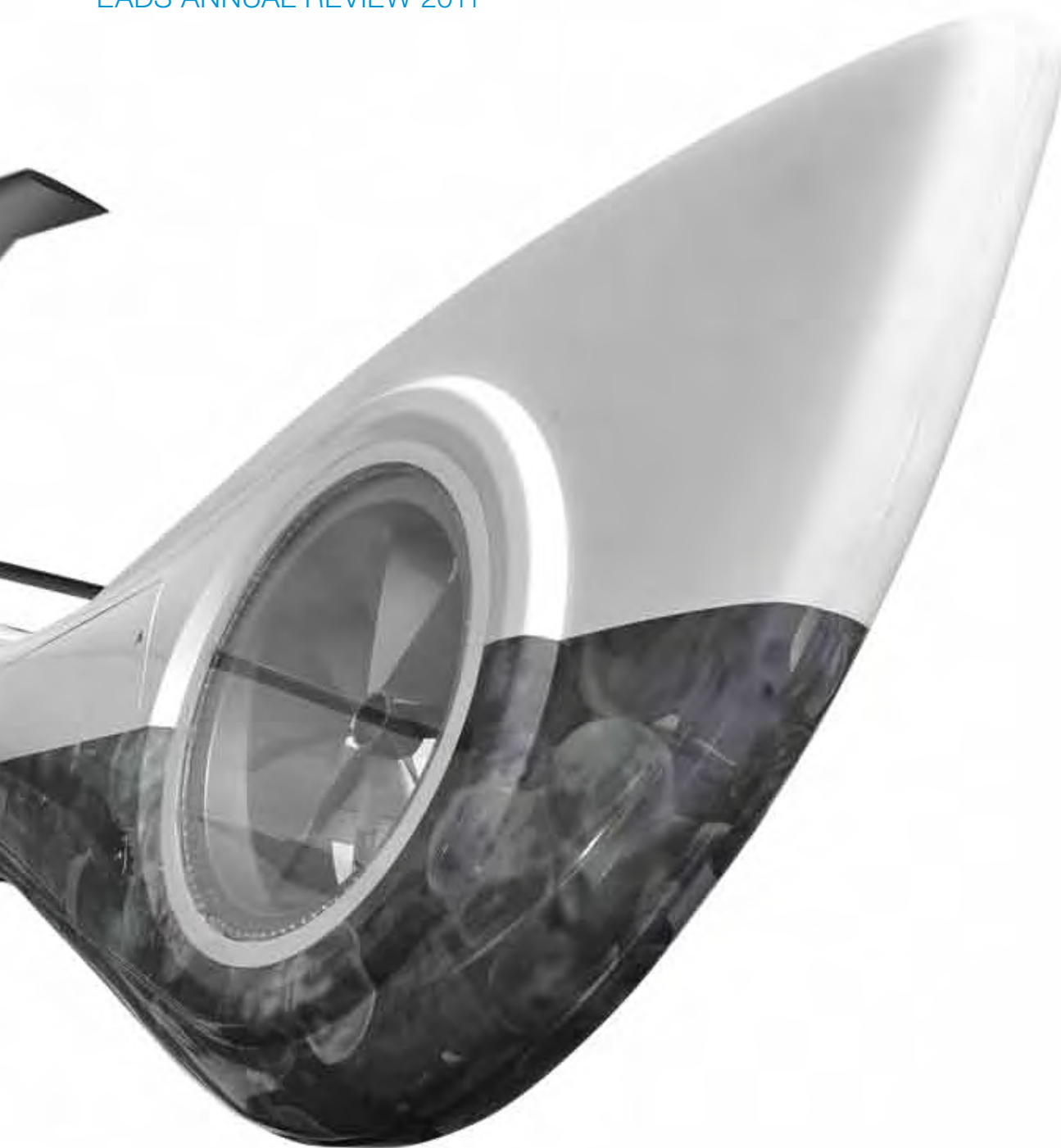


PROGRESSING, INNOVATING, TRANSFORMING

EADS ANNUAL REVIEW 2011



EADS

EADS

AT A GLANCE



EADS

ANNUAL REVIEW 2011



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PROGRESSING, INNOVATING, TRANSFORMING

EADS is on track. We are making progress in our financial performance and in our key programme developments.

