

**EADS N.V.**  
**Consolidated Balance Sheets**  
**at December 31, 2001 and 2000**

in millions of

Assets	Note	2001	2000
Intangible assets	10	10,588	8,165
Property, plant and equipment	10	10,050	8,120
Investments and long-term financial assets	11	4,726	4,609
<b>Fixed assets</b>		<b>25,364</b>	<b>20,894</b>
Inventories	2	7,460	2,081
Trade receivables	3	5,183	4,118
Other receivables and other assets	4	2,633	2,624
Securities	15	5,341	4,682
Cash and cash equivalents		2,692	3,240
<b>Non-fixed assets</b>		<b>18,318</b>	<b>16,745</b>
<b>Deferred taxes</b>	9	<b>4,288</b>	<b>3,151</b>
<b>Prepaid expenses</b>		<b>745</b>	<b>654</b>
<b>Total assets</b>		<b>48,715</b>	<b>41,444</b>
<b>Liabilities and stockholders' equity</b>			
Capital stock		809	807
Reserves		10,316	9,359
Accumulated other comprehensive income		(1,278)	84
<b>Stockholders' equity</b>	16	<b>9,877</b>	<b>10,250</b>
<b>Minority interests</b>		<b>550</b>	<b>221</b>
<b>Provisions</b>	17	<b>11,918</b>	<b>8,684</b>
Financial liabilities	18	6,500	5,779
Trade liabilities	19	5,466	4,268
Other liabilities	19	10,631	8,200
<b>Liabilities</b>		<b>22,597</b>	<b>18,247</b>
<b>Deferred taxes</b>	9	<b>806</b>	<b>1,128</b>
<b>Deferred income</b>		<b>2,958</b>	<b>2,914</b>
<b>Total liabilities and equity</b>		<b>48,715</b>	<b>41,444</b>

## **Analysis of the Income Statement of EADS – Group July-December 2001 vs. July-December 2000**

EADS group **revenues** for the second half 2001 reached 16.755 M€ which is compared with the same period of 2000 an increase of 23%. This is mainly due to the first consolidation of Airbus UK + 20% GIE.

The **Gross Margin** including the effect of fair value adjustments increased by 1.005 M€ to 2.971 M€ compared with the same period of 2000. The percentage over sales increase from 14% to 18% nevertheless excluding the exceptional effect of fair value depreciation, the percentage over sales remains stable in the 19%.

**Research and Development costs** increase due to Airbus new programs A380, A340 stretched and first consolidation of Airbus UK + 20% GIE.

The **Amortization of Goodwill** include additional depreciations in the second half 2001 by 790 M€ due to impairment tests performed for Defence ( 580M€) and Space (210M€) divisions.

The **financial result** in 2001 is negative due to the losses from investments amounting -376 M€ mainly driven by the extraordinary depreciation of Matra Nortel Communications -252 M€ and Nortel Networks Germany -57M€, the fully depreciation of Nahuelsat -63 M€ and 50% of all EADS Group investments in Arianespace -29M€. Positively included is Dassault with 66 M€.

Higher **Income taxes** of -434 M€ in the second half 2001 are due to the increase of the **Income before taxes** +687 M€ and the non-deductible expenses by 1.233 M€ from Goodwill depreciation and other financial investments depreciation. This effect is partially offset by non-taxable income of 883 M€ because of the dilution gains from Airbus UK and MBDA.

## CONSOLIDATED BALANCE SHEETS

### 10. Intangible assets and property, plant and equipment, net

#### Intangible assets

Intangible assets principally represent goodwill. Schedules detailing gross, accumulated depreciation and net values of intangible assets are as follows:

#### Cost

in M €	Balance at January 1, 2001	Exchange differences	Additions	Changes in consolidation scope	Reclassifi- cation	Disposals	Balance at December 31, 2001
Other intangible assets	305	2	96	(3)	-	(22)	378
Goodwill	8,442	2	4,453	-	(389)	(245)	12,263
<b>Total</b>	<b>8,747</b>	<b>4</b>	<b>4,549</b>	<b>(3)</b>	<b>(389)</b>	<b>(267)</b>	<b>12,641</b>

