

Condensed Interim Consolidated
Financial Statements of EADS NV
for the first three quarters of 2002

Consolidated Statements of Income

	January 1 - September 30, 2002		January 1 - September 30, 2001		Variation	
	M €	%	M €	%	M €	%
Revenues	19.996	100	20.685	100	-689	-3,3
Cost of sales	-16.297	-82	-17.063	-82	766	-4,5
Gross margin	3.699	18	3.622	18	77	2,1
Selling, administrative & other expenses	-1.749	-8	-1.913	-9	164	-8,6
Research and development costs	-1.356	-7	-1.213	-6	-143	11,8
Other operating income	205	1	2.677	13	-2.472	-92,3
Amortization of goodwill	-431	-2	-475	-3	44	-9,3
Result before financial income and income tax	368	2	2.698	13	-2.330	-86,4
Financial result	-6	0	37	0	-43	-116,2
Income taxes	-323	-2	-470	-2	147	-31,3
Minority interest	-16	0	17	0	-33	-194,1
Net income	23	0	2.282	11	-2.259	-99,0
Earnings per share from net income	€		€		€	
Basic	0,03		2,83		-2,80	
Diluted	0,03		2,81		-2,78	

Consolidated Balance Sheets

	September 30, 2002		December 31, 2001		Deviation	
	M €	%	M €	%	M €	%
Fixed assets						
Intangible assets	10.205	22,1	10.588	21,7	-383	-3,6
Property, Plant and Equipment	10.268	22,2	10.050	20,6	218	2,2
Financial Assets	4.772	10,3	4.726	9,7	46	1,0
	25.245	54,6	25.364	52,0	-119	-0,5
Current assets						
Inventory (net)	2.880	6,2	2.469	5,1	411	16,6
Trade receivables	4.475	9,7	5.183	10,6	-708	-13,7
Other receivables & other assets	3.733	8,0	2.633	5,4	1.100	41,8
Securities	4.100	8,9	5.341	11,1	-1.241	-23,2
Cash	1.829	4,0	2.692	5,5	-863	-32,1
	17.017	36,8	18.318	37,7	-1.301	-7,1
Deferred tax assets	3.171	6,9	4.288	8,8	-1.117	-26,0
Prepaid expenses	805	1,7	745	1,5	60	8,1
Total assets	46.238	100,0	48.715	100,0	-2.477	-5,1
Shareholders'equity						
Capital Stock	809	1,7	809	1,7	0	0,0
Reserves	9.967	21,6	10.346	21,2	-379	-3,7
Accumulated other comprehensive income	886	1,9	-1.278	-2,6	2.164	-169,3
Treasury shares	-152	-0,3	0	0,0	-152	
	11.510	24,9	9.877	20,3	1.633	16,5
Minority interest	996	2,1	559	1,1	437	78,2
Provisions	8.907	19,3	11.918	24,5	-3.011	-25,3
Liabilities						
Financial liabilities	5.259	11,4	6.500	13,3	-1.241	-19,1
Trade liabilities	5.183	11,2	5.466	11,2	-283	-5,2
Other liabilities	10.456	22,6	10.631	21,8	-175	-1,6
	20.898	45,2	22.597	46,3	-1.699	-7,5
Deferred tax liabilities	1.169	2,5	806	1,7	363	45,0
Deferred income	2.758	6,0	2.958	6,1	-200	-6,8
Total liabilities and stockholders'equity	46.238	100,0	48.715	100,0	-2.477	-5,1

Consolidated Statements of Changes in Equity

	M €
Equity as of January 1, 2002	9.877
Net income	23
Dividends	-403
Accumulated other comprehensive income	2.165
Treasury shares	-152
Equity as of September 30, 2002	11.510
Equity as of December 31, 2000	10.250
First application of IAS 39	-337
Equity as of January 1, 2001	9.913
Net income	2.282
Dividends	-404
Accumulated other comprehensive income	-513
Equity as of September 30, 2001	11.278

Consolidated Cash Flow Statements

	January 1 - September 30, 2002	January 1 - September 30, 2001
	M €	M €
Net Income	23	2.282
Income (loss) applicable to minority interest	16	-17
Depreciation and amortization of fixed assets	1.715	1.782
Valuation adjustments/ net income from associates	-63	2
Gain on acquisition Airbus	0	-2.537
Change in deferred taxes	191	52
Results on disposals of fixed assets/businesses	-68	21
Change in provisions	-607	-116
Variation in working capital	-78	-562
Cash provided by operating activities	1.129	907
Investments (net) incl. leased equipment	-2.049	-744
Change in cash from changes in consolidation	-7	42
Cash used for investing activities	-2.056	-702
Dividends paid	-506	-405
Change in financial liabilities	-715	-713
Purchase of treasury shares	-152	0
Other	-1	209
Cash used for financing activities	-1.374	-909
Effect of foreign exchange rate changes	-81	-46
Change in cash and cash equivalents	-2.382	-750
Cash and cash equivalents at beginning of period	7.481	7.760
Cash and cash equivalents at end of period	5.099	7.010
Additional securities medium-term	830	402
Cash and securities as stated in Balance Sheet	5.929	7.412

Cash used for investing activities in the first three quarters of 2002 does include investments in securities of 305 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 other operating income.

