



# aero-notes

## Letter to Shareholders

### Dear Shareholder,



Our results for 2010 show we are making real progress. Despite the still difficult market environment, we won €83.1 billion in new orders. Revenues increased and profitability if low was better than expected. Through sound management, our net cash position has risen to €11.9 billion, giving us the means, along with our record backlog, to foster future growth.

Perhaps even more encouraging is the progress made in our major programmes. We have substantially reduced the level of risk on the A400M. Four aircraft are flying in the test campaign and series production has now started. A380 production is improving, as shown by the increase in deliveries, and unit costs should come down gradually as we advance along the learning curve.

Clearly, the A350 is our biggest industrial risk. Airbus has made good progress in 2010 with the beginning of sub assemblies at section level. However, the time schedule remains challenging. Entry into service is planned for the second half of 2013.

Looking ahead, we are carefully watching the budget situation in the home markets for our institutional businesses. And we closely monitor developments in Japan, North Africa and the Near East.

While remaining alert to risks, we are optimistic about the Group's mid-term perspectives. The airline industry has recovered faster than expected. Aircraft orders have increased significantly, with strong demand for the newly launched A320neo in particular. While the emerging countries are leading the way, we see an improved market in America and Europe, too.

A key priority for us is to improve profitability. EADS is currently working on a further integration and cost savings programme referred to as "Future EADS". In addition, all divisions are running their transformation and cost cutting plans to adapt to their new competitive environment and Airbus, after the success of Power8, is working on further cost saving initiatives for effect up to the end of 2014 to improve the competitiveness, compensate inflation and achieve profitability targets.

While dollar weakness will continue to weigh on our profitability next year, we will see no substantial hedge rate deterioration for 2012. In the medium to long term, increased dollar sourcing will help to reduce further our currency risk.

We are pleased to resume our dividend policy this year. Our performance in 2010 merits the proposed offer. Our loyal shareholders have remained committed to the Company even while we have built for the future. We hope you will remain with the Company to share our fortunes as we enter the next stage of our fascinating aerospace journey.

**LOUIS GALLOIS**  
EADS Chief Executive Officer

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EADS' annual results of the Group's 10<sup>th</sup> anniversary year 2010 demonstrate significant achievements supported by the recovery of the macro-economic and commercial environment which was stronger than expected. Institutional markets including helicopters, defence and public budgets still have to be monitored as well as potential risks linked to oil and commodity prices, air traffic in North Africa and continued currency issues. At the same time, the Group is paying the closest attention to the A350 XWB programme which is EADS' top risk programme.

In 2010, EADS' **revenues** increased to € 45.8 billion (FY 2009: € 42.8 billion). Physical deliveries remained at a high level with 510 aircraft at Airbus Commercial, 527 helicopters at Eurocopter and the 41<sup>st</sup> consecutive successful Ariane 5 launch. The percentage-of-completion methodology was resumed on the A400M programme

based on the allocation of internal milestones. This has resulted in revenues of around € 1 billion being booked on the programme with zero margin due to the associated provision utilisation. The Customer Nations and EADS have concluded negotiations on the overall A400M discussions. Following the approval in France and Germany, negotiations on the export levy facility (ELF) scheme are to be finalised with some Customer Nations and are targeted for completion in 2011. In the meantime, the programme is delivering results with four development aircraft flying. The A400M maturity gate milestone was passed in February 2011, which clears the way for the start of series production. Civil certification is planned for 2011.

**EBIT\* before one-off** (adjusted EBIT\*) stood at € 1.3 billion (FY 2009: € 2.2 billion). It benefited from good underlying performance in all core business activities in the Divisions,

especially the Airbus legacy programmes. Compared to 2009, EBIT\* before one-off was weighed down by the deterioration of hedge rates (FY2009: ~ € 1 = \$ 1.26 versus FY2010: ~ € 1 = \$ 1.35). As expected, A380 continues to weigh significantly on the EBIT\* before one-off.

EADS' **reported EBIT\*** stood at € 1,231 million (FY 2009: € -322 million).

**Net Income<sup>(1)</sup>** amounted to € 553 million (FY 2009: € -763 million), or earnings per share of € 0.68 (earnings per share FY 2009: € -0.94). Based on an Earnings per Share (EPS)<sup>(1)</sup> of € 0.68, the Board of Directors proposes payment of a dividend of € 0.22 per share to the Annual General Meeting of shareholders, which will take place on 26 May 2011 (exceptionally, due to the significant loss incurred in 2009, no dividend payment was made that year).

