

# EADS Results 2000



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- 1) 2000 Overview
- 2) Operating performance by activity
- 3) Financials
- 4) Outlook

## EADS 2000 financial Highlights



		Variation from 99
Revenues	€ 24.2 bn	+7%
New orders	€ 49.1 bn	+50%
Total backlog	€ 131.9 bn	+29%
EBIT pre-goodwill & exceptional	€ 1.4 bn	+11% *
Free Cash Flow	€ 1.5 bn	+673%

\* net of gain on disposal of SEXTANT in 1999

→ Record level of orders and EBIT on track in spite of restructuring charges

## Key points 8 months after EADS creation



What we said	What we did
<ul style="list-style-type: none"> <li>• Drive industrial consolidation</li> </ul>	<ul style="list-style-type: none"> <li>• AIC creation, MBDA, EMAC, EDSN, Patria, cooperation agreement in Russia</li> </ul>
<ul style="list-style-type: none"> <li>• Business growth</li> </ul>	<ul style="list-style-type: none"> <li>• Revenues growing 7% from 1999,</li> <li>• record order intake growing 50%,</li> <li>• launch of A380, increase of production rate</li> <li>• Commitment for METEOR</li> <li>• Positive decision on A400M</li> </ul>
<ul style="list-style-type: none"> <li>• Value creation = € 580 m per year</li> </ul>	<ul style="list-style-type: none"> <li>• more than 600 projects identified to create value over initial target of € 600 m (after consolidation of 100% AIC)</li> </ul>
<ul style="list-style-type: none"> <li>= Integration</li> </ul>	<ul style="list-style-type: none"> <li>• restructuring of Defence &amp; Civil Systems,</li> <li>• First steps of Headquarters streamlining</li> </ul>
<ul style="list-style-type: none"> <li>• EBIT margin target* = 8% in 2004</li> </ul>	<ul style="list-style-type: none"> <li>• 2000 profitability in line with plan</li> <li>• <b>we raise our 2004 target to 10%</b></li> </ul>

\* pre goodwill and exceptional

→ EADS is an integrated company with a new increased profitability target

## Key points 8 months after EADS creation



### What we said

- Penetrate the US military market

### What we did

- Agreements with Northrop Grumman in defence electronics, defence electronics contract awarded by the US Navy,
- JV with Northrop Grumman for maintenance in the US
- Telecom internet services on civil aircraft
- FSTA project : tanker aircraft service package

→ EADS is reinforcing its core businesses

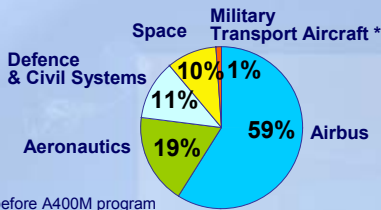


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# EADS sales breakdown

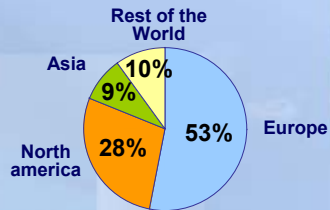


pro-forma 2000 revenues by division

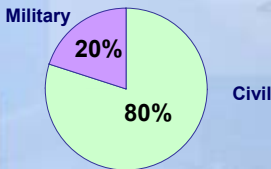


\* before A400M program

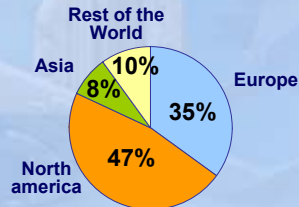
pro-forma 2000 sales regional breakdown



pro-forma 2000 sales military/civil



pro-forma 2000 backlog regional breakdown



→ A strong business base

# Airbus 2000 performance and key drivers



€ m	pro-forma 2000	pro-forma 1999
Revenues	14,856	12,639
R&D self-financed in % of revenues	920 6.2%	870 6.9%
EBIT* in % of revenues	1,412 9.5%	925 7.3%
Order book Times sales	104,387 7.0	79,500 6.3

