UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended..............September 30, 2003

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

Commission file number 0-27206

SPACEHAB, Incorporated
601 13th Street, NW
Suite 900 South
Washington, DC 20005
(202) 488-3500

Incorporated in the State of Washington

IRS Employer Identification Number 91-1273737

The number of shares of Common Stock outstanding as of the close of business on November 3, 2003:

Class	Number of Shares Outstanding
Common Stock	12,397,416

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports, and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Indicate by check mark whether the registrant is an accelerated filer (as defined in rule 12b-2 of the Exchange act).

Yes No X

SPACEHAB, INCORPORATED AND SUBSIDIARIES
September 30, 2003 QUARTERLY REPORT ON FORM 10-Q

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SPACEHAB, INCORPORATED AND SUSIDIARIES

Condensed Consolidated Balance Sheets	**September 30,**	**June 30,**

(In thousands, except share data)

ASSETS	2003 (unaudited)	2003
Cash and cash equivalents	$ -	$ 1,301
Short-term investments	10,926	14,047
Restricted short-term investments	552	-
Accounts receivable, net	8,709	6,780
Prepaid expenses and other current assets	711	343
Total current assets	20,898	22,471
Property, plant, and equipment, net of Accumulated depreciation and amortization of $49,112 and $48,700, respectively	82,606	83,689
Goodwill, net	8,274	8,274
Investment in Guigne, net	1,800	1,800
Other assets, net	4,781	5,122
Total assets	$ 118,359	$ 121,356
LIABILITIES AND STOCKHOLDERS' EQUITY		
Convertible notes payable to shareholder	677	2,004
Mortgage loan payable	2,265	2,218
Revolving loan payable	497	-
Accounts payable and accrued expenses	8,775	7,283
Accounts payable- EADS	5,500	7,824
Accrued subcontracting services	467	522
Deferred revenue	6,334	7,370
Total current liabilities	24,515	27,221
Accrued contract cost and other	223	255
Deferred revenue	8,377	8,734
Convertible subordinated notes payable	63,250	63,250
Mortgage loan payable	14,275	14,860
Other long term liability	1,606	1,946
Total liabilities	112,246	116,266
Commitments and contingencies		
Stockholders' equity		

Preferred Stock, no par value, convertible, authorized 2,500,000 shares, issued and outstanding 1,333,334 shares, (liquidation preference of $12,000)	11,892	11,892
Common stock, no par value, authorized 30,000,000 shares, issued and outstanding		
12,513,516 and 12,484,779 shares, respectively	83,469	83,446
Additional paid-in capital	16	16
Less treasury stock, 116,100 and 109,800 shares, respectively	(117)	(111)
Accumulated other comprehensive loss	(1,606)	(1,946)
Accumulated deficit	(87,541)	(88,207)
Total stockholders' equity	6,113	5,090
Total liabilities and stockholders' equity	$ 118,359	$ 121,356

See accompanying notes to unaudited condensed consolidated financial statements.

SPACEHAB, INCORPORATED AND SUBSIDIARIES
Unaudited Condensed Consolidated Statements of Operations

(In thousands, except share data)	(Unaudited) Three Months Ended September 30,	
	2003	**2002**
Revenue	$ 18,850	$ 26,812
Costs of revenue	13,527	21,634
Gross profit	5,323	5,178
Operating expenses		
Selling, general and administrative	2,932	3,414
Research and development	-	14
Total operating expenses	2,932	3,428
Income from operations	2,391	1,750
Interest expense	(1,740)	(1,859)
Interest and other income, net	33	9
Income (loss) before income taxes	684	(100)

Income tax (expense) benefit	(18)	6
Net income (loss)	$ 666	$ (94)
Income (loss) per share		
Net income (loss) per share – basic	$ 0.05	$ (0.01)
Shares used in computing net income (loss) per share – basic	12,370,955	12,154,465
Net income (loss) per share – diluted	$ 0.05	$ (0.01)
Shares used in computing net income (loss) per share – diluted	13,745,450	12,154,465

See accompanying notes to unaudited condensed consolidated financial statements.

SPACEHAB, INCORPORATED AND SUBSIDIARIES

Unaudited Condensed Consolidated Statements of Cash Flows

(In thousands)	Three Months Ended September 30, 2003	Three Months Ended September 30, 2002
Operating activities		
Net income (loss)	$ 666	$ (94)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities		
Depreciation and amortization	1,527	3,141
Changes in assets and liabilities		
(Increase) in accounts receivable	(1,929)	(808)
(Increase) in prepaid expenses and other current assets	(368)	(445)
Decrease (increase) in other assets	208	(550)
(Decrease) in deferred revenue	(1,393)	(2,111)
(Decrease) increase in accounts payable, accrued expenses and accounts payable- EADS	(832)	1,479
(Decrease) in accrued subcontracting services and other	(53)	(216)
Net cash (used in) provided by operating activities	(2,174)	396
Investing activities		
Payments for flight assets under construction	(49)	(109)
Payments for building under construction	(307)	-
Purchases of property, equipment and leasehold improvements	-	(11)
Proceeds received from sale of property and equipment	11	125
Proceeds from sale of investments	2,569	-
Decrease in restricted cash	-	549
Net cash provided by investing activities	2,224	554
Financing activities		
Payment of loan payable	-	(42)
Proceeds from issuance of common stock	23	47
Purchase of treasury stock	(6)	-
Proceeds from (repayment of) revolving loan payable, net	497	(1,420)
Repayment of mortgage loan	(538)	(494)
Payment of convertible note payable to stockholder	(1,327)	(612)
Net cash (used in) financing activities	(1,351)	(2,521)
Net change in cash and cash equivalents	(1,301)	(1,571)
Cash and cash equivalents at beginning of period	1,301	2,145
Cash and cash equivalents at end of period	$ -	$ 574

See accompanying notes to unaudited condensed consolidated financial statements.

