First nine months 2006 Report

Unaudited Condensed Consolidated Financial Information of EADS N.V. for the first nine months of 2006

Unaudited Condensed IFRS Consolidated Income Statements

	January 1 - September 30, 2006		January 1 - September 30, 2005		Deviation	
	M €	%	M €	%	M €	%
Revenues	27,469	100	23,446	100	4,023	17
Cost of sales	-23,098	-84	-18,685	-80	-4,413	24
Gross margin	**4,371**	**16**	**4,761**	**20**	**-390**	**-8**
Selling, administrative & other expenses	-1,694	-6	-1,620	-7	-74	5
Research and development expenses	-1,691	-6	-1,431	-6	-260	18
Other income	225	1	124	1	101	81
Share of profit from associates and other income from investments	137	0	171	1	-34	-20
Profit before finance costs and income taxes	**1,348**	**5**	**2,005**	**9**	**-657**	**-33**
Finance costs	-151	-1	-21	0	-130	619
Income taxes	-357	-1	-707	-4	350	-50
Profit for the period	**840**	**3**	**1,277**	**5**	**-437**	**-34**
Attributable to:						
Equity holders of the parent **(Net income) *)**	**848**	**3**	**1,271**	**5**	**-423**	**-33**
Minority interests *)	-8	0	6	0	-14	-233

Earnings per share	€	€	€
Basic *)	1.06	1.60	-0.54
Diluted *)	1.05	1.59	-0.54

*) For retrospective adjustments concerning first nine months 2005 please refer to Note 2 “Accounting policies”.

Unaudited Condensed IFRS Consolidated Income Statements for the third quarter 2006 and 2005

	July 1 - September 30, 2006		July 1 - September 30, 2005		Deviation	
	M €	%	M €	%	M €	%
Revenues	8,489	100	7,426	100	1,063	14
Cost of sales	-7,724	-91	-5,946	-80	-1,778	30
Gross margin	**765**	**9**	**1,480**	**20**	**-715**	**-48**
Selling, administrative & other expenses	-562	-7	-541	-7	-21	4
Research and development expenses	-552	-6	-481	-6	-71	15
Other income	29	0	33	0	-4	-12
Share of profit from associates and other income from investments	68	1	38	0	30	79
Profit before finance costs and income taxes	**-252**	**-3**	**529**	**7**	**-781**	**-148**
Finance costs	-6	0	-47	0	41	-87
Income taxes	74	1	-196	-3	270	-138
Profit for the period	**-184**	**-2**	**286**	**4**	**-470**	**-164**
Attributable to:						
Equity holders of the parent **(Net income) *)**	**-195**	**-2**	**279**	**4**	**-474**	**-170**
Minority interests *)	11	0	7	0	4	57

Earnings per share	€	€	€
Basic and diluted *)	-0.24	0.35	-0.59

*) For retrospective adjustments concerning third quarter 2005 please refer to Note 2 “Accounting policies”.

