First 9 month 2005 Report

Unaudited Condensed Interim Consolidated Financial Information of EADS N.V. for the first nine months of 2005

Unaudited Condensed IFRS Consolidated Income Statements

	January 1 - September 30, 2005		January 1 - September 30, 2004		Deviation	
	M €	%	M €	%	M €	%
Revenues	23,446	100	21,459	100	1,987	9
Cost of sales *)	-18,685	-80	-17,035	-79	-1,650	10
Gross margin	**4,761**	**20**	**4,424**	**21**	**337**	**8**
Selling, administrative & other expenses	-1,620	-7	-1,637	-8	17	-1
Research and development expenses	-1,431	-6	-1,612	-8	181	-11
Other income	124	1	114	1	10	9
Share of profit from associates and other income from investments	171	1	57	0	114	200
Profit before finance costs and income taxes	**2,005**	**9**	**1,346**	**6**	**659**	**49**
Finance costs	-21	0	-183	-1	162	-89
Income taxes	-707	-4	-426	-2	-281	66
Profit for the period	**1,277**	**5**	**737**	**3**	**540**	**73**
Attributable to:						
Equity holders of the parent (Net income) *)	**1,025**	**4**	**588**	**3**	**437**	**74**
Minority interest	252	1	149	0	103	69

Earnings per share	€	€	€
Basic *)	1.29	0.73	0.56
Diluted *)	1.28	0.73	0.55

*) The effect of the retroactive application of IFRS 2 “Share based payment” is included in cost of sales of previous year (see Note 6).

Unaudited Condensed IFRS Consolidated Income Statements for the third quarter 2005 and 2004

	July 1 - September 30, 2005		July 1 - September 30, 2004		Deviation	
	M €	%	M €	%	M €	%
Revenues	7,426	100	6,892	100	534	8
Cost of sales *)	-5,946	-80	-5,378	-78	-568	11
Gross margin	**1,480**	**20**	**1,514**	**22**	**-34**	**-2**
Selling, administrative & other expenses	-541	-7	-568	-8	27	-5
Research and development expenses	-481	-6	-499	-7	18	-4
Other income	33	0	25	0	8	32
Share of profit from associates and other income from investments	38	0	1	0	37	3,700
Profit before finance costs and income taxes	**529**	**7**	**473**	**7**	**56**	**12**
Finance costs	-47	0	-122	-2	75	-61
Income taxes	-196	-3	-91	-1	-105	115
Profit for the period	**286**	**4**	**260**	**4**	**26**	**10**
Attributable to:						
Equity holders of the parent (Net income) *)	**209**	**3**	**207**	**3**	**2**	**1**
Minority interest	77	1	53	1	24	45

Earnings per share	€	€	€
Basic and diluted *)	0.26	0.26	0.00

*) The effect of the retroactive application of IFRS 2 “Share based payment” is included in cost of sales in previous third quarter (see Note 6).

Unaudited Condensed IFRS Consolidated Balance Sheets

	September 30, 2005		December 31, 2004		Deviation	
	M €	%	M €	%	M €	%
Non-current assets						
Intangible assets	10,209	15	10,008	15	201	2
Property, Plant and Equipment	13,593	19	12,905	19	688	5
Investment in associates	1,861	3	1,738	3	123	7
Other investments	2,655	4	2,110	3	545	26
Deferred tax assets	2,722	4	2,543	4	179	7
Non-current securities	669	1	466	1	203	44
Other non-current assets	4,118	6	6,973	10	-2,855	-41
	35,827	52	36,743	55	-916	-2
Current assets						
Inventories, gross *)	15,335	22	12,334	18	3,001	24
Trade receivables	4,177	6	4,406	7	-229	-5
Other current assets	4,066	6	5,325	8	-1,259	-24
Cash and cash equivalents	9,813	14	8,718	12	1,095	13
	33,391	48	30,783	45	2,608	8
Total assets	**69,218**	**100**	**67,526**	**100**	**1,692**	**3**
Equity attributable to equity holders of the parent						
Capital Stock	814	1	810	1	4	0
Reserves	10,984	16	10,254	15	730	7
Accumulated other comprehensive income	3,747	6	6,086	9	-2,339	-38
Treasury shares	-392	-1	-177	0	-215	121
	15,153	22	16,973	25	-1,820	-11
Minority interests	1,975	3	2,370	4	-395	-17
Non-current liabilities						
Non-current provisions	6,659	10	6,045	9	614	10
Long-term financial liabilities	5,030	7	4,406	7	624	14
Deferred tax liabilities	2,635	4	4,134	6	-1,499	-36
Other non-current liabilities *)	10,592	15	10,267	15	325	3
	24,916	36	24,852	37	64	0
Current liabilities						
Current provisions	2,379	3	2,350	3	29	1
Short-term financial liabilities	737	1	720	1	17	2
Trade liabilities	5,982	9	5,860	9	122	2
Current tax liabilities	611	1	178	0	433	243
Other current liabilities *)	17,465	25	14,223	21	3,242	23
	27,174	39	23,331	34	3,843	16
Total equity and liabilities	**69,218**	**100**	**67,526**	**100**	**1,692**	**3**