SPACEHAB, INCORPORATED AND SUBSIDIARIES
Notes to Unaudited Condensed Consolidated Financial Statements

1. Basis of Presentation

In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments, consisting of only normal recurring accruals necessary for a fair presentation of the consolidated financial position of SPACEHAB, Incorporated and subsidiaries ("SPACEHAB" or the "Company") as of September 30, 2003, and the results of its operations and cash flows for the three month periods ended September 30, 2003 and 2002. However, the consolidated financial statements are unaudited, and do not include all related footnote disclosures. Certain amounts presented for prior periods have been reclassified to conform with the fiscal year 2004 presentation.

The consolidated results of operations for the three month period ended September 30, 2003 are not necessarily indicative of the results that may be expected for the full year. The Company's results of operations have fluctuated significantly from quarter to quarter. The interim unaudited condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements appearing in the Company's Annual Report on Form 10-K for the year ended June 30, 2003.

The Company’s cash and short-term investments are approximately $11.5 million as of September 30, 2003 of which approximately $0.6 million is restricted pursuant to the Company’s revolving loan payable. Management believes that the Company has sufficient liquidity to fund ongoing operations for at least the remainder of this fiscal year but may experience a reduction in cash balances during fiscal year 2004 to fund its operating and financing activities. The Company also expects to utilize existing cash and any potential payment from U.S. National Aeronautics and Space Administration (“NASA”) to support strategies for new business initiatives and reduce debt service requirements. However, under certain scenarios the Company could be facing liquidity concerns after the end of fiscal year 2004.

2. Earnings per Share

(in thousands except per share data)

	Three months ended September 30, 2003			Three months ended September 30, 2002		
	Income (Numerator)	Shares (Denominator)	Per Share Amount	Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic EPS:						
Income (loss) available to common stockholders	$ 666	12,370,955	$ 0.05	$ (94)	12,154,465	$ (0.01)
Effect of dilutive securities:						
Convertible notes payable	-	-	-	-	-	-
Options and warrants	-	41,161	-	-	-	-
Convertible preferred shares	-	1,333,334	-	-	-	-
Diluted EPS:						
Income (loss) available to common stockholders	$ 666	13,745,450	$ 0.05	$ (94)	12,154,465	$ (0.01)

Convertible notes payable outstanding as of September 30, 2003, convertible into 4,642,202 shares of common stock at $13.625 per share and due October 2007, were not included in the computation of diluted EPS for the three months ended September 30, 2003 and 2002, as the inclusion of the converted notes would be anti-dilutive for these periods.

Options to purchase 2,100,582 shares of common stock, at prices ranging from $0.93 to $12.00 per share, were outstanding at September 30, 2003 but were not included in diluted EPS as the option prices were greater than the average market price of the common shares during the three months ended September 30, 2003. The options expire between October 9, 2003 and August 7, 2013.

Options to purchase 361,000 shares of common stock at $0.70 per share were outstanding as of September 30, 2002, but were not included in the computation of diluted EPS as the inclusion of these options would be anti-dilutive for the three months ended September 30, 2002. These options expire on September 17, 2012.

Options to purchase 2,185,650 shares of common stock, at prices ranging from $1.15 to $14.00 per share, were outstanding at September 30, 2002 but were not included in diluted EPS as the option prices were greater than the average market price of the common shares during the three months ended September 30, 2002. The options expire between October 9, 2002 and July 23, 2011.

3. Revenue Recognition

Revenue generated under the Research and Logistics Mission Support ("REALMS") contract and for all other contract awards for which the capability to successfully complete the contract can be reasonably assured and costs at completion can be reliably estimated at contract inception, is recognized under the percentage-of-completion method based on costs incurred over the period of the contract. Revenue provided by SGS is primarily derived from cost-plus award fee contracts, whereby revenue is recognized to the extent of reimbursable costs incurred plus award fee. Award fees which provide earnings based on the Company's contract performance as determined by NASA evaluations, are recorded when the amounts can be reasonably estimated or awarded. Changes in estimated costs to complete and provisions for contract losses and estimated amounts recognized as award fees are recognized in the period they become known. Revenue provided by Astrotech's payload processing services is recognized ratably over the occupancy period of the satellite while in the Astrotech facilities. For the multi-year contracts with Boeing and Lockheed, revenue is billed and recognized on a quarterly basis for costs incurred.

4. Statements of Cash Flows - Supplemental Information

(a) Cash paid for interest costs was $0.4 million for the three months ended September 30, 2003 and 2002. The Company did not capitalize any interest costs during the three months ended September 30, 2003 and 2002.

