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CORPORATE GOVERNANCE

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EADS is a company registered in the Netherlands and listed in France, Germany and Spain. Given the myriad of 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 particular and in accordance with Dutch law, the Company applies the provisions of the Dutch Corporate Governance Code (the “**Dutch Code**”), or, if applicable, explains in its annual Board of Directors Report the reasons for non-application of such provisions in accordance with the “apply or explain” principle. EADS has provided the relevant explanations in paragraph 4.2 “Dutch Corporate Governance Code” of its Board Report for the 2004 financial year which was approved by the Annual General Meeting held on 11th May 2005. These explanations give the detailed reasons for non-application of provisions III.2.1, III.3.6, III.4.1(f), III.5.1, III.5.6, III.5.11, III.5.12, III.8.3, III.5.13(a), III.5.13(d) (essentially as a result of EADS being a controlled company and, therefore, most of the members of the Board of Directors, Audit Committee and Remuneration and Nomination Committee could be designated and possibly be removed by its controlling shareholders), II.2.6, III.7.3, III.7.2, II.1.1, III.3.5, IV.3, IV.2 and IV.1.7 (essentially as a result of EADS being listed on the Frankfurt, Paris and Spanish stock exchanges and endeavouring to strictly comply with the relevant regulations and following the general practices on these markets protecting all its stakeholders) and remain valid. In addition, EADS modified its statements in its Board Report for the 2005 financial year which was approved by the Annual General Meeting held on 4th May 2006.

These explanations give the detailed reasons for non application of provisions II.1.4, II.1.6, II.2.1, II.2.2 and II.2.7. The two last years’ statements (available on EADS web-site (www.eads.com)) in the section on “Corporate Governance”) are modified as follows:

1. As for remuneration of Members of the Board of Directors

EADS applies different rules for the remuneration of Executive and Non-Executive Members of the Board.

a) EADS is compliant with the general principles applicable in the markets where it is listed. Regarding future Long-Term Incentive Plan to Executive Members of the Board, it is planned that for Stock options a 10% premium will be taken into account when determining the granting price. In addition, Executive Members of the Board will have to hold a specified number of shares resulting from the exercise of their stock options until the end of their mandate (whereas provision II.2.1 of the Dutch Code recommends that options to acquire shares be a conditional remuneration component, and become

unconditional only when the Members of the Board have fulfilled predetermined performance criteria after a period of at least three years from the grant date and provision II.2.2 recommends that if the company, notwithstanding provision II.2.1, grants unconditional options to Executive Members of the Board, it shall apply performance criteria when doing so and the options should, in any event, not be exercised in the first three years after they have been granted). It is planned that Performance Shares would be based on mid-term performance criteria. It is also planned that Executive Members of the Board will have to hold a specified number of the vested shares until the end of their mandate or for a minimum period of 2 years whichever is appropriate. Vesting should take place 3 years after grant (whereas provision II.2.3 of the Dutch Corporate Governance Code recommends that shares granted to management board members without financial consideration shall be retained for a period of at least five years or until at least the end of the employment, if this period is shorter; the number of shares to be granted shall be dependent on the achievement of clearly quantifiable and challenging targets specified beforehand);

b) In case of dismissal from the Company of Executive Members of the Board, a termination package equal to twice the annual total target salary would be paid. However this termination package would be reduced prorata depending on the age of retirement (whereas provision II.2.7 of the Dutch Corporate Governance 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).

2. 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 missions is to foster a positive Internal Control (“**IC**”) and Risk Management (“**RM**”) environment at EADS, in line with corporate governance requirements and best practices in the Netherlands, France, Germany and Spain. Having recognised that continuing changes in the multi-jurisdictional legal and regulatory provisions applicable to EADS required a strategic approach to IC and RM, EADS began to implement a group-wide IC and RM system at the beginning of 2004. This system is based on the Internal Control and Enterprise Risk Management Frameworks of the Committee of Sponsoring Organisations of the Treadway Commission (“**COSO**”).

The IC and RM system provides the management with a framework for attempting to manage the uncertainty and associated risks inherent in EADS' business. It serves as the basis for all sub-IC and sub-RM procedures present throughout EADS at the divisional and Business Unit ("BU") levels. By employing a uniform approach to IC and RM, EADS seeks to gain reasonable assurance about:

- the reliability of its financial reporting;
- efficiency and effectiveness of operations; and
- compliance with applicable laws and regulations.

No matter how well designed, all IC and RM 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' IC and RM system and procedures are or will be, despite all care and effort, entirely effective.

3. Ethics Alert System

EADS is in the process of putting in place a 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 EADS Ethics Alert System architecture will be part of a global

EADS compliance organisational structure which is currently being formalised.

Some consultations with the works councils have started regarding the implementation of such procedure. After decision of the Board on the organisational structure for compliance and the completion of the various proceedings with respective Works Council regarding the introduction of an Ethics Alert System, will be implemented, thus allowing the Company to comply with provision II.1.6 of the Dutch Code which recommends that a company ensures 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 Members of the Board to the Chairmen of the Board or to an official designated by them and that such arrangements for whistleblowers be posted on the Company's website.

EADS consequently complies with the Dutch Code since the Company's annual shareholders' meeting approved the section relating to Corporate Governance included in the Board of Directors Report since 2003.

2.1 Management and Control

2.1.1 Board of Directors, Chairmen and Chief Executive Officers

Pursuant to the Articles of Association of the Company, the Board of Directors is responsible for the management and the affairs 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 7th July 2000. The Rules were amended at a Board of Directors' meeting held on 5th December 2003 to take into account recommendations for changes to Corporate Governance. 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 Chairmen and the Chief Executive Officers. The Rules also

specify the creation of two committees (the Audit and the Remuneration and Nomination Committees) 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 "Part 2/3.1.3 Governing Laws").

The parties to the Participation Agreement (as defined in the opening paragraph of "Part 2, section 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 two additional independent Directors who are not officers, directors, employees or agents of or otherwise have no significant commercial or professional connection either with the DaimlerChrysler, *Société de Gestion de Participations Aéronautiques* (“**SOGEPA**”) or Lagardère Groups or the French State. Pursuant to the Participation Agreement, the Board of Directors comprises ten members of whom:

- Four nominated by DaimlerChrysler;
- Four nominated by Société de Gestion de l’Aéronautique, de la Défense et de l’Espace (“**SOGEADE**”); and
- Two independent Directors, one nominated by DaimlerChrysler and one nominated by SOGEADE.

In addition, although from 8th July 2003, *Sociedad Estatal de Participaciones Industriales* (“**SEPI**”) no longer has a right to nominate a Director, based upon the proposal of DaimlerChrysler and SOGEADE, the shareholders’ meeting of EADS held on 11th May 2005 appointed an additional Spanish Director bringing the total number of Directors to eleven.

Pursuant to the Articles of Association, each member of the Board of Directors held office for a term expiring at the Annual General Meeting of the Company held on 11th May 2005. Such Annual General Meeting reconstituted the Board of Directors for a term of five years ending at the close of the Annual General Meeting which will be held in the year 2010. Members of the Board of Directors will be elected at each fifth Annual General 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 appointed two Chairmen, one chosen from the DaimlerChrysler-nominated Directors and one chosen from the SOGEADE-nominated Directors.

The Chairmen ensure the smooth functioning of the Board of Directors in particular with respect to its relations with the Chief Executive Officers whose efforts they support with regard to top level strategic discussions with outside partners.

The Board of Directors also appointed two Chief Executive Officers to be responsible for the day-to-day management of the Company, one chosen from the DaimlerChrysler-nominated Directors and one chosen from the SOGEADE-nominated Directors.

The Company is represented by the Board of Directors or by the Chief Executive Officers acting jointly. Furthermore, the Company has granted general powers to each of the Chief

Executive Officers, authorizing them to each individually represent the Company.

In the event of a deadlock between the two Chief Executive Officers, the matter shall be referred to the two Chairmen.

The Chief Executive Officers shall not enter into transactions which 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 activities of the Group;
- Approving the overall strategy and the strategic plan of the Group;
- Approving the business plan and the yearly budget of the Group;
- Setting the major performance targets of the Group;
- Appointing the members of the Executive Committee (see below) and the Corporate Secretary;
- Approving proposals for appointments of members of Airbus Shareholders’ Committee and Executive Committee and chairmen of the Supervisory Board (or similar bodies) and the chief executive officers (or equivalent position) of important Group companies and BUs;
- Approving material changes to the organisational structure of the Group;
- Approving major investments, projects or product decisions or divestments of the Group contemplated in the business plan with a value exceeding €200 million;
- Approving major strategic alliances and cooperations of the Group;
- Approving any material decision affecting the ballistic missiles activity of the Group;
- Approving matters of shareholder policy, major actions or major announcements to the capital markets; and
- Approving other measures and business of fundamental significance for the Group or which involve an abnormal level of risk.

