



Information

EADS half-year results confirm 2003 targets

- Half-year 2003 EBIT of € 592 million in line with company's expectations
- Recent market successes have laid a solid groundwork for future profitable growth: € 43.2 billion order intake in first half year – almost three times the figure for the first half of 2002
- Defence growth in orders, revenues and earnings increases EADS' performance
- EADS keeps strong Net Cash position at € 914 million
- CEOs: "EADS is positioning itself very well for an upturn in our markets. Profitability remains our prime focus."

Amsterdam, 28 July 2003 – *EADS* (stock exchange symbol: EAD), the world's second largest aerospace and defence company, achieved half-year results fully in line with its expectations and confirmed its 2003 targets. Earnings Before Interest and Taxes (EBIT, pre-goodwill and exceptionals) reached € 592 million (first half 2002: € 775 million).

In accordance with the guidance provided to the markets, earnings compared to the first half year 2002 were influenced by Research and Development (R&D) expenditure at Airbus, up by € 221 million mainly for the A380, fewer Airbus deliveries (149 compared to 160 aircraft) and a restructuring charge at the Space Division of € 88 million. In the first half of 2002, the disposal of the EADS share in the company Aircelle had a positive EBIT effect of € 63 million. During the first six months of 2003, all EADS divisions except Space improved

their EBIT margin before R&D compared to the same period last year.

“The EADS half-year results confirm our outlook for the full year”, the EADS CEOs Philippe Camus and Rainer Hertrich said in a statement. “And so, in spite of recent world events, we continue to deliver what we have promised, knowing that genuine business risks still characterise aerospace markets in the short term. We remain vigilant. Our continued focus on profitability and containing costs across our businesses as well as limiting financial exposure is the foundation for our confidence.”

“Based on our strong order intake and our recent market successes, we should be well positioned once our markets pick up again to deliver strong growth in cash and overall financial performance”, the CEOs continued. “This relates not only to the civil aviation business, where we see very early signs of a recovery on the horizon, but also to the excellent growth prospects of our reorganised Defence and Security Systems division. At Space, we are on track to achieve a turnaround in 2004. The new organisation and the restructuring of Space, along with our prime contractorship for the Ariane system and new large-scale programmes such as Galileo, have been major breakthroughs helping to secure the long-term profitability of our Space activities.”

EADS expects the full-year 2003 EBIT to remain in the same range as 2002, based on 300 aircraft deliveries by Airbus. During the first six months, Airbus has already delivered 149 aircraft in a very difficult market environment.

The results were presented by EADS at a press conference in London on Monday. The UK is one of the home countries of EADS, with 13,000 highly skilled employees and revenues of

€ 2.5 billion in the full year 2002, of which about 25% are from the defence businesses. The existing orderbook of more than € 17 billion with UK customers at the end of June 2003 supports a fast growing business in the UK. Further growth opportunities include the € 3 billion Skynet 5 military satellite communications system, where the contract nears agreement, the selection of EADS/MBDA for the initial assessment phase for the new UK Ground Based Air Defence (GBAD) programme, and the AirTanker bid to meet the Royal Air Force's future air refuelling requirements.

Defence growth in order intake, revenues and earnings

EADS revenues in the first six months of 2003 decreased by 7% to € 13.1 billion (first half 2002: € 14 billion). At constant €/US\$ exchange rates revenues would have remained on the same level; the impact of lower Airbus deliveries has been offset by a better mix of delivered aircraft, by the first-time 100% consolidation of Astrium (€ 163 million impact) and by the ramp-up of defence programmes. However, EADS expects to maintain 2003 full year revenues in the same range as 2002 (€ 29.9 billion), applying a lower average exchange rate of 1 € = 1.10 US\$. This is because the expected decrease in Airbus revenues should be compensated for by growth in other divisions such as Defence and Security Systems.

EADS' defence and public safety businesses, which are mainly part of the Defence and Security Systems and the Aeronautics Divisions, are subject to strong seasonal influences. Typically, revenues and earnings are significantly stronger in the second half of the year. This is again expected to be the case in 2003.

The order intake grew strongly as a result of the recent market successes of both the commercial aircraft and the defence

businesses, reaching € 43.2 billion in the first half of 2003. This is almost three times the comparable figure in the first half of 2002 of € 14.8 billion. The order book also increased to € 187.7 billion at the end of June, with about € 42 billion of defence contracts including the € 20 billion A400M contract. The strong orderbook confirms the competitiveness of EADS' products and services and provides a strong basis for sustained growth of future Cash Flow and improved financial performance.