(b) The Company paid no income taxes during the three months ended September 30, 2003 and 2002.

5. Credit Facilities

On November 15, 2001 the Company entered into an agreement with Alenia Spazio S.P.A. ("Alenia") to restructure the terms of its $11.9 million debt. The terms of the restructure provide for a $3.0 million payment of principal and interest on December 31, 2001 and quarterly amortization of the remaining principal beginning March 2002 through December 2003. In addition, the interest rate was reduced to 8% effective January 1, 2002. The outstanding balance is $0.7 million as of September 30, 2003.

On August 29, 2002 the Company entered into a $5.0 million line of credit with a new financial institution. This credit facility replaced a previous credit facility which was repaid and expired on July 31, 2002. The term of this new credit facility is through August 28, 2005. As of September 30, 2003, $0.5 million was drawn on this line of credit. Covenants include a liquidity ratio and a limited pledge of $5.6 million of the Company's investment account. Short-term investments are restricted under the pledge agreement. The restriction on the Company's investment balance is limited to 111% of the Company's borrowings on the line of credit.

On August 30, 2001, SPACEHAB's Astrotech subsidiary completed a $20.0 million financing of its satellite processing facility expansion project in Titusville, Florida with a financial institution. The proceeds of this financing were used to complete the construction of the payload processing facility and supporting infrastructure.

The loan is collateralized primarily by the multi-year payload processing contracts with The Boeing Company ("Boeing") and Lockheed Martin Corporation ("Lockheed Martin"). Interest accrues on the outstanding principal balance at a LIBOR-based rate, adjustable quarterly. The loan matures on January 15, 2011. The loan was converted from a construction loan to a term loan on December 31, 2001. Amortization of loan principal began on January 15, 2002 and continues on a quarterly basis through the loan maturity date. For the three months ended September 30, 2003, approximately $0.5 million of principal was repaid and the remaining balance is $16.5 million (see note 9).

In conjunction with this financing, a swap agreement was required to be entered into to provide for a fixed rate of interest under the loan commitment beginning January 15, 2002. The fixed rate of interest on the outstanding principal balance is 5.62% plus 225 basis points. The value of the swap agreement increased by approximately $0.3 million during the three months ended September 30, 2003 due to increases in the market rate of interest and is recorded in other comprehensive loss. The objective of the hedge was to eliminate the variability of cash flows in the interest payments for the total amount of the variable rate debt, the sole source of which is due to changes in the USD-LIBOR-BBA interest rate. Changes in the cash flows of the interest rate swap are expected to exactly offset the changes in cash flows attributable to fluctuations in the USD-LIBOR-BBA interest rates on the total variable rate debt. The fair value of the swap agreement was a liability of approximately $1.6 million and $1.9 million as of September 30, 2003 and June 30, 2003, respectively, and is recorded in other comprehensive loss in the statement of stockholders' equity. The comprehensive income (loss) for the three months ended September 30, 2003 and 2002 was $1.0 million and $(0.9) million, respectively. Comprehensive income (loss) is the sum of net income (loss) and other comprehensive income (loss).

6. Segment Information

Based on its organization, the Company operates in four business segments: SPACEHAB, now designated SPACEHAB Flight Services ("SFS"), SPACEHAB Government Services ("SGS"), Astrotech and SMI. SFS was founded to commercially develop space habitat modules to operate in the cargo bay of the Space Shuttles. SFS provides access to the modules and integration and operations support services for both NASA and commercial customers. SGS is primarily engaged in providing engineering services and products to the Federal government and NASA. Astrotech provides payload processing facilities to serve the satellite manufacturing and launch services industry. Astrotech currently provides launch site preparation of flight ready satellites to major U.S. space launch companies and satellite manufacturers. SMI was established in April 2000, to develop space themed commercial business activities.

On April 3, 2003, the Company changed the name of its Johnson Engineering subsidiary to SPACEHAB Government Services, Incorporated to more appropriately reflect the subsidiary's strategic direction of operating in the government business section. As part of the realignment of the Company's operating units, the Strategic Programs operating unit, which was included in the Other Segment, was moved into SGS in the fourth quarter of the Company's fiscal year ended June 30, 2003. Segment amounts have been restated based on the revised reporting structure.

The Company's chief operating decision maker utilizes both revenue and income (loss) before income taxes, including allocated interest based on the investment in the segment, in assessing performance and making overall operating decisions and resource allocations. As such, taxes and corporate overhead have not been allocated from SFS to the various segments.

Three Months Ended September 30, 2003

	Revenue	Income (Loss) Before Income Taxes	Net Fixed Assets	Depreciation And Amortization
SPACEHAB Flight Services	$ 11,777	$ (107)	$ 34,235	$ 893
SPACEHAB Government Services	3,533	(238)	220	22
Astrotech	3,373	1,062	48,151	502
SMI	167	(33)	-	-
	$ 18,850	$ 684	$ 82,606	$ 1,417

Three Months Ended September 30, 2002

	Revenue	Income (Loss) Before Income Taxes	Net Fixed Assets	Depreciation And Amortization
SPACEHAB Flight Services	$ 12,367	$ (1,006)	$ 122,096	$ 2,150
SPACEHAB Government Services	11,475	670	1,156	271
Astrotech	2,846	318	49,477	525
SMI	124	(82)	64	65
	$ 26,812	$ (100)	$ 172,793	$ 3,011

7. Stock – Based Compensation

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure—an amendment of SFAS No. 123." This statement amends SFAS No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this statement amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The Company has chosen to continue to account for stock-based compensation using the intrinsic value method prescribed in APB Opinion No. 25 and related interpretations. Accordingly, compensation expense for stock options is measured as the excess, if any, of the fair market value of the Company's stock at the date of the grant over the exercise price of the related option.

