

Letter from the Chairman of the Board



Rüdiger Grube

“My task and that of my Board colleagues is to make sure that the momentum the Company currently shows in facing and tackling its many challenges is sustained.”

DEAR SHAREHOLDERS,

For your Company, 2007 was a year of reorientation and a year of renewal.

In July, a new corporate governance structure took shape – a step towards good practices in a field where EADS had been a subject of controversy. The core shareholders, in order to ensure long-term competitiveness and performance of EADS, addressed important control and sovereignty challenges.

The various technical and industrial difficulties encountered in key programmes over the past two years weighed heavily on the 2007 full year results. It is evident that shortcomings in programme management not only cause delays that risk alienating customers, they also put severe strains on profitability. Nobody can be satisfied by such performance – neither the Board of Directors nor the management. Furthermore, they are not content with the insufficient future economic performance suggested by the company's mid-term plan, drawn up at a punitive euro versus U.S. dollar exchange rate at 1.45. I believe that EADS' share price performance reflects a similar judgment by the market.

We are confident, however, that the clarification of roles between Board and management and the simplification of the chain of command are key factors to foster future success for the Company – and its shareholders.

In the early years of EADS, we drew our dynamism from European cooperation; today, market presence and value creation must tap a wider, more global world. Recognising this, the core shareholders have relinquished Board seats and increased the number of independent members. The newly appointed personalities contribute not only experience and expertise, but also reinforce the entrepreneurial spirit and broaden the global outlook of the EADS Board of Directors. Clearly, this new Board proves more stimulating and more demanding for top management, as Board discussions also added emphasis on enhancing the Group's profitability and reducing risks.

In keeping with market practice, the Audit Committee and the Remuneration & Nomination Committee are now headed by independent directors. The newly created Strategic Committee, which operates under my chairmanship, has the objective to prepare Board decisions on strategic matters. Its main role is to evaluate the Company's overall strategy and portfolio composition as well as to assess major investments, product proposals and acquisition cases.

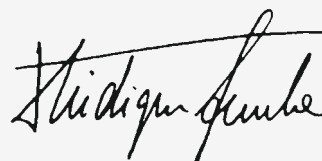
After a full year of operation under the new rules, the recomposed Board will evaluate its internal functioning in order to optimise its processes and to ensure adequate practices.

Beyond all the necessary industrial decisions in support of sustainable and profitable growth, portfolio rebalancing and cost optimisation, the Group's interests need to be secured for the long-term. The Group needs stability to best serve its role of providing governments and society with solutions that secure sovereignty and strategic autonomy.

EADS management itself has repeatedly stated that the change process which started in 2007 needs to continue. *Vision 2020*, launched by Louis Gallois in his new role, the execution of *Power8* restructuring plans at Airbus and the call for further measures in response to the continued weakening of the dollar, as well as the improvement of the programme management – all of this underscores a determination to renew EADS. My task and that of my Board colleagues is to make sure that the momentum the Company currently shows in facing and tackling its many challenges is sustained.

The Board of Directors is proposing to the Annual General Meeting of shareholders a dividend of €0.12 per share. This proposal is a gesture of appreciation for shareholders' loyalty and an expression of trust in our ability to set EADS back on track for sustained profitability despite the remaining challenges.

To succeed, we need to show confidence, congruence of words and actions, mutual respect and transparency. Both the work of the Board of Directors and its relations to the Group's top management are characterised by these values. The excellent personal and professional relationship between Louis Gallois and myself may stand as an example for bringing these values to life when building the future of EADS. Success also requires the motivation of our employees and commitment of our management. I want to thank everyone for their performance in 2007 and I look forward to their contributions in the period to come.