**Self-financed Research & Development (R&D)** expenses reached € 2,939 million (FY 2009: € 2,825 million), driven mainly by increases at Cassidian for the Unmanned Aerial Systems and Systems businesses and at Eurocopter across the product range.

**Free Cash Flow** before customer financing of € 2,644 million (FY 2009: € 991 million)

*“2010 was a year of significant progress for EADS. We took huge steps forward in managing and controlling key programmes: A400M has been substantially de-risked and A380 production is improving steadily. After take-off into our second decade of operations, a key priority for us now is to further improve profitability in future years to lay a solid foundation for sustainable growth.”* said Louis Gallois, CEO of EADS

## » Outlook

EADS' 2011 guidance is based on an assumption of € 1 = \$ 1.35 for average and year-end closing spot rates.

In 2011, Airbus should deliver 520 to 530 commercial aircraft and its gross orders should be above its deliveries.

EADS' 2011 revenues should be above the 2010 revenues.

EADS expects 2011 EBIT\* before one-off to remain stable compared to the 2010 level, at around € 1.3 billion. Increasing volume and price improvement at Airbus Commercial are roughly compensated by the deterioration of hedge rates, increasing R&D and less favourable mix of activities at Cassidian.

Going forward, the reported EBIT\* and EPS performance of EADS will be dependent on the Group's ability to execute

on the A400M, A380 and A350 XWB programmes, in line with the commitments made to its customers.

Reported EBIT\* and EPS also depend on exchange rate fluctuations.

At € 1 = \$ 1.35, EADS expects 2011 EPS to be above the 2010 level of € 0.68.

Free Cash Flow is expected to be positive. It is the most volatile item and EADS will give a more precise guidance later in the year.

In 2012, the Group expects a significant improvement in its EBIT\* before one-off thanks to higher volume, better pricing and improvement of A380 performance at Airbus.

is significantly above expectations thanks to better operational and inventory management performance and stronger pre delivery payments at Airbus Commercial than expected. Free Cash Flow after customer financing amounted to € 2,707 million (FY 2009: € 585 million).

EADS' **Net Cash position** amounted to € 11.9 billion (year-end 2009: € 9.8 billion) after a € 553 million contribution to pension fund assets. It continues to be a solid foundation for the Group's operational needs as well as future growth.

The Group's **order intake**<sup>(2)</sup> of € 83.1 billion was significantly higher than one year ago

“We are pleased to resume paying a dividend to our loyal shareholders. The Group's performance in 2010 merits the proposed dividend. It is our clear ambition to gradually improve profitability in the mid-term. Profitability improvement is the key indicator for a better dividend distribution in the future” said Hans Peter Ring, CFO of EADS.

(FY 2009: € 45.8 billion), driven by the higher level of commercial aircraft orders at Airbus with net orders of 574 aircraft including 32 A380 and 78 A350 XWB. By the end of December 2010, EADS' **order book**<sup>(2)</sup> stood at a record € 448.5 billion (year-end 2009: € 389.1 billion), reflecting the improved commercial aircraft momentum. The Airbus Commercial order book also benefited

from a positive revaluation impact of around € 25 billion due to the strengthening value of the US dollar against the euro at the end of December 2010 compared to the end of December 2009. The defence order book stood at € 58.3 billion (year-end 2009: € 57.3 billion).

*\* EADS uses EBIT pre goodwill impairment and exceptionals as a key indicator of its economic performance.*

### » EADS Group (in € million)

	FY 2010	FY 2009	Change
<b>Revenues</b>	<b>45,752</b>	42,822	+7%
thereof defence	12,269	10,767	+14%
<b>EBIT*</b>	<b>1,231</b>	-322	-
Self-financed Research and Development	2,939	2,825	+4%
Net Income <sup>(1)</sup>	553	-763	-
Earnings Per Share (EPS) <sup>(1)</sup>	€ 0.68	€ -0.94	€ 1.62
Free Cash Flow	2,707	585	+363%
<b>Dividend per share</b>	<b>€ 0.22<sup>(3)</sup></b>	-	N/A
<b>Order Intake<sup>(2)</sup></b>	<b>83,147</b>	45,847	+81%
<b>Order Book<sup>(2)</sup></b>	<b>448,493</b>	389,067	+15%

1) EADS continues to use the term Net Income. It is identical with Profit for the period attributable to equity owners of the parent as defined by IFRS Rules.