The Board of Directors met ten times during 2006 and was regularly informed of developments through business reports from the Chief Executive Officers, including rolling forecasts as well as strategic and operational plans. The average attendance rate at such meetings was 95%.

Following a detailed review of the A380 production and delivery program, Airbus informed the Board of Directors on 13th June that the A380 delivery schedule for the period 2006 to 2009 was revised. According to this, the Board of Directors decided immediately to release this new schedule and its financial impact, and subsequently on 3rd October 2006 (EADS statement and more detailed information about the ongoing regulatory and judicial proceedings can be found on “Note to the Financial Statements — Note 28: Litigation and claims”). On 2nd July 2006, the Board of Directors appointed a new Co-Chief Executive Officer, Louis Gallois, replacing Noël Forgeard in his functions, as well as Christian Streiff as new President and Chief Executive Officer of Airbus, Members of the Executive Committee. After the resignation of the President and Chief Executive Officer of Airbus, Christian Streiff, three months later, the Board of Directors changed significantly the management structure of EADS by appointing on the 9th October 2006, EADS Co-Chief Executive Officer Louis Gallois additionally as Airbus President and Chief Executive Officer, the non-Airbus Divisions reporting to EADS Co-Chief Executive Officer Thomas Enders. Subsequently, on the 31st October 2006, the Board of Directors appointed EADS Chief Operating Officer Finance, Hans-Peter Ring, additionally as Airbus Chief Financial Officer. The Board of Directors also appointed on that date a new Chief Operating Officer of Airbus, Fabrice Brégier, and a new head of Eurocopter Division, Lutz Bertling, as Members of the Executive Committee. Overall, in 2006, nine Board of Directors meetings covered Airbus related matters. On 5th April 2007, Manfred Bischoff presented his resignation as chairman of the EADS Board of Directors and the Board of Directors decided to designate Rüdiger Grube as his successor in this position. Manfred Bischoff also presented his resignation as member of the Board of Directors.

Topics intensively discussed, and operations authorised at the meetings included: EADS’ strategy (comprising, in M&A matters, European industry consolidation and the buy-back of BAE Systems’ stake in Airbus), major business issues such as the A380 recovery efforts and the Power8 program, the A350 industrial launch decision and Airbus future product strategy, the reviews of the EADS UAV programs and of the A400M program, the review of Sogerma future strategy, the approval or postponement of operational plans, reorganisation topics, budgets, the Group’s financial results and forecasts, as well as financial optimisations and the discussions regarding the implementation of an ethics alert system. 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.

Each Director shall have one vote, provided that if there is a vacancy on the Board of Directors’ in respect of a DaimlerChrysler-nominated Director or a SOGEADE-nominated Director, the DaimlerChrysler-nominated Directors being present or represented at the meeting can jointly exercise the same number of votes that the SOGEADE-nominated Directors who are present or represented at the meeting can exercise and vice versa. All decisions of the Board of Directors require a vote in favor by at least seven Directors voting in person or by proxy.

The quorum for the transaction of business at meetings of the Board of Directors requires the presence of at least one of the SOGEADE-nominated Directors and one of the DaimlerChrysler-nominated Directors.

In the event of a deadlock in the Board of Directors, other than a deadlock giving DaimlerChrysler the right to exercise the put option granted to it by SOGEADE (see “Part 2/3.3.2 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 SOGEADE and to the chief executive officer of DaimlerChrysler. In the event that the matter in question, including a deadlock giving DaimlerChrysler the right to exercise the put option (but in this case with the agreement of SOGEPA and DaimlerChrysler) 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 SOGEADE, DaimlerChrysler and SEPI being negated.

Pursuant to the Rules, the Board of Directors is empowered to form committees from its members. In addition to the Audit Committee and the Remuneration and Nomination 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 shall be at least one Director appointed by SOGEADE and at least one Director appointed by DaimlerChrysler. 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 a meeting dated 10th December 2004, 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**”) and a Remuneration and Nomination Committee charter (the “**Remuneration and Nomination Charter**”) each such charter setting forth the respective committees’ enhanced roles.

The Directors' Charter sets out core principles, which 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 in the Group
Rüdiger Grube	55	2005	2010	Chairman of EADS
Arnaud Lagardère	46	2005	2010	Chairman of EADS
Thomas Enders	48	2005	2010	Chief Executive Officer of EADS
Louis Gallois	63	2005	2010	Chief Executive Officer of EADS and Head of Airbus
Jean-Paul Gut	45	2005	2010	Chief Operating Officer for Marketing, Strategy and Global Development of EADS
Hans Peter Ring	56	2005	2010	Chief Operating Officer for Finance of EADS and Chief Financial Officer of Airbus
Juan Manuel Eguiagaray Ucelay	61	2005	2010	Member of the Board of Directors of EADS
François David	65	2005	2010	Member of the Board of Directors of EADS
Michael Rogowski	68	2005	2010	Member of the Board of Directors of EADS

Nota: The professional address of all members of the Executive Committee for any matter relating to EADS is Le Carré, Beechavenue 130-132, 1119 PR, Schiphol-Rijk, The Netherlands.

Two additional members of the Board of Directors, Michel Pebereau and Bodo Uebber will be proposed for appointment during the Annual General Meeting of Shareholders to be held on 4th May 2007, with immediate effect as from the end of such meeting.

Curriculum Vitae and other Mandates and Duties Performed in any Company by the Members of the Board of Directors

Rüdiger Grube

Dr. Rüdiger Grube is a member of the Board of Management of DaimlerChrysler AG since October 1, 2001, responsible for Corporate Development. He is also responsible for all North East Asia activities of DaimlerChrysler AG including China. Dr. Grube holds an engineers' degree in aircraft construction and engineering from the University of Hamburg and a doctorate in industrial science.

He started his career in 1989 at MBB in Munich. In 1995, he became Director of Corporate Planning and Technology of Deutsche Aerospace AG. In 1996, he was appointed Senior Vice President and Head of Corporate Strategy at Daimler-Benz AG and subsequently of DaimlerChrysler AG. In 2000, he became Senior Vice President for Corporate Development.

Current mandates in addition to the one listed in the chart above are set forth below:

- Chairman of the Board of Directors of EADS Participations B.V.;
- Member of the Board of Management of DaimlerChrysler;
- Chairman of the Supervisory Board of MTU Friedrichshafen GmbH and DaimlerChrysler Off-highway GmbH;
- Chairman of the Board of Directors of DaimlerChrysler China limited, Beijing;
- Vice Chairman of the Board of Directors of Beijing Benz DaimlerChrysler Automotive (BBDC-A);
- Member of the Board of Directors of McLaren Group Ltd;
- Member of the Supervisory Board of DaimlerChrysler Financial Services AG;
- Member of the Advisory Board of DaimlerChrysler Fleetboard;
- Member of the Advisory Board of DaimlerChrysler Aviation; and
- Member of the Supervisory Board of "Hamburg Port Authority" ("HPA GmbH").

Former mandates for the last five years:

- Member of the Board of Directors of the Hyundai Motor Company (resigned 13th May 2004); and

- Member of the Board of Directors of the Mitsubishi Motors Company (resigned 24th November 2005).

Arnaud Lagardère

Mr. Arnaud Lagardère has been General Partner and Chief Executive Officer of Lagardère since 2003. He began his career in 1986 as General Manager of MMB, the holding company of Hachette and Europe 1. In 1987, he was appointed Vice President of the Supervisory Board of Arjil bank followed by his appointment as Head of emerging activities and electronic media for Matra. In 1994 he became Chief Executive Officer of Grolier Inc. in the U.S. He has been Managing Partner of Lagardère since 1998. In 1999, he was appointed Chief Executive Officer of both Lagardère Media and Lagardère Active. Arnaud 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:

Current executive mandates:

- General Partner and Chief Executive Officer of Lagardère;
- Chairman and Chief Executive Officer of Lagardère Media (corporate name: Hachette S.A.);
- Chairman of the Supervisory Board of Lagardère Active (S.A.S.);
- President (Chief Executive Officer) of Lagardère Active Broadband (S.A.S.);
- Chairman and Chief Executive Officer of Lagardère (S.A.S.);
- Chairman and Chief Executive Officer of Lagardère Capital & Management (S.A.S.);
- Chairman and Chief Executive Officer of Arjil Commanditée — ARCO (S.A.);
- Chairman of Fondation Jean-Luc Lagardère;
- President of the “Association des Amis de Paris Jean-Bouin C.A.S.G.”;
- President of the “Association Nouvel Elan Croix Catelan”; and
- President of the “Association Lagardère Paris Racing”.

