



# aero-notes

## Letter to Shareholders

### Dear Shareholder,



Over the past months, our Company has again demonstrated its potential, delivering results which were better than expected. Order intake for the nine months has been brisk and the EADS backlog has risen to a record level of over 500 billion euros. While our revenues for the period have increased slightly, our EBIT before one-off has risen strongly, up 29 percent year on year. Following improved performance we have raised guidance for the full year and reaffirmed our view that in 2012 we expect a significant improvement in underlying profit.

Our Company is making progress. Nevertheless we remain fully focused on challenges ahead. While the risk profile on the A380 and A400M is improving, the A350 programme is entering a critical phase. We have now rescheduled the start of final assembly to Q1 2012, with Entry-into-Service planned for H1 2014. Having learned from the A380, we want to ensure that aircraft sections for the A350 are mature when delivered to the final assembly line, so we have an efficient production process.

We are also focused on adapting our institutional businesses to the government debt situation in Europe. On the basis of our existing contracts, we are ready to discuss with governments the future of defence programmes. EADS Divisions have already moved pro-actively to adjust to the new environment. In the longer term, we aim to develop our activities in growth, export markets.

We remain confident about our future despite the current financial crisis. Our net cash position after acquisitions stands at a healthy 11.4 billion euros. We can rely on our own strength to finance our organic growth and our acquisitions: recently we invested in service acquisitions, such as Vector Aerospace for Eurocopter. Our huge backlog gives us visibility for several years ahead. Despite the unsettled macro-economic environment, demand in Asia, the Middle East and Latin America in particular shows no sign of deterioration. This has allowed us to increase our guidance for Airbus order intake for 2011.

Your commitment and passion as shareholders is a further source of confidence. In recent weeks EADS Financial Communication teams have met many of you at conferences across Europe, at the Actionaria show in Paris, France and on site visits in Augsburg, Germany and Getafe, Spain. In times of market uncertainty there is no better way to appreciate the value of our activity than through direct face-to-face dialogue and seeing the product at first hand. I thank you for your support and for your enduring commitment to the company.

**HANS PETER RING**  
Chief Financial Officer

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### Young investors

A group of teenagers have been exploring what it means to be an EADS shareholder. Take a look at what they discovered in the special issue “[young aeronotes](#)” available on the EADS website: [www.eads.com](http://www.eads.com).



As of the end of November 2011, the A350 programme had won a total of 567 orders.

EADS announces better than expected nine-month results. The commercial aircraft momentum remains robust despite recent turbulence in the macro environment, but the defence markets in the Western world are under pressure as anticipated.

driven by operational improvement at Airbus and Eurocopter and some favourable phasing at Airbus and in Headquarters.

EADS' **reported EBIT\*** stood at € 885 million (9m 2010: € 784 million).

**Self-financed Research & Development (R&D)** expenses increased to € 2,151 million (9m 2010: € 2,038 million), driven mainly by development on the A350 XWB programme at Airbus.

**Free Cash Flow** for the nine months benefited from good operational performance and commercial order intake. Free Cash Flow before customer financing amounted to € -27 million (9m 2010: € 882 million). Free Cash Flow after customer financing stood at € 155 million (9m 2010: € 791 million). Before the acquisition of Vector Aerospace, Free Cash Flow is at € 587 million.

EADS' **Net Cash position** amounted to a robust € 11.4 billion (year-end 2010: € 11.9 billion).

"Our nine-month results are better than expected thanks to the Group's efforts to improve performance. I am confident the commercial aircraft market combined with our strong backlog will sustain our growth in the years to come. On the basis of existing contracts, EADS is ready to enter into discussions with the governments on the future of defence procurement programmes."

– said Louis Gallois, CEO of EADS.

Maturity of the A350 XWB main components at Final Assembly start remains one of the Group's top priorities. Start of Final Assembly is now scheduled for Q1 2012 and Entry-into-Service is now scheduled for H1 2014. In the first nine months, EADS' **revenues** increased 4 percent to € 32.7 billion.

**EBIT\* before one-off (adjusted EBIT\*)** stood at around € 1.1 billion (9m 2010: € 0.8 billion). The increase compared to last year is mainly

With the A350 XWB Entry-into-Service now in H1 2014, Airbus Commercial booked a charge of € 200 million for this programme in the third quarter. In the first nine months, Eurocopter booked a net charge of around € 120 million, thereof € 60 million in the third quarter. These net charges mainly relate to governmental programmes and SHAPE.

**Net Income** more than doubled to € 421 million, or earnings per share of € 0.52.



A400M flight testing continues with four aircraft.