*) Advance payments received related to inventories are reclassified to other non-current and current liabilities. Previous year figures are adjusted accordingly (see note 7).

Unaudited Condensed IFRS Consolidated Cash Flow Statements

	January 1 - September 30, 2005	January 1 - September 30, 2004
	M €	M €
Profit for the period attributable to equity holders of the parent (Net income)	1,025	588
Profit attributable to minority interests	252	149
Adjustments to reconcile profit for the period (net income) to cash provided by operating activities		
Depreciation and amortization	1,365	1,255
Valuation adjustments and CTA	-10	-326
Deferred tax expense	12	285
Results on disposals of non-current assets and results of companies accounted for by the equity method	-268	-48
Change in current and non-current provisions and current tax assets and liabilities	520	-174
Change in other operating assets and liabilities	532	249
Cash provided by operating activities	**3,428**	**1,978**
Purchases of intangible assets and PPE	-1,840	-1,652
Proceeds from disposals of intangible assets and PPE	52	57
Acquisitions of subsidiaries (net of cash)	-96	-10
Proceeds from disposals of subsidiaries (net of cash)	35	0
Payments for investments in associates and other investments and other long-term financial assets	-470	-493
Proceeds from disposals of associates and other investments and long-term financial assets	320	532
Dividends paid by companies valued at equity	36	36
Increase in equipment of leased assets	-34	-295
Proceeds from disposals of leased assets	223	35
Increase in finance lease receivables	-211	-111
Decrease in finance lease receivables	59	69
Change in securities	-184	299
Change in cash from changes in consolidation	11	0
Cash used for investing activities	**-2,099**	**-1,533**
Change in long-term and short-term financial liabilities	373	283
Capital increase	80	2
Own shares purchased	-215	0
Cash distribution paid to shareholders	-396	-320
Dividends paid to minorities	-93	-65
Cash used for financing activities	**-251**	**-100**
Effect of foreign exchange rate changes and other valuation adjustments on cash and cash equivalents	17	7
Net increase in cash and cash equivalents	**1,095**	**352**
Cash and cash equivalents at beginning of period	**8,718**	**7,404**
Cash and cash equivalents at end of period	**9,813**	**7,756**

As of September 30, 2005, EADS' cash position (stated as cash and cash equivalents in the unaudited consolidated cash flow statements) includes 1,040 M € (687 M € as of December 31, 2004) representing the amount Airbus has deposited at BAE Systems. Additionally included are 477 M € (602 M € as of December 31, 2004), which represent EADS' share in MBDA's cash and cash equivalents, deposited at BAe Systems and Finmeccanica. These funds are available for EADS upon demand.

