



## Information

### **EADS surpasses 2003 profit target: EBIT\* of € 1.54 billion**

- EBIT\* up 8 percent - Revenues stable at € 30.1 billion
- Free Cash Flow before Customer Financing much better than expected: up from € 0.6 billion to € 2.1 billion
- Net Income at € 152 million
- Better performance than expected at Airbus
- Higher contributions from EADS' defence businesses to EBIT\*, revenues and order book
- Order intake doubled to € 61.2 billion
- Dividend proposal of € 0.40 per share, up from € 0.30
- Following the application of IFRS rules for capitalisation of development costs, EADS raises its 2004 EBIT\* forecast to around € 1.8 billion

Amsterdam, 8 March 2004 – In 2003, *EADS* (stock exchange symbol: EAD), the world's second largest aerospace and defence group, has again strongly exceeded its profit target. At € 1.54 billion, EADS achieved an EBIT\* well above the previous target of about € 1.4 billion and up eight percent from 2002. EADS published its 2003 results and an updated 2004 forecast on Monday.

EADS has beaten its EBIT\* forecast thanks to strong growth in its defence businesses and better than expected performance at Airbus. The EBIT\* improvement benefited from a 40 percent growth at the Defence and Security Systems Division with strong contributions from Military Aircraft

and MBDA, the turnaround of the Military Transport Aircraft Division thanks to better performance and a 21 percent increase at the Aeronautics Division following increased profitability of Eurocopter. The Space Division recorded, in line with plan, an EBIT\* of € -400 million, after a restructuring charge of € 288 million. EBIT\* also includes a higher contribution from the 46.03 percent shareholding in Dassault Aviation.

EADS Research and Development (R&D) expenditure increased, as planned, to € 2.2 billion in 2003 (2002: € 2.1 billion). Half of this was spent on R&D for the A380, the 555-seater Airbus aircraft due for first deliveries in 2006.

EADS Group revenues of € 30.1 billion slightly exceeded the forecast of € 29 to € 30 billion, and are above the 2002 figure of € 29.9 billion. At constant US-Dollar exchange rates, revenues would have even increased by 6 percent. Growth was mainly driven by an 18 percent rise at the defence businesses, with combined revenues rising across all defence segments from € 6 billion to € 7.1 billion.

Free Cash Flow before Customer Financing was strongly positive and was boosted from € 0.6 billion to € 2.1 billion thanks to better operating cash performance and working capital reductions due to higher customer advances.

### **CEOs: “Our successful strategy provides for growth”**

The EADS CEOs Philippe Camus and Rainer Hertrich said: “EADS has now achieved commercial aviation leadership and reached a top position in the global defence market. Our 2003 figures are the result of the relentless actions taken to streamline and focus this company since its creation, as well as the keen market interest in our products. The market environment remained difficult in 2003, and yet we have again beaten expectations.”

On expectations for 2004, the CEOs commented: "The ramp-up of major defence programmes, such as Tiger and NH90 helicopters and missiles, and the turnaround of the Space Division provide the basis for operating results growth in 2004. For the Defence and Security Systems Division, which has been created in 2003, the current year will be characterised by the implementation of streamlining and efficiency improvement programmes with some associated costs and investments."

"We are now at a turning point indicating stronger growth over the medium term", the CEOs continued. "The expected 2005 commercial aviation market upswing is within reach. Space will reap the benefits from restructuring and the defence contribution will continue to increase."

### **Order intake doubled thanks to defence and commercial businesses**

The EADS order intake doubled in 2003 to reach € 61.2 billion (end of 2002: € 31.0 billion), twice as high as revenues. The biggest successes were achieved at Airbus with net orders of 254 aircraft, including 34 A380, and with major defence contracts such as the Skynet 5 military satellite communications system for £ 2.5 billion, the € 19.7 billion A400M order, and a major missile contract for 1,400 Aster missiles received by a consortium led by MBDA.

The EADS order book increased to € 179.3 billion (2002: € 168.3 billion). At constant exchange rates, the increase would have been about 20 percent. The defence order book doubled to about € 46 billion, supporting the goal to grow defence revenues by more than 50 percent between 2002 and 2005.

