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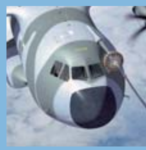
May 2007

aero-notes

Letter to our Shareholders

Dear Shareholders,

After containing the convulsions that hit EADS in 2006, we have turned our sights to the future again: our Group outlook for 2007 and for the medium term sketched a course for investors and attempted to alleviate uncertainty.

To market commentators, the Airbus component of outlook appears “unsatisfying”, a view shared by our own management. Yet, our shareholder base remains remarkably stable, and so does our share price, trading within the € 22 to € 26 corridor since December 2006.

You may ask: why this relative stability? What are the reasons investors own EADS today? A recent “road show” provided insights on some shareholder perspectives:

Focus on internal fundamentals:

Certain investors focus on forces “within” EADS; their opinion starts from the strong cash situation; it goes on to consider the remarkable order book, worth 5 years of revenues, and the portfolio of advanced and competitive products.
They notice our improved position in key markets, and recent strides in China, India, and the US. They recognise the breakthroughs of a more streamlined, integrated and transparent organisation now that the CEO and CFO of EADS have become respectively CEO and CFO of Airbus.
They give some credit for the control regained over A380 industrialisation, for the launch of A350XWB as a truly competitive offering in the Long Range segment, for the review and monitoring of the A400M programme.
They also sense management determination to implement Power8, launched despite an emotional election environment, recalling EADS’s track record of transformation at EADS Astrium and in defence in previous years.
Moreover, an increasing number of investors finally acknowledge the earnings momentum of the helicopter, defence and space businesses, and its importance in support of EADS’s worth.

Focus on external factors and perceptions:

Other investors point to the huge value that resides in EADS and in Airbus for Europe; they believe neither could be left to fail. Beyond the symbols, the stakes are too high for European technologies, exports, tax revenues and jobs. This view resonates in Moody’s credit rating which assumes an implicit support of EADS’s home countries. It is also echoed in the flurry of politician statements triggered by Power8.
Another view is that Airbus operates in a duopoly, wherein its fortunes cannot diverge for too long from those of Boeing, supported by the same economic cycle; surely, some investors say, should a reversal of news flow occur, it would support a turnaround of market sentiment.

But these upbeat arguments only stand if EADS does its job! Investors are unanimous, we must deliver: deliver Power8, in full; deliver the A380, to Singapore Airlines this year, and to others thereafter, timely, reliably; deliver new orders on the A350XWB, proving the concept; and continue to grow the helicopter, defence and space businesses. Failure to do so will leave the Group a prey to the crunch of the declining dollar, and compromise investments for the future.
This message is clearly heard by management. Success on these goals, they say, is the foundation on which to build the next phase in the history of EADS.

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

SUMMARY

EADS

2006 results

Based on a strong commercial momentum EADS displayed revenue growth of € 39.4 billion within all its Divisions. For the first time the Group hit the landmark of € 10 billion in defence revenues. In 2006, EADS posted an EBIT* (pre goodwill and exceptionals) of € 399 million (FY 2005: € 2.9 billion). The impact of the A380, A350 and A400M combined with the deteriorating weakness of the US Dollar against the Euro pushed Airbus into a loss. It is overcompensated by strong EBIT* of the other EADS businesses.

Record Order Intake

Airbus difficulties overshadowed a remarkable order intake of 790 aircraft, record deliveries of 434 aircraft, the launch of the A350XWB programme and the successful A380 type certification. Eurocopter experienced an outstanding year in a very supportive market environment with an unprecedented level of 615 new orders for helicopters. It recorded a strategic breakthrough with the US Army light utility helicopter UH-72A Lakota order. With a total of 381 helicopters, Eurocopter delivered more than ever before. EADS Astrium significantly improved profitability and was awarded important orders for satellites and systems such as SatComBW, a major satellite communication programme in Germany. The Defence & Security Division enhanced its performance and captured business opportunities in areas such as the secure networks business, thus creating a solid base for further long-term improvement.

The strong increase in **revenues** to € 39.4 billion was supported by all Divisions, in particular by the higher deliveries at Airbus and Eurocopter.

