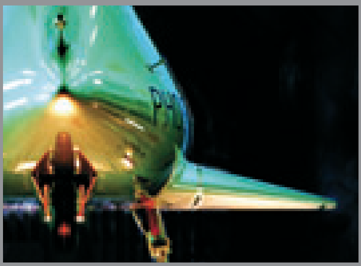
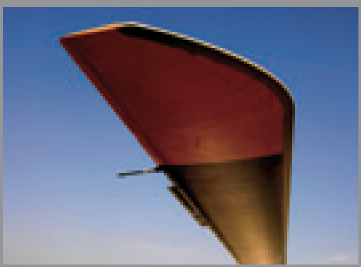
Number 17
June 2006

aero-notes

Letter to our Shareholders





Summary

Dear Shareholders,

On 13th June 2006 EADS announced a delay of six to seven months in the A380 production programme. The share price fell sharply after this announcement reflecting disappointment in the financial markets and their adverse reaction towards an announcement which was considered to be damaging. My intention is not to comment on this reaction, and why the immediate swing was so large, which has now been analysed in great detail.

The A380 is an extremely broad and complex programme. EADS is reviewing why the full extent and consequences of the delays came to light so late, and what it reveals about our warning mechanisms and culture. The actions required to correct this problem, as well as those that will ensure it does not happen again, are under review. The purchase of the 20% of Airbus shares held by BAE Systems, currently under negotiation, may open an opportunity to simplify governance. I should also add that several of our 16 customers have reiterated their intention to take delivery of their orders, but that all discussions on that matter are not yet closed.

Beyond the A380, the Group can also depend on other strong assets. EADS delivered excellent financial results, fuelled by strong Airbus deliveries. Most businesses showed stronger profitability due to better performance. The Group has robust financial foundations as shown by our € 5.9bn net cash position and our order book worth € 250 bn provides us with an extraordinary forward visibility.

Of course, we are very aware of the challenges that lie ahead. The US dollar rate continues to be a burden and Boeing has increased the pressure with very competitive long range products. We are; however, ready to take on the competition. Airbus remains powerful in the single aisle and very large aircraft segments, and our long range products will be developed to best match customer needs and to satisfy our strategic objectives in this segment.

The A380 is progressing towards certification. We are totally focused on the challenging delivery ramp up, first to Singapore Airlines by year end, and then through 2007 and 2008.

With great promise being shown also in the Helicopter and Defence businesses, we are confident in EADS' ability to overcome these difficulties and get back on track to continuing our history of success.

Pierre de Bausset
Senior Vice President, Head of Investor Relations and Financial Communication

EADS

First quarter earnings 2006 (Q1)

Solid growth prospects

EADS strongly improved its financial performance in the first quarter of 2006 compared to the same period in 2005. From January to March 2006, the company increased revenues by 30% to € 9.1 billion (Q1 2005: € 7.0 billion) Increases were achieved at the Airbus, Eurocopter, Military Transport Aircraft and Defence & Security Systems Divisions.
EBIT* (pre-goodwill and exceptionals) up 19% to € 780 million (Q1 2005: € 657 million) improved in all Divisions compared to the first quarter of 2005. While Airbus increased its aircraft deliveries (101 versus 87), further profit growth at Space, Eurocopter, Defence & Security Systems as well as the Military Transport Aircraft Divisions contributed to strong performance in the first quarter. EBIT* grew in spite of a less favourable hedge rate of € 1 = US$ 1.09 (Q1 2005: € 1 = US$ 0.98) and higher Research & Development (R&D) expenses. The EBIT* margin amounted to 8.6%.
In the first quarter of 2006, self-financed R&D expenses accounted for € 536 million (Q1 2005: € 422 million). This increase was mostly due to Airbus' programme development and is consistent with plan. R&D capitalisation remained nearly stable (€ 56 million) compared to the same period of the previous year (Q1 2005: € 52 million).