### **Strong increase in Cash – well ahead of expectations**

Free Cash Flow before Customer Financing was boosted from € 0.6 billion to € 2.1 billion. This performance includes the high R&D and investment spending for the continuation of the A380 programme and the initial

investment for the Paradigm project. Commercial aviation Customer Financing cash outlay remained under control at € 1.1 billion, despite the challenging situation of airlines (2002: € 0.9 billion).

At the end of 2003, the Net Cash position increased to € 3.1 billion, up from € 2.4 billion on a comparable basis. From 2003, the Net Cash position is reported after netting € 1.1 billion defeased deposit with corresponding financial liabilities.

### **Net Income of € 152 million**

EADS achieved a positive Net Income in 2003 of € 152 million (2002: € - 299 million). As a result of the original industrial integration of the EADS Group, goodwill amortization has been regularly recorded in the EADS accounts since the year 2000. Thanks to better EBIT\*, Net Income pre-goodwill amortization and exceptionals is up 10 percent to € 769 million (2002: € 696 million), or € 0.96 per share (2002: € 0.87).

### **Dividend proposal of € 0.40 per share**

The EADS Board of Directors is recommending to the Annual General Meeting of shareholders the implementation of an increased dividend of € 0.40 per share for 2003 (for 2002: € 0.30 per share).

The EADS Chief Financial Officer Hans Peter Ring commented: "This dividend proposal is based on our strong and solid performance in 2003 and it is proof of our confidence in the future."

The proposed dividend was chosen taking account of a current European benchmark of payout ratios based on net income before goodwill amortization for comparable companies.

## **Outlook**

In anticipation of the legal requirement in the European Union to apply IFRS (International Financial Reporting Standards) rules strictly by 2005, EADS has changed its accounting policy regarding development costs to be fully compliant with IAS 38. Under this rule, costs that belong solely to the development phase of a project shall be capitalised as intangible assets, when certain conditions are met, while research costs are expensed in the Profit and Loss statement as incurred. The adoption of IAS 38 has no effect on the EADS Financial Statements as of 2003 and prior years. However, it is expected that approximately € 100 million of development costs will be capitalised in 2004.

Consequently, EADS is increasing its EBIT\* forecast for 2004 to around € 1.8 billion from the previous guidance of € 1.7 billion.

The EADS Chief Financial Officer Hans Peter Ring commented: "Since IFRS will become a legal European Union requirement by 2005, we have chosen an early implementation to be fully compliant with the new regulation."

In 2004, EADS expects to continue generating a positive Free Cash Flow before Customer Financing. Indeed, the EADS management will continuously strive to offset the cash outlays from the A380 investment and the Skynet 5 construction by ongoing cash preservation initiatives. Maintaining its financial discipline, EADS also intends to pursue its control of commercial aviation customer financing with gross exposure expected not to increase by more than approximately \$ 900 million.

As was already announced, EADS expects 2004 revenues to remain stable, assuming an exchange rate of € 1 = \$ 1.20. Airbus expects close to 300 aircraft deliveries in 2004. Regarding commercial activity, EADS expects to maintain a level of order intake above the level of revenues.

### **Divisions: Strong contributions from Defence businesses**

**Airbus** has become the world's largest commercial aircraft producer. In 2003, Airbus delivered 305 (2002: 303) aircraft, slightly above the target of 300 and ahead of its competitor, and received 254 net orders (233 in 2002), representing a 52 % market share. As expected, the fourth quarter of 2003 was particularly strong with 106 aircraft deliveries. The Airbus Division EBIT\* was stable at € 1,353 million (2002: € 1,361 million). This was achieved mainly thanks to a better aircraft model mix but was offset by the planned € 137 million R&D cost increase to reach a total of € 1,819 million R&D cost. Revenues slightly decreased by 2 percent to € 19,048 million, but would have been significantly higher at constant US-Dollar rates. At the end of 2003, the Airbus order book stood at 1,454 commercial aircraft (end of 2002: 1,505).

The **Military Transport Aircraft** Division recorded an EBIT\* of € 30 million (2002: € -80 million, affected by a € 54 million non-recurring charge following the insolvency of Fairchild Dornier). The EBIT\* turnaround in 2003 and the 78 percent increase in revenues to € 934 million reflect the € 19.7 billion A400M order. According to the EADS rules of segment reporting, the Airbus Military Company, conducting the A400M programme, is fully consolidated in the Military Transport Aircraft Division. Therefore, the full impact of the A400M programme in terms of order intake and revenues is reflected in this Division. All other parts of EADS contributing to the programme are considered as internal subcontractors.