Rüdiger Grube
Chairman of the Board

The Board of Directors

RÜDIGER GRUBE (56)
Chairman of EADS, Chairman of the EADS Strategic Committee
Member of the Management Board of Daimler AG

“ I am fully committed to tackle the EADS challenges with all my experience from the aerospace industry and from global operations within the automotive business. I will dedicate all my energy and enthusiasm to prepare this Group for the future, considering the demands of our customers, employees and shareholders. ”

ROLF BARTKE (61)
Chairman of Kuka AG

“ My expertise is to tie together operational excellence and products that meet evolving customer needs. I am happy to bring this experience to EADS at a time of reorganisation of the value chain. ”

JUAN MANUEL EGUIAGARAY UCELAY (62)
Director of Studies at Fundación Alternativas

“ I will push EADS to leverage its defining strengths which are the diversity of its resources as well as the breadth of its technologies and markets. ”



LOUIS GALLOIS (64)
Chief Executive Officer of EADS

“ I want to give the people of this company a sense of unity and strong future. This will require substantial changes of culture and approaches to doing business. We will measure our tangible progress year by year. ”

DOMINIQUE D'HINNIN (48)
Chief Financial Officer Lagardère SCA

“ I will scrutinize the performance of EADS through the prism of value creation and promote development options that optimise the strategic value to shareholders. ”

ARNAUD LAGARDÈRE (47)
General Partner and CEO of
Lagardère Group

“ 2006 and 2007 were difficult years for EADS and there are many challenges to overcome. I will dedicate all means at my disposal as a member of the Board to help EADS to take on these industrial and business challenges, so that the Group can come back with lasting profitable performance while maintaining its European identity. ”

LAKSHMI N. MITTAL (57)
President and Chief Executive
Officer of ArcelorMittal

“ I give EADS the benefit of my expertise in building and operating a global business in a fiercely competitive industrial sector. ”

MICHEL PÉBEREAU (66)
Chairman of the Board of BNP Paribas

“ I have a particular interest in excellence of corporate governance to better serve the shareholders at large. My independent judgement is valuable for EADS' future development. ”



HERMANN-JOSEF LAMBERTI (52)
Chairman of the EADS Audit Committee,
Member of the Management Board
of Deutsche Bank

“ I will pay continuous attention to the highest standard of risk management. As Chairman of the Audit Committee I am the guardian of financial strength. ”

SIR JOHN PARKER (65)
Chairman of the EADS Remuneration
and Nomination Committee,
Chairman of National Grid

“ I contribute my intimate insight into the dynamics of the U.K. market and also bring strong knowledge of corporate governance to my work as Chairman of the Nomination and Remuneration Committee. ”

BODO UEPPER (48)
Member of the Board
of Management of Daimler AG

“ A group with the complexity of EADS can only benefit from rigor of processes and quality of its controls. I give EADS the benefit of my experience in these subjects. ”



For remuneration, detailed CVs of Board Members, please refer to: www.eads.com or to

BOOK 2
FINANCIAL STATEMENTS AND
CORPORATE GOVERNANCE 2007
Registration Document Part 1

Corporate Governance

The Group's governance was streamlined and strengthened with the introduction of a simplified management structure and the appointment of four independent Board Directors.

SHAREHOLDER STRUCTURE AS OF 31ST DECEMBER 2007



- 22.52% **Daimler¹⁾**
- 27.53% **Sogeade²⁾**: Lagardère and French state holding company Sogepa
- 5.49% **SEPI** (Spanish state holding company)
- 0.52% **Treasury shares** (without economic or voting rights)
- 43.94% **Institutional, retail and employee ownership** plus shares held out of the contractual partnership by the French state

¹⁾ On 9th February 2007, Daimler reached an agreement with a consortium of private and public-sector investors by which it will reduce its shareholding in EADS by 7.5%.

²⁾ On 4th April 2006, Lagardère issued mandatory exchangeable bonds. The EADS shares deliverable at the maturity of the bonds will represent a maximum of 7.5% of the share capital of EADS. Lagardère already delivered 2.5% out of the 7.5% in June 2007.

EADS' core shareholders and management decided to change the company's management structure and the composition of the Board in order to simplify management and to improve corporate governance.

