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EADS

S1 2000 Semi annual reporting

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Key points

- Integration on track
- Business opportunities rising
- Value creation targets confirmed
- Control of consolidation in Europe



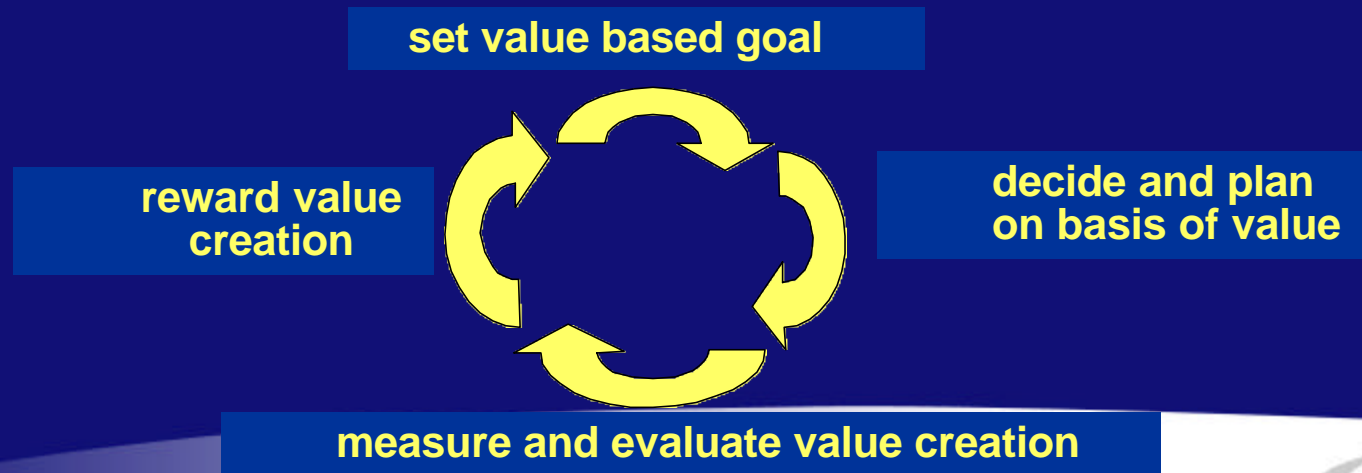
MERGER INTEGRATION ON TRACK

CF/IR



EADS will operate as a single integrated company and will create additional value:

- A merger integration team has been formed early 2000 reporting to the 2 CEO and the executive management.
- More than 400 projects proposals to create additional value and realize integration.
- Information and communication effort all over the group to ensure motivation and involvement of the EADS employees.
- Project of New value based management metrics:





Business opportunities on the rise

CF/IR



Airbus



- Strong business environment:
 - ➔ 305 A/C firm orders (end Sept.) representing 22.9 Bn US\$ (237 SB, 68 LR), including:
 - ILFC: 42 SB & 11 LR
 - TWA: 20 SB
 - UAL : 22 SB
 - SAS : 12 SB & 10 LR
 - ➔ 4 new customers , total 171
 - ➔ 218 A/C delivered (end Sept.) (168 SB, 46 LR, 4 WB)
 - ➔ Total backlog: 1527 A/C
- Creation of AIC which will enhance efficiency and profitability
- Global market forecast projects air traffic growth at 4.88% pa over the next 20 years representing over 15000 A/C to deliver, a business worth \$ 1.3 trillion
- Economic growth drive strong demand for air travel in Asia which is rebounding, Europe and US
- Sustained level of profitability of Airlines strengthen new A/C order pace
- Strong opportunities in the freighter market
- Production rate to increase to all time high in Airbus of 30 SB and 8 LR per month.
- First A340-600 in the Final assembly line in Toulouse

Military transport A/C



- Goal: Consolidate market leadership in current products (C212, C235 and C295) and expand the family with the new heavy military airlifter A 400M.
 - ➔ Active commercial campaigns in the light and medium segment (Spain, Greece, Middle East, Asia ...)
 - ➔ Announcement of the commitment of the seven participating countries to order 225 A400M A/C for a value of about 19.1 Bn€ with a first flight end of 2005 and EIS end of 2007 and a production program up to 2020. Strong export opportunities will also drive further up the overall profitability of the program

Aeronautics



■ Eurocopter

- ➔ 452 A/C booked (end Sept.)
- ➔ Major deal secured: NH90 industrial and serial production of 243 helicopters plus 55 options for France, Germany, Italy, Netherlands
- ➔ 8400 helicopters flying in 135 countries representing over 650 m of € of recurrent support business
- ➔ 164 A/C delivered (end Sept.)