Unaudited Condensed IFRS Consolidated Statements of Changes in equity attributable to equity holders of the parent and minority interests

in M €	Equity attributable to equity holders of the parent	Minority interest
Balance at January 1, 2005	**16,973**	**2,370**
Profit for the period	1,025	252
Cash distribution to shareholders and dividends to minorities	-396	-93
OCI	-2,339	-554
Capital Increase	80	0
Purchases of treasury shares	-215	0
Others	25	0
Balance at September 30, 2005	**15,153**	**1,975**
Balance at January 1, 2004	**16,149**	**2,179**
Profit for the period	588	149
Cash distribution to shareholders and dividends to minorities	-320	-65
OCI	-923	-209
Others	11	0
Balance at September 30, 2004	**15,505**	**2,054**

Explanations to the Unaudited Condensed IFRS Consolidated Financial Statements as at September 30, 2005

1. The Company

The accompanying Condensed Interim Consolidated Financial Statements (unaudited) present the operations of European Aeronautic Defence and Space Company EADS N.V. and its subsidiaries ("EADS" or the "Group"), a Dutch public limited liability company (naamloze vennootschap) legally seated in Amsterdam (Le Carré, Beechavenue 130-132, 1119 PR, Schiphol-Rijk, The Netherlands), and are prepared and reported in Euros ("€"). EADS' core business is the manufacturing of commercial aircraft, civil helicopters, commercial space launch vehicles, missiles, military aircraft, satellites, defence electronics and rendering of services related to these activities.

2. Accounting policies

These Condensed Interim Consolidated Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting. EADS' Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), adopted by the International Accounting Standards Board ("IASB"). 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").

As of January 1, 2005, EADS adopted the following revisions and amendments to existing Standards and new Standards and Interpretations as required by the following announcements released by the IASB in December 2003 and in 2004:

EADS has applied thirteen revised International Accounting Standards (IASs) in conjunction with the Improvements Project (IASs 1, 2, 8, 10, 16, 17, 21, 24, 27, 28, 31, 33, 40), new IFRS 2 "Share

Based Payment", IFRS 4 "Insurance Contracts" and IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", new IFRIC 1 "Changes in Existing Decommissioning, Restoration and Similar Liabilities", IFRIC 2 "Members' Shares in Co-operative Entities and Similar Instruments" and IFRIC 4 "Determining whether an Arrangement contains a Lease" as well as amendments to IAS 32 (March 2004), to IAS 39 (March 2004) and to SIC 12 "Consolidation – Special Purpose Entities".

The effects of the application of IFRS 2 for the first nine months of 2005 and 2004 are disclosed in Note 6.

Minority interests accounting and commitments to buy out Minority interests – When EADS exercises the control over the operations of one of its subsidiaries, such entity or sub-group is fully consolidated. All third-party stakes in the voting rights of these subsidiaries are accounted for as part of Minority Interests. Contrary to the requirements of IAS 27 (§33), EADS has not reclassified on the balance sheet within Equity such Minority Interests.

The majority of the balance of the Minority Interests as at September 30, 2005 relates to BAE Systems for its 20 % minority stake in Airbus. BAE Systems had been granted in 2001 an option to sell its Airbus S.A.S. shares at market value to EADS, either for cash consideration or in exchange for EADS shares (if no burdensome regulatory authorisations impact such allocation), as determined by EADS. This option is since May 2005 exercisable without cause.

Although IAS 32 is applicable since January 1, 2005, EADS has, in the light of the ongoing discussion around the implementation of that standard, decided for its interim financial statements to maintain the historical valuation of the Minority Interests.

Besides consequential changes as mentioned above the accounting policies used in the preparation of the Interim Consolidated Financial Statements are consistent with those used in the annual Consolidated Financial Statements for the year ended December 31, 2004, which are disclosed as an integral part of the Group's Annual Report 2004. The annual Consolidated Financial Statements were authorised for issue by EADS' Board of Directors on March 8, 2005.

Costs incurring unevenly during the financial year are anticipated or deferred in the interim period only if it is appropriate to anticipate or defer that type of cost at the end of the financial year.

Income tax expense is recognized based on the best estimate of the weighted-average annual income tax rate expected for the full year applied on pre-tax income. The estimated annual average income tax rate for 2005 is about 35.6 % (previous year: 36.3 %).

These Condensed Interim Consolidated Financial Statements should be read in conjunction with the annual IFRS Consolidated Financial Statements 2004.