Eurocopter recorded net orders of 259 helicopters in 9m 2011, including 43 EC145.



Four Astrium Telecom satellites were delivered in Q3 2011.

## » Outlook

EADS increases its latest orders, revenues, EBIT\* before one-off and Free Cash Flow guidance given in July. In 2011, Airbus should deliver 520 to 530 commercial aircraft and its gross orders should be around 1,500. EADS 2011 revenues should increase by more than 4 percent compared to € 45.8 billion in 2010.

EADS now expects 2011 EADS EBIT\* before one-off to increase compared to the 2010 level, at around € 1.45 billion thanks to better than expected underlying commercial performance.

EADS expects 2011 Earnings per Share (EPS) before one-off to be around € 0.9, above the 2010 level (€ 0.86). Going forward, 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. As previously communicated, at € 1 = \$ 1.35, the 2011 EPS should be above the 2010 level of € 0.68 and at € 1 = \$ 1.45, it may be below.

Free Cash Flow before investment for acquisitions is now expected to be significantly above € 1 billion.

Latest reviews confirm that 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.

EADS' **order intake**<sup>(2)</sup> increased by 63 percent to € 93.9 billion. At the end of September 2011, the Group's **order book**<sup>(2)</sup> stood at a record level of € 503 billion (year-end 2010: € 448.5 billion). The defence order book decreased to € 54.5 billion (year-end 2010: € 58.3 billion).

\* Earnings before interest and taxes, pre goodwill impairment and exceptionals.

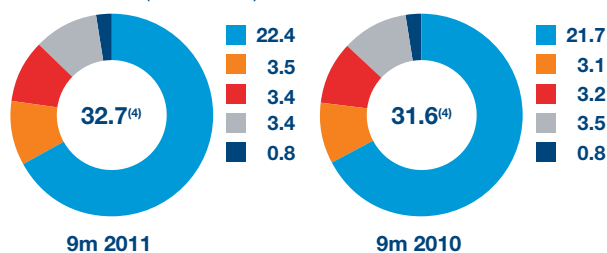
The full EADS 2011 nine-month results release is available at [www.eads.com](http://www.eads.com) ←

### » EADS Group (in € million)

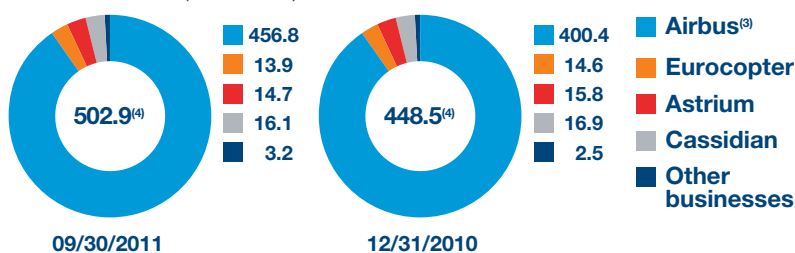
	9m 2011	9m 2010	Change
<b>Revenues</b>	<b>32,687</b>	31,554	+4%
thereof defence	7,490	7,884	-5%
<b>EBIT*</b>	<b>885</b>	784	+13%
Self-financed Research and Development	2,151	2,038	+6%
Net Income <sup>(1)</sup>	421	198	+113%
Earnings Per Share (EPS) <sup>(1)</sup>	€ 0.52	€ 0.24	€ +0.28
Free Cash Flow (FCF)	155	791	-80%
Free Cash Flow before Customer Financing	-27	882	-
<b>Order Intake</b> <sup>(2)</sup>	<b>93,907</b>	57,722	+63%

## » EADS by Division

### Revenues (in € billion)



### Order Book<sup>(2)</sup> (in € billion)



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) 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.

4) Total figure includes Headquarters Consolidation.



Airbus consolidated revenues of € 22,411 million show an increase of 3 percent compared to the same period last year. The Airbus consolidated EBIT\* stood stable at € 295 million.

Airbus Commercial revenues amounted to € 21,120 million (9m 2010: € 20,446 million). Deliveries reached 376 commercial aircraft for revenue recognition like last year. Compared to one year ago Airbus Commercial revenues benefited from a favourable mix and pricing effects. Airbus Commercial reported EBIT\* amounted to € 306 million (9m 2010: € 328 million).

Airbus Military revenues increased 13 percent to € 1,747 million, driven by higher revenue recognition for the A400M and Tankers. Airbus Military EBIT\* improved to € 5 million.