Major market successes were the Airbus orders from JetBlue Airways of 65 aircraft and the Emirates Airlines order of 41 aircraft (including 21 A380s). Achievements in the Space businesses included the € 3 billion agreement on 30 Ariane launchers and the positive decision on the Galileo programme. EADS is consistently delivering the results of its strategic focus on the defence business with new programme wins such as the A400M military transport aircraft programme and the initial success of GBAD in the UK. EADS expects to continue to grow the defence business in the second half of 2003 by securing the Austrian Eurofighter order, the Skynet 5 project and other ongoing campaigns.

The Net Cash position remained strongly positive at € 914 million. Free Cash Flow before gross customer financing improved to € 305 million (first half 2002: € 221 million). The EADS gross customer financing exposure increased minimally by € 262 million - almost completely from Airbus - over the first half 2003, leading to € 4.0 billion. Taking into account a conservative value for the collateral asset, EADS' net exposure is only € 1.6 billion, which is fully covered by provisions, in line with the company's conservative accounting policy. EADS is expecting more additions in the second half, well below the budget provided for the year.

Net Income pre-goodwill and exceptionals reached € 231 million by June 2003, compared to € 462 million in the first half of 2002. Earnings per share pre-goodwill and exceptionals amounted to € 0.29 (first half 2002: € 0.57).

As usual for EADS, Net Income was significantly affected by non-cash amortisation of goodwill, amounting to € 281 million in the first half year. Net Income after goodwill and exceptionals amounted to € -66 million in the first six months of 2003.

At the end of June 2003, EADS had 107,845 employees. This was an increase of 4% compared to the end of December 2002, mainly due to the ramp-up of the A380 programme and the first-time full consolidation of EADS Astrium.

Divisional results

The divisional breakdown now reflects the new structure of the Defence and Security Systems and the Aeronautics divisions.

In the first half year, the **Airbus** EBIT of € 621 million (same period 2002: 874 million) was impacted by higher R&D costs, amounting to € 901 million, compared to € 680 million in the first six months of 2002. The EBIT pre-R&D remained stable at about € 1.5 billion. Revenues of € 8,773 million (first half 2002: € 9,870 million) were lower due to fewer aircraft deliveries and the weaker US-Dollar versus the Euro. Currently, earnings are basically not impacted by the exchange rate situation, due to the extensive hedging of EADS. The part of revenues, which is naturally hedged by Dollar-denominated

costs, is however recorded at US\$ market rates and therefore reduced by a weaker Dollar.

From January to June 2003, Airbus delivered 149 aircraft (same period 2002: 160), half of the expected 300 deliveries for the full year 2003. In total, Airbus received 199 orders during the first six months of 2003 compared to 107 in the same period last year. This is a major achievement given the continuing difficulties faced by many airlines, resulting in a net market share in terms of value of 66%. The Airbus order backlog amounted to a total of 1,531 commercial aircraft (A400M not included) at the end of June, twelve more than at the same time last year.

The **Military Transport Aircraft** division recorded an EBIT of € -8 million (first half of 2002: € -72 million, affected by a € 54 million non-recurring charge following the insolvency of Fairchild Dornier). Revenues increased to € 268 million (first half of 2002: € 234 million), thanks to the military derivative business, but they do not yet include A400M revenues. In addition, the seasonal effects of the defence business will lead to a much stronger performance in the second half of the year. Thanks to the signing of the A400M contract, the division's orderbook leapt to € 20.5 billion.

At the **Aeronautics** division, EBIT reached € 59 million (first six months 2002 pro-forma figure: € 29 million). The result no longer includes the Military Aircraft business, which is now part of the Defence and Security Systems division. At € 1,613 million, revenues remained on the same level (first half of 2002 on a pro-forma basis: € 1,606 million). EBIT and revenues are very much driven by Eurocopter, which usually shows stronger performance in the second half of the year.

The **Space** division's EBIT of € -131 million (first half of 2002: € -85 million) continued to be impacted by the weak markets. EBIT reflected mostly a restructuring charge of € 88 million as part of the restructuring announced in March 2003. Order intake reached € 779 million in the first half year. Revenues of € 1,008 million (first six months 2002: € 882 million) include, like all Space division figures, for the first time in 2003 the 100% consolidation of Astrium.

The new **Defence and Security Systems** division now concentrates Missiles Systems, Defence Electronics, Military Aircraft, Defence and Communications Systems and Services under one roof. The division recorded an EBIT of € -28 million, compared to € -37 million in the first half of 2002 on a pro-forma basis. Revenues grew slightly to € 1,902 million (first half 2002 on a pro-forma basis: € 1,856 million). Growth in revenues and EBIT is being driven by the ramp-up of defence programmes such as Eurofighter, Aster and Storm Shadow missiles, and will as usual further accelerate in the second half of the year.