Unaudited Condensed IFRS Consolidated Balance Sheets

	September 30, 2006		December 31, 2005		Deviation	
	M €	%	M €	%	M €	%
Non-current assets						
Intangible assets	10,679	15	11,052	16	-373	-3
Property, Plant and Equipment	14,276	20	13,951	19	325	2
Investments in associates	1,989	3	1,908	3	81	4
Other investments and long-term financial assets	1,825	2	1,938	3	-113	-6
Non-current other assets	3,649	5	3,610	5	39	1
Deferred tax assets	2,485	3	2,557	4	-72	-3
Non-current securities	1,341	2	1,011	1	330	33
	36,244	50	36,027	51	217	1
Current assets						
Inventories	17,484	24	15,425	22	2,059	13
Trade receivables	4,462	6	4,802	7	-340	-7
Other current assets	4,525	7	3,675	5	850	23
Current securities	18	0	29	0	-11	-38
Cash and cash equivalents	9,366	13	9,546	14	-180	-2
	35,855	50	33,477	48	2,378	7
Non-current assets classified as held for sale	0	0	881	1	-881	-100
Total assets	**72,099**	**100**	**70,385**	**100**	**1,714**	**2**
Total equity						
Equity attributtable to equity holders of the parent						
Capital Stock	815	1	818	1	-3	0
Reserves	9,687	14	9,371	13	316	3
Accumulated other comprehensive income	4,576	6	3,982	6	594	15
Treasury shares	-332	0	-445	0	113	-25
	14,746	21	13,726	20	1,020	7
Minority interests	174	0	176	0	-2	-1
	14,920	21	13,902	20	1,018	7
Non-current liabilities						
Non-current provisions	6,757	9	6,879	10	-122	-2
Long-term financial liabilities	3,841	5	4,189	6	-348	-8
Deferred tax liabilities	2,821	4	2,376	3	445	19
Other non-current liabilities	11,740	17	11,295	16	445	4
	25,159	35	24,739	35	420	2
Current liabilities						
Current provisions	2,593	4	2,727	4	-134	-5
Short-term financial liabilities	2,084	3	908	1	1,176	130
Liability for puttable instruments	2,750	4	3,500	5	-750	-21
Trade liabilities	6,766	9	6,634	10	132	2
Current tax liabilities	234	0	174	0	60	34
Other current liabilities	17,593	24	17,739	25	-146	-1
	32,020	44	31,682	45	338	1
Liabilities directly associated with non-current assets classified as held for sale	0	0	62	0	-62	-100
Total equity and liabilities	**72,099**	**100**	**70,385**	**100**	**1,714**	**2**

Unaudited Condensed IFRS Consolidated Cash Flow Statements

	January 1 - September 30, 2006	January 1 - September 30, 2005
	M €	M €
Profit for the period attributable to equity holders of the parent **(Net income)** *)	**848**	**1,271**
Profit (loss) attributable to minority interests *)	-8	6
Adjustments to reconcile profit for the period (net income) to cash provided by operating activities:		
Depreciation and amortization	1,183	1,365
Valuation adjustments and CTA release	163	-10
Change in deferred taxes	128	12
Results on disposal of non-current assets	-271	-108
Results of companies accounted for by the equity method	-107	-160
Change in current and non-current provisions and current tax assets / liabilities	599	520
Change in other operating assets and liabilities	-1,754	532
Cash provided by operating activities	**781**	**3,428**
- Purchase of intangible assets, PPE	-1,758	-1,840
- Proceeds from disposals of intangible assets, PPE	47	52
- Acquisitions of subsidiaries (net of cash)	-72	-96
- Proceeds from disposals of subsidiaries (net of cash)	81	35
- Payments for investments in associates and other investments and long-term financial assets	-169	-470
- Proceeds from disposals of associates and other investments and long-term financial assets	589	320
- Dividends paid by companies valued at equity	46	36
- Increase in equipment of leased assets	-146	-34
- Proceeds from disposals of leased assets	29	223
- Increase in finance lease receivables	-9	-211
- Decrease in finance lease receivables	54	59
Disposals of non-current assets classified as held for sale	374	0
Change of securities	-318	-184
Change in cash from changes in consolidation	0	11
Cash used for investing activities	**-1,252**	**-2,099**
Change in long-term and short-term financial liabilities	886	373
Cash distribution to EADS N.V. shareholders	-520	-396
Payments related to liability for puttable instruments	-129	-93
Capital increase	85	80
Purchase of treasury shares	-18	-215
Cash provided by (used for) financing activities	**304**	**-251**
Effect of foreign exchange rate changes and other valuation adjustments on cash and cash equivalents	-13	17
Net (decrease) increase in cash and cash equivalents	**-180**	**1,095**
Cash and cash equivalents at beginning of period	**9,546**	**8,718**
Cash and cash equivalents at end of period	**9,366**	**9,813**

*) For retrospective adjustments concerning first nine months 2005 please refer to Note 2 “Accounting policies”.

As of September 30th, 2006, EADS’ cash position (stated as cash and cash equivalents at end of period in the unaudited condensed consolidated cash flow statements) includes 1,034 M € (1,202 M € as of December 31st, 2005) representing the amount Airbus has deposited at BAE Systems. Additionally included are 590 M € (579 M € as of December 31st, 2005), 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 and, for the Airbus share, have been offset against the transaction price for the BAE Systems 20 % stake in Airbus SAS on the transaction date in October 2006 (see Note 14 "Subsequent events").

