



## News Release

### EADS Q1 results: Solid business performance but challenges remain

- Revenues of € 9.0 billion supported by high level of deliveries
- EBIT\* of € 89 million due to Power8 restructuring provision
- Power8 restructuring is progressing
- Continued momentum in order intake

Amsterdam, 10 May 2007 – In the first quarter of 2007, EADS (stock exchange symbol: EAD) produced an EBIT\* (pre goodwill and exceptionals) of € 89 million, including an Airbus restructuring provision with regard to the Power8 transformation programme. Presented in detail at the end of February, Power8 entails tough measures to bring Airbus once again to the forefront of the industry. In the first quarter of 2007, the high level of deliveries led to revenues of € 9.0 billion.

“Through the first quarter of 2007, the aerospace and defence market was supportive and fuelled our businesses. But against this backdrop, as expected, Airbus had a challenging time, which only highlights the inevitability of the Power8 restructuring, designed to address challenges that will unfold over the coming years. We are working hard to ensure its steady implementation,” said EADS CEOs Tom Enders and Louis Gallois. “Our helicopters, defence and space businesses continue to deliver solid results. Nevertheless, the progressive improvement of our competitiveness is necessarily a long-term effort. We are ensuring all EADS management stays focused on this vital task.”

**Revenues** remained roughly stable at € 9.0 billion (Q1 2006: € 9.1 billion). Airbus handed over 115 aircraft to the customers (Q1 2006: 101) and increased its revenues, as did EADS Astrium and Eurocopter. Group revenues were burdened by less A400M milestone recognition than in the first quarter of 2006 and by a negative US Dollar impact.

The Group's **EBIT\*** decreased to € 89 million in the first quarter of 2007 (Q1 2006: € 791 million). The EBIT\* was mainly affected by Airbus through a restructuring provision of € 688 million for Power8 at Airbus, by costs to support the A380 programme and by fewer gains from one-timers than in the

first quarter of 2006. Eurocopter increased its EBIT\* contribution and EADS Astrium showed continued benefits from its successful restructuring. Additionally, EADS Sogerma, now reshaped, delivered a positive EBIT\*.

The Group realised a **Net Loss** of € -10 million (Net Income Q1 2006: € 522 million), or € -0.01 per share (Earnings per share Q1 2006: € 0.66), which is in line with the Group's EBIT\* development.

In the first quarter of 2007, **self-financed R&D** expenses accounted for € 550 million (Q1 2006: € 536 million). The slight increase resulted from Airbus' continuing aircraft development programmes and a higher Research & Technology (R&T) effort across the Group.

**Free Cash Flow** including customer financing dropped to € -815 million (Q1 2006: € 363 million) reflecting unfavourable working capital development, mainly at Airbus. Inventories increased across Divisions and higher payments for trade liabilities were made than last year. The deterioration of Free Cash Flow is further explained by lower effects from customer financing sell downs at Airbus. Free Cash Flow before customer financing amounted to € -778 million (Q1 2006: € -67 million). At the end of March 2007, the **Net Cash Position** stood at € 3.5 billion (year-end 2006: € 4.2 billion).

Demand remained robust, and once again, the Group's **order intake** reached € 10.5 billion (Q1 2006: € 10.5 billion) despite the weakness of the US Dollar and cancellation of an A380 freighter order. In the first quarter of 2007, EADS achieved again a favourable book-to-bill ratio above one, supported by the strong commercial performance of Eurocopter and the Defence & Security Division, while other Divisions took fewer orders.

At the end of March, EADS' **order book** stood at € 261.5 billion (year-end 2006: € 262.8 billion), and was burdened by a US Dollar impact of € -2.5 billion. Orders of commercial aircraft activities are based on list prices. The Group's defence order book further increased and stood at € 54.3 billion as of 31 March 2007 (year-end 2006: € 52.9 billion). At the end of March 2007, EADS had 116,966 **employees** (year-end 2006: 116,805).