Shareholders approved a new management structure with a single Chairman, Rüdiger Grube, and a single Chief Executive Officer, Louis Gallois, at an Extraordinary General Meeting (EGM) on 22nd October 2007. This replaced the previous dual management structure, which had two Chairmen and two Chief Executive Officers.

The number of independent members on the Board was increased from two to four, with the Chief Executive Officer remaining the only executive Director. Furthermore, the Board's voting rules have been amended, with most issues decided by a straightforward majority vote.

The four independent Directors appointed are:

- Hermann-Josef Lamberti, a member of Deutsche Bank AG's Management Board and its Chief Operating Officer;
- Lakshmi N. Mittal, President and Chief Executive Officer of ArcelorMittal;
- Sir John Parker, Chairman of National Grid;
- Michel Pébereau, Chairman of the Board of BNP Paribas.

Independently managed Board committees

Following the October EGM, two of the independent Directors were appointed to chair two key Board committees – the Audit Committee and the Remuneration and Nomination Committee.

Mr. Lamberti was appointed Chairman of the Audit Committee. This committee makes recommendations to the Board on the appointment of auditors and their remuneration, the approval of the annual financial statements and the interim accounts. It also discusses with the auditors their audit programme and the results of their audit of the accounts, and monitors the adequacy of the Group's internal controls, accounting policies and financial reporting.

Sir John Parker became Chairman of the Remuneration and Nomination Committee. This committee makes recommendations to the Board regarding appointments of the members of the Airbus Shareholder Committee, and the Chairmen of the Supervisory Board (or similar organ) of other important Group member companies and Business Units, as well as appointment of the EADS Corporate Secretary. It also recommends remuneration strategies and long-term remuneration plans, and decides the service contracts and other contractual matters in relation to the Board and Executive Committee members. Once approved by the Chairman, it also reviews the proposals by the Chief Executive Officer for the appointment of members of the Executive Committee and of the Airbus Chief Executive Officer.

New Strategic Committee

As Chairman of the Board, Rüdiger Grube is also Chairman of the newly created Strategic Committee. This was formed in October 2007 as a resource for preparing Board decisions relating to strategic issues. The committee met for the first time in February 2008, to review EADS' *Vision 2020* and other matters.



For more detailed information please refer to the Corporate Governance section at: www.eads.com or to

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STRATEGIC COMMITTEE

RÜDIGER GRUBE
LOUIS GALLOIS
ARNAUD LAGARDÈRE
MICHEL PÉBEREAU
BODO UEBBER

AUDIT COMMITTEE

HERMANN-JOSEF LAMBERTI
DOMINIQUE D'HINNIN
SIR JOHN PARKER
BODO UEBBER

REMUNERATION AND NOMINATION COMMITTEE

SIR JOHN PARKER
ROLF BARTKE
DOMINIQUE D'HINNIN
HERMANN-JOSEF LAMBERTI

Chief Executive Officer's Statement

DEAR SHAREHOLDERS, EMPLOYEES CUSTOMERS AND SUPPLIERS,

It is a pleasure for me to address you as the CEO of EADS. I am truly honoured to stand at the helm of such a great company, at a time of crucial significance to its future.

2007 was a year of contrasts. EADS achieved tremendous commercial success: the company doubled its order intake to a record of €137 billion, pushing our order backlog to the historical level of €340 billion. The very robust market demand propelled Airbus to new heights, while Defence & Security and Eurocopter also experienced a remarkable increase in their order intake.



Louis Gallois

Astrium again proved the outstanding reliability of its technology, with 22 successful Ariane 5 launches in a row. We can be proud of last year's industrial achievements: thanks to the talent and dedication of all our employees, we were able to ramp up deliveries of our legacy programmes seamlessly to a record output. Three A380 have entered into service to date. The Company is reestablishing control over its most complex operations.

