submitted for approval by the Board of Directors. A similar procedure is used for the semi-annual and quarterly closing. Group auditors are involved before EADS financial statements are submitted to the Board of Directors.

### Treasury

Treasury management procedures, defined by EADS' central treasury department at Group headquarters, enhance management's ability to identify and assess risks relating to

liquidity, foreign exchange rates and interest rates. Controlled subsidiaries fall within the scope of the centralised treasury management procedures, with similar monitoring procedures existing for jointly controlled affiliates, such as MBDA.

### Cash Management

Management of liquidity to support operations is one of the primary missions of the EADS Central Treasury department. Monthly cash planning and reporting by the Central Treasury department, in conjunction with the Planning/Reporting department, provides management with the information required to oversee the Group's cash profile and to initiate necessary corrective action in order to ensure overall liquidity. To maintain targeted liquidity levels, and to safeguard cash, EADS has implemented a cash pooling system with daily cash sweeps from the controlled subsidiaries to centrally managed accounts. Payment fraud prevention procedures have been standardised throughout the Group.

### Hedge Management

Commercial operations generate material foreign exchange and interest rate exposures. A Group hedging policy is defined and updated regularly by the Board of Directors. In order to ensure that all hedging activity is undertaken in line with the Group hedging policy, the Central Treasury department executes all hedging transactions. The Central Treasury department conducts ongoing risk analysis and proposes appropriate measures to the divisions and business units with respect to foreign exchange and interest rate risk. Subsidiaries are required to calculate, update and monitor their foreign exchange and interest rate exposure with the EADS Central Treasury department on a monthly basis, in accordance with defined treasury procedures. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — 2.1.8 Hedging Activities".

### Sales Financing

In connection with certain commercial contracts, EADS may agree to enter into sales financing arrangements. In respect of sales financing at Airbus, an annual sales financing budget is defined as part of the EADS operative planning process. Sales financing transactions are approved on a case-by-case basis with the involvement of top management, in line with certain risk assessment guidelines and managed by a group wide integrated organisation.

### Procedures for Monitoring Off-Balance Sheet Liabilities

Within EADS, off-balance sheet liabilities mainly arise in connection with lease arrangements, extensions of guarantees and pending or threatened litigation. Divisions and business units are required to record, or to provide information on, all financial guarantees in a tracking system. Guarantees for amounts in excess of a certain threshold must be approved by

the Chief Executive Officer, the Chief Financial Officer or the Board of Directors, as the case may be.

Management has instituted procedures to monitor the level of certain off-balance sheet liabilities throughout the Group. In particular, a specialised guarantee tracking system has been rolled out to monitor exposure arising from guarantees throughout the Group. For jointly controlled affiliates, such as MBDA, summary information on guarantee-related off-balance sheet exposure is captured by EADS headquarters based on regular reports of this exposure and discussion in the respective governance bodies.

### Sales

Commercial contracts entered into by EADS' operating subsidiaries have the potential to expose the Group to significant financial, operational and legal risks. To control these risks, Management has implemented contract proposal review procedures that seek to ensure that EADS does not enter into material commercial contracts that expose it to unacceptable risk or are not in line with the Group's overall objectives. These procedures include (i) Board of Directors-approved thresholds and criteria for determining the risk and profitability profiles and (ii) a mandated pre-approval process for contracts defined as "high-risk". Contracts falling within the defined threshold categories require approval by the respective divisional Chief Financial Officer. Contracts that are deemed "high-risk" and/or exceed certain thresholds must be submitted to a standing Commercial Committee (with the Chief Financial Officer and the CSMO serving as Chairmen and a possible escalation to the Chief Executive Officer when needed). This committee is responsible for reviewing the proposal, giving recommendations if deemed necessary based on which the concerned business unit is allowed to remit its offer. In the case of Airbus, contracts are approved in accordance with Airbus' own corporate governance policy, based on EADS guidelines which follow the same principle. In general, where EADS shares control of a subsidiary with a third party, the Commercial Committee is responsible for developing the EADS position on proposed commercial contracts.

### Mergers and Acquisitions

With respect to merger, acquisition and divestiture activities of the Group, Management has implemented transaction review and approval procedures centralised at EADS headquarters. The ERM procedures require all M&A transactions to be reviewed by an M&A Committee. The M&A Committee is chaired by the head of Strategic Coordination, and includes the Chief Financial Officer and the directors of Group headquarters level M&A and controlling departments. The EADS Legal department is permanently represented on the M&A Committee, and representatives of other departments are also invited to attend meetings. Projects that are considered non-strategic and fall under a defined value threshold are reviewed and approved by

the M&A Committee. Strategic and high-value projects require additional approval by the Chief Executive Officer or the Board of Directors. This review and approval procedure is carried out at four critical stages of the M&A process, beginning with an analysis of the strategic fit and definition of the legal framework and concluding with a final review of the overall transaction.

### Legal

EADS is subject to myriad legal requirements in each jurisdiction in which it conducts business. The mission of the EADS Legal department, in coordination with the division and business unit legal departments, is to actively promote and defend the interests of the Group on all legal issues and to ensure its legal security at all times. By carrying out this mission it is responsible for implementing and overseeing the procedures designed to ensure that EADS' activities comply with all applicable laws, regulations and requirements. It is also responsible for overseeing all major litigation affecting the Group, including intellectual property.

The EADS Legal department, together with the Corporate Secretary, also plays an essential role in the design and administration of (i) the EADS corporate governance procedures and (ii) the legal documentation underlying the delegation of powers and responsibilities which define the EADS management and its IC environment.

### Internal Audit

The EADS Internal Audit department, under the direction of the Corporate Secretary, provides Management with a risk-based evaluation of the effectiveness of the Group's ERM procedures. Based upon a risk oriented approved annual audit plan and a global risk assessment of the Group's activities, the Internal Audit department (i) reviews operational processes for risk management and operating efficiency improvement opportunities and (ii) monitors compliance with legal

requirements and internal policies, process guidelines and procedures. Internal Audit also involves ad hoc reviews, performed at the request of management, focusing on current (*e.g.*, suspected fraudulent activities) and future (*e.g.*, contract management and programme management) risks.

### Procurement

The performance of EADS is to a large extent determined through its supply chain. Therefore, sourcing is a key lever for EADS in its marketplace.

EADS' size and complexity requires a common approach to maximise market levers and to avoid inefficiencies in the procurement process. To help ensure that sourcing is carried out in the most effective, efficient and ethical manner, a set of common procurement processes, which support a common sourcing strategy and ultimately the Group strategy and vision, is defined by the head of Corporate Sourcing and the Chief Procurement Officers Council.

The common approach and processes are then implemented across all divisions through the sourcing networks. These sourcing networks comprise representatives from all EADS divisions. They are tasked by the EADS Chief Procurement Officers Council to define and roll out across EADS strategic sourcing topics such as Supplier Relationship Management, Common Processes and Tools, Global Sourcing, Joint Procurement, Corporate Social Responsibility, and Procurement Performance Management. The procurement processes are regularly reviewed by means of audits and self-assessments and thus consistently challenged and optimised.

### Compliance

In 2008, the Board of Directors decided to implement a new compliance organisation for the Group. See “— 4.1.7 Compliance Organisation” below.

## 4.1.7 Compliance Organisation

Having reviewed the Company's compliance practices and policies, the Board of Directors decided in 2008 to update the Group's compliance approach through the establishment of a further integrated Compliance Organisation.

Since its early days, the Group has adopted demanding standards on its international trade activities, with the detailed policies and rules having been continuously improved and reinforced in keeping with the highest ethical and compliant industry standards. The Group has also put a special focus on compliance

with export control regulations and laws. Accordingly, the Company has established a cascading system of export control procedures and policies which are implemented by export control professionals amongst the Group.

Building on this experience, the group-wide integrated Compliance Organisation is meant to emphasise the Group's commitment to the highest ethical and compliance standards; it reinforces the independence of the compliance resources while securing proximity with the business for efficiency.

The Board of Directors has appointed an EADS Group CCO in order to set up the Compliance Organisation, and to design and implement the EADS Ethics and Compliance Programme, which will seek to ensure that the Group conducts its business in compliance with relevant laws and best practices endorsed by the Group. The programme will include the maintenance of up to date guidelines and policies, starting with the EADS Code of Ethics as well as a communication and training plan aimed at raising awareness in order to promote compliance as a corporate culture.

Within its overall mission to control that the Company's activities conform to applicable regulations and ethical rules adopted by the Group, the specific objectives of the CCO have been set by the CEO and discussed with the Audit Committee. Within these objectives, a high priority has been placed on a specific assessment of the compliance risks, identifying

the existing and potential risks, such as the risk of corruption, the risk of violation of export control regulations or insider trading, to which the Group may be exposed. This risk review will be performed in keeping with the company ERM process. Part of this risk assessment will include proposals for adequate risk mitigation measures together with adequate compliance policies and processes.

As part of his assignment, confirmed by the Audit Committee, the CCO will also be managing the development of a Group alert system, which will allow the Company to identify non-compliance within the Group so that adequate remediation measures can be taken.

The status of the Compliance programme implementation will be regularly reported to the Board of Directors and Audit Committee.

## 4.2 INTERESTS OF DIRECTORS AND PRINCIPAL EXECUTIVE OFFICERS

### 4.2.1 Compensation Granted to Directors and Principal Executive Officers

#### 4.2.1.1 GENERAL PRINCIPLES

Shareholders expect a strong commitment from members of the Board of Directors; the compensation policy is therefore designed to focus efforts on what the Group wants to value and reward. To meet these objectives, a significant portion of the

compensation is variable and linked to key performance measures and individual objectives. The remuneration is benchmarked regularly against the practice of other global companies based in Europe and the USA to ensure fairness and competitiveness.

The compensation of the executive member of the Board (the Chief Executive Officer) and of the members of the Executive Committee combines short-term and long-term reward and is summarised as follows:

	Compensation element	Main drivers	Performance measures	Variation of payment as% of Total target income/% of vesting
Short-term	Base salary	Position/job value	Individual performance/ Market practice	-
	Variable pay	Achievement of Group business and financial yearly objectives and reward of individual performance	Collective part (50% of Target variable pay): EBIT* (75%) and cash (25%) achievement <sup>(1)</sup> Individual bonus (50% of Target variable pay): achievement of annual individual objectives	EADS Chief Executive Officer and Airbus CEO: 55% of Total target income (range from 0% to 175%) Other members of the Executive Committee: 50% of Total target income (range from 0% to 175%)
Mid- and Long-term	Performance unit plan	Achievement of long-term operational profit, measured through cumulative EBIT* achievement	The number of Performance units which will vest is based on 2nd and 3rd year cumulative EBIT* achievement	Vested Performance units will range from 0% to 100% of initial grant

(1) Starting 2009, EBIT\* will represent 50%, cash 25% and Capital Employed 25% of the collective part

\* EBIT: earnings before interest and taxes, pre-goodwill impairment and exceptionals.



#### 4.2.1.2 COMPENSATION OF THE MEMBERS OF THE BOARD OF DIRECTORS

Each non-executive member of the Board will receive an annual fixed fee of €80,000 and a fee for participation in Board meetings of €5,000 per meeting attended.

The Chairman of the Board will receive an annual fixed fee of €180,000 for carrying out this role and a fee for participation in Board meetings of €10,000 per meeting attended.

The Chairmen of each of the Board Committees will receive an additional annual fixed fee of €30,000. The members of each of the Board Committees will receive an additional annual fixed fee of €20,000 for each Committee membership.

Since 1 January 2008, non-executive members of the Board are no longer entitled to variable pay.

Committee Chairmanship and Committee Membership annual fees are cumulative if the concerned non-executive members of the Board belong to two different Committees.

They are summarised below:

##### Total remuneration and related compensation costs:

The total remuneration and related compensation costs of the members of the Board of Directors and former directors in 2008 and 2007 (prorate in accordance with their periods of memberships) can be specified as follows:

Non Executive Members of the Board of Directors	2008	2007
	in €	in €
Fixum	263,125	240,000
Bonus (related to reporting period)	Not applicable	550,370
Fees	322,500	390,000

Executive Members of the Board of Directors	2008	2007
	in €	in €
Fixum	900,000	2,729,179
Bonus (related to reporting period including part paid by EADS NV)	1,545,500	4,028,998

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The cash remuneration of the Non Executive Members of the Board of Directors was as follows:

2008	Fixum in €	Bonus in € related to 2008	Fees in €	Total in €
<b>Directors</b>				
Rüdiger Grube	52,500	N/A	52,500	105,000
Rolf Bartke	5,625	N/A	45,000	50,625
Dominique D'Hinnin	5,625	N/A	40,000	45,625
Juan Manuel Eguiagaray Ucelay	30,000	N/A	45,000	75,000
Arnaud Lagardère	54,375	N/A	10,000	64,375
Hermann-Josef Lamberti	5,625	N/A	40,000	45,625
Lakshmi N. Mittal*	-	-	-	-
Sir John Parker	5,625	N/A	25,000	30,625
Michel Pébureau	20,000	N/A	25,000	45,000
Bodo Uebber	20,000	N/A	40,000	60,000
<b>Former directors**</b>				
Manfred Bischoff	15,000			15,000
Francois David	24,375			24,375
Michael Rogowski	24,375			24,375
<b>TOTAL</b>	<b>263,125</b>		<b>322,500</b>	<b>585,625</b>

\* Remuneration waived at the Director's request.

\*\* Pro rata in accordance with their periods of membership with the Board of Directors.

The cash remuneration of the Executive Member of the Board of Directors was as follows:

2008	Fixum in €	Bonus in € related to 2008
<b>Directors</b>		
Louis Gallois	900,000	1,545,500

In previous years, the part of the Executive Board members' compensation which is paid by EADS NV was disclosed within the fixum. The EADS NV compensation is now disclosed as a component of the variable compensation related to the reporting period.

### Long term incentives

The table below gives an overview of the Long term Incentive Plans (performance units) granted by EADS in 2008 to the Chief Executive Officer:

	Unit plan: number of performance units*	
	Granted in 2008	Vesting dates
Louis Gallois	40,000	Vesting schedule is made up of 4 payments over 2 years: (a) 25% expected in May 2012; (b) 25% expected in November 2012; (c) 25% expected in May 2013; (d) 25% expected in November 2013.

\* Vesting of all Performance units granted to the Chief Executive Officer is subject to performance conditions.

### Pension benefits

The members of the Executive Committee have pension promises as part of their employment agreements. The general policy is to give them annual pensions of 50% of their annual base salary upon reaching 5 years of service in the Executive Committee of EADS at the age of 60 or 65.

These rights can gradually increase to 60% after a second term, usually after ten years of service in the EADS Executive Committee.

These pension schemes have been implemented through collective executive pension plans in France and Germany. These pension promises have also separate rules *e.g.* for minimum length of service and other conditions to comply with national regulations.

For the Chief Executive Officer, the amount of the pension defined benefit obligation amounted to €1.4 million as of 31 December 2008, while the amount of current service and interest cost related to his pension promise accounted for during fiscal year 2008 represented an expense of €0.6 million. This obligation has been accrued for in the Consolidated Financial Statements.

### Termination indemnity

As part of his mandate contract, the Chief Executive Officer is entitled to a termination indemnity when the parting results from a decision by the Company in case of change in control or change in the Company's strategy. Payment of the termination indemnity is also subject to performance conditions as fixed and assessed by the Board of Directors. The termination indemnity, if applicable, will be of a maximum of 18 months of annual total target salary.

The indemnity could be reduced pro rata or would even not be applicable depending on age and date of retirement.

Apart from the Chief Executive Officer, no other Director who is in office is entitled to a termination indemnity.

### Non-competition clause

A non-competition clause is included in the contract of the Chief Executive Officer. This clause is applicable for a one-year period, starting at the end of the mandate contract, and is renewable for one year at the Company's initiative.

The Chief Executive Officer will receive a compensation based on his monthly salary (including variable pay) in return of the application of the non-competition clause.

### Other benefits

The Chief Executive Officer is entitled to a company car. The value of his company car as at 31 December 2008 is €23,977.