2) Contributions from commercial aircraft activities to EADS Order Intake and Order Book based on list prices.

3) To be proposed to the EADS Annual General Meeting 2011.





Airbus' consolidated revenues of € 29,978 million show an increase of 7 % compared to the same period last year (FY 2009: € 28,067 million). The Airbus consolidated EBIT\* amounted to € 305 million (FY 2009: € -1,371 million).

Airbus Commercial revenues amounted to € 27,673 million (FY 2009: € 26,370 million). Deliveries increased to 510 commercial aircraft, of which 508 aircraft accounted for revenue recognition (FY 2009: 498 aircraft). Compared to one year ago, Airbus Commercial revenues reflect a favourable volume and mix effect which includes a higher number of A380 deliveries. The negative impact on revenues from foreign exchange is around € 500 million. Airbus Commercial EBIT\* decreased to € 291 million (FY 2009: € 386 million). Compared to 2009, the Airbus Commercial EBIT\* before one-off (FY 2009: around € 1 billion; FY 2010: around € 280 million) benefits from favourable volume and mix effects, pricing improvement net of escalation and Power8 savings. It is reduced by a hedge rate deterioration of around € 940 million, cost escalation and costs associated with business growth.

Airbus Military revenues increased to € 2,684 million (FY 2009: € 2,235 million), driven by higher A400M revenue recognition but lower revenues in Medium & Light (M&L) and Tankers. Deliveries amounted to 20 M&L aircraft. Airbus Military EBIT\* amounted to € 21 million.

In 2010, Airbus Commercial set another record for deliveries. The market rebound led to 644 new gross commercial orders (FY 2009: 310).

574 aircraft net orders were booked, including 32 additional A380 and 78 A350 XWB. Bringing the A350 XWB order total to 583 aircraft from 36 customers. The A320neo (new engine option) offering 15 % less fuel burn, was launched in the fourth quarter. Airbus Military booked gross orders for 21 aircraft (CN235 and C295) in 2010.

On the A350 XWB, EADS' top risk programme, Airbus has made good progress in 2010 with the beginning of manufacturing for sub components and sub assemblies at section level; however, the time schedule remains challenging. Entry-into-Service is scheduled for H2 2013.

As expected, the A380 programme is stabilising and Airbus is making significant progress on the learning curve, leading to an improvement of the gross margin per aircraft.

The A400M programme is delivering results with four development aircraft flying. The A400M maturity gate milestone passed in February 2011 clears the way for the start of series production. Civil certification is planned for 2011. The A330-based Multi-Role Tanker Transport (MRTT) aircraft achieved civil and military certification and the UK Future Strategic Tanker Aircraft conducted its first flight.

As of 31 December 2010, Airbus' consolidated order book was valued at € 400.4 billion. Airbus Commercial accounted for € 378.9 billion (year-end 2009: € 320.3 billion) which represents 3,552 units. The Airbus Military order increased by 10 % to € 22.8 billion.



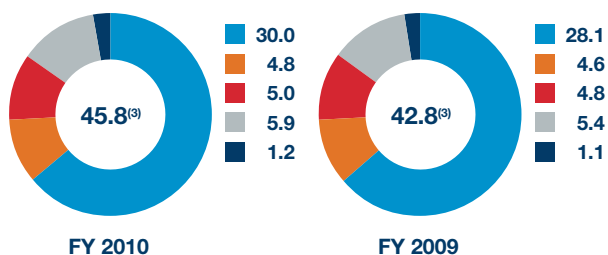
A380

A330/A340 final assembly line

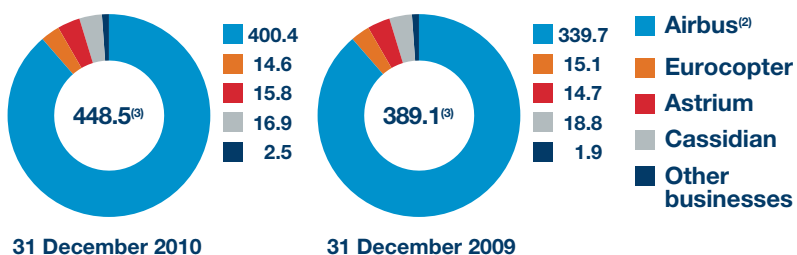
A400M

## » EADS by Division

Revenues (in € billion)



Order Book<sup>(1)</sup> (in € billion)



1) Contributions from commercial aircraft activities to EADS Order Intake and Order Book based on list prices.