#### Amortization

in M €	Balance at January 1, 2001	Exchange differences	Amortization charge	Changes in consolidation scope	Impairment charge	Disposals	Balance at December 31, 2001
Other intangible assets	( 89)	(1)	(61)	3	-	16	(232)
Goodwill	(393)	(1)	(676)	-	(790)	39	(1,821)
<b>Total</b>	<b>(582)</b>	<b>(2)</b>	<b>(737)</b>	<b>3</b>	<b>(790)</b>	<b>55</b>	<b>(2,053)</b>

#### Carrying amount

in M €	Balance at January 1, 2001	Balance at December 31, 2001
Other intangible assets	116	146
Goodwill	8,049	10,442
<b>Total</b>	<b>8,165</b>	<b>10,588</b>

Goodwill increased mainly due to the purchase of Airbus UK and 20 % stake in Airbus GIE.

Reclassification of goodwill M € (389) results from M € (516) related to the Nortel Joint Venture reclassified to financial assets, partly offset by M € 127 from other receivables and other assets to goodwill (see note 14). As a result of the creation of MBDA, M € 209 of goodwill considered at the time of the Aerospace Matra transaction have been included in the computation of the net dilution gain and is shown within disposals.

### Impairment loss

In 2001, following the events caused by the terrorist attacks on September 11, 2001, the Group performed an impairment test on recognized goodwill for the Airbus division. The recoverable amount of Airbus, which is to be seen as a cash generating unit on its own, is exceeding the carrying amount. Therefore, no goodwill has to be impaired.

Further impairment tests were performed for the Space and Defence divisions. Based on current forecasts the Group performed impairment tests which resulted in impairment charges as follows:

- Space division: Goodwill for Astrium had to be impaired by M € 210
- Defence division: Impairment charges on goodwill for Systems & Defence Electronics (S&DE) of M€ 240, I.F.K. of M € 170 and Matra Datavision of M € 170 had to be recognized.

The impairment tests had been performed using the discounted cash-flow method.

### Property, plant and equipment

Schedules detailing gross, accumulated depreciation and net values of property, plant and equipment show the following:

<b>Cost</b>						
<b>in M €</b>	<b>Balance at January 1, 2001</b>	<b>Additions</b>	<b>Change in consolidation scope and exchange differences</b>	<b>Reclassification</b>	<b>Disposals</b>	<b>Balance at December 31, 2001</b>
Land, leasehold improvements and buildings including buildings on land owned by others	3,523	205	109	106	(67)	3,876
Technical equipment and machinery	3,295	270	770	255	(78)	4,512
Other equipment, factory and office equipment	5,279	923	1,176	30	(189)	7,219
Advance payments relating to plant and equipment and construction in progress	443	701	111	(342)	(101)	812
<b>Total</b>	<b>12,540</b>	<b>2,099</b>	<b>2,166</b>	<b>49</b>	<b>(435)</b>	<b>16,419</b>
<b>Depreciation</b>						
<b>in M €</b>	<b>Balance at January 1, 2001</b>	<b>Depreciation charge</b>	<b>Change in consolidation scope and exchange differences</b>	<b>Reclassification</b>	<b>Disposals</b>	<b>Balance at December 31, 2001</b>
Land, leasehold improvements and buildings including buildings on land owned by others	(1,038)	(183)	(32)	(17)	3	(1,267)
Technical equipment and machinery	(1,875)	(477)	10	2	62	(2,259)
Other equipment, factory and office equipment	(1,496)	(840)	(365)	(188)	56	(2,833)
Advance payments relating to plant and equipment and construction in progress	(11)	(1)	-	2	-	(10)
<b>Total</b>	<b>(4,420)</b>	<b>(1,501)</b>	<b>(387)</b>	<b>(182)</b>	<b>121</b>	<b>(6,369)</b>

**Carrying amount**

<b>in M €</b>	<b>Balance at January 1, 2001</b>	<b>Balance at December 31, 2001</b>
Land, leasehold improvements and buildings including buildings on land owned by others	2,485	2,609
Technical equipment and machinery	1,420	2,253
Other equipment, factory and office equipment	3,783	4,386
Advance payments relating to plant and equipment and construction in progress	432	802
<b>Total</b>	<b>8,120</b>	<b>10,050</b>

Reclassification of other equipment, factory and office equipment (M€ 188) includes an allocation of Aircraft financial risk provisions for leased aircraft of M € 169.

