

# Information notice

## Annual General Meeting

on Thursday, May 4, 2006  
at 10:30 a.m.

at Hotel Okura Amsterdam,  
Ferdinand Bolstraat 333,  
1072 LH Amsterdam,  
The Netherlands



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The step beyond

# Ways of participating in the meeting



In order to participate in the meeting, please choose one of the following options, detailed below:

- I. To grant a power of attorney to the Chairmen;
- II. To provide voting instructions;
- III. To grant a power of attorney to a specified person;
- IV. To attend and to vote at the Annual General Meeting.

## I. To grant a power of attorney to the Chairmen

If you wish to grant to the Chairmen a power of attorney to vote each resolution and amendments or new resolutions, if any, presented at this meeting, you must shade box ① on the voting form / attendance card request (the “Form”) attached.

## II. To provide voting instructions

In order to provide voting instructions to Euroclear France S.A., in the name of which your shares are registered in the shareholders' register of EADS, you must shade and fill out box ② on the Form attached.

To express your choice, proceed as follows:

- If you wish to vote **FOR** a resolution and amendment or new resolution, if any, presented at this meeting, do not shade the corresponding box.
- If you wish to vote **AGAINST** a resolution and amendment or new resolution, if any, shade the corresponding box.

## III. To grant a power of attorney to a specified person

If you wish to grant a power of attorney to a specified person to vote each resolution, and amendments or new resolutions, if any, presented at this meeting, you must shade and fill out box ③ on the Form attached.

In this case, the specified person will be admitted to the meeting only upon presentation of an admission card and a valid proof of identity.

## IV. To attend and to vote at the Annual General Meeting

If you wish to attend and to vote at the meeting, you must shade box ④ on the Form, if attached, or indicate this on the Document in order to receive an admission card.

This card is provided upon request by your financial broker, which requests it at Deutsche Bank AG.

In this case, you will be admitted to the meeting only upon presentation of this admission card and a valid proof of identity.

**Whichever your choice is, whether I, II, III or IV,** just shade and fill out the appropriate items on the Form as indicated above. Then date and sign before returning it, following the case, to your depository bank which will submit the relevant instruction to Deutsche Bank AG.

Your Form or Document must be received by your depository bank no later than the day indicated by your depository bank.

Any Form or Document received beyond the relevant date will be disregarded.

In any case, if you wish to participate in the meeting, your depository bank via Deutsche Bank AG, shall justify on your behalf your status as a holder of EADS shares.

The Annual General Meeting Documentation (i.e. agenda and text of draft resolutions, Board report, 2005 audited annual financial statements and auditors' report) is available free of costs at the EADS headquarters in The Netherlands and at the EADS head offices at the following addresses:

- in **Germany**, 81663 Munich;
  - in **France**, 37, boulevard de Montmorency, 75781 Paris cedex 16;
  - in **Spain**, Avenida de Aragón 404, 28022 Madrid,
- or at:

- **Deutsche Bank AG**, TSS/GES, Post IPO Services, 60262 Frankfurt am Main, Germany and,
- **EADS Securities Department**, Logival, 6 rue Laurent-Pichat, 75216 Paris cedex 16, France.

This documentation will also be available on our web-site [www.eads.com](http://www.eads.com) (Investor Relations).

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# Agenda



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1. Approval of the Report of the Board of Directors including the:
    - a) chapter on corporate governance,
    - b) policy on dividends,
    - c) proposed remuneration policy including arrangements for the grant of stock options and performance shares and rights to subscribe for shares for the members of the Board of Directors;
  2. Adoption of the audited accounts for the financial year 2005;
  3. Approval of the result allocation, distribution and payment date;
  4. Release from liability of the members of the Board of Directors;
  5. Appointment of the auditors for the financial year 2006;
  6. Delegation to the Board of Directors of powers to issue shares and to set aside preferential subscription rights of existing shareholders;
  7. Cancellation of shares repurchased by the Company;
  8. Renewal of the authorization for the Board of Directors to repurchase shares of the Company.
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# Executive Summary



## 1. General Overview

With a workforce of 113,210 employees (at year-end 2005) and revenues of €34.2 billion in 2005, EADS is Europe's number one aerospace and defence company, and the second largest aerospace and defence company in the world.

In terms of market share, EADS is the number one manufacturer of commercial aircraft and civil helicopters, as well as a leading supplier of missile systems, space commercial launch vehicles, military aircraft, satellites, defence electronics and related services. EADS has organised its businesses in five divisions: (i) Airbus, (ii) Military Transport Aircraft, (iii) Eurocopter, (iv) Defence and Security Systems and (v) Space.

In 2005, EADS generated 77.5% of its revenues in the civil sector and 22.5% in the defence sector.