■ A world leader in helicopters with a firm business environment

■ Eurofighter

- ➔ First delivery of center fuselage
- ➔ Total home market of 620 A/C plus 90 options
- ➔ Deliveries starting in 2002, growing to 50 A/C per year from 2004
- ➔ Excellent export opportunities such as 60 A/C to Greece
- ➔ 62.5% of the program controlled within EMAC

■ Maintenance and transformation of Aircraft

- ➔ Take advantage of growth of services for airlines and military customers
- ➔ benefit from the strong growth of freighter market

Space

- Major contracts landed since the beginning of the year:
 - ➔ Success of the heavy satellite platform Eurostar 3000 from Astrium: Contracts with Inmarsat, Intelsat
 - ➔ and Hotbird (Eurostar 2000)
- 7 successful launches of Ariane 4 & 5 (10 satellites)
- Focus on improvement of competitiveness and profitability through process and organization optimization
 - ➔ On-going Plan to improve cost of Ariane 5 to meet future competition
 - ➔ Optimization of site resources, procurement, R&D in satellites business
- Additional growth to capture in services businesses and solution provider
- Get prepared for the next steps of consolidation in the space industry

Defence & Civil Systems

Trend to recovery in US and some export markets with priority to information dominance
Growth of services businesses

■ Missiles

- No1 in Europe, No 2 in the world
- Strong backlog of 6.8 Bn € at 12/99
- Meteor decision in May is of a major importance for the success of this business: With export opportunities the program can generate between 8 and 16 Bn €
- Important missiles contracts awarded during summer such as Sea Wolf, Scalp, Exocet and Mica for Greece, first Aster export contracts, Mistral and Milan new contracts

■ Telecom

- Booming telecom market plus very attractive growth opportunities in (para)military telecom together with Nortel

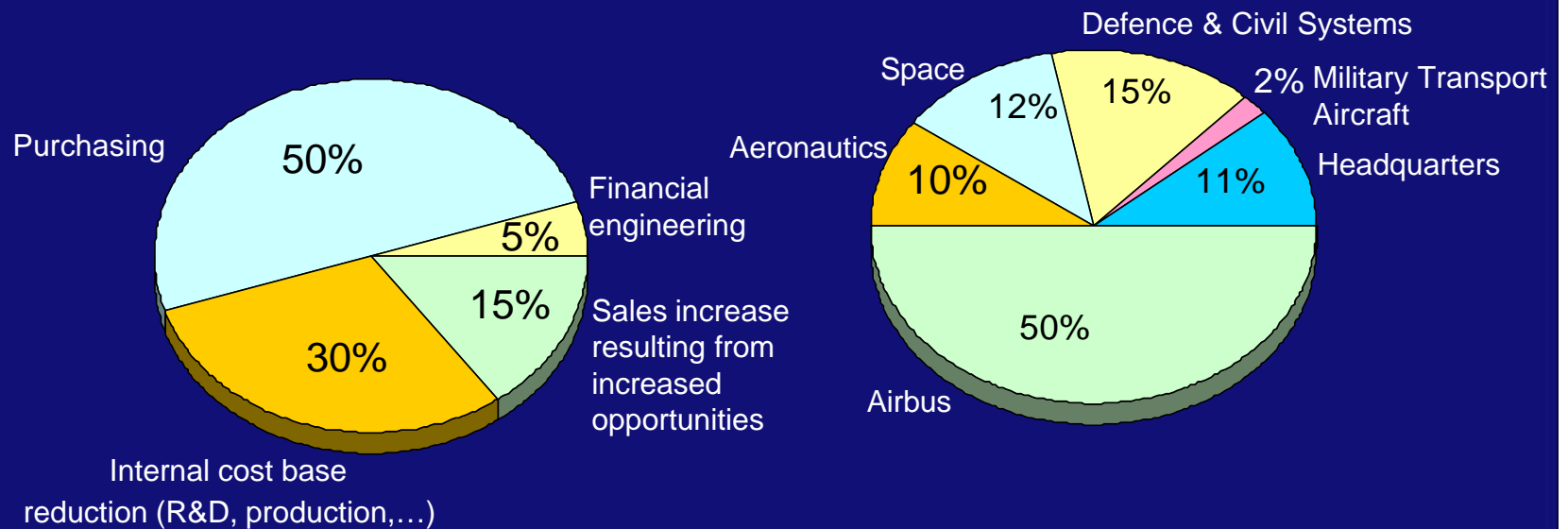
■ Defence electronics

- strong position in all major platform programs is the basis of Airborne System success (NH90, Eurofighter, Tiger)
- Encouraging order from the US for F18 radar system