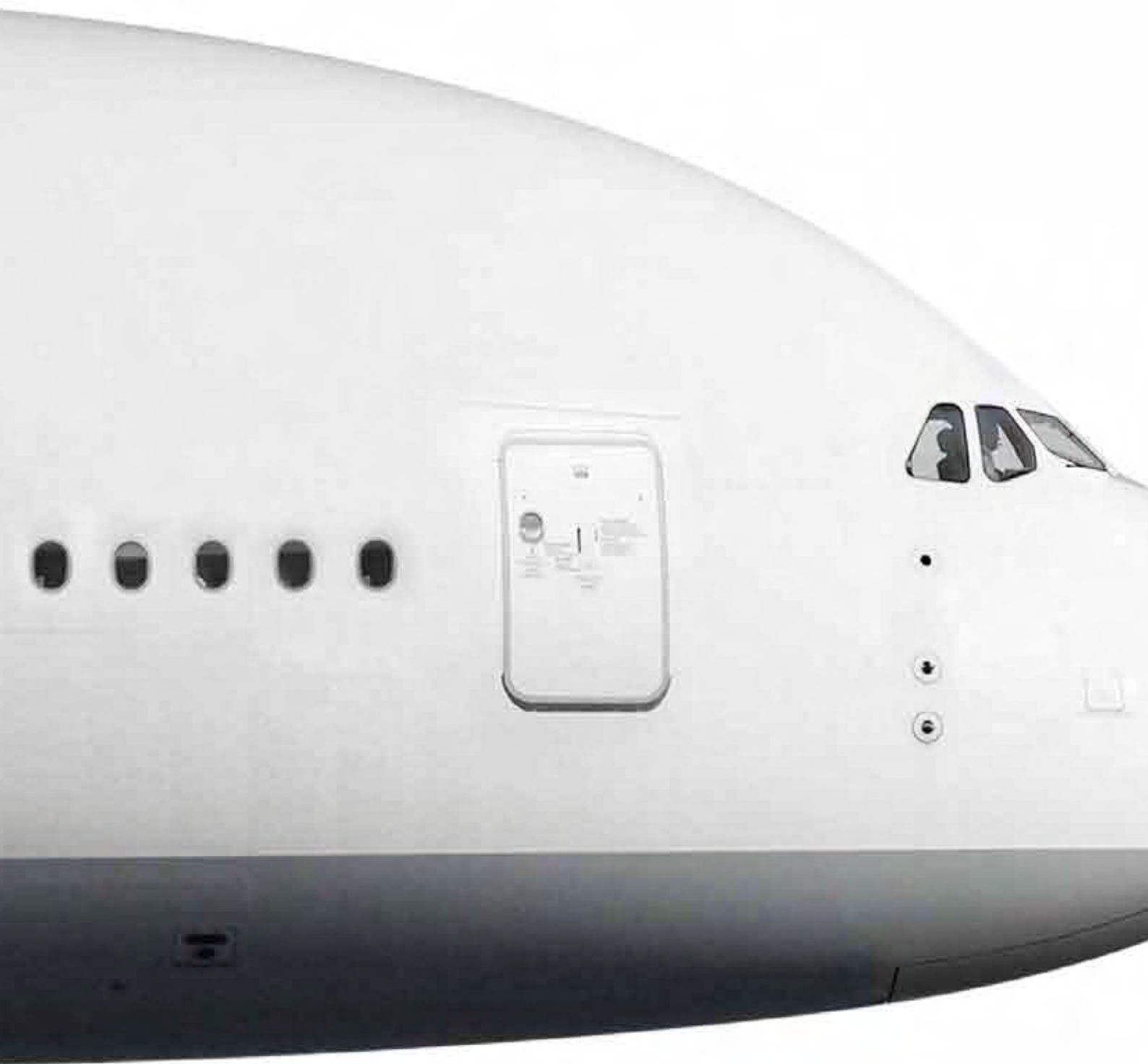
We continue to be at the forefront of innovation, developing new technologies, launching new products and providing advanced solutions to meet customer needs.