## 2. Main Events for 2005

For the sixth consecutive year, EADS has surpassed its announced targets and has consolidated its position as a driving force in global aerospace and defence. EADS is the confirmed market leader in commercial aircraft above 100 seats, and has considerably increased its portfolio in the defence sector through military derivatives, system of systems solutions and services.

In the **civil aviation business**, EADS captured over 52% of new aircraft gross orders, reflecting the quality and performance of its product range. Airbus received 1,055 net orders (1,111 gross orders) in 2005, including a large order of 100 A320s for IndiGo. Asia, the Middle East and low cost airlines have supported orders.

Airbus delivered 378 aircraft, well above the 2004 level (320), further reflecting the market upturn.

Airbus realised significant achievements in the A380 programme, with the first flight of the A380 on April 27, 2005. By the end of 2005, Airbus had reached the satisfactory level of 159 firm orders from customers for this aircraft. China Southern and Kingfisher Airlines joined the roster of A380 customers. First deliveries are expected at the end of 2006.

In October 2005, the Board of Directors of EADS and the Shareholders Committee of Airbus approved the industrial launch of the A350 to complete the long-range family of Airbus, based upon quality and volume of demand for this aircraft.

Following its unilateral withdrawal from the 1992 EU-US Agreement on Trade in Large Civil Aircraft, the US lodged a request on October 6, 2004 to initiate settlement proceedings before the World Trade Organisation (WTO). In response, the EU launched a parallel WTO case against the US in relation to its subsidising of Boeing. The latest developments show that the exact timing of the WTO litigation process has still to be agreed through negotiations between the US and the EU.

For **defence businesses** (including all military activities: transport and fighter aircraft, helicopters, satellites, missiles...), 2005 was characterised by stable revenues and a growing order book. The major contracts contributing to this achievement are A400M contract with South Africa and contracts for the C-295 transport aircraft and the modernisation of maritime surveillance aircraft with Brazil, an order for Eurofighter self-protection electronics, India's order for Exocet missiles and France's appointment of EADS



to develop a new army information and communication system. As part of the Medium Extended Air Defence System (MEADS) International consortium, EADS was awarded a part in designing and developing the tri-national MEADS system. Major prospects for the years to come are the contracts arising from the selection of NH90 helicopters by Spain and the New Zealand Airforce. The defence order-book as a whole has grown from €49 billion at end 2004 to €52 billion at end 2005, and defence revenues remained stable at €7.7 billion.

**Space** confirmed its return to profitability in 2005, reflecting the positive impact of the lower cost base over a full 12 months following the restructuring completed in 2004. EADS Space finished the year with a strong positive progression in EBIT\*: €58 million (as compared to €9 million in 2004). Business successes contributing to this performance were the successful launch of the new Ariane 5 ECA (with enhanced payload), a contract with the Vietnamese government for the supply of a satellite based monitoring system, the selection of EADS Astrium by the European Space Agency (ESA) to develop and build three satellites for the Swarm mission, and the signature by Paradigm of a two-year extension to Skynet 5 contract and the order of a third Skynet 5 satellite.

To continue its global expansion, EADS has identified key countries with high long-term growth potential. In 2005, EADS businesses have made significant

progress in establishing an international industrial footprint, as highlighted for example by strategic partnerships Eurocopter signed in Korea and China, and the decision by Airbus to study the building of an A320 Final Assembly Line in China.

In order to accelerate and orchestrate the pace of expansion, EADS has created a dedicated function: “Global Industrial Development”.

In line with EADS’ Articles of Association, the Board of Directors was renewed at last year’s AGM. At the same time, two new Chief Executive Officers (CEO) and two Chief Operating Officers (COO) have been appointed and a reshaping of EADS’ divisional structure and headquarters organisation has taken place. This process was accompanied and closely supervised by EADS’ Board, thus guaranteeing continuity in EADS’ strategy and reliability towards its stakeholders.

EADS will pursue its policy of seeking profitable growth in civil aviation, space and defence businesses by setting standards in its markets. This implies long-term value creation and the recognition of the Group’s corporate social and ethical responsibility, such as laid out in EADS’ newly issued Code of Ethics. As such, EADS’ strategy envisions a sustainable balance between economic performance, consideration of all stakeholders’ interests and respect of the environment.



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### 3. Corporate Governance

#### 3.1 Management and control

In 2005, the Board of EADS continued to uphold the driving principle of maximising shareholder value and compliance with applicable law and Corporate Governance principles in the countries relevant for the Company, while also enhancing its focus on Corporate Governance best practices.