Had compensation costs for the Company's stock options been determined based on SFAS No. 123, "Accounting for Stock-Based Compensation," the Company's net income (loss) and earnings (loss) per share would have been as follows (in thousands, except per share amounts).

	Three Months Ended September 30, 2003	Three Months Ended September 30, 2002
Net income (loss), as reported	$ 666	$ (94)
Deduct: Total stock-based compensation expense determined under fair value based method (SFAS No. 123) for all awards, net of related tax effects	(91)	(151)
Pro forma net income (loss)	$ 575	$ (245)
Earnings (loss) per share:		
Basic - as reported	$ 0.05	$ (0.01)
Diluted - as reported	$ 0.05	$ (0.01)
Basic - pro forma	$ 0.05	$ (0.02)
Diluted - pro forma	$ 0.04	$ (0.02)

8. Stock Repurchase

On March 25, 2003 the Board of Directors authorized the Company to repurchase up to $1.0 million of the Company's outstanding common stock at market prices. Any purchases under the Company's stock repurchase program may be made from time-to-time, in the open market, through block trades or otherwise in accordance with applicable regulations of the Securities and Exchange Commission. For the three months ended September 30, 2003, the Company repurchased 6,300 shares at a cost of $5,825.

9. Subsequent Events

On October 1, 2003, Astrotech was notified by The Boeing Company ("Boeing") that effective October 1, 2003 it would exercise its right under the contract with Astrotech to terminate its payload processing contract. Astrotech was in full compliance with the contract terms at the time of the termination. Boeing indicated that the decision to terminate was based on the downturn of the commercial expendable launch market rather than due to performance related considerations. Under the terms of the contract termination provision, Boeing will pay Astrotech $17.5 million. Astrotech will use the proceeds from the termination payment to service the mortgage on Astrotech's Titusville, Florida facility and repay funds used to complete construction of the unique five-meter class Spacecraft Processing Facility ("SPF"). Astrotech is in the process of evaluating options available for repayment of the loan. Astrotech's SPF mortgage is approximately $16.5 million as of September 30, 2003. The Company will perform a goodwill impairment test in the second quarter of fiscal year 2004 in accordance with SFAS No. 142, *Goodwill and Intangible Assets*. Astrotech's net goodwill balance is approximately $2.5 million as of September 30, 2003.

On October 1, 2003, the Company announced that it will be closing its corporate office in Washington, D.C. and consolidating those operations into its headquarters in Houston, Texas. The Company has initiated these actions as part of its continuing efforts to further reduce operating expenses and improve profitability. The Company expects to complete this transition by December 31, 2003. The Company intends to sublease its Washington, D.C. facility which is under lease through May 31, 2006.

On November 5, 2003, NASA notified the Company that it was not awarded the ISS Mission Integration contract. Additionally, the Boeing team's bid for the Cargo Mission contract with NASA, of which SGS was a subcontractor, was not selected for contract award. As the result of the loss of these contract awards, the Company intends to make significant adjustments to its staffing and cost base structure during the second fiscal quarter of 2004. The Company will perform a goodwill impairment test in the second quarter of fiscal year 2004 in accordance with SFAS No. 142, *Goodwill and Intangible Assets*. SGS's net goodwill balance is approximately $5.7 million as of September 30, 2003.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

General

This document may contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including (without limitation) statements under "Company Strategy," "Products and Services," "Competition," "Dependence on a Single Customer," "Research and Development," and "Backlog" in Item 1 and "Management's Discussion and Analysis of Financial Condition and Results of Operations -- General" and "Liquidity and Capital Resources" in Item 7. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected in the statements. In addition to those risks and uncertainties discussed herein, such risks and uncertainties include, but are not limited to, whether the Company will fully realize the economic benefits under its U.S. National Aeronautics and Space Administration ("NASA") and other customer contracts, continued utilization by NASA and others of the Company's habitat modules and related commercial space assets, completion of the International Space Station ("ISS"), continued availability and use of the U.S. Space Shuttle system, technological difficulties, product demand and market acceptance risks, the effect of economic conditions, uncertainty in government funding and the impact of competition, delays and uncertainties in future space shuttle and ISS programs, and resolution of the Company's indemnification claim with NASA arising from the loss of the *Columbia* orbiter and its crew during the STS-107 mission.