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 interests	Total equity
Balance at January 1, 2006	**13,726**	**176**	**13,902**
Capital Increase	85		85
Profit for the period	848	-8	840
Cash distribution to shareholders	-520	-1	-521
OCI	594	2	596
Purchases of treasury shares	-18		-18
Others	31	5	36
Balance at September 30, 2006	**14,746**	**174**	**14,920**
Balance at January 1, 2005, adjusted	**16,210**	**144**	**16,354**
Capital Increase	80		80
Profit for the period *)	1,271	6	1,277
Cash distribution to shareholders	-396		-396
OCI *)	-2,896	1	-2,895
Purchases of treasury shares	-215		-215
Others *)	27		27
Balance at September 30, 2005	**14,081**	**151**	**14,232**

*) For retrospective adjustments concerning first nine months 2005 please refer to Note 2 "Accounting policies".

Explanations to the Unaudited Condensed IFRS Consolidated Financial Statements as at September 30th, 2006

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 and military helicopters, commercial space launch vehicles, missiles, military aircraft, satellites, defence systems and 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") 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 Standards Interpretation Committee ("SIC").

As of January 1st, 2006, EADS adopted the following amendments to existing Standards, new Standards and new Interpretations as required by the following announcements released by the IASB in December 2004 and throughout 2005:

EADS applies new IFRS 6 "Exploration for and Evaluation of Mineral Resources" and two amendments to IAS 39 "Financial Instruments: Recognition and Measurement": "Fair Value Option" (June 2005) and "Financial Guarantee Contracts" (August 2005) with the latter also amending IFRS 4. Furthermore, EADS applies new Interpretations IFRIC 5 "Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds" and IFRIC 6 "Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment".

Amendments to IAS 39 Financial Instruments: Recognition and Measurement

(i) Fair Value Option (June 2005): The amendment limits the use of the fair value option to those financial instruments that meet one of the following conditions: a) fair value option designation eliminates or significantly reduces an accounting mismatch (i.e. natural hedging relationship); **or** b) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy. Furthermore, the fair value option can generally be elected to be applied in case of embedded derivatives to an entire hybrid contract. EADS currently applies the fair value option for securities / accumulated funds only (Money Market Funds).

(ii) Financial Guarantee Contracts (August 2005): The scope of IAS 39 has been widened to include financial guarantee contracts issued. In case an issuer of such contracts has previously asserted that it regards financial guarantee contracts as insurance contracts and accounted for them accordingly, the issuer may elect to apply either IFRS 4 or IAS 39 to financial guarantee contracts. The issuer can perform the election contract by contract but the election for each contract remains irrevocable.

The application of the amendments to existing Standards, new Standards and new Interpretations mentioned above has no major impact on the Condensed Interim Consolidated Financial Statements.

Besides consequential changes as mentioned above, the accounting policies used in the preparation of the Condensed Interim Consolidated Financial Statements are consistent with those used for the annual Consolidated Financial Statements for the year ended December 31st, 2005 which are disclosed as an integral part of the Group's Annual Report 2005. The annual Consolidated Financial Statements were authorised for issue by EADS' Board of Directors on March 7th, 2006.

The application of the following standard in 2005 led to retrospective adjustments in the Consolidated Income and Cash Flow Statements as well as in the Statement of changes in equity for the prior period presented:

IAS 32 Financial Instruments: Disclosure and Presentation (revised 2004) — Since January 1st, 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. 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 to EADS is such a written put option. 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 (please refer to Note 14 "Subsequent events"). Following revised IAS 32 and despite BAE Systems (legal) minority rights in Airbus, the related interest has been recognized as financial liability in the EADS Consolidated Financial Statements, stated at fair value and presented in a separate line of the EADS Consolidated Balance Sheet as "Liability for puttable instruments". The fair value at September 30, 2006 has been assessed by reference to the determination provided by an independent third party valuation expert (please refer to Note 7 "Significant balance sheet items" and Note 14 "Subsequent events"). Previous estimations of the fair value had been evaluated by applying a choice of different valuation techniques, based on best estimates available.

