

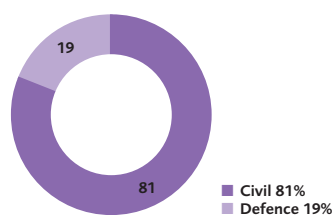
The Division is acting to return to profitability in 2004. Integrating Astrium will improve operational flexibility, and preferred-bidder status for Skynet 5 is a key step forward. European approval for the development of Galileo puts Astrium closer to playing a fundamental role in the project.

millions of euros	2002	2001	variation
Revenues	2,216	2,439	-9%
EBIT	-268	-222	-21%
Order intake	2,145	1,333	61%
Order book	3,895	3,796	3%

The Division's revenues decreased from €2,439 million to €2,216 million, reflecting a tougher commercial telecommunications market, increased competition among launch operators and generally reduced budgets for scientific and observation satellites. The Division posted significant EBIT losses of €268 million in 2002 (after an EBIT loss of €222 million in 2001), mainly driven by provisions due to the cancellation of one telecom satellite contract, restructuring costs and provision for depreciation of participations (in particular Arianespace). More encouragingly for the future, the value of new orders has increased, from €1,333 million to €2,145 million, including, namely, a civil telecom satellite contract with Spain and a contract with the French MoD. The Skynet 5 contract with UK MoD, expected for 2003, will further boost this figure.

Key developments during the year included a full reorganisation of Astrium satellites into four business Divisions (Military Communications Systems; Telecom Satellites; Earth Observation, Navigation and Science; Equipment and Subsystems). Moreover, EADS full ownership of Astrium since January 2003 (subject to European Union approval) is clearing the path for management which is preparing a new legal structure for the Space division comprising two subsidiaries, one focused on Satellite Systems, the other on Launcher and Space Infrastructure activities. This new structure will allow better programme management and increased industrial efficiency by concentrating the respective industrial responsibilities accordingly. It is expected to contribute to the return to profitability targeted for 2004.

Revenue breakdown by market in 2002



Ariane

EADS is the prime industrial contractor for the Ariane launcher. Twelve Ariane launches took place in 2002 (eight Ariane 4, and four Ariane 5), and Arianespace won 11 of the 15 new launch orders placed during the year.

The December launch of a new version of Ariane 5 designed to launch more than 10 tons resulted in a mission failure. Together with European Space Agency, national agencies, and our other industrial partners we are working intensively to return Ariane 5 to flight status, so that the impact on 2003 launch planning is minimised.

In parallel, Industry and Agencies in a joint effort are moving toward a significantly reduced cost base for the immediate future, in order to match the international competition.

International Space Station

EADS is playing a key role in the development and utilisation of the International Space Station. It is the prime contractor for the development and construction of the Automated Transfer Vehicle (ATV), an unmanned transport system for the regular delivery of fuel and other supplies to the ISS. The ATV also provides a reboost capability and a waste disposal function. Its first flight is planned for 2004. EADS is also the prime industrial contractor for the main European contribution, Columbus, a manned ISS module for zero-gravity research to be launched in 2004.

Other launcher activities

Eurokot Launch Services, our 51%-owned joint venture with the Krunichev space technologies company of Russia, carried out two successful launches (Grace and Iridium) in 2002, and won four launch contracts.