EADS' total **EBIT*** in 2006 was € 399 million (FY 2005: € 2,852 million). EBIT* was substantially burdened by the impact of A380 delays, A350 related charges, high Research & Development (R&D) expenses and by losses at EADS Sogerma. Additionally, hedges for EADS Group matured at a less favourable average rate of € 1 = US$ 1.12 (FY 2005: € 1 = US$ 1.06). These negative factors were partly compensated by significantly improved contributions from Airbus' series production and the Group's helicopter, defence and space businesses, and a minor contribution from a pension accounting change. The Group's reduced **Net Income** of € 99 million (FY 2005: € 1,676 million), or € 0.12 per share (FY 2005: € 2.11) mainly mirrors the Group's EBIT* development.

Focused on the future, EADS invested over 6% of its revenues in R&D. In 2006, the Group's **self-financed R&D** expenses increased to € 2,458 million (FY 2005: € 2,075 million), caused mostly by Airbus continuing aircraft development programmes and higher Research & Technology (R&T) effort across the Group.

EADS' **order intake** amounted to € 69 billion (FY 2005: € 92.6 billion).
In terms of new orders, Eurocopter set a new record in 2006 (up 39% compared to the previous record in 2005), Airbus had its second-best year ever and EADS Astrium another outstanding year.

Thomas Enders and Louis Gallois, CEOs with Hans Peter Ring, CFO at the Annual Results Press Conference on March 9th.

OUTLOOK

Under its 2007 internal budget, EADS plans its revenues will experience a single-digit decrease (mainly due to the assumed €/US$ rate of 1.30), and its EBIT* will remain roughly stable in 2007.

Adjusted for a stable US Dollar, Airbus revenues would remain level, based on 440 to 450 deliveries through the year, and despite lower contributions from the A400M. Airbus will display another substantial loss in 2007, attributable to charges for the Power8 restructuring, further costs to support the A380 programme, potential A350XWB launch charges, higher R&D expenses, as well as the impact of the worsening US Dollar parity to the Euro.

Meanwhile, helicopters, defence and space businesses should display stable revenues, and should collectively increase their contribution to a combined EBIT* expected to be close to € 1 billion as soon as 2007.

The Free Cash Flow contribution from Airbus in 2007 will lead to a negative Group-wide Free Cash Flow as low as € –1 billion. However, volatility of working capital components can provoke substantial swings in this figure.

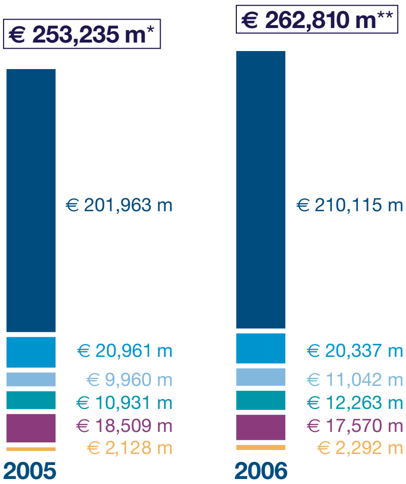
Over the medium term, the following factors will drive EADS' outlook:

• Deliveries of aircraft are currently expected to continue to grow, albeit at a much reduced rate. Airbus revenues will most likely be affected by a deterioration of mix and of pricing for recent orders, partly due to competitive pressure.
• Research and Development expenses are planned to grow gradually, driven by the A350XWB development and increased R&T spending.
• In the context of management change at Airbus, and the cost volatility resulting from the recent industrial problems on programmes, the management is working to establish a satisfactory long-term Airbus plan, and it is currently concentrating on the rebaselining of its cost base, to target mid-single-digit EBIT* margins.

All other businesses are expected to collectively grow their revenues and EBIT* contribution over the coming years.

EADS management is committed to restoring Group wide EBIT* margins, although at levels lower than the margin achieved in 2005.