Following IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", the adoption of revised IAS 32 has been treated as a change in accounting policy firstly effecting EADS' Consolidated Financial Statements as of December 31st, 2005 with corresponding adjustments to prior period presented. The historical minority interests for BAE Systems' 20% stake in Airbus at the time of the business combination in 2001 had 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 and current years dividend payments to BAE Systems have been treated as partial repayments, thus consequently reducing the liability for puttable instruments. All fair value changes are treated as contingent consideration in a business combination in accordance with IFRS 3 "Business Combinations" until settlement and led to adjustments of goodwill. (For the effect on previous year figures and the impact on earnings per share, please refer to Note 6 and 11).

3. Changes in the consolidation perimeter of EADS

On February 28th, 2006, LFK GmbH and TDW GmbH, which were fully consolidated by EADS, have been sold to the European Missile Group MBDA. MBDA is jointly owned by BAE Systems (37.5 %), EADS (37.5 %) and Finmeccanica (25 %). In EADS consolidated financial statements, MBDA Group is proportionately consolidated with 50 %.

The closing of Atlas Elektronik took place on August 3, 2006. As of September 30, 2006, Atlas has been consolidated for the first time pro rata at 40 % effective August 1, 2006. The difference between the purchase price and the acquired net assets at book value led to a preliminary recognition of a goodwill of 35 M €. In accordance with IFRS, necessary allocations of the purchase price will be booked at year-end.

Apart from these transactions, other acquisitions or disposals performed by the Group in the first nine months 2006 are not material to the unaudited Condensed Consolidated Financial Statements.

4. Segment information

The Group operates in five divisions (segments) which reflect the internal organizational and management structure according to the nature of the products and services provided.

- *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; 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 functions 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, aircraft components as well as civil and military aircraft conversion and maintenance services.

in M €	Airbus	Military Transport Aircraft	Eurocopter	Defence & Security Systems	Space	Other Businesses	HQ/ Conso.	**Consolidated**
Nine months ended September 30, 2006								
Revenues	18,570	1,699	2,364	3,553	1,960	922	-1,599	**27,469**
Research and development expenses	-1,413	-10	-54	-130	-49	-4	-31	**-1,691**
EBIT pre goodwill imp. and exceptionals (see definition below)	1,141	22	125	148	45	-187	99	**1,393**
Nine months ended September 30, 2005								
Revenues	16,033	504	2,021	3,419	1,670	783	-984	**23,446**
Research and development expenses	-1,175	-14	-46	-121	-43	-5	-27	**-1,431**
EBIT pre goodwill imp. and exceptionals (see definition below)	1,854	1	105	10	10	-56	175	**2,099**

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 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. 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- Sep 30, 2006	January 1- Sep 30, 2005
Profit before finance costs and income taxes	**1,348**	**2,005**
Fair value adjustments	45	94
EBIT pre goodwill impairment and exceptionals	**1,393**	**2,099**

6. Significant income statement items

Revenues of 27,469 M € (first nine months 2005: 23,446 M €) increase by 17 % contributed by all divisions, mostly by Airbus, MTA and Eurocopter.

The **Gross Margin** decreases by -390 M € to 4,371 M € compared to 4,761 M € in the first nine months 2005. The decrease mainly results from Airbus (in particular due to the negative impact resulting from the A 380 program delays, with about half a billion € charges specifically related to contracts, and the balance to production overcosts) whereas Defence & Security Systems, Eurocopter, Space and MTA record increasing gross margins. On the basis of the financial terms of the Group TAT proposal, EADS has performed an impairment test as of June 30, 2006 of the Sogerma related assets and has accounted for an impairment charge of 117 M € against specific property, plant and equipment as well as inventories.

Research and development expenses of 1,691 M € (first nine months 2005: 1,431 M €) mainly increase because of aircraft programs and more research & technology efforts. Additionally, EADS capitalized 194 M € of development costs for A380 in the first nine months 2006 (in the first nine months 2005: 172 M €) in accordance with IAS 38.