Current non-executive mandates:

- Chairman of the Board of Directors of EADS Participations B.V.;
- Member of the Supervisory Board of Virgin Stores (S.A.);
- Member of the Supervisory Board of DaimlerChrysler;
- Member of the Supervisory Board of Le Monde (S.A.);

- Director of Hachette Livre (S.A.);
- Director of Hachette Distribution Services (S.A.);
- Chairman of the Supervisory Board of Hachette Filipacchi MedIAS (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.);
- Director of France Télécom (S.A.);
- Director of LVMH Moët Hennessy Louis Vuitton (S.A.);
- Member of the Supervisory Board of Lagardère Sports (S.A.S.);
- Director of Lagardère Management, Inc; and
- Chairman of the Board of Directors of Lagardère Active North America, Inc.

Former mandates for the last five years:

- Member of the Supervisory Board of T. Online International AG;
- Member of the Board of Directors of LCM Expression S.A. (resigned June 2002);
- Member of the Board of Directors of Multithématiques S.A. (resigned December 2002);
- Co-Manager of I.S.-9 (resigned May 2003);
- Manager of Lagardère Active Publicité (SNC) (resigned May 2003);
- Member of the Board of Directors of the Society d’Agences et de Diffusion S.A. (resigned June 2003);
- Manager of the Nouvelles Messagerie de la Presse Parisienne — N.M.P.P. SARL (resigned July 2003);
- Member of the Board of Directors of Canalsatellite S.A. (resigned December 2003);
- Member of the Board of Directors of Lagardère-Sociétés S.A.S (resigned December 2003);
- Member of the Board of Directors 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 Thématiques S.A. (resigned November 2004);
- Manager of Lagardère Elevage (resigned March 2005);
- Deputy-Chairman of the Supervisory Board of Banque Arjil & Cie (resigned April 2005);

- President of the “*Club des entreprises Paris 2012*” (resigned January 2006);
- Member of the Board of Directors of Fimalac (resigned January 2006);
- President (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 Committee of SEDI TV-TEVA (S.N.C.) (resigned December 2006); and
- Chairman and Chief Executive Officer of Lagardère Active Broadcast (S.A.) (resigned March 2007).

Thomas Enders

Mr. Enders joined MBB (“**Messerschmitt-Boelkow-Blohm**”)/Dasa AG in 1991, after various posts in international research institutes, the German Parliament and the Planning Staff of the German Minister of Defense. After several years in the company’s marketing sector, he became Corporate Secretary of Dasa AG in 1995. From 1996 he was in charge of Corporate Strategy & Technology and in 2000 with the creation of EADS, he became the Head of Defence & Security Division. In June 2005 he was appointed Chief Executive Officer of EADS. Mr. Enders holds degrees from the University of Bonn and UCLA, California.

Current mandates in addition to the one listed in the chart above are set forth below:

- Member of the Board of Directors of EADS Participations B.V. and Chief Executive Officer of EADS Participations B.V.;
- President of the German Association of the Aerospace Industries-BDLI;
- Chairman of the Supervisory Board of EADS Deutschland GmbH;
- Chairman of the Shareholders Committee of Airbus S.A.S.;
- Chairman of the Supervisory Committee of Eurocopter S.A.S.;
- Member of the Board of Directors of EADS North America Inc.;
- Member of the Board of Directors of Bundesverband der Deutschen Industrie (“**BDI**”);
- Member of the Supervisory Board of Deutsche BP; and
- President of Atlantikbrücke.

Former mandates for the last five years:

- Chairman of the Supervisory Board of DADC Luft und Raumfahrt Beteiligungs AG (“**DADC**”) (resigned October 2005);
- Member of the Supervisory Board of Industrieanlagen-Betriebsgesellschaft mbH (“**IABG**”) (resigned December 2005);
- Chairman of the Supervisory Board of Dornier GmbH (resigned March 2006); and
- President of AeroSpace and Defence Industries Association of Europe (“**ASD**”) (resigned October 2006).

Louis Gallois

Mr. Louis Gallois was Chairman of SNCF since 1996. From 1972 he worked in various posts for the Ministry of Economy and Finance, the Ministry of Research and Industry and the Ministry of Defense. In 1989 he was nominated Chairman and Chief Executive Officer of SNECMA and subsequently, in 1992 Chairman and Chief Executive Officer of Aerospatiale. In 2006 he was subsequently appointed Chief Executive Officer of EADS and of Airbus. He graduated from the Ecole des Hautes Etudes Commerciales (HEC) in Economic sciences and is an alumnus of the Ecole Nationale d’Administration (ENA).

Current mandates in addition to the one listed in the chart above are set forth below:

- Member of the Board of Directors of EADS Participations B.V. and Chief Executive Officer of EADS Participations B.V.;
- Member of the Board of Directors of Stichting Administratiekantoor EADS (the “**Foundation**”);
- 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 30th June 2005); and
- President of SNCF (resigned 2nd July 2006).

Jean-Paul Gut

Since 1983, Mr. Gut has held various executive positions in the field of export and international operations for Matra Defense, Matra Defense Espace and the Lagardère Group. In 1998, Mr. Gut integrated the Lagardère Group Management Board as responsible for International Operations and the High Technology sector. At the creation of EADS, in 2000, he was appointed Head of EADS International and in 2005 Chief Operating Officer for Marketing, Strategy and International.

He graduated from the *Institut d'Études Politiques de Paris* with a Master's degree in Economics.

Current mandates in addition to the one listed in the chart above are set forth below:

- Member of the Board of Directors of Arjil Commanditée-Arco S.A.;
- Member of the Shareholders Committee of Airbus S.A.S.;
- Member of the Board of Directors of Dassault Aviation S.A.;
- Member of the Board of Directors of EADS CASA;
- Member of the Board of Directors of EADS North America Inc (USA);
- Director of GIE AMLI;
- Permanent representative of MBDA France in the Board of Directors of Eurotradia International (S.A.); and
- Member of the Supervisory Board of Eurocopter (S.A.S).

Former mandates for the last five years:

- None.

Hans Peter Ring

Mr. Hans Peter Ring began his career at MBB in 1977. In 1987 he was appointed Head of Controlling of the company's Missiles business and subsequently of the Aviation and Defense Division of Dasa AG. From 1992-1995, he was Chief Financial Officer and member of the board of Dornier Luftfahrt. In 1996, he was appointed Senior Vice President of Controlling of Dasa and subsequently of EADS. Hans Peter Ring was appointed Chief Financial Officer of EADS in 2002 and Chief Operating Officer for Finance in 2005. In addition, in 2007 he became Airbus CFO. Mr. Hans Peter Ring has a degree in business administration.

Current mandates in addition to the one listed in the chart above are set forth below:

- Member of the Supervisory Board (*Aufsichtsrat*) and Shareholder Committee of M+W Zander — D.I.B Facility Management GmbH;
- Member of the Shareholders Committee of Airbus S.A.S.;
- Member of the Board of Directors of EADS Space B.V.;
- Member of the Supervisory Committee of Eurocopter S.A.S.;
- Member of the Board of Directors of EADS CASA;
- Member of the Board of Directors of EADS North America Inc.;
- EADS' Representative at the ATR assembly of members;

- Member of the Advisory Board of Deutsche Bank (Region Munich);
- Member of the "Wirtschaftsbeirat" of the BayernLB;
- Member of the Supervisory Board of ESMT; and
- Member of the "Außenwirtschaftsbeirat (AWB)" of the "Bundesministerium für Wirtschaft und Technologie".

Former mandates for the last five years:

- Member of the Advisory Board of Travel-Management GmbH (resigned 31st March 2003); and
- Member of the Supervisory Board of ATR GIE (resigned 31st December 2003).

Juan Manuel Eguiagaray Ucelay

Mr. Juan Manuel Eguiagaray Ucelay is Director of Studies at the think tank Fundación Alternativas. Between 1970 and 1982 he taught economics at Deusto University in Bilbao. Since the 1970's he held various political mandates in Spain; amongst others he was Minister for Public Administration (1991-1993) and Minister for Industry and Energy (1993-1996). He resigned from Parliament in 2001. Mr. Eguiagaray Ucelay holds a degree in Economics as well as in Law by Deusto University and a Ph.D. degree by the same University.

Current mandates in addition to the one listed in the chart above are set forth below:

- Director of the Service of Studies of the Fundación Alternativas;
- President of Solidaridad Internacional (NGO);
- Economic Adviser of Arco Valoraciones S.A.;
- Member of the Council Adviser of Creation, Advising and Development (Creade), S.L.; and
- Member of the Council Adviser of the Foundation Group EP.