Net Income up 26% – Net Cash position up again

EADS' Net Income rose 26% to € 516 million (Q1 2005: € 410 million), or € 0.65 per share (Q1 2005: € 0.52). This increase is the result of the Group's good EBIT* performance in the first quarter of 2006. Net Income was strengthened by the favourable effective tax rate but was weakened by the Other Financial Result due to the deterioration of the closing €/US$ spot rate at the end of March 2006 compared to December 2005.
Free Cash Flow including customer financing stood at € 363 million, thanks to sell-downs of aircraft financing exposure (Q1 2005: € 641 million). Free Cash Flow before customer financing amounted to € – 67 million (Q1 2005: € 704 million). The reduction compared to the same period of 2005 mainly resulted from lower advance payments on key defence programmes. At the end of March 2006, the Net Cash position stood at € 5.9 billion (year-end 2005: € 5.5 billion).

Order Intake up 18%

Reflecting business successes across the Group, EADS' order intake amounted to € 10.5 billion in the first three months of 2006 (Q1 2005: € 8.9 billion). This represents an increase of 18% and exceeded revenues in the period. The strong momentum in order intake was mainly supported by Military Transport Aircraft, Eurocopter and Space Divisions.
At the end of March, EADS' order book remained solid at € 248.6 billion (contributions from commercial aircraft activities based on list prices). The order book decreased slightly versus year-end 2005 due to the impact of a less favourable €/US$ exchange rate. In the first three months of 2006, EADS created around 1,000 new jobs.
At the end of March 2006, EADS had 114,203 employees (year-end 2005: 113,210).

Outlook 2006: Ongoing growth confirmed

EADS confirms the outlook for 2006 that was published on 8 March 2006.
EADS expects its 2006 revenues to grow to more than € 37 billion (FY 2005: € 34.2 billion), powered by the over 10% increase of Airbus deliveries and higher volume from its combined defence businesses. EADS uses a planning rate of € 1 = US$ 1.30.
EBIT* is expected to grow to between € 3.2 billion and € 3.4 billion (FY 2005: € 2.85 billion) reflecting the higher volume at Airbus, but also due to better operational efficiencies across all divisions (including Route06 cost saving programme), however partially offset by higher than expected losses at Sogerma and the continuing US Dollar headwind arising from the maturity of less attractive hedges. In light of the above, EADS confirms its 2006 EBIT* guidance. The EBIT* guidance, as a range, recognizes the existence of contingencies for risk which can only be adjusted as the year progresses.
Free Cash Flow before Customer Financing is expected to remain robust in 2006, despite the build up of inventories related to the delivery ramp-up.
2006 EPS is expected to grow to between € 2.35 and € 2.55 (FY 2005: € 2.11), based on an expected average of around 795 million shares, and taking into account a US Dollar year-end closing rate similar to 2005.
This outlook does not reflect further impact of a potential exercise of BAE Systems' put option regarding its 20% stake in Airbus.

For further information, please visit our website **www.eads.com Investor relations**

EADS Group (Amounts in € m)	Q1 2006	Q1 2005	Change
Revenues	9,083	7,005	+ 30%
thereof defence	2,018	1,258	+ 60%
EBITDA(1)	1,108	984	+ 13%
EBIT(2)	780	657	+ 19%
Research & Development costs	536	422	+ 27%
Net Income(3)	516	410	+ 26%
Earnings Per Share (EPS)(3), in euro	0.65 €	0.52 €	+ 0.13 €
Free Cash Flow (FCF)	363	641	– 43%
Free Cash Flow before Customer Financing	– 67	704	-
Order Intake(4)	10,498	8,907	+ 18%

1) Earnings before interest, taxes, depreciation, amortization and exceptionals
2) Earnings before interest and taxes, pre-goodwill impairment and exceptionals
3) EADS continues to use the term Net Income. It is identical with Profit for the period attributable to equity holders of the parent as defined by IFRS Rules; Revised application of IAS 32 standards required changes regarding the accounting for the put option granted to BAE Systems as a minority shareholder of Airbus (20%). In the first quarter 2006, these changes contributed € 84 million to Net Income (Q1 2005: € 82 million) or € 0.11 to earnings per share (Q1 2005: € 0.10). These changes also resulted in the recognition of the put option in the balance sheet as a liability for puttable instruments (€ 3.5 billion). The liability replaces the minority interest for BAE Systems' 20% Airbus stake in EADS' balance sheet.
4) Contributions from commercial aircraft activities to EADS Order Intake and Order Book based on list prices

