



Dear Shareholders,

The appalling attacks in the United States of September 11th have given rise to an unprecedented wave of emotion and have resulted in serious uncertainties about the future. In France, the explosion of a chemical plant in Toulouse had a personal impact for many employees in our Group, which has a number of factories located in Toulouse. In this already highly charged situation there was, on November 12th, another airliner disaster in New York. We wish to extend our most sincere condolences to all of the families of the victims of these horrific events.

In this new and testing context, notably for the civil aviation sector, EADS is mobilising its employees and all of its technological resources to enable it to adapt as quickly as possible to the challenges resulting from the increased levels of air security and the restoration of passenger air traffic.

The Group has already implemented real and immediate measures to consolidate its position: a freeze on investments except for the A380 program, acceleration of productivity plans, suspension of recruitment in certain areas, etc. And more than ever we are committed to speeding up the EADS integration process to make it a company creating value for its shareholders, its customers and its employees.

We are confident of the ability of our Group to successfully come through these difficult times because the fundamentals are solid: our order book (€ 182 billion at the end of September 2001) represents more than six years' worth of turnover, and the Group continues to increase its market share against the competition.

With these fundamentals and despite the uncertain future development of our markets, we again confirm our growth objectives of 15% of EBIT\* (operating income) and 20% of turnover in 2001.

In the longer term, we can count on the tremendous flexibility of the organisation of the production that we have implemented, notably at Airbus where the use of subcontracting has risen to 40% of costs and where the production cycles have been significantly reduced. We are now taking all appropriate measures to further increase this flexibility and to ensure healthy margins even in the event of significant variations in our levels of production.

In the defence sector, in addition to an order book worth more than € 18 billion (Tiger and NH90 helicopters, missile systems, combat and transport aircraft), our Group is particularly well positioned to respond to increasing needs, and more than ever now confirmed, for surveillance, reconnaissance, telecommunications, as well as deterrence and power projection.

Our capacity for adaptation and innovation, the competitive position of our defence activities and the favourable dollar/euro parity that we have secured for the future enable us to maintain our objective of a 10% operational margin in 2004.

This objective is now more ambitious but EADS is adapting to the challenges to keep on course. We are taking all necessary actions to ensure that your Group will come through this difficult period in an even stronger position.

Yours faithfully,

Philippe Camus  
CEO

Rainer Hertrich  
CEO



# Results for end June and

## commercial activity for end September 2001

Sustained commercial activity to the end September 2001

- Turnover of € 20.7 billion to the end September, in-line with the forecasts for 2001
- Order book continues to be strong at € 182.4 billion.

Half-yearly earnings up strongly and in-line with forecasts

- Earnings before interest and taxes (EBIT\*) of € 764 million, up by 18% excluding the consolidation of Airbus UK
- Net income of € 1.7 billion compared to a net loss of € 359 million for 1<sup>st</sup> half 2000.

### KEY FIGURES

In millions of euros	End Sept. 2001	Variation to Sept. 2000	End June 2001	Variation to June 2000
Revenues	20,685	+30%	14,043	+33%
Order intake	47,300	+52%	42,811	+78%
Order book	182,400	+51%	185,137	+56%
EBIT*	-	-	764	+38%
Net income	-	-	1,657	+2,016 € m
Net income per share*	-	-	0.56	+0.70 €
Free cash flow	-	-	526	+694 € m

EADS continues to fulfil its promises with the publication on September 20th of its half-yearly results and on November 13th of its revenues and order intake for the first 9 months of the year. These figures reveal strong growth and are in-line with the forecasts for the end of 2001.

**In the third quarter 2001**

- Turnover in the third quarter 2001 reached € 6.6 billion, an increase of 9% on the same period 2000, excluding the consolidation of Airbus UK
- The order book (€ 182.4 billion) still represents six years of revenues.

**In the first half 2001**

- Operating margins improved from 5.2% to 5.4%, and this despite the increase in self-financed R&D expenditure which came to 6.1% of turnover, against 5.6% in the first half 2000.
- Excluding goodwill amortisation and positive exceptional items associated with the creation of Airbus SAS, net earnings would be at € 456 million, compared to a net loss of € 115 million in the first half of 2000, after comparable adjustments.
- Free cash-flow is significantly positive and has boosted the net positive cash situation of the EADS Group which came to € 1.3 billion at the end of June 2001.

