

European Aeronautic Defence and Space Company EADS N.V.

aero-notes

Letter to EADS Shareholders

Dear Shareholders,

We are witnessing signs of cautious optimism regarding the economy and financial markets. And we are pleased that EADS is keeping its promises - as always. We have experienced considerable successes in recent months in orders and substantially clarified the environment in which we operate. At the same time, we remain disciplined and focused in our financial strategy and operations, which remains essential at a time when the risks concerning air transport have not disappeared and the weakening of the US dollar has not subsided.

We are on the path to making EADS a world aerospace leader in all its activities. We are proud that our efforts have been rewarded by the achievement of key company milestones in commercial aviation, defence and space. These successes are a solid foundation for future growth in cash-flow and profitability, and are in keeping with our strategy of rebalancing our civil and defence activities.

At the Paris Air Show, the Airbus-family aircraft were a tremendous success, generating 81 new orders and options. Orders and undertakings for the A380 now amount to 129 aircraft. Airbus has displayed remarkable resilience in the face of the current slowdown and reasserted its objective to deliver 300 aircraft in 2003.

On May 27, we signed the 20 billion Euro contract for the A400M military-transport aircraft, the largest contract in the history of EADS. Early in July, the Austrian Parliament decided in favour of Eurofighter. The first of 18 aircraft on order are expected to be delivered in 2007. In addition, an EADS/MBDA team has been selected and awarded a contract from the UK MoD as one of two teams for the initial assessment phase of a new integrated air defence and control system GBAD (Ground Base Air Defence) Programme. This reaffirms EADS' credibility as a major systems provider in Britain.

These successes confirm our growth objective in the defence sector. Our defence turnover, which represented approximately 6 billion euro in 2002 should come close to 10 billion euro in 2005.

The newly reorganized EADS space division is implementing its restructuring plan. In addition, ESA agreed on May 27 to designate EADS as prime contractor for the procurement and manufacturing of Ariane, thus making the manufacturing of European launch vehicles simpler and more competitive. This will help to achieve our plan to break even with the Space division already in 2004. Initialisation of Galileo and support of the Ariane 5 ten tons version, capable of delivering a greater payload into orbit, are another clear commitment by the member states to independent European access to space.

On July 28, we published our results for the first six months of 2003, which are in line with our objectives and confirm the financial robustness of our Group.

Financial markets have recognised these recent commercial successes of EADS. The share price has increased by 40% since the beginning of the year, out-performing European share indices.

We remain convinced that EADS is extremely well placed to take advantage of economic recovery when it occurs. The management of EADS is focused on identifying and capitalising on market opportunities hereby generating value for our shareholders.

Yours sincerely,

Philippe Camus and Rainer Hertrich
EADS Chief Executive Officers



Half-Year 2003 results

Half-year results confirm 2003 targets and EADS is well positioned for an upturn in its markets

In spite of recent world events, EADS continues to deliver, knowing that business risks still characterise aerospace markets in the short term.

Based on the strong order intake and recent market successes, in particular growth in Defence orders, revenues and earnings, EADS is well positioned for the eventual improvement in market conditions. Profitability and cost containment across EADS businesses as well as limiting financial exposure remain management's prime focus.

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

In millions of euros	June 30, 2003	Dec. 31, 2002	Change
Order book	187,741	168,339	+12%
Net cash position	914	1,224	(25)%
Number of employees	107,845	103,967	+4%

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

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

EBIT and revenues in line; improved EBIT margin in all divisions but Space

Earnings compared to the first half year 2002 were influenced, as anticipated, 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 stake in Aircelle had had a positive EBIT effect of € 63 million.

EADS expects the full-year 2003 EBIT to remain in the same range as 2002, based on 300 aircraft deliveries by Airbus of which 149 were delivered in the first six months.

EADS revenues in the first six months of 2003 decreased by 7%; however, at a constant €/US\$ exchange rate, revenues would have remained stable: the impact of lower Airbus deliveries has been offset by a better mix of delivered aircraft, by the first-time full consolidation of Astrium (€ 163 million impact) and by the ramp-up of defence programmes.