The Board met seven times in 2005 and was regularly informed of developments through business reports from the CEOs, including rolling forecasts as well as strategic and operational plans. Topics intensively discussed and operations authorised at these meetings included EADS strategy, reorganisation topics (such as the reshaping of EADS divisional structure and headquarter organisation), major business issues (such as the A350 industrial launch decision, Airbus future product policy, EADS' strategy in defence including European industry consolidation and the acquisition of Atlas Elektronik together with ThyssenKrupp Technologies, the review of the EADS UAV programmes, the co-development of the EC 175 helicopter with China and the review of Sogerma future strategy), and the approval of operational plans, budgets, remuneration (including a SOP and an ESOP) and the Group's financial results and forecasts, as well as financial optimisations and the process of risk management and internal controls. The Board also dealt with topics regarding personnel and human resources, such as management qualification as well as attracting, retaining and developing high potentials in order to ensure the future quality of EADS'

management and the multi-national leadership structure. In its meeting on May 11, 2005, Manfred Bischoff and Arnaud Lagardère were re-elected as Chairmen and the two Board Committees were re-constituted with the same members as previously. The EADS Board has also appointed on June 25, 2005 the EADS CEOs, the two Chief Operating Officers, the CEO of Airbus, the head of the Defence and Security Systems division, and the head of Eurocopter as members of the Executive Committee, while confirming other members of the Executive Committee.

#### 3.2 Dutch Corporate Governance Code

In accordance with Dutch law and with the provisions of the Dutch Corporate Governance Code (the “**Dutch Code**”), which includes a number of non-mandatory recommendations, the Company applies the provisions of the Dutch Code or, if applicable, explains the reasons for non-application of such provisions.

While EADS, in its continuous efforts to adhere to the highest standards, applies most of the recommendations, it has, in accordance with the Dutch Code's “Apply or Explain” principle, provided the relevant explanations in paragraph 4.2 “Dutch Corporate Governance Code” of its Board Report for the 2004 financial year (statement available on EADS web-site [www.eads.com](http://www.eads.com) in the section on “Corporate Governance”) which was approved by the Annual General Meeting held on May 11, 2005. In addition, the last year's statement of the Company is modified as set forth in the Board Report for this year which is part of the documentation for the General Meeting.



### 3.3 Remuneration policy of the members of the Board of Directors

EADS' compensation policy aims at attracting and retaining talents that will contribute to the Group's business success. Shareholders expect a strong commitment from Members of the Board; the compensation policy is therefore designed to focus efforts on what the Group wants to value and reward.

The compensation of the Executive Members of the Board combines short-term and long-term reward.

#### 3.3.1 Compensation of Non-Executive Members of the Board

The target compensation of Non-Executive Members of the Board is composed of (i) a fixed part of €30,000 per Member of the Board and €60,000 per Chairman, (ii) a fee for participation in Board meetings as well as Committee meetings (if such Committee meetings take place on a different date than the Board meetings) of €5,000 per Member of the Board and €10,000 for each Chairman, per meeting and (iii) a variable part consisting of a profit sharing (bonus) calculated according to EBIT\* and gross cash results of the EADS Group, of €50,000 per Member of the Board and €100,000 per Chairman at 100% target achievement.

#### 3.3.2 Compensation of Executive Members of the Board

The remuneration policy for Executive Members of the Board follows the same principles as the remuneration policy for EADS Executive Committee members.

The Executive Members of the Board are entitled to receive a total target compensation divided into

a fixed part and a variable part; total compensation is for the Chief Executive Officers 45% fixed and 55% variable and for the other Executive Directors 50% fixed and 50% variable (in case of overachievement of the targets, the variable part can exceed the 55%/50% respectively of total compensation).

#### 3.3.3 Long Term Incentive Plan "LTIP"

Executive Members of the Board are eligible for the EADS LTIP.

The Remuneration and Nomination Committee makes recommendations to the Board, which finally decides on the individual grant allocation.

#### 3.3.4 Employee Share Ownership Plan "ESOP"

EADS Executive Members of the Board are eligible for the ESOP under the same conditions as any of EADS' employees, being individuals under contract with EADS or with its subsidiaries.

Those shares cannot be sold during a period of one year in case of a direct ownership or a period of five years in case of ownership through a mutual fund.

#### 3.3.5 Pension benefits

The Executive Members of the Board have pension promises as part of their employment agreements. The general policy is to give them annual pensions of 50% of their annual base salary after five years in the Executive Committee of EADS at the age of 60 to 65. These rights will gradually increase to 60% after a second term.



### 3.3.6 Policy for termination package

Non-Executive Members of the Board have no termination package.

Under the terms of the new contracts, Executive Members of the Board have an indefinite term contract. These contracts can be terminated at any time with six months notice. Executive Members of the Board are entitled to a termination package when the parting results from a decision by the Company. Termination package is a maximum indemnity of 24 months of target income, and could be reduced prorata depending on retirement age.

