

First Quarter 2004 Report

Unaudited Condensed Interim Consolidated Financial Information of EADS N.V. for the first quarter of 2004

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Unaudited Condensed Consolidated Financial Information for the three months ending March 31, 2004

Unaudited Condensed Consolidated Income Statements

	January 1 - March 31, 2004		January 1 - March 31, 2003		Deviation	
	M €	%	M €	%	M €	%
Revenues	6.031	100	5.520	100	511	9
Cost of sales	-4.881	-81	-4.454	-81	-427	10
Gross margin	1.150	19	1.066	19	84	8
Selling, administrative & other expenses	-562	-9	-689	-12	127	-18
<i>thereof amortization of goodwill and related impairment losses</i>	<i>0</i>	<i>0</i>	<i>-140</i>	<i>-3</i>	<i>140</i>	<i>-100</i>
Research and development expenses	-535	-9	-528	-10	-7	1
Other income	65	1	55	1	10	18
Income (loss) from operating activities	118	2	-96	-2	214	-223
Financial result	-16	0	-14	0	-2	14
Income taxes	-42	-1	1	0	-43	-4.300
Profit (loss) from ordinary activities	60	1	-109	-2	169	-155
Minority interests	-11	0	16	0	-27	-169
Net income (loss)	49	1	-93	-2	142	-153
	€		€		€	
Earnings per share						
Basic and diluted	0,06		-0,12		0,18	

Unaudited Condensed Consolidated Balance Sheets

	March 31, 2004		December 31, 2003		Deviation	
	M€	%	M€	%	M€	%
Fixed assets						
Intangible assets	9.711	18	9.694	17	17	0
Property, Plant and Equipment	11.668	22	11.448	21	220	2
Financial Assets	4.240	8	4.129	8	111	3
	25.619	48	25.271	46	348	1
Non-fixed assets						
Inventories	3.425	6	3.279	6	146	4
Trade receivables	3.449	6	4.001	7	-552	-14
Other receivables and other assets	9.036	17	10.280	19	-1.244	-12
Securities	260	1	468	1	-208	-44
Cash and cash equivalents	8.185	15	7.404	14	781	11
	24.355	45	25.432	47	-1.077	-4
Deferred taxes	2.758	5	2.724	5	34	1
Prepaid expenses	950	2	951	2	-1	0
Total assets	53.682	100	54.378	100	-696	-1
Shareholders' equity						
Capital Stock	813	2	813	1	0	0
Reserves	9.638	18	9.589	18	49	1
Accumulated other comprehensive income	5.374	10	5.934	10	-560	-9
Treasury shares	-187	0	-187	0	0	0
	15.638	30	16.149	29	-511	-3
Minority interests	2.051	4	2.179	4	-128	-6
Provisions	8.822	16	8.726	16	96	1
Liabilities						
Financial liabilities	5.001	9	4.767	9	234	5
Trade liabilities	5.282	10	5.117	9	165	3
Other liabilities	11.213	21	11.318	21	-105	-1
	21.496	40	21.202	39	294	1
Deferred taxes	3.258	6	3.664	7	-406	-11
Deferred income	2.417	4	2.458	5	-41	-2
Total liabilities and shareholders' equity	53.682	100	54.378	100	-696	-1

Unaudited Condensed Consolidated Cash Flow Statements

	January 1 - March 31,	January 1 - March 31,
	2004	2003
	M €	M €
Net income (loss)	49	-93
Income (loss) applicable to minority interest	11	-16
<i>Adjustments to reconcile net income(loss) to cash provided by operating activities</i>		
Depreciation and amortization of fixed assets	380	453
Valuation adjustments	21	5
Deferred tax income	-11	-95
Results on disposals of fixed assets/businesses and results of associates (equity method)	-23	-37
Change in provisions	78	-197
Change in other operating assets and liabilities	462	102
Cash provided by operating activities	967	122
<i>Investments:</i>		
- Purchases in fixed assets	-501	-409
- Increase in equipment of leased assets	-27	-104
- Payments for investments in financial assets and acquisitions of subsidiaries	-18	-112
- Proceeds from disposal of fixed assets and decrease in equipment of leased assets	21	22
- Proceeds from disposal of financial assets and subsidiaries	30	84
- Change in finance lease receivables	14	9
Change in securities	213	9
Change in cash from changes in consolidation	0	-160
Cash used for investing activities	-268	-661
Change in financial liabilities	83	1.080
Others	1	0
Cash provided by financing activities	84	1.080
Effect of foreign exchange rate changes on cash and cash equivalents	-2	-7
Net increase (decrease) in cash and cash equivalents	781	534
Cash and cash equivalents at beginning of period	7.404	5.401
Cash and cash equivalents at end of period	8.185	5.935

In the first quarter 2004, cash flow from changes in securities included in investing activities increased due to sales of securities by 213 M € (first quarter 2003: sale of securities for 9 M €). These medium-term securities are included in Securities as stated in the balance sheet.