\* pre- goodwill and exceptional

## AIRBUS VISION PROVEN RIGHT

- Year-end 2000 backlog = 1,626 a/c and good geographical repartition => strong **resistance to cycles**
- Strong **traffic growth** in 2000 (above 5% in 2000 in every part of the world)
- **A380** successful launch (66 firm commitments as of March 1st 2001)
- Major step in Revenues and Profit from 2002 with **first deliveries of A340-500/600**
- Commercial success => backlog + 2001 positive first months => **production rate increase** (from 311 deliveries in 2000 to around 450 in 2003)
- **AIC creation** : value creation = € 100 M/year (for 100% of AIC) + € 250 M from EADS = € 350 M/year
- Strong \$ **hedged** improves future earning growth

→ A very strong outlook backed by our backlog

## Military Transport Aircraft 2000 performance and key drivers

€ m	pro-forma 2000	pro-forma 1999
Revenues**	316	241
R&D self-financed in % of revenues	59 18.7%	15 6.2%
EBIT*	(63)	(20)
Order book Times sales	873 2.8	700 2.9

### KEY DRIVERS

- High replacement market potential
- A400M program decided : intents for 228 aircraft
- World leader on light and medium segment
- Mission aircraft project (FSTA)

\* pre- goodwill and exceptional

\*\* figures not comparable in 1999 and 2000

→ A400M order expected in 2001

## Aeronautics 2000 performance and key drivers

€ m	pro-forma 2000	pro-forma 1999
Revenues	4,704	4,280
R&D self-financed in % of revenues	128 2.7%	121 2.8%
EBIT* in % of revenues	296 6.3%	202 4.7%
Order book Times sales	13,067 2.8	8,800 2.1

### FUTURE GROWTH FROM MAJOR PROGRAMS

- Strong market in 2000 for helicopters
- Further growth potential of **Tiger and NH90 programs**
- Positioning of the **Maintenance** business to profit of the fast growing Airbus fleet (namely in the US) and freighter market
- **Eurofighter** program on schedule to deliver significant growth and cash; first export success coming with Greece
- **EMAC** creation

\* pre- goodwill and exceptional

→ A strong increase of profitability

## Space 2000 performance and key drivers



€ m	pro-forma 2000	pro-forma 1999
Revenues	2,535	2,518
R&D self-financed <i>in % of revenues</i>	61 2.4%	69 2.7%
EBIT* <i>in % of revenues</i>	67 2.6%	97 3.9%
Order book <i>Times sales</i>	4,826 1.9	4,400 1.7

\* pre-goodwill and exceptional but including non-recurring expenses :  
 € 28 m to write off Globalstar  
 € 37 m of restructuring

### A CHALLENGING COMPETITIVE ENVIRONMENT

- 6 satellites contracts with **major customers** (Inmarsat and Intelsat)
- reliability & dependability of **Ariane V** designed for growing demand of heavy satellites
- **Astrium** creation is enhancing process optimisation
- Opportunities in **Services** (platform related services strategy)
- Creation of an integrated company to lead efficiently the production of Ariane
- **M51** contract signed with French government, confirming unique technological competence in Europe
- Reactive, cost driven and flexible **reorganisation plan** to seize strategic opportunities

→ Space 2000 EBIT impacted by non-recurring expenses

## Defence & Civil Systems 2000 performance and key drivers



€ m	pro-forma 2000	pro-forma 1999
Revenues	** 2,909	3,830
R&D <i>in % of revenues</i>	161 5.5%	197 5.1%
EBIT* <i>in % of revenues</i>	(110)	86 2.2%
Order book <i>Times sales</i>	9,722 3.3	9,000 2.3

\* pre- goodwill and exceptional but including  
 € 63 m of restructuring charge

\*\*impact of civil telecom de-consolidation is € 550 million

### RESTRUCTURING TO ENSURE A SUCCESSFUL BUSINESS

- **Restructuring plan** implemented to optimise transition from development to production secured by backlog...
- **Strong backlog** (3 years of activity) secures the success of the restructuring plan
- Missiles **export successes** : MICA, ASTER, MM40,...confirming strong competitiveness
- **METEOR** : a technological success and EADS strategy proven right
- **Telecom** : EDSN creation at the right time: successes (Mexico,...)
- **Defence electronics** : focus on core business; promising win with the US Navy, agreement with Northrop Grumman,...