Management believes that NASA, as well as future Space Shuttle and ISS programs will continue to be funded and supported by the U.S. Government. Furthermore, management believes that it is highly unlikely that any decision to discontinue these programs would be made during the next twelve months. However, the Company is subject to risks and uncertainties, including but not limited to, whether the Company will fully realize the economic benefits under its NASA and other customer contracts, the utilization of new commercial space assets, continued deployment of the ISS, technological difficulties, product demand and market acceptance risks, the effect of economic conditions, uncertainty in government funding, the impact of competition and delays and uncertainties in future Space Shuttle and ISS programs, and resolution of the Company's indemnification claim with NASA arising from the loss of the *Columbia* orbiter and its crew during the STS-107 mission.

SPACEHAB Flight Services ("SFS") generates revenue by providing a turnkey service that includes access to the modules and unpressurized cargo carriers and integration and operations support to scientists and researchers responsible for the experiments and/or logistics supplies for module missions aboard the Space Shuttle. Revenue generated under the Research and Logistics Mission Support ("REALMS") Contract, and under new contract awards for which the capability to successfully estimate costs and complete the contract can be demonstrated at contract inception, is recognized under the percentage-of-completion method and is being reported based on costs incurred over the period of the contract.

SPACEHAB Government Services primarily operated under the Flight Crew System Development ("FCSD") Contract which was a $399.1 million multi-task cost-plus award and incentive-fee contract. The contract commenced in May 1993 and concluded in April 2003. Portions of the contract were under recompete and those portions were awarded to another bidder and transitioned to that successful bidder in April 2003. Two of the original seven FCSD tasks remain under new contracts with SGS. Those contracts are the Configuration Management Contract ("CM") and the Stowage Engineering and Decal Contract ("SEDC"). SGS performs services under a cost-plus award and incentive-fee contracts directed by NASA.

Astrotech revenue is generated from various multi-year, fixed-price contracts with launch service providers. The services and facilities Astrotech provides to its customers support the final assembly, checkout and countdown functions associated with preparing a satellite for launch. This preparation includes: the final assembly and checkout of the satellite, check-out and installation of the solid rocket motors, loading of the liquid propellants, encapsulation of the satellite in the launch vehicle payload fairings, payload transportation to the launch pad and command and control of the satellite during pre-launch countdown. Under the multi-year contracts for payload processing services with commercial launch vehicle providers, revenue is billed and recognized on a quarterly basis as costs are incurred. Costs incurred by Astrotech are recognized as incurred. The revenue generated from other payload support contracts, such as those with NASA, is recognized ratably over the occupancy period of the satellites in the Astrotech facilities.

The Company's revenues for the three months ended September 30, 2003 and 2002 were generated primarily from the REALMS contract and contracts with related commercial customers in the SFS segment, the remaining contracts under the FCSD contract in the SGS segment and the contracts with The Boeing Company ("Boeing") and Lockheed Martin Corporation in the Astrotech segment. Revenues for SMI were immaterial for the three months ended September 30, 2003 and 2002.

The Company was under contract with NASA to support the STS-107 mission on its *Columbia* orbiter. The mission utilized the Company's Research Double Module ("RDM") flight asset. On February 1, 2003 the RDM was lost in the tragic STS-107 accident. The RDM was partially covered by commercial insurance. The commercial insurance on the module was $17.7 million. The net book value of the RDM was $67.9 million.

At this time, the Company does not plan to replace the RDM. SPACEHAB's Space Flight Services business unit has two additional modules and other flight assets available to support the Company's current NASA contract. These modules and assets can also be used to support future NASA contracts.

In July 2003 the Company submitted a detailed claim in draft to NASA for recovery of its RDM investment in the amount of $87.0 million. The claim is anticipated to be revised in the second quarter of fiscal year 2004 to incorporate the findings of the *Columbia* Accident Investigation Board, and upon revision will be refiled with NASA. The Company believes it has a basis for recovery of the loss from NASA but there can be no assurance as to the timing or the amount, if any, to be received from the claim. Upon resolution of the claim, any proceeds from NASA would be recorded in the period in which the claim is resolved.

Based on public statements made by NASA, the Company believes the Shuttle will return to flight; however, that return is currently expected to be no earlier that September or October 2004.

SPACEHAB's Space Flight Services business unit is continuing its operations, preparing for the STS-114, STS-116 and STS–118 missions. SPACEHAB is providing a cargo carrier, known as the External Stowage Platform 2, or ESP2, that will be deployed and permanently mounted to the orbiting International Space Station ("ISS"). The Company continues to support two additional ISS resupply missions, STS-116 and STS-118. The Company is currently in negotiations with NASA for equitable adjustments on its three scheduled missions due to the launch date slippage in accordance with its REALMS contract. The equitable adjustments available under its contract with NASA will compensate the Company for the additional costs incurred during the extended period of delay in NASA's return to flight.