Annual results 2005

Outstanding 2005 results

In 2005, EADS clearly outperformed its previous record year. The outstanding result is mainly due to the continued strong revenues and earnings of Airbus as well as of the Group's space and defence businesses. The EBIT* grew at € 2.85 billion for the year, up 17% over 2004 in spite of a less favourable FY 2005 average hedge rate of € 1 = US$ 1.06 (FY 2004: € 1 = US$ 0.99). EBIT* margin increased from 7.7% to 8.3%.
In 2005, EADS expensed € 2.1 billion on Research and Development (R&D), representing a decline of 2% compared to 2004. In the same period, € 293 million were capitalized, of which € 259 million related to the A380 programme (FY 2004: € 169 million, of which € 152 million was for the A380). EADS' R&D expenditure, remaining high in 2005, reflecting the Group's continued emphasis on technological investment.
Revenues grew by 8% to € 34.2 billion (FY 2004: € 31.8 billion). Increases were achieved at Airbus, Eurocopter, Space and Defence & Security Systems Divisions. Combined revenues from EADS defence businesses remained at € 7.7 billion (2004: € 7.7 billion), due to a shift of internal revenue recognition on the A400M programme to the first quarter of 2006.

Net Income soars

EADS' Net Income rose sharply by 39% to € 1.68 billion (FY 2004: € 1.20 billion), or € 2.11 per share (FY 2004: € 1.50) reflecting the strong operational performance and an increased financial result. It also benefits from a different accounting treatment of BAE Systems' minority stake in Airbus. Revised application of IAS 32 standards required changes regarding the accounting for the put option granted to BAE Systems as a minority shareholder of Airbus (20%).
These changes contributed € 289 million to Net Income (FY 2004: € 185 million) or € 0.36 to earnings per share (FY 2004: € 0.23).
These changes also resulted in the recognition of the put option in the balance sheet as a liability for "puttable instruments" (€ 3.5 billion). The liability replaces the minority interest for BAE Systems' 20 % Airbus stake in EADS' balance sheet.

Strong increase in cash after continuing investment

EADS' net cash position was boosted 39% to € 5.5 billion (2004: € 4.0 billion). EADS' active cash management policies are prudent and provide flexibility for further business development.
Free Cash Flow (FCF) before Customer Financing was again strongly positive, reaching € 2.2 billion (2004: € 1.8 billion).
This performance reflects the positive cash contribution from operations, driven by contributions from working capital, higher Net Income and lower capital expenditures on the A380 development. FCF including customer financing grew even stronger and reached € 2.4 billion (FY 2004: € 1.6 billion) due to the sell-down of customer financing exposure to the financial markets.

Dividend proposal up 30% to € 0.65 per share

EADS' 2005 results have confirmed the Group's financial strength. The growth in the dividend (€ 0.65 per share) reflects EADS' continued success.

Order intake up 110%

Mirroring the strong business momentum of EADS' operational units order intake more than doubled to € 92.6 billion over the previous year (FY 2004: € 44.1 billion).
At € 253.2 billion, the EADS order book (contributions from commercial aircraft activities based on list prices) grew to a record amount at year-end 2005 (2004: € 184.3 billion).
On top, this outstanding EADS order book benefited from a more favourable US Dollar closing spot rate of € 1 = US$ 1.18 (2004: € 1 = US$ 1.36) displaying a positive dollar impact on the non-hedged part of the Airbus order book (around € 10 billion).
To date, EADS' order book is the strongest in the global aerospace and defence industry. At the end of 2005, the Group's defence order book stood at € 52.4 billion (2004: € 49.1 billion) which is 7% up compared to the previous year.

