

***Delivering value in
a challenging environment***

- **Delivering value in a challenging environment**
- **H1 2001 Financials**
- **Conclusions**

Delivering value and managing challenges

Primary drivers of EADS

- Solid financials
- Dynamic commercial policy
- Ready to handle the challenging environment
- Comprehensive industry-leading defense portfolio
- Ability to manage commercial aerospace cycles

A pro-active approach

Strong Fundamentals

H1 2001 Actual (Airbus 100% consolidated)		H1 2001 Actual vs H1 2000** pro-forma	H1 2001 excl. AirbusUK vs H1 2000** pro-forma
Revenues	€ 14 bn	+ 33%	+ 14%
EBIT *	€ 764 m	+ 38%	+ 18%
Free Cash Flow	€ 526 m	(€168 m)	
Net Income *	€ 456 m	(€115 m)	
EPS *	€ 0.56	(€0.14)	
New orders	€ 42.8 bn	+ 78%	+ 46%
Total backlog	€185.1 bn	+ 56%	

* pre-goodwill amortisation and exceptionals

** EADS pro-forma, excluding Airbus UK in 2000

Delivering On-Track Performance

Profit & loss highlights

	H1 2001		Pro forma H1 2000	
	€ million	in % of revenues	€ million	in % of revenues
Revenues	14,043		10,585	
Self-financed R&D	853	6.1%	594	5.6%
EBIT *	764	5.4%	553	5.2%
Operating income after goodwill/exceptional	2,055		217	
Financial result	(53)		(644)	
of which due to hedge accounting	(134)		(643)	
Net income	1,657		(359)	
Net income *	456		(115)	

* pre goodwill and exceptionals

Higher margin despite hefty R&D
Net result on track

Revenues and EBIT by division



€million	H1 2001			Pro forma H1 2000		
	Revenues	EBIT*	EBIT* margin	Revenues	EBIT*	EBIT* margin
Airbus**	9,982	797	8.0%	6,821	524	7.7%
Military Transport Aircraft	195	(21)	(10.8%)	74	(35)	(47.3%)
Space	1,054	29	2.8%	1,084	25	2.3%
Defence & Civil Systems	1,358	(128)	(9.4%)	1,068	(50)	(4.7%)
Aeronautics	2,020	85	4.2%	1,951	53	2.7%
Elimination & headquarters	(566)	2		(413)	36	
EADS Total	14,043	764	5.4%	10,585	553	5.2%

* pre-goodwill and exceptionals

** 100% consolidated from 2001

All divisions, but DCS, increased margins

Dynamic marketing policy leading to success and future growth

- **Airbus** : 250 net orders worth € 39 bn in H1 2001; increased market share to 68%
- **A380** : 67 customer commitments on which 48 firm orders worth € 16 bn
- **A400M** : 9 European nations committed to this program: worth over € 10 bn (EADS share) binding agreement expected by year-end
- **NH90** : Portugal purchases 10, Nordic countries purchase 52 contracts worth € 0.9 bn (excluding 17 options)
- **Tiger** in Australia worth € 0.7 bn
- **C-295** in Poland worth € 0.2 bn and Abu Dhabi selection
- **DCS** : SIR for French army (€ 230 m), EDSN Acropol multi-year contract (€ 200 m) € 1.3 bn of new orders in total

Managing change to deliver value

Business Development

- Creation of **Airbus SAS**
= **€100 m additional value** creation per year by 2004
- Final shareholder agreement for the establishment of **MBDA**
- Formation of **ATR**
Integrated:
€ 15 m synergies per year
- EDSN acquisition of **COGENT**