## **Outlook**

EADS confirms the outlook for 2007 that was published on 9 March 2007:

Under its 2007 internal budget, EADS plans its revenues will experience a single-digit decrease (mainly due to the assumed €-US\$ rate of 1.30), and its EBIT\* will remain roughly stable in 2007.

Adjusted for a stable US Dollar, Airbus revenues would remain level, based on 440 to 450 deliveries through the year, and despite lower contributions from the A400M. Airbus will display another substantial loss in 2007, attributable to charges for the Power8 restructuring, further costs to support the A380 programme, potential A350XWB launch charges, higher R&D expenses, as well as the impact of the worsening US Dollar parity to the Euro.

Meanwhile, helicopters, defence and space businesses should display stable revenues, and should collectively increase their contribution to a combined EBIT\* expected to be close to € 1 billion as soon as 2007.

The Free Cash Flow contribution from Airbus in 2007 will lead to a negative Group-wide Free Cash Flow as low as € -1 billion. However, volatility of working capital components can provoke substantial swings in this figure.

### **Divisions: Entering 2007 with strong momentum**

In the first three months of 2007, the **Airbus** Division delivered 115 aircraft compared to 101 in the same period of the previous year. The ramp-up in the single-aisle business led to slightly increased revenues of € 6,606 million (Q1 2006: € 6,362 million), mitigated by a US Dollar impact. Burdened by a Power8 restructuring provision of € 688 million, EBIT\* stood at € -69 million (Q1 2006: € 684 million). Power8 implementation is progressing, cost reduction targets have been broken down by sites, and consultations with social partners are continuing. Furthermore, the EBIT\* was impacted by non-series business A380 charges and lower gains from sell-downs of customer financing assets. The Division's EBIT\* was supported by a positive volume effect and the impact of a more favourable aircraft mix. Airbus' later 2007 quarters' EBIT\* will suffer greater impact than the first quarter from less favourable €-US Dollar rates, lower margins per aircraft and higher R&D expenses and A350 transition costs.

In the supportive market environment of commercial aviation, Airbus booked gross orders for 134 new aircraft compared to 90 in the first quarter of 2006. A significant order was placed by AirAsia covering 50 A320 aircraft. Finnair converted its former A350 order into the purchase of 13 A350XWB aircraft and the Russian carrier Aeroflot signed a Memorandum of Understanding for the purchase of 22 A350XWB aircraft. At the end of March 2007, the Airbus order book amounted to € 206.4 billion (year-end 2006: € 210.1 billion) based on list prices, or to a total of 2,540 aircraft (year-end 2006: 2,533 aircraft).

During its recent route proving campaign, the A380 demonstrated its undoubted capabilities in Europe, Asia and North America. The A380 was welcomed enthusiastically when two aircraft touched down almost simultaneously on both coasts of the USA for the first time. The A380 proved its airport compatibility, and its first delivery is scheduled for October 2007.

The **Military Transport Aircraft** Division's revenues amounted to € 133 million (Q1 2006: € 822 million), reflecting the ramp-up of the Australian MRTT programme and a C-295 aircraft delivery to Brazil. The decrease of revenues followed less milestone achievements in the A400M programme compared to the first quarter of 2006 when the Division had achieved two milestones (including one shifted from 2005 to 2006). This is also reflected in the Division's EBIT\* of € -13 million (Q1 2006: € 9 million).

As for the A400M programme, first major sections are already delivered to the final assembly line in Seville, Spain. Final assembly of the aircraft is due to start in the summer of 2007. EADS and Northrop Grumman have jointly answered the US Air Force's Request for Proposal in the competition for their

tanker replacement programme. Additionally, EADS is well positioned in the competition for the JCA (Joint Cargo Aircraft) programme for the US forces, which is expected to be awarded very soon. For its Deepwater programme the US Coast Guard ordered two additional CN-235 maritime patrol aircraft in the first quarter of 2007 and another three in early May 2007. At the end of March 2007, the Division's order book stood at € 20.3 billion (year-end 2006: € 20.3 billion).