→ Deep restructuring to ensure profitable growth

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## Key financial highlights

	Pro forma 2000 € million		Pro forma 1999 € million		Deviation
Revenues	24,208		22,553		+ 7.3%
EBIT*	1,399		1,445		
<b>EBIT* pre-SX disposal</b>	<b>1,399</b>		<b>1,263</b>		<b>+10.8%</b>
<b>Free Cash Flow</b>	<b>1,531</b>		<b>198</b>		<b>+673.2%</b>
		in years of sales		in years of sales	
Order intake	49,079	2.0	32,700	1.5	+ 50%
<b>Year-end backlog</b>	<b>131,874</b>	<b>5.5</b>	<b>102,400</b>	<b>4.5</b>	<b>+ 29%</b>

\* pre-goodwill and exceptional but including € 262 m of non-recurrent expenses (restructuring and Globalstar write-off)

➔ **A strong growth in Free Cash Flow and an EBIT in line with Plan**



# Revenues and EBIT by Division



€ million	Pro forma 2000			Pro forma 1999		
	Revenues	EBIT pre-goodwill & exceptional	EBIT margin	Revenues	EBIT pre-goodwill & exceptional	EBIT margin
Airbus	14,856	1,412	9.5%	12,639	925	7.3%
Military Transport Aircraft	316	(63)	(19.9%)	241	(20)	(8.3%)
Aeronautics	4,704	296	6.3%	4,280	202	4.7%
Space	2,535	67	2.6%	2,518	97	3.9%
Defence & Civil Systems	2,909	(110)	(3.8%)	3,830	86	2.2%
Elimination & headquarters	(1,112)	(203)		(955)	155**	
<b>EADS Total</b>	<b>24,208</b>	<b>1,399*</b>	<b>5.8%</b>	<b>22,553</b>	<b>1,445**</b>	<b>6.4%</b>

\* including € 152 million of restructuring expenses and € 110 m of Globalstar depreciation  
 \*\* of which € 182 m of gain on SEXTANT disposal

→ 2000 EBIT in line with plan, in spite of heavy restructuring

# Pro forma summarised profit & loss



€ m	Pro forma 2000		Pro forma 1999	
	€ million	in % of revenues	€ million	in % of revenues
<b>Revenues</b>	<b>24,208</b>		<b>22,553</b>	
<b>EBITDA</b>	<b>2,334</b>	<b>9.6%</b>	<b>2,124</b>	<b>9.4%</b>
<b>EBIT pre-goodwill &amp; exceptional</b>	<b>1,399</b>	<b>5.8%</b>	<b>1,445</b>	<b>6.4%</b>
Operating income after goodwill/exceptional *	200	0.8%	769	3.6%
Financial results	(1,315)		(1,846)	
of which due to hedging accounting	(1,436)		(1,916)	
Income Tax	220		33	
Minority	(14)		(2)	
<b>Net income *</b>	<b>(909)</b>		<b>(1,046)</b>	
* of which, pre-tax :				
- goodwill & exceptional	(1,088)		(593)	
- restructuring expenses	(152)		(98)	
- Globalstar write-off	(110)		0	
- SEXTANT disposal	0		182	

→ Net result affected by non-recurring items and, as already explained, by hedging accounting



## Free cash flow



€ million	pro-forma 2000	pro-forma 1999
<b>Net Cash position as of January 1st</b>	<b>(946)</b>	<b>343</b>
Cash flow from operations*	1,699	753
Working capital requirement reduction	1,460	785
Cash flow from invest. activities	(1,628)	(1,340)
<b>Free cash flow</b>	<b>1,531</b>	<b>198</b>
Capital increase	1,540	0
Dividend payments **	(31)	(1,305)
Others	49	(182)
<b>Net cash position as of Dec. 31st</b>	<b>2,143</b>	<b>(946)</b>