At the end of September, Airbus Commercial registered 1,038 net orders and had delivered 374 commercial aircraft, thereof 16 A380. The third quarter was marked with key commitments from customers worldwide. Airbus confirmed its services strategy with the completion of the acquisitions of Denmark-based Satair A/S and US-based Metron Aviation.

Manufacturing and pre-assembly of the A350-900 are progressing across all pre final-assembly sites. Entry-into-Service is now scheduled for H1 2014.

In the first nine months, Airbus Military delivered 12 aircraft. The A400M military transport aircraft has passed further key flight tests as progress continues towards certification.



Airbus had delivered a total of 63 A380 by the end of November 2011.

As of September 2011, Airbus' consolidated order book was valued at € 456.8 billion (year-end 2010: € 400.4 billion). The Airbus Commercial backlog amounted to € 436.4 billion which comprises 4,216 units (year-end 2010: 3,552 aircraft). Airbus Military recorded 2 new orders, bringing the order book to 231 aircraft. The order book of Airbus Military stood at € 21.7 billion.



Eurocopter booked orders for 43 Ecureuil in the third quarter of 2011.



Revenues at Eurocopter increased 12 percent to € 3,458 million. Deliveries totalled 323 helicopters (9m 2010: 367 helicopters). The Division's EBIT\* increased by 30 percent to € 157 million. The increase in revenues and EBIT\* results from a favourable mix effect in commercial deliveries and support activities as well as better operational performance. Revenues also include € 96 million from the impact of the Vector Aerospace acquisition. A net charge of around € 120 million was booked in the nine-month period. These net charges mainly relate to governmental helicopters and to the SHAPE transformation programme. The 2010 figure included a net charge of € 70 million.

Eurocopter is seeing a civil sector recovery in light and medium helicopters, driven by the US and Eastern Europe. Overall, the net order trend during the first nine months improved compared to the same period last year. In the first nine months, Eurocopter recorded net orders of 259 helicopters (9m 2010: 230).

The Division's order book decreased to € 13.9 billion (year-end 2010: € 14.6 billion) with 1,058 helicopters (year-end 2010: 1,122 helicopters).



Astrium revenues in the first nine months of 2011 increased 7 percent to € 3,440 million, driven by higher activity in launchers and satellites but lower volume in services. Four Astrium Telecom satellites were delivered in the third quarter. EBIT\* increased 4 percent to € 165 million, as higher volume and productivity in satellites, defence and launchers was reduced by the decline in services activity.

Order intake reached €2.3 billion in the first nine months. In the third quarter, Ariane 5 recorded its 46<sup>th</sup> consecutive successful launch. The European Space Agency technically accepted the first two Galileo In-Orbit Validation satellites built under Astrium lead. Astrium entered into an agreement to acquire Vizada for \$ 960 million to boost its services business.

At the end of September 2011, the order book of Astrium amounted to € 14.7 billion (year-end 2010: € 15.8 billion).



In September 2011, Ariane 5 recorded its 46th consecutive successful launch.



The first EuroHawk UAS conducted its ferry flight to Germany in July 2011.



Cassidian generated revenues of € 3,419 million (9m 2010: € 3,470 million). EBIT\* decreased to € 170 million (9m 2010: € 204 million). The Division is facing an evolving business environment. The new Cassidian organisation has been launched and implementation of the transformation programme has begun. Related non-recurring costs are expected to be booked in the fourth quarter. Revenues and EBIT\* at the end of September are in line with expectations, with the usual seasonality pattern.

Order intake at the end of September reached € 2.6 billion. In mid-October, Cassidian acquired SurveyCopter to further address the tactical UAS market segment. The first EuroHawk UAS, a joint programme between Cassidian and Northrop Grumman, conducted its ferry flight to Germany, where the signal intelligence mission system for the country's Air Force will be integrated and flight testing will be performed.

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

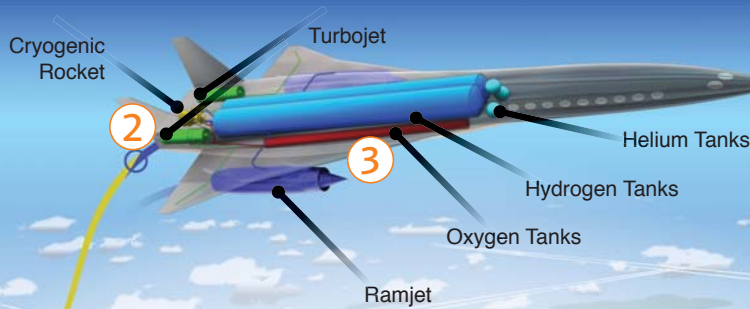
Revenues of Other Businesses increased 3 percent to € 833 million. EBIT\* of Other Businesses stood at € 20 million (9m 2010: € -6 million).

