

Condensed Interim Consolidated
Financial Statements of EADS NV
for the first half-year 2002

Consolidated Statements of Income

	January 1 - June 30, 2002		January 1 - June 30, 2001		Variation	
	M €	%	M €	%	M €	%
Revenues	13.974	100	14.043	100	-69	-0,5
Cost of sales	-11.384	-81	-11.536	-82	152	-1,3
Gross margin	2.590	19	2.507	18	83	3,3
Selling, administrative & other expenses	-1.230	-9	-1.470	-10	240	-16,3
Research and development costs	-876	-7	-768	-6	-108	14,1
Other operating income	145	1	2.103	15	-1.958	-93,1
Amortization of goodwill	-296	-2	-317	-2	21	-6,6
Result before financial income and income tax	333	2	2.055	15	-1.722	-83,8
Financial result	14	0	-53	-1	67	-126,4
Income taxes	-229	-1	-359	-2	130	-36,2
Minority interest	-27	0	14	0	-41	-292,9
Net income	91	1	1.657	12	-1.566	-94,5
Earnings per share from net income	€		€		€	
Basic	0,11		2,05		-1,94	
Diluted	0,11		2,05		-1,94	
Earnings per share from net income pre exceptionals						
Basic	0,57		0,56		0,01	
Diluted	0,57		0,56		0,01	

Consolidated Balance Sheets

	June 30, 2002		December 31, 2001		Deviation	
	M €	%	M €	%	M €	%
Fixed assets						
Intangible assets	10.325	21,8	10.588	21,7	-263	-2,5
Property, Plant and Equipment	10.034	21,3	10.050	20,6	-16	-0,2
Financial Assets	4.522	9,6	4.726	9,7	-204	-4,3
	24.881	52,7	25.364	52,0	-483	-1,9
Current assets						
Inventory (net)	2.501	5,3	2.469	5,1	32	1,3
Trade receivables	4.773	10,1	5.183	10,6	-410	-7,9
Other receivables & other assets	4.238	9,0	2.633	5,4	1.605	61,0
Securities	4.809	10,2	5.341	11,1	-532	-10,0
Cash	2.034	4,3	2.692	5,5	-658	-24,4
	18.355	38,9	18.318	37,7	37	0,2
Deferred tax assets	3.122	6,6	4.288	8,8	-1.166	-27,2
Prepaid expenses	862	1,8	745	1,5	117	15,7
Total assets	47.220	100,0	48.715	100,0	-1.495	-3,1
Shareholders'equity						
Capital Stock	809	1,7	809	1,7	0	0,0
Reserves	10.034	21,3	10.346	21,2	-312	-3,0
Accumulated other comprehensive income	1.260	2,7	-1.278	-2,6	2.538	-198,6
Treasury shares	-79	-0,2	0	0,0	-79	
	12.024	25,5	9.877	20,3	2.147	21,7
Minority interest	1.201	2,5	559	1,1	642	114,8
Provisions	9.177	19,4	11.918	24,5	-2.741	-23,0
Liabilities						
Financial liabilities	5.417	11,5	6.500	13,3	-1.083	-16,7
Trade liabilities	4.942	10,5	5.466	11,2	-524	-9,6
Other liabilities	10.408	22,0	10.631	21,8	-223	-2,1
	20.767	44,0	22.597	46,3	-1.830	-8,1
Deferred tax liabilities	1.302	2,8	806	1,7	496	61,5
Deferred income	2.749	5,8	2.958	6,1	-209	-7,1
Total liabilities and stockholders'equity	47.220	100,0	48.715	100,0	-1.495	-3,1

Consolidated Statements of Changes in Equity

	M €
Equity as of January 1, 2002	9.877
Net income	91
Dividends	-403
OCI	2.538
Purchase of treasury shares	-79
Equity as of June 30, 2002	12.024
Equity as of December 31, 2000	10.250
First application of IAS 39	-337
Equity as of January 1, 2001	9.913
Net income	1.657
Dividends	-404
OCI	-1.917
Change in reserves	603
Equity as of June 30, 2001	9.852