As of March 31, 2004, 551 M € (December 31, 2003: 613 M €) are included in Cash and cash equivalents, which represent EADS' share in MBDA's cash and cash equivalents, deposited at BAe Systems and Finmeccanica. Additionally, Cash and cash equivalents include 333 M € (December 31, 2003: 273 M €) representing the amount Airbus has deposited at BAe Systems. These funds are available for EADS upon demand.

Unaudited Condensed Consolidated Statements of Changes in Shareholders' Equity

	M €
Equity as of January 1, 2004	16.149
Net income	49
OCI	-560
Equity as of March 31, 2004	15.638
Equity as of January 1, 2003	12.765
Net loss	-93
OCI	758
Equity as of March 31, 2003	13.430

Notes to the Unaudited Condensed Interim Consolidated Financial Statements (according to IFRS) as at March 31, 2004

1. The Company

The accompanying Condensed Interim Consolidated Financial Statements (unaudited) present the operations of European Aeronautic Defence and Space Company EADS N.V. and its subsidiaries ("EADS" or the "Group"), a Dutch public limited liability company (naamloze vennootschap) legally seated in Amsterdam (Le Carré, Beechavenue 130-132, 1119 PR, Schiphol-Rijk, The Netherlands), and are prepared and reported in Euros ("€"). EADS' core business is the manufacturing of commercial aircraft, civil helicopters, commercial space launch vehicles, missiles, military aircraft, satellites, defence electronics and rendering of services related to these activities.

2. Accounting policies

These Condensed Interim Consolidated Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting. Except for IFRS 3, the accounting policies used in the preparation of the interim consolidated financial statements are consistent with those used in the annual Consolidated Financial Statements for the year ended December 31, 2003, which are disclosed as an integral part of the Group's Annual Report 2003. The annual Consolidated Financial Statements were authorised for issue by EADS' Board of Directors on March 5, 2004. EADS is following International Financial Reporting Standards (IFRS) principles.

Costs incurring 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 applied on pre-tax income. The estimated annual average income tax rate for 2004 is about 40 % (projected in the first quarter 2003: 41 %).

EADS decided to anticipate application of IFRS 3 "business combinations" as of January 1, 2004: Goodwill is no longer regularly amortized, as previously requested under IAS 22, but instead is subject to annual impairment tests. Furthermore, EADS also applies the revised versions of IAS 36 and 38 from January 1, 2004.

These Condensed Interim Consolidated Financial Statements should be read in conjunction with the annual Consolidated Financial Statements 2003.

3. Changes in the consolidation perimeter and major events of EADS

There were no material acquisitions or disposals of subsidiaries, business combinations, long-term investments and discontinued operations during the first quarter 2004.

4. Segment information

The Group operates in 5 divisions (segments) which reflect the internal organizational and management structure according to the nature of the products and services provided:

- *Airbus* — Development, manufacturing, marketing and sale of commercial jet aircraft of more than 100 seats and the development and manufacturing of aircraft for military use.
- *Military Transport* — Development, manufacturing, marketing and sale of military transport aircraft and special mission aircraft.
- *Aeronautics* — Development, manufacturing, marketing and sale of civil and military helicopters, regional turboprop aircraft and light commercial aircraft; and civil and military aircraft conversion and maintenance services.
- *Defence & Security Systems* — Development, manufacturing, marketing and sale of missiles systems; military combat aircraft; and provision of defence electronics, defence-related telecommunications solutions; and logistics, training, testing, engineering and other related services.
- *Space* — Development, manufacturing, marketing and sale of satellites, orbital infrastructures and launchers; and provision of launch services.

The following table presents information with respect to the Group's business segments. Consolidation effects, the holding function of EADS headquarters and other activities not allocable to the divisions are disclosed in the column "HQ/ Conso."