Other income increases by +101 M € to 225 M €, due to the gain of 106 M € as a result of the sale of LFK GmbH and TDW GmbH to MBDA Group.

Share of profit from associates and other income from investments of 137 M € (first nine months 2005: 171 M €) is mainly influenced by the result of Dassault Aviation of 105 M € (first nine months 2005: 157 M €). Since for the third quarter 2006 no quarterly financial information is available from Dassault Aviation, 50 % of the net income of the second half-year 2005 according to IFRS has been used as the best estimate (47 M €) to report the current net income from this equity investment of 105 M €. The result in the first nine months 2005 of Dassault Aviation included positive catch up adjustments amounting to +64 M €.

Finance costs deteriorate to -151 M € (first nine months 2005: -21 M €) mainly due to negative effects from foreign exchange rate revaluations on US dollar-cash balance. These effects are partly offset by a lower net interest charge of -78 M € (first nine months 2005: -116 M €), mainly due to improved interest rates and a higher net cash position.

Income taxes of -357 M € (first nine months 2005: -707 M €) result in an effective income tax rate of 30 % (first nine months 2005: 36 %), positively impacted by a tax-free gain from the sale of LFK GmbH and TDW GmbH to MBDA Group.

Loss for the period attributable to minority interests of -8 M € (first nine months 2005: +6 M €) mainly relates to a consolidation impact from the sale of LFK GmbH and TDW GmbH to the MBDA Group.

Profit for the period attributable to equity holders of the parent (Net income) amounts to 848 M € (first nine months 2005: 1,271 M €). The profit for the first nine months 2005 was adjusted due to the retrospective application of revised IAS 32 by an amount of +246 M €.

7. Significant balance sheet items

Non-current assets

Intangible assets of 10,679 M € (prior year: 11,052 M €) include 9,595 M € (prior year: 10,167 M €) of goodwill. It mainly stems from Airbus (6,366 M €), Defence & Security Systems (2,518 M €), Space (559 M €) and Eurocopter (111 M €). The revision of the A 380 delivery program represents a triggering event for an impairment test on the goodwill and other intangible assets of Airbus. The test was performed for Airbus goodwill on the basis of the purchase price of 2,750 M € for BAE Systems' stake in Airbus as well as other value-in-use methodologies, which did not lead to an impairment charge. According to EADS accounting policy, the goodwill is tested annually for impairment in the fourth quarter of the financial year based on the new operative planning.

Eliminating foreign exchange-rate effects of -100 M €, **property, plant and equipment** increase by +425 M € to 14,276 M € (prior year: 13,951 M €), including leased assets of 2,210 M € (prior year: 2,385 M €). The major increases result from Space for Skynet V (+256 M €) and Airbus (+102 M €). Property, plant and equipment comprises "Investment property" amounting to 123 M € (prior year: 134 M €).

Investments in associates of 1,989 M € (prior year: 1,908 M €) mainly comprise the equity investment in Dassault Aviation, amounting to 1,949 M € (prior year: 1,867 M €).

Other investments and long-term financial assets of 1,825 M € (prior year: 1,938 M €) are allocated to Airbus in the amount of 1,059 M € (prior year: 1,242 M €), mainly concerning the non-current portion of aircraft financing activities with a foreign exchange-rate effect of -73 M €.

Non-current other assets mainly comprise "Non-current derivative financial instruments" and "Non-current prepaid expenses". The increase by +39 M € to 3,649 M € (prior year: 3,610 M €) is mainly caused by the variation of the non-current portion of prepaid expenses (+36 M €).

Deferred tax assets of 2,485 M € (prior year: 2,557 M €) are presented as non-current assets as required by IAS 1.

The fair values of **derivative financial instruments** are included in non-current other assets with an amount of 2,777 M € (prior year: 2,762 M €), in current other assets (1,778 M €, prior year: 1,191 M €), in non-current provisions (201 M €, prior year: 472 M €) and in current provisions (132 M €, prior year: 449 M €), which corresponds to a net positive fair value of 4,222 M € (prior year: 3,032 M €). The volume of hedged US dollar-contracts remains with 47.3 billion US dollar nearly on the same level (prior year: 47.1 billion USD). The US dollar exchange rate became less favourable (USD / € spot rate of 1.27 at September 30th, 2006 vs. 1.18 at December 31st, 2005). The average US dollar hedge rate for the hedge portfolio of the Group as at September 30th, 2006 moved from 1.12 as at December 31st, 2005 to 1.15 as at September 30th, 2006 (US dollar / € rate respectively).