EBIT\* of the **Aeronautics** division increased 21 percent to reach € 217 million (2002: € 180 million), mainly following a further improved performance at Eurocopter. At € 3,803 million (2002: € 3,834 million), revenues remained on the same level as the year before. At the end of 2003, the Aeronautics order book amounted to € 9,818 million (2002: € 10,162 million). With 293 new helicopters ordered, Eurocopter once again confirmed its world market leadership with 45 percent of the market of new civil and military helicopter units.

The **Space** Division's EBIT\* of € -400 million -- including 100 percent of EADS Astrium - (2002: € -268 million; 2003 comparable EBIT\* figure with 75 percent of EADS Astrium: € -319 million) was impacted by restructuring charges of € 288 million, as planned. However, without the restructuring charges and the negative consolidation effect, the operational performance of Space improved compared to 2002. Revenues amounted to € 2,424 million (2002: € 2,216 million, comparable figure with 100 percent of EADS Astrium: € 2,617 million). Following some important commercial successes such as Skynet 5, the order book of EADS Space more than doubled to € 7,888 million (2002: € 3,895 million), with Skynet 5 representing the largest order.

The new **Defence and Security Systems** Division strongly improved its EBIT\* by 40 percent to € 171 million (2002: € 122 million). Revenues grew by 8 percent to € 5,165 million (2002: € 4,770 million). Growth in revenues and EBIT is being driven by the ramp-up of the Military Aircraft business and missile programmes. The Division's order book also increased to € 14,283 million (2002: € 13,406 million).

At **EADS Headquarters**, EBIT\* includes a higher contribution from the 46.03 percent shareholding in Dassault Aviation. Part of this is due to the "catch up" impact of the IAS restatement of the 2002 Dassault Aviation contribution.

\* EADS uses **EBIT pre-goodwill amortization and exceptionals** as a key indicator of its 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, the formation of Airbus S.A.S. and the formation of MBDA, and impairment losses. It does not correspond to the definition of extraordinary items under IFRS.

## EADS – Figures 2003

(Amounts in Euro)

<b>EADS Group</b>	<b>2003</b>	<b>2002</b>	<b>Change</b>
<b>Revenues</b> , in millions	<b>30,133</b>	29,901	+1%
thereof Defence, in billions	<b>7.1</b>	6.0	+18 %
<b>EBITDA</b> <sup>(1)</sup> , in millions	<b>3,137</b>	3,031	+3%
<b>EBIT</b> <sup>(2)</sup> , in millions	<b>1,543</b>	1,426	+8%
<b>Research and Development costs</b> , in millions	<b>2,189</b>	2,096	+4%
<b>Net Income</b> , in millions	<b>152</b>	-299	
<b>Net Income</b> pre-goodwill amortization and exceptionals, in millions	<b>769</b>	696	+10%
<b>Earnings Per Share (EPS)</b> pre-goodwill amortization and exceptionals	<b>0.96</b>	0.87	+0.09€
<b>Free Cash Flow</b> before Customer Financing, in millions	<b>2,143</b>	578	+271%
<b>Net Cash position</b> , in millions	<b>3,105</b>	2,370	+31%
<b>Dividend per share</b>	<b>0.40</b> <sup>(3)</sup>	0.30	+ 0.10 €
<b>Order Intake</b> , in millions	<b>61,150</b>	31,009	+97%
<b>Order Book</b> , in millions	<b>179,280</b>	168,339	+6%
<b>Employees</b> (at year-end)	<b>109,135</b>	103,967	+5%

1) Earnings before interest, taxes, depreciation, amortization and exceptionals

2) Earnings before interest and taxes, pre-goodwill amortization and exceptionals