ORDER BOOK
(by segment)



AIRBUS
MILITARY TRANSPORT AIRCRAFT
EUROCOPTER
EADS ASTRIUM
DEFENCE & SECURITY
OTHER ACTIVITIES

*€ –11,217 m headquarters/consolidation
**€ –10,809 m headquarters/consolidation

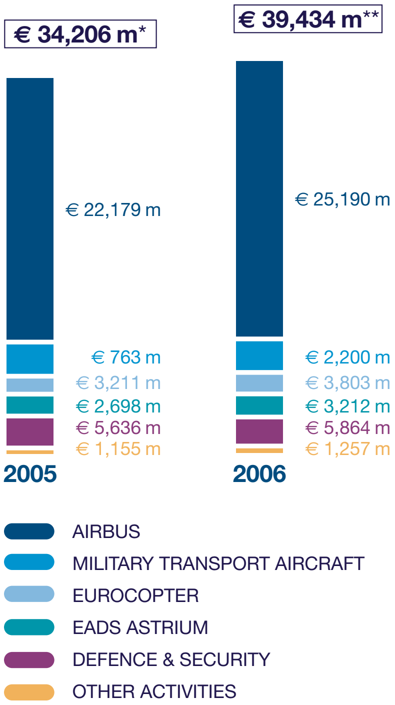
Contributions from commercial aircraft activities are based on list prices. The order book increase versus year-end 2005 was achieved despite a € 17 billion impact due to revaluation at a less favourable €/US$ exchange rate.

EADS GROUP (in €m)	FY 2006	FY 2005	Change
Revenues thereof defence	**39,434** 10,039	34,206 7,700	+15% +30%
EBITDA(1) (4)	**2,033**	4,365	–53%
EBIT(2) (4)	**399**	2,852	–86%
Research and Development expenses	**2,458**	2,075	+18%
Net Income(3) (4)	**99**	1,676	–94%
Earnings Per Share (EPS)(3) (4)	**€ 0.12**	€ 2.11	€ –1.99
Free Cash Flow (FCF)	**2,029**	2,413	–16%
Free Cash Flow before Customer Financing	**869**	2,239	–61%
Order Intake(5)	**69,018**	92,551	–25%

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.
4) For 2006, EADS changed its accounting policy from the corridor approach to the equity approach, i.e all actuarial gains and losses are recognized in Balance Sheet as pension provision thereby reducing equity. Therefore, those changes in actuarial gains and losses, which are recognized as expenses under the corridor method, have to be reversed. In 2006, this change contributes € 45 million to EBITDA and EBIT*, € 25 million to Net Income and € 0.03 to earnings per share.
5) Contributions from commercial aircraft activities to EADS Order Intake and Order Book based on list prices.

REVENUES GROWTH
supported by all Divisions

REVENUES
(by segment)



*€ –1,436 m headquarters/consolidation
**€ –2,092 m headquarters/consolidation

Airbus

The **Airbus** Division delivered a record number of aircraft in 2006 (434 versus 378 in 2005). This led to revenues of € 25,190 million, representing a 14% increase compared to the previous year.

Airbus accounted for an EBIT* of € –572 million (FY 2005: € 2,307 million). The EBIT* further includes a € 352 million provision for A400M contingencies to deal with risk and technical challenges in the **Airbus** work share.

With 824 gross orders (790 net orders), Airbus achieved its second best year in terms of sales. To date, two customers have cancelled their orders for a total of 20 A380s (freighter version). The momentum of the Asia-Pacific market was demonstrated by large order numbers across the entire **Airbus** portfolio. Among them **Airbus** received from China an order for 150 A320 Family aircraft and a Letter of Intent for 20 A350XWBs. The **Airbus** order book stands at an all-time high.

Additionally, **Airbus** prepared the ground for future product portfolio development, when the EADS Board of Directors gave it the go-ahead to launch the A350XWB. The aircraft is a response to market demand and will be extremely efficient and environmentally advanced. **Airbus**' portfolio was further extended by the launch of the A330-200 freighter aircraft. The technical integrity of the A380 was proven by the successful type certification in December 2006. The first aircraft will be delivered in October 2007.

The announcement of the Power8 programme lays the ground for strengthening **Airbus**' competitiveness.