### 4.2.1.3 COMPENSATION OF THE MEMBERS OF THE EXECUTIVE COMMITTEE

The members of the Executive Committee, including the Chief Executive Officer, are entitled to receive for the year 2008 an accumulated total target compensation on a full year basis of €13,872,380. This compensation is divided for the EADS Chief Executive Officer and Airbus Chief Executive Officer into a 45% fixed part and a 55% variable part on target and for the other members of the Executive Committee into a 50% fixed part and a 50% variable part on target.

The members of the Executive Committee including the Chief Executive Officer receive the majority of their compensation from their relevant national Group entity (under the terms of their employment or mandate contract) and the remaining part from EADS N.V. ("NV compensation", under the terms of the N.V. letter of agreement).

The variable part is calculated on the basis of two equal components:

- Collective part (50% of the variable part) to reward business performance at Group level or division level (if applicable). Cash and EBIT\* are the financial indicators chosen to measure collective performance (EBIT\* represents 75% of the collective part and cash represents 25% of the collective part in 2008);
- Individual bonus (50% of the variable part) to reward individual performance measured against the achievement of individual objectives.

The Group is committed to setting individual and financial targets, the achievement of which would reflect the real performance of EADS. Starting 2009, the collective part (50% of the variable pay) will be based on EBIT\* (50%), Cash (25%) and Capital Employed (25%). The new choice of EBIT\*, cash and Capital Employed as financial indicators ensures the alignment of the Chief Executive Officer with EADS priorities.

Based on the level of performance, the collective as well as the individual payout can vary from 0% to 175% of the target payment.

On target payment at 100% for both individual and financial targets would indicate strong personal and company performance.

The Remuneration and Nomination Committee reviews and makes recommendations to the Board of Directors on bonus payments to the Chief Executive Officer and to the members of the Executive Committee; the Board of Directors makes the final decision.

The total compensation paid by EADS and all its Group companies to Mr Louis Gallois, Chief Executive Officer, during the year 2008, was €2,415,250 (this sum includes the payments of his January to December 2008 fixum and the variable pay for 2007).

\* EBIT: earnings before interest and taxes, pre-goodwill impairment and exceptionals.

## 4.2.2 Long Term Incentives Granted to the Chief Executive Officer

See “— 4.3.3 Long Term Incentive Plans”.

## 4.2.3 Related Party Transactions

Article 2:146 of the Dutch Civil Code provides as follows:

“Unless the Articles of association provide otherwise, a company (*naamloze vennootschap*) shall be represented by its board of supervisory directors in all matters in which it has a conflict of interest with one or more of the members of its Board of Directors. The shareholders’ meeting shall at all times have powers to designate one or more persons for this purpose”. In the case of EADS, the Articles of Association do provide otherwise since they enable the Board of Directors to have power to represent the Company in matters where the Company has a conflict of interest with one or more members of the Board of Directors.

During the years 2006, 2007 and 2008, no agreement was entered into by the Company with one of its directors or principal officers or a shareholder holding more than 5% of the

voting rights of the Company outside the ordinary course of business and in conditions other than arm’s length conditions. See “Notes to Consolidated Financial Statements (IFRS) — Note 37: Related party transactions” for the year ended 31 December 2008 and “Notes to Consolidated Financial Statements (IFRS) — Note 32: Related party transactions” for the year ended 31 December 2007, as incorporated by reference herein.

For a description of the relationships between the Company and its principal shareholders, see “General Description of the Company and its Shareholders — 3.3.2 Relationships with Principal Shareholders”. Other than the relationships between the Company and its principal shareholders described therein, there are no potential conflicts of interest between the duties to the Company of the Directors and their respective private interests or other duties.

## 4.2.4 Loans and Guarantees Granted to Directors

EADS has not granted any loans to its Directors or members of the Executive Committee.

# 4.3 EMPLOYEE PROFIT SHARING AND INCENTIVE PLANS

## 4.3.1 Employee Profit Sharing and Incentive Agreements

EADS’ remuneration policy is strongly linked to the achievement of individual and Company objectives, both for each division and for the overall Group. In 2008, a performance and restricted unit plan has been established for the senior management of the Group (see “— 4.3.3 Long Term Incentive Plans”) and employees were offered shares at favourable

conditions at the time of the public offering and listing of EADS (see “— 4.3.2 Employee Share Ownership Plans”).

Since 2005, the success sharing schemes which are implemented in EADS in France, Germany, Spain, and the UK follow one set of common rules of the Group, ensuring a consistent application in these four countries.

## 4.3.2 Employee Share Ownership Plans

### 4.3.2.1 ESOP 2000

As part of its initial public offering, EADS offered to qualifying employees approximately 1.5% of its total share capital after the global offering. This employee offering of up to 12,222,385 shares included an option allowing qualifying employees to leverage their investment in the shares they purchased. Under this option, the investment consisted of the amount paid plus an amount resulting from a swap agreement of the investment management company for this option that equalled nine times such amount paid. Qualifying employees were offered shares at a price of €15.30, being the price for the retail offering, less a discount of 15%.

The employee offering was open only to employees who:

- had at least three months' seniority;
- had French, German or Spanish employment contracts; and
- were employed by companies incorporated under French, German or Spanish law in which EADS held (i) the majority of the share capital or (ii) at least 10% of the share capital, provided such minority-owned companies were designated as eligible by EADS.

Depending on whether the employee purchased shares through a French, German or Spanish plan, directly or via a mutual fund, the employee is restricted from selling the shares for one of the following lock-up periods: 18 months, three years, five years or six years.

A total number of 11,769,259 shares were subscribed for in the employee offering. Shares were delivered on 21 September 2000.

### 4.3.2.2 ESOP 2001

In October 2001, EADS offered to qualifying employees a maximum of 0.25% of its total issued share capital before the offering. This employee offering was for up to 2,017,894 shares of a nominal value of €1 each.

The employee offering (*note d'opération préliminaire* approved by the COB (former name of the *Autorité des marchés financiers* (the "AMF")) on 8 October 2001 under number 01-1200 and *note d'opération définitive* approved by the COB on 13 October 2001 under number 01-1209) was open only to employees who:

- had at least three months' seniority;
- were employed by (i) EADS or (ii) one of its subsidiaries or (iii) a company in which EADS holds at least 10% of the share capital and over whose management it has a determining

influence and whose registered office is located in South Africa, Germany, Brazil, Canada, Spain, the United States, the United Kingdom, France, Italy, Morocco, Mexico and Singapore.

The employee offering was divided into two tranches:

- shares subscribed for by qualifying employees in Group employee savings plan were offered for a price of €10.70 per share;
- shares subscribed for by qualifying employees directly were offered for a price of €10.70 per share.

The employees are generally restricted from selling the shares offered in this employee offering for one year and sometimes more in certain countries.

A total number of 2,017,894 shares were subscribed for in the employee offering. Shares were delivered on 5 December 2001.

### 4.3.2.3 ESOP 2002

In October 2002, EADS offered to qualifying employees a maximum of 0.25% of its total issued share capital before the offering. This employee offering was for up to 2,022,939 shares of a nominal value of €1 each.

The employee offering (*note d'opération préliminaire* approved by the COB on 30 September 2002 under number 02-1062 and *note d'opération définitive* approved by the COB on 11 October 2002 under number 02-1081) was open only to employees who:

- had at least three months' seniority;
- were employed by (i) EADS or (ii) one of its subsidiaries or (iii) a company in which EADS holds at least 10% of the share capital and over whose management it has a determining influence and whose registered office is located in Germany, Brazil, Canada, Spain, the United States, the United Kingdom, France, Italy, Mexico and Singapore.

The employee offering was divided into two tranches:

- shares subscribed for by qualifying employees in Group employee savings plan were offered for a price of €8.86 per share;
- shares subscribed for by qualifying employees directly were offered for a price of €7.93 per share.

The employees are generally restricted from selling the shares offered in this employee offering for one year and sometimes more in certain countries.

A total number of 2,022,939 shares were subscribed for in the employee offering. Shares were delivered on 4 December 2002.

#### 4.3.2.4 ESOP 2003

In October 2003, EADS offered to qualifying employees a maximum of 0.25% of its total issued share capital before the offering. This employee offering was for up to 2,027,996 shares of a nominal value of €1 each.

The employee offering (*note d'opération* approved by the COB on 25 September 2003 under number 03-836) was given only to employees who:

- had at least three months' seniority;
- were employed by (i) EADS or (ii) one of its subsidiaries or (iii) a company in which EADS holds at least 10% of the share capital and over whose management it has a determining influence and whose registered office is located in Germany, Belgium, Canada, Spain, the United States, the United Kingdom, France, Ireland, Mexico, the Netherlands and Singapore.

The employee offering was divided into two tranches:

- shares subscribed for by qualifying employees in Group employee savings plan were offered for a price of €12.48 per share;
- shares subscribed for by qualifying employees directly were offered for a price of €12.48 per share.

The employees are generally restricted from selling the shares offered in this employee offering for one year and sometimes more in certain countries.

A total number of 1,686,682 shares were subscribed for in the employee offering. Shares were delivered on 5 December 2003.

#### 4.3.2.5 ESOP 2004

In October 2004, EADS offered to qualifying employees a maximum of 0.25% of its total issued share capital before the offering. This employee offering was for up to 2,018,000 shares of a nominal value of €1 each.

The employee offering (*note d'opération* approved by the AMF on 10 September 2004 under number 04-755) was given only to employees who:

- had at least three months' seniority;
- were employed by (i) EADS or (ii) one of its subsidiaries or (iii) a company in which EADS holds at least 10% of the share capital and over whose management it has a determining influence and whose registered office is located

in Germany, Belgium, Canada, Spain, the United States, the United Kingdom, France, Ireland, Mexico, the Netherlands, Singapore, Australia and Finland.

The employee offering was divided into two tranches:

- shares subscribed for by qualifying employees in Group employee savings plan were offered for a price of €18 per share;
- shares subscribed for by qualifying employees directly were offered for a price of €18 per share.

The employees are generally restricted from selling the shares offered in this employee offering for one year and sometimes more in certain countries.

A total number of 2,017,822 shares were subscribed for in the employee offering. Shares were delivered on 3 December 2004.

#### 4.3.2.6 ESOP 2005

In June 2005, EADS offered to qualifying employees a maximum of 0.25% of its total issued share capital before the offering. This employee offering was for up to 2,025,000 shares of a nominal value of €1 each.

The employee offering (*note d'opération* approved by the AMF on 4 May 2005 under number 05-353) was given only to employees who:

- had at least three months' seniority;
- were employed by (i) EADS or (ii) one of its subsidiaries or (iii) companies in which EADS holds at least 10% of the share capital and over whose management it has a determining influence and whose registered offices are located in Germany, Australia, Belgium, Canada, Spain, the United States, Finland, France, the United Kingdom, Ireland, Mexico, the Netherlands, Poland and Singapore.

The employee offering was divided into two tranches:

- shares subscribed for by qualifying employees in Group employee savings plan were offered for a price of €18.86 per share;
- shares subscribed for by qualifying employees directly were offered for a price of €18.86 per share.

The employees are generally restricted from selling the shares offered in this employee offering for one year and sometimes more in certain countries.

A total number of 1,938,309 shares were subscribed for in the employee offering. Shares were delivered on 29 July 2005.

#### 4.3.2.7 ESOP 2007

In 2006 no employee offering took place. The employee offering originally scheduled for June 2006 was postponed to March 2007.

In March 2007, EADS offered to qualifying employees a maximum of 0.25% of its total issued share capital before the offering. This employee offering was for up to 2,040,000 shares of a nominal value of €1 each.

The employee offering was given only to employees who:

- had at least three months' seniority;
- were employed by (i) EADS or (ii) one of its subsidiaries or (iii) companies in which EADS holds at least 10% of the share capital and over whose management it has a determining influence and whose registered offices are located in Germany, Australia, Belgium, Canada, Spain, the United States, Finland, France, the United Kingdom, Ireland, Mexico, the Netherlands, Poland and Singapore.

The employee offering was divided into two tranches:

- shares subscribed for by qualifying employees in Group employee savings plan were offered for a price of €19.62 per share;
- shares subscribed for by qualifying employees directly were offered for a price of €17.16 per share.

The employees are generally restricted from selling the shares offered in this employee offering for one year and sometimes more in certain countries.

A total number of 2,037,835 shares were subscribed for in the employee offering. Shares were delivered on 9 May 2007.

#### 4.3.2.8 ESOP 2008

In June 2008, EADS offered to qualifying employees a maximum of 0.25% of its total issued share capital before the offering. This employee offering was for up to 2,035,000 shares of a nominal value of €1 each.

The employee offering was given only to employees who:

- had at least three months' seniority;
- were employed by (i) EADS or (ii) one of its subsidiaries or (iii) companies in which EADS holds at least 10% of the share capital and over whose management it has a determining influence and whose registered offices are located in Germany, Australia, Belgium, Canada, Spain, the United States, Finland, France, the United Kingdom, Ireland, Mexico, the Netherlands, Poland and Singapore.

The employee offering was divided into two tranches:

- shares subscribed for by qualifying employees in Group employee savings plan were offered for a price of €12.79 per share;
- shares subscribed for by qualifying employees directly were offered for a price of €11.70 per share.

The employees are generally restricted from selling the shares offered in this employee offering for one year and sometimes more in certain countries.

A total number of 2,031,820 shares were subscribed for in the employee offering. Shares were delivered on 25 July 2008.

### 4.3.3 Long Term Incentive Plans

At its 26 May 2000, 20 October 2000, 12 July 2001, 9 August 2002, 10 October 2003, 8 October 2004, 9 December 2005 and 18 December 2006 meetings, the Board of Directors of the Company, using the authorisation given to it by the shareholders' meetings of 24 May 2000, 10 May 2001, 6 May 2003, 11 May 2005, and 4 May 2006 approved the granting of stock options for subscription of shares in the Company.

At its 18 December 2006 meeting, the Board of Directors of the Company, using the authorisation given to it by the shareholders' meeting of 4 May 2006 approved the granting of performance shares and restricted shares in the Company.

At its 7 December 2007 meeting, the Board of Directors of the Company approved the granting of performance units and restricted units in the Company.

At its 13 November 2008 meeting, the Board of Directors of the Company approved the granting of performance units and restricted units in the Company.