Highlights Second Quarter 2003:

- The American low-cost carrier JetBlue Airways placed an order for 65 Airbus A320, plus options for an additional 50 A320s in April 2003.
- At the Paris Air Show in June 2003, Emirates Airlines announced an order for 41 aircraft, including 21 A380s and 20 A340s, Korean Air signed an MoU to acquire up to eight Airbus A380, including three options, and Qatar Airways announced its intention to place an order of 32 aircraft (mainly A330s), including 14 options.

- EADS launched the Airbus A400M military transport aircraft worth € 20 billion. The contract was signed on 27 May 2003 in Bonn, Germany.
- EADS acquisition of BAE Systems 25% stake in Astrium was approved by the European Commission in May.
- The ESA countries agreed on a financing plan for the European satellite navigation system Galileo on 26 May 2003. ESA also agreed the plan to ensure an independent European launcher business and to finance the work required to get the Ariane 5 ten tonne version launcher back on track. Finally, EADS was designated as prime contractor for the procurement and manufacturing of Ariane.
- Arianespace committed at the Paris Air Show to order 30 Ariane launchers worth € 3 billion from EADS as prime contractor.
- New structure of EADS Space became effective as of 17 June 2003. Three main businesses: EADS Astrium (satellites), EADS Space Transportation (launch vehicles and orbital infrastructure) and EADS Space Services (satellite services).
- New organisational structure of the EADS defence activities: The new Defence & Security Systems division has started its operations on 1 July 2003. By leveraging the strength of an integrated defence portfolio with around 24,000 employees and annual revenues of approximately € 5 billion, EADS is strengthening its defence business to even better meet the needs of customers requiring integrated defence and security technology solutions.

- The UK Ministry of Defence announced on 26 June that an EADS/MBDA team has been selected as one of two teams awarded a contract worth € 38 million for the initial assessment phase of a new integrated air defence and control system for the UK armed forces GBAD (Ground Base Air Defence) Programme.
- Eurofighter received four-nation type acceptance on 30 June 2003. Formal deliveries have now started.
- Decision of Austrian Parliament in favour of Eurofighter. The first of 18 aircraft on order are expected to be delivered in 2007.

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.

EADS – First Half-Year Results (H1) 2003

(Amounts in Euro)

EADS Group	H1 2003	H1 2002	Change
Revenues , in millions	13,060	13,974	-7%
EBITDA⁽¹⁾ , in millions	1,292	1,501	-14%
EBIT⁽²⁾ , in millions	592	775	-24%
Net Income , in millions	-66	91	-
Net Income pre-goodwill amortization and exceptionals, in millions	231	462	-50%
Earnings Per Share (EPS) pre-goodwill amortization and exceptionals	0.29	0.57	-50%
Order Intake , in millions	43,190	14,791	+192%

	30 June 2003	31 Dec. 2002	Change
Order Book , in millions	187,741	168,339	+12%
Net Cash position , in millions	914	1,224	-25%
Employees	107,845	103,967	+4%

by Division (Amounts in millions of Euro)	EBIT ⁽²⁾			Revenues		
	H1 2003	H1 2002	Change	H1 2003	H1 2002	Change
Airbus	621	874	-29%	8,773	9,870	-11%
Military Transport Aircraft	-8	-72	+89%	268	234	+15%
Aeronautics ⁽³⁾	59	29	+103%	1,613	1,606	0%
Space ⁽⁴⁾	-131	-85	-54%	1,008	882	+14%
Defence and Security Systems ⁽³⁾	-28	-37	+24%	1,902	1,856	+2%
Headquarters Consolidation	79	66	-	-504	-474	-
Total	592	775	-24%	13,060	13,974	-7%

by Division (Amounts in millions of Euro)	Order Intake			Order Book		
	H1 2003	H1 2002	Change	30-06-2003	31-12-2002	Change
Airbus ^{(5), (6)}	33,174	10,334	+221%	154,428	140,996	+10%
Military Transport Aircraft	20,104	214	+9294%	20,476	633	+3135%
Aeronautics ⁽³⁾	1,440	1,982	-27%	9,828	10,162	-3%
Space	779	569	+37%	4,248	3,895	+9%
Defence and Security Systems ⁽³⁾	1,988	1,918	+4%	13,342	13,406	0%
Headquarters Consolidation ⁽⁶⁾	-14,295	-226	-	-14,581	-753	-
Total	43,190	14,791	+192%	187,741	168,339	+12%

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

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

3) 2002 figures are pro-forma according to the new structure of the divisions Aeronautics and Defence and Security Systems

4) Half-year 2003 includes EADS Astrium at 100% (Half-year 2002 at 75%)

5) Order Intake and Order Book based on catalogue prices

6) Half-year 2003: thereof about € 13.7 billion for A400M