Current assets

Inventories of 17,484 M € (prior year: 15,425 M €) increase by 2,059 M € in all divisions except for Military Transport. This is mainly driven by the progress of several serial production programs in Eurocopter (+367 M €) and Defence (+136 M €), higher advance payments made especially in Space (+268 M €) and by a higher level of unfinished goods and services in Airbus (mainly for A380 (+1,016 M €)). An impairment of -150 M € has been accounted for against inventories related to A 380 program (please also refer to "Non-current provisions"). Military Transport inventories decreased mainly due to achievement of milestones concerning the A400 M program.

The decrease in **trade receivables** by -340 M € to 4,462 M € (prior year: 4,802 M €) comes to a large extent from Space (-192 M €), Defence (-169 M €) and Eurocopter (-104 M €), partly offset by Airbus (+164 M €).

Other current assets include "Current portion of long-term financial assets", "Current other assets", "Current tax assets" and "Current prepaid expenses". The increase of +850 M € to 4,525 M € (prior year: 3,675 M €) comprises a +587 M € variation of the current portion of fair values of derivative financial instruments (see "Derivative financial instruments" under "Non-current assets"). Moreover, an increase of +318 M € comes from an escrow account, reflecting sales financing activities in Airbus previously reported as **non-current assets classified as held for sale** (0 M € as of September 30, 2006; prior period: 881 M €).

Cash and cash equivalents decrease from 9,546 M € to 9,366 M €. (Please refer to the unaudited condensed IFRS Consolidated Cash Flow Statements and Note 8 "Significant cash flow items".)

Total equity

Equity attributable to equity holders of the parent (including treasury shares) amounts to 14,746 M € (prior year: 13,726 M €), the increase mainly results from the profit for the period (Net income) of +848 M € and an increase in other comprehensive income (OCI) of +594 M €, primarily resulting from changes in fair values as well as consumption of derivative financial instruments, partly offset by a cash distribution to shareholders of -520 M €.

Minority interests of 174 M € (prior year: 176 M €) mainly represent shares of Finmeccanica in MBDA. According to revised IAS 32, minority interests for BAE Systems' share in Airbus are shown as "Liability for puttable instruments" (please refer to Note 2 "Accounting policies").

Non-current liabilities

Non-current provisions of 6,757 M € (prior year: 6,879 M €) comprise the non-current portion of pension provisions with a decrease of -10 M € to 3,890 M €. Other provisions include among others aircraft financing activities with a decrease of -138 M € (thereof foreign exchange rate effect of -82 M €) to 1,015 M € and provisions for derivative financial instruments according to IAS 39 with a decrease of -271 M € to 201 M €. Provisions for loss making contracts amount to 440 M €, mainly resulting from onerous contracts in the course of the revision of the A 380 production and delivery program (please also refer to the comment on "Inventories").

Long-term financial liabilities of 3,841 M € (prior year: 4,189 M €), excluding foreign exchange-rate effects of -112 M €, decrease by -236 M €.

Deferred tax liabilities of 2,821 M € (prior year: 2,376 M €) are significantly influenced by the increase in the fair value of derivative financial instruments. They are defined as non-current liabilities.

Other non-current liabilities comprise "Non-current other liabilities" and "Non-current deferred income" and increase in total by +445 M € to 11,740 M € (prior year: 11,295 M €). They mainly include the non-current portion of European Government refundable advances amounting to 5,079

M € (prior year: 4,950 M €) and non-current customer advance payments received of 5,244 M € (prior year: 4,911 M €). The main part of non-current deferred income of 1,186 M € (prior year: 1,324 M €) is linked to deferred revenues of Airbus and ATR according to RVG clauses. The remaining portfolio, which is included in non-current deferred income is depreciated over the guaranteed period.

