



Information

EADS strengthens its position despite challenging market conditions

- Performance in line with company's expectations – EBIT of € 784 million in first nine months of 2003
- EBIT pre-R&D stable despite Space restructuring charge
- Defence growth in revenues, EBIT and order intake– almost half of new orders coming from the defence businesses
- Order intake over nine months more than doubled to € 49.5 billion - orders represent more than twice revenues of same period
- Positive Net Cash position maintained
- Strong fourth quarter expected – EADS confirms full-year target of approximately € 1.4 billion EBIT
- CEOs: "EADS continues to shape its future through commercial success, growth in defence and increasing global reach"

Amsterdam, 6 November 2003 – *EADS* (stock exchange symbol: EAD), the world's second largest aerospace and defence group, is strengthening its position in the prevailing challenging market conditions. Looking forward to an expected strong performance in the fourth quarter, EADS is able to confirm all full-year targets. It anticipates 2003 EBIT (Earnings before interest and taxes, pre-goodwill amortization and exceptionals) in the same range as 2002, at approximately € 1.4

billion, full-year revenues in a similar range as last year, and positive Free Cash Flow before customer financing outlays. In the first nine months, EBIT amounted to € 784 million (January to September 2002: € 1,013 million). This reflects an increase in Research and Development (R&D) of about € 200 million, in line with the EADS plans. All divisions but Airbus and Space enhanced their performance, mainly thanks to defence programmes. The EBIT improvement at the Aeronautics division was particularly strong, driven by the Tiger and NH90 programmes. EBIT of EADS headquarters includes better results from the Dassault Aviation consolidation.

EBIT before R&D remained stable at about € 2.3 billion, despite restructuring costs at the EADS Space Division totalling € 88 million booked in the first nine months, and slower Airbus deliveries (199 aircraft compared to 219 in the 9-months comparison).

Revenues from January to September 2003 amounted to € 18.5 billion (same period last year: € 20 billion).

Strong fourth quarter expected

Typically, revenues and earnings of the defence and parapublic businesses are strongest towards the end of each year. This pattern will also apply in the fourth quarter of 2003. In addition to this, some Airbus deliveries have shifted into the fourth quarter, after delivery postponements due to the SARS disease and some delay in third-party documentation particularly on financing. Total deliveries for the full year remain solidly targeted at 300.

CEOs: "Performance in line with our plans"

The EADS CEOs, Philippe Camus and Rainer Hertrich, noted: "Our performance during the first nine months of 2003 is in line with our plans. We continue to reinforce our position in the industry's competitive environment and lay the foundation for future profitable growth through investments such as the Airbus A380 programme. We have already strengthened our Space business, with the restructuring programme well under way. And we are very pleased that the performance of the Defence and Security Systems Division is further improving."

"EADS continues to shape its future through commercial success, growth in defence and increasing global reach. EADS will grow to become a 40-billion-Euro revenues company in the medium term, taking account of the A380 programme", the CEOs continued. "This year, we have increased our presence in the United States and in the United Kingdom, two of our major growth markets. Our order book, which was already the largest in the global aerospace and defence industry, has further grown thanks to new business wins in all our sectors. During the first nine months, as promised, our various defence activities were major drivers of growth in order intake and the improvement in underlying profitability."

Order intake more than doubled

EADS' order intake more than doubled in the period January to September from € 22.3 billion in 2002 to € 49.5 billion in 2003. Almost half of these orders originate from the defence business, including the A400M military transport aircraft programme and Military Aircraft. Higher orders received by Airbus and MBDA also contributed to growth in order intake. At the end of September, the EADS order book amounted to a total of € 186.7 billion.

Positive Net Cash position maintained

EADS maintained a positive Net Cash position at € 359 million, despite the peak of A380 R&D costs and still high capital expenditure as well as the lower level of Airbus deliveries in the third quarter.

EADS continued its policy of very restrictive customer financing, with about € 500 million of net additions in the first nine months of 2003 – lower than expected.

The successful € 500-million 15-year bond issue in September at favourable terms also showed a high level of confidence by bond investors.

EADS recorded Net Income pre-goodwill amortization and exceptionals of € 336 million, or € 0.42 per share, for the first three quarters of 2003. As usual at EADS since its foundation, Net Income was significantly affected by non-cash amortization of goodwill, amounting to € 422 million during the first nine months. This goodwill was created mainly through the EADS merger and the Airbus integration. Net Income after goodwill and exceptionals stood at € -124 million.

Continuing hedging at favourable exchange rates

During the third quarter, EADS hedged the majority of its order intake at exchange rates of about € 1 = \$ 1.11, which is more favourable than the budget rate assumptions for these orders. Hedging allows the company to counter the effects of strong exchange rate fluctuations. Gross additions amounted to over € 7 billion in the third quarter. At the end of September 2003, EADS had a hedging portfolio of about € 45 billion of future revenues hedged at an average exchange rate of € 1 = \$ 0.98, which is much more favourable than the current spot rates.

