

European Aeronautic Defence and Space Company

EADS is the world's second largest aerospace and defence company, with revenues of €29.9 billion and a workforce of nearly 104,000. It is a market leader in commercial aircraft, defence technologies, helicopters, space, military transport and combat aircraft, as well as related services. Its family of brands includes Airbus, Eurocopter, the world's leader in commercial helicopters, MBDA, the world's No 2 missile company and Astrium, the European leader in Space. EADS is also the largest partner in the Eurofighter consortium and will head the forthcoming A400M military transport aircraft programme.

The Company has more than 70 facilities in France, Germany, Spain and the UK, and is active in markets around the world, including the US, Eastern Europe and Asia.

For shareholders, employees and customers around the world, EADS is committed to delivering measurable results.

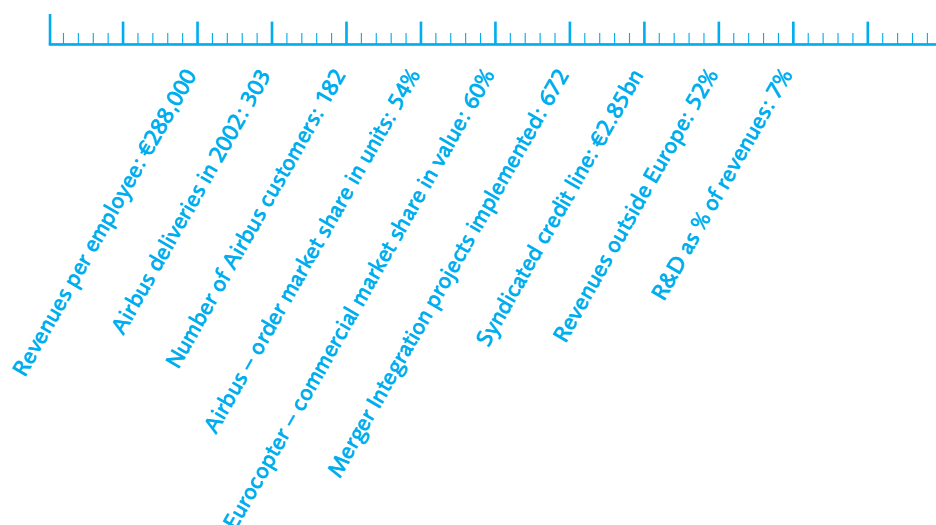
		2002	2001***	2000
Revenues	€m	29,901	30,798	24,208
EBIT* (Earnings before interest and taxes)	€m	1,426	1,694	1,399
Earnings per share**	€	0.87	1.00	–
Dividend per share	€	0.3	0.5	0.5
Net cash position	€m	1,224	1,533	2,143
Order intake	€m	31,009	60,208	49,079
Order book	€m	168,339	183,256	131,874
Workforce (number of employees)		103,967	102,967	88,879

*Unless otherwise indicated, EBIT figures presented in this report are pre-goodwill and exceptionals

**Pre-goodwill amortisation and exceptionals

***Airbus 100% consolidation from 2001

Measurable results in 2002



Delivering products that perform

With customers in five continents, EADS supplies some of today's most advanced technology in the fields of jet airliners, military aircraft, helicopters, defence and civil systems and space launchers, satellites and infrastructure.

In almost every part of the aerospace and defence market, you will find EADS products and services performing a vital service for our customers.

They range from light civil aircraft to advanced military weapons systems, from helicopters to space services and from jet airliners to fleet support facilities. And increasingly, they are winning strong positions – often, outright leadership – in some of the world's most demanding markets.

The technology may be sophisticated, but the reason is simple. Our products deliver the kind of competitive, cost-effective and innovative technology that customers require.

The "Airbus family", for example. A line of jet airliners from corporate jets to the future 555-passenger A380 – the largest airliner ever – which has been largely designed in partnership with airline users and airport authorities.