### FIGURES BY DIVISION

In millions of euros	Revenues at end Sept. 2001	Variation/ compared to Sept. 2000	Order intake at end Sept. 2001	Variation/ compared to Sept. 2000	Orderbook at end Sept. 2001	Variation/ compared to Sept. 2000
Airbus**	14,431	+40%	40,900	+106%	154,700	+67%
Military Transport Aircraft	306	+39%	800	+167%	1,400	+100%
Aeronautics	3,161	+12%	3,600	-47%	13,800	+8%
Space	1,543	-6%	800	-58%	4,000	-13%
Defence and Civil Systems	2,044	+24%	1,900	-17%	9,400	-3%
Headquarters and Eliminations	(800)	-1%	(700)	-	(900)	
<b>Total</b>	<b>20,685</b>	<b>+30%</b>	<b>47,300</b>	<b>+52%</b>	<b>182,400</b>	<b>+ 51%</b>

\* Before goodwill and exceptional items. \*\* Consolidation of Airbus at 100% since 2001. In 2000, only the EADS contribution to Airbus representing its 80% stake was consolidated



## INTERVIEW WITH AXEL ARENDT

EADS CHIEF FINANCIAL OFFICER  
MEMBER OF THE EADS EXECUTIVE  
COMMITTEE AND OF THE BOARD  
OF DIRECTORS

*Mr Arendt, EADS published on September 20 its half-year results and on November 13, Q3 revenues and orders figures. What are the key messages you want to convey to the shareholders?*

Following the dramatic events of the 11th of September, the whole economic world in general and the civil aviation industry especially are going through challenging times. However, looking on our financial figures, it is obvious that EADS is on track.

The 9 month figures show further growth in revenues and order intake and an order-backlog as of September 30, that is worth € 182 billion, representing more than six years of revenues. This strong position is confirmed also by a significant increase in our first half EBIT. Not only, EADS announces results in line with targets set for this year, but our strong backlog underlines an upbeat future.

*Looking at Airbus, what do the actual financials tell us for the future?*

Airbus recorded a 52% increase in its EBIT in the first-half, despite a significant increase in research and development costs, mostly for the A380 program. This improvement reflects the 100% consolidation of Airbus as of 1<sup>st</sup> January 2001 and also the increase in deliveries. More important for the future, with

325 new gross orders in the first nine months of 2001 (compared to 305 in 2000), Airbus further increased its market share to 58%. At the end of September 2001, the Airbus order book totalled 1,665 aircraft. This large order book and the flexibility of the production organisation are the main assets of Airbus in adapting to the current difficulties of the market. Moreover, the need for the A380 program is confirmed by our customers as shown by the recent order of Emirates for 22 aircraft.

*Beside the future A400M, what are the other programs that could trigger growth in the Military Transport Aircraft division?*

This Division reduced its losses in the first half and significantly increased revenues in the first nine months of 2001.

The recently signed contract with the Polish government for the purchase of eight C-295 military transport aircraft foreshadows a positive future.

*What about the Space division?*

In a highly competitive environment resulting from industry over-capacity, the turnover has remained at the same level as last year and new orders are at a lower level this year after an exceptional year in 2000. The situation is difficult, but we are reviewing the necessary actions, in order to preserve our competitiveness and future profitability.

*Why did the Defence and Civil Systems division post losses in the first half of 2001? How do you intend to develop in this area?*

With regard to the Defence and Civil Systems division, the loss of the first-half

is explained mainly as a result of additional provisions, in particular to improve the performance of the EADS/LFK missiles subsidiary and as a result of the slowdown in the civil telecommunications sector (civil joint-ventures with Nortel). This division is expected to be profitable by the second-half of this year. In the growing secure digital telecommunications markets, aimed notably at armed forces and public safety bodies, EADS has acquired the British leader Cogent. The profitable growth of this division is guaranteed by a significant order book worth more than € 9 billion at the end of September 2001, which represents 3 years of activity.

*What are the key reasons for growth in the Aeronautics division?*

The EBIT of the Aeronautics division rose by 60% for the first half of the year driven by Eurocopter's higher number of deliveries and Eurofighter's ramp up. New orders for the division totalled € 3.6 billion as of September 30th and the major recent export successes of Eurocopter in the military sector - the sales of the Tiger attack helicopter to Australia and the NH90 transport helicopter to the Nordic countries for around € 1.3 billion in total - will further boost the business of this division.