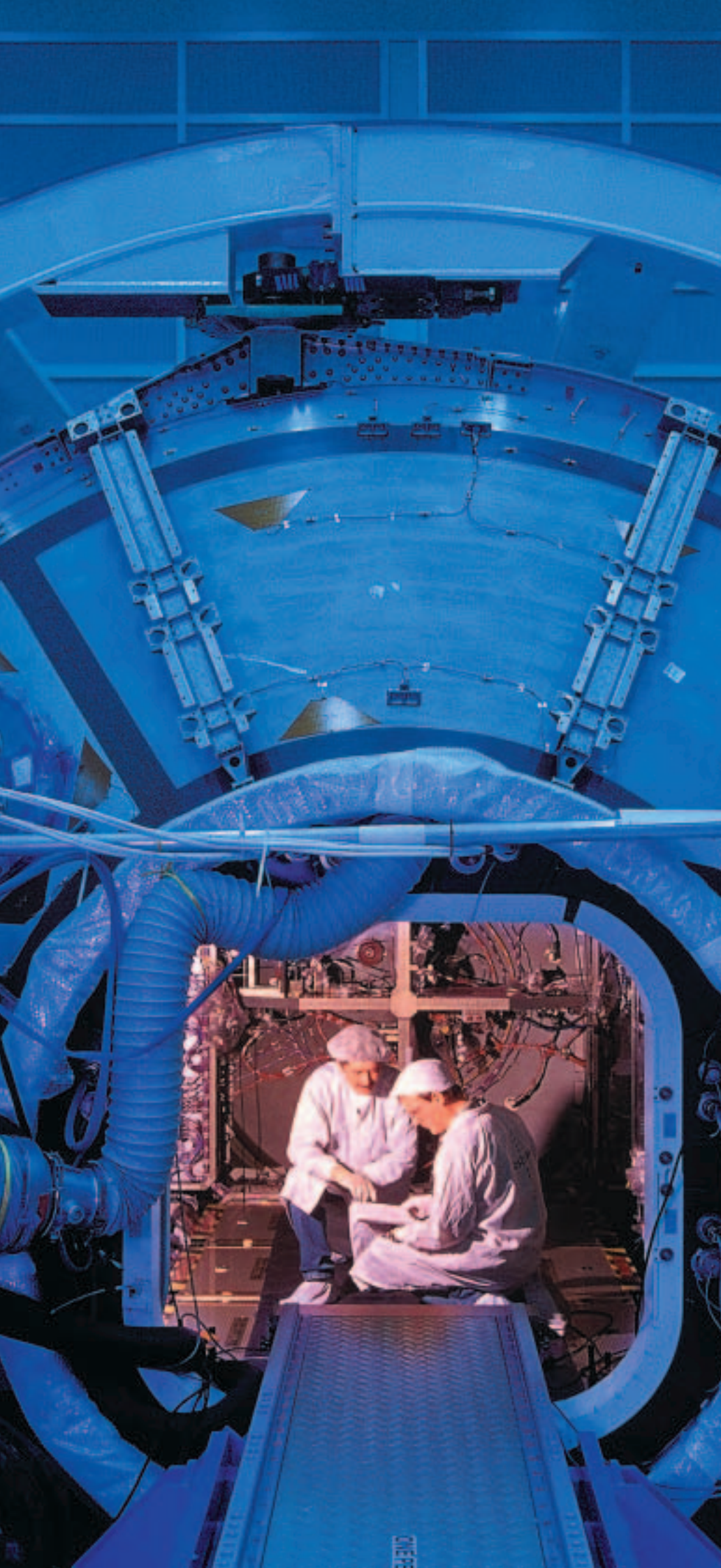
Starsem, a joint venture owned by EADS (35%), Arianespace (15%) and the Russian Space Agency (25%) and Samara Space Center (25%) has, together with ESA and Arianespace, defined the conditions for offering Soyuz launches from Kourou. A final decision is expected during the next ministerial conference during the first months of 2003.

Defence

A key element in EADS' strategy is growing participation and leadership in European military space programmes. We made a major advance in February 2002 when Paradigm (fully owned by EADS from early 2003) was pre-selected by the UK MoD to deliver new-generation space-based defence communications using the Astrium Skynet 5 satellites. Total potential revenues for Paradigm are expected to be over £2 billion. In this programme, expected to be booked in 2003, Astrium should provide most of the telecommunication infrastructure, including satellites, ground system and terminals.

The new generation submarine-based M51 ballistic missile programme achieved a major milestone, with hardware tests successfully validating the system concept during the year.

In July, EADS announced a Memorandum of Understanding with Boeing on the Missile Defence System project.



"Our primary focus today is on restructuring the space activities to weather the current harsh environment of the space industry. With our simplified shareholder structure we can now accelerate this move and target return to profitability in 2004."

François Auque
Executive Vice President
Head of Space Division
EADS Executive Committee Member

Committed to expanding humanity's horizons, the Space Division acts as main actor in space infrastructure activities for international and European major programmes.

Telecommunications Satellites

Astrium has won the contract to build Hispasat's most powerful satellite, Amazonas. With 51 transponders, it will provide a full range of telecommunication services to Brazil and to North and South America, as well as a transatlantic link to Europe.

The Hellas-Sat Consortium has chosen Astrium to deliver its first satellite. Hellas-Sat plans to offer digital broadcasting and TV services and will provide a key telecom infrastructure for the 2004 Olympic Games in Athens.

Finally, Astrium started the year 2003 successfully in this business activity by booking the Anik F1-R contract with the Canadian Telesat company.