And we are building for the future, by adapting the Company to a changing business environment and growing our business in promising new areas.

In short, we are progressing, innovating, transforming.



A380 over Hong Kong



CONFIDENT

with reserves to go
the extra mile

TODAY

Airbus delivers the world's most innovative commercial and military aircraft to customers across the planet. The flagship A380 is one example.



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your smartphone for
more information or visit
www.eads.com

TOMORROW

By delivering a reduction in fuel consumption of up to 15%, the A320neo sets new standards for performance in the high-volume, single-aisle segment.







LETTER FROM THE CHAIRMAN OF THE BOARD

BODO UEPPER

Dear Shareholders,

You may remember I wrote last year that EADS would be holding course as it embarked on its flight into the future. We kept our word. In 2011, EADS improved further despite a turbulent economic environment. This year's Annual Review title – Progressing, Innovating and Transforming – nicely reflects these improvements.

Firstly, EADS progressed both financially and in its major programmes in 2011. Our headline financial figures exceeded our plans and market expectations. Our share price increase shows that the market rewarded us for excellent results. EADS was the best performer in the CAC 40 index and second-best in the MDAX.

The Group also further refined its programme management. Major programmes such as the A380, A400M, A350 XWB and NH90 are progressing, and management has clearly flagged those challenges which have yet to be resolved.

Secondly, 2011 was yet another year of outstanding innovation. I am particularly proud that the Board of Directors was involved in one of our most notable innovations: the A320neo passenger jet was a bold decision, but its astonishing success with over 1,200 firm orders last year proved it was also the right decision.

The Board also supported Eurocopter's ambitious innovation strategy, represented by numerous new platforms and demonstrators in 2011, and by the launch of the X4 helicopter programme.

Thirdly, EADS is transforming itself. Success on global markets requires flexibility, dynamism and willingness to adjust. EADS incarnates these attributes. For example, Astrium is improving its overall competitiveness in export markets through the AGILE transformation programme, which saw its first successes last year with landmark deals secured in the US and Malaysia. Cassidian started a far-reaching transformation to foster

“Success on global markets requires flexibility, dynamism and willingness to adjust. EADS incarnates these attributes.”

globalisation and to adapt to a challenging business environment in the European home markets. And, in 2011, Eurocopter completed its two-year SHAPE transformation initiative, which strengthened its capabilities during the market downturn.

The Board is supportive of these transformation activities as they lay the foundation for EADS' future success on its growth flight path.

Our mission in the Board and its Committees is to guide management, challenge the status quo where necessary and validate the strategic direction, to ensure that this unique European success story stays on course. The Board fully supported efforts to make EADS progress, innovate and transform in 2011.

- © It kept a watchful eye on key programmes such as A380, A350 XWB, A400M, A320neo, NH90 and Tiger.
- © The Strategic Committee took deep dives into the Group's country strategies. The Committee also assessed acquisition projects and supported the Board in its decision-making.
- © The Audit Committee laid the groundwork for the Board's quarterly approval and disclosure of EADS' financial statements. It also focused on further enhancements of the Enterprise Risk Management and Compliance activities.
- © The Remuneration and Nomination Committee ensured that the incentives and compensation scheme, which was changed in 2010, was properly executed and in accordance with external benchmarks. Besides regular succession planning, it supported the Board in preparing the upcoming management changes.

These changes not only involve the executive management but also the Board. This is my final letter to you as Chairman and I feel great pride that I can conclude my term on such a positive note. Aware of the great successes but also the challenges EADS is still facing, I hand over chairmanship of

the Board with full confidence and trust in my successor, as I assume a regular director mandate. I am very grateful that our independent directors have agreed to serve for another term – their engagement in the Board of EADS has been second to none, as indeed has been the commitment of Louis Gallois and the entire EADS executive management team. I thank them for a job extremely well done and for engaging in full transparency with the Board. I am convinced Tom Enders and the new management team will continue accordingly. We are united in our mission to serve you, our shareholders, and it is with great pleasure that the Board of Directors proposes to reward your outstanding loyalty with a dividend payment of 45 cents per share.