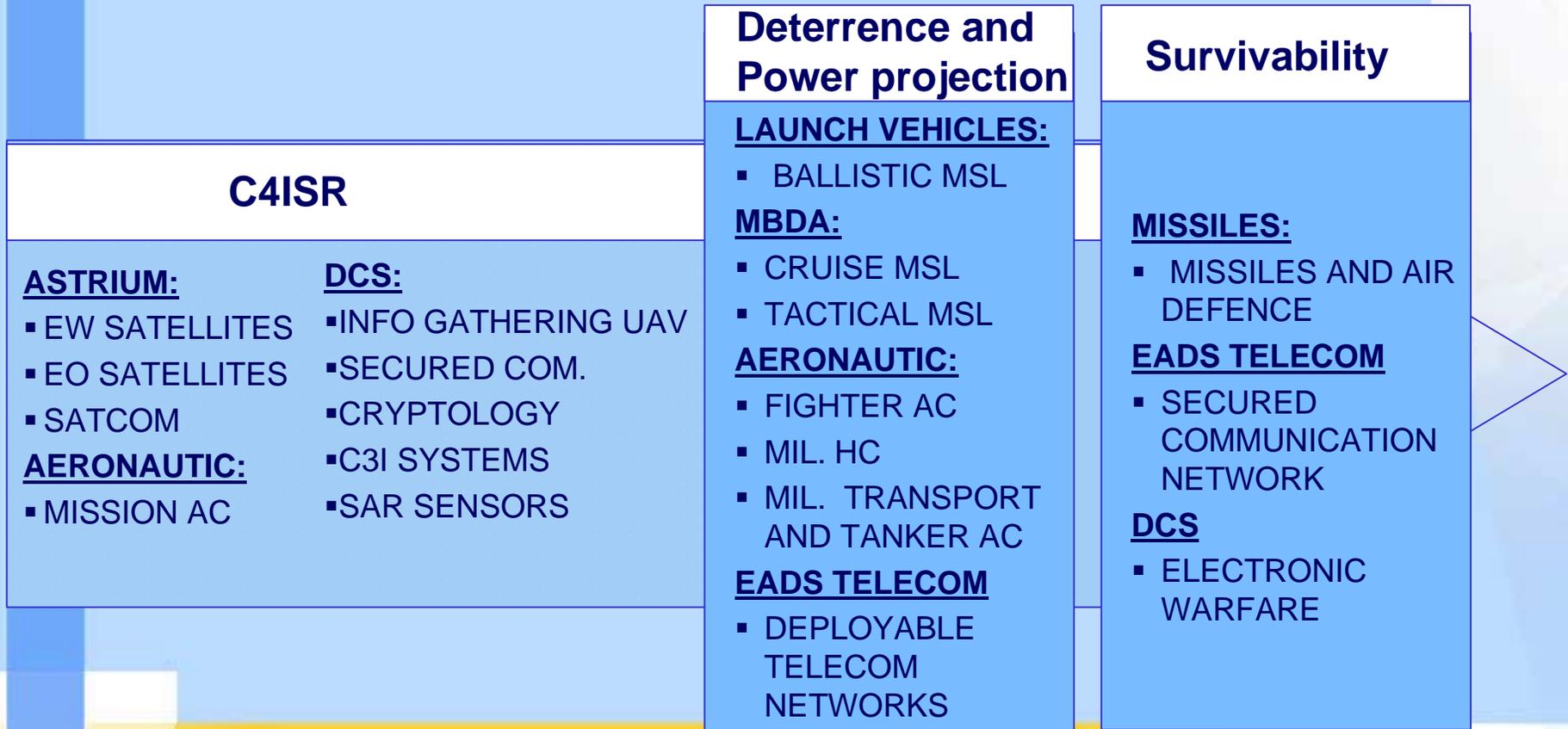
Operational milestones

- **Strong \$** secured through hedging policy: **38.5 Bn \$ hedged**
- **Value Creation** projects implemented and fully on track => **€60 m added value by 2001**
- **Cost reduction plans** initiated to adapt to the challenging environment
- Implementation of **new metrics based on CVA** (Cash Value Added)
- Securing of **A/A-1 rating** from S&P and of **A2 rating** from Moody's

**Management Delivers Strategic Groundwork
for Enhanced Operations**

EADS Defence product portfolio: Good fit with changing market demand

European Defence Group n°2 - Market Leader in key segments with an orderbook of €18.5 bn representing more than 3 years of revenues