On October 1, 2003, Astrotech was notified by Boeing that effective October 1, 2003 it would exercise its right under the contract with Astrotech to terminate its payload processing contract. Astrotech was in full compliance with the contract terms at the time of the termination. Boeing indicated that the decision to terminate was based on the downturn of the commercial expendable launch market rather than due to performance related considerations. Under the terms of the contract termination provision, Boeing will pay Astrotech $17.5 million. Astrotech will use the proceeds from the termination payment to service the mortgage on Astrotech's Titusville, Florida facility and repay funds used to complete construction of the unique five-meter class Spacecraft Processing Facility ("SPF"). Astrotech is in the process of evaluating options available for repayment of the loan. Astrotech's SPF mortgage is approximately $16.5 million as of September 30, 2003. The contract termination will reduce Astrotech's backlog by $34.9 million to $15.0 million as of October 1, 2003. The Company will perform a goodwill impairment test in the second quarter of fiscal year 2004 in accordance with SFAS No. 142, *Goodwill and Intangible Assets*. Astrotech's net goodwill balance is approximately $2.5 million as of September 30, 2003.
On November 5, 2003, NASA notified the Company that it was not awarded the ISS Mission Integration contract. Additionally, the Boeing team's bid for the Cargo Mission contract with NASA, of which SGS was a subcontractor, was not selected for contract award. As the result of the loss of these contract awards, the Company intends to make significant adjustments to its staffing and cost base structure during the second fiscal quarter of 2004. The Company will perform a goodwill impairment test in the second quarter of fiscal year 2004 in

accordance with SFAS No. 142, *Goodwill and Intangible Assets*. SGS's net goodwill balance is approximately $5.7 million as of September 30, 2003.

Costs of revenue include integration and operations expenses associated with the performance of two types of efforts: (i) sustaining engineering in support of all missions under a contract and (ii) mission specific support. Costs associated with the performance of the contracts using the percentage-of-completion method of revenue recognition are expensed as incurred. Costs associated with the cost-plus award and incentive-fee contracts are expensed as incurred by SGS. Other costs of revenue include depreciation expense and costs associated with the Astrotech payload processing facilities. Flight related insurance covering transportation of the SPACEHAB modules from SPACEHAB's payload processing facility to the Space Shuttle, in-flight insurance and third-party liability insurance are also included in costs of revenue and are recorded as incurred. Selling, general and administrative and interest and other expenses are recognized when incurred.

RESULTS OF OPERATIONS

For the three months ended September 30, 2003 as compared to the three months ended September 30, 2002.

Revenue. Revenue decreased approximately 30% to $18.9 million as compared to $26.8 million for the three months ended September 30, 2003 and 2002, respectively. For the three months ended September 30, 2003 revenue of $11.8 million was recognized from the REALMS contract with NASA and with related commercial customers, $3.5 million from SGS primarily under the CM and SEDC contracts, $3.4 million from Astrotech and $0.2 million from SMI, primarily from the Space Store. In contrast, for the three months ended September 30, 2002 revenue of $12.4 million was recognized from the REALMS contract with NASA and with related commercial customers, $11.5 million from SGS primarily under the FCSD contract, $2.8 million from Astrotech and $0.1 million from SMI, primarily from the Space Store. The decrease in revenue under the REALMS contract and related commercial customers is attributable to the mix of missions under contract and the temporary grounding of the Shuttle fleet due to the STS-107 accident. Revenue at SGS decreased due to the loss of significant portions of the FCSD contract in the third fiscal quarter of fiscal year 2003. Astrotech's revenue increase is due primarily due to two payload processing missions completed in the period ended September 30, 2003 as compared to three missions under integration efforts, not completed, in the same period ended September 30, 2002.

Costs of Revenue. Costs of revenue for the three months ended September 30, 2003 decreased by 37% to $13.5 million, as compared to $21.6 million for the prior year's quarter. For the three months ended September 30, 2003, integration and operations costs for the REALMS and related commercial customer contracts were $8.0 million, $3.1 million for SGS, $1.2 million for Astrotech payload processing and $0.1 million for SMI. Costs of revenue also includes $1.1 million of depreciation expense. In contrast, for the three months ended September 30, 2002, integration and operations costs for the REALMS and related commercial customer contracts were $7.8 million, $10.0 million for SGS, $1.4 million for Astrotech payload processing and $0.1 million for SMI. Costs of revenue also include $2.3 million of depreciation expense. Integration and operations costs for the REALMS and related commercial customer contracts increased slightly but less revenue was recognized primarily as the result of the margin on the costs incurred due to the temporary grounding of the Shuttle fleet due to the STS-107 accident. SGS's costs decreased due to the loss of significant portions of the FCSD contract in the third fiscal quarter of fiscal year 2003. Astrotech's costs decreased from the three months ended September 30, 2002 due primarily to decreased expenses associated with reimbursable costs at Astrotech's Florida facility. The decrease in depreciation expense was primarily related to the loss of the Research Double Module ("RDM") in the STS-107 accident in February 2003.

Operating Expenses. Operating expenses decreased 14% to approximately $2.9 million for the three months ended September 30, 2003 as compared to approximately $3.4 million for the three months ended September 30, 2002. Selling, general and administrative expenses decreased as compared to the same period last year primarily due to the elimination of $0.4 million compensation and benefit expenses as the result of staff reductions. The remaining decrease in selling, general and administrative expenses was primarily the result of continuing cost reductions and a decrease in depreciation expense as certain assets were fully depreciated as of June 30, 2003.

Research and development expenses were immaterial for the three months ended September 30, 2003 and 2002 as the Company continued to emphasize utilizing its existing assets base and limiting new investments in research and development.

Interest and Other Expense. Interest expense was approximately $1.7 million for the three months ended September 30, 2003 and approximately $1.9 million for the three months ended September 30, 2002. The decrease is due primarily to the reduction in the Company's debt. No interest costs were capitalized during the three months ended September 30, 2003 and 2002.