The principal characteristics of these options, performance and restricted shares and performance and restricted units as at

31 December 2008 are set out in the “Notes to the Consolidated Financial Statements (IFRS) — Note 36: Share-based payment”. They are also set out in the table below:

	First tranche	Second tranche
Date of shareholders' Meeting	24 May 2000	24 May 2000
Date of Board of Directors Meeting (grant date)	26 May 2000	20 October 2000
Number of options granted	5,324,884	240,000
Number of options outstanding	1,555,220	32,000
Options granted to directors and officers	720,000	60,000
Total number of eligible employees	850	34
Exercise date	50% of options may be exercised after a period of two years and four weeks from the date of grant of the options; 50% of options may be exercised as of the third anniversary of the date of grant of the options (subject to specific provisions contained in the Insider Trading Rules - see “General Description of the Company and its Share Capital — 3.1.11 Disclosure of Holdings”).	
Expiry date	8 July 2010	8 July 2010
Conversion right	One option for one share	One option for one share
Vested	100%	100%
Exercise price	€20.90	€20.90
Exercise price conditions	110% of fair market value of the shares at the date of grant	
Number of exercised options	2,892,020	188,000
	Third tranche	Fourth tranche
Date of shareholders' Meeting	10 May 2001	10 May 2001
Date of Board of Directors Meeting (grant date)	12 July 2001	9 August 2002
Number of options granted	8,524,250	7,276,700
Number of options outstanding	3,499,919	2,547,121
Options granted to:		
> Mr Philippe Camus	135,000	135,000
> Mr Rainer Hertrich	135,000	135,000
> the 10 employees having being granted the highest number of options during the year 2001 (third tranche) and 2002 (fourth tranche)	738,000	808,000
Total number of eligible employees	1,650	1,562
Exercise date	50% of options may be exercised after a period of two years and four weeks from the date of grant of the options; 50% of options may be exercised as of the third anniversary of the date of grant of the options (subject to specific provisions contained in the Insider Trading Rules - see “General Description of the Company and its Share Capital — 3.1.11 Disclosure of Holdings”).	
Expiry date	12 July 2011	8 August 2012
Conversion right	One option for one share	One option for one share
Vested	100%	100%
Exercise price	€24.66	€16.96
Exercise price conditions	110% of fair market value of the shares at the date of grant	
Number of exercised options	3,492,831	4,305,066





		<b>Eighth tranche</b>	
Date of shareholders' Meeting		4 May 2006	
Date of Board of Directors Meeting		18 December 2006	
		<b>Stock option plan</b>	
Number of options granted		1,747,500	
Number of options outstanding		1,678,000	
Options granted to:			
> Mr Thomas Enders		67,500	
> Mr Louis Gallois		67,500	
> the 10 employees having being granted the highest number of options during the year 2006 (eighth tranche)		425,000	
Total number of eligible beneficiaries		221	
Date from which the options may be exercised		50% of options may be exercised after a period of two years from the date of grant of the options; 50% of options may be exercised as of the third anniversary of the date of grant of the options (subject to specific provisions contained in the Insider Trading Rules - see "General Description of the Company and its Share Capital — 3.1.11 Disclosure of Holdings")	
Date of expiration		16 December 2016	
Conversion right		One option for one share	
Vested		50%	
Exercise price		€25.65	
Exercise price conditions		110% of fair market value of the shares at the date of grant	
Number of exercised options		0	
		<b>Performance and restricted shares plan</b>	
		<b>Performance shares</b>	<b>Restricted shares</b>
Number of shares granted		1,344,625	391,300
Number of shares outstanding		1,291,375	378,475
Shares granted to:			
> Mr Thomas Enders		16,875	-
> Mr Louis Gallois		16,875	-
> the 10 employees having being granted the highest number of shares during the year 2006 (eighth tranche)		137,500	28,200
Total number of eligible beneficiaries			1,637
Vesting date		The performance and restricted shares will vest if the participant is still employed by an EADS company and, in the case of performance shares, upon achievement of mid-term business performance. The vesting period will end at the date of publication of the 2009 annual results, expected in March 2010.	
Number of vested shares		1,750	0



## SHAREHOLDING IN THE COMPANY OF THE MEMBERS OF THE BOARD OF DIRECTORS

Member of the Board of Directors	Shareholding
> Mr Louis Gallois	- 5 ordinary shares - 67,500 stock options* - 16,875 performance shares*
> Mr Dominique d'Hinnin	- 61 ordinary shares
> Mr Arnaud Lagardère	- 2 ordinary shares

\* See eighth tranche as set forth in the above table.

The other members of the Board of Directors do not hold shares or other securities in the Company.



# Corporate Responsibility & Sustainability

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EADS was founded eight years ago, as the result of a European industrial ambition to create a world leader in the field of aeronautics, defence and space. Built as a challenger and driver of change, EADS is at the head of some of the greatest European technological and industrial achievements, such as Airbus, Ariane, Eurofighter or Eurocopter programmes, to name but a few. As part of this ambition and vision are shared values of

integrity and social and ethical responsibility. The Group is committed to the principles and values that are laid down in its Code of Ethics as well as to the Corporate Responsibility & Sustainability (“**CR&S**”) policies which were formalised in 2004. Since then, these policies are continuously updated in order to take into account the environment and the challenges faced by the Group.

## EADS Approach to Corporate Responsibility and Sustainability

A year ago, EADS defined a fresh strategic outlook called *Vision2020*. Based on its *Vision2020* strategic posture, EADS is transforming. To do it in a sustainable way, the company has to manage stress fields and balance various factors altogether, *e.g.*:

- how to foster EADS position as a global player while sticking to strict business ethics rules;
- how to keep on providing EADS customers with state of the art aerospace and defence technology while becoming an eco-efficient company; or
- how to develop talent and pool of experts to foster EADS’ innovation base while sharpening their awareness of social responsibilities?

EADS believes that corporate responsibility and sustainability is in the very nature of its business: in an industry of long lifecycles, with products that will be on the market for the next

30 years, balancing short term priorities with long term objectives is a must, and is sound management.

EADS CR&S policies and initiatives:

- must be business-oriented and value creating, in support of competitive advantage, or of risk reduction;
- must be embedded in operations, through tangible projects and objectives;
- aim at constantly improving the way the group is doing business while taking fully into account that societies in the 21 century expect more from companies than just high quality products.

The benefits of this vision of entrepreneurial responsibility support the best interest of the group’s external stakeholders; and the pride of its employees.

## Corporate Responsibility Organisation at EADS

The EADS approach to corporate responsibility and sustainability:

- is coordinated by the Group’s Corporate Secretary who (1) is the architect of a comprehensive group-wide organisation to address corporate responsibility issues in a structured way; (2) coordinates an internal CR&S network to ensure visibility and consistency of EADS’ approach both internally and externally; (3) identifies and explores emerging issues facing

the field of CR&S, and defines the means to respond accordingly; (4) makes proposals and recommendations to the EADS management regarding all CR&S matters; and (5) represents EADS before outside networks and maintains the dialogue with stakeholders;

- provides a framework setting out guidelines for the Divisions and BUs that are responsible for the day to day business and that ensure dialogue with their direct stakeholders.

## EADS CR&S Policies

EADS' policies have been designed to support and implement EADS' long-term vision and strategy in terms of CR&S and are supported by an internal control system in areas such as anti-bribery and export compliance, IP protection, research and development, environmental care, HR etc. (See "Corporate Governance — 4.1.6 Enterprise Risk Management System").

### CORPORATE RESPONSIBILITY POLICIES ON DOMAINS IDENTIFIED AS MOST RELEVANT FOR EADS

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

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

The present chapter aims at illustrating that the EADS CR&S policies are increasingly embedded in the management systems of the group and into daily business, by describing best practices

identified throughout the Group and reporting performance indicators. A number of quantitative and qualitative Key Performance Indicators, based upon the Global Reporting Initiative, the Global Compact principles and tailored to EADS' business were indeed defined, starting with the 2004 report, to reflect some of EADS' achievements.



## 5.1 GOVERNANCE, ETHICS AND COMPLIANCE

Good governance standards are a cornerstone of EADS corporate responsibility. EADS is committed to meet and even exceed social, legal and statutory requirements to ensure transparent management and recording. EADS commits to providing the most accurate and reliable information and records in all decision-making processes and business relations,

both inside and outside EADS. To achieve the highest standard of reliability, EADS continuously improves its Internal Control and Risk Management procedures. A detailed presentation of EADS governance is provided under “Corporate Governance”.

### 5.1.1 EADS Code of Ethics

At the time of the creation of EADS, the Code of Ethics was established and communicated to the employees of the Group. This Code of Ethics aimed at emphasising values that were key success factors for achieving an efficient integration of different companies into one group. In 2005, EADS updated the Code of Ethics which sets out in one single comprehensive document the Group’s business guidelines related to the ethical standards that the Group adheres to.

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

Since April 2006, the Code of Ethics is available in the four EADS languages on the Group intranet and can be downloaded from the EADS website [www.eads.com](http://www.eads.com).

The Code of Ethics covers the full scope of EADS’ CR&S policies, addressing in its five chapters the principal lines of ethical behaviour:

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

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

## 5.1.2 Ethics and compliance programme

### 5.1.2.1 GROUP COMPLIANCE ORGANISATION

The Group has publicly committed to ethics, compliance and transparency and the EADS vision2020 places the promotion of ethical behaviour as a key Company's responsibility. Moreover, the adoption of a comprehensive compliance approach has become critical to sustain the Group development as it enables the company to protect itself and to maintain its competitiveness.

The Group is committed to conduct its business in compliance with applicable laws and regulations as well as with ethical principles and best practices endorsed by the Group.

In order to substantiate the Company commitment and design an efficient compliance approach, the Board and Management extensively reviewed the Group compliance practices.

This review confirmed that the Group had a solid base of compliance policies and processes, notably in areas where EADS seems to be the most exposed. In international marketing namely, anti-bribery and export control policies and practices are extensively defined and applied.

The Group has adopted demanding standards on its international trade activities, with the detailed policies and rules having been continuously improved and reinforced in keeping with the highest ethical and compliant industry standards. The Group has also put a special focus on compliance with export control regulations and laws. Accordingly, the Company has established a cascading system of export control procedures and policies which are implemented by export control professionals amongst the Group.

Notwithstanding, it was decided to develop an integrated compliance approach embracing all the areas of compliance through the setting up of a comprehensive group-wide compliance organisation. This organisation aims at further developing the awareness of the principles laid down in the Code of Ethics as well as at ensuring that individual behaviour is in line with the Group's commitments and policies.

In order to do so, the Group believes that the management, which is overall responsible for compliance, should be provided with appropriate support from a compliance resource on the ways to reach profitable business in a compliant way. This compliance resource should also be entrusted with controlling responsibilities on successful compliance.

The Board hence decided in 2008 to set up a compliance organisation and to appoint a Chief Compliance Officer ("CCO").

This Board and management commitment to compliance now focuses on the core compliance risks *i.e.* those linked to export, through the integration of the Group International Compliance Officer and the appointment of a Group Export Compliance Officer. Other areas of risks are also addressed such as procurement and further risk areas will be treated as the need arises.

### Organisational Structure

In order to reach efficiency as early as possible, the compliance organisational approach is based on a right balance between independence and proximity to the business of the compliance resource. At all levels of the company, a double reporting principle is therefore applied, any compliance resource having both a compliance hierarchy and an operational hierarchy.

The CCO then reports to the CEO while his independence is guaranteed through a direct access to the Board and its Audit Committee.

In each division, a Compliance Officer was appointed in 2008. The Division Compliance Officers report to the CCO and to their respective division head. Their role is to cascade down the Group ethics and compliance programme while supporting division management in performing business in a compliant way. Within their respective division, the Division Compliance Officers implement adequate resources so as to reach every areas of compliance and every businesses and locations.

At Group level, Functional compliance Officers support the CCO in defining and deploying the compliance programme in their respective Function and/or for their specific domain of expertise. The Group International Compliance Officer was appointed years ago to develop and implement the Group's Foreign Trade Rules aiming namely at fighting corruption in business (see "— 5.1.2.2 Business ethics policy and rules"). In addition, a new Group Export Compliance Officer was appointed in 2008, building on the matrix organisation of national and division heads of export control (see "— 5.1.2.3 Export Compliance"). Both of these two Group Compliance Officers rely on already well developed networks of compliance professionals covering all EADS operations, they respectively deploy the Group business ethics policies and rules and cascade-down export control policies and procedures. At Group level, they support the Strategic and Marketing Organisation in securing compliant exports. Group Compliance Officers have also been appointed in other Functions such as Finance, Human Resources and Security. They each provide valuable compliance expertise to their respective Function and support the CCO in defining and deploying the ethics and compliance Programme.

### The programme roadmap

The missions and objectives of the CCO were set by the CEO in 2008, discussed and agreed on by the Board's Audit Committee. The roadmap is defined to meet the objectives set by the Board at the time of the creation of the compliance organisation, including the nurturing of compliance culture and strengthening of EADS credibility; the identification and management of compliance risks; and the maintaining of up-to-date compliance rules and processes as well as their efficient implementation.

The programme is thus based on five blocks of action identified for efficiency: identification of risks, integration and updating of guidelines and policies, starting with the EADS Code of Ethics; organisation and reporting; communication and training aimed at raising awareness in order to promote compliance as a corporate culture; alert system and auditing programme.

### Outlook 2009

For each of the programme's five pillars, targets have been set and approved.

Within these objectives, a high priority has been placed in 2009 on a specific assessment of the compliance risks, identifying the existing and potential risks, such as the risk of corruption, the risk of violation of export control regulations or insider trading, to which the Group may be exposed. This risk review will be performed in keeping with the company Enterprise Risk Management process. Part of this risk assessment will include proposals for adequate risk mitigation measures together with adequate compliance policies and processes.

Other immediate tasking concerns the update of the EADS Code of ethics and the definition of its implementation programme as well as the integration of communication and training initiatives, such as those already implemented in business ethics (see "— 5.1.2.2 Business ethics policy and rules") and in export compliance (see "— 5.1.2.3 Export Compliance") or those implemented at division level.

A special attention is finally placed on the definition and putting in place of an Ethics and Compliance alert system for receiving and addressing, in full confidentiality, employees' concerns.

#### 5.1.2.2 BUSINESS ETHICS POLICY AND RULES

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

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

### Policy

EADS is accountable to its shareholders, employees and other stakeholders, as well as to the communities where it conducts national or international business transactions, to comply with high standards of corporate governance and corporate social responsibility. EADS is particularly committed to always act in accordance with business integrity requirements (as set out in the EADS Code of Ethics), and to put in place policies and procedures consistent with all such constraints and aspirations. The Business Ethics Policy and Rules apply to all national and international business transactions with Business Partners.

The fight against corruption launched by the international institutions regulating the global business (such as the World Bank, OECD, UN, EU, and the Council of Europe) has given rise to a significant number of instruments. The 1997 OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (the OECD Anti-Corruption Convention) is presently the most efficient legal instrument to combat corruption. Two other important international conventions with a wider scope are the Council of Europe's Criminal Law Convention signed in 2005 which contains provisions on bribery in the private sector or "private-to-private bribery" and the United Nations Convention against Corruption (UNCAC), which entered into force in 2005 and which is recognised to be the most comprehensive international anti-corruption instrument to date, as it covers the broadest range of corruptive practices, including active and passive bribery of domestic and foreign public officials, obstruction of justice, illicit enrichment and embezzlement. In addition, one should mention the Tenth Principle of the United Nations Global Compact of June 2004, to which EADS has subscribed.

Together, those initiatives have led countries to establish a framework of legal instruments for fighting corruption. This is the case for EADS's home countries — France, Germany, Spain and the UK — which have legislation inspired by the provisions of the OECD, UN and Council of Europe Conventions (please see in appendix for further information).

Honesty, integrity, fairness and prudence should always drive the behaviour of EADS executives, officers and employees in all business transactions. EADS will not tolerate any deviation from its Business Ethics Policy ("the Policy") in the conduct of its operations worldwide. There is no "opt-out" from this principle. As a global company, EADS considers it as its duty to prohibit all forms of corruption, whether public or private, at any stage of the negotiation or execution of a Commercial Contract. Appropriate sanctions will be applied to EADS executive, officer or employee for evidenced cases of infringement.

Reducing the risk of unethical behaviour requires strict compliance with the key EADS principles listed below, which are the backbone of the Policy and which are to be implemented through the EADS Business Ethics Rules (“the Rules”):

- transparency for the selection;
- collegiality for the decision;
- centralisation for the validation;
- traceability through appropriate books and records; and
- monitoring of contractual relationships with third parties.

The Policy is implemented through the Rules as amended in July 2008. The Policy also sets forth general rules concerning, among others, gifts and hospitality granted to Foreign Public Officials by EADS executives, officers and employees.

The Policy and the Rules shall be applied in full consistency with the EADS Code of Ethics and in compliance with international anti-corruption legislations.

The Policy shall be observed wherever the EADS Group carries out national and international business transactions. Careful consideration shall also be given to national legislation applicable in the context of such business transactions. A number of countries which have not yet signed the above mentioned international anti-corruption conventions have, or are about to have, introduced comparable anti-corruption provisions into their internal legislation. EADS shall always abide by such legislation within the context of its international business, including when they set forth stricter provisions than the Rules.

## Organisation

### The EADS Business Ethics Policy and Rules

EADS has implemented a detailed corporate policy, the *EADS Business Ethics Policy and Rules*, which applies to all international and national operations of the Group’s entities, and which is intended to detect and prevent bribery and unfair dealing in international sales.

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

The main pillars of the Business Ethics Rules are the following:

- transparency in the selection of all business partners. All business partners engaged by an EADS company have

undergone a strict engagement procedure, based on (i) a due diligence aimed at confirming that the prospective business partner is reputable and qualified to work for EADS, (ii) internationally recognised standards (location, credentials, ethical track record, etc.) and (iii) a commitment to abide by the Group’s policies prohibiting corruption and payment of bribes;

- “Appropriate remuneration for legitimate services”. EADS is very keen to ensure that all payments due and payable to any business partner are justified by legitimate services rendered and do not exceed sound market practices; and
- monitoring of the contractual relationships with such business partners (and the related payments) until satisfaction of all contractual duties.