Additions to property, plant and equipment represent largely leased aircraft at Airbus and Aeronautics divisions as well as additions to facilities. The change in consolidation scope represents mainly the first time consolidation of Airbus UK and 20 % stake in Airbus GIE.

Leased aircraft classified as operating lease equipment are included in the position "Other equipment, factory and office equipment" and represent amounts at cost of M€ 3,206 and M € 2,816 as at December 31, 2001 and 2000, respectively (net of accumulated depreciation of M € 1,384 and M € 610). The related depreciation expense for 2001 amounts to M € 419 (2000: M € 177). These aircraft classified as operating lease include aircraft that have been accounted for as leases because of substantial value guarantee commitments of M € 1,912 and other aircraft of M € 1,294.

Property, plant and equipment include buildings, technical equipment and other equipment accounted for in fixed assets under finance lease agreements for net amounts of M € 169 (net of accumulated depreciation of M € 273) as at December 31, 2001 and M € 195 as at December 31, 2000.

Non-cancellable future lease payments due from customers for equipment on operating leases to be included in revenues, at December 31, 2001 are as follows:

2002	M € 195
2003	M € 193
2004	M € 191
2005	M € 189
2006	M € 178
thereafter	M 0 443

## 11. Investments and long-term financial assets

The following table sets forth the composition of investments and long-term financial assets:

in M €	December 31, 2001	December 31, 2000
Equity investments	1,252	1,318
Other investments	766	422
<b>Other financial assets</b>	<b>2,708</b>	<b>2,869</b>
<b>Total</b>	<b>4,726</b>	<b>4,609</b>

Equity investments comprise for 2001 the 45.96 % (2000: 45.76 %) interest in Dassault Aviation of M€ 1,252 (2000: M € 1,164). A list of the investments in associates is included in Appendix "Information on principal investments". All significant investments in associates have been accounted for using the equity method.

Other investments comprise a 42 % interest in Nortel Networks Germany of M€ 156 and a 45 % interest in Matra Nortel Communications of M € 119. At December 31, 2000, these investments had been recorded at equity with M € 55 and M € 70, respectively. The increase in 2001 is mainly derived from the allocation of related goodwill. Other financial assets include loans to customers of M € 949 and finance lease receivables from aircraft financing operations of M € 514. Other financial assets also include security deposits of M € 1,044 and other loans, e.g. to employees of M € 201.

The components of investment in finance leases are as follows:

in M €	At December 31, 2001
Minimum lease payments receivables	1,022
Unearned finance income	(222)
Allowance	(286)
<b>Total</b>	<b>514</b>

Future minimum lease payments and investments in finance leases to be received are as follows:

2002	M €	128
2003	M €	117
2004	M €	121
2005	M €	92
2006	M €	90
thereafter	M €	474

## 12. Inventories

in M €	At December 31,	
	2001	2000
Raw materials and manufacturing supplies	929	749
Work in progress	5,590	5,045
Finished goods, parts and products held for resale	3,314	2,027
Advance payments to suppliers	1,230	1,125
	12,063	8,946
Less: Advance payments received	(9,594)	(6,865)
	2,469	2,081

## 13. Trade receivables

in M €	At December 31,	
	2001	2000
Receivables from sales of goods and services	5,572	4,494
Allowance for doubtful accounts	(389)	(376)
	5,183	4,118

As of December 31, 2001, M € 155 of the trade receivables mature after more than one year.

## 14. Other receivables and other assets

Other receivables and other assets include an amount of M€ 454 (2000: M € 771) corresponding to the remaining capitalized settlement payment to the German Government with respect to refundable advances which is amortized through the income statement at the delivery price of the corresponding planes. Due to additional evidence regarding these refundable advances subsequent to acquisition date (July 1, 2000) resulting from a valuation study for Airbus long range airplanes, a part of the amount assigned to this asset was reclassified as goodwill. The adjustment to the fair value as compared to when the acquisition was originally accounted for amounts to a reduction of M€ 206 in other assets at the date of acquisition of Dasa by ASM to form EADS. Corresponding to that, deferred tax liabilities have been reduced by M € 79 and goodwill increased by M € 127.