2) Airbus is now reporting in two segments: Airbus Commercial and Airbus Military. The Airbus Commercial perimeter includes EFW and the completed aerostructures reorganisation. Airbus Military (formerly Military Transport Aircraft Division) includes all A400M activity. Eliminations are treated at the Division level.

3) Total figure includes Headquarters Consolidation.



In 2010, revenues for Eurocopter amounted to € 4,830 million (FY 2009: € 4,570 million). Revenues reflect a favourable mix from higher support and governmental revenues. The Division's EBIT\* decreased to € 183 million (FY 2009: € 263 million); it was impacted by higher product investment and negative one-time effects of around € 120 million, driven mainly by the NH90 and a restructuring charge.

2010 saw the start of flight testing with the X3 high-speed hybrid demonstrator aircraft, a key focus of Eurocopter innovation strategy, along with the maiden flights of the second EC175 prototype and the Korean Utility Helicopter.

The 2010 net order trend with 346 net orders registered was stable compared to 2009 (344 net orders) despite a lower level of gross orders because cancellations were lower at 49 compared to 105 in 2009. Recovery in the civil market is slow, in particular due to the high number of second-hand helicopters in the market. Eurocopter has proactively started to adapt to this challenge with its SHAPE programme launched in early 2010. Good progress has been made on the reduction of workforce and operating costs. Eurocopter's order book amounted to € 14.6 billion with 1,122 helicopters.



© Eurocopter

EC175



Revenues of Cassidian in 2010 increased by 11 % to € 5,933 million. EBIT\* stood stable at € 457 million, reflecting margin growth in mature programmes and significant growth in self-funded R&D for next generation products.

Cassidian is beginning to feel the first pressure from the home countries defence budget situation with some delayed order intake and higher R&D. A transformation plan is under preparation for the new business environment, which will see growth in the security business. EADS continues to investigate requirements and funding solutions for the Talarion unmanned aerial system with customers.

The order intake level of € 4.3 billion in a more challenging market was below the revenue level and the order book remained solid at € 16.9 billion.



Euro Hawk



Astrium revenues in 2010 increased by 4 % to € 5,003 million. This resulted in revenue performance above expectations, more than compensating the one-time catch up effect for in-orbit incentive schemes booked in 2009. Ten Astrium-built satellites were launched and are performing successfully and Ariane 5 delivered its 41<sup>st</sup> consecutive launch success bringing the total number to six for 2010. EBIT\* improved by 8 % to € 283 million, reflecting growth and productivity in defence and military services as well as operational improvement in institutional activities.

Astrium also launched a transformation programme, AGILE, to increase efficiency and prepare for a changing competitive environment.

Order intake reached € 6.0 billion supported by continued commercial momentum. 2010 orders include the M51 evolution and maintenance contracts and two optical reconnaissance satellites for the French Defence Procurement Agency (DGA). At the end of December 2010, the order book for Astrium increased to € 15.8 billion.



Cryosat-2

## Headquarters and Other Businesses (not belonging to any Division)

Revenues of Other Businesses increased by 8 % to € 1,182 million. EBIT\* grew to € 25 million thanks to increases at ATR and Sogerma which was reduced by higher investment at EADS North America.

ATR delivered 52 aircraft and received 78 firm net orders as well as 33 options. ATR's order book stood at 159 aircraft.

EADS North America delivered the 150<sup>th</sup> UH-72A Lakota Light Utility Helicopter to the U.S. Army in February 2011. On 31 December 2010, the order book of Other Businesses stood at € 2.5 billion (year-end 2009: € 2.0 billion).

\* EADS uses EBIT pre goodwill impairment and exceptionals as a key indicator of its economic performance.

The full EADS  
press release  
is available at  
[www.eads.com](http://www.eads.com)





Selected EADS sites outside Europe

## » EADS and the global pillars

The future of EADS is linked to a great extent to its capacity to develop on three pillars: Europe, the United States and the emerging countries.

