

**Financial restatement arising  
from the Airbus disposal**

## Financial restatement – Airbus disposal - 2005 Underlying earnings

(£M)	As reported	Airbus	Restated
SALES	15,411	2,830	12,581
EBITA	1,182	273	909
Profit in acquired inventories	44	-	44
Underlying EBITA	1,226	273	953
Finance Costs	(215)	(19)	(196)
add back: Pension Interest	1	-	1
Mark to Market	4	-	4
Underlying Finance Costs	(210)	(19)	(191)
Tax	(299)	(115)	(175) *
Minority Interests	(2)	-	(2)
Underlying earnings from Continuing Operations	715	139	585

\* includes £9m impact of change to effective tax rate for continuing operations

note: Underlying earnings excludes Amortisation and Impairment of intangible assets, and tax on adjusting items (as per accounts, note 10)

## Financial restatement – Airbus disposal - 2006 Interims, Underlying earnings

(£M)	As reported	Airbus	Restated
SALES	8,214	1,838	6,376
EBITA	788	188	600
Profit in acquired inventories	-	-	-
Underlying EBITA	788	188	600
Finance Costs	(174)	(24)	(150)
add back: Pension Interest	(15)	-	(15)
Mark to Market	87	15	72
Underlying Finance Costs	(102)	(9)	(93)
Tax	(189)	(55)	(134)
Minority Interests	(1)	-	(1)
Underlying earnings from Continuing Operations	496	124	372

note: Underlying earnings excludes Amortisation and Impairment of intangible assets, and tax on adjusting items (as per Interim Report, note 5)

## Financial restatement – Airbus disposal

### - Sector analysis

	2005		2006	
	Full year		Interims	
	Sales	EBITA	Sales	EBITA
	£m			
Electronics, Intelligence & Support	3,697	324	2,090	260
Land & Armaments	1,270	42	892	76
Programmes	2,819	133	1,186	57
Customer Solutions & Support	2,923	419	1,462	215
Integrated Systems & Partnerships	1,834	109	798	57
HQ and other businesses	471	(118)	178	(65)
	<u>13,014</u>	<u>909</u>	<u>6,606</u>	<u>600</u>
Intra Group eliminations	(433)	-	(230)	-
Continuing Operations	<u>12,581</u>	<u>909</u>	<u>6,376</u>	<u>600</u>

# Financial restatement – Airbus disposal

## - 2005 eps

	As reported	Airbus		Restated
<b>Basic</b>				
Continuing	18.3p	(4.4)p		13.9p
Discontinued	(0.9)p	4.4p		3.5p
Total	<u>17.4p</u>	<u>-</u>		<u>17.4p</u>
<b>Underlying</b>				
Continuing	22.5p	(4.4)p	Tax effect 0.3p *	18.4p
Discontinued	(0.9)p	4.4p	-	3.5p
Total	<u>21.6p</u>	<u>-</u>	<u>0.3p</u>	<u>21.9p</u>

\*Impact of change to effective tax rate for continuing operations

**Financial restatement – Airbus disposal**  
**- 2006 interims, eps**

	As reported	Airbus	Restated
<b>Basic</b>			
Continuing	12.6p	(3.5)p	9.1p
Discontinued	-	3.5p	3.5p
Total	<u>12.6p</u>	<u>-</u>	<u>12.6p</u>
<b>Underlying</b>			
Continuing	15.4p	(3.8)p	11.6p
Discontinued	-	3.8p	3.8p
Total	<u>15.4p</u>	<u>-</u>	<u>15.4p</u>

## Financial restatement – Airbus disposal

### - Other items

- Pensions
  - no change to share of IAS19 deficit
  - “allocated to EAls” becomes “allocated to EAls and other participating employers”
- Cash deposits – contained within Trade & Other Payables

## Airbus disposal

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|---|--|
| <ul style="list-style-type: none"><li>• Timetable<ul style="list-style-type: none"><li>- EGM and shareholder approval</li><li>- share buy-back</li></ul></li></ul>                | <i>Obtained 4/10<br/>up to £500m, programme commenced 26/10/06</i> |
| <ul style="list-style-type: none"><li>• Tax rate</li></ul>  | <i>Planning rate @ 26%, ongoing basis</i>                          |
| <ul style="list-style-type: none"><li>• Shares in issue</li></ul>   | <i>3,239m @ 26/10/06</i>   |
| <ul style="list-style-type: none"><li>• Accounting<ul style="list-style-type: none"><li>- discontinued activity on approval</li><li>- pro forma 2006 EPS</li></ul></li></ul>      | <i>On recommendation i.e. from 6/9<br/>As per presentation</i>     |
| <ul style="list-style-type: none"><li>• Sector reporting<ul style="list-style-type: none"><li>- Regional Aircraft results reported in HQ and other businesses</li></ul></li></ul> | <i>Sector restatement, as per presentation</i>                     |

# Appendix

## Financial restatement – Airbus disposal - 2005 Income statement

(£M)	As reported	Airbus	Restatated
SALES	15,411	2,830	12,581
Less share of EAls	(4,392)	(2,830)	(1,562)
REVENUE	<u>11,019</u>	<u>-</u>	<u>11,019</u>
<u>EBITA</u>	1,182	273	909
Amortisation & Impairment	(122)	-	(122)
Finance expense of EAls	(11)	(19)	8
Tax expense of EAls	(149)	(115)	(34)
<u>OPERATING PROFIT</u>	<u>900</u>	<u>139</u>	<u>761</u>
FINANCE COSTS	(204)	-	(204)
<u>PROFIT BEFORE TAX</u>	696	139	557
TAXATION EXPENSE	(113)	-	(113)
<u>PROFIT FROM CONTINUING OPERATIONS</u>	<u>583</u>	<u>139</u>	<u>444</u>

## Financial restatement – Airbus disposal - 2006 Interims, Income statement

(£M)	As reported	Airbus	Restated
SALES	8,214	1,838	6,376
Less share of EAls	(2,454)	(1,838)	(616)
REVENUE	<u>5,760</u>	<u>-</u>	<u>5,760</u>
<u>EBITA</u>	788	188	600
Amortisation & Impairment	(53)	-	(53)
Finance expense of EAls	(12)	(24)	12
Tax expense of EAls	(70)	(51)	(19)
<u>OPERATING PROFIT</u>	<u>653</u>	<u>113</u>	<u>540</u>
FINANCE COSTS	(162)	-	(162)
<u>PROFIT BEFORE TAX</u>	491	113	378
TAXATION EXPENSE	(85)	-	(85)
<u>PROFIT FROM CONTINUING OPERATIONS</u>	<u>406</u>	<u>113</u>	<u>293</u>