Former mandates for the last five years:

- Member of the Advisory Board of Futurspace S.A. (resigned 5th July 2004); and
- Associate Professor of Macroeconomics at the University of Carlos III in Madrid (resigned 30th September 2006).

François David

Mr. François David is Chairman and Chief Executive Officer of Coface, an international credit insurance and credit management service provider since 1994. He started his career in 1969 in the French Ministry of Finance as Civil Administrator at the foreign economic relations department in which he held various

responsibilities. In 1986, he was named Director of the Cabinet of the Minister of Foreign Trade. In 1987, he was appointed Director of external economic relations within the Ministry of Economy, Finance and Budget. In 1990, he was named International Managing Director of the Aérospatiale company. Mr. David is an alumnus of the *École Nationale d'Administration*, a graduate of the *Institut d'Études Politiques de Paris*, and he holds a degree in sociology.

Current mandates in addition to the one listed in the chart above are set forth below:

- Chairman and Chief Executive Officer of Coface;
- Member of the Board of Directors of *Stichting Administratiekantoor EADS* (the “**Foundation**”);
- Chairman and Chief Executive Officer of Coface Scrl;
- Chairman of the Board of Directors of Viscontea Coface (Italy);
- Chairman of the Board of Directors of Coface Services;
- Chairman of the Supervisory Board of AK Coface (*Allgemeine Kreditversicherung Aktiengesellschaft Coface*) (Germany);
- Member of the Board of Directors of Vinci;
- Member of the Board of Directors of the association Coface Trade Aid;
- Chairman of Coface ORT;
- Chairman of La Librairie Electronique (LLE);
- Chairman of Centre d'études financières;
- Chairman of Or Informatique; and
- Censor in Rexel.

Former mandates for the last five years:

- Member of the Board of Directors of Rexel (resigned in 2005).

Michael Rogowski

Dr. Michael Rogowski has been Chairman of the Supervisory Board of Voith AG since 2000 and was also the President of the Association of German Industry from 2000 to 2004. Dr. Michael Rogowski joined Voith GmbH in 1974, where he was responsible for human resources as well as materials management. In 1982 he took over responsibility for the power transmission engineering Division and was named Chairman of the Management Board of Voith GmbH in 1986 and then Voith AG in 1997. He studied economical engineering and earned a doctorate at the University of Karlsruhe in 1969.

Current mandates in addition to the one listed in the chart above are set forth below:

- Chairman of the Supervisory Board of Voith AG;
- Member of the Board of Directors of *Stichting Administratiekantoor EADS* (the “**Foundation**”);
- Member of the Supervisory Board of Talanx AG/HDI Versicherung;
- Member of the Supervisory Board of IKB Deutsche Industrie-Bank AG;
- Member of Shareholder's Committee of Freudenberg & Co.;
- Member of the Supervisory Board of Carl Zeiss AG; and
- Member of the Supervisory Board of Kloeckner & Co. AG

Former mandates for the last five years:

- President of the Federation of German Industries, BDI (resigned 31st December 2004);
- Member of the Supervisory Board of KSB AG (resigned 30th April 2005);
- Member of the Supervisory Board of KfW Kreditanstalt für Wiederaufbau (resigned 31st May 2005);
- Member of the Supervisory Board of Deutsche Messe AG (resigned 30th June 2005); and
- Vice President of the Federation of German Industries, BDI (resigned 31st December 2005).

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.

Independent Directors

The two independent directors appointed pursuant to the criteria of independence set out above are François David and Michael Rogowski.

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.

Assessment of the Performance of the Board of Directors

At the meeting dated 5th December 2003, the Board of Directors decided to carry out a self-assessment of its performance on an annual basis and a more thorough assessment every three years, possibly with the assistance of external consultants.

Pursuant to this decision, in late 2006 the Board of Directors has commissioned an independent and internationally reputable consulting firm (SpencerStuart) to assist the Directors in evaluating the functioning of the Board of Directors within the specific framework of the shareholders agreement. In the course of the evaluation, the outside consultant held individual meetings with all EADS Directors (Executive and non-Executive).

The results of the self-assessment were reported to and discussed by the Board of Directors with the clear objective to further improve the Board of Directors' effectiveness and efficiency. The main outcomes of the self-assessment read as follows.

It appeared that the Board of Directors has been working as a cohesive entity, in an open, constructive and interactive atmosphere. The frequency of Board of Directors' meetings and the set-up of the Committees (Audit Committee, Remuneration and Nomination Committee) have been judged as adequate by the members of the Board of Directors. The duration of meetings as well as the attendance rate was assessed as satisfactory.

Members of the Board of Directors almost unanimously indicated that the efficiency of the meetings was overall satisfactory and that the Board of Directors deals with the right issues, even if from time to time, urgent operational matters took too much time, compared to the discussions of long-term, strategic matters.

The members of the Board of Directors acknowledged the specific shareholding structure with strong shareholding blocks. Nevertheless they emphasized that decisions are always taken to the best interest of the company.

The review identified a number of possible areas of improvement for the future, such as the skill set and experience in the Board of Directors' room (where specific financial expertise could bring added value), more regular reviews of the strategy and performance of the major divisions and the implementation of a more structured succession planning process for key executives, thanks to a stronger involvement of the Remuneration and Nomination Committee.

It has also been underlined that in order to streamline the decision making process, the documentation and information supplied beforehand to Board members should be reshaped.

2.1.2 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, the approval of the annual financial statements and the interim accounts, discusses with the auditors their audit program 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 discussions with the auditors. The Head of accounting and the Chief Operating Officer Finance are invited to meetings of the Audit Committee to answer any question.

In 2006, the Audit Committee was chaired by Manfred Bischoff and Arnaud Lagardère and also included Rüdiger Grube.

The Audit Committee meets twice a year, or more frequently according to requirements. It met five times during 2006, with a

100% attendance rate, to review the 2005 results as well as the first half-year results for 2006 of the Company, together with the quarterly financial reviews. As decided by the Board of Directors on 5th December 2003, the role of the Audit Committee was increased with new tasks such as, in particular, the review of the quarterly financial reports.

2.1.3 Remuneration and Nomination Committee

Pursuant to the Rules, the Remuneration and Nomination Committee makes recommendations to the Board of Directors regarding appointments of the Executive Committee members, the chairmen of the Supervisory Board (or similar bodies), the Chief Executive Officers (or equivalent positions) of main Group companies and BUs and the Corporate Secretary, human resources and remuneration related strategy and long-term remuneration plans (including playing a central role in determining and reviewing the variable portion of the remuneration of the members of the Board of Directors and the Executive Committee) and decides the service contracts and other contractual matters in relation to the Board of Directors and Executive Committee members. The rules and responsibilities of the Remuneration and Nomination Committee have been set out in more detail in the Remuneration and Nomination Charter. In 2006, the Remuneration and Nomination Committee was chaired by

Manfred Bischoff and Arnaud Lagardère and also included Thomas Enders, Louis Gallois and Rüdiger Grube.

The Remuneration and Nomination Committee meets twice a year, or more frequently according to requirements. It met five times during 2006, with a 95% average attendance rate. On top of 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 new Executive Committee members remunerations, the bonus payments for 2005, the long-term incentive plan and the employee share ownership plan for 2006/07 (originally scheduled for June 2006 but postponed to March 2007, see “2.3.2.7 Employee Share Ownership Plan 2007”), as well as the remuneration review of the members of the Executive Committee for 2006.

2.1.4 Executive Committee

The Chief Executive Officers, supported by an Executive Committee (the “**Executive Committee**”), are responsible for managing the day-to-day operations of the Company. The Executive Committee, chaired by the Chief Executive Officers, also comprises the Heads of the major Functions and Divisions of the Group. The Executive Committee met ten times during 2006.

The following matters are discussed, amongst others, at the Executive Committee meetings:

- 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 BUs.

The internal organisation of the Executive Committee is defined by the business allocation among the members under the supervision of the Chief Executive Officers. 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 Officers and the Executive Committee, as the case may be.



The Chief Executive Officers endeavour to reach consensus among the members of the Executive Committee on the matters discussed at the Executive Committee meetings. In the event of consensus not being reached, the Chief Executive Officers are 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 Officers submit such matter to the Chairmen for their opinion.

The term of office for the Executive Committee members is five years.

The Executive Committee members are appointed by the Board of Directors.