EADS Group (Amounts in € m)	FY 2005	FY 2004	Change
Revenues	34,206	31,761	+ 8%
thereof defence	7,700	7,694	+/- 0%
EBITDA(1)	4,365	3,841(3)	+ 14%
EBIT(2)	2,852	2,432(3)	+ 17%
Research and Development costs	2,075	2,126	– 2%
Net Income	1,676	1,203(3)(4)	+ 39%
Earnings Per Share (EPS), in euro	2.11 €	1.50 €(3)(4)	+ 0.61 €
Free Cash Flow (FCF)	2,413	1,614	+ 50%
FCF, before Customer Financing	2,239	1,802	+ 24%
Dividend per share, in euro	0.65 €(5)	0.50 €	+ 30%
Order Intake(6)	92,551	44,117	+ 110%

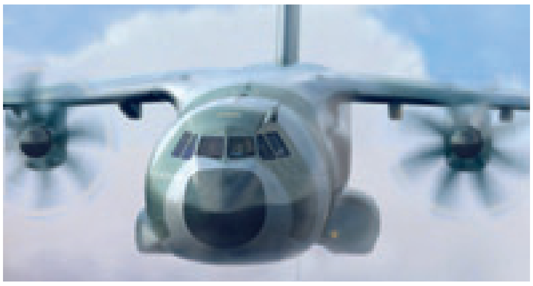
1) Earnings before interest, taxes, depreciation, amortization and exceptionals
2) Earnings before interest and taxes, pre-goodwill impairment and exceptionals
3) Previous year restated by stock options expense (€ - 12 million for EADS Group) according to first time application of IFRS 2
4) EADS continues to use the term Net Income. It is identical with Profit for the period attributable to equity holders of the parent as defined by IFRS Rules; Revised application of IAS 32 standards required changes regarding the accounting for the put option granted to BAE Systems as a minority shareholder of Airbus. These changes contributed € 289 million to Net Income (FY 2004: € 185 million) or € 0.36 to earnings per share (FY 2004: € 0.23).
5) to be proposed to AGM on May 4th, 2006
6) Contributions from commercial aircraft activities to EADS Order Intake and Order Book based on list prices

Results by division

Airbus: still a leader in the Commercial Aircraft Market

Airbus

Airbus continued to lead the commercial aircraft market in 2005, delivering its best year ever in terms of deliveries, order intake and profitability. The EBIT* surged to € 2,307 million (2004: € 1,919 million). Revenues increased by 10% to € 22,179 million (FY 2004: € 20,224 million). Airbus' EBIT* margin improved from 9.5% to 10.4%. With 1,111 gross orders in 2005, Airbus achieved an all-time record order intake in the commercial aviation industry and as a result outsold its competitor for the fifth year in a row. At the end of 2005, the Airbus order book of 2,177 commercial aircraft (2004: 1,500) amounted to € 202.0 billion based on list prices. This is an increase of 48% over year-end 2004.



Military Transport Aircrafts

The Military Transport Aircraft Division's EBIT* grew to € 48 million (FY 2004: € 26 million). This surge reflects the successful operations and the completed restructuring in the previous year. Revenues decreased to € 763 million (F2004: 1,304 million) due to a shift of an internal revenue recognition on the A400M programme worth € 539 million to the first quarter of 2006.
The Division's order book increased by 5% to € 21.0 billion (2004: € 19.9 billion).

Eurocopter

Eurocopter maintained its global leadership in the civil and parapublic sector, while achieving progress in military business and expanding its international presence. EBIT* grew to € 212 million (2004: € 201 million) while revenues increased by 15% to € 3,211 million (2004: € 2,786 million). The higher revenues were mainly due to a strong increase in helicopter deliveries (334 versus 279 in 2004) and the first time consolidation of Australian Aerospace. The lower EBIT* margin resulted from a less favourable business mix and hedging impact as well as higher R&D expenditure.
In 2005, the Division received new orders for 401 helicopters (FY 2004: 332). At the end of 2005, the Eurocopter order book amounted to € 10 billion (2004: € 9.1 billion).

Space

The Space Division made further strides improving profitability and reached a substantially higher EBIT* of € 58 million (FY 2004: € 9 million). The improvement reflects growth despite a continued difficult business environment, combined with the positive impact of the lower cost base following the already completed restructuring. Revenues expanded to € 2,698 million (2004: € 2,592 million). Revenues were driven by the delivery of telecommunication satellites and the Ariane 5 production ramp-up as well as the step up in Paradigm service revenues. At year-end 2005, the Division's order book stood at € 10.9 billion (2004: € 11.3 billion).