3. Changes in the consolidation perimeter of EADS

On February 28, 2005, EADS sold its Enterprise Telephony Business, which comprises its civil telecommunication activities, to Aastra Technologies Limited, Concord / Canada. In the first nine months of 2004, Enterprise Telephony Business has generated revenues of 104 M € in Defence & Security System division.

Australian Aerospace, which represents activities of Eurocopter in Australia, is fully consolidated from January 1, 2005 onwards.

Apart from this transaction, other acquisitions or disposals by the Group are not material.

4. Segment information

The Group operates in divisions (segments) which reflect the internal organizational and management structure according to the nature of the products and services provided. Following recent changes in the EADS structure, the *Aeronautics* Division was dissolved end of June and split into *Eurocopter* Division and *Other Businesses*. Segment figures have been restated in accordance with this new structure.

- *Airbus* — Development, manufacturing, marketing and sale of commercial jet aircraft of more than 100 seats and the development and manufacturing of aircraft for military use.
- *Military Transport Aircraft* — Development, manufacturing, marketing and sale of military transport aircraft and special mission aircraft.
- *Eurocopter* — Development, manufacturing, marketing and sale of civil and military helicopters and maintenance services.
- *Defence & Security Systems* — Development, manufacturing, marketing and sale of missiles systems; military combat and training aircraft; and provision of defence electronics, defence-related telecommunications solutions; and logistics, training, testing, engineering and other related services.
- *Space* — Development, manufacturing, marketing and sale of satellites, orbital infrastructures and launchers; and provision of space services.

The following table presents information with respect to the Group's business segments. Consolidation effects, the holding function of EADS headquarters and other activities not allocable to the divisions are disclosed in the column "HQ/ Conso.". "Other Businesses" comprises the development, manufacturing, marketing and sale of regional turboprop aircraft and light commercial aircraft as well as civil and military aircraft conversion and maintenance services.

in M €	Airbus	Military Transport Aircraft	Eurocopter	Defence & Security Systems	Space	HQ/ Conso.	Other Businesses	**Consoli-dated**
Nine months ended September 30, 2005								
Revenues	16,033	504	2,021	3,419	1,670	-984	783	**23,446**
Research and development expenses	-1,175	-14	-46	-121	-43	-27	-5	**-1,431**
EBIT pre goodwill imp. and exceptionals (see definition below)	1,854	1	105	10	10	175	-56	**2,099**
Nine months ended September 30, 2004								
Revenues	14,415	539	1,732	3,204	1,646	-886	809	**21,459**
Research and development expenses	-1,337	-18	-44	-145	-37	-26	-5	**-1,612**
EBIT pre goodwill imp. and exceptionals (see definition below)	1,379	5	101	-77	-6	77	12	**1,491**

5. EBIT pre goodwill impairment and exceptionals

EADS uses EBIT pre goodwill impairment and exceptionals as a key indicator of its economic performance. The term “exceptionals” refers to such items as amortization expenses of fair value adjustments relating to the EADS merger, the Airbus combination and the formation of MBDA, as well as impairment charges thereon. EBIT pre goodwill impairment and exceptionals is treated by management as a key indicator to measure the segments’ economic performances.

A reconciliation from Profit before finance costs and income taxes to EBIT pre goodwill impairment and exceptionals is set forth in the following table (in M €):

in M €	January 1- Sept. 30, 2005	January 1- Sept. 30, 2004
Profit before finance costs and income taxes	**2,005**	**1,346**
Fair value adjustments	94	145
EBIT pre goodwill impairment and exceptionals	**2,099**	**1,491**

6. Significant profit and loss statement items

Due to the application of IFRS 2 “Share Based Payment”, previous year figures had to be adjusted accordingly. For the first nine months of 2005, the recorded effect on EBIT pre goodwill impairment and exceptionals as well as profit for the period attributable to equity holders (net income) is an additional expense of 25 M € (first nine months of 2004: 9 M €).

EADS Group **revenues** in the first nine months of 2005 reach 23,446 M €, which - compared to the first nine months of 2004 – is an increase of 1,987 M €. Airbus and Eurocopter record increasing revenues, mostly reflecting higher aircraft deliveries and the first consolidation of Australian Aerospace (see Note 3). Stronger revenues from defence customers are recognized in the Defence and Security Systems Division.