Consolidated Cash Flow Statements

	January 1 - June 30,	January 1 - June 30,
	2002	2001
	M €	M €
Net Income	91	1.657
Income (loss) applicable to minority interest	27	-14
Depreciation and amortization of fixed assets	1.131	937
Valuation adjustments/ net income from associates	-55	165
Gain on acquisition Airbus	0	-1.934
Change in deferred taxes	87	25
Results on disposals of fixed assets/businesses	-52	3
Change in provisions	-207	331
Variation in working capital	-53	50
Cash provided by operating activities	969	1.220
Investments (net) incl. leased equipment	-1.309	-740
Change in cash from changes in consolidation	-7	46
Cash used for investing activities	-1.316	-694
Dividends paid	-404	-404
Change in financial liabilities	-571	-271
Purchase of treasury shares	-79	0
Other	3	279
Cash used for financing activities	-1.051	-396
Effect of foreign exchange rate changes	-71	0
Change in cash and cash equivalents	-1.469	130
Cash and cash equivalents at beginning of period	7.481	7.760
Cash and cash equivalents at end of period	6.012	7.890
Additional securities medium-term	831	162
Cash and securities as stated in Balance Sheet	6.843	8.052

Cash used for investing activities in the first half-year 2002 does include investment in securities of 290 M €, these medium-term securities are included in Cash and securities as stated in the consolidated balance sheet.

Notes to the interim consolidated financial statements

1. Changes in the composition of EADS

In the first quarter 2002, Airbus sold Aircelle, a joint venture with Snecma, to Snecma. The resulting gain on disposal amounted to 63 M €, included in EBIT.

Apart from that, there were no other material acquisitions or disposals of subsidiaries, business combinations, long-term investments and discontinued operations during the period.

2. Accounting policies

The condensed interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. The accounting policies used in the preparation of the interim consolidated financial statements are consistent with those used in the annual financial statements for the year ended December 31, 2001. Except for the non-capitalization of R&D costs, EADS is following International Financial Reporting Standards (IFRS) principles.

Costs that incur unevenly during the financial year are anticipated or deferred in the interim period only if it is appropriate to anticipate or defer that type of cost at the end of the financial year.

Income tax expense is recognized based on the best estimate of the weighted-average annual income tax rate expected for the full year. The estimated annual average tax rate pre goodwill amortization for 2002 is 39 % (2001: 38 %).

These interim consolidated financial statements should be read in conjunction with the 2001 annual financial statements.

In the consolidated statement of income, comparative information has been restated in respect of a change in presenting depreciation of jigs and tools used for aircraft production purposes (refer note 4). The change in presentation has no influence on net income or EBIT pre goodwill and exceptionals (refer note 3) of EADS.

3. Segment information

Information with respect to EADS business segments follows:

in M €	Airbus	Military Transport	Aero-nautics	Space	Defence and Civil Systems	HQ/ Elimin.	Consolidated
Six months ended June 30, 2002							
Revenues	9.870	234	2.226	882	1.245	-483	13.974
Research and Development expenses	680	22	72	24	78	0	876
EBIT (pre goodwill/ exceptionals)	874	-72	63	-85	-71	66	775
Six months ended June 30, 2001							
Revenues	9.982	195	2.020	1.054	1.358	-566	14.043
Research and Development expenses	574	25	62	23	85	-1	768
EBIT (pre goodwill/ exceptionals)	797	-21	85	29	-128	2	764

A reconciliation from result before financial income and income taxes to EBIT pre goodwill and exceptionals is set forth in the following table:

	M €
Result before financial income and income tax	333
Income from associates	29
	362
Goodwill and exceptionals:	
Goodwill amortisation	296
Fair value adjustment	117
EBIT pre goodwill and exceptionals	775

EADS uses EBIT pre-goodwill amortization and exceptionals as a key indicator of its economic performance. The term "exceptionals" refers to income or expenses of a non-recurring nature, such as amortization expenses of Fair Value Adjustments relating to the EADS Merger or the Airbus Combination, as well as impairment charges. EBIT pre goodwill and exceptionals is treated by management as a key indicator to measure the segments' economic performance.

4. Significant net income items

With 13.974 M €, **Revenues** reached almost the same level as in the first half-year 2001.

The increase of **Research and development costs** to 876 M € (June 30, 2001: 768 M €) is mainly due to Airbus A380.

In 2001, recognition of depreciation of jigs and tools in the statement of income was disclosed as part of research and development expenses (85 M € by June 30, 2001). From 2002 onwards, EADS discloses these depreciation costs within cost of sales, as they relate to sales and therefore should rather be recognized as part of cost of sales instead of research and development cost. Research and development expenses as well as cost of sales for the first half-year 2001 have been adjusted accordingly.

