

Letter from the Chairmen of the Board

Dear EADS shareholders,

We are happy to report that during 2005, EADS fully profited from its market leadership in the strong aviation market upturn and again substantially strengthened its position in the global aerospace and defence industry.



Left:
Manfred Bischoff
Chairman

Right:
Arnaud Lagardère
Chairman

For the sixth consecutive year, EADS surpassed its announced targets and consolidated its position as a driving force in global aerospace and defence. EADS confirmed its position as market leader for commercial aircraft with 100 seats or more in 2005 – a record year for the aviation industry – and has considerably increased its portfolio in the defence sector.

As planned from the foundation of EADS, the Board of Directors was renewed in 2005. At the same time, new CEOs and two COOs were appointed and a slight reshaping of EADS' divisional structure and headquarters organisation took place. EADS' Board closely supervised this process, guaranteeing continuity of strategy and reliability towards its stakeholders.

In 2005, the Board of Directors dedicated much time and attention to reviewing and ensuring successful strategy implementation with a focus on expanding into new markets and on widening the product range. Examples of this were the launch of the Global Industrial Development initiative as well as the regular review of the civil aircraft product portfolio, including the industrial launch of the A350.

EADS' competitive position in the international aerospace industry was an important topic for the Board. The Board looked into different ways of developing and positioning your Group for the future. It reviewed the opportunities to develop EADS from within, building on its strong existing capabilities, and studied possible scenarios for external growth.

Throughout 2005, the Board closely monitored and reviewed the progress of major programmes such as the Airbus A380, the A400M transport aircraft, Paradigm and UAVs. Regarding personnel and human resources issues at EADS, the Board dealt with management qualification as well as with the need to attract, retain and develop our high-potential employees in order to ensure the future quality of EADS' management and its multinational leadership structure. Finally, financial performance and structure, hedging strategy, funding policy and accounting principles were debated and decided among the Board members in a collaborative and trusting way.

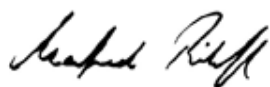
EADS was well positioned to benefit fully from the market upturn and so 2005 results once again surpassed its targets. With an EBIT of €2.85 billion, an impressive increasing order book, and a significant net cash position, the Group has shown that EADS' strategy and its implementation are on track, resulting in solid financial strength and profitability.

The year 2005 was also a very positive one for shareholders in many respects. Our share price clearly outperformed major indices, reaching an all-time peak on 22nd December 2005 at €33.45. This made us one of the strongest performers in the world aerospace and defence sector. In view of the Group's financial strength and excellent prospects, the Board will be recommending payment of a dividend of €0.65 per share, an increase of 30% from the previous year.

We are also determined to become a market reference in the fields of corporate governance and corporate social responsibility through ensuring transparent management and reporting, complying with market expectations with regard to social, legal and statutory standards. Therefore, to give guidance to EADS employees, the Group's Code of Ethics has been updated to reflect practices recommended by various codes and laws, and to align with best practice. It is based on EADS' underlying values and is fully in line with recognised international standards. As such, EADS' strategy envisions a sustainable balance between economic performance, consideration of all stakeholders' interests and respect for the environment.

The Board of Directors appreciates that the management of EADS has succeeded in establishing your Company as a credible and reliable enterprise, not only for its customers, suppliers and employees, but in the eyes of the public as well. Our thanks and congratulations are due to everyone in the Group who has contributed to this result, which will be developed and further enhanced for the benefit of all EADS stakeholders, according to the highest standards of corporate governance.

For the future, the Board has taken action to guarantee continuity in its operations and its composition. We remain committed to the success of EADS and the implementation of its strategy of seeking profitable growth in civil aviation, space and defence by setting the standards in these markets. This will allow us to continue creating substantial value for our shareholders and, furthermore, contribute to the well-being of all our stakeholders.



Manfred Bischoff
Chairman



Arnaud Lagardère
Chairman

EADS investment proposition

To invest in EADS is to buy a share in a global company with leading positions in growth markets in the aerospace and defence industry.