EADS is key player in all Defence missions

EADS commercial aircraft business

- **Record backlog** (€ 158 bn) with a large base of customers and a balanced regional breakdown
- **Underlying business growth** secured by :
long-term traffic growth replacement of obsolete fleet, market preference for Airbus products
- **Strong barriers to entry**
High visibility and stability
- **Profitable business**

Fundamentals allow to go through the turbulence

Managing risk and opportunity; operational flexibility : The Airbus Example

- **Subcontracting** policy (38%-40% of total production costs) and dynamic make-or-buy
- **Internal Workforce flexibility** : 15% flexibility by term contracts, overtime, flex time,...
- **Production cycles reduced** from 18 to 9 months (A320 family)
- **Low fixed costs**($< 20\%$ of unit cost)
- **Further cost reduction plans initiated**

- **Airbus SAS Integration**

Optimise allocation of resources and workload,
Systematic monitoring and plan

- **Non-cyclical Markets**

Optimise phasing of defence programs (A400M, mission A/C...)

Sustain and improve margins are keys

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Development of net cash

€ million	H1 2001	pro-forma H1 2000
Net cash position as of Dec. 31st	2,143	(946)
Change due to Airbus GIE consolidation	(838)	
Net cash position as of January 1st	1,305	(946)
Cash flow from operations*	1,220	791
Cash used for invest. activities	(694)	(959)
Free cash flow	526	(168)
Dividend payments	(404)	(31)
Others	(118)	30
Net cash position as of June 30th	1,309	(1,115)

* including working capital requirement reduction of € 50 m and € 132 m respectively

Strong cash flow generation

Balance sheet

€ million	Jun. 2001	Jan.2001*	Dec. 2000
Fixed Assets	27,427	26,926	20,894
Current Assets	17,954	18,467	16,745
Deferred Tax Assets	5,008	3,922	3,151
Pre-paid Expenses	752	758	654
Total Assets	51,141	50,073	41,444
Shareholders' Equity	9,852	11,957	10,250
Minority interest	791	1,152	221
Total provisions	13,827	9,611	8,684
Deferred Tax Liabilities & Income	4,526	4,672	4,042
Total Liabilities	22,145	22,681	18,247
Total Shareholders' Equity & Liabilities	51,141	50,073	41,444

* Airbus 100% consolidated from January 1st 2001

Conclusions

- **Solid fundamentals** : financials on track, robust and balanced backlog, solid underlying long-term prospects
- **High visibility growth from defence products** as contracts in backlog are now in transition from development to production
- **Flexible production capacity** to adapt to market demand and possible short-term crisis
- **Guidance for 2001 expected to be fulfilled** with 15% EBIT growth and 20% revenue growth
- **Management is immediately reacting** to deliver our 10% EBIT margin target in 2004

EADS is delivering value in a challenging environment

APPENDIX 1 : Income Statement



€ million * excluding exceptional depreciation on fair value ** after goodwill amortisation and exceptionals	H1 2001		Pro forma H1 2000	
	€m	%	€m	%
Revenues	14,043	100	10,585	100
Cost of sales*	(11,159)	(79)	(8,341)	(79)
Gross margin pre- exceptionals	2,884	21	2,244	21
Selling expenses	(393)	(3)	(358)	(3)
General administrative expenses	(761)	(5)	(517)	(5)
Research & development costs	(853)	(6)	(594)	(6)
Other operating income	169	1	132	1
Other operating expenses	(316)	(2)	(418)	(4)
Amortization of goodwill	(317)	(2)	(198)	(2)
Exceptionals	1,642	11	(74)	(0)
Operating income **	2,055	15	217	2
Total financial result	(53)	(1)	(644)	(6)
Income (loss) before income taxes	2,002	14	(427)	(4)
Income taxes	(359)	(2)	73	1
Minority interest	14	0	(5)	0
Net income	1,657	12	(359)	(3)
EBIT pre-goodwill & exceptionals	764	5	553	5
EBITDA pre-exceptionals	1,257	9	1,016	10