\* before working capital requirement reduction

\*\* proposed 2000 dividend to be paid in 2001 is about € 400 million

→ An improved cash flow from operations and a strong free cash flow

## In 2001, allocate hedging to each underlying commercial contract



- Existing “macro” reduced from \$13.6 Bn on January 1st 2000 to \$1.4 Bn on January 1st 2001
- Why ?
  - Compliance with IAS39 rule effective from January 1st 2001
  - Management decision to allocate hedging to each underlying commercial contract
- What does this change mean ?
  - for existing “micro” : no change => recorded in EBIT using hedged rate
  - for new “micro” : recorded now at the level of EBIT, using forward of 2000 year-end dollar rate
  - remaining “macro” : \$ 1.4 Bn to be consumed in 2001 (\$ 0.5 Bn) and 2002 (\$ 0.9 Bn)
  - total existing financial provision ( € 1.7 bn as of December 31 2000) of the balance sheet to be progressively consumed (no cash effect).

→ net result volatility reduced by 90%  
=> visibility on EPS

## Strong dollar has allowed for hedging that improves visibility and enhance profitability

- **Main hedging rules :**
  - hedge on a period that gives visibility and security
  - hedge only part of already booked orders => no speculative hedging
- **As of march 1st 2001, existing hedging is roughly \$ 28 bn in total** (of which only \$ 1.4 bn of remaining "macro")

↑ **The hedging of the coming years is as follows :**

	2001*	2002	2003	2004
Hedged part in \$ bn	8.1	8.0	6.1	3.4
in % of firm orders	98%	98%	82%	62%
<b>corresponding \$</b> (for recorded EBIT)	<b>0.99</b>	<b>1.00</b>	<b>0.98</b>	<b>0.95</b>

\* 12 months

↑ **The first A380 firm commitments** to be delivered from 2006 to 2008 have also been hedged at dollar stronger than 1€, much better than our business case assumptions

→ **Dollar is an operating variable on which we have improved control**

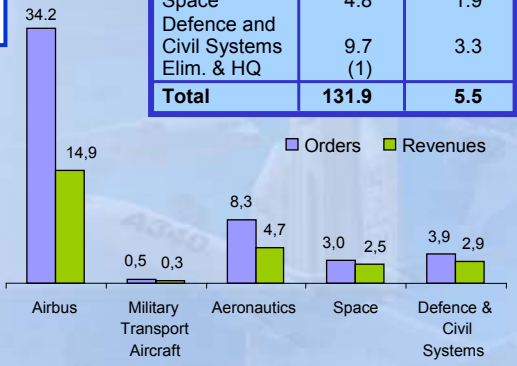
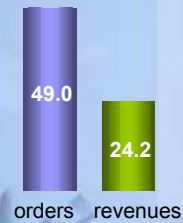


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# A record level of orders and backlog



EADS 2000 orders and revenues in € billion



Year-end 2000 backlog		
	€ bn	x 2000 sales
Airbus	104.4	7.0
MTA	0.9	2.8
Aeronautics	13.1	2.8
Space	4.8	1.9
Defence and Civil Systems	9.7	3.3
Elim. & HQ	(1)	
<b>Total</b>	<b>131.9</b>	<b>5.5</b>

- ➔ All divisions booked orders higher than revenues
- ➔ Book building ratio is 2.0
- ➔ Backlog represents 5.5 years of activity

# Value creation on track



- We have already identified more than 600 projects generating **more than € 580 m** of value creation per year from 2004 thereon (€600 m with AIC 100% consolidation)
- identified projects with expected value creation of around **€ 60 m in 2001** (10% of the initial target, as planned)

Some examples :	Value creation in 2001
Purchase price negotiation : aluminium, titanium, electrical and electronics parts, fasteners, group travel services, IT supply,...	€ 35.0 m
Missiles activity : cutting R&D duplications, Euromissile restructuring,...	€ 2.7 m
Satellites activity : project management method standardisation, streamline heritage of 3 platforms into one, industrial policy integration,...	€ 3.5 m