Due to the new organizational structure of the Group, the Defence & Security Systems division has been renamed and restructured, especially the Military Aircraft business unit has been transferred from Aeronautics division to Defence & Security Systems division. Prior year figures are adjusted accordingly in these notes.

in M €	Airbus	Military Transport	Aero-nautics	Defence & Security Systems	Space	HQ/ Conso.	Consolidated
Three months ended March 31, 2004							
External revenues	4.126	101	645	932	457	-230	6.031
Research and development expenses	463	7	18	40	8	-1	535
EBIT pre goodwill amort. and exceptionals (see definition below)	224	-8	10	-51	-11	34	198
Three months ended March 31, 2003							
External revenues	3.775	96	686	813	403	-253	5.520
Research and development expenses	445	6	17	49	11	0	528
EBIT pre goodwill amort. and exceptionals (see definition below)	166	-11	16	-54	-21	34	130

5. EBIT pre goodwill amortization and exceptionals

EADS uses EBIT pre goodwill amortization and exceptionals as a key indicator to measure the economic performance of the Group and its Segments. 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, the Airbus combination and the formation of MBDA, as well as impairment charges.

A reconciliation from Income from operating activities to EBIT pre goodwill amortization and exceptionals is set forth in the following table (in M €):

in M €	January 1- March 31, 2004	January 1- March 31, 2003
Income (loss) from operating activities	118	-96
Income from investments	28	24
	146	-72
Goodwill and exceptionals:		
Goodwill amortisation and related impairment charges	0	140
Fair value adjustment	52	62
EBIT pre goodwill amortization and exceptionals	198	130

6. Significant profit and loss statement items

EADS Group **revenues** in the first quarter 2004 reached 6.031 M €, which - compared with the first quarter 2003 – is an increase of 511 M €. All divisions except Aeronautics recorded increasing revenues, mostly reflecting on one hand higher aircraft deliveries of Airbus with a more favourable model mix and on the other hand stronger Military Aircraft and Missiles sales at the Defence & Security Systems division.

Research and development expenses of 535 M € (first quarter 2003: 528 M €) remained about stable mainly because of the Airbus A 380 project continuation. The change in accounting policy with respect to capitalization of development costs did not significantly impact the R&D costs recognized as expenses.

EADS applied IFRS 3 “business combinations” as of January 1, 2004: Goodwill is no longer regularly amortized, as previously requested under IAS 22, but instead is subject to annual impairment tests. In the first quarter 2003, **Goodwill amortization** of 140 M € represented regular periodic amortization.

The **financial result** includes net interest charge of -59 M € (first quarter 2003: -18 M €), which changed mostly due to a higher interest charge accrued for refundable government advances and negative effects from the interest spread between cash and financial liabilities.

Income from investments of 28 M € (first quarter 2003: 24 M €) was mainly influenced by the result of Dassault Aviation of 23 M € (first quarter 2003: 28 M €). The decrease is mainly due to negative IFRS-catch up restatements of 2003 in 2004.

7. Significant balance sheet items

Intangible assets of 9.711 M € (prior year 9.694 M €) include 9.372 M € (prior year: 9.372 M €) of Goodwill. EADS applied IFRS 3 “business combinations” as of January 1, 2004: Goodwill is no longer regularly amortized, as previously requested under IAS 22, but instead is subject to annual impairment tests.

Eliminating foreign exchange-rate effects of +114 M €, **Property, plant and equipment** increased by 106 M € to 11.668 M € (prior year: 11.448 M €). Most of the increase is made by Airbus, due to strong capital expenditures related to the A380 project and Space division, mainly caused by the Paradigm / Skynet 5 program.

Financial Assets of 4.240 M € (prior year: 4.129 M €) increased in total – excluding foreign exchange-rate effect of +58 M € – by 53 M €, coming mainly from change in equity-value of Dassault Aviation.

Inventories of 3.425 M € (prior year: 3.279 M €), net of customer advances, increased by 146 M € due to a higher level of unfinished goods and services.

The decrease in **trade receivables** is mainly due to high customer payments in Defence and Security, in Airbus and Aeronautics Divisions.

Other receivables and other assets decreased by -1.244 M € to 9.036 M € (prior year: 10.280 M €). The decrease is mainly caused by the variation of the fair values of financial instruments (-1.168 M €), as a result of the rising US dollar exchange rate (USD / € spot rate of 1.22 at March 31, 2004 vs. 1.26 at December 31, 2003).

Cash and cash equivalents increased from 7.404 M € to 8.185 M €.

Stockholders' equity amounts to 15.638 M € (prior year: 16.149 M €), resulting from a Net income of 49 M € and a decrease of -560 M € of OCI.

Minority interests of 2.051 M € (prior year: 2.179 M €) mainly represent shares of BAe Systems in Airbus Group. The decrease in BAe Systems' minority interest mainly is attributable to change in fair values of financial instruments that qualify for hedge accounting according to IAS 39 in Airbus.