We are delivering



EADS has delivered on its goals. In the six years since its creation, we have achieved leadership in major markets, implemented industrial reorganisation on a massive scale, and we have increased the profitability of all our businesses through higher revenue and greater efficiency. In every year, this has led to financial results in line with, or ahead of, publicly stated targets.

We are building balance



Defence orders have grown in the past few years, and our defence businesses have become stronger, as major new programmes enter production and delivery. We progressively enhance our systems integration and provide 'networked' solutions for both complex defence and global security requirements. Further increasing the proportion of defence revenue, as well as profits, is our declared goal. That way, we also mitigate the cyclical nature of the civil aviation business.

We are becoming global



EADS has a strong presence in the largest, fastest-growing aerospace and defence markets globally. It is actively seeking to build its presence in these countries throughout the entire value chain. By becoming increasingly global, we are securing access to the countries with the greatest demand. We are doing so with ambition and with excellent resources in aerospace and defence.

We are positioned for growth



EADS is reaping the rewards of both the upturn in civil aviation and greater internal efficiency. Airbus has a record order book, defence activities are growing steadily and Space is gaining from increased productivity. A competitive and evolving product portfolio, improving operations and expanding international presence will drive growth.

A man in a dark suit, white shirt, and red striped tie is seated in a cockpit. He is looking down at a white document he is holding with both hands. The background shows the interior of an aircraft, including a co-pilot's seat and a control panel with a coiled cable.

Key to growing EADS, in
a more competitive world, are:
Improvement,
Internationalisation,
Innovation



EADS Chief Executive Officers
Thomas Enders (left)
and Noël Forgeard (right)
inside an EC 135

EADS' profitability has reached new heights and great, innovative products pave the way for future growth.

Dear shareholders, customers, suppliers and employees,

An outstanding year for the aerospace industry, 2005 has been a record year for EADS. Not only has the Company delivered its best overall performance yet, it also met or even exceeded its financial targets for the sixth consecutive year. We should like to thank everyone who contributed to this success.

2005 results confirm the Company's growth trajectory. Everybody working at EADS is committed to keeping up this momentum and to realising the Company's huge potential for the future.

In terms of profitability, EADS has reached new heights. The 2005 EBIT margin reached 8.3%, equalling €2.85 billion. It is worth pointing out that EBIT, net income and net cash have risen considerably more than revenue – which also increased substantially. Furthermore, great, innovative products pave the way for further growth.

A vision comes true – the A380

A whole new era in commercial aviation began when the A380 took to the skies for the first time on 27th April. This was an historic event – witnessed by tens of thousands at Toulouse and watched on TV by millions all around the globe.

What started as a bold engineer's sketch more than ten years ago will become part of passengers' and airlines' reality when this revolutionary aircraft enters into service. Offering comfortable and affordable air travel for the world's growth regions, the A380 shows what we mean by calling EADS a driver of change in global aerospace.

In fact, this Company is very much characterised by the technological and entrepreneurial quest for that 'step beyond'. In line with this thinking, we jointly took over the responsibility as CEOs in order to make a great company even greater and to build on the solid foundations laid by our predecessors.

Beginning the new chapter with a clear strategy

In 2005, the Company began a new chapter in its development. Our strategy emphasises four objectives: ensuring that Airbus remains a robust competitor, enhancing the operational and financial performance of our space, defence, and helicopter businesses, expanding our global footprint, and ultimately delivering best-in-class profitability across our businesses.

Last year's results and initiatives confirm the Company is making good progress towards achieving these strategic objectives.

In 2005, for the third year in a row, Airbus led the industry in terms of units delivered, and for the fifth consecutive year in terms of new orders. Yet competition has stepped up its efforts to recapture lost ground. We will counter this challenge.

Eurocopter, with its strong performance in revenues and earnings, reinforced its position as market leader of the rotary wing sector. Additionally, the Group's Military Transport Aircraft and Space Divisions showed significant improvement in their financial performances.

We see EADS' unwavering commitment to its Space business corroborated not only by the successful turnaround already accomplished, but also by the fact that in EADS' institutional Space business annual growth of 2.5% is already secured up to 2010.