Navigation

In March, Governments of the European Union approved the Galileo programme. This is Europe's global satellite navigation system proposed jointly by the European Commission and ESA (European Space Agency). The Galileo project represents a total potential contract value of more than €3 billion and, as the majority shareholder in Galileo Industries, Astrium is playing a crucial role in the design and development of the system, which is scheduled to be booked in 2003 and operational in 2008.

Earth Observation and Science Satellites

In January, Astrium signed the contract to build the Cryosat satellite for the ESA. This satellite will carry radar altimetry, with a mission to provide more precise surface data (in 3D, for the first time) to climatological researchers. In April, Astrium signed another contract with DLR, the German space agency, to build TerraSar – an X Radar earth observation satellite.

The Astrium-built Envisat satellite was successfully launched in March and has since functioned perfectly. The biggest earth observation satellite ever built by Astrium boosts Europe's capability to study climate changes.

SPOT 5 was successfully launched with Ariane 4 in May. The Astrium-built satellite is providing unique capabilities to the world's leading earth observation company Spot Image. EADS is the major industrial shareholder of Spot Image.

In August, an Ariane 5 placed MSG-1 into orbit. Meteosat Second Generation is the first of an entire system of meteorological satellites provided by Astrium and will allow for an improved weather forecast accuracy.

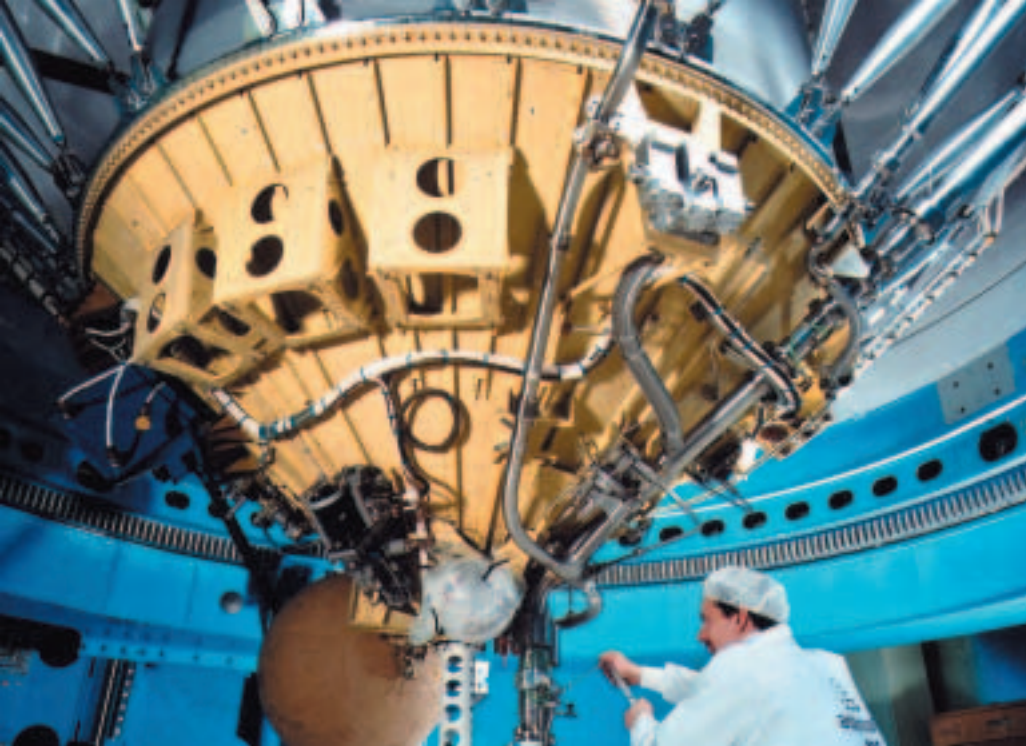
Astrium received the contract for Venus Express, ESA's first mission to Earth's nearest planetary neighbour. This scientific mission is based on the Mars Express platform, which will be launched in 2003 from Baikonour by Starsem. Venus Express will also be launched by Starsem in 2005.

Outlook

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

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

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



Cryogenic motor for the upper stage of Ariane 5. As industrial architect for the Ariane family of launchers, the Space Division manages the entire launcher programme and is prime contractor for all the Ariane 5 stages. It produces the Vehicle Equipment Bay and several sub-systems.



Ariane 5 launched from the Guiana Space Centre in Kourou. The new generation Ariane 5 launcher was developed to keep pace with trends in the commercial launch market, especially larger and heavier satellites.



Helios optical military observation satellite, which offers images at very high resolution. EADS is the prime contractor for this Europe's only military reconnaissance satellite in service to date.