Interest and Other Income. Interest and other income was immaterial for the three months ended September 30, 2003 and 2002. Interest income is earned on the Company's short-term investments.

Income Taxes. Based on the Company's projected taxable status for fiscal year 2004, the Company recorded a nominal tax expense for the three months ended September 30, 2003. A tax benefit was recorded for the quarter ended September 30, 2002.

Net Income (Loss). Net income for the three months ended September 30, 2003 was approximately $0.7 million or $0.05 per share basic and diluted EPS on 12,370,955 shares and 13,745,450 shares, respectively, as compared to a net loss of $0.1 million or $0.01 per share (basic and diluted EPS) on 12,154,465 shares for the three months ended September 30, 2002.

Liquidity and Capital Resources

Historically the Company obtained operating and capital investment funds from the proceeds of its initial public offering of common stock and an offering of Series B Senior Convertible Preferred Stock. The Company also completed a private placement offering of convertible subordinated notes to support capital investments required for development and construction of space flight assets.

The Company's primary source of liquidity is cash flow from operations and short-term investments. The principal uses of cash flow that affect the Company's liquidity position include both operational expenditures and debt service payments. Management is focused on increasing the Company's cash flow and on managing cash effectively through limiting cash investments in long-term assets.

The Company currently maintains a working capital line of credit facility totaling $5.0 million in order to ensure appropriate levels of liquidity. As of September 30, 2003, amounts unused and available under this credit facility were $4.5 million.

Cash Flows From Operating Activities. Cash (used in) provided by operations for the three months ended September 30, 2003 and 2002 was ($2.2) million and $0.4 million respectively. For the three months ended September 30, 2003, the significant items affecting cash used in operating activities were an increase in accounts receivable of $1.9 million and a decrease in deferred revenue of $1.4 million. Accounts payable, accrued expenses and accounts payable-EADS decreased by $0.8 million. For the three months ended September 30, 2002, the significant items affecting cash provided by operating activities were depreciation and amortization of $3.1 million and a decrease in deferred revenue of $2.1 million. Accounts receivable increased $0.8 million and accounts payable, accrued expenses , and accounts payable- EADS increased $1.5 million.

Cash Flows From Investing Activities. For the three months ended September 30, 2003 and 2002, cash flows provided by investing activities were $2.2 million and $0.6 million, respectively. For the three months ended September 30, 2003 minor expenditures were made for flight assets while approximately $0.3 million was spent on property and equipment to support processing operations on upcoming government satellite missions. The Company expects to incur capital expenditures this fiscal year of approximately $1.3 million for all business units, including approximately $0.8 million of flight assets required to be replaced as a result of the STS-107 disaster. Cash flows from investing activities were primarily generated by the sale of $2.6 million of short-term investments during the period ended September 30, 2003. For the three months ended September 30, 2002 excess machinery and equipment was sold for $0.1 million which was offset by minor expenditures in flight assets and property and equipment of $0.1 million. In addition, cash that was restricted at June 30, 2002 is no longer restricted.

Cash Flows From Financing Activities. For the three months ended September 30, 2003 and 2002, cash flows used in financing activities were $1.4 million and $2.5 million, respectively. For the three months ended September 30, 2003 the Company paid $1.9 million of obligations under various credit agreements and borrowed

$0.5 million under the revolving credit facility. For the three months ended September 30, 2002 the Company paid $2.6 million of obligations under various credit agreements.

The Company's liquidity has been constrained over the previous two fiscal years. A significant portion of this constraint arose from funding of new operations and assets in development to support future Company growth, funding a portion of the construction cost of the Astrotech Florida facility and funding of required debt repayments. In addition, the Company was committed to capital investments to complete certain flight assets.

Beginning in the third quarter of fiscal year 2001, management began an aggressive multi-faceted plan to improve the Company's financial position and liquidity. This plan included restructuring and repayment of certain debt obligations.

Under this plan, the Company undertook extensive efforts to reduce cash required for both operations and capital investments. Additionally, the Company completed planned divesting of non-core assets. Development and construction of new assets is currently limited to those assets required to fulfill existing commitments under contracts and to replace certain flight assets as the result of the STS-107 disaster. The Company has no further on-going commitments to fund development or construction of any other assets. The Company completed the planned restructuring of certain debt obligations and continues to focus on reducing its outstanding debt.

On March 25, 2003 the Board of Directors authorized the Company to repurchase up to $1.0 million of the Company's outstanding common stock at market prices. Any purchases under the Company's stock repurchase program may be made from time-to-time, in the open market, through block trades or otherwise in accordance with applicable regulations of the Securities and Exchange Commission. As of September 30, 2003, the Company had repurchased 116,100 shares at a cost of $117,320 under the program. The Company will continue to evaluate the stock repurchase program and the funds authorized for the program.