## INTERVIEW WITH JEAN-LOUIS GERGORIN

EXECUTIVE VICE PRESIDENT  
STRATEGIC COORDINATION  
MEMBER OF THE EADS EXECUTIVE  
COMMITTEE,

*What's EADS' position on the world and European defence markets? Is the Group's Defence business bound to grow?*

EADS is the second largest aerospace and defence company worldwide, and also, which is less famous, a Defence leader. EADS revenues in defence (missiles systems, military aircraft and helicopters,...) was 5.5 bn in 2000, representing 20% of total EADS revenues and ranking us as n° 6 world-wide behind the 4 US prime contractors and the UK based BAE SYSTEMS.

We target to grow further into defence, firstly because of the synergies in technologies and secondly because it brings us counter-cyclical financial stability.

Being the number 2 defence contractor in Europe, at same level as Thales in Defence, gives us the strength necessary to be in the driving seat for further consolidation and growth. EADS is actively leading the European restructuring process (e.g. MBDA) and the development of transatlantic industrial collaboration.

EADS is involved in practically anything which flies from aircraft to missiles, and these are the big defence budget drivers. About 55% of defence procurement to industry goes to aeronautics, missiles and military space, another 16% go to "stand alone" defence electronics - C3I, Telecom - where EADS is also present and growing.

As a key supplier of the backbone of European military products with strong product lines like the combat aircraft Eurofighter, the new helicopters Tiger and NH-90, transport aircraft, tactical

missiles, communication systems, and space applications, we feel certain to be well positioned in the years to come. Upcoming programs such as the Scalp, Storm Shadow, Taurus cruise missiles and the Meteor air-air missile, and the European transport aircraft A400M will further contribute to strengthen EADS' defence profile.

*Will the European MoDs re-target their priorities, as a result of the recent events in the US?*

The 11th September event was a wake-up call for Defence, and brought defence issues back on the government's agendas. This will translate in more European and global cooperation and increase in defence spending.

EADS has pan-European defence market access and strong export positions, and is well positioned to participate in the war against terrorism. We do not believe it will be a shift in priorities from "traditional" military forces to new homeland security capabilities. The issue is to have both, as we see today: do more on homeland defence while being still capable of sustaining out of area military operations.

EADS is present in all activities which are required for military power projection, such as strategic airlift, deep strike cruise missiles, mission and fighter aircraft, deployable secured telecom networks, encryption, electronic warfare. EADS is also present on all key activities for homeland and theatre survivability like intelligence and surveillance systems and extended air defence.

*You've already talked about the need to establish new partnerships, particularly in the Defence area. What can you tell us now?*

EADS has since the beginning actively sought partnerships to strengthen access to technologies and markets.

The recent acquisition of the leading UK encryption and communication security company Cogent by EADS Defence and Security Networks (EDSN), is an example of such a move. Additionally in the UK, we are in the team led by General Dynamics for the development of the future BOWMAN system.

In the US, the strategic partnership with Northrop Grumman on Unmanned Aerial Vehicles (UAVs) is successfully going forward. We are in both winning teams on the Nato TMD (Theatre Missile Defence) study with Boeing on

one side and with Lockheed Martin on the other side, and, in this same area of TMD, we are jointly developing MEADS with Lockheed Martin. We are also discussing partnership with US companies on mission aircraft.

All in all, we are exploring every opportunity to partner with the best, in order to stay superior to our competitors. Additionally to partnering, further consolidation on program and company level will take place and EADS will use its strength as the number two aerospace company in the world to ensure solutions in which EADS profitability and growth remain on an upward trend.

*Finally, here is a final question: as Strategy Director of the EADS Group, are you confident about the Group's ability to go through the current upheavals of the market?*

The recent events in the US have put a halt on air traffic growth and seriously hurt the airlines; however, contracts like the recent 22 A380 superjumbo order from Emirates Airlines which has increased Airbus backlog by \$ 8,5 bn, confirms the underlying strength of our commercial aviation business.

Additionally, our defence business is well positioned to grow fast within the new geopolitical environment and provide EADS with a balance to cycle of the commercial aviation. Our recent export successes in Australia and the Nordic countries for military helicopters illustrate that EADS products are a true alternative to the US manufacturers programs on every Defence segments.