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## 4. Financial Highlights

EADS' Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), adopted by the International Accounting Standards Board ("IASB"), as endorsed by the European Union (EU). They comprise (i) IFRS, (ii) International Accounting Standards ("IAS") and (iii) Interpretations originated by the International Financial Reporting Interpretations Committee (IFRIC) or former Standing Interpretations Committee ("SIC").

The profit for the period attributable to equity holders of the parent (Net Income) for 2004 was adjusted due to the retrospective application of revised **IAS 32 "Financial instruments: Disclosure and Presentation (revised 2004)"** with an amount of +€185 million and **IFRS 2 "Share-based Payment"** amounting to -€12million.

**IAS 32 Financial Instruments: Disclosure and Presentation (revised 2004)** — Since January 1, 2005, EADS applies revised IAS 32 "Financial Instruments: Disclosure and Presentation" (revised

2004). Amongst others, revised IAS 32 provides modified guidance whether a share in an entity should be classified as equity or as financial liability. Accordingly, under certain circumstances, an entity shall record a financial liability rather than an equity instrument for the exercise price of a written put on the entity's equity.

As part of the Airbus business combination in 2001, the option granted to BAE Systems to put its 20% stake in Airbus is such a written put option. As such EADS has the obligation to purchase these minority shares whenever the minority shareholder requests it, limited to a revolving yearly window period for an amount equal to the fair value of the shares at the time the option is exercised, to be paid in cash or an equivalent amount of EADS shares. Following revised IAS 32 and despite BAE Systems (legal) minority rights in Airbus, the related interest is now to be regarded as financial liability in the EADS Consolidated Financial Statements, to be stated at fair value. The liability for the put option has been measured by applying a choice of different valuation techniques, based on best estimates currently available, and is presented in a separate line of the EADS Consolidated Balance Sheet "Liability for puttable instruments".

Following IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", the adoption of revised IAS 32 is treated as a change in accounting policy firstly effecting EADS' Consolidated Financial Statements as of December 31, 2005 with corresponding adjustments to the prior periods presented. The historical minority interests for BAE Systems' 20% stake in Airbus at the time of the business combination in 2001 have been replaced by the posting of a liability for puttable instruments, the difference between those two amounts being accounted for against consolidated total equity.



Prior years' dividend payments to BAE Systems have been treated as partial repayments, thus consequently reducing the liability for puttable instruments. All changes to the fair value have been treated as contingent consideration in a business combination in accordance with IFRS 3 "Business Combinations" and led to adjustments of goodwill.

**IFRS 2 Share-based Payment** — The revised accounting policy for share-based payment transactions is described below. The main impact of IFRS 2 on the Group's Consolidated Financial Statements is the recognition of an expense and a corresponding entry within equity for senior executive and employees' stock options and employee stock ownership plans. In accordance with the transition rules EADS applied the Standard retrospectively to two equity settled plans, which were granted after November 7, 2002 and not vested as of January 1, 2005.

### 4.1 Revenues

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 revenue recognition on the A400M programme to the first quarter of 2006.

### 4.2 EBIT pre-goodwill impairment and exceptionals

EADS uses EBIT pre-goodwill impairment and exceptionals as a key indicator of its 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. In the following, EBIT pre-goodwill impairment and exceptionals is earmarked as EBIT\*.

*Table 1 – Reconciliation Profit before finance costs and income tax to EBIT\* (IFRS)*

(in millions of €)	2005	2004
<b>Profit before finance costs and income tax</b>	<b>2,712</b>	<b>2,215</b>
Exceptional depreciation (fixed assets)	136	212
Exceptional depreciation (inventories and others)	4	5
<b>EBIT pre-goodwill impairment and exceptionals</b>	<b>2,852</b>	<b>2,432</b>

*\*pre-goodwill impairment and exceptionals*

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 in spite of a less favourable FY 2005 average hedge rate of €1 = US\$1.06 (FY 2004: €1 = US\$0.99).

### 4.3 Net Cash

EADS' net cash position was boosted 39% to €5.5 billion (2004: €4 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.

### 4.4 Order Intake and Order Book

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.