3) to be proposed to AGM on 6 May, 2004



by Division (Amounts in millions of Euro)	EBIT <sup>(2)</sup>			Revenues		
	2003	2002	Change	2003	2002	Change
Airbus	1,353	1,361	-1%	19,048	19,512	-2%
Military Transport Aircraft	30	-80	+138%	934	524	+78%
Aeronautics <sup>(4)</sup>	217	180	+21%	3,803	3,834	-1%
Space <sup>(5)</sup>	-400	-268	-49%	2,424	2,216	+9%
Defence and Security Systems <sup>(4)</sup>	171	122	+40%	5,165	4,770	+8%
Headquarters Consolidation	172	111	-	-1,241	-955	-
<b>Total</b>	<b>1,543</b>	<b>1,426</b>	<b>+8%</b>	<b>30,133</b>	<b>29,901</b>	<b>+1%</b>

by Division (Amounts in millions of Euro)	Order Intake			Order Book		
	2003	2002	Change	2003	2002	Change
Airbus <sup>(6), (7)</sup>	39,904	19,712	+102%	141,836	140,996	+1%
Military Transport Aircraft	20,326	403	+4944%	20,007	633	+3061%
Aeronautics <sup>(4)</sup>	3,661	4,095	-11%	9,818	10,162	-3%
Space <sup>(5)</sup>	6,062	2,145	+183%	7,888	3,895	+103%
Defence and Security Systems <sup>(4)</sup>	6,288	5,413	+16%	14,283	13,406	+7%
Headquarters Consolidation <sup>(7)</sup>	-15,091	-759	-	-14,552	-753	-
<b>Total</b>	<b>61,150</b>	<b>31,009</b>	<b>+97%</b>	<b>179,280</b>	<b>168,339</b>	<b>+6%</b>

2) Earnings before interest and taxes, pre-goodwill amortization and exceptionals

4) 2002 figures are pro-forma according to the new structure of Aeronautics and Defence and Security Systems

5) Full year 2003 includes EADS Astrium at 100% (Full year 2002 at 75%)

6) Order Intake and Order Book based on catalogue prices

7) Full year 2003: thereof € 13.7 billion for A400M

### **EADS commercial successes in 2003**

In 2003, EADS continued its dynamic growth in the international defence business:

- In 2003, EADS doubled its defence order book to about € 46 billion.
- EADS registered the largest order in its history, worth € 19.7 billion, for the A400M military transport aircraft.
- The EADS subsidiary Paradigm signed the contract for the Skynet 5 military satellite communications system, worth about £ 2.5 billion, with the UK Ministry of Defence.
- A consortium led by MBDA registered a major missile contract, worth € 3 billion, covering the series production of around 1,400 Aster missiles and associated missile systems. This is Europe's first advanced naval and ground-based air defence missile system with Anti Tactical Ballistic Missiles.
- EADS welcomed Austria as the fifth customer of the Eurofighter multi-role fighter aircraft.
- Greece signed a contract for 20 NH 90 military transport helicopters and Spain announced it would join the Tiger attack helicopter programme and procure 24 units.

Despite the difficult market environment, Airbus was awarded several major contracts:

- The American low-cost carrier jetBlue Airways placed an order for 65 Airbus A320, plus options for additional 50 aircraft.
- Emirates, Korean Airlines, Malaysia Airlines and most recently Qatar Airways ordered a total of 34 A380 aircraft. Airbus now has 129 firm orders from eleven customers for the A380 programme, which passed several significant technical milestones in 2003.

In the Space business, EADS also achieved important commercial successes:

- The ESA (European Space Agency) countries agreed on a financing plan for the European satellite navigation system Galileo. ESA also agreed to changes supporting an independent European launcher business.
- Arianespace committed at the Paris Air Show to order 30 Ariane launchers worth € 3 billion from EADS as prime contractor (not yet in order book).
- EADS Astrium acquired several new contracts for telecommunications and science satellites, worth more than € 600 million.

### **About EADS**

EADS is a global leader in aerospace, defence and related services. The EADS Group includes the aircraft manufacturer Airbus, the world's largest helicopter supplier Eurocopter and the joint venture MBDA, the second largest missile producer in the global market. EADS is the major partner in the Eurofighter consortium, is the prime contractor for the Ariane launcher, develops the A400M military transport aircraft and is the largest industrial partner for the European satellite navigation system Galileo.

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**Safe Harbour Statement:**

Certain of the 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 "document de référence" dated April 2, 2003.