**Eurocopter** revenues increased slightly to € 671 million (Q1 2006: € 656 million) reflecting growth in customer services and the delivery ramp-up in serial helicopters, however nearly offset by a less favourable mix impact. The Division's EBIT\* expanded by 18 percent to € 33 million compared to € 28 million in the first three months of 2006.

The helicopter business is one of EADS' growth drivers. With Eurocopter's state-of-the-art product range the Division achieved an order intake of 287 helicopters in the first quarter of 2007 (Q1 2006: 147). The majority of new orders is coming from the North American market. The order intake includes 45 NH90s contracted by Spain and twelve EC 135 purchased by the French police. The order book further increased to € 13.0 billion at the end of March 2007 (year-end 2006: € 11.0 billion) representing a total of 1,287 helicopters (year-end 2006: 1,074 helicopters).

In the first three months of 2007, **EADS Astrium** continued to grow. Revenues increased by 28 percent to € 629 million (Q1 2006: € 493 million), driven by the ramp-up in Paradigm services, increased Ariane 5 production and the ballistic missiles business. EBIT\* surged to € 10 million (Q1 2006: € 1 million).

The Ariane 5 ECA successfully placed the British military communications satellite Skynet 5A in orbit, which was a major milestone for EADS' launcher, satellite and service businesses. It marked the first out of six Ariane 5 launches planned for 2007. To support the growing launch service demand, EADS Astrium will increase its Ariane 5 ECA production rate to seven per year. In its satellite business EADS Astrium will build the Mercury probe Bepi Colombo to support the scientific programme of the European Space Agency ESA. In addition, Eutelsat confirmed its order for a Hotbird 10 telecom satellite. At the end of the first quarter of 2007, the Division had an order book of 12 telecommunication satellites. Including the order for Tranche 2 of the M51 ballistic missile production the Division's order book amounted to € 12.5 billion at the end of March (year-end 2006: € 12.3 billion).

The **Defence & Security** Division revenues remained about stable and stood at € 970 million in the first quarter of 2007 (Q1 2006: € 1,000 million). Higher revenues at Secure Networks and in Defence Electronics were more than offset by the decrease in the missiles business, which had been very strong

last year. The EBIT\* of € -6 million was down compared to the same period of the previous year (Q1 2006: € 39 million), when the Division had benefited from the capital gain of the sale of LFK to MBDA. The Division benefited from lower restructuring charges, and improved its operational performance, mainly at the Defence and Communications Systems Business Unit.

In February, Germany awarded a contract for the development, test and support of the EuroHawk High Altitude Long Endurance UAV. A contract on the First Batch of Enhancements for the Eurofighter clears the roadmap for integrating air-to-ground functionalities in the aircraft of the upcoming Tranche 2. Furthermore, EADS Defence & Security will supply England's Fire and Rescue Services with an integrated command and communications system. As of 31 March 2007, the Division's order book amounted to € 17.9 billion (year-end 2006: € 17.6 billion).

**EADS' institutional, military and security businesses** are subject to strong seasonal influences. The early quarters' development of key performance metrics like revenues, EBIT\* and Cash Flow is typically not representative for the full year performance in these businesses.

#### **Headquarters and Other Businesses (not belonging to any Division):**

Revenues of Other Businesses (ATR, EADS EFW, EADS Socata and EADS Sogerma) decreased to € 282 million (Q1 2006: € 330 million) mainly due to the sale of EADS Sogerma's MRO activities to TAT Group in January 2007 and despite an encouraging revenues increase at regional aircraft manufacturer ATR. EBIT\* improved to € 20 million (Q1 2006: € -4 million), reflecting mainly the change at EADS Sogerma. Further positive contributions came from ATR and EADS EFW.