Table 2 – Order Intake and Order Book by Division

by Division	Order Intake			Order Book		
	FY 2005	FY 2004	Change	Dec 31, 2005	Dec 31, 2004	Change
(Amounts in millions of €)						
Airbus	<b>78,254</b>	25,816	+203%	<b>201,963</b>	136,022	+48%
Military Transport Aircraft	<b>1,840</b>	1,176	+56%	<b>20,961</b>	19,897	+5%
Eurocopter	<b>3,522</b>	3,245	+9%	<b>9,960</b>	9,117	+9%
Space	<b>2,322</b>	5,658	(59%)	<b>10,931</b>	11,311	(3%)
Defence & Security Systems	<b>6,673</b>	8,457	(21%)	<b>18,509</b>	17,276	+7%
Headquarters/Consolidation	<b>(1,931)</b>	(1,355)	-	<b>(11,217)</b>	(10,414)	-
Other Businesses	<b>1,871</b>	1,120	+67%	<b>2,128</b>	1,079	+97%
<b>Total</b>	<b>92,551</b>	44,117	+110%	<b>253,235</b>	184,288	+37%



### 4.5 EADS Division Details

**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). The increase was mainly driven by higher aircraft deliveries (378 versus 320 in 2004) and benefited from the Route06 cost savings programme mitigating the less favourable US Dollar. Revenues increased by ten percent to € 22,179 million (FY 2004: € 20,224 million). Airbus' EBIT\* margin improved from 9.5 percent to 10.4 percent.

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 amounted to €202 billion based on list prices. This is an increase of 48% over year-end 2004. The order book represents a total of 2,177 commercial aircrafts (2004: 1,500).

The A380 is on track for certification, with the first delivery scheduled for the end of 2006. Airbus has already successfully completed 1,000 hours of flight testing with its four flying A380s and has received 159 firm orders from 16 customers to date, including three new customers in 2005. Launched in October, the A350 has received 172 firm orders and commitments from 13 customers by the end of 2005.

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 (FY 2004: €1,304 million) due to a shift of a revenue recognition milestone on the A400M

programme worth €539 million to the first quarter of 2006. The Division's order book increased by 5% to €21 billion (2004: €19.9 billion).

**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 (FY 2004: €201 million) while revenues increased by 15% to €3,211 million (FY 2004: €2,786 million). In 2005, the Division received new orders for 401 helicopters (FY 2004: 332), thereof 71% from outside the European home markets. The NH90 multi-role transport helicopter attracted three new customers: Belgium, New Zealand and Spain. At the end of 2005, the Eurocopter order book amounted to €10 billion (2004: €9.1 billion).

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 (FY 2004: €2,592 million) with all business units contributing to this growth.

The **Defence & Security Systems** Division had a strong year for deliveries and new orders and strengthened its capabilities in growth areas. 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) and provides considerable prospects for revenue growth in the years to come.

**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 a negative €171 million (FY 2004: positive €2 million) with positive contributions from ATR, EADS EFW and EADS Socata. EADS Sogerma Services' EBIT\* loss widened by €198 million compared to 2004. This result is due to operational losses, impairment of assets and restructuring. The target is to achieve a turnaround as soon as possible subject to a restructuring plan to be decided in the next month.

Other Businesses achieved revenues of €1,155 million (FY 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).

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## 5. Dividend policy

The Board will recommend to the AGM the level of attributions to reserves, and a cash distribution of a gross amount of €0.65 per share with respect to the year 2005.

The amount of the proposed cash distribution, up for the third consecutive year, results from the Company's performance during the year 2005. This distribution

level also 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.

Looking forward, EADS' Board has adapted its distribution policy, reflecting the belief that continuity and growth of dividends is a desirable shareholder objective, subject to factors such as EADS' distribution capacity arising from performance, its priorities for cash utilisation and future prospects.

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## 6. Presentation of the resolutions proposed by the Board

### First resolution

We propose that this AGM accepts and approves this Board Report including, in order to comply with Dutch law and the recommendations of the Dutch Code, the chapter on Corporate Governance, the policy on dividends and the proposed policy for the remuneration for the Members of the Board as described in this Board Report.

### Second and third resolutions

We propose that this AGM approves the audited accounts for 2005 and resolves that the net profit of €1,676 million, as shown in the audited income statement for the financial year 2005, shall be added to retained earnings and that a payment of a gross amount of €0.65 per share shall be made to the shareholders from distributable reserves on June 1, 2006.



### Fourth resolution

We recommend that this AGM discharges the members of the Board from their responsibility for the conduct of the Company's business with respect to the financial year 2005.

### Fifth resolution

We recommend that the Company's auditors for the financial year 2006 should be Ernst & Young Accountants whose registered office is at Drentestraat 20, 1083 HK Amsterdam, the Netherlands, and KPMG Accountants N.V. whose registered office is at K.P. van der Mandelelaan 41-43, 3062 MB Rotterdam, The Netherlands. Our proposal is thus to renew the same auditors as for the past financial year; those auditors having given assurance to the EADS Audit Committee on their respective qualifications, performance and independence.