Current liabilities

Current provisions decrease by -134 M € to 2,593 M € (prior year: 2,727 M €) and comprise the current portions of pensions (217 M €, prior year: 220 M €) and other provisions (2,376 M €, prior year: 2,507 M €). The decrease reflects the revaluation of derivative financial instruments according to IAS 39 (-317 M €) partly compensated by provisions for loss making contracts becoming current (+69 M €) and an increase of aircraft financing activities (+60 M €).

Short-term financial liabilities of 2,084 M € (prior year: 908 M €) increase by +1,176 M €, mainly due to the issue of commercial papers with an amount of 1,265 M €.

EADS has adopted in 2005 revised IAS 32 and accounts for a **liability for puttable instruments** for the 20 % interest of BAE Systems in Airbus. This liability was stated at fair value of 3,500 M€ as at December 31, 2005. In the course of the exercised put option by BAE Systems, a third party investment bank has determined on July 2, 2006, that the price to be paid by EADS is 2,750 M€. (Please also refer to Note 14 “Subsequent events”.)

Trade liabilities increase by +132 M € to 6,766 M € (prior year: 6,634 M €).

Other current liabilities include “Current other liabilities” and “Current deferred income”. They decrease by -146 M € to 17,593 M € (prior year: 17,739 M €). Other current liabilities mainly comprise the current portion of customer advance payments of 14,401 M € (prior year: 14,078 M €).

8. Significant cash flow items

Cash provided by operating activities amounts to 781 M € (first nine months 2005: 3,428 M €). This reflects a negative variation in working capital (change in other operating assets and liabilities) of -1,754 M € (first nine months 2005: positive variation of +532 M €), mainly resulting from lower contributions from received customer advance payments compared to the previous period, party offset by a lower increase of inventories.

Cash used for investing activities improves by +847 M € to -1,252 M € (first nine months 2005: -2,099 M €). The outflow is mainly caused by Airbus and Skynet V activities, partly offset by positive effects from customer financing sell-down operations at Airbus.

Cash provided by (used for) financing activities results to 304 M € (first nine months 2005: -251 M €). The inflow mainly reflects the issuance of commercial papers for an amount of 1,265 M € partly compensated by cash distributions to EADS NV shareholders (-520 M €) and BAE Systems (-129 M €).

9. Contingencies

Pension commitments - EADS has several common investments with BAES, of which the most significant in terms of employees are Airbus and MBDA. In respect of each investment, UK employees may stay in the BAES pensions schemes, which currently qualify as multi-employer defined benefit plans. BAES is applying IFRS as of January 1, 2005. In accordance with IAS 19, BAES has disclosed for its UK defined pension schemes a net (pre tax) pension liability as of June 30, 2006 in a total amount of 3,634 M GBP. As participants in the BAES schemes, EADS investments are potentially affected by any shortfall of BAES schemes. However, the agreements between EADS and BAES have the effect of capping the contributions that the investment has to make to the pension scheme for a certain period of time (until July 2011 for Airbus and until December 2007 for MBDA). Any additional contribution would be paid by BAES. EADS is therefore not exposed to increased contribution payments resulting from the pension underfunding during the period of the contribution caps. EADS has requested detailed information about these pension schemes. Based on limited information made available, EADS has judged this information not to be sufficient to properly allocate the pension plans' deficit and is therefore not able to reliably determine its participation in any potential future deficit once the period of contribution caps will have expired. Consequently, EADS continues to expense the contributions made to the pension schemes as if the plans were defined contribution plans.

10. Number of shares

The total number of shares outstanding is 801,467,988 and 794,587,504 as of September 30, 2006 and 2005, respectively. EADS' shares are exclusively ordinary shares with a par value of 1.00 €.

During the first nine months 2006, the number of treasury shares held by EADS decreased from 20,602,704 as of December 31, 2005 to 13,881,577 as of September 30, 2006.

4,263,405 new shares (first nine months 2005: 3,188,834 shares) were issued as a result of the exercise of stock options in compliance with the implemented stock option plans.