Military Transport Aircraft

The Military Transport Aircraft Division's revenues surged to € 2,200 million (FY 2005: € 763 million) and EBIT* grew to € 75 million compared to € 48 million in 2005. This growth primarily reflects the achievement of four A400M milestones planned for 2006, as well as the revenue recognition related to a milestone shifted from 2005 to 2006. Further support came from the revenue ramp-up of the Australian tanker programme. The first A330 Multi-Role Tanker Transport (MRTT) aircraft with the new refuelling boom system is scheduled for entry into service in 2009.

For the US tanker replacement EADS and Northrop Grumman will jointly offer the world's most modern refuelling aircraft. EADS is well positioned in the competition for the JCA (Joint Cargo Aircraft) programme and the Group proved its reliability by delivering the first CN-235 for the US Coast Guard's Deepwater programme last year.

Eurocopter

Eurocopter successfully entered the US defence market and once again confirmed its position as the global leader in the civil and parapublic helicopter market. Delivery of a record 381 helicopters (FY 2005: 334) fuelled the 18% revenues growth. The Division's EBIT* expanded by 21% to € 257 million compared to € 212 million in 2005. The EBIT* increase was supported by positive volume effects though constrained by the US Dollar impact, higher selling expenses and costs related to NH90.

In December 2006, **Eurocopter** started deliveries on two of its major defence helicopter programmes: the first three NH90s were handed over to the German Army and the US Army received the first of up to 322 light utility helicopters (UH-72A Lakota) three months ahead of schedule.

EADS Astrium

In 2006, **EADS Astrium** – the renamed Space Division – achieved solid profitable growth in a more favourable business environment. While revenues increased 19%, EBIT* more than doubled to € 130 million (FY 2005: € 58 million). This reflects progress in Ariane 5 production, ballistic missiles, an exceptional year for satellites and the ramp-up of Paradigm services as well as the Division's continued cost improvements and successful restructuring efforts. The Division's highlights include the first flight of the M51 ballistic missile and the delivery of the Columbus space laboratory which is scheduled for ISS installation at the end of 2007. Both satellites and launchers captured substantial slices of their respective markets. **EADS Astrium** was awarded orders for eight telecom satellites, two of which were for military purposes, together with five earth observation and science satellite orders.

The Ariane 5 ECA performed five successful launches in 2006 while the market demand for launch capabilities is accelerating. The largest ever order book confirms the Division's strong position as prime contractor for many of Europe's space activities.

Defence & Security

The **Defence & Security** Division improved its operational performance and moved programmes into production. Revenues rose by 4% mainly due to Eurofighter ramp-up, solid missile business and new digital radio network business. EBIT* increased to € 348 million (FY 2005: € 201 million) due to operational improvement and a capital gain on the sale of LFK to MBDA which compensated additional restructuring costs mainly at Defence and Communication Systems and Military Air Systems and change of perimeter effects.

In addition to the contract for the digital radio network for German public safety authorities (BOSNet) the Division received substantial orders for secure networks. For the Romanian Integrated Border Security System, a first milestone was successfully achieved. A total of 114 Eurofighter aircraft were also delivered as of year-end. The first Unmanned Aerial Vehicle (UAV) technology demonstrator was in flight and Germany acquired the High Altitude Long Endurance UAV EuroHawk system. The defence electronics business streamlined its product portfolio and experienced growth in its platform-related equipment.
In the missiles business, MBDA has reinforced its position as a world leading missile systems company.

The **Defence & Security** Division strengthened its position in coastal and maritime surveillance in particular, through the joint acquisition of Atlas Elektronik with ThyssenKrupp, and the acquisition of Sofrelog.

HEADQUARTERS AND OTHER BUSINESSES (NOT BELONGING TO ANY DIVISION)

Revenues of Other Businesses (ATR, EADS EFW, EADS Socata and EADS Sogerma) strongly improved by 9% driven by all four Business Units. EBIT* accounted for € –288 million (FY 2005: € –171 million). Positive contributions from ATR, EADS EFW and Socata were again more than offset by extended EBIT* losses at EADS Sogerma (€ –351 million). The sale of EADS Sogerma Services' MRO activities to TAT Group was completed on January 10th, 2007. The activity remaining at EADS Sogerma consists of seats and aerostructure businesses and two subsidiaries (small engine and landing gear maintenance) for total sales of around € 350 million in 2006.