EADS' highly attractive and exportable platform portfolio with 'blockbuster' products such as the A400M, the Eurofighter and the NH90 and Tiger helicopters, as well as various advanced missile systems, is proving to be successful in markets around the globe. The Company is also developing its defence business towards large systems integration, and the provision of complex solutions both in defence and global security. Based on our expertise in PFI (Private Finance Initiative), gained particularly through leading the two largest defence PFIs in the United Kingdom, we plan to make services, supported by innovative financing, a core offering.

Thomas Enders
Chief Executive Officer



The acquisition of Atlas Elektronik, a leading maritime defence electronics company, carried out in partnership with ThyssenKrupp, underlines EADS' determination to strengthen the Company's systems capabilities in the naval field. EADS carefully evaluates all options for further acquisitions and consolidation.

EADS strengthens its presence in growth markets

During 2005, the Company made great progress in expanding its global reach. Practically half of all new Airbus orders came from China and India. And China's air traffic is expected to more than double in the coming five years. EADS is determined to seize the growth opportunities of globalisation.

Accordingly, we have forged several important alliances with US, Chinese, Russian and Korean industrial partners, embarking together on highly promising co-operation and co-development projects, both civil and military.

In the United States, EADS has expanded its industrial footprint and is well positioned for major projects with the Air Force and the Army. NorthropGrumman decided to partner with us for the renewal of the Air Force tanker fleet. In South Korea, Eurocopter was selected as the nation's primary partner for development of the first local military transport helicopter. With China, two strategic agreements were signed, covering the co-development of a new multi-purpose helicopter, the EC175. EADS will make further inroads into the most promising growth markets in months and years to come.

At the end of 2005, the Company's order book stood at an unmatched €253.2 billion, reflecting the strong business momentum of EADS' operational units. Their order intake more than doubled to almost €93 billion. All of this provides us with an excellent foundation for continuing the Company's unique success story.

The way forward: three major development thrusts

Since our appointment in June, we have concentrated on devising the way forward for EADS, focusing on the Company's growth perspectives, top and bottom line, in an aerospace and defence industry environment defined by intensifying global competition.

Under the heading of 'Triple I', we have introduced a Group-wide programme providing a comprehensive roadmap towards further growth:

- Making sure through continuous **Improvement** we benefit fully from our huge order book, raising EADS' operational performance in terms of cost, quality and on-time delivery. State-of-the-art tools and processes, successful implementation and execution of Improvement projects through all Divisions and corporate functions, and a particular focus on managing the ever-more complex supply chain, will therefore be given highest priority in the years to come.
- Creating new mid-term growth opportunities through **Internationalisation**, we are set to expand the Company's footprint in the commercial, security and defence markets with the most dynamic development. EADS plans to be a strong local industrial player in key countries, such as the United States, China, Russia, South Korea and India. Apart from market access, being a corporate citizen in these key countries will allow us globally to recruit the best talent and technology there is. We are convinced that with its European background, this Company is exceptionally well prepared for becoming a truly global industrial Group.
- Finally, through **Innovation**, we lay the foundations for tomorrow's growth, shaping the future of our Company and that of the industry. With our initiative to speed up innovation, for example by increasing technology readiness levels, focusing on game-changing technologies and introducing a Chief Technology Officer at Group level, we will ensure that EADS maintains the innovative edge that differentiates our products in the competitive landscape.

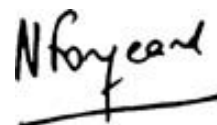
Stepping forward together

While striving to become stronger, EADS never forgets its responsibility for those in need. Both during the tsunami catastrophe in South East Asia and when hurricane Katrina hit the southern United States, EADS sent mobile hospitals, helicopters and transport aircraft to the affected areas. On both occasions, EADS employees showed great commitment and generosity, and we want to thank them for their support.

We have set the Group ambitious targets and defined a clear roadmap that we believe will ensure EADS' success in years to come. Looking back at an outstanding 2005, the Company is assertively preparing its future. It will be a demanding journey, but one that we embark on with confidence.



Thomas Enders
Chief Executive Officer



Noël Forgeard
Chief Executive Officer

Noël Forgeard
Chief Executive Officer