Our underlying business performed well in revenues and profits, and the free cash flow, worth €3.5 billion, was undoubtedly exceptional. Nonetheless, last year's financial results are undeniably disappointing, with a weak EBIT of €52 million and a Net Loss of €446 million. It is the costs associated with specific issues, the A380 and A350 XWB programmes, the A400M delay and the restructuring provision for the *Power8* programme, that dragged our performance down. The ever falling dollar also contributed to undermine our financial results and remains a threat for the future, calling for decisive action.

Therefore, key decisions were taken last year in order to restructure Airbus, allowing a transformation around the core differentiating capabilities of the company. The ongoing divestment of sites is intended to reduce capital intensity, and the cost saving efforts of the *Power8* programme were more successful than forecast for 2007.

In 2008, as indicated by our EBIT guidance, our results will be significantly improved. We will achieve this through programme management excellence, operational improvements and high quality R&D. We also have to protect ourselves from the dollar threat: very shortly, the *Power8* programme will be supplemented with additional cost saving measures. In the long run, we will have to keep on increasing our industrial footprint in the dollar zone, as part of our strategy to become a more global company, and seek a more ambitious economic performance in terms of return on sales and return on invested capital.

Many challenges still await us in 2008. Concerns over a potential slowdown of the American economy have clouded market anticipations, and some observers have also questioned the robustness of the aircraft market. Nevertheless, we have reasons to stay confident and optimistic: emerging markets, certain low cost carriers and leasing companies should remain persistent drivers of our civil

aircraft business. In the defence area, the U.S. Air Force chose the Northrop Grumman KC-45A refuelling tanker, based on the Airbus A330, which is a major strategic breakthrough opening up new perspectives. And the U.K. Ministry of Defence also contracted EADS to supply the A330 tanker derivative for its new fleet just 15 days later.

As you will see in the following pages, your company is increasingly well prepared for the future. In 2007, we have implemented a new corporate governance. Under the chairmanship of Rüdiger Grube, our new Board is more demanding and stimulating for the management. As for the Executive Committee, it is now working as a unified team, under the leadership of a single chief executive. This simplified structure allows greater efficiency, with clearer reporting and accountability, as well as quicker and better making decision process. One of the most important decisions was to elaborate a new roadmap for the coming years, *Vision 2020*, providing our employees a sense of destiny. This will allow us to gather all EADS entities behind an ambitious strategy immediately cascaded in the form of tangible, operational short-term targets in every Division and function.

Confidence is returning. Welcome to a re-energised EADS.



Louis Gallois
Chief Executive Officer

The Executive Committee

FRANÇOIS AUQUE

Head of Astrium

Mr. Auque was appointed in 2000. He was previously Chief Financial Officer (CFO) of Aerospatiale and Managing Director for satellites. He spent his earlier career with the Suez Group and the French Cour des Comptes. Mr. Auque graduated from École des Hautes Études Commerciales, Institut d'Études Politiques and is an alumnus of École Nationale d'Administration.

HANS PETER RING

Chief Financial Officer (CFO)

Mr. Ring was appointed EADS CFO in 2002, and was also CFO of Airbus "in personal union" in 2007. In 1996, he was made Senior Vice President of Controlling at Dasa and, subsequently, EADS. From 1992 he was CFO and Board member of Dornier Luftfahrt. He holds a degree in Business Administration from the University of Erlangen-Nuremberg.

MARWAN LAHOUD

Chief Strategy and Marketing Officer

Mr. Lahoud was appointed in June 2007. Previously, he was CEO of MBDA. He worked for Aerospatiale on its merger with Matra and on the foundation of EADS. Within EADS, he served as Senior Vice President Mergers & Acquisitions. Mr. Lahoud is an alumnus of École Polytechnique and graduated from the École Nationale Supérieure de l'Aéronautique et de l'Espace.