Value creation targets confirmed

Commitment to Value Creation

- Value creation target = €500 m value, net of €180 m restructuring expenses distributed evenly from 2000 to 2003
- Additional savings coming from the creation of AIC= 80 M€ for EADS
- Synergies will come mainly from:



- Value creation schedule: 10% in 2001, up to full effect in 2004

Value creation targets confirmed

Pushing integration and increasing profitability:

- Top down additional value generation targets have been set early to all units
- Promising response by divisions/functions and business units: total projects proposals stands at more than 400
- Initial target of 580 M € confirmed
- Integration of reporting systems to monitor overall and individual performance
- Rewarding success: by stock options plan and significant variable part of compensation

First examples:

- ➔ New optimized global marketing organization
- ➔ Rationalization and adoption of common tools between the different aerostructures centers of competence
- ➔ Savings already started in procurement (total of 280 million € identified)
- ➔ R&D specialization and optimization
- ➔ Streamlining of 3 Headquarters into 1
- ➔ ...

Implementing consolidation to create value

Implementing consolidation to create value

Finalize consolidation through joint companies where EADS will be in control and generate added value

- Creation of AIC: exceptional potential of value creation making Airbus more than equal to Boeing,
- Creation of New MBD, a world leader in missiles, catalyst of great hi-tech programs (Meteor, Storm shadow, Aster),
- Creation of EMAC, giving us a large control of the Eurofighter program and its profit potential,
- Creation of Astrium plus, the European leader, to improve efficiency.

Strategic challenges

- Strong presence in defence and commercial markets
- Finalize consolidation in Europe
- Focus on cooperation with US companies
- Expand our industrial base into product related services



FINANCIALS

Pro-forma key financial highlights

S1 2000

	€ M
Revenues	10,585
EBIT DA *	1,016
EBIT *	553
EBIT margin *	5.2%
* pre-goodwill and exceptional	
Order Intake	23,988
Backlog	118,720

Revenues and operating income by division

	S1 2000		FY 1999	
	Revenues	EBIT*	Revenues	EBIT*
€M				
Airbus	6.821	516	12.639	896
Military Transport	74	(35)	241	(21)
Aeronautics	1.951	53	4.280	202
Space Systems	1.084	29	2.518	99
Defence & Civil Systems	1.068	(62)	3.830	86
Eliminations and others**	(413)	(12)	(955)	100
Income from associates		64		83
Total	10.585	553	22.553	1.445

* pre goodwill and exceptional

** includes pro forma adjustments/intercompany transactions and headquarter sales



Pro forma Statement of Income

€M	S1 2000	FY1999
Revenues	10.585	22.553
Cost of sales	(8.415)	(18.278)
Gross margin	2.170	4.275
Selling, administrative & others	(1.293)	(2.213)
R & D	(594)	(1.324)
Other operating income	132	475
Goodwill amortization	(198)	(398)
Income before financial income and income Tax	217	815
Financial income (expense)	(644)	(1.846)
Income Tax	73	24
Minority interest	(5)	(2)
Net income	(359)	(1.009)