COMPOSITION OF THE EXECUTIVE COMMITTEE

Name	Age	Term started	Term expires	Principal Occupation
Thomas Enders	48	2005	2010	Chief Executive Officer EADS
Louis Gallois	63	2006	2010	Chief Executive Officer EADS and Head of Airbus
Jean-Paul Gut	45	2005	2010	Chief Operating Officer Marketing, Strategy and Global Development
Hans Peter Ring	56	2002	2007	Chief Operating Officer Finance EADS and Chief Financial Officer Airbus
François Auque	50	2005	2010	Head of Astrium
Lutz Bertling	44	2006	2011	Head of Eurocopter
Jean J. Botti	50	2006	2011	Chief Technical Officer
Fabrice Brégier	45	2005	2010	Chief Operating Officer Airbus
Ralph D Crosby Jr.	59	2002	2007	Head of EADS North America
Francisco Fernández Sáinz	61	2002	2007	Head of Military Transport Aircraft
Jussi Itävouri	51	2002	2007	Head of Human Resources
Stefan Zoller	49	2005	2010	Head of Defence & Security

Note: The professional address of all members of the Executive Committee for any matter relating to EADS is Le Carré, Beechavenue 130-132, 1119 PR, Schiphol-Rijk, The Netherlands.

Thomas Enders, Chief Executive Officer EADS

See “2.1.1 Board of Directors, Chairmen and Chief Executive Officers — Curriculum Vitae and other Mandates and Duties Performed in any Company by the Members of the Board of Directors”.

Louis Gallois, Chief Executive Officer EADS and Head of Airbus

See “2.1.1 Board of Directors, Chairmen and Chief Executive Officers — Curriculum Vitae and other Mandates and Duties Performed in any Company by the Members of the Board of Directors”.

Jean-Paul Gut, Chief Operating Officer Marketing, Strategy and Global Development

See “2.1.1 Board of Directors, Chairmen and Chief Executive Officers — Curriculum Vitae and other Mandates and Duties Performed in any Company by the Members of the Board of Directors”.

Hans Peter Ring, Chief Operating Officer Finance EADS and Chief Financial Officer Airbus

See “2.1.1 Board of Directors, Chairmen and Chief Executive Officers — Curriculum Vitae and other Mandates and Duties Performed in any Company by the Members of the Board of Directors”.

François Auque, Head of Astrium

Mr. Auque joined Aerospatiale as Chief Financial Officer in 1991, after a career with the Suez Group and the French Cour des Comptes. He held various top management functions within Aerospatiale and Matra until becoming Chief Financial Officer of Aerospatiale Matra together with Managing Director for satellites. Since 2000, he is Chief Executive Officer of the EADS Space Division. Mr. Auque graduated from HEC, from the IEP of Paris, and from the ENA.

Lutz Bertling, Head of Eurocopter

Since 1988, Mr. Bertling has held various positions at Braunschweig University and DaimlerChrysler Rail Systems. In 1999, he joined the Military Aircraft Business of Dasa as Vice President Augsburg Plant and Aerostructure Programs. Since 2003 he works in Eurocopter, became Chief Executive Officer of Eurocopter Deutschland in April 2006 and Head of Eurocopter Division in October. Mr. Bertling studied Engineering at the Braunschweig University and holds a PhD.

Jean J. Botti, Chief Technical Officer

Mr. Botti started his career in 1978 as product engineer for Renault France. From 1989 on, he worked in the USA for General Motors, before becoming Chief Technologist and subsequently Business Line Executive of the Powertrain Business at Delphi. In May 2006, he was appointed Chief Technical Officer of EADS. Mr. Botti holds degrees from INSA Toulouse, an MBA from Central Michigan University and a PhD from the Conservatoire des Arts et Métiers.

Fabrice Brégier, Chief Operating Officer Airbus

Mr. Brégier joined Matra Défense in 1993 as Chairman of the Apache MAW and Eurodrone GIEs. In 1996, he was appointed Director for the Stand-Off activities of Matra BAe Dynamics before becoming Chief Executive Officer of MBD in 1998 and Chief Executive Officer of MBDA in 2001. Since April 2003, he was President and Chief Executive Officer of Eurocopter and Member of the EADS Executive Committee, before being appointed Airbus Chief Operating Officer in October 2006.

Ralph D. Crosby Jr., Head of EADS North America

Mr. Crosby has been Chairman and Chief Executive Officer of EADS North America since 2002. He is EADS' senior executive in the U.S. and Chief Executive of the company operating all U.S. subsidiaries of the group. Previously,

Mr. Crosby was President of the Integrated Systems Sector at Northrop Grumman Corporation. Mr. Crosby holds degrees from the U.S. Military Academy, the Graduate Institute of International Studies in Geneva and Harvard University.

Francisco Fernández Sáinz, Head of Military Transport Aircraft

Mr. Fernández Sáinz joined CASA in 1971 as a Stress Engineer. Between 1975 and 2002 he held various positions such as Engineering Development Director, Vice President of Engineering, Executive Vice President Programs and finally as Airbus España General Manager. Since 2002, he has been Head of the Military Transport Aircraft Division. Mr. Fernández Sáinz holds an MBA from ICADE and is a Senior Aeronautical Engineer.

Jussi Itävuori, Head of Human Resources

Mr. Itävuori joined EADS in September 2001. Previously, he worked for KONE Corporation since 1982 and was appointed in 1989 as Head of Human Resources and member of the Executive Committee of KONE Elevators. In 1995, he was appointed member of the Executive Committee and Head of Human Resources of KONE Corporation. Mr. Itävuori graduated from the Vaasa School of Economics, Finland and served in the Airforce as pilot.

Stefan Zoller, Head of Defence & Security

Mr. Zoller joined Dasa in 1996 as Chief of Staff of the President and Chief Executive Officer of the company. Previously, he held various management positions within DaimlerChrysler, Dornier and Senstar/Canada. Since 2000, he has held top management positions within EADS' defence business and was appointed Head of the Defence & Security Division in 2005. Mr. Zoller graduated from the University Tübingen and holds a PhD in company law.

2.1.5 Internal Control and Risk Management Systems

2.1.5.1 Overview

One of Management's fundamental missions is to foster a positive Internal Control ("IC") and Risk Management ("RM") environment at EADS, in line with corporate governance requirements and best practices in the Netherlands, France, Germany and Spain. Having recognised that continuing changes in the multi-jurisdictional legal and regulatory provisions

applicable to EADS required a strategic approach to IC and RM, EADS began to implement a group-wide IC and RM system at the beginning of 2004. This system is based on the Internal Control and Enterprise Risk Management Frameworks of the Committee of Sponsoring Organisations of the Treadway Commission ("COSO").

The IC and RM system provides Management with a framework for attempting to manage the uncertainty and associated risks inherent in EADS' business. It serves as the basis for all sub-IC and sub-RM procedures present throughout EADS at the divisional and Business Unit ("BU") levels.

Limitations

No matter how well designed, all IC and RM 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' IC and RM system and procedures are or will be, despite all care and effort, entirely effective.

Developments in 2006 and outlook

During 2006, EADS' main objective with respect to its IC and RM system was to increase awareness of IC and RM principles at the divisional, BU and Headquarters ("HQ") level. This included the rollout across several Divisions and BUs of standardised IC and RM training covering basic and refresher concepts. In addition, process coordinators benefited from individual coaching sessions and workshops relating to the performance of yearly IC procedures. Working groups were also established throughout 2006 in order to enhance cross-departmental and cross-organisational knowledge exchange.

During the second half of 2006, most Divisions, BUs and HQ departments conducted a self-assessment of their IC systems to evaluate the design and operational effectiveness of internal controls. The results are currently in the process of being analysed. The independent review process launched in 2005 to substantiate the self-assessments and to assess the effectiveness of the IC and RM systems also continued during 2006.

Finally, following the purchase of BAE Systems' 20% minority stake in Airbus in October 2006, the appointment of common chief executive officer ("CEO") and chief financial officer ("CFO") at EADS and Airbus and the production difficulties encountered with the A380 in 2006, EADS is currently reviewing the IC and RM system in place at Airbus in order to further align it with that of the group as a whole. Prior to BAE Systems' divestment of its stake, Airbus operated an IC and RM system, customised to their specific business. As a wholly owned subsidiary, Airbus' IC and RM system will be further integrated with that of the group over the long-term.

Building on the comprehensive IC and RM review and evaluation procedures carried out in 2006, EADS will assess the results over the course of 2007. As a result of the ongoing monitoring activities of the IC and RM systems' effectiveness,

further modifications to the IC and RM systems are expected throughout 2007.

Responsibility for the IC and RM System — Interaction with EADS Management

Overall responsibility for the IC and RM system and the related reporting to stakeholders lies with the EADS Board of Directors ("BoD"). EADS' CEOs and CFO are responsible for ensuring that the IC and RM system and related procedures are implemented throughout the Group. In addition, the Audit Committee oversees the group-wide functioning of the IC and RM system.