EADS expects to maintain 2003 full year revenues in the same range as 2002 (€ 29.9 billion),

assuming a lower average exchange rate of 1€=1.10 US\$. The expected decrease in Airbus revenues should be offset 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. Therefore, revenues and earnings are expected to be significantly stronger in the second half of the year.

Strong order intake and sustained order book

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 for the first half of 2002 of € 14.8 billion. This includes Airbus orders from JetBlue of 65 aircraft and the Emirates order of 41 aircraft (including 21 A380s). Achievements in the Space businesses included the € 3 billion announcement for 30 Ariane launchers and the positive decision on the Galileo pro-

gramme, which are not yet reflected in the order book. 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. This places EADS among the top defence companies in the world in terms of order book. The competitiveness of EADS' products and services provides a strong basis for sustained growth of future Cash Flow and improved financial performance.

Beyond new programme wins such as the A400M military transport aircraft programme or 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.

Strong positive net cash flow thanks to customer financing containment

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, to € 4.0 billion. Taking into account a conservative value for collateral assets, 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 affected by non cash amortisation of goodwill

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.

Results by division

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

in millions of euro	EBIT ⁽¹⁾		Revenues		Order Intake		Order Book	
	H1 2003	Change H1 2003/ H1 2002	H1 2003	Change H1 2003/ H1 2002	H1 2003	Change H1 2003/ H1 2002	06/30/2003	Change June 30, 2003 Dec. 31, 2002
Airbus ^{(4),(5)}	621	(29)%	8,773	(11)%	33,174	+221%	154,428	+10%
Military Transport Aircraft	(8)	+89%	268	+15%	20,104	+9294%	20,476	+3135%
Aeronautics ⁽²⁾	59	+103%	1,613	0%	1,440	(27)%	9,828	(3)%
Space ⁽³⁾	(131)	(54)%	1,008	+14%	779	+37%	4,248	+9%
Defence and Security Systems ⁽³⁾	(28)	+24%	1,902	+2%	1,988	+4%	13,342	0%
Headquarters/Consolidation ⁽⁵⁾	79	-	(504)	-	(14,295)	-	(14,581)	-
Total	592	(24)%	13,060	(7)%	43,190	+192%	187,741	+12%

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

2) 2002 figures are pro-forma according to the new structure of Aeronautics and Defence and Security Systems

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

4) Order Intake and Order Book based on catalogue prices

5) Half-year 2003: thereof € 13.7 billion order intake for A400M

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 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



Francis Mer, French Minister of Economy, Finance and Industry, with Philippe Camus and Rainer Hertrich, Chief Executive Officers

Paris Airshow 2003: Airbus Momentum Continues

On the occasion of the 2003 edition of the Paris Air Show, which was held between June 15 and June 21, Airbus provided new proof of the competitiveness of its products. For this show, Airbus chose to exhibit in flight the largest and smallest members of its family of aircraft currently in service, the 380-seat A340-600 alongside the A318, which is the latest 107-seat single-aisle aircraft.

During the show, Airbus announced a total of 81 new orders and options: 41 aircraft of which 21 A380s for Emirates, 32 aircraft including 14 options for Qatar Airways; Korean Air signed a Memorandum of Understanding with Airbus for the acquisition of 8 A380s including 3 options.

In total, Airbus recorded 213 firm orders up to July 31, 2003, which represents more than half of all world orders in terms of units. As far as deliveries are concerned, Airbus is slightly ahead of its competitor with 149 aircraft delivered up to June 30, 2003 and is well on its way to achieving its objective of delivering 300 aircraft in 2003.



Airbus A318

Highlights

EADS at the Heart of European Space

After the European Union approved the 100% take-over of Astrium by EADS, on June 17 EADS made public the new structure of its space activities, which are organised around three entities: EADS Space Services, EADS Transportation (launch-vehicle activity) and EADS Astrium (satellites). This reorganisation by sector of activity is better suited to meeting the requirements of customers. At the same time, EADS continues to implement its restructuring plan, designed to reach breakeven by 2004.