### Sixth resolution

We propose that this AGM approves the renewal of the authorisation given to the Board to issue shares representing up to 1% of the Company's authorised share capital for a period expiring at the AGM to be held in 2007, including specific powers to approve LTIP as well as ESOP plans, since the previous authorisation expires at the end of this AGM.

The Company anticipates a possible implementation of a LTIP in 2006. Such a plan would have to be formally approved by the Board.

The Company also anticipates implementing an ESOP in 2006. It would again have to be formally approved by the Board.

### Seventh resolution

We propose that this AGM approves the cancellation of the shares repurchased by the Company up to a maximum amount of 6,656,970 shares, to compensate the dilution effect resulting from the issuance of shares for the purpose of the ESOP 2005 and the exercise of stock options from the SOPs 2000, 2001 and 2002 in 2005.

### Eighth resolution

We propose that this AGM approves the renewal of the authorisation to the Board to repurchase shares of the Company, for a new 18-month period by any means, including derivatives products, on any stock exchange or otherwise. The above authorisation will supersede and replace the authorisation granted by the AGM on May 11<sup>th</sup>, 2005. The purposes of the share buy-back programmes to be implemented by EADS will be determined on a case-by-case basis by the Board according to needs and possibilities. For additional information on EADS' share buy-back programmes including their purposes, characteristics and status the reader should refer to the EADS web-site at [www.eads.com](http://www.eads.com) (Investor Relations) and to the documents filed with and/or approved by the relevant stock exchange authorities posted thereon.

# Financial Statements Summary



## 1. Consolidated Financial Statements (IFRS)

### 1.1 Consolidated Income Statements (IFRS)

(in millions of €)	2005	2004
<b>Revenues</b>	<b>34,206</b>	<b>31,761</b>
Cost of sales	(27,530)	(25,522)
<b>Gross margin</b>	<b>6,676</b>	<b>6,239</b>
Selling expenses	(832)	(798)
Administrative expenses	(1,351)	(1,321)
Research and development expenses	(2,075)	(2,126)
Other income	222	314
Other expenses	(153)	(177)
<i>thereof goodwill amortization</i>	<i>0</i>	<i>0</i>
Share of profit from associates	210	88
Other income (expense) from investments	15	(4)
<b>Profit before finance costs and income taxes</b>	<b>2,712</b>	<b>2,215</b>
Interest result	(155)	(275)
Other financial result	(22)	(55)
Total finance costs	(177)	(330)
Income taxes	(825)	(664)
<b>Profit for the period</b>	<b>1,710</b>	<b>1,221</b>
Attributable to:		
Equity holders of the parent ( <b>Net Income</b> )	1,676	1,203
Minority interests	34	18
	<b>1,710</b>	<b>1,221</b>
<b>Earnings per share</b>	<b>€</b>	<b>€</b>
Basic	2.11	1.50
Diluted	2.09	1.50
<b>Cash distribution per share (2005: proposal)</b>	<b>0.65</b>	<b>0.50</b>



### 1.2 Consolidated Balance Sheets (IFRS)

At December 31

(in millions of €)	2005	2004
Intangible assets	11,052	10,549
Property, Plant and Equipment	13,951	12,956
Investment in associates	1,908	1,738
Other investments and long-term financial assets	1,938	2,110
Deferred tax assets	2,557	2,548
Non-current securities	1,011	466
Non-current other assets	3,610	7,096
<b>Non-current assets</b>	<b>36,027</b>	<b>37,463</b>
Inventories	15,425	12,334
Trade receivables	4,802	4,406
Other current assets	3,675	5,242
Current securities	29	0
Cash and cash equivalents	9,546	8,718
<b>Current assets</b>	<b>33,477</b>	<b>30,700</b>
<b>Non-current assets classified as held for sale</b>	<b>881</b>	<b>0</b>
<b>Total assets</b>	<b>70,385</b>	<b>68,163</b>
Equity attributable to equity holders of the parent	13,726	16,210
Minority interests	176	144
<b>Total equity</b>	<b>13,902</b>	<b>16,354</b>
Non-current provisions	6,879	6,074
Long-term financial liabilities	4,189	4,405
Deferred tax liabilities	2,376	4,134
Other non-current liabilities	11,295	10,267
<b>Non-current liabilities</b>	<b>24,739</b>	<b>24,880</b>
Current provisions	2,727	2,350
Short-term financial liabilities	908	818
Liability for puttable instruments	3,500	3,500
Trade liabilities	6,634	5,860
Current tax liabilities	174	178
Other current liabilities	17,739	14,223
<b>Current liabilities</b>	<b>31,682</b>	<b>26,929</b>
<b>Liabilities directly associated with non-current assets held for sale</b>	<b>62</b>	<b>0</b>
<b>Total equity and liabilities</b>	<b>70,385</b>	<b>68,163</b>