LOUIS GALLOIS

Chief Executive Officer (CEO)

Mr. Gallois was appointed in August 2007, having been Co-CEO of EADS and Head of Airbus since 2006. He spent almost 20 years working for various French Ministries, and was then Chairman and CEO of SNECMA, Chairman and CEO of Aerospatiale and Chairman of SNCF. He graduated from École des Hautes Études Commerciales and is an alumnus of École Nationale d'Administration.

LUTZ BERTLING

Head of Eurocopter

Mr. Bertling was appointed in 2006, following a year as CEO of Eurocopter Deutschland. He joined Eurocopter in 2003 from the Defence & Security Division. Previously, he held various positions at DaimlerChrysler Rail Systems and Braunschweig University. He earned a PhD in Engineering at Braunschweig University.

FABRICE BRÉGIER

Head of EADS Operational Performance Chief Operating Officer (COO) of Airbus

Mr. Brégier was appointed Airbus COO in 2006 with additional responsibility for EADS operational performance. He became President and CEO of Eurocopter in 2003. Previously, he was CEO of MBDA. He joined Matra Défense in 1993 as Chairman of the Apache MAW and Eurodrone GIEs. He is an alumnus of École Polytechnique and École des Mines.

TOM ENDERS
Head of Airbus

Mr. Enders was appointed in August 2007. Previously, since 2005, he was Co-CEO of EADS. He began his career with EADS in 2000 as CEO of the Defence and Security Systems Division. Formerly he had been Director Corporate Development and Technology at Dasa. Mr. Enders holds a Doctorate degree from the University of Bonn.

JEAN BOTTI
Chief Technical Officer (CTO)

Mr. Botti was appointed in 2006. He joined from General Motors where he was Chief Technologist and then Business Line Executive of the Delphi Powertrain business. He started his career in 1978 as product engineer for Renault. Mr. Botti holds a degree from INSA Toulouse, an MBA from Central Michigan University and a PhD from the Conservatoire des Arts et Métiers.

STEFAN ZOLLER
Head of Defence & Security

Mr. Zoller was appointed in 2005, having held top management positions within the Division since 2000. Previously, he held various management positions within Dasa, DaimlerChrysler, Dornier and Senstar/Canada. Mr. Zoller graduated from the University of Tübingen and holds a PhD.



CARLOS D. SUÁREZ
Head of Military Transport Aircraft

Mr. Suárez was appointed in July 2007. Formerly, he was Head of Military Derivatives Programmes of Airbus platforms. He has also worked for Accenture and Aernnova. Mr. Suárez holds a degree in Aeronautical Engineering from the Universidad Politécnica de Madrid and an MBA from the IESE business school.

RALPH D. CROSBY JR.
Head of EADS North America

Mr. Crosby has been Chairman and Head of EADS North America since 2002. Previously, he 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.

JUSSI ITÄVUORI
Head of Human Resources

Mr. Itävuori was appointed in 2001 and became a member of the Executive Committee in 2003. Previously, he had worked for KONE Corporation where he was from 1982, being appointed Head of Human Resources and a member of the Executive Committee. Mr. Itävuori graduated from the Vaasa School of Economics, Finland and served as an air force pilot.

Strategy

With *Vision 2020*, EADS now has a clear roadmap for the future. The Company's immediate operational targets directly follow from this new long-term strategy.

Developing a blueprint for action

Following the initiative of CEO Louis Gallois, EADS has formulated a strategic vision, which has been presented to the Board of Directors. Called *Vision 2020*, this blueprint for EADS' future articulates how it should grow, become more profitable and change in shape over the coming years. Not all elements of *Vision 2020* are new, but it creates a framework for decision-making for the years until 2020 and sets out a series of medium-term goals that will drive concrete action from now on.

When formulating the vision, the views of management across EADS were taken into account. Consequently, it not only reflects the views of the Executive Committee but also those of the top executive team and senior management within the Divisions.

To transform this Vision into reality, Louis Gallois, Chief Executive Officer, tasked the EADS Top 200 (top executive team) with making concrete implementation roadmaps. These will support the establishment of building blocks for a group-wide action plan, which will be closely monitored by our Marketing and Strategy Organisation.