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

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

In 2008, EADS has a network of around 20 International Compliance Officers (“**ICOs**”) representing each division/BU. ICOs are responsible for ensuring the correct application of the policies and procedures within their respective BUs. They are also in charge of nominating appropriate “ICO correspondents” in each BU’s controlled entity with a view to properly cascading the compliance duties in all operating countries.

### Partnerships and initiatives

EADS is also developing regular contacts with international bodies such as the OECD, the International Chamber of Commerce (“**ICC**”) and the European Union (“**GRECO**”) and peer companies with a view to setting and promoting integrity standards in the aerospace and defence sector. In this respect, EADS works closely with the European Aerospace & Defence Industries Association of Europe (“**ASD**”) and its members (such as CIDEF and GIFAS in France, BDLI in Germany, ATECMA & AFARMADE in Spain or SBAC in the UK), and also with major European aerospace and defence companies. As a consequence, ASD has produced, in 2007, a “**Common Industry Standards**” document (“**CIS**”) approved by the ASD Council, to promote and enhance integrity practices amongst its members. This document defines the principles aiming at setting high standards, exchanging best practices, promoting training and compliance programmes, and more generally generating and disseminating common European industry positions on ethics and anti-corruption issues to observe and

apply national legislation on anti-corruption rules implementing the 1997 OECD Convention against corruption and the United Nation Convention Against Corruption (“UNCAC”) as well as any other applicable laws. The largest international aerospace and defence companies and associations have adhered to the CIS.

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

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

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

### Performance and Best Practices

In July 2008, EADS made the last amendment of the Business Ethics Policy and Rules, as a result in particular of advice received from reputable international experts in business ethics and anticorruption laws and practices. The main objective of these amendments was to adapt the Rules to the evolution of the Group, and to disseminate the identified best practices across the Group as a whole, with the aim to constantly monitor the Rules according to the industry standards and best practices.

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

In addition, the Group has developed a comprehensive training policy so as to disseminate an awareness culture within all BUs. All employees dealing with international and national business attend such training sessions. In order to communicate and explain the Group’s corporate values and policies to all concerned, around 90 training sessions took place in 2008 across EADS, sometimes with the attendance of third parties (prosecutors, representatives of international bodies, lawyers, etc.). This represents a very high number of training sessions, which demonstrates that the dissemination of the EADS compliance culture in all BUs is a key element of EADS’ management system.

The Group has also updated in September 2008 the leaflet entitled “EADS Business Ethics Policy and Rules: Transparency & Substantiation”, which is given to all prospective business partners. This leaflet summarises the Group policies and procedures regarding selection of business partners.

The Group’s ICOs meet periodically to share concerns and best practices. An annual ICO Conference has been organised since 2003 involving more than 100 people involved in foreign/national trade business and operations. The last “International Compliance Officers Workshop” held on September 2008 in Paris was focused on the EADS Rules dedicated to:

- the evolution of the legal environment re. corruption;
- the new update of the Business Ethics Policy and Rules;
- real-case examples of judicial practices re. investigation of corruption cases;
- corporate Audit findings on compliance inside the Group;
- criminal liability;
- the market-access projects to increase EADS footprints.

The workshop also details the achievements made regarding the implementation of the Business Ethics Policy and Rules.

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

In relation with its businesses, EADS uses business partners in order to provide appropriate assistance and expertise to BUs on current or potential business for EADS and/or promote EADS products or services in various countries. The contractual arrangements for such services are governed by internal rules and policies that describe the entire contractual process, from the selection of the partner to the implementation and execution of the agreed service. In order to ensure that the rules are understood and strictly applied, consultant, service providers and offset service providers agreements are audited. The purpose of these audits is to check the substantiation of the contractual duties delivered by the business partners in exchange for remuneration. The table below presents information concerning the percentage of consultant and other business partners files audited in each of the past three years.

	2008	2007	2006
Consultants & other business partners files audited*	95.2%	94.9%	91.9%
Number of ICP Info Newsletters issued	3	3	3
Number of training sessions held by ICOs	90	87	76

Scope: EADS.

\* Total audited files/Total active files of consultants and other business partners.

Improvement of the Rules' implementation process within existing, and new EADS controlled entities, has increased the number of Consultants and other Business Partners files received by EADS International Operations. Consequent adjustment in EADS perimeter has lead to additional audits in 2008.

### 5.1.2.3 EXPORT COMPLIANCE

#### Policy

- “EADS complies with all national, EU, and UN import and export control related laws and regulations for commodities, technical data, software, and technical support.
- EADS follows the guidelines of the applicable export control administrations. The Group always obtains licenses and other government approvals prior to exporting controlled goods or technology.
- EADS is committed to implementing industry best practices, and has established internal policies and processes also to optimise its overall business objectives worldwide, which may exceed the requirements of national laws and regulations.”

The EADS CEO in this context has stated the following:

*“EADS Group is a global enterprise that provides high technology products and services to its customers utilising the talent, resources and expertise of its international workforce. The products and services we provide include cutting edge technologies and products that are relied upon by armed forces and domestic security organisations. These products and services not only can be used to protect national and international peace and security but also can be used to threaten our peace and security if allowed to fall into the wrong hands.*

*Each of the nations in which the EADS Group does business has controls on the export and transfer of its goods and its technologies that are considered to be important to its national security and its foreign policies. As a global enterprise, it is our responsibility, as well as in our business interest, to respect and to comply with each of those controls. Failure to comply with applicable national controls could prevent the EADS Group from doing business in our key markets and could result in serious penalties for the Group and for the individuals concerned.”*

To underline the top management commitment to Export Compliance, the EADS CEO has issued an “Export Compliance Directive” defining the EADS policies and giving guidance for organisations and processes. Furthermore, the Chief Compliance Officer and the Chief of Strategy and Marketing have jointly issued a detailed definition of “Responsibilities within the EADS Export Compliance Organisation”.

#### Organisation

For strengthening the Export Compliance Organisation, a Group Export Compliance Officer has been appointed, reporting to both the Chief Compliance Officer and the Chief of Strategy and Marketing Organisation. This dual reporting reflects the spirit of “independence and effectiveness” which is the basic principle for the whole compliance organisation.

He chairs the “Export Compliance Council” consisting of the national and the divisional heads of Export Control, who also report to the Group Export Compliance Officer in addition to their reporting within the operative units.

Building upon this organisation, the Group Export Compliance Officer can rely on a well developed matrix of professionals covering all EADS operations.

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

The cross country divisional export control organisations handle the business specific issues and the day to day business and controlling compliance with licenses at the final stage of the delivery of the goods, technologies or services.

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

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

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

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

### Performance and Best Practices

The Export Compliance Council holds quarterly meetings for exchanging information, establishing specific cross country and cross divisional procedures tailored to the needs of the operative business (aeronautics, defence and space).

The national heads of Export Control are responsible for issuing and keeping up to date national export control compliance manuals on the basis of the CEO's directive, and on EADS internal policies, principles and rules.

Export control education is part of EADS's management development programmes. Training and education sessions are held for employees and managers of all disciplines and operative organisations which are involved in Export Control matters (sales, procurement, contracts, engineering, programme management, logistics, etc.).

Some countries apply their export and re-export regulations extraterritorially (e.g. the US), and defence items procured in the Global Supply Chain may contain re-export limitations and provisos. In order to ensure compliance, and to avoid both legal and economic risks derived therefrom, EADS has issued a Directive for the Procurement of Export Controlled Items. In doing so, Export Control Classification of items is managed from the beginning of the supply chain in the whole lifecycle, thus also minimising economic risks of compliance cost in later programme phases.

The EADS Export Compliance System is regularly audited and reviewed both internally and by governmental authorities. Also, governmental export controls of compliance with laws and regulations for exports are performed.

In 2005, in addition to regular external audits, a comprehensive internal audit took place for the Export Control Systems in each country and in each division with no major complaints.

Export Compliance matters are also integrated in EADS' Enterprise Risk Management System.

### 5.1.2.4 COMPLIANCE WITH THE OTTAWA TREATY AND THE OSLO CONVENTION

Recent international conventions proscribe anti-personnel landmines (Ottawa Treaty) and certain munitions ("clustermunitions", as defined in the Convention on Cluster Munitions, "Oslo Convention").

EADS conducts its business in full compliance with all applicable laws and regulations. In this respect, EADS complies with the Ottawa Treaty. Moreover, as a part of its values of social and ethical responsibility, EADS is already committed to the terms and principles that are laid down in the Oslo Convention even though this convention is not yet binding.

EADS wishes to underline that neither it, nor any of its subsidiaries, is involved in the production, use, maintenance, offering for sale, distribution, import or export, storage or transportation of anti-personnel landmines or cluster munitions targeted by the Oslo Convention.

Since EADS is always consistent with the highest industry standards, we are committed to respect and implement the Ottawa Treaty and the Oslo Convention throughout the Group and, as part of our overall approach towards corporate responsibility, the present statement has been included in the annual report.

## 5.2 SUSTAINABLE GROWTH

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

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

### 5.2.1 Product Quality and Customer Satisfaction

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

#### 5.2.1.1 POLICY

- *"EADS is fully committed to achieving the highest levels of customer satisfaction, driving continuous improvements in the quality of its products, processes and people and deploying the most demanding Quality Management Systems."*
- *EADS actively seeks key customer feedback through a structured Group-wide process of Customer Reviews."*

#### 5.2.1.2 ORGANISATION

The Head of Corporate Quality & Business Improvement, reports to the Chief Technology Officer ("CTO"), is in charge of stimulating, coaching and supporting the BUs to implement continual improvements in operational level OTOQD performance and to maintain and improve customer confidence in EADS.

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

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

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

#### 5.2.1.3 PERFORMANCE AND BEST PRACTICES

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

This EIP acts on four key areas for improvement:

##### Customer Confidence

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

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

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

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

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



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

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

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

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

### Programme Management

In order to significantly improve the EADS programme performance and as a consequence boost customer confidence, EADS has launched a group-wide initiative in 2008 under the sponsorship and special mission of the Airbus COO.

Following the creation of a dedicated PM Council and PM Network in 2007, a PM Steering Board with decision making authority for group-wide performance improvement actions has been created in 2008, comprising the most recognised Programme Directors and Heads from each of the EADS divisions complemented by representatives of the support functions Finance, HR, Business Improvement and Quality.

The Steering Board is chaired by the Airbus COO in his special mission for the EADS group, and

- defines the roadmap and the action plan;
- sets the priorities of work to the PM Council;
- legitimates the role and the PM Council action.

An action plan for PM performance improvement has been developed, approved and issued by the PM Steering Board for cross-business deployment starting in 2009.

The actions are clustered into the three domains:

- **Capability Development:** to define and implement the competence development strategy for the core PM population
- **Methods & Tools:** to develop, deploy and continuously improve programme and project management processes and tools
- **Operational Support:** to provide operational support to programmes.

First outputs are a unified EADS Career Path model, a core PM foundations training, specific Development Centers and an adapted Mentoring approach for Programme and Project managers.

Being the basis for a common EADS PM language and terminology, the EADS PM framework has been created and issued as the common referential, defining the key characteristics of the processes for managing programmes.

The process of spreading best-practices between programmes and divisions started, using the outcomes of technical programme assessments, best practice marketplaces and seminars, technology readiness reviews, and others to establish the areas where maximum benefit could be gained by cross-divisional collaboration.

### Lean Operation

Lean Operations at EADS is driving Continual Improvement in:

- the elimination of non-value-adding activity;
- forging closer links throughout the Global Supply Chain; and
- ensuring processes are robust in all Operational workflows.

All EADS divisions have been actively working in lean-based performance improvements in the manufacturing and supply chain areas for several years. EADS is now focused on leveraging these individual improvement actions to accelerate deployment across the Group by actively spreading Best Practices (*e.g.* EADS Lean Day for Plant & Operations Managers on June 2008 in Manching was focused on Manufacturing & Supply Chain Best Practice through Airbus Sup@irworld — common presentation made by Airbus & Eurocopter).

In order to effectively drive this, EADS has created a Lean Operations council (quarterly meetings starting in 2007) comprising Senior Executives from each division having both the expertise and authority to drive lean-based improvements within their respective division and an additional initiative through the Lean Development Council is running from January 2008 (Quarterly meetings) and is mainly focused on an EADS framework for a Lean assessment model.

### DRIVER and EADS Black Belt

EADS equips managers with an “Improvement Methodology and Toolkit”. This is the purpose of the “DRIVER” methodology defined in 2005, along with the complete training syllabus (more than 10 training modules and 30 tools). DRIVER is EADS’ specific Improvement methodology. The corresponding training can be delivered in the format of “Executive Black Belt” (0.5 day), “EADS Silver Belt” (2.5 days), “EADS Green Belt” (4 days) or “EADS Black Belt” (16 days). To

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be recognised as Qualified Improvers, EADS Black Belts must complete, on top of their training, an improvement project that can deliver measured benefits in terms of On Time on Quality Performance, costs savings, Customer Confidence or a mixture of the three elements.

A learning management system (“LMS”) supports and monitors the programme deployment, also enabling candidates to share best practices and use trans-BU networks for mutual support. At the end of 2008, 540 people had been enrolled as EADS Black Belts in the sessions held across EADS divisions and BUs. A total of 1,019 Executive Black Belts, 788 EADS Silver Belts and 1,117 EADS Green Belts have been achieved.

#### 5.2.1.4 STANDARDISATION

Standardisation is a driver of competitiveness and can make the difference in an increasingly more demanding market. Standards imposed through regulation continuously challenge our organisation, with a direct impact on our products, people and company, and a direct link to legal and penal consequences in case of failure.

The domain of standardisation is very extensive; it involves many organisations that produce, publish, manage or apply standards that have an impact on the business, operation and products of EADS. The ability to focus on those standards that are most relevant to our business is vital. Having selected the type of standard relevant to each business areas, EADS with its divisions must then be in a position to influence their production and understand the results.

## 5.2.2 Sustaining and Protecting Innovation

### 2008 SUMMARY

In 2008, the Corporate Technical Office introduced initiatives to support *Vision 2020*'s strategic goals, while further improving research and technology productivity. The EADS Corporate Technical Office (CTO) introduced measures to foster EADS' sustainable growth by developing leading edge, including “eco-efficient”, technologies. At the same time, it continued to improve the efficiency of research and technology (R&T), technical processes and information management.

### RESEARCH AND TECHNOLOGY

The CTO continued to pursue many measures needed to achieve the R&T goals associated with *Vision 2020*. These included establishing roadmaps for key technologies, starting a group-wide ‘green’ technologies group, planning how to recruit sufficient engineering talent, and improving R&T management.

An EADS Standardisation Policy, for the whole EADS Group, defines how EADS will do this in the framework of our international and national organisations. This policy states the long-term vision against which the EADS Group can test any decisions that we make regarding external standards and outlines the strategy we shall adopt to achieve it and the principles of implementation.

This policy also describes the process for reviewing and influencing external standards and how to purchase and to make them available within the EADS divisions and Business Units.

The EADS Standardisation Panel, composed of representatives of each division and Business Unit and chaired by CQBI, has developed this policy.

#### 5.2.1.5 TECHNICAL ASSESSMENTS

The EADS Chief Technical Officer is responsible for Technical Assessments upon request of the EADS CEOs/Executive Committee or EADS divisions and Business Units.

For the benefit of CTO and to support programme activities, CQBI is in charge of leading the technical assessment using independent experts mainly coming from the different EADS divisions and Business Units. Different assessments have been performed in 2008, for example focussing on SIDM, A400M and NH90 programmes, with the aim to propose recommendations and to resolve main issues addressed.

EADS now has an R&T leadership team across the Divisions, implementing a streamlined approach to capture synergies. For example, EADS *Innovation Works*, the research arm of the Group, and the Defence & Security division have a new co-located research facility in Newport, Wales in the United Kingdom.