EADS has an exceptional order backlog and a leading position on each of its markets. Moreover, it operates on markets with strong underlying long-term growth: on the civil side, air traffic long-term growth is 5% per year, and there is a huge need to replace obsolete fleet; on the military side, EADS is well positioned on all the markets where there is an increased need : military aircraft of all nature, and helicopters, accurate long-range striking capability, secured communications, observation satellites,...



## INTERVIEW WITH NOËL FORGEARD,

AIRBUS PRESIDENT AND CHIEF EXECUTIVE  
OFFICER - MEMBER OF THE EADS  
EXECUTIVE COMMITTEE AND  
OF THE BOARD OF DIRECTORS

*Have you already noticed the direct effects of current reduction in air traffic and the airlines' financial difficulties on Airbus business?*

The immediate consequence of the tragic events of the 11th of September was a drop in the use of air transport, which is mainly concentrated on internal traffic in the United States and transatlantic traffic.

The airlines affected by this reduction, primarily the American airlines, have suddenly found themselves faced with extensive over-capacity and a crisis of liquidity. They have reacted by taking parts of their fleets out of service and cutting their workforces. It is worth pointing out that the aircraft taken out of operational service are old and uncompetitive aircraft: practically no Airbuses are involved. Some companies, which were already in a precarious state before the crisis, may well simply disappear.

This unfavourable context will inevitably have an effect on the business of a major supplier like Airbus. However, even before the events of the 11th of September, we were anticipating a slowing down of the market, due to the effects of the economic cycle, and we have already cut back on the increase in the rates of production.

After the events, we revised our forecasts of deliveries downwards for 2001 (from 329 to 320) and for 2002 (up until last summer we forecast 400 deliveries but we now think we will deliver in the range of 300 aircraft); this corresponds to a stabilisation rather than a real drop: our deliveries were less than

300 up until 1999, and only exceeded this figure - very slightly - in 2000, which will also be true in 2001.

*How long do you think this recession in the air transport sector will last, and do you think it is more severe than the last crisis that followed the Gulf War at the start of the 90s?*

It is too soon yet to know exactly how long the recession that has just started in the air transport sector will last. During the Gulf crisis in 1990-1991, air traffic only decreased in 1991, before bouncing back strongly in 1992. The initial phase of the present recession seems relatively more severe. However, we should note that the airlines are entering it in a stronger position than in 1990. They do not have aircraft order books inflated by a speculative approach. In 1989, the airlines had ordered a number of aircraft equivalent to more than 20% of the fleet in service and equivalent to 12% in 1990. These excessive orders could not all be honoured in 1991 and in the following years, which resulted in a large number of cancellations. In recent years, the airlines' orders have been in the region of 8 to 9% of the fleet in service, which is a normal level to deal with the increase in traffic and the replacement of old aircraft. We are therefore confident that our order book is much firmer, in spite of the recession, than it was in 1990-91.

*What measures has Airbus taken to adapt to the current situation?*

The measures taken are both industrial and commercial.

Commercially, we have made significant efforts to adapt ourselves to the new situation our customers find themselves in, to show flexibility over delivery dates, to be able to reassign aircraft from one customer to another at very short notice and if needed, to offer financing facility to some clients, naturally with great selectivity.

Industrially, we have taken the decision to freeze all new recruitment (except for that needed for our A380 programme, which is continuing as planned).

We are taking full advantage of the flexibility that our industrial structure allows, in order to maintain under conditions of satisfactory profitability, production at around 300 aircraft a year without, at this stage, resorting to lay offs, which would lead to a loss of skills and would handicap us when the market picks up again. We have

also extended these measures to our suppliers, who have to adapt themselves to the market conditions, just like we do.

*What are Airbus' competitive advantages, principally in a time of recession?*

Airbus is entering the current recession in a more favourable situation than its American competitor because our market share is increasing strongly and that trend, to a great extent, compensates for the shrinking of the whole market. For our competitor, the effects of loss of market share and the contraction of the market itself are cumulative. When the market picks up again, our more modern products are very well positioned to replace the old and uneconomic aircraft that have been taken out of service in the last few weeks, most of which will probably never fly again. Finally, the excellent relations we have between management and workforce in Airbus means that in our factories we can plan to take the measures necessary to adapt to the situation under favourable conditions.