ATR has achieved a new annual order intake record. At the end of September, it recorded 145 firm aircraft orders (9m 2010: 63 aircraft orders) and an additional 72 options. In the first nine months, ATR delivered 30 aircraft (9m 2010: 35 aircraft). In August, EADS North America passed the halfway mark in deliveries of the US Army's UH-72A Lakota helicopter.

Until the end of September 2011, the order book of Other Businesses increased 27 percent to € 3.2 billion.

\* Earnings before interest and taxes, pre goodwill impairment and exceptionals.

## ZEHST: ONE VISION, THREE ENGINES



ZEHST or Zero Emission High Supersonic Transport is a high-speed transport concept. Demonstrators are planned for the end of the decade, to be followed by development towards an operational vehicle.

### 1 Taking off

The required thrust for ZEHST's initial flight phase – including the normal takeoff, climb to a 5 km altitude and acceleration to Mach 0.8 – will be provided by two highpower turbojet engines operating on biofuel.

### 2 Steep climbing

Ignition and operation of two small liquid hydrogen/liquid oxygen powered booster rocket engines, followed by the ignition of a larger one (derived from the types used in the Ariane launch vehicle), enable the aircraft's continued steep climb towards cruising altitude and acceleration up to a speed of Mach 2.5.

### 3 Cruise flight

Once sufficient speed is reached and an altitude of 23 kilometres is attained, two airbreathing, hydrogenfuelled ramjets are employed for the aircraft's cruise flight beyond Mach 4 and at an altitude of up to about 32 kilometres.

### 4 Approach and landing

For the approach to destination, a gliding descent will be performed, followed by reignition of the aircraft's turbojets at an altitude of 10 kilometres for the approach to a normal landing.

## » The innovation pipeline

EADS Research and Technology (R&T) activities cover a wide spectrum of technological domains, are targeted at different levels of the value chain, and are structured according to the timelines of short-term committed programmes, medium-term optional programmes and long-term advanced concepts.

EADS and all its Divisions work to generate new product concepts in line with R&T strategy to maximise future business potential. The portfolio is currently focused around four growth axes: (1) Mobility (eg air traffic

management), (2) Environmental Protection (eg energy solutions, optimised platforms), (3) Defence, Safety and Security (eg illicit materials detection and aircraft communications protection), and (4) Services.

EADS *Innovation Works* is the corporate research network of EADS. It operates the corporate R&T laboratories that promote the Group's technical innovation potential with a focus on long-term research. EADS *Innovation Works* have two main sites in Munich and Paris and employ over 700 people including doctorates and university interns. Proximity centres are maintained in Getafe, Spain and Newport, U.K, Toulouse, Nantes and Hamburg to support the knowledge transfer to business units in these locations. EADS *Innovation Works* also operates R&T centres in Moscow, Singapore and Bengaluru, India.

In 2005, EADS implemented an expert policy in order to identify and promote employees mastering the Group's critical technical capabilities. There are approximately

1,150 experts, senior and executive experts from the Divisions, who cover all technical fields and contribute to supporting customers with complex problem solving; implementing innovations into new products and services; increasing and sharing technical knowledge; and securing intellectual property.

Intellectual Property ("IP"), including patents, trademarks, copyrights and know-how, plays an important role in the production and protection of EADS' technologies and products. The use of IP rights enables EADS to remain competitive in the market and to manufacture and sell its products freely, and to prevent competitors from exploiting protected technologies.

At the end of 2010, the EADS IP portfolio comprised approximately 9,000 inventions, which are covered by more than 29,000 patents throughout the world. 1,006 patents were filed in 2010.



## » The shape of things to come



### A HELICOPTER WITH AN X FACTOR

Eurocopter's revolutionary helicopter design the X3, acts at takeoff like an ordinary helicopter. It is only during acceleration to horizontal flight that its wing propellers take over to increase speed—just as its wings take over from the rotor to keep the machine in the air. Able to fly at an estimated cruise speed of around 430 km/h, the X3 is 50% faster than today's helicopters, allowing lower mission costs where reducing duration is of essence.

« Eurocopter's X3 performed demonstration flights at the Paris Air Show 2011.

### THE ALL-ELECTRIC VOLTAIR

VoltAir technology platform paves the way for a zero-emission air vehicle within 25 years. VoltAir's next-generation electric energy storage system proposes the most advanced batteries to power superconducting electric motors. Electric motors and leads will have the power density required for large-scale airborne applications – while the necessary cooling can be realized with liquid nitrogen.