Other receivables and other assets further comprise receivables from affiliated companies of M€ 189 (2000: M € 183) and receivables from related companies of M € 352 (2000: M € 398), net of allowance of M € (112) (2000: M € (25)).

As of December 31, 2001, M € 1,023 of other receivables and other assets mature after more than one year (2000: M € 681).

## 15. Securities

The securities of M € 5,341 (2000: M € 4,682) comprise mainly "Available-for-Sales Securities" amounting to M € 5,317 (2000: M € 4,655).

## 16. Shareholders' equity

The issued share capital of the Group consists of 800,175,561 ordinary shares as at December 31, 2001 (2000: 807,157,667). The authorized share capital consists of 3,000,000,000 shares. The shares have a par value of € 1.00.

In connection with the ESOP 2001 – Employee Stock Ownership Plan- (see Note 24), EADS issued 2,017,894 shares with a nominal value of € 1.00, representing a nominal value of € 2,017,894.00.

The Group's Board of Directors took decisions on July 12 and September 18, 2001 to launch a share buy back plan as approved by the general meeting of shareholders on May 10, 2001. As a result, the Board of Directors requested the Chief Executive Officers to set up a buy back plan for 10,500,000 shares. In 2001, the Group has not bought back any shares.

On May 10, 2001, the general meeting of shareholders further decided to pay a cash dividend for 2000 for a gross amount of 0.50 per share, which was paid on June 27, 2001.

The change of shareholder's equity is provided in the Consolidated Statements of Changes in Shareholders' Equity.

## 17. Provisions

in M €	At December 31,	
	2001	2000
Retirement plans (see Note 17 a) and similar obligations	3,176	2,986
Other provisions (see Note 17 b)	8,742	5,698
	<u>11,918</u>	<u>8,684</u>

M € 3,128 (2000: M € 2,836) of retirement plans and similar obligations and M € 4,460 (2000: M € 2,894) of other provisions have a maturity of more than 1 year.

### a) Retirement plans

When Group employees retire, they receive indemnities as stipulated in retirement agreements, in accordance with regulations and practices of the countries (principally France and Germany) in which the Group operates. French law stipulates that employees are paid retirement indemnities on the basis of the length of service. In Germany, retirement indemnities are paid on the basis of salaries and seniority.

The following provides information with respect to the Group's pension liabilities.

in M €	At December 31,	
	2001	2000
Change in defined benefit obligations:		
Defined benefit obligations at beginning of year	3,512	589
Service cost	84	55
Interest cost	220	114
Plan amendments	(8)	2
Actuarial (gains) losses	191	(10)
Acquisitions and other	12	2,845
Benefits paid	(131)	(83)
Defined benefit obligations at end of year:	<u>3,880</u>	<u>3,512</u>

The defined benefit obligation at end of the year is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.



Change in plan assets:

Fair value of plan assets at beginning of year	682	0
Actual return on plan assets	(70)	29
Contributions	1	19
Acquisitions and other	0	653
Benefits paid	(42)	(19)
<b>Fair value of plan assets at end of year</b>	<b>571</b>	<b>682</b>

The fair value of plan assets at end of the year comprises assets held by long-term employee benefit funds that exist solely to pay or fund employee benefits.

A reconciliation of the funded status to the amounts recognized in the consolidated balance sheets is as follows:

in M €	At December 31,	
	2001	2000
Funded status <sup>1)</sup>	3,309	2,830
Unrecognized actuarial net gains (losses)	(158)	129
<b>Net amount recognized</b>	<b>3,151</b>	<b>2,959</b>

<sup>1)</sup> Difference between the defined benefit obligations and the fair value of plan assets.