A general management principle at EADS is the delegation of entrepreneurial responsibility and powers to the operational units. This principle of subsidiarity entails a clear separation of responsibilities between EADS Headquarters and the Divisions or BUs. EADS Headquarters sets the overall strategic and operational targets for EADS and assumes the ultimate responsibility. The Divisions and BUs retain responsibility for all operational matters and activities within their scope, subject to audit.

Consequently, the responsibility for operating and monitoring the IC and RM system and for risk and IC reporting lies with the respective management of the Divisions, BUs and HQ departments. They must seek to ensure transparency and effectiveness of their local sub-IC and RM systems and the adherence to the objectives defined by the EADS BoD. The management of Divisions, BUs and HQ departments is responsible for the implementation of appropriate mitigation activities to reduce the probability and impact of risk exposures and for the communication of risks which affect others within EADS.

In principle, risk and IC management as well as ensuring overall effectiveness of the IC and RM system is the responsibility of all members of the staff. The Group seeks to integrate risk and IC management into all activities when conducting business transactions.

Sources and Standards for IC and RM System and Procedures

The core policies, procedures and thresholds that define EADS' IC and RM environment are communicated throughout the Group through:

- Codes of conduct (e.g., EADS Code of Ethics, Corporate Social Responsibility policies (see "Part 2/Chapter 2 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., Risk Management Guidelines, “Funding Policy”).

External standards influencing the EADS IC and RM system include the IC and Enterprise Risk Management (ERM) Frameworks of COSO, as well as industry-specific standards as defined by the International Standards Organisation (ISO).

2.1.5.2 RM System

RM at EADS covers all types of risk such as operational, financial, strategic and compliance risks, quantifiable and unquantifiable risks, short-, middle- and long-term risks, and risks with financial, health and safety, and reputational implications. The RM system requires that all risks be identified and that their likelihood of occurrence and the possible extent of damage be assessed, usually in terms of their effect on operating profit. Early identification and professional management of these risks is fundamental to business success. See “Risk Factors” for information on certain risks to which the Group is exposed.

The management of the Divisions, BUs and HQ departments is responsible for developing and initiating appropriate measures to avoid, reduce, or hedge the probability and/or impact of the identified risks. Information on risks is gathered and updated regularly to provide Division, BU and HQ management with an analysis of the significant risks within the Group, as well as with information on the activities initiated to mitigate or avoid such risks. This information is used for decision making throughout the relevant EADS management processes. In addition, the evolution of major risks and the development of the countermeasures taken in response are monitored on a regular basis by Division and BU management, who in turn report to the CEOs and CFO.

The RM system attempts to cover all risks to which EADS is exposed, including risks inherent in the day-to-day business processes of the Group. EADS’ IC system as described below seeks to provide reasonable assurance that process-inherent risks arising from the Group’s activities are managed effectively. The relevant risks are subject to a management discussion process at the Group level.

2.1.5.3 IC System

The IC system is based on a variety of IC policies and procedures within EADS. It is designed to provide reasonable

assurance to the BoD, the CEOs and the CFO regarding the achievement of the following objectives:

- The quality of financial reporting, including design and implementation of processes to generate a flow of timely, relevant and reliable financial information;
- Compliance with laws and regulations applicable to the Group, as well as with internal Group policies; and
- Identification and response to significant operational, financial and compliance risks throughout EADS.

The IC system covers all three objectives with the main focus on the reliability of financial reporting to reasonably assure that it does not contain any material inaccuracies.

The management of the Divisions, BUs and HQ departments is responsible for the operating and monitoring of the IC system within their area of duty. They seek to ensure that the appropriate controls to achieve the control objectives defined by EADS HQ and listed in IC templates are in place and operate effectively on an ongoing basis.

EADS has established formalized internal control self-assessment mechanisms, to be applied by each identified process/control owner on a regular basis, who must assess the operating and design effectiveness of the internal controls in place for his process. Identified control deficiencies are evaluated and prioritised into “deficiencies”, “significant deficiencies” and “material weaknesses”. For each deficiency, a remediation action is defined and implemented. The progress is monitored by the respective Division, BU and HQ department management and reported to EADS HQ. To verify the successful implementation of the remediation actions, the remedied controls are periodically re-assessed. Each year, corporate audit provides an independent review of the status of the IC systems in selected Divisions, BU and HQ department. Generally, relevant personnel (e.g., IC coordinators, process owners) receive training in order to be informed of new/changed laws and regulations regarding IC and to be updated on relevant process steps and activities regarding the IC system.

Based on the self-assessments, management of each Division, BU and HQ department prepares formal statements as to the adequacy and effectiveness of the IC systems within their scope of responsibility.

Joint ventures, such as MBDA, operate separate IC systems. Alignment with the EADS IC system is facilitated, inter alia, through EADS’ presence on such affiliates’ supervisory and management bodies (e.g., MBDA Board of Directors, audit committees).

Monitoring of Internal Controls — Management discussions

In addition to regular monitoring activities at the Divisional, BU and HQ levels, their assessments about the adequacy and effectiveness of the IC systems are discussed in depth between EADS CEOs and CFO and the respective Division/BU CEOs and CFOs or the HQ-functions heads. These discussions serve to prioritise potential issues at EADS level, define and commit appropriate actions if needed, and draw conclusions for the overall EADS IC and RM report.

Management Sign-Off Process — Sub-representation

Once every year, identified significant deficiencies and material weaknesses are reported in sub-representation letters, providing assurance in the form of management assessment of the quality of the IC systems and of the IC risk exposure. Since the 2004 reporting cycle, a formalised sign-off process is in place whereby EADS' CEOs and CFO confirm to the BoD, to the best of their knowledge, whether:

- the IC system is adequately structured to ensure the reliability of financial reporting within EADS;
- the control activities in place are completely and accurately described in the IC templates and/or other relevant process documentation and guidelines;
- the owner of each control activity is clearly identified; and
- the controls in place are appropriate for EADS' business and meet the defined control objectives.

The CEOs' and the CFO's IC statement is mainly based on the self-assessments, independent reviews and management discussions described above, and is substantiated by sub-representation letters provided to the CEOs and CFO by all Divisional and BU management.

2.1.5.4 Business Processes Covered by the IC System

Based on EADS' activities, seventeen high-level business processes have been identified within EADS. They are categorized into core processes (research and development, production, sales, after sales and program management), support processes (procurement, human resources, accounting, fixed assets, treasury, information technology, mergers & acquisitions, legal and insurance) and management processes (internal audit, controlling and management controls). Set out below is a description of certain of these business processes in place during 2006, and the correlating IC 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' IC system are accounting processes and controls designed to ensure the reliability of the financial statements and other financial information used by management and disclosed to EADS' investors and other stakeholders. These processes and controls are part of an overall financial control model integrating strategic planning, operative planning, measurement and reporting, decisions/actions and financial market communication. This integrated approach to planning and reporting aims to improve internal communication and transparency across departments and organisational units within EADS, which are essential to the preparation of accurate and reliable financial statements.

Consolidation Procedures — External Financial Reporting

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 CFO, who is charged with developing, implementing and monitoring these procedures. Among the CFO's primary tasks is overseeing the preparation of 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, reporting rules and financial guidelines that ensure the consistency and quality of financial information reported by the BUs and Divisions. 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 CFO or the Board of Directors (based upon the advice of the Audit Committee).

Control of the financial reporting process is effected not only through the elaboration of Group-wide accounting systems and policies, but also through an organized process for extracting quality information from the reporting units on a timely basis. The EADS reporting process is briefly summarized below:

BU accounting departments record information using the EADS accounting consolidation software, following centrally defined EADS accounting policies which comply with IFRS, the Group-wide applied accounting principle. Accountants at EADS headquarters, who are responsible for each Division, monitor and verify the work of the relevant BU accounting departments. The Division accountants also provide direct support to the BUs to ensure the correct application of the EADS accounting policies.

During the course of each reporting cycle, BU CFOs frequently meet with the EADS CAO to discuss the financial information generated by the BUs.

Prior to being disclosed to the public and subsequently submitted for approval to the shareholders, the consolidated year-end financial statements are audited by the Company's external auditors, reviewed by the Audit Committee and submitted for approval by the Board of Directors. Similar procedure is used for the quarterly closing. Group auditors are involved before EADS financial statements are submitted to the Board of Directors.

Controlling

The controlling function has developed a value-driven economic and financial corporate measurement system and methodology on an industry benchmark level. Supported by the CFOs from Divisions, the core planning, tracking and reporting tasks of the controlling department provides management with a global overview of the Group. The controlling department is also called on to interact with other headquarters functions to ensure that corporate activities, such as mergers and acquisitions ("M&A") and sourcing, are carried out in accordance with the Group-level policies and strategies. This global overview also makes controlling an integral element of the risk assessment process.

The EADS financial reporting policies and procedures, described above, are also designed to provide Management with updated (at least monthly) 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.