The revival of the turboprop market is continuing. In early 2007, ATR received new orders for 21 aircraft. Its order book covered 129 aircraft at the end of March. EADS EFW delivered five converted freighters and the increased Airbus production rates further strengthened its aerostructure business. At the end of March, an agreement was reached between EADS and Russia's United Aircraft Corporation (UAC) for the establishment of a joint venture located in Dresden. It will set up freighter conversion centres for the Airbus A320 Family in Russia and Germany. The success of EADS Socata's TBM 850 is underpinned by an order book of 36 aircraft. At 31 March 2007, the order book of Other Businesses totalled € 2.4 billion (year-end 2006: € 2.3 billion).

EADS is a global leader in aerospace, defence and related services. In 2006, EADS generated revenues of € 39.4 billion and employed a workforce of more than 116,000. The Group includes the aircraft manufacturer Airbus, the world's largest helicopter supplier Eurocopter and EADS Astrium, the European leader in space programmes from Ariane to Galileo. EADS is the major partner in the Eurofighter consortium, develops the A400M military transport aircraft, and holds a stake in the joint venture MBDA, the international leader in missile systems.

\* EADS uses **EBIT pre goodwill impairment and exceptionals** as a key indicator of its economic performance. The term "exceptionals" refers to such items as depreciation expenses of fair value adjustments relating to the EADS merger, the Airbus Combination and the formation of MBDA, as well as impairment charges thereon.

**Notes to the editors:**

**Live-Transmission of Analysts Conference Call on the Internet**

You may listen to the **Analysts Conference Call** today at 12.00 p.m. CET) with EADS CFO Hans Peter Ring on the EADS website [www.eads.com](http://www.eads.com).

Please click onto the banner located on the front page. Following the live transmission, an on-demand version will be available later on.

**Further material for the media**

Further information on EADS – photo, video, sound bites, background documents – is available at [www.medianewsnet.com](http://www.medianewsnet.com).

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**EADS – First Quarter Results 2007**  
(Amounts in Euro)

<b>EADS Group</b>	<b>Q1 2007</b>	<b>Q1 2006</b>	<b>Change</b>
<b>Revenues</b> , in millions	<b>8,984</b>	9,083	-1%
thereof defence, in millions	1,533	2,018	-24%
<b>EBITDA</b> <sup>(1)(4)</sup> , in millions	<b>525</b>	1,119	-53%
<b>EBIT</b> <sup>(2)(4)</sup> , in millions	<b>89</b>	791	-89%
<b>Research and Development expenses</b> , in millions	<b>550</b>	536	+3%
<b>Net Loss/Income</b> <sup>(3)(4)</sup> , in millions	<b>-10</b>	522	-
<b>Earnings Per Share (EPS)</b> <sup>(3)(4)</sup>	<b>-0.01</b>	0.66	-
<b>Free Cash Flow (FCF)</b> , in millions	<b>-815</b>	363	-
<b>Free Cash Flow before Customer Financing</b> , in millions	<b>-778</b>	-67	-
<b>Order Intake</b> <sup>(5)</sup> , in millions	<b>10,507</b>	10,498	+/-0%

<b>EADS Group</b>	<b>31 Mar 2007</b>	<b>31 Dec 2006</b>	<b>Change</b>
<b>Order Book</b> <sup>(5)</sup> , in millions	<b>261,539</b>	262,810	+/-0%
thereof defence, in millions	54,342	52,933	+3%
<b>Net Cash position</b> , in millions	<b>3,500</b>	4,229	-17%
<b>Employees</b>	<b>116,966</b>	116,805	+/-0%



by Division (Amounts in millions of Euro)	Revenues			EBIT <sup>(2) (4)</sup>		
	Q1 2007	Q1 2006	Change	Q1 2007	Q1 2006	Change
Airbus	6,606	6,362	+4%	-69	684	-
Military Transport Aircraft	133	822	-84%	-13	9	-
Eurocopter	671	656	+2%	33	28	+18%
EADS Astrium	629	493	+28%	10	1	+900%
Defence & Security	970	1,000	-3%	-6	39	-
Headquarters / Consolidation	-307	-580	-	114 <sup>(6)</sup>	34	-
Other Businesses <sup>(7)</sup>	282	330	-15%	20	-4	-
<b>Total</b>	<b>8,984</b>	<b>9,083</b>	<b>-1%</b>	<b>89</b>	<b>791</b>	<b>-89%</b>