On May 27 ESA (European Space Agency) appointed EADS prime contractor for the Ariane launch vehicle. This important milestone will considerably increase the efficiency of Ariane production and reduce its costs. The member-states of ESA thus confirmed their priority for the establishment of a strong European industry in the field of launch vehicles and their confidence in EADS to play a pivotal role in it. This appointment was confirmed during the Paris Air Show by a commitment order to 30 Ariane 5 launch vehicles (for a total value of 3 billion Euro), by Arianespace.



In addition, ESA officially launched the Galileo programme (European satellite navigation system) in which EADS Astrium will play a key design and development role and which could lead to the launch of 30 satellites in the next 5 years.

Finally, EADS Astrium and Alcatel Space have signed an agreement to jointly develop and market the Alphasat satellite platform. This is the European platform developed with the support of ESA and CNES (French National Space Studies Centre) and intended for the high-power satellite market (payloads with a power-rating of more than 12 kW).

Defence:

A solid order book for future growth

With the signature, on May 27, of the contract for the A400M military-transport aircraft, EADS recorded the largest military order in its history for a value of 20 billion Euro. This programme, which should generate revenues in the second half of 2003, will rapidly gather strength. In backlog, EADS becomes one of the top three defence companies in the world, with an order book exceeding 40 billion Euro.



In order to reinforce our activities in the defence sector, we created a new Defence and Security Systems Division to better meet the requirements of our customers in integrated defence and security technology. In particular, this new organisation includes the combat and training-aircraft activities, which were previously managed by the Aeronautics Division.

This new division should generate a turnover exceeding 5 billion Euro in 2003, which is, destined to increase by approximately 10% per year.

In addition, EADS continues its strategy of developing international co-operation to reinforce its world presence. On June 17, at the Paris Air Show, EADS, MBDA and the Sukhoi Corporation (Russian defence company) signed a Memorandum of Understanding concerning joint development of defence systems such as unmanned combat aircraft (UCAV), the possibility of arming Russian Sukhoi combat-aircraft with MBDA missiles and the pooling of certain maintenance and modernisation activities.

Holding EADS shares

Stock price evolution

(base 100 dated July 10, 2000)

EADS stock price (in euros)



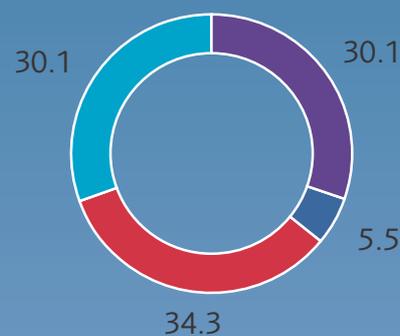
Following a rocky start to the year, marked by the uncertainties of the war in Iraq and SARS, the EADS share price has recovered and has progressed by about 110% since March 10.

Since January 1, it has out-performed the principal European indices, appreciating by 40%.

The new optimism in the markets, and the return of classic investors, oriented towards long-term growth, as well as our repeated commercial successes and the slowdown in the fall of the dollar have contributed to this reversal of trend. We trust it also results from EADS's efforts to provide clear, transparent and proactive communication during all events scheduled from April to June 2003: The Global Investor Forum, our Annual General Meeting, the information shareholder meeting in Paris, and the visits to our EADS stand at the Paris Airshow.

ISIN code	NL0000235190
Number of issued shares	811,198,500
Shares held by Company (without economic or voting rights)	10,241,252
Price of offer on July 10, 2000	19 euros for institutional investors 18 euros for private investors
Closing price on July 31, 2003	14.37 euros
Market capitalisation on Dec 31, 2002	7,990 million of euros
High in 2003	14.54 Euro on July 31
Low in 2003	6.33 Euro on March 11
Dividend for 2002 (paid on June 12, 2003)	0.3 euro (gross amount)

Capital structure as on July 1, 2003 (as %)



- DaimlerChrysler
- SOGEADE
Lagardère and SOGEP (French state holding company)
- SEPI (Spanish state holding company)
- Free float
Including EADS employees, own share buy back and, about 3 percent held directly by DaimlerChrysler and the French state.

Shareholders calendar:

November 6, 2003 :

Publication of results for the first 9 months of 2003.

Shareholders Information

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