Job creation at Airbus

At the end of September 2003, EADS had 108,288 employees, representing an increase of four percent compared to year-end 2002, due to the full consolidation of Astrium and the A380 ramp-up. At Airbus, 2,630 new jobs were created in the first nine months, particularly in the A380 programme.

Highlights July - October 2003:

- In August the Greek Ministry of Defence placed 20 firm orders and 14 options for the NH90 military transport helicopter, worth € 657 million (not yet recorded in September 2003 order book).
- Also in August EADS broke ground on a new manufacturing facility in Columbus, Mississippi, extending the U.S. operations of its Eurocopter helicopter manufacturing and service subsidiary, American Eurocopter.
- In summer 2003, Airbus achieved significant milestones for the A380 programme, including the completion of the first A380 landing gear bay and the launch of the huge sea vessel for transport of components.
- The Austrian government approved the contract to purchase 18 Eurofighters in August (EADS share not yet recorded in September 2003 order book).
- In September the Spanish Government approved the signing of a contract for the procurement of 24 Tiger combat helicopters, worth about € 1.4 billion (not yet recorded in September 2003 order book).

- Ariane 5 successfully placed two geo-stationary communications satellites into orbit in September.
- EADS Astrium acquired several new contracts for telecommunications and science satellites, worth more than € 600 million in total:
 - In September Eutelsat signed a contract for the design and manufacture of the Hot Bird 8 broadcast satellite
 - On 2 October the French Space Agency CNES awarded a contract to EADS Astrium to build two Pleiades high resolution satellites (will be included in fourth quarter order intake)
 - Also in October Arabsat signed a contract for two satellites (fourth quarter order intake)
- In October EADS established a Russian Technology Office in Moscow as part of its corporate research organisation.
- Korean Air has confirmed, also in October, that the A380 will play a significant role in its future growth plans by signing a firm contract for the purchase of five aircraft, plus three options. Airbus now has 129 firm orders and commitments from eleven customers for the A380 programme.
- The Skynet 5 contract for secure military communication services with the UK Ministry of Defence was signed on 24 October, worth £ 2.5 billion (not yet recorded in September 2003 order book).

Divisional review

The divisional review reflects the new EADS business structure implemented in summer 2003, particularly the shift of the Military Aircraft business from the Aeronautics to the Defence

and Security Systems Division. In the new structure, both Divisions continue to contribute substantially to the success of EADS.

The **Airbus** Division recorded revenues of € 12.1 billion in the first nine months of 2003 (same period 2002: € 13.8 billion). EBIT amounted to € 701 million (January to September 2002: € 1,072 million), impacted by higher R&D and slower deliveries, which were partially offset by a more favourable aircraft mix and improved profitability. Order intake at Airbus more than doubled in the first nine months from € 15.4 billion in 2002 to € 37 billion this year, including the 69.4 percent workshare for the A400M programme.

Revenues at the **Military Transport Aircraft** Division increased from € 310 million to € 410 million in the nine-months comparison. EBIT amounted to € -7 million (January to September 2002: € -79 million, including a charge of € 54 million for the Fairchild Dornier insolvency). Thanks to the A400M contract, the order book grew to € 20.4 billion.

Revenues of the **Aeronautics** Division, now excluding the Military Aircraft business according to the new structure, remained steady at € 2.5 billion in the first nine months of 2003. EBIT rose by one third to reach € 112 million, reflecting particularly the growth in Eurocopter's defence programmes. At € 9.7 billion at the end of September 2003, the order book remained almost on the same level as at the end of 2002.

The **Space** Division, now including EADS Astrium at 100 percent, increased revenues to € 1.5 billion from January to September 2003 (same period last year: € 1.4 billion). Due to the restructuring costs and contract provisions, EBIT was negative at € -184 million (January to September 2002: € -101 million). EADS confirms its expectation of EBIT breakeven for

the Space Division in 2004. The order book amounts to € 4.2 billion.

Revenues for the **Defence and Security Systems** Division, now including Military Aircraft, grew to € 3 billion (first nine months 2002 pro forma: € 2.8 billion). Due to the seasonality of the defence business, EBIT amounted to only € -18 million (first nine months 2002: € -42 million). However, in the third quarter alone, EBIT was positive, and is expected to be above the 2002 result for the full year 2003. At € 13.5 billion, the order book remained on the level of the year-end 2002.

About EADS

EADS is the second largest aerospace and defence company in the world with revenues of € 29.9 billion in the year 2002 and a workforce of more than 100,000. It is a systems integrator and as such is one of the few companies worldwide capable of combining various products and technologies to form complete systems and offering the associated 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. EADS has over 70 sites in France, Germany, Great Britain and Spain and is active in many regions worldwide, amongst them America, Russia and Asia.

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Note to Editors:

*You may dial in to the
EADS Analysts **Conference Call with CFO Hans Peter Ring**
(listen-in only, no possibility to ask questions)*

today, Thursday, 6 November 2003, at 12:00 a.m. CET

under Telephone number +44 20 8240 8240

*A replay is available for one week under
Telephone number +44 20 8288 4459
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