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 centralized 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 controlling 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 standardized 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 BUs 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 "1.1.8 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, in line with certain risk assessment guidelines.

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 BUs 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 CFO, the CEOs 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 specialized 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 discussed in the MBDA treasury committee.

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 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 profile of proposed contracts and (ii) a mandated pre-approval process for contracts defined as "high-risk".

Contracts falling within the defined threshold categories require approval by the CFO. Contracts that are deemed "high-risk" must be submitted to a standing Commercial Committee (with the COO for Finance and the COO of Marketing, Strategy and Global Development serving as permanent members). This committee is responsible for reviewing the proposal and submitting a decision-leading recommendation to the CEOs. Its specific role and responsibilities are defined in a set of internal rules adopted by the EADS Executive Committee.

In the case of Airbus, contracts are approved in accordance with Airbus' own Corporate Governance policy, based on EADS guidelines. In general, where EADS shares control of a subsidiary with a third party, the Commercial Committee is responsible for forming 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 centralized at EADS headquarters. The IC 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 CFO and the directors of Group headquarters level M&A and controlling departments. Legal Affairs 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 CEOs 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 EADS Legal Affairs directorate, in coordination with the Division and BU legal departments, 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 litigation affecting the Group, as well as for the legal safeguarding of the Group's assets, including intellectual property.

Legal Affairs, 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 and defining the EADS management and 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 IC procedures. Based upon an 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) risks.

Procurement

A group with the size and complexity of EADS requires a common sourcing policy to maximize market effort and minimize inefficiencies in the procurement process. To ensure that corporate sourcing is carried out in an efficient and ethical manner, a set of common purchasing processes, in line with a common sourcing strategy, is defined and implemented by the head of Corporate Sourcing and the Chief Procurement Officers Council.

2.2 Interests of Directors and Principal Executive Officers

2.2.1 Compensation Granted to Directors and Principal Executive Officers

2.2.1.1 General Principles

EADS' remuneration policy aims at attracting and retaining talents that will contribute to the Group's business success. 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 Board of Directors is composed of Non-Executive Directors and Executive Directors (who are also members of the Executive Committee).

The compensation of the Executive Directors and of the members of the Executive Committee combines short-term and long-term reward and is summarized 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 - Individual bonus (50% of Target variable pay): achievement of annual individual objectives	Chief Executive Officers: 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	Stock option plan	Alignment with shareholders' interest for value creation	Variation of the value of EADS share compared to a grant price set at 110% of the Fair Market Value at grant date	
	Performance share plan	Achievement of long-term operational profit, measured through cumulative EBIT* achievement	The number of Performance shares which will vest is based on 2 nd and 3 rd year cumulative EBIT* achievement	Vested Performance shares will range from 0% to 100% of initial grant

2.2.1.2 Compensation of the Members of the Board of Directors

- **The Non-Executive Directors** are entitled to receive an accumulated total target compensation as a group of Non-Executive Directors on a full year basis of €900,000. This target compensation includes (i) a fixed part of €30,000 per director and €60,000 per chairman, (ii) a fee for participation in Board of Directors' meetings and Committee meetings (if such Committee meetings take place on a different date than the Board of Directors' meetings) of €5,000 per director and €10,000 per chairman, per meeting and (iii) a variable part composed of a collective part (bonus) calculated, on the basis of EBIT* (75%) and cash (25%) results of the Group, of €50,000 per director and €100,000 per chairman at 100% target achievement. The rules for the collective part calculation on the basis of

EBIT* (75%) and cash (25%) results of the Group for the Non-Executive Directors are the same as for the members of the Executive Committee (see below "2.2.1.3 Compensation of the Members of the Executive Committee"). The Non-Executive Directors do not have termination packages.

- **The Executive Directors** receive neither fees for participation in Board of Directors' meetings nor any dedicated compensation as members of the Board of Directors in addition to their compensation as members of the Executive Committee (see below "2.2.1.3 Compensation of the Members of the Executive Committee"). The Executive Directors are eligible for benefits under Long Term Incentive Plans including stock option plans and performance share plans (see "2.3.3 Long Term Incentives Plans") and under employee share ownership plans in their capacity as qualifying employees (see also "2.3.2 Employee



Share Ownership Plans”). Additionally, the Executive Directors are entitled to pension benefits.

The amounts of the various components constituting the compensation granted to Executive Directors and Non-Executive Directors during 2006 together with additional

information such as the number of stock options and performance shares (see “2.3.3 Long Term Incentives Plans”) and details of the pension benefits entitlements of the Executive Directors are set out in “Notes to the Company Financial Statements — Note 11: Remuneration” page 126.

They are summarized 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 2006 can be specified as follows:

	2006 in €	2005 in €
Fixum	4,564,086	4,908,190
Bonus (related to reporting period)	2,361,451	4,850,449
Fees	395,000	260,000
	7,320,537	10,018,639

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

2006	Fixum in €	Bonus in € related to 2006	Fees in €	Total in €
Directors				
Manfred Bischoff	60,000	43,750	100,000	203,750
Arnaud Lagardère	60,000	43,750	100,000	203,750
Thomas Enders	1,195,225	542,468	-	1,737,693
Louis Gallois (until end of June 06)	-	-	-	-
Louis Gallois (since July 06)	450,000	257,612	-	707,612
Jean-Paul Gut	943,693	456,527	-	1,400,220
Hans-Peter Ring	951,193	456,527	-	1,407,720
Francois David	30,000	21,875	40,000	91,875
Rüdiger Grube	30,000	21,875	75,000 ^(*)	126,875
Michael Rogowski	30,000	21,875	30,000	81,875
Juan Manuel Eguiagaray Ucelay	18,750	21,875	50,000	90,625
Former director ^(**)				
Noël Forgeard	795,225	473,317	-	1,268,542
Total	4,564,086	2,361,451	395,000	7,320,537

(*) Including €30,000 relating to the 2005 Meeting fees paid in 2006.

(**) Prorata in accordance with his membership with the Board of Directors.

- Long term incentives

The table below gives an overview of the Long term Incentive Plans (stock-options and performance shares) granted by EADS to the Executive Members of the Board of Directors in 2006:

	Stock option plan: number of stock-options			Shares plan: number of performance shares(*)	
	granted in 2006	exercise price in €	expiry date	granted in 2006	vesting date
Thomas Enders	67,500	25,65	16 th Dec. 2016	16,875	Publication of the 2009 annual results, expected in March 2010
Louis Gallois	67,500	25,65	16 th Dec. 2016	16,875	Publication of the 2009 annual results, expected in March 2010
Jean-Paul Gut	50,000	25,65	16 th Dec. 2016	12,500	Publication of the 2009 annual results, expected in March 2010
Hans Peter Ring	50,000	25,65	16 th Dec. 2016	12,500	Publication of the 2009 annual results, expected in March 2010
Total	235,000			58,750	

(*) Vesting of all performance shares granted to Directors is subject to performance conditions.

In 2006, former Director Mr. Noël Forgeard was no longer eligible to grants of stock-options, nor to grants of performance shares.

- Pension benefits:

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

The Executive Directors have pension promises as part of their employment agreements. The general policy is to give them annual pension of 50% of their annual base salary after five years in the Executive Committee of EADS at the age of 60 to 65. In case of the Chief Executive Officers, the retirement age is 60. This obligation increases to 60% after ten years of service in the EADS Executive Committee.

These pension schemes have been implemented and financed through collective executive pension plans in France and Germany. These pension promises have also separate rules e.g. for minimum length of service and other conditions to comply with national regulations.

For the Executive Directors, the amount of the pension defined benefit obligation amounted to €23 million as of 31st December 2006. This obligation has been partly funded and accrued for in the consolidated financial statements for its unfunded portion.

- Termination package:

The Executive Directors are also entitled to a termination package when they leave the Company as a result of a decision of the Company. The employment contracts for Executive Directors are concluded for an indefinite term with an indemnity of up to a maximum of 24 months of their target income. The maximum 24 months indemnity can be reduced *pro rata* depending on the age of retirement.

- Non competition clause:

A non-competition clause is included in the contracts of the Executive Directors. This clause is applicable for a 2-year period, starting at the end of the employment contract. If the company does not revoke the application of the said clause, the Executive Directors will receive a compensation based on his monthly salary (including variable pay) in return for his obligation not to compete.

- Other benefits:

Executive Directors are entitled to a company car. The value of the company cars of appointed Executive Directors is as follows: For Thomas Enders €81,772, for Louis Gallois €23,752, for Jean-Paul Gut €69,483 and for Hans-Peter Ring €96,400.

Mr. Thomas Enders benefits also from a free accommodation in France. The monthly lease amounts to €3,878 on average.