Management focuses R&T spending on a number of larger projects, thereby ensuring more concentrated investment of R&T funds in strategic directions. To maximise the resources of the R&T budget, EADS continued to increase its contracting activities with European governments. Additionally, R&T operations targets are to increase efficiency by approximately 10% and to reinvest the proceeds in technology development.

Global R&T collaboration continued to grow outside Europe in order to access a diverse pool of scientific and engineering expertise. Partnerships with leading research institutes expanded

in Canada, India, Russia, Singapore, China and the United States.

Across EADS, 2008 was a significant year for technology development, with notable innovations ranging from civil aircraft fuel cell research, to synthetic fuel testing, low emission diesel helicopter propulsion and technologies for the security of the public.

### CORPORATE TECHNICAL OFFICE ORGANISATION

The Chief Technical Officer's (CTO) mission is to be R&T focal point for the entire Group. The CTO ensures that business strategy and technology strategy are closely linked. He is responsible for the development of design and manufacturing tools and innovation across EADS. The CTO is a member of the EADS Executive Committee and has the responsibility for the entire R&T budget and R&T production in EADS. The CTO delivers shareholder value through a disciplined, leading-edge R&T portfolio that enables the introduction of new technologies on future products with strong returns-on-investment. The CTO also aims at maximising customer excitement by providing high-value solutions that meet the technological, performance, safety, and cost-competitive requirements. In addition, the CTO addresses broader public concerns of with solutions that encompass safety, security, environmental compatibility and energy efficiency.

The EADS Executive Technical Council ("ETC"), chaired by the CTO, is made up of the technical directors of each division. The ETC is responsible for ensuring alignment with the Group's technology strategy and implementation through the Group R&T road map. The ETC ensures that a balance is maintained between the top-down strategic guidance and bottom-up.

Group Innovation Networks and their leaders ("GINs" 1-5) in the CTO's team report to the Chief Operating Officer Innovation to ensure that R&T synergies are exploited throughout EADS divisions and the EADS *Innovation Works*. The COO Innovation is chairperson of the R&T Council (RTC), which is made up of the R&T Directors of the Divisions/ Business Units, and the head of EADS Innovation Works.

The CTO steers the EADS-wide harmonisation of transversal technical processes, methods and tools, and skills development programmes, such as systems engineering, common tools for Product Life-Cycle Management (PLM/Phenix) and systems engineering training and qualification. The CTO team also carries out technical assessments on behalf of the CEO and the EADS Executive Committee.

The head of EADS Innovation Works (IW) reports to the CTO. EADS Innovation Works manages the corporate R&T production that develops the Group's technical innovation potential. Driven by the EADS R&T strategy, EADS IW identifies new technologies that will create long term innovation

value for the group. EADS Innovation Works operates two main sites near Munich and Paris and employ approximately 650 people including doctorates and university interns. Proximity centres are maintained in Toulouse, Nantes and Hamburg to support the knowledge transfer to business units. A liaison office operates in Moscow, which coordinates relations with leading Russian scientific institutes. EADS operates R&T centres in UK, Spain, Singapore, and is establishing a presence in India in 2009.

EADS *Innovation Works* and the EADS R&T community in the Divisions maintain and continually grow partnerships with leading universities and high-tech engineering schools through employment of thesis students, post-graduate interns and doctorates, and by research contracts.

### PERFORMANCE AND BEST PRACTICES

#### a) The R&T Strategic Approach

The strategic obligations for EADS include the development of core competencies and core technologies for platform and platform-based systems architecture and integration. In parallel, EADS strives to keep the innovation pipeline flowing in order to replace ageing technologies and processes.

Building on the identification, evaluation and clear prioritisation of critical technologies for the Group, EADS is shaping a technological policy that strengthens group synergies and is aimed at maintaining and when needed, increasing EADS R&T efforts. Each division is responsible for proposing its own targets, and at securing public and private R&T funding.

The EADS R&T strategy is driven by:

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

#### b) R&T Production and Management

EADS R&T activities cover a wide spectrum of technological domains and they are targeted at the different levels in the value

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chain and structured according to the timelines of short-term committed programmes, medium-term optional programmes and long-term advanced concepts for the introduction of new technologies into the company's product and manufacturing pipeline:

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

All EADS divisions work to generate new product concepts in line with the R&T strategy to maximise future business potential. These concepts explore and generate new ideas, while pushing the limits of what is technically possible, today.

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

#### c) EADS Corporate Foundation for Research

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

With a total endowment of €24 million over 5 years, the Foundation is now in its fifth year and its extension for another five years is under consideration. It has funded more than 60 research projects (including doctoral and post-doctoral) as well as three scientific chairs.

One of the Foundation's goals is to build ties between the public research community and the education sectors. To this end, each year it awards excellence in the field of Research, which promotes exemplary male and female scientists who achieve milestones in their research work in collaboration with the industrial sector. Every year, it also gives six 'Best Thesis' awards in mathematics, engineering sciences, earth sciences, physics, information technologies and interdisciplinary domains.

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

#### d) Bauhaus Luftfahrt (an Aviation Research Think Tank)

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

#### e) Competence Management

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

- support customers into complex problem solving;
- implement innovations into new products and services;
- increase and share technical knowledge;
- secure intellectual property.

#### f) Recognising Talent as a Strategic Human Capital

In November 2007, EADS hosted the first *Hall of Fame* ceremony, which award prizes to nine of its employees from across the Group. Four categories of awards were given: the best inventors, those that are developing and patenting new technological inventions; the best innovators, the people who implemented innovative projects during last two years that helped generate a significant revenue increase or competitive advantages; the craftsmen, those individuals with unique skills, which give the company a valuable competitive advantage and a "Special Prize" to a team, in order to recognise the best improvement initiatives to generate savings, to deliver on time or to increase quality (in 2007: the "Best Lean Manufacturing Team"). The next nomination process and ceremony will take place in 2009.

#### 5.2.2.1 PROTECTING INNOVATION: INTELLECTUAL PROPERTY

Intellectual Property ("IP"), such as patents, trademarks, copyrights and know-how plays an important role in the production and protection of EADS technologies and products. IP rights are the primary instrument for a technology-driven company. Patent portfolio development and territorial coverage is therefore key for availability and control of technology to support for future growth. The use of IP rights enables EADS to remain competitive in the market and to manufacture and sell its products freely. It is EADS' policy to establish, protect, maintain and defend its rights in all commercially significant IP

and to use those rights in responsible ways. In 2008, EADS was ranked number 4 in the United States for the total number of aerospace and defence patents the company filed.

### Organisation

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

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

### Performance and Best Practices

To increase the added value of the Group, the EADS CTO team promotes sharing within the Group of all the knowledge of the

BU's and the sharing of resources, skills, research and budget to develop new knowledge, while respecting existing contractual and legal frameworks. For example, all the contracts between BU's of the Group concerning shared R&T must have provisions allowing for the flow of knowledge (EADS R&T Network rules).

In 2008, the EADS IP portfolio comprised approximately 7,000 inventions (approximately 6,350 in 2007), which are covered by more than 25,600 patents throughout the world. The increase in the number of patents filed during 2008 gives a good indication of the greater momentum in R&T and product development. 1,088 patents were filed in 2008, compared with 957 in 2007. As a result of an increased effort EADS climbed in the *Wall Street Journal's* Patent Scorecard ranking of top patent filers from 9th to 6th in the US Aerospace & Defense hit list, which is underlining EADS' emphasis in the US market.

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

	2008	2007	2006	2005
New inventions filed (some of which covered by several patents)	1,088	957	792	586
EADS patents portfolio (year end)	25,665	20,653	18,366	15,036

Scope: EADS.

## 5.2.3 Supplier Management: Fostering a Mutually Beneficial Relationship with EADS' Suppliers

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

➤ *fostering a mutually beneficial relationship with suppliers, EADS' sourcing principles require all suppliers to be responsible and to implement its standards and requirements across all levels of the supply chain;*

### 5.2.3.1 POLICY

The EADS BU's Procurement Policies reflect the following statements:

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

➤ *"suppliers represent a high proportion of the value of EADS' products, and play an important part in customer satisfaction. As such, EADS endeavours to integrate them fully in an ethical way of doing business;*

### 5.2.3.2 ORGANISATION

#### Sourcing Strategy

EADS Corporate Sourcing is the strategic architect of sourcing functions and provides overall orientation for sourcing activities

across the Group, in particular regarding the key elements of the Sourcing Strategy, which are Procurement Marketing and Global Sourcing, Joint Sourcing, Supplier Evaluation and Risk and Opportunity Sharing:

- **procurement marketing and global sourcing** aim at identifying the best potential suppliers worldwide and at evaluating them with regard to their capabilities and their certifications. Procurement marketing is extremely important as EADS targets new global supply markets to support EADS' globalisation objective (40% sourced outside Europe in 2020);
- **joint sourcing activities** allow purchasing power to be leveraged across EADS. A group of Lead Buyers bundles procurement volumes of selected material groups for common negotiation. The Joint Sourcing also allows all EADS BUs to use a common EADS contract per supplier;
- the EADS **supplier evaluation and development** process guarantees that suppliers' performances are regularly evaluated. Suppliers can expect that the same processes and criteria (Commercial, Logistics, Quality, Technical and Customer Support) are applied across all BUs. Evaluations are shared with suppliers in order to discuss further improvement and development plans. Due to the complexity of the procured systems, EADS favours long-term, mutually beneficial, reliable and stable relationships with key suppliers. Consideration for partnerships is limited to suppliers who continuously show excellence in their performance, who can demonstrate a credible long term interest and who are able to support their business interest with their own developments and investments. In that context, suppliers are involved at the early stages of product development;
- both **business risks and opportunities** should be adequately shared with suppliers. Procurement Policies of EADS' BUs address all typical business risks, including risks attached to CSR, and suggest how they should be dealt with in EADS' contractual agreements. Procurement Policies also set out the principles and guidelines for conducting business with current and prospective suppliers. These guidelines describe how partnerships should be handled in an equitable manner in the interest of all parties concerned and how disputes should be dealt with professionally and as quickly as possible in accordance with the agreed partnership arrangements.

### Sourcing network

Each EADS division and BU has its own sourcing function.

The five EADS divisions' Chief Procurement Officers compose the **Chief Procurement Officers Council ("CPOC")** which is chaired by the EADS Chief Procurement Officer. This Council is responsible for implementing the EADS Sourcing Strategy within each division of EADS. The Chief Procurement Officers

have organised Sourcing networks in order to coordinate other strategic topics across EADS divisions. Listed amongst these strategic topics, CSR is managed by a dedicated Sourcing CSR Network. The Sourcing CSR network pursues the objective of formalising the EADS CSR Sourcing management processes and associated documentation. This Network is composed of focal points in each division's Procurement organisations and is coordinated by EADS Corporate Sourcing.

### 5.2.3.3 PERFORMANCES AND BEST PRACTICES

#### Sourcing context in 2008

With three fourths of its revenues sourced from external suppliers, efficient and effective supplier relationship management is a key factor of EADS' success. EADS' top 50 suppliers account for 61% of the sourcing volume and the top 250 suppliers account for 75%.

Complex systems and equipment account for 39% of EADS procurement. Structures, material and product-related services also account for 38%, while non product related material accounts for 23%.

While EADS likes to see itself as an important customer for its key suppliers, EADS wants them to be independent and at the edge of technological development. On average, EADS' suppliers make no more than 11% of their revenues from EADS. Most of EADS' sourcing volume is provided by large companies. The remaining Sourcing volume (15%) is spread across a large number of small and medium sized enterprises, as per the European Commission definition, *i.e.* with less than 250 employees or less than €50 million turnover.

Sourcing activities focus on the EADS home countries France, Germany, UK and Spain, and on the US Sourcing outside the EU and North America is still limited. However, EADS sees its global sourcing activities increasing to better use opportunities and to support sales. As in past years, most of EADS' suppliers are located in the EU (77%) and North America (21%) regions in which social, economical and environmental practices are regulated by applicable norms and laws. EADS' Sourcing contractual terms request that these suppliers shall comply at any time with laws and regulations on economical, environmental and social standards and make best efforts to anticipate forthcoming changes in these standards.

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

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

### CSR project

In 2007, the Sourcing CSR Network validated with selected suppliers various tools (the CSR Supplier Code; a CSR Supplier evaluation Questionnaire; a CSR contractual clause — available on the EADS website [www.eads.com](http://www.eads.com); and various metrics to measure the compliance of Suppliers to EADS CSR policies), which are progressively cascaded down within the BUs. In 2008, EADS Environmental requirements for suppliers have been established as a Group recommendation. These requirements are already implemented by Airbus.

### Sourcing Contractual terms related to CSR

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

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

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

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

The impact of the financial crisis in the supply chain receives a special attention from Procurement teams. A standard set of counter measures is being defined in order to react promptly in an organised manner if a supplier happened to face financial difficulties.

REACH compliance has been organised by several multifunctional teams in each Business Unit under the lead of the EADS Environmental Network. Procurement function has strongly supported this compliance exercise by allocating dedicated resources to this project. The Buyers community has worked intensely with the suppliers to identify and avoid risks of non-compliance or supply chain disruption which are now mitigated.

### BUs best practices

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

#### Airbus

In January 2007, Airbus became the first aerospace company in the world to receive ISO 14001 "full life-cycle approach" environmental certification. The supply chain plays a strategic role in fulfilling ISO 14001 objectives. The Airbus environmental project receives continuously full support from Airbus Procurement.

Environmental policies of Airbus Procurement are posted on Airbus Intranet. Airbus Procurement staff is also regularly invited to go through e-learning modules in order to learn how to introduce Airbus environmental requirements into contractual agreements. The "Airbus Environmental pocket-guide" is communicated to all Procurement employees in Airbus. In this Guide, the CEO of Airbus presents the Airbus environmental challenges and the head of Procurement explains the Environmental Commitment and Objectives for Procurement, the golden rules for environmental contribution. This guide shows also the organisation in charge of Environmental Management within Procurement.

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

#### Astrium

CSR requirements are considered in the Supplier pre-selection process as part of the basic Supplier requirements which are prepared in order to ensure in particular: (1) Compliance to EADS Code of Ethics and CSR policies, and (2) Awareness and demonstration of compliance with applicable statutory and regulatory requirements: WEEE, RoHS, etc. The Environmental Health and Safety requirements of Astrium are presented in a dedicated Intranet page for the attention of Astrium procurement teams.

The 2008 CSR performance of more than 90 suppliers has been evaluated.

**Defence**

A Procurement Compliance programme has been developed, and includes procurement “golden rules and processes”, and key performance indicators.

**Sourcing data**

All figures below have been calculated using the following euro-dollar exchange rates (2008: 1.4708; 2007: 1.4000; 2006: 1.2556; and 2005: 1.2441).

Importance of Sourcing Outside of EADS In percentage of revenues	2008	2007	2006	2005
	72	73	74	70

Sourcing Volume: Breakdown by Country for Top 10 Countries In percentage of total sourcing volume	2008	2007	2006	2005
France	31	31	32	31
Germany	21	21	21	22
US	20	21	20	22
UK	14	14	14	12
Spain	4	3	4	4
Italy	2	2	2	1
Netherlands	1	1	1	1
Belgium	1	1	1	1
Canada	1	1	1	1
Switzerland	<1	1	1	1

The geographic Sourcing breakdown is stable.

Purchasing Breakdown by Geography In percentage of total purchase	2008	2007	2006	2005
Europe	77	76	77	75
North America	21	22	21	23
Rest of the World*	2	2	2	2

Scope: EADS.

\* Including < 1% in non-OECD countries.



## 5.3 ENVIRONMENTAL CARE

Protection of the Environment is a global priority that requires engagement and responsibility by citizens, politicians, and industry alike, often in partnership. EADS makes a key focus of concern in the fulfilment of its mission, to provide individual mobility, communication and security, which are the essence of our modern societies.

Eco-efficiency is a major goal of the company's "Vision 2020" strategic roadmap. It aims at maximizing the benefits of our

products and services to our customers and other stakeholders while minimizing the environmental impact of operating and manufacturing these products throughout their life cycle.

Thus, innovative and eco-efficient technologies and processes are key factors of the company's sustainability, increasing the attractiveness of its products and its overall competitiveness, benefiting growth, safeguarding employment and creating added value for all stakeholders.