Other operating income decreased from 2.103 M € by June 30, 2001 to 145 M € as the first half year 2001 contained a dilution gain of 1.934 M € resulting from the first-time consolidation of Airbus UK. Included in the other operating income of the first half-year 2002 is the gain on disposal of Aircelle (refer note 1).

The **Financial result** of 14 M € includes the result from investments of 29 M €, mainly influenced by a positive result from Dassault Aviation and a depreciation charge on an investment in the Space division. Also included are interest expenses of 58 M € as well as a positive variation of 43 M € mainly of remaining macro hedging instruments. The income from the equity investment Dassault Aviation is based on Dassault Aviation's previous year's equity result.

5. Significant balance sheet items

Due to foreign exchange rate effects, **Property, Plant and Equipment** remained at constant level despite investments mainly resulting from the development of A 380.

Financial assets of 4.522 M € (December 31, 2001: 4.726 M €) decreased mainly due to foreign exchange rate effects.

Other receivables and other assets increased by 1.605 M € to 4.238 M €, mainly caused by the variation of foreign currencies to Euro, thus leading to a positive marked-to-market revaluation of foreign currency hedging instruments, which total 1.411 M € by June 30, 2002.

Cash and Securities decreased from 8.033 M € to 6.843 M €, mainly due to repayments of loans (571 M €) and the payment of the dividend for 2001 (404 M €).

Shareholders' equity amounts to 12.024 M € by June 30, 2002 in comparison to 9.877 M € by December 31, 2001. This increase is mainly the result of a variation of OCI, in principal caused by fair value adjustments of foreign currency hedging instruments (June 30, 2002: + 654 M €; December 31, 2001: ./ 1.215 M €) as well as currency translation adjustments (June 30, 2002: + 632 M €; December 31, 2001: ./ 103 M €).

During the second quarter 2002, the group purchased treasury shares for 79 M €.

The increase in **Minority interests** by 642 M € mainly represents BAES' share in the increase of Other Comprehensive Income due to fair value adjustments of foreign currency hedging instruments as well as currency translation adjustments.

Lower **Provisions** of 9.177 M € (December 31, 2001: 11.918 M €) are mainly resulting from a decrease of provisions for financial instruments due to the foreign currency exchange rate variation (June 30, 2002: 985 M €, December 31, 2001: 3.673 M €).

Financial liabilities decreased by 1.083 M € to 5.417 M €, mainly because of a 571 M € loan repayment and foreign currency exchange rate effects.

6. Significant cash flow items

Despite positive cash flows from **operating activities** (969 M €), cash and cash equivalents decreased by 1.469 M €.

This is caused by **investing activities**, which comprise mainly investments in fixed assets resulting from the development of Airbus A 380 and investments in securities of 290 M € as well as **financing activities**, which in particular comprise loan repayments and paid dividends.

Included in the variation of working capital in the first half-year 2002 is an increase of conditional refundable advances received from European governments of 618 M €.

7. Contingencies

Since the last balance sheet date (December 31, 2001), there were no significant changes in contingent liabilities.

8. Number of shares

The total number of shares outstanding as of 30 June, 2002 is 804.331.343. At June 30, 2002, EADS had repurchased 4.844.218 ordinary shares in conjunction with the share-buyback program as approved by the general shareholders' meeting in 2001.

9. Earnings per share

Basic earnings per share are calculated by dividing net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the period:

Weighted average number of ordinary shares in issue	
January 1, 2002 to June 30, 2002	807.655.628 shares
January 1, 2001 to June 30, 2001	807.157.667 shares

For the calculation of the **diluted earnings per share**, the net profit is divided by the weighted number of shares assuming conversion of all dilutive potential ordinary shares. The Group's only category of dilutive potential ordinary shares is stock options. Since the exercise price of the stock options under both stock

option plans initiated by the Group in 2001 and 2000 is exceeding the share price of EADS shares, to include these potential ordinary shares would be anti-dilutive. As a consequence, net income as well as the weighted number of ordinary shares in issue is the same for both basic and diluted earnings per share.

10. Dividend policy

Following the annual shareholders' meeting on May 17, 2002, a dividend of EUR 0,50 per ordinary share was paid for the business year 2001.

11. Related party transactions

The Group has entered into various transactions with related parties in 2002 and 2001 that have all been carried out in the normal course of business at arm's length. Related parties include the French State, DaimlerChrysler, Lagardère, and SEPI (Spanish State). Except for the transactions with the French State, the transactions are not considered material to the Group either individually or in the aggregate. The transactions with the French State include mainly sales from the Aeronautic, Defence, and Space divisions.