Passengers onboard the VoltAir will enjoy a significant decrease in engine noise. »



### SPACE BASED SOLAR POWER: INNOVATING FOR CLEAN ENERGY

Astrium is developing new systems and technologies for capturing orbital solar energy and delivering it direct to the end-user. This technology would provide clean, renewable energy to off-grid locations, for disaster management and also to other space vehicles or satellites. The research project, Space Based Solar Power, is investigating the use of space platforms - essentially large satellites - to collect solar energy and direct it to optimised photovoltaic receivers.

« Astrium is investigating the use of space platforms to collect solar energy.

### BIOFUELS ARE REALLY TAKING OFF

Aiming to cut CO2 emissions by 75% by 2050, EADS is focusing efforts on biofuels, with algae being the most promising source. Algae can be mass grown, it consumes CO2 while it grows, its fuel has a higher energy content than kerosene and the exhaust gas contains eight times fewer unburned hydrocarbons than conventional fuels. Recently, EADS showcased progress with the world's first flights powered by pure algae biofuel.

EADS achieved the world's first pure algae biofuel flights using a Diamond DA42 aircraft. »



### TALARION

Talarion is a medium-altitude long-endurance unmanned aerial system (UAS) that's built to perform intelligence, surveillance, target acquisition and reconnaissance operations. Flying completely autonomously, Talarion will be the first UAS certified for operations in civil airspace. Cruising at speeds of up to 555km/h, Talarion can conduct ground and maritime surveillance capturing images, real-time data and videos of conflict zones.

« Talarion is the focus of Cassidian's UAS development.

## » Exchanging views

EADS encourages shareholders to find out more about EADS and to discuss candidly the Group's strategy, performance and policies. In recent weeks, the EADS Financial Communication team has met many private shareholders at conferences in Europe, at the Actionaria show in Paris, France and on specially organised site visits in Augsburg, Germany and Getafe, Spain. Please don't hesitate also to email your comments and questions to us at [ir@eads.com](mailto:ir@eads.com) or contact the shareholder information number as indicated on this page.



Examining A350 composite structures during the Premium Aerotec site visit, Augsburg, Germany 27 October 2011.



Up close to the A330-MRTT at the site visit in Getafe, Spain, 24 November 2011.



EADS Stand at the Actionaria exhibition, Paris, 18 November 2011.

## » Shareholder calendar

**8 March 2012:** Full Year Results 2011

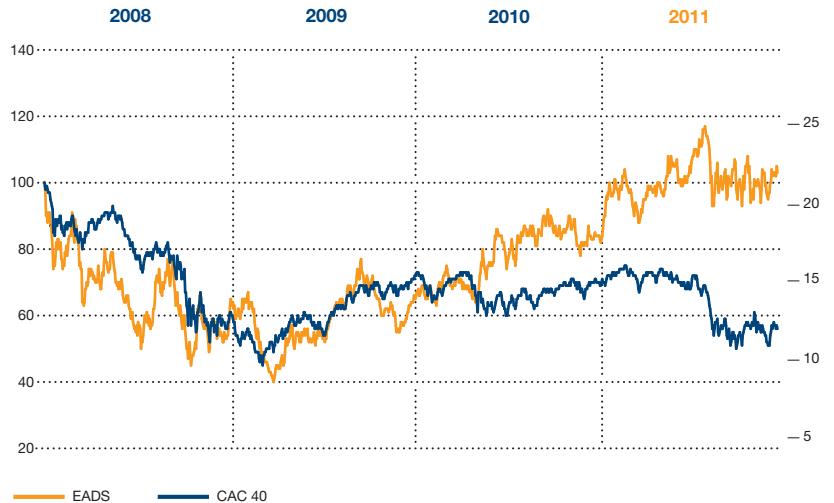
**16 May 2012:** 1st Quarter Results 2012

## » Your EADS shares

### Share price evolution as of 12 December 2011

Base 100 as of 2 January 2008

EADS share price (in €)



## » Profile on Paris Stock Market in 2011

High: on 25 July  
€ 25.04

Low: on 3 January  
€ 17.79

## » Capital Structure as of 30 September 2011



- 22.36% **Sogea** Lagardère and Sogepa (French state holding Company)
- 22.36% **Daimler\***
- 5.44% **SEPI** (Spanish state holding Company)
- 49.40% **Institutional, retail and employee ownership** + Shares held out of the contractual partnership by the French state
- 0.44% **Treasury Shares** (Shares without economic or voting rights)

\* 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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