### 5.3.1 Policy

An update of the Environmental policy fully endorsed by the EADS Executive Committee has been published in 2008 as key cornerstone of the EADS Corporate Environmental Management System (EMS).

The Group commits to a continuous assessment of its environmental performance throughout the life cycle of its products, so as to find out the best way to improve it, and to provide comprehensive information to all legitimate stakeholders.

EADS is committed to respect and implement the following policy based on nine principles wherever the company operates, as part of its overall corporate social responsibility policy:

1. EADS is committed to managing its manufacturing and service activities in compliance with applicable Environmental laws and regulations and endeavours to remedy any potential divergence there from. Beyond legal compliance, the Group's entities strive to develop and implement state of the art environmental standards;
2. EADS endeavours to evaluate the main environmental aspects, opportunities and risks of its operations and products and set up appropriate actions to effectively minimise their harmful impact throughout their life cycle;
3. EADS strives towards the establishment of formal and life cycle oriented advanced environmental management system with the aim to cover all the company's activities and products related aspects. As such the Group encourages certifications of environmental management systems;
4. EADS is committed to provide transparent, reliable and regular reporting on the company environmental performance. It strives to nurture scientific debates on environmental issues with the concerned community through the provision of accurate and relevant data;
5. EADS is committed to environmental excellence in technology and mobilization of expertise, towards the research, the design and the development of the optimally clean and green technologies and products, without compromising quality, technical requirements and safety;
6. EADS is eager to offer its best technologies and products to serve the purpose of protecting the environment, to diagnose, to mitigate the possible sources of environmental degradation and to adapt to unavoidable changes of our environment;
7. EADS seeks to contribute to the establishment of an international industry framework of goals, practises, standards and rules based on dialogue and voluntary commitments;
8. EADS strives to increase the awareness of environmental challenges among its stakeholders. It particularly expects its partners and suppliers to acknowledge this EADS environmental policy towards the protection of the environment;
9. EADS believes that its employees are key actors in the implementation of its eco-efficiency strategy. The Group promotes and supports concrete changes towards individual environmental-friendly behaviours.

### 5.3.2 Organisation

Each EADS division, Business Unit, entity and corporate function is responsible and accountable for the operational implementation of the EADS Environmental policy.

The consistency of the various initiatives is ensured through an overall Group wide coordination provided by the EADS Environmental Network formally composed of representatives of main business areas and placed under the responsibility of the Corporate Secretary.

The mission of the Environmental Network is to guarantee a continuous improvement of the environmental performance, to promote cross-fertilisation of best practices, to monitor opportunities and risks and consistently anticipate any new relevant regulatory framework. Sub-working groups on specific topics that matter for the Company have been established such as on Climate Change/Energy, REACH.

Periodic review of the achievements against corporate objectives is performed at various levels thanks to a set of appropriate KPIs and advanced reporting tools, in the frame of the Environmental Management Systems (EMS).

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

- ICCAIA (International Coordinating Council of Aerospace Industries Associations — Aircraft Noise & Engine Emissions Environment Committee: Vice-Chaired by Airbus);
- ASD (Environment Committee and REACH Working Groups Chairmanships);

EADS is also participating in environmental working groups of national industry organisations such as the GIFAS in France, ATECMA in Spain, BDLI in Germany and the SBAC in the UK. Cooperation has also been initiated with AIA (Aerospace Industries Association of Americas) and SAE to develop appropriate Standards to ease the supply chain's response to comply with the REACH regulation.

### 5.3.3 Performance and Best Practices

EADS strives to continuously improve the environmental performance of its facilities but also of its products throughout their life cycle, from design to end of life. EADS aspires to make Environment a true driver for cultural change and relevant value creation for the Company.

While promoting the environmental culture and eco-efficient behaviour within the Company through an appropriate advanced Environmental Management, EADS maintains a high degree of efforts in research to ensure the cleanest and greenest technologies and products are constantly proposed to its customers, in line with a Corporate Environmental Roadmap recently established.

#### EADS ENVIRONMENTAL ROADMAP TOWARDS ECO-EFFICIENCY

EADS is committed to move towards an Eco-Efficient Enterprise. In order to substantiate this vision through an effective series of concrete projects and actions, a corporate Environmental roadmap has been established which provides a general framework and timeline of aggressive goals for the whole Company to be achieved by 2020, including in particular

management, operational and products oriented performance goals, among which:

#### Environmental Management goals:

- 100% EADS covered by ISO 14001 with a life cycle orientation and a single corporate certification;
- 100% of new EADS products eco-efficiently developed;
- 100% EADS assessed with a global Environmental footprint methodology;
- reviewing 80% of the main industrial processes aiming at more eco-efficiency;
- top 300 main suppliers engaged towards ISO 14001 or other EMS.

#### Performance operational goals:

- 80% reduction of water discharge ;

- 50% reduction of waste, water consumption, CO<sub>2</sub> and VOC emissions;
- 30% reduction of Energy consumption ;
- 20% of energy from renewable sources;
- meeting ACARE research goals for Aviation and the various defined goals for other products portfolio;
- develop eco-efficient solutions for core and adjacent customers segments, which provide sustainable value creation for the Company.

### ENVIRONMENTAL MANAGEMENT ISO 14001/EMAS

As part of the policy and the roadmap, EADS encourages not only the environmental certification of its operations but also the development of a full life cycle orientation as this remains the best economic and practical way to effectively reduce the Environmental impact. Robust certified Environmental Management Systems (“EMS”) have been already progressively implemented across EADS manufacturing sites, with the objective to achieve a full coverage of EADS and a single corporate certification against ISO 14001.

Implementing an EADS group-wide EMS allows the Company to facilitate its path to eco-efficiency. Since 2004, the number of sites concerned has more than doubled and as of 31 December 2008, more than 80% of EADS’ total workforce now operates according to an EMS.

For example, Eurocopter achieved the ISO 14001 certification of its German sites during 2007, and further expansion was reached in 2008. The Site and Product oriented EMS, as established by Airbus since 2006, covers all European Airbus production sites, including the Airbus headquarters as well as all product related activities throughout their life cycle. It allows, through an innovative approach, to set the appropriate actions to efficiently minimize the environmental impacts where it makes sense in the life cycle. Significant progress was made with the coverage of Airbus China (Beijing Campus) and all main sites in the US. Further worldwide expansion is being expected in 2009 in particular in China (FAL in Tianjin), in the US and India.

Monitoring of the various achievements against objectives is being performed through the collection of a carefully chosen set of indicators. Consistency and reliability of the reporting exercise is being ensured through corporate procedure and guidelines derived from GRI requirements combined with an advanced Environmental Management Information System (EMIS/reporting tool) being expanded to all EADS.

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

chain as a key means to systematically address and improve its environmental performance but also of the air transportation sector as a whole and create added value. Airbus contributed to various initiatives in 2008 in particular joined forces with several other organisations (Chamber of Commerce, National Trade Associations, EADS Germany...) towards setting guidelines for this new lifecycle oriented management. Support to implement EMS within various customers’ organizations has also been provided.

### CLIMATE CHANGE AND ENERGY RELATED ISSUES

Recognising that Climate Change and energy related issues are some of the main environmental challenges to be addressed, a Climate Change and Energy initiative have been launched. This initiative, which mobilises a wide range of complementary expertise from all EADS business areas, intends to provide EADS with a robust and detailed assessment of EADS challenges and opportunities in a “low carbon economy”.

In order to meet increasing stakeholders’ demands in carbon related information, and anticipating more stringent regulations (e.g. Emission Trading Schemes), a complete carbon footprint has been initiated according to the Green House Gas Protocol (GHG protocol) with key international partnership. This shall allow the identification of the various risks, but also of the opportunities to further reduce the GHG emission and the relevant carbon dependencies.

A potential risk from climate change to EADS operations comes from the expected scarcity of fossil fuel, the subsequent increasing pressure on energy costs combined with the planned buildings of new infrastructures and increase of air traffic. However, both from a cost, operational efficiency and sustainability, the Group recognises that it has a responsibility to massively reduce energy usage where possible in order to decouple the impact from the expected growth. This is why numerous improvement programmes have been already initiated across EADS to reduce the overall energy footprint of the infrastructures and install some renewable sources of energy, such as solar panels.

Some of the EADS facilities are already part of the EU Emission Trading Scheme and have implemented strong energy reduction initiatives. Recent inclusion of aviation into the EU ETS (EC directive 2008/101) is also being addressed in close relation with the stakeholders of the air transport sector, which recalls for a fair internationalisation of the EU ETS under the supervision of ICAO.

Whereas EADS operations have a relatively limited impact in terms of greenhouse gas emissions (e.g. according to the IPCC (Intergovernmental Panel on Climate Change), air transport currently causes 2% of the total CO<sub>2</sub> man-made world emissions), the Group is committed to mobilise all necessary expertise and significantly increase its R&T efforts towards the design, the development and the manufacturing of the cleanest,

greenest and lowest energy demanding technologies and products.

In the R&T area, EADS participates or leads major international and European technology programmes to address climate change related matters such as EU “Clean Sky” Joint Technology Initiative (JTI). The Clean Sky JTI is the largest research project ever set up jointly with the European Commission and will run over a seven-year period with a total budget of €1.6 billion (half financed by the European Commission and half by the industry). Supporting the ACARE (Advisory Council for Aeronautics Research in Europe) goals, “Clean Sky” intends to radically improve the impact of air transport on the environment in delivering innovative technologies and solutions, supporting step changes in the reduction of noise (50% reduction in perceived noise), emissions (50% reduction of CO<sub>2</sub> and 80% of NO<sub>x</sub>) and consumption for the next generation of aircraft by 2020. It also includes research on green product lifecycle design including manufacturing, maintenance and disposal.

While Airbus Eurocopter and EADS CASA each co-lead a specific Integrated Technology Demonstrator (respectively Smart Fixed-Wing Aircraft, Green Rotorcraft and Green Regional aircraft), EADS Innovation Works and ATR participate as associate companies. Following a 2006 agreement, the official launch took place in February 2008.

Other initiatives dedicated to reduce the emissions of CO<sub>2</sub>, to which EADS participates, include the SESAR (Single European Sky ATM Research) programme which aims at improving the EU Air traffic Management through the implementation of the Single European Sky.

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

## WASTE AND NATURAL RESOURCES

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

Thanks to the use of the most appropriate elimination, valorisation and recovery paths together developed with the main Waste Management companies, strong reduction has been achieved in 2008 (10% reduction compared to 2007).

Recycling of cured and uncured CFR composites has been carefully studied with the aim to separate and reuse recovered carbon fibres in some aerospace or secondary industry applications; promising technologies have been already identified such as pyrolysis and industrial developments launched.

Airbus has set up a three steps approach to develop environmentally friendly dismantling practices. Further to the life supported project called PAMELA (Process for Advanced management of End of Life Aircraft), it has been evidenced that significant improvements can be obtained compared to currently developed dismantling practices. The optimised combination of advanced 3D techniques (Decommissioning, Disassembling and Dismantling) allows for a materials recovery rate of over 80% compared to less than 60% today. Careful extraction and knowledge of materials from the aircraft are essential to comply with current EU regulatory framework and respect the most environmentally friendly applicable standards. Following this initiative, the TARMAC-AEROSAVE Company now aims to offer appropriate industrial services in that field and set up a worldwide dedicated network.

## AIR POLLUTANTS

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

## REACH AND HAZARDOUS SUBSTANCES MANAGEMENT

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

substances that are considered to be of very high concern for human health and environment.

Taking on board the lessons learned from the management of the RoHS and WEE directives and in order to provide a consistent compliance approach for the whole Company and support its supply chain, a dedicated Working Group has been created as part of the EADS Environmental Network, bringing together all EADS business areas.

EADS, Airbus and other divisions are also joining forces at an international level (ASD, AIA) together with other major aerospace companies to further structure the entire sector's compliance approach. As REACH requires new flows of information to be managed throughout the supply chain, standardisation of the various requests has been rapidly recognised as vital to limit the burden, costs and discrepancies. A set of REACH Interpretation Guidelines have been issued or updated in 2008 explaining the ways of implementing its requirements through current commonly accepted interpretations.

All necessary pre-registration of substances have been successfully managed in 2008. Anticipating possible disruptions that might result from restrictions, ambitious elimination plans have been initiated to get rid of the most critical substances. For example, at Airbus, a major project called Airbus Chromate Free (ACF) aims to develop, qualify and implement chromated free technologies for all the concerned applications in manufacturing operations and maintenance of civil aircraft: pickling, anodising, chemical conversion, coatings, electronic, hard chrome; the results are exchanged through dedicated platforms to ensure the development of the most standardised solutions within EADS. Lead Free and Cadmium Free initiatives are also currently running. While proactively moving towards the elimination of these substances, EADS and its Divisions are committed to the highest achievable control of emissions, in full compliance with applicable regulatory framework.

## SERVING THE ENVIRONMENT PROTECTION COMMUNITY WITH WORLD CLASS SERVICES AND PRODUCTS

Through its technologies and in particular its satellites, produced by EADS Astrium, EADS has continued in 2008 to significantly contribute to the preservation of our environment.

The meteorological satellites have continuously provided the data that are used to improve weather understanding. They will be seconded by observation satellites (as for example Cryosat or GOCE to cite only the most recently developed ones) that are producing continuously data that have a unique impact on the comprehension of climate change. They showed ice recession or land cover evolutions on large time and geographical scales making major progress on the measurement of long term evolutions. Air, seas and grounds are now monitored on a global level (Envisat, GOME). Furthermore, on the basis of these developments, EADS Astrium has created a whole range of services that are directly used by those who are in charge of environment protection (Infoterra or Spot Image kept on developing their activities in this field in 2008). It should also be noted that Planet Action ([www.planet-action.org](http://www.planet-action.org)), a non-for-profit collaborative initiative launched in June 2007 by Spot Image, has entered its operational phase in 2008 to encourage the Earth observation industry and geographic information professional communities to help and tackle the climate change related issues.

## KEY PERFORMANCE INDICATORS

EADS is committed to improve transparency on operational environmental performance. In order to achieve this objective, EADS undertakes efforts to implement a consolidated reporting system based on harmonised KPIs definitions derived from GRI and consistent calculation methods.

Since end 2008, a company wide Environmental Reporting tool is currently being implemented to improve the collection of the various data and its reliability.

The scope and the accuracy of the environmental reporting will therefore progressively be extended and improved as respective information become available.

	2008
ISO 14001 certification/EMAS registration — Number of sites covered by a certificate	62 <sup>(1)</sup>
Number of sites covered by EU-ETS	10
Total Direct CO <sub>2</sub> emissions (in tonnes)	325,000 <sup>(3)</sup>
Total Indirect CO <sub>2</sub> emissions (in tonnes)*	415,000 <sup>(3)</sup>
Total CO <sub>2</sub> emissions declared under EU ETS (in tonnes)	150,000 <sup>(2)</sup>
Total Energy use (in MWh)	3,190,000 <sup>(3)</sup>
Volatile Organic Compound Emissions (in tonnes)	3,000 <sup>(2)</sup>
Total water use (in m <sup>3</sup> )	4,710,000
Total water discharge volumes (in m <sup>3</sup> )	2,385,000 <sup>(3)</sup>
Total hazardous waste production (in tonnes)	35,500
Total Non-hazardous waste production (in tonnes)	66,300

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

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

The scope of reporting covers EADS sites of European subsidiaries. More than 93% of EADS work force is based at those sites.

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

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

\* Indirect CO<sub>2</sub> emissions associated to Total Electricity Consumption.

(1) Without taking in consideration Airbus Non-EU sites, which successfully passed the certification, audits in 2008.

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

(3) Comparison with 2007 is not possible as the scope and definitions have been aligned to the GRI definitions and the GHG protocol.

## 5.4 HUMAN RESOURCES: EMPLOYER — EMPLOYEE RELATIONSHIP

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

Maintaining high standards of health and safety in the workplaces is also a major priority of the EADS Group. In 2008,

several initiatives have been taken to be more efficient in terms of competency management, shared services and to better shape resource planning. In the field of industrial relations, the HR function coordinates the social dialogue which takes place at group level or division level.