Defence & Security Systems

The Defence & Security Systems Division had a strong year for deliveries and new orders. Driven largely by Eurofighter and missile programmes revenues grew organically by 5% to € 5,636 million (FY 2004: € 5,385 million). EBIT* decreased to € 201 million (FY 2004: € 226 million). This decrease results from the one-off release of a litigation provision in 2004 and charges for Unmanned Aerial Vehicle (UAV) activities in 2005 and was nearly compensated by a better operational performance. The order book rose by 7% to € 18.5 billion at year-end 2005 (2004: € 17.3 billion).

Headquarters and Other Businesses (not belonging to any Division):

At EADS headquarters, EBIT* improved thanks to a higher contribution from the 46.30% stake in Dassault Aviation.
The EBIT* of Other Businesses (ATR, EADS EFW, EADS Socata and EADS Sogerma Services) accounted for € – 171 million (FY 2004: € 2 million) with positive contributions from ATR, EADS EFW and EADS Socata. EADS Sogerma Services' loss widened by € 198 million compared to 2004. This result is due to operational losses, impairment of assets and restructuring.
Other Businesses achieved revenues of € 1,155 million (2004: € 1,123 million). At the end of 2005, the order book of Other Businesses strongly increased to € 2.1 billion (2004: € 1.1 billion).

** EADS uses EBIT pre-goodwill impairment and exceptionals as a key indicator of its economic performance. The term «exceptionals» refers to income or expenses of a non-recurring nature, such as amortization expenses of fair value adjustments relating to the EADS merger, the formation of Airbus S.A.S. and the formation of MBDA, and impairment charges. Previous year restated by stock options expense according to first time application of IFRS 2*

Annual General Meeting 2006

Shareholders close an outstanding 2005 Fiscal Year

The Annual General Meeting of EADS Shareholders was held in Amsterdam on May 4th, 2006.
On the agenda were the Report of the Board of Directors for 2005, the audited accounts for the financial year, allocation of the result and approval of dividend distribution, release from liability of the Members of the Board, appointment of auditors for 2006, delegation of powers to the Board to issue new shares and to cancel shares repurchased by the Company, and lastly, renewal of the authorisation of acquisition by the Board of shares of the Company.

After a presentation of the Board Report by Chairmen Manfred Bischoff and Arnaud Lagardère, the two Chief Executive Officers, Thomas Enders and Noël Forgeard, reported in detail on EADS achievements and on its outstanding financial results. They set out the Group's strategy, founded on improvement, internationalization and innovation.
The shareholders present were then able to raise questions with the Management, regarding progress on the A380 programme, trends in the aircraft industry and impact of the dollar exchange rate, the A350 programme, and the stock option scheme.

The number of shares present or represented was 521,711,379 of a total of 821,794,771 EADS shares in circulation. The 8 resolutions proposed by the Board to the Shareholders were approved by a majority of more than 95% each.

A dividend up 30%

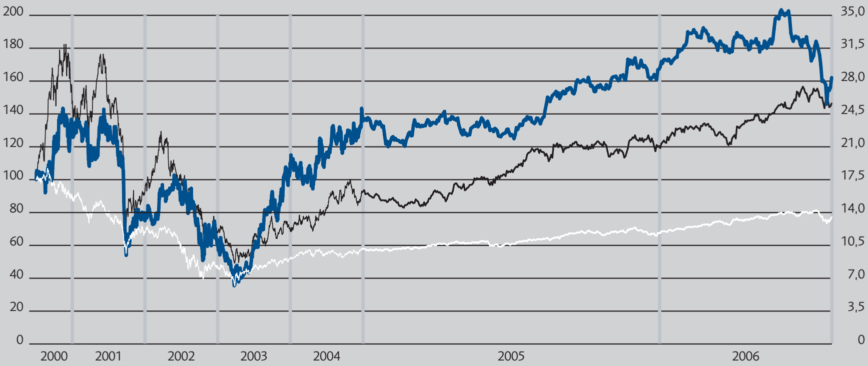
On May 4th, 2006, the Annual General Meeting of EADS shareholders approved a cash distribution of a gross amount of €0.65 per share, up by 30%. This reflects Management's confidence in the Company's future earnings as the strength of the commercial aviation cycle – particularly due to Asian demand - and the increasing profitability of defence and space activities suggest sustained growth.
Shareholders owning EADS shares as of May 9th, 2006 at the closing of the trading day ("record date") receive the dividend on June 1st.
From May 10th to June 1st, EADS shares are listed « ex-dividend ».
The dividend are paid with a deduction of withholding tax of 25% by the Dutch tax authorities, EADS being incorporated in the Netherlands. However, under the UK/Netherlands Double Tax Treaty, the withholding tax may be reduced to 15%, when applying to the Dutch tax authorities by the transmission of the shareholder's tax residence certificate.
The receipt of dividends does not give rise to a National Insurance Contribution (NIC) liability. Dividends received from foreign companies are subject to income tax at the rate of either 10% (in the case of a basic rate taxpayer or a starting rate taxpayer) or 32.5% (in the case of a higher rate taxpayer). So you must report any dividends received from shares in EADS through your self assessment tax return, but under the Treaty, you may claim credit for tax on dividends which has already been deducted in the Netherlands, but only to the extent of your UK income tax liability, if that is lower.