**EADS uses EBIT pre-goodwill impairment and exceptionals as a key indicator of its economic performance. The term "exceptionals" refers to such items as depreciation expenses of fair value adjustments relating to the EADS merger, the Airbus Combination and the formation of MBDA, as well as impairment charges thereon.*

AIRBUS STRENGTHENS ITS COMPETITIVENESS through Power8

EADS' largest subsidiary Airbus rolled-out on February 28th the details of its turnaround programme Power8, consisting of nine modules. The plan will make Airbus better prepared to face the challenge of the US Dollar weakness, increased competitive pressure, the financial burden related to the A380 delays as well as to meet its other future investment needs. The transformation will happen progressively over several years.

The Airbus management will implement strong cost reduction and cash generating efforts leading to EBIT* contributions of € 2.1 billion from 2010 onwards and additional € 5 billion of cumulative cash flow from 2007 to 2010.

> **"The core objective of Power8 is to make Airbus more efficient and competitive, so as to produce the most advanced and profitable products, and to serve its customers better in the future"**
> said EADS CEOs Tom Enders and Louis Gallois.

The measures to reduce overhead cost, and specifically headcount, require a provision of € 680 million to be taken in the first quarter of 2007. To ensure full and sustainable implementation of Power8, Airbus has put in place a robust tracking system with tangible metrics regarding cost, and cash impact up to their materialisation in the financial statements.

The objective of a lighter and cost efficient management will be addressed by several Power8 programme modules and in particular by the **Reduction of Overhead Cost**. The Airbus management proposes a progressive headcount reduction of 10,000 overhead positions over four years, thereof 3,200 in France, 3,700 in Germany, 400 in Spain, 1,600 in the UK, and 1,100 in the Airbus Central Entity in Toulouse. 5,000 of these positions are temporary or on-site subcontractors, where reductions will begin immediately. The other 5,000 positions affected will be Airbus employees. Priority is given to achieve reductions through attrition, the negotiated voluntary severance processes and schemes in each country concerned. At this stage, Airbus management does not propose forced redundancies.

Streamline Final Assembly Lines

Toulouse will see a further capacity enhancement of the long-range Final Assembly Line (FAL) as the A350XWB will be assembled and receive its interior furnishing in Toulouse. In Hamburg, a third A320 Family FAL will be set up immediately. It will have full type flexibility, so as to also cope with the demand for additional A320s when the demand for A320s exceeds the rate of 14 per month. Hamburg will also perform final assembly of the New Single Aisle Family. Furthermore, in order to allow parts to be fitted in the most logical place to optimise the overall cycle time, some upstream preparatory cabin installation work for the A380 and the A320 assembled in Toulouse will be transferred from Hamburg to Toulouse. Nevertheless, cabin installation remains in Hamburg and A380 deliveries will be performed both from Hamburg and Toulouse.

Focus on Core Business Activities

On the engineering and manufacturing side, Airbus will focus on activities which are critical for the integrity and safety of the aircraft or vital for technological and commercial differentiation.

BREAKDOWN OF POWER8 EBIT*(1) CONTRIBUTIONS BY MODULE

	EBIT*
Develop Faster	6%
Smart Buying	31%
Lean Manufacturing	16%
Reduce Overhead	32%
Maximise Cash	–
Restructure Industrial Set up/ Focus on Core	12%
Final Assembly Line	3%
Total	100%

BREAKDOWN OF POWER8 EBIT*(1) AND CASH(2) CONTRIBUTIONS BY YEARS

	EBIT*	Cash
2008	~ 20%	> 20%
2009	~ 50%	> 50%
2010	100%	100%

(1) EBIT* contributions of € 2.1 billion from 2010 onwards.
(2) Additional € 5 billion of cumulative cash flow from 2007 to 2010.