In response to their expectation, Airbus has been able to apply innovative technologies like fly-by-wire and composites-based construction to achieve measurable, practical improvements in economic and environmental performance as well as operational convenience and passenger comfort. This focus on meeting customer needs pays off: Airbus has increased its share of deliveries from 29% in 1998 to 44% in 2002 and is expected for the first time to overtake its major competitor in 2003.

Eurocopter's is a similar success story. It holds 60% of the global market for civil and parapublic helicopters revenues, thanks largely to the quality of its products – and to the fact that the range covers more than 80% of all possible customer requirements.

On the Defence side, governments are under ever more pressure to find ways of strengthening their national defence cost effectively and to counter evolving threats. In this area, EADS is a world-class provider – and defence represents a growing proportion of our business.

The Eurofighter/Typhoon is Europe's largest collaborative weapons procurement programme, covering orders and options for over 700 aircraft and involving 400 suppliers all across Europe. The first production unit of this outstandingly versatile combat aircraft is now used by the German Airforce for training purposes.

Eurocopter also produces some of today's most potent military helicopters, including the Tiger for combat, and the NH90 for transport, which have already been ordered by eight governments.

The future A400M heavy military transport aircraft has been chosen by seven European nations in the face of fierce international competition – it opens the way to major pan-European procurement opportunities.

And we also provide some of today's most advanced missiles, systems and defence electronics, including the new Meteor air-to-air missile, ramjet powered in order to maximise the "non-escape-zone", the Eagle MALE (Medium Altitude Long Endurance) unmanned reconnaissance drone and the Tetrapol secured digital telecommunications system.

Add the increasing importance of satellites in integrated network based defence systems to our space and ballistic launchers expertise – unique in Europe – and you will begin to sense what a big, valuable and growing part EADS products play in the performance of our clients' missions.



Creation

Technical advances are at the heart of EADS products. New helicopter rotor blade systems will deliver less noise and smoother and more economical performance.



Build

The Eurofighter is one of today's most sophisticated weapons systems, and will be at the heart of European defence for many years to come.



Delivery

Freighter conversions of Airbus aircraft are ideal for today's transport needs, as well as giving added service life – and value – to customers' fleets.

Designed to deliver

Product safety

Operational reliability

Family flexibility

Cross-type commonality

Passenger comfort

Fuel economy

Noise reduction

Residual value



Delivering a more efficient organisation

Organisational synergies and better ways of working are leveraging EADS existing technologies, skills and human resources and creating a group that can match the best in the world – in every field of activity.

The foundation of EADS brought together a unique team of companies – each with its own history, skills and resources.

It built on a foundation of a strong partnership with well-proven capabilities across the whole field of aerospace – from fundamental research and development through design, manufacture, marketing and customer support.

But it also created a unique opportunity for a step-change in efficiency and productivity through the sharing of knowledge, technology and commercial leverage. And we are pursuing that opportunity for all we are worth.

We have, for example, established EADS International – a dedicated marketing team with a wealth of specialised local and international knowledge, that is tasked with driving export sales for all parts of the group – and that is already proving highly successful in a number of new markets.

Another early management decision was to explore ways of adding value to the Group by exploiting cross-group synergies. No fewer than 672 projects have been launched to cut costs, improve working methods and increase profitability.

One area covered is research and technology – a particularly vital focus of concern for EADS, whose future depends absolutely on bringing innovative techniques and products to market. Our Industrial Research and Technology group has conducted an extensive audit of all capabilities within EADS, and has begun creating a structure – balancing central and decentralised resources – within which they can be harnessed to the full.

We have created a cross-divisional R&T network to identify areas of wide application to our businesses, to develop ideas and ways of sharing them – and to help us concentrate our investment in innovation where it can yield the best results.

At the same time, we have fundamentally re-engineered our sourcing strategy. Bought-in materials and components represent by far the largest cost element in our products and an integrated approach allows us to maximise the effectiveness of purchasing by leveraging our volumes.