### 1.3 Consolidated Statements of Cash Flows (IFRS)

(in millions of €)	2005	2004
<b>Profit for the period attributable to equity holders of the parent (Net Income)</b>	<b>1,676</b>	<b>1,203</b>
Profit for the period attributable to minority interests	34	18
Adjustments to reconcile net income to cash provided by operating activities:	-	-
Depreciation and amortization	1,653	1,621
Valuation adjustments and CTA release	261	(188)
Deferred tax expenses (income)	386	537
Results on disposal of non-current assets	(170)	(8)
Results of companies accounted for by the equity method	(210)	(88)
Change in current and non-current provisions and current tax assets/liabilities	238	(237)
<b>Change in other operating assets and liabilities:</b>	<b>1,239</b>	<b>2,155</b>
- Inventories	(3,264)	366
- Trade receivables	(388)	(403)
- Trade liabilities	666	756
- Other assets and liabilities	4,225	1,436
<b>Cash provided by operating activities</b>	<b>5,107</b>	<b>5,013</b>
<b>Investments:</b>	<b>-</b>	<b>-</b>
- Purchase of intangible assets, PPE	(2,818)	(3,017)
- Proceeds from disposals of intangible assets, PPE	101	36
- Acquisitions of subsidiaries (net of cash)	(131)	(100)
- Proceeds from disposals of subsidiaries (net of cash)	89	0
- Payments for investments in associates and other investments and long-term financial assets	(659)	(482)
- Proceeds from disposals of associates and other investments and long-term financial assets	485	492
- Dividends paid by companies valued at equity	36	36
- Increase in equipment of leased assets	(40)	(656)
- Proceeds from disposals of leased assets	256	74
- Increase in finance lease receivables	(219)	(261)
- Decrease in finance lease receivables	85	110
Change of securities	(559)	10
Change in cash from changes in consolidation	12	9
<b>Cash (used for) investing activities</b>	<b>(3,362)</b>	<b>(3,749)</b>
Change in long-term and short-term financial liabilities	(344)	474
Cash distribution to EADS N.V. shareholders	(396)	(320)
Payments related to liability for puttable instruments	(93)	(64)
Capital increase	187	43
Purchase of treasury shares	(288)	(81)
<b>Cash (used for) provided by financing activities</b>	<b>(934)</b>	<b>52</b>
Effect of foreign exchange rate changes and other valuation adjustments on cash and cash equivalents	17	(2)
<b>Net increase in cash and cash equivalents</b>	<b>828</b>	<b>1,314</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>8,718</b>	<b>7,404</b>
<b>Cash and cash equivalents at end of period</b>	<b>9,546</b>	<b>8,718</b>



## 2. Company Financial Statements

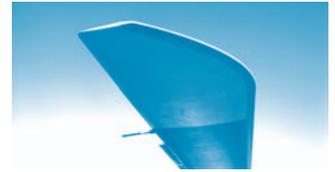
### 2.1 Balance Sheets of the Company Financial Statements

	At December 31	
(in millions of €)	2005	2004
<b>Assets</b>		
Goodwill	4,354	4,354
Financial assets	11,638	13,944
Loans	1,740	695
<b>Fixed assets</b>	<b>17,732</b>	<b>18,993</b>
Receivables and other assets	3,959	2,248
Securities	846	304
Cash and cash equivalents	7,252	6,985
<b>Non-fixed assets</b>	<b>12,057</b>	<b>9,537</b>
<b>Total assets</b>	<b>29,789</b>	<b>28,530</b>
<b>Liabilities and stockholders' equity</b>		
Capital stock	818	810
General reserves	12,908	15,400
<b>Stockholders' equity</b>	<b>13,726</b>	<b>16,210</b>
Financial liabilities	357	309
Liability for puttable instruments	3,500	3,500
Other liabilities	12,206	8,511
<b>Liabilities</b>	<b>16,063</b>	<b>12,320</b>
<b>Total liabilities and stockholders' equity</b>	<b>29,789</b>	<b>28,530</b>

### 2.2 Income Statements of the Company Financial Statements

(in millions of €)	2005	2004
Income from investments	1,692	1,216
Other results	(16)	(13)
<b>Net result</b>	<b>1,676</b>	<b>1,203</b>

# Shareholders Information



## How to get to the Hotel Okura ?

Hotel Okura Amsterdam is located right next to the RAI Congress Centre, only 30 minutes from Amsterdam-Schiphol international airport.

### By car:

From all directions, follow Ring Amsterdam (A10). Exit RAI (S109) and turn right at the traffic lights, direction RAI/Centrum (S109).

Follow direction Zuid (S109). After passing the roundabout, take the second street on your right (Scheldestraat).