The net amount recognized represents the amount recognized as a defined benefit pension liability and is part of the caption "Retirement plans and similar obligations". It includes the funded status, adjusted by actuarial net gains/ losses, which do not have to be recognized because they do not meet the recognition criteria. The difference between the net amount recognized as pension liability (M € 3,151; 2000: M € 2,959) and the total amount of retirement plans and similar obligations (M € 3,176; 2000: M € 2,986) is caused mainly by additional commitments for deferred compensation, which in the year of its origin do not form part of the net amount recognized as pension liability.

The weighted-average assumptions used in calculating the actuarial values of the retirement plans were as follows:

Assumptions as of December 31:	2001	2000
	%	%
Discount rate	5.0-6.0	5.0-6.5
Rate of compensation increase	3.0-3.5	1.5-3.0
Inflation rate	2.0	2.0-2.5

For the Group's German entities, the applied interest rate used in the actuarial opinion dropped from 6.5% to 6.0%.

The components of the net periodic pension cost, included in "Income before financial result, income taxes and minority interests", were as follows:

in M €	2001	2000
Service cost	84	55
Interest cost	220	114
Expected return on plan assets	(47)	(25)
<b>Net periodic pension cost</b>	<b>257</b>	<b>144</b>

## b) Other provisions

Other provisions consisted of the following:

in M €	At December 31,	
	2001	2000
Aircraft financial risks	1,498	981
Services to be supplied	820	918
Contract losses	450	338
Warranties	198	263
Financial instruments	3,673	1,140
Other: risks and charges	2,103	2,058
	8,742	5,698

The increase in provision for Aircraft financial risks is mainly due to Airbus first time 100% consolidation and to the adaption of the level of the provision to the net exposure. The increase in provisions for financial instruments is due to IAS39 first-time application, hedge portfolio increase and US\$ strengthening against Euro and UK£.

Development of provisions in M €	Total
as of 12/31/2000	5,698
Change in consolidation scope	591
Change in financial instruments (provision)	1,695
Reclassification from deferred income and prepaid expenses to financial instruments (provision)	607
Additions/ Utilization	151
as of 12/31/2001	8,742

## 18. Financial liabilities

At December 31,

in M €	2001	2000
<b>Bonds</b>	<b>426</b>	<b>270</b>
Liabilities to financial institutions	286	379
Liabilities to affiliated companies	90	52
Loans	106	97
Liabilities from finance leases	110	75
Others	444	130
<b>Short-term financial liabilities (due within one year)</b>	<b>1,462</b>	<b>1,003</b>
<b>Bonds</b>	<b>105</b>	<b>509</b>
Liabilities to financial institutions	1,541	1,447
thereof due in more than five years: 1,162 (2000: 1,031)		
Liabilities to affiliated companies	18	0
thereof due in more than five years: 9 (2000: 0)		
Loans	1,648	1,169
thereof due in more than five years: 1,217 (2000: 713)		
Liabilities from finance leases	1,636	1,561
thereof due in more than five years: 1,094 (2000: 1,150)		
<b>Long-term financial liabilities</b>	<b>5,038</b>	<b>4,776</b>
	<b>6,500</b>	<b>5,779</b>

The rise in financial liabilities by M€ 721 to M€ 6,500 is caused by first time consolidation of Airbus UK and the additional 20 % of Airbus GIE. Included in Others are financial liabilities against joint venture partners.

Aggregate amounts of financial liabilities maturing during the next five years and thereafter are as follows:

in M €	2002	2003	2004	2005	2006	there- after
Financial liabilities	1,462	497	319	313	427	3,482

### 19. Trade and other liabilities

	At December 31,	
in M €	2001	2000
Trade liabilities	5,466	4,268
Other liabilities	10,631	8,200
	16,097	12,468

In the trade liabilities as of December 31, 2001, M€ 173 (2000: M € 202) mature after more than one year. Included in "other liabilities" are M € 2,024 (2000: M € 1,136) maturing after more than five years.

At December 31, 2001, other liabilities mainly comprise customer advance payments of M€ 4,509 (2000: M € 3,811), as well as European Governments refundable advances of M€ 3,469 (2000: M € 2,088). They also include further liabilities to related parties of M € 68 (2000: M € 103) and to affiliated parties amounting to M € 85 (2000: M € 39). The increase in European Governments refundable advances results mostly from the first consolidation of Airbus UK.