Research and development expenses of 1,431 M € (first nine months of 2004: 1,612 M €) decrease because of the entry of the A 380 passenger version into production and increased capitalized development costs for A 380. In the first nine months of 2005, 172 M € of development costs were capitalized for A 380 (first nine months of 2004: 89 M €).

Share of profit from associates and other income from investments of 171 M € (first nine months of 2004: 57 M €) is mainly influenced by the result of Dassault Aviation of 157 M € (first nine months of 2004: 51 M €). The increase is mainly due to positive 2004 IFRS-catch up adjustments accounted for in 2005 compared to negative IFRS-catch up adjustments accounted for in 2004.

The **finance costs** of -21 M € (first nine months of 2004: -183 M €) include a net interest charge of -116 M € (first nine months of 2004: -181 M €) mainly related to refundable government advances, partly offset by positive effects from foreign exchange rate revaluations of monetary items.

7. Significant balance sheet items

Non-current assets

Intangible assets of 10,209 M € (prior year: 10,008 M €) include 9,479 M € (prior year: 9,460 M €) of Goodwill. Goodwill increases due to acquisition of shares from Dornier family members and

Racal US. According to IFRS 3, Goodwill is no longer regularly amortized, as previously requested under IAS 22, but instead is subject to annual impairment tests. As of September 30, 2005 no impairment test had to be performed.

Eliminating foreign exchange-rate effects of +352 M €, **property, plant and equipment** increased by 336 M € to 13,593 M € (prior year: 12,905 M €). Most of the increase is attributable to Airbus, due to strong capital expenditures related to the A380 program and the Space Division, mainly caused by the Paradigm / Skynet 5 program. Property, plant and equipment comprises "Investment property" amounting to 134 M € (prior year: 159 M €).

Investment in associates of 1,861 M € (prior year: 1,738 M €) mainly increases due to the change in the equity investment of Dassault Aviation.

Other investments of 2,655 M € (prior year: 2,110 M €) are allocated to Airbus in the amount of 2,032 M € (prior year: 1,553 M €), mainly concerning the non-current portion of aircraft financing activities with a foreign exchange-rate effect of +201 M €.

Deferred tax assets of 2,722 M € (prior year: 2,543 M €) are presented as non-current assets as required by IAS 1.

Other non-current assets comprise "Non-current other assets" and "Non-current prepaid expenses". The decrease of -2,855 M € to 4,118 M € (prior year: 6,973 M €) is mainly caused by the variation of the non-current portion of fair values of financial instruments.

Financial instruments are included in other non-current assets with an amount of 3,345 M € (previous year: 6,243 M €), in current other assets (1,512 M €, previous year 2,705 M €), in non-current provisions (321 M €, previous year 137 M €) and in current provisions (236 M €, previous year 44 M €). While the volume of hedged US dollar-contracts has risen from 40.2 bn US dollar to 43.4 bn US dollar, the US dollar exchange rate decreased (USD / € spot rate of 1.20 at September 30, 2005 vs. 1.36 at December 31, 2004). The average US dollar hedged rate for the hedge portfolio of the Group as at September 30, 2005 increased for the same period (US dollar / € rate of 1.10 as at September 30, 2005 vs. 1.03 as at December 31, 2004).

Current assets

Inventories, gross of 15,335 M € (prior year: 12,334 M €) increase by 2,943 M € (without foreign exchange revaluation of +58 M €) in all divisions. This is due to a higher level of unfinished goods and services, mainly by A 380-, A 400 M-, NH90-, SuperPuma- and Tiger-programs. Inventories are shown with their gross amount. Those advance payments received, which so far were deducted from inventories are now reclassified to current and non-current other liabilities. Previous year figure has been adjusted accordingly with an amount of 9,259 M €.

The decrease in **trade receivables** of -229 M € to 4,177 M € (previous year: 4,406 M €) comes to a large extent from higher customer payments in Military Transport Aircraft division.