Restructure Industrial Set-up

Airbus will restructure the Industrial Set up and establish in the coming years a long-term oriented network with strong partners. Airbus is considering industrial partnerships at its plants in Filton, Méaulte and Nordenham, in order to facilitate their development from metallic to composite design and manufacturing technology. The company has already received unsolicited proposals by potential industrial partners ready to invest in these sites. The sites in Laupheim, St. Nazaire-Ville and Varel will continue to perform long-term substantial workloads on the current Airbus aircraft programmes, such as the A380, the A320, the A330/A340 Families, and the A400M. Airbus is committed to seeking viable opportunities for these sites in the years to come. This includes the options to sell these sites to key suppliers, management buy-outs or the gathering with sites nearby. Options will be examined on a case-by-case basis. Meanwhile, the sites will enhance their competitiveness by implementing lean manufacturing principles and continuous productivity improvement.

The A350XWB will be the first programme benefiting strongly from the very beginning from the Power8 initiative. Airbus will assign large work packages to Tier 1 suppliers in return for a better distribution of future investment, risks and opportunities. 50% of aerostructure work will be outsourced to risk-sharing partners (€ 1.8 billion non-recurring cost and € 600 million associated capital expenditures). This is about twice as much as in earlier programmes.

Further Power8 modules are designed to streamline Airbus' processes and support the Company's transition: **Develop Faster** (reduction of cycle time of new aircraft development from 7.5 to 6 years), **Lean Manufacturing** (further integration of manufacturing and associated engineering, increase productivity by 16% until 2010), **Smart Buying** (reduction of the Airbus supply cost base; building of a network of strong risk-sharing partners, streamlining the logistics organisation), **Maximise Cash** (reduction of financial working capital) and **Customer First** (serving customers even better, higher levels of services, more reliability and further improved quality).

A Fully Integrated and Trans-national Organisation

Airbus will introduce a fully integrated and trans-national organisation to support the implementation of Power8 and the establishment of the new business model. This new organisation will enable cost savings and strengthen leadership through clearer accountability, faster decision-making and simpler interfaces. Therefore, Airbus will replace the current organisation of eight nationally structured Centres of Excellence by four truly trans-national Centres of Excellence: Fuselage & Cabin (based in Germany), Wing (based in the UK), Rear End (based in Spain), and Aerostructures (based in France), the latter being in charge of fuselage subassembly and interior furnishing activities.

In support functions such as Finance and HR the integration of Airbus and EADS is underway. Sharing services with EADS corporate functions where clear benefits arise, will be another lever to improve the efficiency of support processes, optimise resources and reduce overhead cost.

"Without establishing Power8 quickly, profitability will drift significantly short of industry standards and of reasonable expectations. This is an unsustainable and unacceptable situation. Power8 is designed to reduce that gap,"
said EADS and Airbus CFO Hans Peter Ring.

APPOINTMENT OF RÜDIGER GRUBE AS CHAIRMAN OF THE BOARD OF DIRECTORS

On April 5th, the EADS Board of Directors appointed Rüdiger Grube (Member of the Management Board of DaimlerChrysler AG) to join Arnaud Lagardère as Chairman of the Board of Directors.

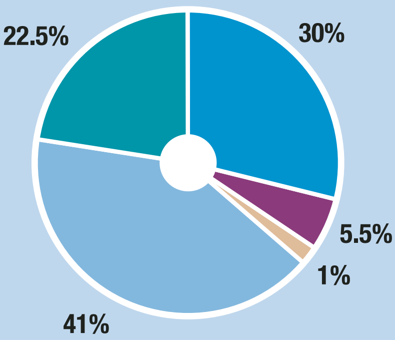
Member of the EADS Board of Directors since 2004, Rüdiger Grube will succeed Manfred Bischoff who resigned after having taken over new responsibility as Chairman of the Supervisory Board of DaimlerChrysler AG.

Furthermore, the EADS Board of Directors has nominated two new Directors: Michel Pébereau (President of BNP Paribas) and Bodo Uebber (Member of the Management Board of DaimlerChrysler AG). Their nomination has been approved by the Annual General Meeting of shareholders on May 4th, 2007.