- ➔ We deliver in 2001 what has been announced

## 2001 is a year of investment and implementation of restructuring actions to secure targeted value creation

- **Airbus** : implement the synergies from Airbus Integrated Company creation and build-up the success of production rate increase
- **Space** : cost reduction plan and reorganisation to keep competitiveness and opportunities in a market poised to change
- **DCS** : restructuring year to ensure future profitable growth backed by an exceptional backlog and state-of-the-art technology
- **Headquarters** : streamline

→ Challenging goals to become stronger

## Financial outlook

- Continuing strong **backlog** : book building expected ratio > 1.0 every year (orders/revenues)
- **2001 Revenues growth around 15%**; from 2001 thereon 6/7% per year, while controlled growth of headcount ( around 1 % per year)
- **2001 EBIT\* 15% up** in spite of heavier R&D
- **2004 EBIT\* margin target raised to 10% in 2004** (in spite of the A380 cost)
- **Free CF** = “close to zero” in 2001 and 2002 in spite of the A380 financing ; Strong Free CF generation from 2003
- **2000 proposed dividend** : € 0.5 per share

\* pre-goodwill and exceptional

→ Merger integration success and strong backlog allow to raise our profitability target

## Why to invest in EADS ?



- **An exceptional visibility :**

- € 132 bn record backlog represents more than 5 years of sales
- 2001 first months show continuing commercial success
- hedging policy => better visibility of the financial markets on our earning growth

- **Medium-term profitability target raised :**

- quick and successful Integration => synergies starting to have positive impact from 2001
- 2000 year results on track in spite of restructuring provision
- current hedging positions secure most of 2001-2004 years at a favourable Dollar exchange rate

→ Growth is secured and profitable => EBIT margin to reach 10% by 2004



**BACK-UP**

## EBIT (pre-goodwill exceptional depreciation)



	Pro forma 2000		Pro forma 1999	
	€ million	in % of revenues	€ million	in % of revenues
<b>Revenues</b>	<b>24,208</b>		<b>22,553</b>	
Gross margin	4,136	16.8%	4,255	18.9%
Gross margin pre-adjustment on fair value of assets	4,795	19.8%	4,424	19.6%
Selling Administrative & others	(2,510)	10.4%	(2,213)	9.8%
Research & development	(1,339)	5.5%	(1,324)	5.9%
Other operating income	342	1.4%	475	2.1%
Income from investments	111	0.5%	83	0.4%
<b>EBIT*</b>	<b>1,399</b>	<b>5.8%</b>	<b>1,445</b>	<b>6.4%</b>

\* pre- goodwill and exceptional

## Operating income (after goodwill amortization)



€ m	Pro forma 2000	Pro forma 1999
EBIT pre-goodwill & exceptional income from investment elimination *	1,399 (111)	1,445 (83)
Goodwill amortization	(429)	(424)
Exceptional depreciation on fair value adjustments on :		
fixed assets	(176)	(169)
inventories	(483)	0
<b>Operating income</b>	<b>200</b>	<b>769</b>

\* included in financial income

→ accelerated depreciation on inventories in 2000

# Restructuring expenses



€ m	pro-forma 2000
Defence & Civil systems	63
Space	37
Headquarters	52
<b>Total</b>	<b>152</b>

- **Defence & Civil Systems** : restructuring of Defence electronics and missile activities
- **Space** : headcount Reduction in Astrium and launcher activity
- **Headquarters restructuring** : headcount reduction through streamlining of processes and outsourcing of some functions.



# EADS headcount



Employees	pro-forma 2000	pro-forma 1999
Airbus	33,927	31,534
MTA	3,548	3,201
Aeronautics	23,091	22,716
Space	9,400	9,545
DCS	17,485	20,085
Headquarters and R&D centre	1,428	1,550
<b>EADS total</b>	<b>88,879</b>	<b>88,631</b>





## Financial result breakdown



€ million	Pro forma 2000	Pro forma 1999
Dec. 31st closing rate Euro versus \$	0,93	1,00
Interest expense	10	(13)
Income from investments	111	83
Cost for hedge accounting	(1,436)	(1,916)
<b>Total financial result</b>	<b>(1,315)</b>	<b>(1,846)</b>