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

### 5.4.1 Workforce Information and Organisation of Work

On 31 December 2008, the EADS workforce was composed of 118,349 employees. Since 2007, MBDA workforce has been consolidated at 37.5% (instead of 50% previously), resulting in a decrease of the workforce figure for 2007. However, the total headcount has increased by 1,856 employees compared to 2007.

In 2008, 97.6% of the workforce were permanent employees. Depending on country and hierarchy level, the average working time is between 35 and 40 hours a week.

In 2008, 7,081 employees worldwide joined EADS (6,860 in 2007). At the same time, 5,078 employees left the company (4,648 in 2007).

In total, 94.4% of EADS' active workforce is located in Europe on more than 80 sites.

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

## WORKFORCE BY DIVISION AND BY GEOGRAPHY

The tables below set out the number of EADS employees by business sector and by geographic area. Employees of companies accounted for by the proportionate method (such as ATR, MBDA) are included in the tables on the same proportionate basis.

EADS Employees by division	31 December 2008	31 December 2007	31 December 2006
Airbus	53,906	56,029	56,966
Defence & Security*	22,787	22,113	23,268
Eurocopter	15,667	14,658	13,422
Military Transport Aircraft	4,910	4,459	4,212
Astrium	13,674	12,587	11,927
HQ, Innovation Works and other businesses	7,405	6,647	7,010
<b>TOTAL EADS</b>	<b>118,349</b>	<b>116,493</b>	<b>116,805</b>

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

EADS employees by geographic region	31 December 2008		31 December 2007		31 December 2006	
	Amount	In percentage	Amount	In percentage	Amount	In percentage
France	44,380	37.5	44,022	37.8	44,536	38.1
Germany	42,987	36.3	43,438	37.3	42,920	36.7
Spain	10,104	8.5	9,315	8.0	8,991	7.7
UK	13,826	11.7	13,652	11.7	14,309	12.3
Italy	455	0.4	474	0.4	701	0.6
US	2,555	2.2	1,777	1.5	1,932	1.7
Other countries*	4,042	3.4	3,815	3.3	3,416	2.9
<b>TOTAL EADS</b>	<b>118,349</b>	<b>100.0</b>	<b>116,493</b>	<b>100.0</b>	<b>116,805</b>	<b>100.0</b>

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

Part Time Contracts	2008 In percentage	2007 In percentage	2006 In percentage
France	3.9	4.0	4.1
Germany	3.7	3.1	3.3
Spain	0.9	0.5	0.0
UK	1.8	1.5	1.6
US	0.1	1.9	n/a
Other countries	3.2	3.2	n/a
<b>TOTAL EADS</b>	<b>3.3</b>	<b>3.0</b>	<b>3.2</b>

## 5.4.2 Human Resources Organisation

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

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

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

At corporate level, seven departments make up the global EADS HR management: HR Operations; Social Policy and Industrial Relations; Compensation and Benefits, Competency Development, Talent and Executive Management, HR integration and processes; last, Security which is attached to HR.

Among other, they are responsible for:

- anticipating on key competencies and develop them;
- managing HR Development for the top 200 positions;
- designing policies, guidelines and tools for all group-wide HR processes, such as appointments, job rotation, international mobility, compensation and benefits, e-HR projects, data and information systems, security policies etc.;
- organising and delivering executive education for all executives and potential future executives through the Corporate Business Academy and coordinating the training within the Group for all employees;
- improving the sharing of best practices within HR community and other communities, e.g. programme management.

## 5.4.3 Human Resources Policies and Performance

### 5.4.3.1 HEALTH AND SAFETY: PROVIDING A SAFE WORKPLACE FOR EADS EMPLOYEES AND SUBCONTRACTORS

#### Policy

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

#### Organisation and Performances

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

place. Reporting on health and safety obeys to national regulations according to the sites' locations. However, some health and safety indicators have started to be drawn up at the Division or BU level.

### 5.4.3.2 CARING FOR EADS EMPLOYEES AND EADS KNOW-HOW

#### Policy

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

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



## Organisation and Performance

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

The network of security managers ensures the exchange of information and the sharing of best practices. Working groups are created to facilitate constant adaptation of security measures to actual threats. Access to EADS facilities is subject to prior authorisation, and entry into restricted and sensitive areas is regulated in accordance with national and company regulations.

The awareness of EADS employees is addressed as a main success factor to protect EADS patrimony.

The increasing development of EADS' business outside Europe requires to closely monitor the safety of EADS employees during their travel or their stay in risky countries and to improve the security of EADS offices abroad.

Regarding IT security, appropriate improvements on tools and processes are permanently implemented and specific actions have led to increase the security awareness of EADS' employees. The Group's business is very sensitive indeed, and employees need to have secured tools and be able to always work in total compliance with group security policies. As an example and among other solutions, EADS implements secured nomad IT connections and processes.

Since 2007, a particular focus has been developed on IT security issues, addressing and challenging all the security concerns regarding business needs.

### 5.4.3.3 DIVERSITY: COMMITMENT TO ENSURE EQUAL OPPORTUNITY FOR ALL EADS EMPLOYEES

#### Policy

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

#### Performance and Best Practices

EADS has always promoted diversity through its existing culture of cross-border collaboration. EADS principles regarding respecting and promoting diversity are listed in the Group's Code of Ethics as well as in the “International Framework Agreement” signed with the European Works Council. The following examples illustrate the implementation of these principles:

#### Nationalities

EADS welcomes 47 different nationalities among its employees worldwide (each of the nationalities is represented by 10 employees at least).

#### Gender Diversity

The percentage of women employed in 2008 in the Group is 15.9%. It has steadily increased since 2004, when the Group started to reinforce its policy in this field; the increase in the percentage of women was registered across all Divisions.

As of 31 December 2008, according to the Group-wide internal grading system, around 5% of executive positions (highest EADS management level) were held by women, and 8% of senior manager positions.

Women at EADS	31 December 2008 In percentage	31 December 2007 In percentage	31 December 2006 In percentage	31 December 2005 In percentage
Airbus	13.2	12.9	13.2	12.7
Defence & Security	18.3	18.7	18.9	18.7
Eurocopter	14.8	14.0	13.1	12.6
Military Transport Aircraft	14.5	13.4	13	12.6
Astrium	20.4	19.6	19.6	19.2
HQ, Innovation Works and other businesses	22.0	18.5	17.6	15.7
<b>TOTAL EADS</b>	<b>15.9</b>	<b>15.3</b>	<b>15.2</b>	<b>15</b>

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

- since 1 January 2004, BUs are asked to report quarterly on their performance in recruiting women. In 2008, the recruitment of women was 24.1% of total recruitment, hence exceeding the Group's target;
- the EADS Corporate Business academy — CBA — promotes diversity in all development programmes. Since 2006, the percentage of women has increased in these programmes to be consistent with the Group's recruitment target;
- since 2004, EADS has been involved in a partnership with the **FEMTEC** university career centre for women Berlin GmbH in Germany. Working in cooperation with well-known companies, the aim of this cooperation between FEMTEC and industrial companies is to promote engineering studies among young girls and women, and to help high potential and specialized female students enter the aerospace industry. EADS takes an active part in career advice workshops designed for FEMTEC students as well as in conference days;
- in France, EADS sponsored the **Irène Joliot-Curie award** for the fifth time in 2008 (See “— 5.2.2 Sustaining and Protecting Innovation”);
- furthermore, EADS is an active member of the **WIST** (Women Initiative in Science and Technology), a programme funded by the European Commission and aiming at exploring the partnerships between private and public research, as well as the links between diversity and business performance;
- **Airbus** also agreed on a partnership with the Academy of Toulouse to facilitate contacts between female professionals and students, to provide information to students, teachers and career advisors on technological advances and new skills, as well as to participate in relevant events.

Other personnel marketing initiatives include:

- in Germany, the organisation of a “**girls' day**” which is an open day for girls at the EADS German sites to allow them to find out more about the engineering profession;
- in France, participation in the “*Elles bougent*” (“they move”) initiative. Led by major French engineering universities (ENSAM, ESTACA) together with key players from the transportation industry (EADS, PSA, Dassault, SNCF...), this project aims at raising young women's awareness of technical studies, getting them interested in complex technologies through plant visits, conferences, as well as regular contacts with female engineers currently working in the member companies.
- in 2008, at the ILA Airshow in Berlin, a few specific workshops about Gender Diversity have been organized with FEMTEC and the association “*Elles bougent*”.
- a “Diversity Committee” was created in 2007 at EADS Group level. It consists of 8 men and 8 women representing various functions (Human Resources, Marketing and Sales, Strategy, Finances, engineering, programs, etc.) and EADS entities. Its role is to define a strategic plan and to promote actions aiming at developing diversity within the Group.
- EADS is one of the founding partner of a new created “*Chaire Management et Diversité*” at Dauphine University. This “*Chaire*” (EADS will have a seat on both the Advisory Board and the Scientific Board) will tackle the issues related to management diversity, via: seminars, vocational training, PhDs, case studies, international conferences, publications, etc. through a multi-disciplinary approach. The official launch of the “*Chaire*”, with the participation of EADS CEO Louis Gallois, took place in January 2009.
- in France, a first agreement on gender diversity and equal professional treatment (“*Accord sur l'égalité et la mixité professionnelle*”) which was signed in 2004 with trade unions, is monitored by each EADS entity, and also at Group level, using a defined set of common indicators to evaluate results and track progress with an action plan covering the 2004-2006 period. This action plan has to be re-negotiated every

three years. Accordingly, a new agreement was signed in July 2007 by general management and trade unions, establishing key performance indicators to be followed, notably for:

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

Moreover, the “*Label Egalité*” has been renewed for three years (2008-2011) to Eurocopter and EADS France, by the French Administration. And EADS has decided to set up a taskforce — through HR department — on diversity to get a mapping of the best practices in each division of the Group regarding diversity.

#### Age diversity

A group agreement covering EADS’ entities in France signed with trade union organisations in 2005 aims at banning all career development based on age criteria. Other European entities of the Group are also working on second half of career development.

Number of employees per age group	31 December 2008	31 December 2007	31 December 2006
18-25	7,288	7,763	7,578
26-35	31,310	29,678	29,621
36-45	36,143	36,315	37,026
46-55	37,969	37,329	36,545
56-65	12,634	12,521	12,227
<b>TOTAL EADS</b>	<b>125,344</b>	<b>122,606</b>	<b>122,997</b>

Consolidated companies are counted 100%.

Average age of employees	31 December 2008	31 December 2007	31 December 2006
France	41.1	41.3	41.3
Germany	42.6	42.4	42.0
Spain	41.4	42.3	42.8
UK	42.5	41.7	42.3
US	45.1	44.7	44.2
Other countries	41.1	n/a	n/a
<b>TOTAL EADS</b>	<b>41.8</b>	<b>41.9</b>	<b>41.8</b>

Average length of service	2008 In years	2007 In years	2006 In years
Airbus	13.9	13.6	13.4
Military Transport Aircraft	16.7	19.3	20.1
Eurocopter	11.7	12.2	13.4
Defence & Security	16.0	16.4	16.3
Astrium	14.3	14.9	15
HQ, Innovation Works and other businesses	11.7	12.8	12.5
<b>TOTAL EADS</b>	<b>14.1</b>	<b>14.3</b>	<b>14.3</b>

#### 5.4.3.4 CAREER DEVELOPMENT: EFFICIENT MANAGEMENT OF SKILLS AND KNOW-HOW

##### Policy

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

##### Performance and Best Practices

###### Recruitment and retaining of talent

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

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

###### Recruiting events and Partnerships

EADS participates in more than 100 career fairs and recruitment events in EADS home countries and worldwide such as the bonding student fairs at German key universities, the École Polytechnique, the École Centrale and the Toulouse Technology career fairs in France, as well as the MIT or Embry Riddle fairs in the US, the KTH in Stockholm and TU Delft, just to mention a few of them. Dedicated branding and recruitment meetings are also held during major air shows such as the Farnborough International Airshow and ILA Berlin Air Show with more than 800 students invited and more than 30 different workshops and conferences offered.

Within the framework of the internationalisation of the company, EADS HR renewed and fostered its presence at the Singapore Airshow thus promoting EADS’ employer brand among real aerospace fans in the Asian market and proved its

commitment by launching the EADS Singapore Techmasters’ sponsorship. HR Marketing also entered the Brazilian aerospace market by participating in the Brazilian Aerospace competition and the signing of a framework agreement with one of the most important Brazilian universities.

EADS Group is maintaining a relationship with the Pegasus Network (Partnership of a European Group of Aeronautics and Space Universities) as well as many other networks and student groups such as Euroavia. EADS, together with all EADS divisions, is present on campus in order to foster contacts with the leading “aeronautics and space” universities and to build a powerful image of EADS as a desirable employer. In addition, discussions with faculty members, professors and EADS engineers helped to develop first steps into future education and skills of students to prepare them for a successful career within the aerospace industry. Such partnerships also demonstrate EADS’ long-term commitment to building and maintaining a lasting relationship with key universities or networks.

In addition to increasing on-site presence among students directly at universities, EADS also organises lots of factory tours for students from our target engineering schools at various sites of the group (e.g. Eurocopter in Marignane, Airbus in Toulouse, IW and Eurocopter in Ottobrunn, etc.).

But EADS goes one step further and increasingly promotes the passion for technology and the awareness of engineering professions amongst school pupils. We promote scientific studies to pupils, by organizing challenges, presentations in schools and by editing the “Flight Book” — a schoolbook with fascinating, exciting and innovative aerospace facts. Within the framework of the predicted and already experienced lack of engineers, EADS contributes to secure future engineering competencies.

###### eRecruiting

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

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

###### Internships and entry options

With more than 5,000 internships offered each year in Europe, EADS provides students with valuable technical and personal experience as well as with the unique opportunity to have

a closer look at the industrial world. Most of EADS' internships target students in the fields of aviation and space technology, electronics, information technology, finance, or management.

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

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

In order to increase the efforts of integration, new specific recruitment and development programmes have been created

Breakdown of employees per qualification	2008 In percentage	2007 In percentage	2006 In percentage
University (4 years and more)	25.8	24.5	24.4
University (up to 3 years)	18.9	19.4	19.3
Higher vocational school	8.8	8.7	9.9
Vocational school	41.3	42.9	40.9
General school	5.2	4.5	5.5

### Development and training

Development is a priority for EADS employees. Personal development includes **training**. EADS spends the equivalent of 4% of its salary costs in training per year. EADS trains more than 70,000 employees every year for a total of 2.5 million hours.

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

- one of the decisions of that directorate has been to create a "Shared College" which will be the place where all the Divisions will share common training programmes and common resources, including internal trainers. Created in 2006, the Shared College has delivered its first programmes in 2007 and has ramped up very quickly to face the needs of EADS. The first programmes targeted within the Shared College were on Quality, on System engineering, on Programme management and sales.
- in keeping with this trend of integration, EADS has decided to create a Leadership Model based on 6 principles which illustrate the successful way of leading and managing within EADS. This Model is used in development with tools such as a specific EADS 360° feedback processes, or Development Centres.

internally to contribute to the ongoing development of EADS' workforce. A new programme called PROGRESS (PROfessional Graduate Entry Support Scheme) consists of first stretching assignments for talented recruitees in addition to mobility within the EADS Group. The recruitment started in October 2007. Fifty participants will be selected to be part of the first PROGRESS promotion in September 2008.

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

- the CBA, created in 2000 as an EADS' Corporate University to develop the current executives and prepare the next generation of executives, has focused some of its programmes to actively prepare EADS leaders on internationalisation, improvement and innovation.

### Competency Management

In 2008 EADS has initiated an offensive approach to secure EADS core competencies with two main actions:

- identification of EADS key competencies in the engineering function with a strong willingness to increase the training investment (30%) on these competencies. For example, System Engineering was specifically developed in 2008 with an agreement with an international certification organisation — INCOSE — and the development of several training between 4 and 40 days. A new career path is currently being implemented to develop System Engineers. This approach is being replicated on most of our key competencies;
- design of an information system to assess individual competencies, to build appropriate development plan and to better anticipate workforce needs.