by Division (Amounts in millions of Euro)	Order Intake <sup>(5)</sup>			Order Book <sup>(5)</sup>		
	Q1 2007	Q1 2006	Change	31 Mar 2007	31 Dec 2006	Change
Airbus	5,464	6,596	-17%	206,372	210,115	-2%
Military Transport Aircraft	123	641	-81%	20,307	20,337	+/-0%
Eurocopter	2,604	946	+175%	12,975	11,042	+18%
EADS Astrium	963	1,571	-39%	12,543	12,263	+2%
Defence & Security	1,304	834	+56%	17,902	17,570	+2%
Headquarters / Consolidation	-246	-504	-	-10,952	-10,809	-
Other Businesses <sup>(7)</sup>	295	414	-29%	2,392	2,292	+4%
<b>Total</b>	<b>10,507</b>	<b>10,498</b>	<b>+/-0%</b>	<b>261,539</b>	<b>262,810</b>	<b>+/-0%</b>

- 1) Earnings before interest, taxes, depreciation, amortization and exceptionals
- 2) Earnings before interest and taxes, pre goodwill impairment and exceptionals
- 3) EADS continues to use the term Net Loss/Income. It is identical with Loss/Profit for the period attributable to equity holders of the parent as defined by IFRS Rules.
- 4) For 2006, EADS changed its accounting policy from the corridor approach to the equity approach, i.e. all actuarial gains and losses are recognized in Balance Sheet as pension provision thereby reducing equity. Therefore, EBIT\* for Q1 2006 has been restated by € 11 million (Airbus: € 3 million; Eurocopter: € 2 million; EADS Astrium: € 1 million; Defence & Security: € 4 million; Headquarters: € 1 million).
- 5) Contributions from commercial aircraft activities to EADS Order Intake and Order Book based on list prices
- 6) Increase in Headquarters EBIT\* as a result of the gain from the sale of EADS' stake in Embraer, the sale of the building in Velizy and a higher profit at Dassault
- 7) ATR, EADS EFW, EADS Socata and EADS Sogerma are allocated to Other Businesses which is not a stand-alone EADS Division.

**Safe Harbour Statement:**

Certain statements contained in this press release are not historical facts but rather are statements of future expectations and other forward-looking statements that are based on management's beliefs. These statements reflect the EADS' views and assumptions as of the date of the statements and involve known and unknown risk and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

When used in this press release, words such as "anticipate", "believe", "estimate", "expect", "may", "intend", "plan to" and "project" are intended to identify forward-looking statements.

This forward looking information is based upon a number of assumptions including without limitation: assumption regarding demand, current and future markets for EADS' products and services, internal performance, customer financing, customer, supplier and subcontractor performance or contracts negotiations, favourable outcomes of certain pending sales campaigns.

Forward looking statements are subject to uncertainty and actual future results and trends may differ materially depending on variety of factors including without limitation: general economic and labour conditions, including in particular economic conditions in Europe, North America and Asia, legal, financial and governmental risk related to international transactions, the cyclical nature of some of EADS' businesses, volatility of the market for certain products and services, product performance risks, collective bargaining labour disputes, factors that result in significant and prolonged disruption to air travel world wide, the outcome of political and legal processes, including uncertainty regarding government funding of certain programs, consolidation among competitors in the aerospace industry, the cost of developing, and the commercial success of new products, exchange rate and interest rate spread fluctuations between the Euro and the U.S. dollar and other currencies, legal proceeding and other economic, political and technological risk and uncertainties.

Additional information regarding these factors is contained in the Company's "registration document" dated April 25, 2007.