The Company was under contract with NASA to support the STS-107 mission on its *Columbia* orbiter. The mission utilized the Company's RDM flight asset. On February 1, 2003 the RDM was lost in the tragic STS-107 accident. The RDM was partially covered by commercial insurance. During the three months ended March 31, 2003 the Company received $17.7 million from commercial insurers. The Company does not plan on replacing the RDM. The Company has two additional modules available to support the Company's current NASA contracts. The Company has invested the majority of the commercial insurance proceeds in U.S. Treasury securities, Federal sponsored agencies and repurchase agreements collateralized by U.S. Treasury securities in order to safeguard capital and provide ready liquidity. In July 2003 the Company submitted a detailed claim in draft to NASA for recovery of its RDM investment in the amount of $87.0 million. The claim is anticipated to be revised in the second quarter of fiscal year 2004 to incorporate the findings of the *Columbia* Accident Investigation Board, and upon revision will be refiled with NASA. The Company believes it has a basis for recovery of the loss from NASA but there can be no assurance as to the timing or the amount, if any, to be received from the claim. Upon resolution of the claim, any proceeds from NASA would be recorded in the period in which the claim is resolved.

Management continues to focus its efforts on improving the overall liquidity of the Company through identifying new business opportunities within the areas of the Company's core competencies, reducing operating expenses and limiting cash commitments for future capital investments and new asset development. SPACEHAB Government Services is pursuing significant new contracts to provide service for the International Space Station. In the event that SPACEHAB Government Services is not successful in its effort to secure additional contracts, management would further rightsize the Company's cost structure and evaluate remaining long-lived assets and goodwill. The Company has continued to restrict new capital investment and new asset development, limiting projects to those required to support current contracts and facility maintenance. Additionally, management continues to evaluate operating expenses in an effort to reduce or eliminate costs not required to effectively operate the Company.

The Company's cash and short-term investments are approximately $11.5 million as of September 30, 2003 of which approximately $0.6 million is restricted pursuant to the Company's revolving loan payable. Management believes that the Company has sufficient liquidity to fund ongoing operations for at least the remainder of this fiscal year but may experience a reduction in cash balances during fiscal year 2004 to fund its operating and financing activities. The Company also expects to utilize existing cash and any potential payment from NASA to support strategies for new business initiatives and reduce debt service requirements. However, under certain scenarios the Company could be facing liquidity concerns after the end of fiscal year 2004.

The Company’s contractual obligations as of September 30, 2003 are as follows:

Contractual Obligations	Remaining in: September 30, 2003	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	Thereafter
Long-term Debt	$ 63,927	677	-	-	-	63,250	$ -
Mortgage Loan Payable	16,540	1,680	2,412	2,625	2,529	1,734	5,560
Capital Leases	272	205	67	-	-	-	-
Operating Leases, Net	8,726	2,018	3,026	579	259	(99)	2,943
Total Contractual Cash Obligations (Excluding interest payments)	$ 89,465	$ 4,580	$ 5,505	$ 3,204	$ 2,788	$ 64,885	$ 8,503

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk.

The Company has no material changes to the disclosure made on this matter in the Company’s Annual Report on Form 10-K for the year ended June 30, 2003.

ITEM 4. Controls and Procedures

Under the supervision and with the participation of the Company’s management, including its principal executive officer and principal financial officer, the Company has evaluated the effectiveness of the design and operation of its disclosure controls and procedures within 90 days of the filing date of this quarterly report, and, based on its evaluation, the Company’s principal executive officer and principal financial officer have concluded that these controls and procedures are effective. There were no significant changes in the Company’s internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

Disclosure controls and procedures are the Company’s controls and other procedures that are designed to ensure that information required to be disclosed by the Company in the reports that the Company files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that we file under the Exchange Act is accumulated and communicated to its management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

NONE

ITEM 2. CHANGES IN SECURITIES

NONE

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

NONE

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

NONE

ITEM 5. OTHER INFORMATION

NONE

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a) 99.1 Certification pursuant to 18 U.S. C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

99.2 Certification pursuant to 18 U.S. C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

10.121 Second amendment to Finance and Security agreement, dated August 29, 2002, by and among Riggs Bank, N.A. and the Company, SPACEHAB Government Services, Inc. and Astrotech Space Operations, Inc.

b) Reports on Form 8-K.

- The Company's earnings release for the period ended June 30, 2003 was filed on Form 8-K on
August 29, 2003.

- The Company's press release relative to the Boeing contract termination was filed on Form 8-K on October 23, 2003.

- The Company's earnings release for the period ended September 30, 2003 was filed on Form 8-K on November 7, 2003.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SPACEHAB, INCORPORATED

Date: November 10, 2003

/s/ Michael E. Kearney
Michael E. Kearney
President and Chief Executive Officer

/s/ Julia A. Pulzone
Julia A. Pulzone
Senior Vice President, Finance
and Chief Financial Officer

CERTIFICATIONS

I, Michael E. Kearney, certify that:

1. I have reviewed this report on Form 10-Q of SPACEHAB, Incorporated;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a. Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b. Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c. Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   d. All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report the financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   e. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 10, 2003

/s/ Michael E. Kearney

Michael E. Kearney
President and Chief Executive Officer

CERTIFICATIONS

I, Julia A. Pulzone, certify that:

1. I have reviewed this report on Form 10-Q of SPACEHAB, Incorporated;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a. Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b. Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c. Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a. All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report the financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 10, 2003

/s/ Julia A. Pulzone

Julia A. Pulzone
Senior Vice President, Finance
and Chief Financial Officer