2020 strategic goals

The core of *Vision 2020* is a **better balanced EADS**. Therefore, we aim to achieve:

- **A better balance between Airbus and our other activities.**
We at EADS are extremely proud of Airbus and its position as a world leader in its market. But commercial aircraft being a cyclical and extremely capital intensive business, we have to increase the share of EADS' other Divisions in our revenues, in order to gain more stability and become less dependent on the evolution of the U.S. dollar. Commercial aircraft now represents 65% of the Group's activities. Our goal is to reach a 50/50 balance, through organic growth, partnerships and acquisitions.
- **A better balance between platforms and services.**
Delivering advanced platforms and systems has long been EADS' main focus. Yet, there is also a huge growth potential in related services. Relying on our strong customer base, we are in a position to develop high-value services, which are a counter-cyclical and highly profitable activity. Our target is to achieve a 25% service share – against 10% – of business by 2020 (hence revenues at €20 billion).

- **A better balance between our European roots and our global footprint.** EADS is mainly based in Europe, but our playing field is the world. To gain access to new markets, technology resources and low-cost, dollar-based sourcing, we need to expand our footprint and our partnerships throughout the world, especially in the United States and Asia. We aim to become a truly global industrial company, with 20% of our employees and 40% of our sourcing outside Europe.

Furthermore, EADS is facing two major challenges:

- **Regaining profitability.** This remains the Group's highest priority: our goal is to recover a substantial margin by achieving best-in-class operational and financial efficiency. EADS will also put the emphasis on capital efficiency and focus on core businesses to lighten its balance sheet.
- **Moving towards an eco-efficient enterprise.** Environmental issues are to become a transversal driver towards sustainable development. We at EADS are determined to demonstrate our responsible attitude and to make eco-efficiency a competitive advantage.

Aligning resources with priorities

In addition to financial means, reaching the targets in *Vision 2020* will require significant technological and organisational resources.

EADS will continue to deliver the best of European technology to serve its customers' needs for mobility and security. EADS is already strengthening **Group technology synergies**. The Group will maintain, and where necessary increase, research efforts in areas such as eco-efficiency, while securing higher private and public research support.

People and competency management will be tailored to EADS' new priorities. Management development will concentrate on getting the right person for the right position, while encouraging greater mobility, international diversity and integration. Maintaining and developing strategic competencies will be a priority.

Finally, EADS will become leaner, more integrated, fully transparent and more efficient.

Top priorities for 2008

The drive to implement *Vision 2020* starts in 2008 and will affect the entire Group.

Working towards better efficiency, we will reinforce **programme management** in order to achieve our operational goals: stabilise the A400M and Naval NH90 programmes within defined time schedules and financial frames, ramp up A380 deliveries and meet the A350 XWB development programme targets.

The **expansion of services** will be progressed, with ambitious road-maps in all Divisions. This will focus initially on high-value services related to platforms and systems. A mission has been established at corporate level to help the Divisions to grow in the services areas.

In order to increase our **global footprint** and to help **balance revenues**, acquisition projects in the fields of defence, security or services should be proposed to the Board, especially in North America.

Airbus will continue the implementation of *Power8*, and accelerate it if possible. In order to adapt to the weak dollar, Airbus will also take additional measures to ensure competitiveness in the mid-term with a euro versus U.S. dollar exchange rate at 1.45/1.50.

Military Transport Aircraft will concentrate on the A400M programme management and the Refuelling Tanker programmes.

Eurocopter will overcome the technical difficulties of the naval version of the NH90, together with Agusta and its other partners.

Astrium will have to foster European ambition for space at the occasion of the European Space Agency ministerial conference and to ensure prime role for the Galileo space segment. Achieving the industrial ramp-up of Ariane 5 will also be an important challenge.

Defence & Security priorities will be to secure Eurofighter *Tranche 3* and advanced UAV, and to deliver lead system integration contracts.