Sincerely,



BODO UEBBER
CHAIRMAN OF THE BOARD



ARNAUD LAGARDÈRE

Mr Lagardère is expected to succeed Mr Uebber as Chairman of the Board, following the Annual General Meeting to be held on 31 May 2012.

CORPORATE GOVERNANCE

Focusing on major strategic and operational issues, Board discussions concentrated on significant programmes such as the A350 XWB, acquisitions, management succession, and EADS employee engagement.

BOARD MEETINGS

The Board of Directors met nine times during 2011, with attendance averaging 86%. The Chief Executive Officer kept it fully informed through business reports and strategic and operational plans.

Throughout the year, the Board monitored the progress of significant programmes, such as the A350 XWB, A320neo, A400M, A380, Ariane 5, Paradigm, Eurofighter, Talarion and Saudi Border Security. It reviewed the status of the programme management improvement initiatives throughout the Group. Furthermore, the Board addressed EADS' strategy and, in line with Vision 2020 objectives, approved the acquisitions of Vector Aerospace, Satair and Vizada. These acquisitions strengthened EADS' position internationally in general and in the services market in particular.

The Board also focused on the European sovereign debt crisis, the Group's financial results and forecasts, asset management, compliance in key business processes, and efficiency and

innovation initiatives. It reviewed Enterprise Risk Management (ERM) results, export control regulations, investor relations and financial communication policy, as well as legal risks. Finally, the Board focused on governance issues and succession planning in order to facilitate a smooth Board and management transition in 2012.

BOARD SELF-ASSESSMENT

The Corporate Secretary conducted the annual self-assessment in early 2012, which concluded that the Board has matured and is efficient, allowing it to explore new domains and tackle relevant matters in the best interest of the Group. Occasional meetings at EADS industrial sites are considered beneficial and will be continued.

Most Directors were satisfied that they spent less time discussing programme challenges than in the past and had more time to address longer term questions. For the third time, the Board devoted a full day meeting to strategy in 2011, including an assessment of country strategies and the competitive landscape in industry sectors.

Overall, the Board considers that it assembles a very international, diverse and relevant set of skills, with a strong emphasis on finance competencies and global strategic experience. In 2011, these skills were applied to discussing the A400M and A380 stabilisation, the A350 XWB technical and commercial de-risking, the A320neo launch, large acquisitions, results of the overhaul of the executive remuneration system, upholding defence activities in times of downward pressure on public spending, regional and segment strategy, and succession planning.

COMMITTEES OF THE BOARD OF DIRECTORS*

THE AUDIT COMMITTEE

The Audit Committee met five times, with an 85% average attendance rate, to review financial results, performance and disclosure. It also reviewed the compliance organisation's processes and achievements, the ERM system's effectiveness and internal audit.

THE REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee met four times, with a 94% average attendance rate. In addition to making recommendations to the Board of Directors for major appointments, the Committee reviewed top talents and succession planning, discussed measures to improve engagement and to promote diversity, reviewed the remuneration of Executive Committee members for 2011, the long-term incentive plan and variable pay. It also proposed the terms of the 2012 employee share ownership plan.

THE STRATEGIC COMMITTEE

The Strategic Committee met three times, with an 80% average attendance rate. It monitored major strategic and divisional initiatives, acquisition targets and divestment candidates, as well as the Group's top priorities. Furthermore, it made recommendations to the Board linked to the competitive landscape and home countries industrial policy, company perception in key markets and constraints on defence budgets. A review of several country strategies was also conducted.

© Audit Committee

Hermann-Josef Lamberti (Chairman)
Rolf Bartke
Dominique D'Hinnin
Sir John Parker

© Strategic Committee

Bodo Uebber (Chairman)
Louis Gallois
Arnaud Lagardère
Michel Pébereau
Wilfried Porth

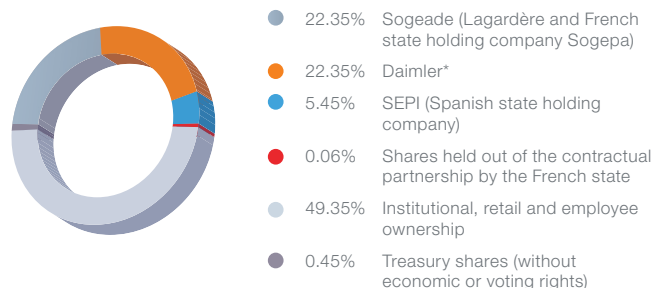
© Remuneration and Nomination Committee

Sir John Parker (Chairman)
Dominique D'Hinnin
Hermann-Josef Lamberti
Wilfried Porth

For more detailed information, please refer to the CORPORATE GOVERNANCE section in the REGISTRATION DOCUMENT 2011.