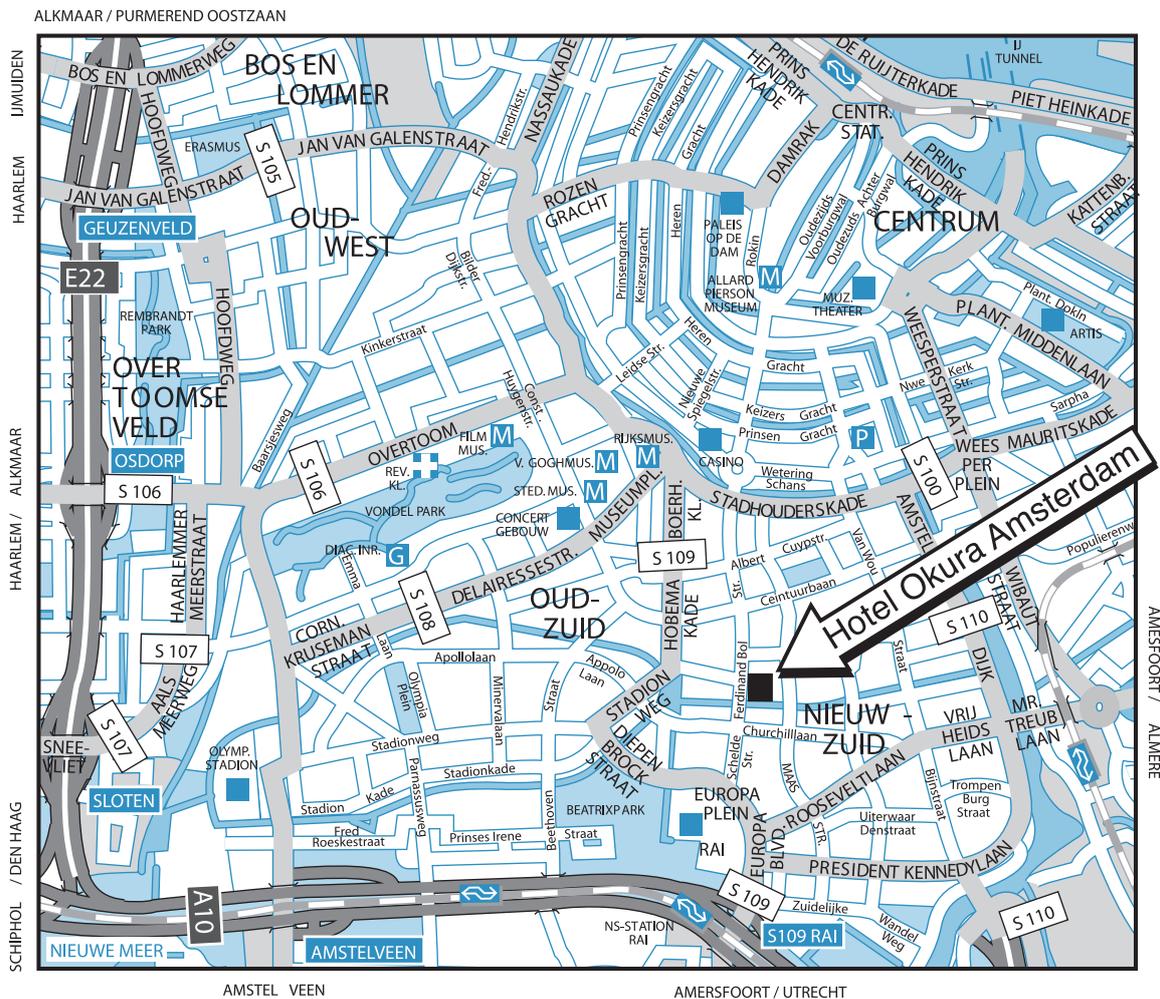
After 500 meters, Hotel Okura Amsterdam appears on your right hand side.

### By public transport:

**From Central Station:** tram 25, stopping-place Cornelis Troostplein. Travelling time: ±15 minutes.

**From Amstel Station:** tram 12, bus 15, stopping-place Scheldestraat. Travelling time: ±10 minutes.

**From RAI station:** a 10-minutes walk to the Hotel Okura Amsterdam.





## Shareholders Information

(free call)

Germany: 00 800 00 02 2002

France: 0 800 01 2001

Spain: 00 800 00 02 2002

E-mail: [ir@eads.com](mailto:ir@eads.com)



The step beyond

**European Aeronautic Defence and Space Company EADS N.V.**

Limited liability company (naamloze vennootschap)

Le Carré, Beechavenue 130-132, 1119 PR Schiphol-Rijk, The Netherlands

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