Europe, as the first pillar, is where EADS has its roots, the majority of its workforce, and is still a very significant market for defence and space. The United States is the second pillar, representing more than half of the world's defence market, 30% of commercial aircraft flying and 50% of helicopters flying. The emerging countries are the third pillar,

representing the largest growth potential. While risks of high inflation and social unrest in certain regions require closer attention, by leading the recovery out of the economic crisis emerging countries have demonstrated their importance.

China remains the world's fastest growing economy. India is also growing strongly, with the International Monetary Fund (IMF) projecting 9.7% growth for 2010. Brazil led Latin America's expansion, achieving 7.5% growth.

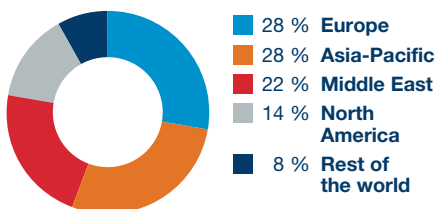
As well as bringing new market opportunities, emerging countries offer benefits of a broader supply chain and a wider talent pool.

According to the Airbus Global Market Forecast, in developed economies such as Europe or the United States on average around one to two air trips were made per person per annum in 2009. Emerging countries such as China (approx. 0.2 trips) and India (less than 0.1 trips) continued to trail far behind. Air travel in those countries is expected to increase significantly as dynamic growth translates into higher standards of living.

As wealth rises, so air traffic is expanding. The International Air Transport Association (IATA) forecasts that global passenger numbers will rise from 2.5 billion in 2009 to 3.3 billion by the end of 2014, with 360 million of the 800 million increase occurring in the Asia Pacific region. Rapid growth is driving demand for new, fuel-efficient aircraft.

While the growing economic power of developing nations appears to threaten the competitive position of Western aerospace companies, a more multi-polar world in which industries form global alliances, could ultimately benefit the world economy and mitigate risks associated with trade imbalances and regional commercial cycles.

### EADS order backlog by region



## » Key markets outside Europe



### United States

Operating in 17 states, EADS offers a broad array of solutions to customers in the commercial, homeland security, aerospace and defence markets. Overall, more than 2,600 Airbus aircraft have been ordered in North America. Eurocopter has consistently maintained a 50% share of civil helicopter sales in the US.

« US Coast Guard HC-144A (a variant of the CN235)

### Brazil

Brazil is expected to become the fifth world economy soon after the Olympic Games in 2016. The country already plays a prominent role in the aeronautic industry and is developing in the space, defence and security fields. In 2010, Eurocopter's Brazilian subsidiary Helibras delivered the first three of an order of 50 EC725 for Brazil's armed forces. From 2012, Helibras will be assembling these helicopters at a new production facility at Itajubá, Southern Brazil.

EC725, selected by Brazil »



### India

India has a huge market potential and excellent growth prospects. It also has a mature and ambitious aerospace and defence industry. In the past year, EADS has strengthened its local presence in India, in particular with Cassidian establishing an engineering centre in Bangalore and Eurocopter inaugurating an Indian subsidiary that will reinforce its support and services network.

« Eurofighter: competing in India

### China

Due to its size and growth prospects, China is likely to represent one of the largest markets for the coming decade for commercial aircraft and an important market for helicopters and secure communications. EADS' challenge is to watch carefully China's aerospace ambitions as a major player and partner. The Airbus A320 final assembly line, a joint venture between Airbus (51%) and a Chinese consortium (49%), started work in 2008.

An A320 in Chinese livery »



### Middle East

The Middle East is a large potential market, both for commercial aircraft and for defence and security. In 2010 Emirates ordered a further 32 A380 taking its total firm orders for this aircraft to 90 units. Cassidian won a contract in 2009 to secure the full borders of Saudi Arabia. Industrial cooperation is developing in the region, focusing so far mainly on subcontracting and services.

« Emirates A380 signing ceremony Berlin 2010

## » Your views

EADS encourages shareholders to share their views about the Company and to discuss candidly the Group's strategy, performance and policies. Please don't hesitate to email your comments and questions to us at [ir@eads.com](mailto:ir@eads.com).

### » N.B., private shareholder: The stock exchange reacts quickly to new developments (such as those in Libya and Egypt), how is your risk management adapted to political unrest?

**aero-notes:** At over €448 billion, EADS' backlog represents several years of business and consists of orders from many different parts of the world. It is a key asset which enabled us to deal with the effects of the recent economic crisis, and it can give us a certain stability in the face of regional political unrest.