→ Strong \$ and macro-accounting generated financial loss in 2000

## Cash flow from operations before working capital reduction



€ m	pro-forma 2000	pro-forma 1999
Net Result	(909)	(1,046)
Minority result	14	2
Gain on disposal	(77)	(290)
Depreciation & amortisation on fixed assets	1,540	1,272
Fair value adjustment on inventory	483	
Change in accrued liabilities	1,259	838
Change in deferred taxes	(611)	(23)
<b>Total</b>	<b>1,699</b>	<b>753</b>

## Working capital reduction



€ m	pro-forma 2000
Inventory variation	(1,201)
Trade receivables	252
Other assets	484
Trade liabilities	479
Other liabilities	1,446
<b>Working Capital reduction</b>	<b>1,460</b>

## Cash flow from Investments



€ m	pro-forma 2000	pro-forma 1999
Fixed asset expenditures	(1,291)	(1,146)
Financial investments	(722)	(980)
Disposals	385	786
<b>Cash Flow From investments</b>	<b>(1,628)</b>	<b>(1,340)</b>

## Balance sheet



€ million	pro-forma 2000	pro-forma 1999
<b>Fixed Assets</b>	<b>20,894</b>	<b>19,952</b>
of which intangible assets	8,165	8,329
of which property, plant & equipment	8,120	7,693
of which financial assets	4,609	3,930
<b>Current Assets</b>	<b>16,745</b>	<b>13,794</b>
of which cash & equivalents, securities	7,922	4,750
of which working capital assets	8,823	9,044
<b>Deferred Tax Assets</b>	<b>3,151</b>	<b>2,821</b>
<b>Pre-paid Expenses</b>	<b>654</b>	<b>651</b>
<b>Total Assets</b>	<b>41,444</b>	<b>37,218</b>
<b>Shareholders' Equity</b>	<b>10,250</b>	<b>9,377</b>
<b>Minority interest</b>	<b>221</b>	<b>212</b>
<b>Total Accrued Liabilities</b>	<b>8,684</b>	<b>7,432</b>
of which Pension	2,986	2,916
<b>Deferred Tax Liabilities &amp; Income</b>	<b>4,042</b>	<b>4,080</b>
<b>Other Liabilities</b>	<b>18,247</b>	<b>16,117</b>
of which trade liabilities	4,268	3,856
of which debt	5,779	5,696
<b>Total Shareholders' Equity &amp; Liabilities</b>	<b>41,444</b>	<b>37,218</b>
<b>Net cash position at year-end</b>	<b>2,143</b>	<b>(946)</b>

## Balance sheet correction



€ million	pro-forma 1999 CORRECTED	pro-forma 1999 RELEASED
<b>Fixed Assets</b>	<b>19,952</b>	<b>19,711</b>
of which intangible assets	8,329	7,710
of which property, plant & equipment	7,693	7,950
of which financial assets	3,930	4,051
<b>Current Assets</b>	<b>13,794</b>	<b>13,684</b>
of which cash & equivalents, securities	4,750	4,750
of which working capital assets	9,044	8,934
<b>Deferred Tax Assets</b>	<b>2,821</b>	<b>2,239</b>
<b>Pre-paid Expenses</b>	<b>651</b>	<b>651</b>
<b>Total Assets</b>	<b>37,218</b>	<b>36,285</b>
<b>Shareholders' Equity</b>	<b>9,377</b>	<b>8,343</b>
<b>Minority interest</b>	<b>212</b>	<b>188</b>
<b>Total Accrued Liabilities</b>	<b>7,432</b>	<b>7,477</b>
of which Pension	2,916	2,916
<b>Deferred Tax Liabilities &amp; Income</b>	<b>4,080</b>	<b>4,091</b>
<b>Other Liabilities</b>	<b>16,117</b>	<b>16,186</b>
of which trade liabilities	3,856	3,734
of which debt	5,696	5,696
<b>Total Shareholders' Equity &amp; Liabilities</b>	<b>37,218</b>	<b>36,285</b>