The emphasis is on developing closer relationships with suppliers who will become more committed to EADS and its global business perspective. This means involving them at earlier stages in projects, working with them on a risk and revenue sharing basis and – most important of all – continuing evaluation of their performance.

Today, we're implementing more than 300 projects in the area of procurement to maximise the efficiency of the Group. Already, they have created some €190 million of savings – and by 2004, they will be making an estimated €300 million impact on our EBIT line.



Creation

Sharing the Group's rich technological resource base across divisional and international boundaries gives EADS a solid competitive advantage.



Build

Managing effective international partnerships – as in the case of Eurofighter – takes a special kind of skill. Few have more of it than EADS.



Delivery

The right part to the right place at the right time – and the right price. Improved procurement systems are one of the main assets of EADS today.

Doing what we do, better



Best practice development

Cross-divisional initiatives

Interdisciplinary teamwork

Focused R&T

Group procurement

Supplier partnerships

International customer support

Focus on customer needs

Total contract capability



Delivering a stronger base for future growth

Future success depends on keeping ahead of customers' needs, managing technological change and creating a working environment in which the best brains can flourish, develop and prosper. EADS is committed to all these – and more.

It takes more than a strong business today to prepare the success of tomorrow.

So one of our most important tasks is to build on the assets we have already, and to ensure that the company – like its products – undergoes constant improvement.

Our strategy aims to optimise our portfolio of businesses, to help us develop new business opportunities through cross-divisional products, and to focus attention on particularly important countries and regions – currently the US, the UK, Russia and China.

Another key factor is research and technology. The cost-effectiveness of our R&D programmes is outstanding within our industry; and we patented more than 350 new inventions during the year. Among the many achievements in 2002, the highlights included the testing of an innovative helicopter rotor blade offering reduced noise, a "flying eye" micro-aerial vehicle for reconnaissance and surveillance and an advanced, user-friendly ultrasonic test system for assembly line and maintenance operations.

But if strategic planning and technology are important, it's the people within the company who determine their success or failure – and the best guarantee for our future growth lies in our ability to attract, retain and develop the best employees in our industry.

Here, too, the results are encouraging.

The 2002 Universum Graduate Survey – an independent annual study – shows that EADS has leapt from 23rd to 9th place as one of the preferred pan-European employers for engineering and science graduates. This confirms that we are increasingly seen as a major "employer brand" among this critical audience – and probably explains why we were able to recruit some 2,326 of Europe's brightest graduates in 2002.

We have radically reorganised our Human Resources function to unlock the full potential of the diversity of cultures and qualifications among the group's employees. We have created a single "employment market", open to all employees, who are encouraged to find the roles that best fit their skills and ambitions, in the location of their choice – as well as participating in a wide range of courses designed to help them in developing their own careers.

We have led the way in pioneering flexible working arrangements which mean that even in a downturn like the current one, we are able to adapt our capacity significantly without major lay-offs; and we have negotiated common pay structures, incentives and share option schemes across the entire Group, to ensure that our people can share in our success.

With outstanding products, a clear strategy and an expert and motivated workforce, EADS is in excellent shape to face the challenges – and seize the opportunities – of the future.

And to continue delivering measurable results – to customers, employees, shareholders and the wider community – for years to come.



Creation

Defence technologies can improve civil products – and vice versa. An EC135 is just one of the products that make Eurocopter a world leader.



Build

Airbus has revolutionised large aircraft manufacturing for efficiency and resilience in cyclical downturns. Here, wings are unloaded from the special Beluga transport that links our production sites.



Delivery

Students on a visit to Astrium. EADS is increasingly seen as one of the best employers in Europe, offering a bright future for the best graduates.

A clear view of our technological strengths

Integrated Smart Products

Virtual Product Engineering

The Friendly Airframe

Unmanned Aerial Vehicles

Environmental Design

Space Probes

Satellite Communications

Robust Intelligent Systems