### Mobility

EADS employees are also offered a wide range of mobility opportunities. Mobility at EADS means mobility across functions, BUs and divisions in its four home countries, France,

Germany, Spain and the UK, as well as appointments to regions such as America or Asia.

### Remuneration

#### Success Sharing Practices

EADS' reward schemes policy is strongly linked to the achievement of individual and Company objectives, both for each division and for the overall Group. In 2007, a performance and restricted shares unit plan was established for the senior management of the Group (See "Corporate Governance — 4.3.3 Long Term Incentive Plans").

Since 2005, the success sharing schemes which are implemented in EADS in France, Germany, Spain, and the UK follow one set of common rules of the Group, ensuring a consistent application in these four countries.

#### 5.4.3.5 EMPLOYEE RELATIONS: A PROACTIVE DIALOGUE

##### Policy

- *"EADS emphasises its belief that a continuous and high quality social dialogue is key to the Group. In particular, the European Works Council ("EWC") facilitates a pro-active and fluid dialogue with employee representatives.*
- *EADS ensures that the representation of personnel is conducted throughout all its BUs in a constructive atmosphere. This maintains a proper balance between the interests of employees and the economic interests of the Group."*

##### Performance and Best Practices

#### European Works Council

On 23 October 2000, at an early stage of the formation of EADS Group, EADS' Central management and employee representatives from the unions and works council operating within EADS in France, Germany, Spain and UK signed an agreement for the establishment of the EWC. In 2008, this agreement was revisited in order firstly to adapt it to actual practices within the EWC and secondly to take in account the provisions of the new European directive which was in preparation. The special negotiating body signed the new agreement on 30 October 2008. According to this new agreement:

- the EWC meets twice a year for information and consultation on evolution of the business and the prospects of the Group;

- the EWC also comprises an economic committee which meets four times a year and focuses on economic matters;
- European sub-committees have also been set up in various BUs such as Airbus, Eurocopter, Astrium and EADS DS and replicate the EADS EWC model;
- the principle of establishing National committees in France, Germany, UK and Spain to enable dialogue on national matters, under the subsidiarity principle is agreed;
- the rules defining the different topics subject to information and to consultation are clearly defined;
- the rules about confidentiality of information given by management during meetings already defined in 2007 in an attached agreement were included.

#### International Framework Agreement

Placed in the context of the globalisation of EADS' activities and as an illustration of the continuous dialogue principle the EADS Group and the Group's European Works Council concluded in June 2005 an International Framework Agreement. By this agreement, the signatories expressed their commitment to common principles and social standards which they recognise as fundamental, and which they intend to promote worldwide, in the countries where EADS' activities are implemented. EADS and the Group's European Works Council expressed their strong belief that CSR is a key to long-term success.

The European Metalworkers' Federation (EMF) and the International Metalworkers' Federation (IMF) associate themselves with these principles and are, accordingly, co-signatories of the agreement.

The principles contained in the International Framework Agreement are aligned with the general rules of ILO conventions, the OECD Guidelines for Multinational Enterprises and the principles laid down by the UN Global Compact, which EADS signed in October 2003, and they are in compliance with the Code of Ethics.

They cover the fields of equal opportunities and non-discrimination in respect of employment, of working conditions and environmental protection, condemn recourse to child labour, recognise the principles of freedom of association and the protection of trade unions' rights.

EADS expects all its suppliers to recognise and apply the principles of this framework agreement.

### Overview of collective agreements/works agreements signed with Unions/Works Councils since 2000

EADS Group Agreements were concluded on the following matters:

- establishment of a European Works Council <sup>(1)</sup>;
- establishment of a success sharing scheme linking personnel incentive bonus to the business performance of the Group <sup>(2)</sup>; and
- International Framework Agreement:
  - in Germany, Tariff Agreements were concluded in relation to such matters as holiday pay, Christmas bonus, sick pay, and early retirement, as well as agreements with the works council on success sharing, insurance package, company pension, early retirement deferred compensation, suggestion scheme, family and work life balance, disabled people, and time saving system,

- in France, Group Agreements were concluded in relation to such matters as employment issues, union's rights and social dialogue, pre-retirement, management of the second half of careers, health cost coverage, French national committee and unions coordinators, professional equality and diversity, working time, career-long training, new frame for health insurance, skills management,
- in Spain, a collective bargaining agreement covering various subjects regarding salary, working time and organisation of work includes also social benefits such as aid to children of employees, collective transport, retirement, life insurance, loans, prize at retirement, canteens, aids to worker association.

It has to be noted that collective agreements can be signed at the BU level on matters directly related to their specific social perimeters.

## 5.5 CORPORATE CITIZENSHIP

### 5.5.1 Maintaining an Open Dialogue with EADS' Stakeholders

#### 5.5.1.1 POLICY

*“As one of the largest European companies, EADS is aware of its duties and is willing to develop its contribution to the cultural, educational and social background in the countries where EADS operates. In particular, EADS aims at reinforcing project partnerships with universities and research centres, through, for example, the EADS Research Foundation.*

*EADS shall do its best to maintain an open dialogue with its stakeholders and to provide clear answers to requests for clarifications within the limits of its obligations.”*

#### 5.5.1.2 ORGANISATION

EADS' initiatives include sponsorships, donations, or partnerships. Wherever located, EADS contributes to a range of activities, conferences or institutions, which address social, educational, cultural or sport subjects. In most cases, such activities are initiated by EADS' local entities which are also in daily contact with relevant stakeholders.

(1) Agreement for the establishment of a European Works Council and its sub Committees for information and consultation of the workforce between EADS NV and its Employee Representatives dated 23 October 2000.

(2) Group Agreement on implementation of a success sharing scheme within EADS- NV Group between Head of EADS NV HR and the EADS NV European Worker Council dated 29 June 2004.

However, EADS has implemented donation guidelines (under the responsibility of EADS' Corporate Secretary) as well as sponsoring guidelines (under the responsibility of EADS Corporate Communications) which set out criteria for granting contributions to projects.

The guidelines also provide certain thresholds above which such activity has to be reported to the Corporate Secretary or Corporate Communications respectively and approved at the level of the CEOs.

#### 5.5.1.3 PERFORMANCE AND BEST PRACTICES

##### Corporate sponsorships and donations

EADS is supporting science and educational oriented projects (e.g. EADS TechMaster Awards for aerospace students (UK, Singapore); partnership with London Science Museum; SAE Brazil Aerodesign Competition for aerospace students).

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EADS also contributes to humanitarian activities by donating and giving material, or providing expertise and capacities when necessary. To name but a few examples:

- EADS has a long-term partnership with “*Aviation sans Frontières*” (“**ASF**”) a non-profit organisation in France, Germany and Spain, a humanitarian organisation which provides air transport for, in particular, seriously ill children;
- EADS funded social project *Gotas de Flor com Amor*, a NGO created in 1992 with the aim of educating children and teenagers in risk situation, as well as their respective families. It was recognized as a Civil Society Organization of Public Interest (OSCIP) in 1993. EADS has been supporting Gotas de Flor since 2004;
- EADS supported the global emergency relief efforts in the province of Sichuan following the earthquake on 12 May with donations, information, hardware and technical assistance: Airbus and Eurocopter made financial donations; Astrium provided detailed satellite imagery of the affected area to aid emergency relief on the ground; Defence & Security division provided tents for Sichuan; Eurocopter established crisis management cell for helicopters in rescue operations.

Furthermore, EADS encourages its employees who individually participate actively and responsibly in local initiatives — which contribute to the overall development of local communities.

#### **EADS Corporate Foundation**

The EADS Corporate Foundation (Fondation d’entreprise EADS) was created in France in September 2004 to promote multidisciplinary research in air and space technologies and foster exchanges between researchers in government, private industry and higher education research institutes (See “— 5.2 Sustainable Growth”).

#### **Airbus Corporate Foundation**

The Airbus Corporate Foundation, established in December 2008, aims at facilitating charitable activities worldwide within an international network of employees, associations and international organisations. Starting off with a budget of 2.5 million euros, the Airbus Corporate Foundation will focus its support on the three

themes of humanitarian and community support, youth development and the environment.

In the field of environment the foundation is tasked to focus on protecting, improving and increasing awareness of the environment, and supporting projects with a particular focus on biodiversity. The foundation will also help young people to develop the skills they will need later in life - in particular fostering cross cultural and global citizenship. The third theme of the foundation is to provide aid and relief in cases of natural disaster and reaching out to develop local communities where Airbus is present.

#### **Dialogue with Stakeholders**

EADS strives to maintain an open dialogue with stakeholders who seek additional information on EADS’ businesses, operations or CSR activities.

Particularly, in order to provide the most accurate information to stakeholders and stockholders, the Group proactively interacts with the main sustainability rating agencies. EADS aims at continuously improving the ways of integrating CSR into its day-to-day business. In keeping with this objective, the agencies’ analyses contribute to EADS’ efforts in assessing the Group’ strengths and weaknesses and point out possible gaps in CSR reporting. They also provide an indication of the benchmark positioning of EADS within the aerospace and defence industry which is currently behind the other industries in terms of CSR reporting.

#### **EADS CSR Day**

As a sign of the Group’s proactive approach, EADS held its first “CSR Day” on 19 November 2008 in Toulouse, an event that EADS initiated to discuss its corporate responsibility initiatives with the CSR/SRI community.

During this event, EADS’ Chairman and the Chief Executive Officer, as well as key executives, described the group’s position with respect to CSR issues such as governance, ethics and compliance, human resources and environment. The agenda of this event and the presentations are available for download on EADS website: [http://www.eads.net/1024/en/corporate\\_governance/csr/csr-day.html](http://www.eads.net/1024/en/corporate_governance/csr/csr-day.html)



## 5.5.2 Encompassing Community Interests in EADS' Global Strategy

### 5.5.2.1 POLICY

- *“EADS is proud of selling its products and providing its services to an increasing number of countries, thanks to the trust placed by international customers in its global reputation.*
- *EADS is conscious of its responsibility as a global company in the spreading of sound international business practices that foster the expansion of a balanced and fair globalisation benefiting all countries.*
- *EADS encourages industrial cooperation with local industries whenever possible in order to support the development of skills and competencies.*
- *EADS supports local initiatives dedicated to the promotion of corporate social responsibility-oriented projects.”*

### 5.5.2.2 PERFORMANCE AND BEST PRACTICES

EADS pursues international development through setting up plants and engineering centres in strategic countries, completing acquisitions or partnering with local industry. As a responsible local citizen, EADS is committed to encompassing local interests in its global strategy, creating high value jobs, in-sourcing world-leading technology, investing in education and training programs, supporting local initiatives dedicated to the promotion of CSR-oriented projects, or implementing policies that favours quality of the job environment and career development for local employees. In that regard, 2008 was another year of successful partnerships. To mention but a few examples:

Eurocopter will continue its expansion in South America following the signature of a contract (50 EC725 helicopters) to provide Brazil armed forces with a fleet that is capable of performing an extremely wide range of missions. Eurocopter has been in Brazil for more than 30 years through its subsidiary Helibras located in Itajuba in the state of Minas Gerais. Helibras employs 270 people and is the only helicopter manufacturer with an established presence in South America. The new contract will double the production capacity and the number of staff at the Itajuba plant, where the EC725 helicopters will be manufactured, assembled and undergo maintenance support activities after delivery. This contract will also make a significant contribution to the development of Brazil's aeronautical industry, as local companies will be closely involved in the manufacturing activities and will benefit from technology transfers.

On July 2008, EADS and Mubadala Aerospace, a Division of Mubadala Development Company of the United Arab Emirates

(Abu Dhabi), have signed a multi-faceted supplier agreement. The partnership will allow EADS to extend its footprint in the Middle East in terms of suppliers and production capabilities. The cooperation is expected to generate in excess of US\$1 billion of revenue for Mubadala Aerospace over ten years. As part of the agreement, EADS will work with Mubadala Aerospace to develop an Engineering Centre as well as Research and Development facilities in Abu Dhabi. These facilities will be created to provide full design and development capabilities for composite aerostructures. As a result, aerostructures will ultimately be designed developed and manufactured in Abu Dhabi. Both parties, recognising the long term opportunities this partnership presents, have agreed to invest significantly in education and training programs. Agreements with Universities based in the Emirate of Abu Dhabi and vocational training courses within EADS and Mubadala aerospace facilities are therefore planned.

EADS and the Qatar Ministry of Interior have set up a dedicated TETRA competence centre which will include a training centre as well as a test bed for applications and services. It epitomises the strong long term partnership between the Qatar Ministry of Interior and EADS Secure Networks. The teams from the former will notably benefit from a steady and high-value transfer of competences from the experts of the latter. This will be the first TETRA centre of excellence in the Middle East.

In India, Astrium has signed a Long Term Agreement with Antrix Corporation, the commercial arm of the Indian Space Research Organisation (ISRO), on utilisation of the Indian Polar Satellite Launch Vehicle (PSLV) launch services. Over the past 5 years, both companies have been successfully cooperating in the field of space activities, as evidenced by the award of two telecommunication satellite contracts, W2M for Eutelsat and HYLAS for Avanti Systems. These co-operations represent a major breakthrough for the partnership between the European and Indian space technology organisations.

In the US, EADS North America is committed to increasing its investment, expanding its industrial presence, creating high value jobs and in-sourcing world-leading technology and products to the US marketplace. On April 2008, EADS announced the acquisition of California-based PlantCML, a leading provider of emergency response solutions. Moreover, as a responsible local citizen, EADS North America is actively contributing to associations and institutions in the communities where its employees live and work.





# Entity Responsible for the Registration Document

# 6

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## 6.1 ENTITY RESPONSIBLE FOR THE REGISTRATION DOCUMENT

EADS

## 6.2 STATEMENT OF THE ENTITY RESPONSIBLE FOR THE REGISTRATION DOCUMENT

The Company declares that, having taken all reasonable care to ensure that such is the case, the information contained in the Registration Document is, to the best of the Company's knowledge, in accordance with the facts and contains no omission likely to affect its import.

EADS represented by:

Louis Gallois  
*Chief Executive Officer*

## 6.3 INFORMATION POLICY

Contact details for information:

Ms. Nathalie Errard  
Head of Investor Relations and Financial Communication

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A website, [www.eads.com](http://www.eads.com), provides a wide range of information on the Company, including the Board of Directors Report. Additionally, for the life of this Registration Document, copies of:

➤ the Articles of Association;

- the Registration Document filed in English with, and approved by, the AFM on 25 April 2007;
- the Registration Document filed in English with, and approved by, the AFM on 24 April 2008, and
- the Consolidated Financial Statements (IFRS) and the Company Financial Statements of EADS for the years ended 31 December 2006, 2007 and 2008, together with the related auditors' reports, may be inspected at EADS' registered office at: European Aeronautic Defence and Space Company EADS N.V., Mendelweg 30, 2333 CS Leiden, the Netherlands, Seat (*statutaire zetel*): Amsterdam, Tel: + 31 (0)71 5245 600.

Special toll-free hotlines are available to shareholders in France (0 800 01 2001), Germany (00 800 00 02 2002) and Spain (00 800 00 02 2002). An e-mail box is dedicated to shareholders' messages: [ir@eads.com](mailto:ir@eads.com).

## 6.4 UNDERTAKINGS OF THE COMPANY REGARDING INFORMATION

Given the fact that the shares of the Company are listed on Euronext Paris (the “**Paris Stock Exchange**”), in *regulierter Markt* (in the sub-segment Prime Standard) on the *Frankfurter Wertpapierbörse* (the “**Frankfurt Stock Exchange**”) and on the Madrid, Bilbao, Barcelona and Valencia Stock Exchanges

(the “**Spanish Stock Exchanges**”), the Company is subject to certain laws and regulations applicable in France, Germany and Spain in relation to information, the main ones of which are summarised in “General Description of the Company and its Share Capital — 3.1.3 Governing Laws and Disclosures”.

## 6.5 SIGNIFICANT CHANGES

As of the date of this registration document, there has been no significant change in EADS’ financial or trading position since 31 December 2008.









[WWW.EADS.COM](http://WWW.EADS.COM)

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