*What concrete proposals would you make for increasing security on Airbus aircraft?*

On the 12th of September, we set up a team with the mission of preparing measures for strengthening security in the face of terrorist threats of the type that hit New York and Washington. I would like to point out that we have taken this initiative in close coordination with our customers and the certification bodies. We have already found a solution for strengthening the door giving access to the cockpit, and an alarm system. We are also working on other measures that can be taken in the medium term.

*You have confirmed the A380 development programme in spite of your customers' current difficulties?*

The A380 programme is maintained with no changes, particularly as far as the objective of making the first deliveries in 2006 is concerned. We think that there is still a need for a modern, high performance, large capacity aircraft, and this is confirmed by our customers, for example Emirates, which placed an order for 22 A380s on November 4th, instead of 7 as initially expected. It will be brought into service in a market phase that we can already predict will be one of vigorous growth once again. This is why we are keeping up our efforts so that we are ready at the right moment.

# EADS' Stock market performance

In the first eight months of the year 2001, in a depressed market fed by fears of a recession, the CAC40 fell by more than 20%, whilst the EADS share price held up better.

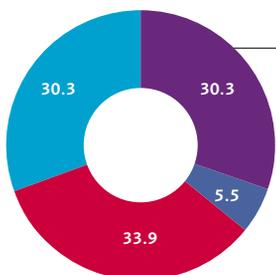
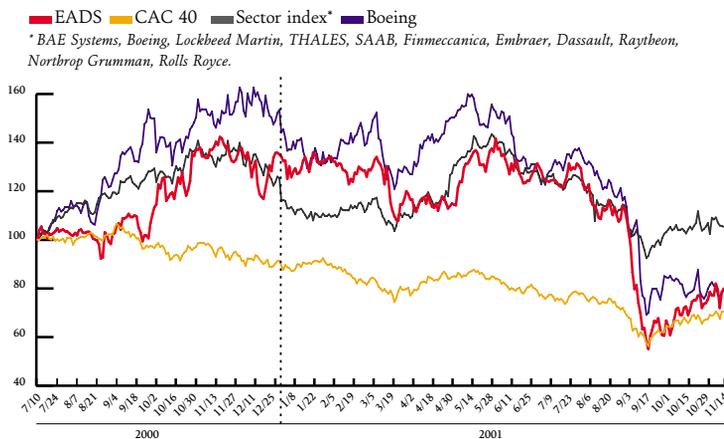
In September, with many observers already talking about a slowdown in the world economy and in particular in the civil aviation sector, the appalling events of September 11th in the USA have hastened and sharply amplified the scale of the market's reactions. On September 21th, 2001 the CAC40 reached a low point with a fall of 16% against its level on September 10th; the shares of our airline customers, hardest hit by the sudden drop in air traffic, fell by 40% and dragged the EADS share price down by a similar amount. Shares more strongly exposed to defence, resisted better.

Although it is too early yet to know what the extent and duration of the current crisis in the civil aviation sector will be, the medium and long term fundamentals of the industry remain solid: with an average annual growth in air traffic estimated at 5% and more than 3,000 airplanes currently in operation which will have to be replaced.

After falling by more than 9% on November 12th on the news of the New York new airliner disaster, the share closed on November 14th at 14.0 €, recovering by over 53% against its lowest point on September 21th.

- Number of shares: 807,157,667.
- Par value: 1 euro.
- Offer price on July 10th, 2000:  
19 euros for institutional investors  
18 euros for retail investors.
- Closing price on November 14th, 2001: 14.0 euros.
- Share price on the Paris Stock Market in 2001:  
High 25.07 euros • Low 9.14 euros
- Euroclear code: 5730

## ■ Share price from July 10th, 2000 to November 14th, 2001 Base 100, July 10th, 2000



### CAPITAL STRUCTURE ON JANUARY 10, 2001 (as %)

- DaimlerChrysler
- Sogead: Lagardère together with French financial institutions and Sogepa (French state holding company)
- Sepi (Spanish state holding company)
- Public\*

\* Including EADS employees and about 3 percent held directly by DaimlerChrysler and the French state.

## Shareholder

### diary

- February 2002  
**2001 Annual Revenues and Orders**
- March 2002  
**2001 Annual results**

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