11. Earnings per share

The net income for the first nine months 2005 was adjusted due to retrospective application of revised IAS 32 in 2005 with an amount of +246 M € representing minority interests of 20 % of Airbus (please refer to Note 2 "Accounting policies").

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, 2006	January 1 to September 30, 2005
Net income attributable to shareholders	848 M €	1,271 M €
Weighted average number of ordinary shares outstanding	799,634,560	794,102,069
Basic earnings per share	1.06 €	1.60 €

The effect from the retrospective application of IAS 32 (revised) on basic earnings per share amounts to an increase of 0.31 € in the first nine months 2005.

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 of the first nine months 2006 exceeded the exercise price of the stock options under the 1st, 2nd, 3rd, 4th, 5th and 6th stock option plans (in the first nine months 2005: 1st, 2nd, 4th, 5th and 6th stock option plan) initiated by the Group, the inclusion of the related potential ordinary shares increases the weighted average number of shares. 5,081,257 shares (first nine months 2005: 5,103,898 shares) are considered dilutive according to IAS 33.

	January 1 to September 30, 2006	January 1 to September 30, 2005
Net income attributable to shareholders	848 M €	1,271 M €
Weighted average number of ordinary shares outstanding (diluted)	804,715,817	799,205,967
Diluted earnings per share	1.05 €	1.59 €

The effect from the retrospective application of IAS 32 (revised) on diluted earnings per share amounts to an increase of 0.31 € in the first nine months 2005.

12. Related party transactions

The Group has entered into various transactions with related companies in the first nine months 2006 and 2005 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 Eurocopter, Defence & Security Systems and Space divisions.

13. Number of employees

The number of employees at September 30th, 2006 is 116,146 as compared to 113,210 at December 31st, 2005.

14. Subsequent events

A350 – Last year, on October 6, 2005, the EADS Board of Directors authorised the go-ahead for Airbus to launch the industrial program for a new medium-sized long-range aircraft, the A350 aircraft family. This go-ahead together with that received from BAE Systems, enabled Airbus to start with the A350 program. On July 17, 2006 and following customers' recommendations, Airbus presented technical specifications of a revised aircraft family, the A350 XWB, intended to replace the A350 definition of the industrial program launched earlier which, due to this, has been put on hold since.

EADS, now being the sole owner of Airbus, is currently considering possible scenarios for this medium-sized long-range aircraft: (1) launch of the new A350 XWB program in the near future or later, (2) resumption of the paused A350 program or (3) no A350/A350 XWB program at all. It is anticipated that EADS, since October 13, 2006 the sole shareholder of Airbus, will decide on one of these options during the fourth quarter of 2006 after all technical and financial impacts, as well as engineering resources availability have been reliably assessed.

Because no decision has been taken yet, these Condensed Interim Financial Statements are not impacted by any of the three scenarios. However, Airbus currently has delivery commitments for the A350 program that might not be fulfilled or that could trigger concessions or indemnifications in case of a revised product policy. Depending on the scenario finally selected, different ranges of negative financial impacts can be expected with a maximum currently assessed up to 800 M €.

A 400M – Following the review of the A380 production and delivery program, a review of the A 400 M program has been initiated, but has not been finalized to date.

Put option BAE Systems - EADS had recognised BAE Systems' put option regarding its 20% stake in Airbus with its fair value (2,750 M € at June 30, 2006 and 3,500 M € at December 31, 2005) as liability for puttable instruments in the EADS Consolidated Balance Sheet.

BAE Systems exercised the put option on June 7, 2006. In accordance with the Airbus Shareholders' Agreement, an independent investment bank was appointed by EADS and BAE Systems to determine the price in the absence of an agreement between the two parties. On July 2, 2006, the bank has determined the fair value price to be 2,750 M €. The transaction was approved by a BAE Systems' shareholders' meeting on October 4, 2006. On October 13, 2006, EADS executed this transaction and paid the purchase price in cash from its existing resources, after setting off the Airbus cash balance deposited at BAE Systems.

Claim – On October 31, 2006, EADS was notified that an individual shareholder filed a civil complaint against the Company with the District Court of Frankfurt am Main. The plaintiff is seeking damages in the context of the alleged failure of timely disclosure of the A 380 program delays.