To get detailed answers to tax questions you may contact EADS toll free numbers:
France: 0 800 01 2001
Germany & Spain: 00 800 00 02 2002
From other countries: + 33 1 41 33 90 94

Your EADS Shares

Stock price evolution on May 26, 2006

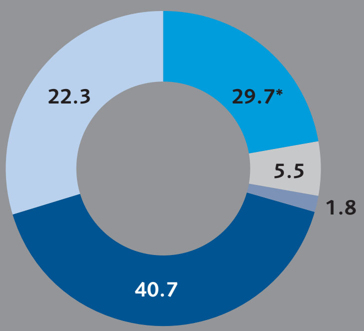
Base 100 dated 10 july 2000 EADS stock price (in €)



- EADS
- Boeing (stock price converted in euro using daily dollar spot closing)
- CAC 40

Capital structure as

of 15/05/2006 (as %)



- DaimlerChrysler
- SOGEADE
  Lagardère and SOGEPA (French state holding Company)
  * of which 7.5 % will be deliverable at the maturity (from june 2007) of Mandatory Exchangeable Bonds issued by Lagardère.
- SEPI
  (Spanish state holding Company)
- Institutional, retail and employee ownership
  + Shares held out of the contractual partnership
  French state.
- Treasury Shares
  (Shares without economic or voting rights).

ISIN Code	NL0000235190
Number of issued shares as of May 15th, 2006	821 800 550
Offer price on July 10th, 2000	€ 19 for institutional investors € 18 for retail investors
High in 2006 on Paris Stock Market	€ 35.42 on March 27th
Low in 2006 on Paris Stock Market	€ 25.22 on May 22nd
Earnings per share (EPS) 2005	€ 2.11
Dividend per share 2005, paid on June 1st, 2006	€ 0.65

The start of the year was a difficult time with EADS share price dropping 10% in the first two months of 2006. Profit-taking affected the stock, as investors cashed in on excellent performance in 2005, up 49%. Consolidation was amplified by some concerns on Airbus product range and timing questions on Lagardère and DaimlerChrysler shareholdings reduction. Like all cyclical stocks, EADS was adversely affected by US inflationary trends, prompting market concern about monetary restriction denting growth prospects. After the release of 2005 results and 2006 guidance confirming EADS outstanding performance in 2005 and good outlook, the share price surged to a historic high of €35.42 at end March.
Beginning of April, Lagardère and DaimlerChrysler announced their decision to reduce their shareholding in the Group, causing a temporary imbalance in supply and demand. During the same period, BAE declared its intention to sell its 20% stake in Airbus, provoking market turbulence, to which Thales and customer's comments on A350 contributed.
The stock did not respond positively to the publication of good first quarter results on 16 May, despite reassurance of solid full year prospects for EADS.
The stock came under strong pressure from speculative funds, amplifying the bear trend affecting US and European stock markets.

Shareholder diary

July 3rd, 2006 – 18h00:
Shareholders' Information Meeting in Paris (France)
July 27th, 2006:
First Half semester 2006 results release
September 21st & 22nd, 2006:
Global Investor Forum in Hamburg (Germany)
November 8th, 2006:
Third Quarter 2006 results release publication

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