## » Take part in EADS shareholder events

> We are pleased to inform you that the **Annual General Meeting of Shareholders** will take place:

Thursday 26 May 2011 at 2 p.m.

At Hotel Okura, Amsterdam, The Netherlands

Detailed information on participating in this Meeting is available on our website: [www.eads.com](http://www.eads.com).

> Private shareholders may also attend one of our two dedicated EADS **Shareholders Information Meetings in Paris and Munich**, as indicated in the Shareholder Calendar below.

> EADS will be offering special events for shareholders at the **International Paris Airshow – Le Bourget**. In addition, EADS regularly offers information meetings and site visits for retail investors.

If you would like to take part or find out more about these and other events, please visit our website: [www.eads.com](http://www.eads.com) under Investor Relations > Private Shareholders, write to [ir@eads.com](mailto:ir@eads.com) or phone the Shareholder Information number as indicated on this page.

## » Shareholder calendar

**13 May 2011:** EADS Q1 results 2011

**19 May 2011:** Private Shareholder site visit, Hamburg, Germany

**26 May 2011:** Annual General Meeting, Amsterdam, The Netherlands

**8 June 2011:** Private Shareholder information forum, Berlin, Germany

**20 June 2011 to 26 June 2011:** Paris Air Show, Paris Le Bourget, France

**30 June 2011:** Private Shareholder information meeting, Paris, France

**05 July 2011:** Private Shareholder information meeting, Munich, Germany

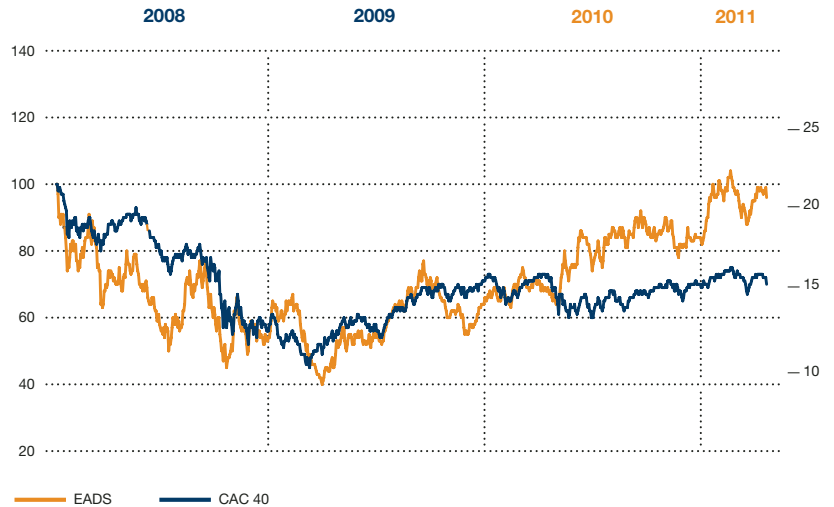
**29 July 2011:** EADS Half year results 2011

## » Your EADS shares

### Share price evolution as of 18 April 2011

Base 100 as of 2 January 2008

EADS share price (in €)

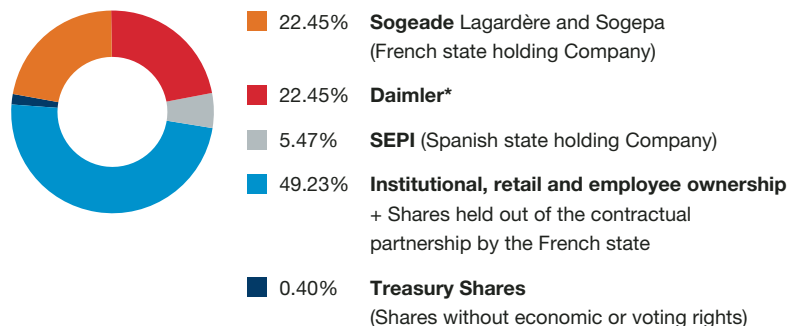


## » Profile on Paris Stock Market in 2010

High: on 21 September  
€ 19.60

Low: on 15 February  
€ 13.55

## » Capital Structure as of 31 March 2011



\* On 9 February 2007, Daimler reached an agreement with a consortium of private and public-sector investors by which it effectively reduced its shareholding in EADS by 7.5%, while retaining its voting rights over the entire 22.5% package of EADS shares.

## SHAREHOLDER INFORMATION

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