2.2.1.3 Compensation of the Members of the Executive Committee

The members of the Executive Committee, including Executive Directors but also members of the Executive Committee who are not members of the Board of Directors, are entitled to receive for the year 2006 an accumulated total target compensation on a full year basis of €11,373,997. This target compensation is calculated *pro rata* for the Executive Directors present in the Company on 31 December 2006. This compensation is divided for the Chief Executive Officers into a 45% fixed part and a 55% variable part and for the other members of the Executive Committee into a 50% fixed part and a 50% variable part (in practice, the variable part can exceed 55% and 50% respectively of the total compensation in case of overachievement of the targets). The variable part is calculated on the basis of two equal components: (i) a collective part calculated on the basis of EBIT^{*} (75%) and cash (25%) results of the Group and (ii) a bonus corresponding to individual achievements.

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);
- 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. The choice of EBIT^{*} and cash financial indicators ensures the alignment of Directors and top Executive 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 members of the Board of Directors 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. Thomas Enders, Chief Executive Officer, during the year 2006, was €2,015,781 (this sum includes the payments of his January to December 2006 fixum and the 2005 variable pay paid in May 2006, which is calculated *pro rata* for the periods as Head of Defence & Security Division and Chief Executive Officer of EADS).

The total compensation paid by EADS and all its Group companies to the new Chief Executive Officer, Mr. Louis Gallois, appointed in July 2006, during the year 2006, was €450,000 (this sum includes the payments of his July to December 2006 fixum).

- Former Chief Executive Officer:

The total compensation paid by EADS and all its Group companies to Mr. Noël Forgeard, in his role as Chief Executive Officer of the Company, during the year 2006 was €2,469,950 (this sum includes the payments of his January to June 2006 fixum, the 2005 variable pay paid in May 2006, which is calculated *pro rata* for the periods as Chief Executive Officer of Airbus and Chief Executive Officer of EADS, the 2006 variable pay paid in 2006, which is calculated *pro rata* for the period as Chief Executive Officer of EADS).

Under the terms of his employment contract, Noël Forgeard was entitled to:

- A 6 month notice period, which represents an amount of €1,223,317 (gross salary and bonus);
- A termination package of €4,893,268 (i.e. 24 months of total gross annual income);
- A 2-year non-compete indemnity, which represents a monthly gross amount of €101,917 gross (from 2007 onwards).

2.2.2 Long Term Incentives Granted to the Two Chief Executive Officers

See “2.3.3 Long Term Incentive Plans”.

2.2.3 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 year 2006, 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.

For a description of the relationships between the Company and its principal shareholders, see “Part 2/3.3.2 Relationships with Principal Shareholders”. Other than the relationships between the Company and its principal shareholders described in Part 2/3.3.2, to the Company’s knowledge, there are no potential conflicts of interest relative to the Company between the duties of the Directors and their respective private interests or other duties.

As indicated in “Part 2/3.1.3.1 Periodic Disclosure Obligations”, according to Article 35 of the Spanish Securities Market Act 24/1988, of 28th July 1988, as amended (the “**Spanish Securities Act**”) and Order EHA/3050/2004 of 15th September 2004, the Company must provide detailed information, including, without limitation, the number and amount of the transactions, in relation to every transaction carried out with any related party in the half-yearly information which the Company is required to file with the *Comisión Nacional del Mercado de Valores* (the “**CNMV**”) and the Spanish Stock Exchanges, without prejudice to information to be included in the annual Corporate Governance report to be filed with the CNMV on an annual basis (the “**Annual Corporate Governance report**” pursuant to the Ministry of Economy Order 3722/2003 dated 26th December 2003 (the “**Ministerial Order**”)).

Pursuant to the Spanish Securities Act, the Company has to provide detailed information about transactions carried out with (i) directors which are outside the ordinary activity of the Company or which are not in market conditions; and (ii) any related party which are material due to their amount or for an adequate understanding of the public economic information.

2.2.4 Loans and Guarantees Granted to Directors

EADS has not granted any loans to its Directors or members of the Executive Committee.

2.3 Employee Profit Sharing and Incentive Plans

2.3.1 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. A stock option plan and a performance and restricted shares plan have been established for the senior management of the Group (see "2.3.3 Long Term Incentives Plans") and employees were offered shares at favourable conditions at the time of the public offering and listing of EADS (see "2.3.2 Employee Share Ownership Plans").

EADS France has profit sharing plans (*accords de participation*), in accordance with French law, and specific incentive plans (*accords d'intéressement*), which provide bonuses to employees

based on the achievement of productivity, technical or administrative milestones.

EADS Deutschland GmbH's remuneration policy is, to a large extent, flexible and strongly linked to the EBIT¹ of the company, the increase in value of the company and the achievement of individual objectives.

EADS CASA, which does not have a profit sharing policy, allows technicians and management to receive profit-related pay, subject to the achievement of the general company objectives and individual performance.

2.3.2 Employee Share Ownership Plans

2.3.2.1 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 21st September 2000.

2.3.2.2 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 8th October 2001 under number 01-1200 and *note d'opération définitive* approved by the COB on 13th 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 5th December 2001.

2.3.2.3 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 30th September 2002 under number 02-1062 and *note d'opération définitive* approved by the COB on 11th 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 4th December 2002.

2.3.2.4 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 25th 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 5th December 2003.

2.3.2.5 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 10th September 2004 under number 04-755) was given only to employees who:

- had at least three months' seniority;

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- 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 3rd December 2004.

2.3.2.6 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 4th 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 29th July 2005.

2.3.2.7 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 will be delivered on 9th May 2007.

2.3.3 Long Term Incentive Plans

At its 26th May 2000, 20th October 2000, 12th July 2001, 9th August 2002, 10th October 2003, 8th October 2004, 9th December 2005 and 18th December 2006 meetings, the Board of Directors of the Company, using the authorisation given to it by the shareholders' meetings of 24th May 2000, 10th May 2001, 6th May 2003, 11th May 2005 and 4th May 2006 approved the granting of stock options for subscription of shares in the Company.

At its 18th December 2006 meeting, the Board of Directors of the Company, using the authorisation given to it by the shareholders' meeting of 4th May 2006 approved the granting of performance shares and restricted shares in the Company.

The principal characteristics of these options and performance and restricted shares as at 31st December 2006 are set out in the "Notes to the Consolidated Financial Statements (IFRS) — Note 31: Share-based Payment" page 105. They are also set out in the table below:

	First tranche	Second tranche
Date of shareholders' Meeting	24 th May 2000	24 th May 2000
Date of Board of Directors Meeting (grant date)	26 th May 2000	20 th October 2000
Number of options granted	5,324,884	240,000
Number of options outstanding	1,743,489	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 "Part 2/3.1.3 Governing Laws").	
Expiry date	8 th July 2010	8 th 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	110% of fair market value of the shares at the date of grant
Number of exercised options	2,856,911	188,000

	Seventh tranche
Date of shareholders' Meeting	11 th May 2005
Date of Board of Directors Meeting	9 th December 2005
Number of options granted	7,981,760
Number of options outstanding	7,907,600
Options granted to:	
• Mr. Thomas Enders	135,000
• Mr. Noël Forgeard	135,000
• the 10 employees having being granted the highest number of options during the year 2005 (seventh tranche)	940,000
Total number of eligible beneficiaries	1,608
Exercise date	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 "Part 2/3.1.3 Governing Law — Dutch Regulations"). As regards to the seventh tranche, part of the options granted to the top EADS Executives are performance related.
Expiry date	8 th December 2015
Conversion right	One option for one share
Vested	0%
Exercise price	€33.91
Exercise price conditions	110% of fair market value of the shares at the date of grant
Number of exercised options	0



		Eighth tranche
Date of shareholders' Meeting		4 th May 2006
Date of Board of Directors Meeting		18 th December 2006**
		Stock option plan
Number of options granted		1,747,500
Number of options outstanding		1,747,500
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 "Part 2/3.1.3 Governing Laws")	
Date of expiration		16 th December 2016
Conversion right		One option for one share
Vested		0%
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
Performance and restricted shares plan		
	Performance shares	Restricted shares
Number of shares granted	1,344,625	391,300
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.	

(*) For more information in respect of options and shares granted to the Executive Directors, see "Notes to the Company Financial Statements — Note 11: Remuneration", page 126.

(**) The eighth tranche was published to the employees up to 8th January 2007.

The information in respect of stock options and performance and restricted shares cancelled and exercised during the year are set out in "Notes to the Consolidated Financial Statements (IFRS) — Note 31: Share-based Payment", page 105.

For information on the transactions carried out by the members of the Board of Directors and the Executive Committee see EADS's website and/or the relevant stock exchange authorities' website.