Shareholders

CAPITAL STRUCTURE

CAPITAL STRUCTURE
as of 03/31/2007 (as %)



- SOGEADE*
  Lagardère and SOGEPA
  (French state holding Company)
- DaimlerChrysler**
- 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)

*On 6th April 2006, Lagardère issued mandatory exchangeable bonds. The EADS shares deliverable at the maturity of the bonds will represent a maximum of 7.5% of the share capital of EADS. At the last maturity date of the bonds – in 2009 – the SOGEADE stake will be in line with DaimlerChrysler AG's stake.

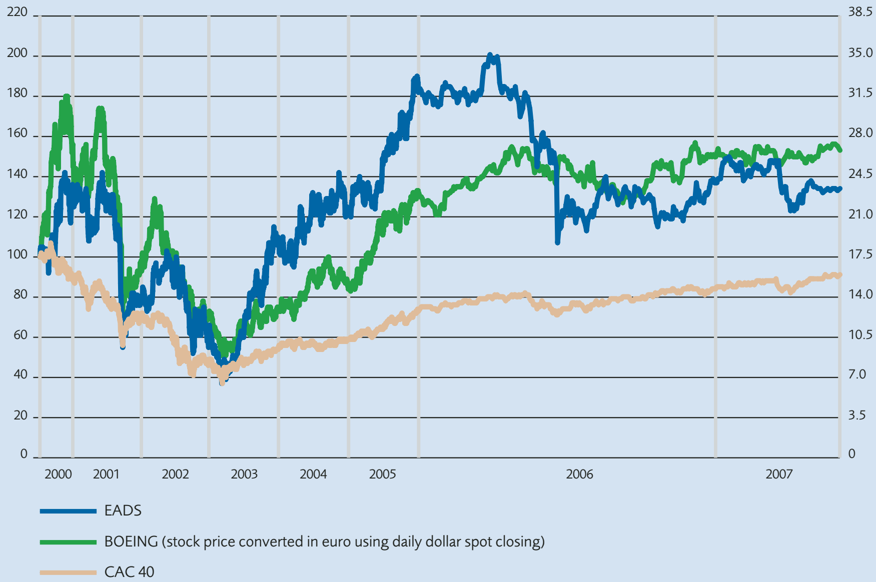
**Independently of the 2006 movements, on 9th February 2007, DaimlerChrysler reached an agreement with a consortium of private and public-sector investors by which it will reduce its shareholding in EADS by 7.5% indirectly. This movement will not affect the voting rights of DaimlerChrysler.

YOUR EADS SHARES

Upon the proposal of the shareholders, the Annual General Meeting of EADS has adopted a resolution to distribute the result of the year 2006 to the company's shareholders. As a result, shareholders of record on May 10th, 2007 received € 0.12 per share, paid by the company on May 16th, 2007. This constitutes an 81% decrease compared to the € 0.65 per share received for 2005. Some shareholders have indicated that they will leave the dividend they receive inside the company.

STOCK PRICE EVOLUTION ON APRIL 30th, 2007

Base 100 dated July 10th, 2000 — EADS stock price (in €)



PROFILE

ISIN Code	NL0000235190
Number of issued shares as of March 31th, 2007	816 215 734
Offer price on July 10th, 2000	€ 19 for institutional investors € 18 for retail investors
High in 2007 on Paris Stock Market	€ 26.48 on January 2nd
Low in 2007 on Paris Stock Market	€ 21.47 on March 19th
Earnings per share (EPS) 2006	€ 0.12
Dividend per share 2006 paid on May 16th, 2007	€ 0.12

SHAREHOLDER DIARY

- **May 4th, 2007:** Annual General Meeting
- **May 10th, 2007:** First Quarter 2007 Results Release
- **June 18th-24th, 2007:** Paris AirShow
- **July 26th, 2007:** First Half 2007 Results Release
- **November 8th, 2007:** Third Quarter 2007 Results Release

SHAREHOLDER INFORMATION

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