Other current assets include "Current portion of financial assets", "Current other assets", "Current income tax assets" and "Current prepaid expenses". The decrease of -1,259 M € to 4,066 M € (prior year: 5,325 M €) is with an amount of -1,193 M € caused by the variation of the current portion of fair values of financial instruments (see "Financial instruments" under "Non-current assets").

Cash and cash equivalents increase from 8,718 M € to 9,813 M €.

Equity attributable to equity holders of the parent amounts to 15,153 M € (prior year: 16,973 M €), the decrease mainly resulting from a profit for the period (Net income) of +1,025 M €, a cash distribution to shareholders of -396 M €, a decrease of OCI of -2,339 M €, primarily resulting from changes in fair values as well as consumption of derivative financial instruments, and the purchases of treasury shares of -215 M €.

Minority interests of 1,975 M € (prior year: 2,370 M €) mainly represent shares of BAE Systems in Airbus Group. The decrease in BAE Systems' minority interest is mainly attributable to the decrease in fair values of financial instruments that qualify for hedge accounting according to IAS 39 and a dividend payment by Airbus, partly compensated by a positive result allocated to minority interests.

Non-current liabilities

Non-current provisions of 6,659 M € (previous year: 6,045 M €) include among others 3,859 M € for the non-current portion of the provision for retirement plans and similar obligations (prior year: 3,749 M €) and 321 M € (previous year: 137 M €) of non-current provision for financial instruments (see "Financial instruments" under "Non-current assets").

Long-term financial liabilities of 5,030 M € (prior year: 4,406 M €), excluding foreign exchange-rate effects of +228 M €, increase by +396 M € in particular due to Airbus (+192 M €), mainly related to higher non-recourse customer financing, and the Skynet V program external financing of +190 M €.

The decrease in **deferred tax liabilities** of -1,499 M € to 2,635 M € (prior year: 4,134 M €) is significantly influenced by the decrease in the fair value of financial instruments accounted for as "Other non-current assets" and "Other current assets".

Other non-current liabilities comprise "Non-current other liabilities" and "Non-current deferred income". Without considering foreign exchange-rate effects of +80 M €, other non-current liabilities increase by +245 M € to 10,592 M € (prior year: 10,267 M €). Other non-current liabilities mainly include the non-current portion of European Government refundable advances amounting to 4,993 M € (prior year: 4,781 M €) and non-current customer advance payments received of 4,252 M € (prior year: 3,985 M €). Advance payments received are also included for their non-current portion, which have previously been recorded as a deduction from inventories. Previous year figure has been adjusted accordingly with an amount of +632 M €.

Current liabilities

Short-term financial liabilities of 737 M € (prior year: 720 M €), excluding foreign exchange-rate effects of +27 M €, slightly decrease by -10 M €.

Excluding a foreign exchange rate effect of +54 M €, **trade liabilities** increase by +68 M € to 5,982 M € (previous year: 5,860 M €), mainly resulting from a step-up in production rates in Airbus Division.

The increase of **current tax liabilities** of +433 M € to 611 M € (prior year: 178 M €), mainly concerns Airbus (+463 M €).

Other current liabilities include "Current other liabilities" and "Current deferred income". Without considering foreign exchange rate revaluations of +32 M €, they increase by 3,210 M € to 17,465 M € (prior year: 14,223 M €). Other current liabilities mainly include current customer advance payments of 13,797 M € (prior year: 10,884 M €) . The current portion of advance payments, which has previously been deducted from inventories is reclassified to other current liabilities. The figure of previous year has been adjusted accordingly with an amount of +8,627 M €.

8. Significant cash flow items

Cash provided by operating activities increases by +1,450 M € to 3,428 M € (first nine months of 2004: 1,978 M €). This increase mainly reflects improvements in EADS operations. The positive variation in working capital (change in other operating assets and liabilities) of 532 M € (first nine months of 2004: 249 M €) primarily results from ongoing customer advance payments.

Cash used for investing activities increases by -566 M € to -2,099 M € (first nine months of 2004: -1,533 M €). The outflow is mainly caused by Airbus activities and the net acquisition of securities.