Net Income and EPS pre-goodwill and exceptionals

€m	H1 2001	Pro forma H1 2000
Net income (group share)	1,657	(359)
Goodwill amortisation	317	198
Exceptionals :		
Extraordinary Gain on Airbus SAS	(1,934)	0
Fair value adj. on fixed assets	127	74
Fair value adj. on inventories	165	0
Tax impact on exceptional fair value	(99)	(28)
Tax impact on non-operational	223	0
Net result *	456	(115)
EPS * (1)	0.56	(0.14)

* pre-goodwill and exceptionals

(1) average number of shares outstanding : 807,157,667

EBIT pre-goodwill and exceptionals

€m	H1 2001	Pro forma H1 2000
Operating income	2,055	217
Income from investments	34	64
Goodwill amortization	317	198
Exceptionals :		
Gain Airbus UK	(1,934)	0
Fair value adj. on fixed assets	127	74
Fair value adj. on inventories	165	0
EBIT *	764	553

* pre-goodwill and exceptionals

**Strict policy on adjustments limited
to Goodwill and Fair value**

APPENDIX 4 : Financial result breakdown (no more significant impact of macro hedging)

€million	H1 2000	Pro forma H1 2000
June 30 closing rate Euro versus \$	0.85	0.95
Interest income (expense)	47	(65)
Income from investments	34	64
Other financial result*	(134)	(643)
Total financial result	(53)	(644)

* mostly due to macro hedging

**No more significant impact from hedge
accounting on net result**

APPENDIX 5 : Balance sheet



€ million	Jun. 2001	Jan. 2001*	Dec. 2000
Fixed Assets	27,427	26,926	20,894
of which intangible assets	11,785	12,096	8,165
of which property, plant & equipment	10,591	9,573	8,120
of which financial assets	5,051	5,257	4,609
Current Assets	17,954	18,467	16,745
of which cash & equivalents, securities	8,053	7,951	7,922
of which working capital assets	9,901	10,516	8,823
Deferred Tax Assets	5,008	3,922	3,151
Pre-paid Expenses	752	758	654
Total Assets	51,141	50,073	41,444
Shareholders' Equity	9,852	11,957	10,250
of which Marked-to-market micro-hedging(IAS39)	(1,895)		0
Minority interest	791	1,152	221
Total provisions	13,827	9,611	8,684
of which other accruals	10,710	6,625	5,698
of which pensions	3,117	2,986	2,986
Deferred Tax Liabilities & Income	4,526	4,672	4,042
Total Liabilities	22,145	22,681	18,247
of which trade liabilities	4,435	4,907	4,268
of which financial debt	6,744	6,617	5,779
of which other liabilities	10,966	11,157	8,200
Total Shareholders' Equity & Liabilities	51,141	50,073	41,444

* Airbus 100% consolidated from January 1st 2001

AIC creation major impacts on financials

- Additional Goodwill = € 3.9 bn
(amortised over 20 years)
- Additional fair value adjustment = € 0.5 bn
- Additional value creation by 2004 = € 100 m per year
- Extraordinary non-cash and non taxable profit
= € 1.9 bn
- Net cash injection from BAE Systems (in H2 2001)
= € 253 m

APPENDIX 7

Equity reconciliation from Dec. 2000 to June 2001

€m	H1 2001
Equity as of Dec. 31 2000	10,250
Net Income	1,657
Dividends paid	(404)
Marked-to-market of micro-hedging portfolio (IAS39) net of tax	(1,895)
Others	244
Equity as of June 30 2001	9,852

Goodwill and exceptionals

€ m	Value as of Jun. 30 2001	Amortisation charge				amortisation period
		2000	H1 2001	e2001*	e2002*	
Extraordinary profit		0	1,934	1,934	0	
Goodwill	11.667	(429)	(317)	(670)	(670)	20 yrs
Fair value on fixed assets	1,658	(176)	(127)	(200)	(200)	5-25 yrs
Fair value on inventories	153	(483)	(165)	(300)	0	
Total goodwill & exceptionals (pre-tax)		(1,088)	1,325	764	(870)	

* rough estimates