Provisions include 3.827 M € for retirement plans and similar obligations (prior year: 3.772 M €), 187 M € of provisions for financial instruments (prior year: 100 M €) and 4.808 M € of other provisions (prior year: 4.854 M €).

Financial liabilities of 5.001 M € (prior year: 4.767 M €), excluding foreign exchange-rate effects of +147 M €, increased by 87 M € due to the issuance of commercial papers of 100 M €.

Without considering foreign exchange-rate effects of +89 M €, **other liabilities** decreased by -194 M € to 11.213 M € (prior year: 11.318 M €). Other liabilities mainly include 5.176 M € of European Government refundable advances and 3.544 M € of customer advance payments.

The decrease in **deferred tax liabilities** of -406 M € to 3.258 M € (prior year: 3.664 M €) is significantly influenced by the decrease in the fair value of financial instruments accounted for as other assets.

8. Significant cash flow items

Cash provided by operating activities increases by 845 M € to 967 M € (first quarter 2003: 122 M €). This increase is mostly due to improvement in working capital resulting from lower inventories increase and positive effects from trade payables. Moreover, last year's cash flow included negative effects from tax payments and the consumption of provision for old “macro-hedges” that bore unfavourable rates.

Unaudited Condensed Consolidated Financial Information for the three months ending March 31, 2004

Cash used for investing activities increases by 393 M € to -268 M € (first quarter 2003: -661 M €). The outflow is mainly caused by investments in fixed assets of -501 M €, thereof -90 M € in the Paradigm program within Space division and investments of -159 M € for A380 in Airbus division. These outflows were partly offset by the sale of securities in the first quarter 2004 by 213 M € (first quarter 2003: 9 M €).

Cash provided by financing activities amounts to 84 M € (first quarter 2003: 1.080 M €) and mainly contains new commercial papers of EADS N.V. of 100 M € issued in the first quarter 2004.

9. Contingencies

Since the last balance sheet date (December 31, 2003), there were no significant changes in contingent liabilities.

10. Number of shares

The total number of shares outstanding is 800.957.248 and 800.957.248 as of March 31, 2004 and 2003, respectively. EADS' shares are exclusively ordinary shares with a par value of 1,00 €. No shares were repurchased neither in the first quarter of 2004 nor in the first quarter of 2003.

11. Earnings per share

Basic earnings per share are calculated by dividing net income (loss) attributable to shareholders by the weighted average number of issued ordinary shares during the period, excluding ordinary shares purchased by the Group and held as treasury shares:

	January 1 to March 31, 2004	January 1 to March 31, 2003
Net income (loss) attributable to shareholders	49 M €	(93) M €
Weighted average number of ordinary shares outstanding	800.957.248	800.957.248
Basic earnings per share	0,06 €	(0,12) €

For the calculation of the **diluted earnings per share**, the weighted average number of ordinary shares is adjusted to assume conversion of all 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 the 4th and 5th stock option plans initiated by the Group is exceeding the share price of EADS shares, the inclusion of these potential ordinary shares has a dilutive effect on the weighted average number of shares. According to IAS 33, 1.363.026 stock options are dilutive:

	January 1 to March 31, 2004	January 1 to March 31, 2003
Net income (loss) attributable to shareholders	49 M €	(93) M €
Weighted average number of ordinary shares outstanding (diluted)	802.320.274	800.957.248
Diluted earnings per share	0,06 €	(0,12) €

12. Related party transactions

The Group has entered into various transactions with related companies in 2004 and 2003 that have all been carried out in the normal course of business. As is the Group's policy, all related party transactions have to be carried out at arm's length. Transactions with 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 Aeronautics, Defence & Security Systems and Space divisions.

13. Number of employees

The number of employees at March 31, 2004 is 109.869 as compared to 109.135 at December 31, 2003.

14. Subsequent events

In the context of the Advance Pricing Agreement with tax authorities (France, UK, Germany and Spain), the Airbus Group legal set up has been simplified and the contractual relationships between the Airbus legal entities have been modified. In particular, the Airbus GIE has been legally merged in April 2004 within Airbus SAS, effective retroactively as of January 1st, 2004.

As a consequence, Airbus SAS being a Euro denominated entity, former operations handled by the Airbus GIE entity are now considered accounting wise as foreign currency operations.

As the measurement of the accounting impact on the affected assets and liabilities (including Currency Translation Adjustments reflected in Equity) resulting from transactions before January 1st, 2004 has not been completely assessed, the Q1 2004 financial statements do not report such potentially material positive accounting impacts. EADS will retroactively include and disclose in its first half year 2004 financial statements the results of this modification.