Cash used for financing activities increases by -151 M € to -251 M € (first nine months of 2004: -100 M €). The outflow mainly contains cash distributions paid to shareholders and dividends paid to minorities as well as the purchases of treasury shares and the exercise of stock options, partly offset by drawdowns on financial liabilities.

9. Contingencies

Pension commitments - EADS has several common investments with BAE Systems, of which the most significant in terms of active employees are Airbus and MBDA. UK employees of such common investments are able to participate in the BAE Systems pension schemes.

On April 28, 2005, BAE Systems publicly disclosed the impacts of the conversion of its accounts from UK GAAP to IFRS. One of the major reconciliation items arises in pension accounting with the application of IAS 19 “Employee Benefits” which leads to BAE Systems’ recognition of a pension provision due to the defined benefit schemes’ current under funding situation.

In disclosing IAS 19 impacts, BAE Systems has allocated a share of the underfunding to investments it has in joint ventures, assuming that these investments would be affected by any shortfall of the pension schemes. BAE Systems has applied an internally developed approach to calculate the IAS 19 impacts.

Given the limited availability to EADS of adequate information, EADS will continue to expense the contributions made to BAE Systems as if the BAE Systems pension schemes were defined contribution plans.

Apart from the pension commitments, there were no other significant changes in contingent liabilities since the last balance sheet date (December 31, 2004).

10. Number of shares

The total number of shares outstanding is 794,587,504 and 801,072,938 as of September 30, 2005 and 2004, respectively. EADS’ shares are exclusively ordinary shares with a par value of 1.00 €.

During the first nine months of 2005, EADS repurchased 10,089,933 of its ordinary shares (in the first nine months of 2004: no treasury shares purchased) in conjunction with the share-buyback program. The General shareholders’ meeting on May 11, 2005 had renewed the authorization given to the Board of Directors to repurchase shares of EADS. 1,336,358 of these treasury shares (in the first nine months of 2004: 5,686,682 shares), repurchased and held by the Group, were cancelled in July 2005.

3,188,834 new shares (first nine months of 2004: 115,690 shares) were issued as a result of the exercise of stock options in compliance with the implemented stock option plans. Under the 2005 Employee Stock Ownership Plan, 1,938,309 shares were issued in July 2005 (in the first nine months 2004: no issuance of shares).

11. Earnings per share

Basic earnings per share are calculated by dividing profit for the period attributable to equity holders of the parent (Net income) by the weighted average number of issued ordinary shares during the period, excluding ordinary shares purchased by the Group and held as treasury shares:

	January 1 to September 30, 2005	January 1 to September 30, 2004
Net income attributable to shareholders	1,025 M €	588 M €
Weighted average number of ordinary shares outstanding	794,102,069	800,961,781
Basic earnings per share	1.29 €	0.73 €

For calculation of the **diluted earnings per share**, the weighted average number of ordinary shares is adjusted to assume conversion of all potential ordinary shares. The Group's only category of dilutive potential ordinary shares is stock options. Since the average price of EADS shares during the first nine months of 2005 exceeded the exercise price of the stock options under all six stock option plans initiated by the Group, the inclusion of the related potential ordinary shares increases the weighted average number of shares. 5,103,898 stock options are considered dilutive according to IAS 33.

	January 1 to September 30, 2005	January 1 to September 30, 2004
Net income attributable to shareholders	1,025 M €	588 M €
Weighted average number of ordinary shares outstanding (diluted)	799,205,967	803,739,194
Diluted earnings per share	1.28 €	0.73 €

12. Related party transactions

The Group has entered into various transactions with related companies in 2005 and 2004 that have all been carried out in the normal course of business. As is the Group's policy, all related party transactions have to be carried out at arm's length. Transactions with related parties include the French State, DaimlerChrysler, Lagardère, and SEPI (Spanish State). Except for the transactions with the French State, such transactions are not considered material to the Group either individually or in the aggregate. The transactions with the French State include mainly sales from the Aeronautics, Defence & Security Systems and Space divisions.

13. Number of employees

The number of employees at September 30, 2005 is 112,184 as compared to 110,662 at December 31, 2004.