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 41 %.

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

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
Nine months ended September 30, 2002							
Revenues	13.750	310	3.363	1.389	1.874	-690	19.996
Research and Development expenses	1.071	28	101	36	120	0	1.356
EBIT (pre goodwill amortization/ exceptionals)	1.072	-79	132	-101	-91	80	1.013
Nine months ended September 30, 2001							
Revenues	14.431	306	3.161	1.543	2.044	-800	20.685
Research and Development expenses	935	34	86	36	124	-2	1.213
EBIT (pre goodwill amortization/ exceptionals)	1.131	-12	144	-8	-163	31	1.123

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

	M €
Result before financial income and income tax	368
Income from associates	42
	410
Goodwill amortization and exceptionals:	
Goodwill amortisation	431
Fair value adjustment	172
EBIT pre goodwill amortization and exceptionals	1013

EADS uses EBIT pre goodwill amortization and exceptionals as a key indicator to measure the segments' 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.

4. Significant net income items

With 19.996 M €, **Revenues** reached almost the same level as in the first three quarters of 2001.

The increase of **Research and development costs** to 1.356 M € (September 30, 2001: 1.213 M €) is mainly due to Airbus A380.

Cost of sales also includes depreciation of jigs and tools.

Other operating income decreased from 2.677 M € by September 30, 2001 to 205 M € as the first three quarters of 2001 contained a dilution gain of 2.537 M € resulting from the first-time consolidation of Airbus UK. Included in other operating income of the first three quarters of 2002 is the gain on disposal of Aircelle (refer note 1).

The **Financial result** of ./.6 M € includes the result from investments of 42 M €, mainly influenced by a positive result from Dassault Aviation of 68 M € and a depreciation charge on investments in the Space division. Also included are interest expenses of 77 M € as well as a positive variation of 29 M € mainly of matured 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** increased only slightly despite investments mainly resulting from the investment in A 380.

Again, due to foreign exchange rate effects, **Financial assets** of 4.772 M € (December 31, 2001: 4.726 M €) remained at constant level despite some additions to loans for aircraft financing.

Other receivables and other assets increased by 1.100 M € to 3.733 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 964 M € by September 30, 2002.

Cash and Securities decreased from 8.033 M € to 5.929 M €, mainly due to repayments of loans (715 M €) and the payment of the dividend in 2002 of EADS N.V. for 2001 (403 M €).

Shareholders' equity amounts to 11.510 M € by September 30, 2002 in comparison to 9.877 M € by December 31, 2001. This increase is mainly the result of a variation of Accumulated Other Comprehensive Income (AOCI), in principal caused by fair value adjustments of foreign currency hedging instruments (September 30, 2002: + 367 M €; December 31, 2001: ./. 1.215 M €) as well as currency translation adjustments (September 30, 2002: + 540 M €; December 31, 2001: ./. 103 M €).

During the second and third quarter 2002, the group purchased own shares for 152 M €.

The increase in **Minority interests** by 437 M € mainly represents BAES' share in the increase of OCI due to fair value adjustments of foreign currency hedging instruments as well as currency translation adjustments in the main representing Airbus.

Lower **Provisions** of 8.907 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 (September 30, 2002: 860 M €, December 31, 2001: 3.673 M €). The change in provisions for financial instruments has no impact on EBIT pre goodwill amortization and exceptionals. Provisions also include pension provisions of 3,324 M € as of September 2002 (3,176 M € as of December 2001) and other provisions of 4,723 M € as of September 2002 (5,069 M € as of December 2001). The decline in other provisions has been caused essentially by the foreign currency exchange rate variation.

Financial liabilities decreased by 1.241 M € to 5.259 M €, mainly because of a 715 M € loan repayment and foreign currency exchange rate effects.

6. Significant cash flow items

Despite positive cash flows from **operating activities** (1.129 M €), cash and cash equivalents decreased by 2.382 M €.

This decrease 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 305 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 three quarters of 2002 is an increase of conditional refundable advances received from European governments of 735 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 September, 2002 is 799.284.309. At September 30, 2002, EADS had repurchased 9.891.252 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 Sept. 30, 2002	805.389.028 shares
January 1, 2001 to Sept. 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.