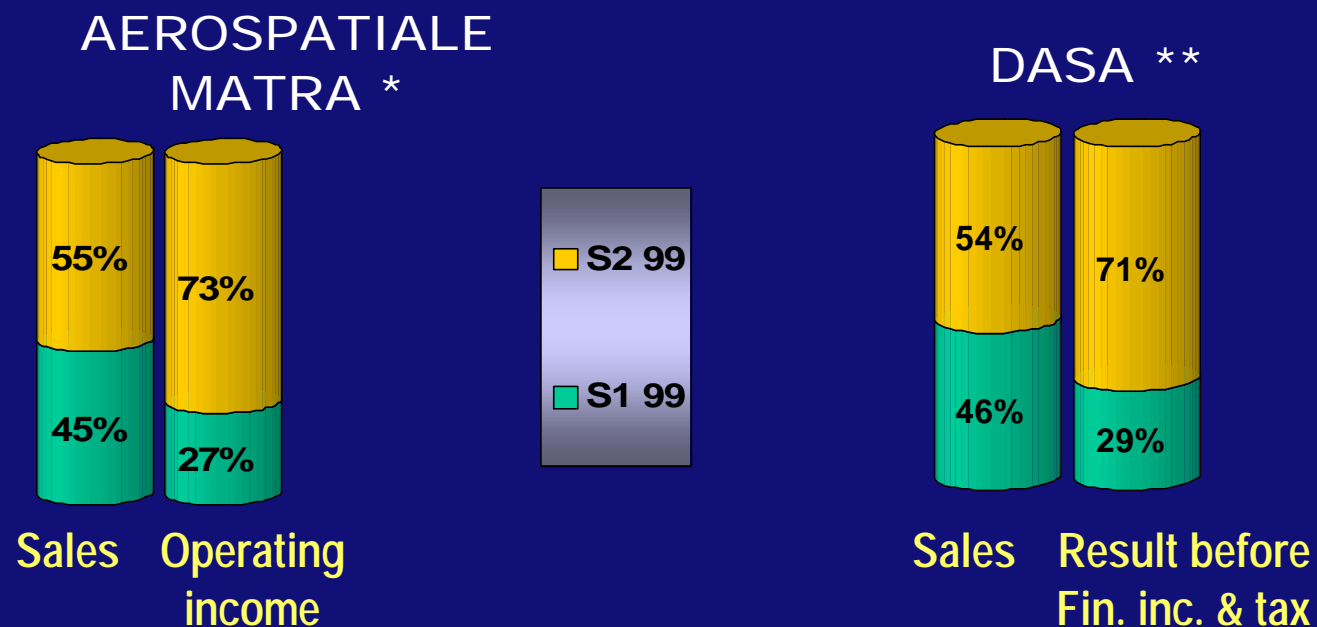
Pro forma Operating Margin

M	2000	1999
Average \$ / rate for recorded sales	0.98	1.09
Operating income	217	815
Goodwill amortisation	198	398
Depreciation on fair value adjustments	74	149
Income from investments	64	83
EBIT (pre-goodwill/exceptional)	553	1,445
in % of sales	5.2%	6.4%

In line with year-end expectations



Industry seasonality



Above using respectively French and US accounting principles

** Dassault prorata consolidation*

*** Operating units ex-MTU and Temic, ex-HQ*

- Defence, Helicopters and Space revenues traditionally skewed towards year end

Pro forma change in cash position

S1 2000	€ M
Net Cash as of Dec. 31, 99	(946)
Cash flow from operations	659
Working capital reduction	132
Cash flow from investing activities	(959)
Free Cash Flow	(168)
Dividend payments	(31)
Others	30
Net Cash as of June 30, 00	(1.115)

Amortisation and depreciation amount to € 463, not including the goodwill and fair value adjustment impact

Cap. Expenditures of € 837

Proforma 99 balance sheet correction

M	pro-forma: original 99	corrected 99
Fixed Assets	19,591	19,711
Current Assets	13,664	13,684
of which Cash & Equivalents, Securities	4,750	4,750
of which Working Capital Assets	8,894	8,914
Deferred Tax Assets	1,734	2,239
Pre-paid Expenses	651	651
Total Assets	35,640	36,285
Shareholders' Equity	8,123	8,343
Minority interest	159	188
Total Accrued Liabilities	7,421	7,477
Other Liabilities	15,846	16,186
Deferred Tax Liabilities & Income	4,091	4,091
Total Shareholders' Equity & Liabilities	35,640	36,285



Balance sheet

M	S1 2000	1999
Fixed Assets	20,253	19,711
of which intangible assets	7,775	7,710
of which property, plant & equipment	8,347	7,950
of which financial assets	4,131	4,051
Current Assets	13,614	13,684
of which cash & equivalents, securities	4,971	4,750
of which working capital assets	8,643	8,914
Deferred Tax Assets	2,355	2,239
Pre-paid Expenses	1,055	651
Total Assets	37,277	36,285
Shareholders' Equity	8,093	8,343
Minority interest	246	188
Total Accrued Liabilities	8,121	7,477
Deferred Tax Liabilities & Income	4,129	4,091
Other Liabilities	16,688	16,186
of which launch aid	1,967	2,102
of which trade liabilities	3,723	3,734
of which debt	6,086	5,696
Total Shareholders' Equity & Liabilities	37,277	36,285

Net indebtedness @ €1,1 bn



Capital increase

	€ Bn
Stockholders Equity (30/6/00)	8.1
Capital Increase (10/7/00)	1.5
Stockholders Equity post increase	9.6
Net Cash balance (30/6/00)	(1.1)
Net Cash balance (10/7/00)	0.4

Strong liquidity means flexibility for strategic initiatives and development

Outlook

- Revenues growth in 2000 expected about 7%
- 2000 EBIT should show a better performance than 1999 when backing out positive effect of sextant sale
- Strong backlog, in excess of expectations
- Significant growth of revenues and earnings from 2002 to 2004 to reach our 8% EBIT margin
- A continuing strong dollar will have a positive effect from 2003