* Current composition. Future composition will be subject to the decision of the newly appointed Board of Directors, following the Annual General Meeting to be held on 31 May 2012.

SHAREHOLDER STRUCTURE as of 31 December 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 at the time of the transaction.

THE BOARD OF DIRECTORS*



01

01

BODO UEPPER (52)

Chairman of the Board of Directors of EADS

Besides his position as Chairman, Mr Uebber is a member of the Management Board of Daimler AG responsible for Finance & Controlling as well as the Daimler Financial Services Division. He previously held various leadership positions in finance within Dornier Luftfahrt GmbH, DASA AG and MTU Aero Engines GmbH.

07

DOMINIQUE D'HINNIN (52)

Co-Managing Partner of Lagardère SCA

Besides being Co-Managing Partner of Lagardère SCA, Mr D'Hinnin is its CFO. Previously, he held management positions within Lagardère, successively serving as Internal Audit Manager, CFO of Hachette Livre and Executive Vice President of Grolier Inc. in the US.



02

02

LOUIS GALLOIS (68)

Chief Executive Officer of EADS

Prior to his current position, Mr Gallois was successively Chairman and CEO of SNECMA and of Aerospatiale, Chairman of SNCF, President and CEO of Airbus, and an EADS Director since the creation of the Company. Earlier in his career, he held positions in the French Ministries of Economy & Finance, Research & Industry, and Defence.

08

SIR JOHN PARKER (69)

Chairman of Anglo American PLC

Prior to his current position, Sir John Parker held several management positions in the engineering, shipbuilding and defence industries, including the chairmanship of National Grid until end 2011 and some 25 years' experience as a CEO with Harland & Wolff and the Babcock International Group.



03

03

ARNAUD LAGARDÈRE (50)

General and Managing Partner of Lagardère SCA

Prior to his current position, Mr Lagardère held various top management posts, including CEO of Lagardère Media and Lagardère Active, CEO of Grolier Inc. and Head of emerging activities & electronic media for Matra. Furthermore, he held the position of Co-Chairman of EADS from 2003 to 2007.

09

LAKSHMI N. MITTAL (61)

Chairman and CEO of ArcelorMittal

Mr. Mittal is an entrepreneur who founded Mittal Steel Company in 1976. The company has successfully grown over the years and now known as ArcelorMittal, it has become the world's largest steelmaker. Mr. Mittal is recognised for his leadership in restructuring the global steel industry.



04



07



08



09



10

* Current composition. Messrs Gallois, Bartke and Eguagaray will not stand for re-appointment as Board Members following expiration of their terms at the close of the Annual General Meeting to be held on 31 May 2012. Messrs Enders, Trichet and Piqué i Camps have been proposed as new Board Members, subject to decision by the Annual General Meeting.



PROPOSED NEW BOARD MEMBERS TO BE SUBMITTED
TO THE ANNUAL GENERAL MEETING



04
HERMANN-JOSEF LAMBERTI (56)

Member of the Management Board
of Deutsche Bank AG

Mr Lamberti is the COO of Deutsche Bank AG, which he joined in 1998. He previously gained wide experience within IBM, in the fields of controlling, internal application development, sales, personal software, marketing and brand management.

10
ROLF BARTKE (64)
Chairman of Keiper-Recaro-Group

From 2005 until 2009 Mr Bartke was Chairman of Kuka AG. He headed the vans business unit at DaimlerChrysler AG from 1995 to 2006. Previously, he was Managing Director in various positions within Daimler AG.

05
MICHEL PÉBEREAU (70)
Honorary President of BNP Paribas

Mr Pébereau has been the Chairman of BNP Paribas until end 2011. Previously, he led BNP bank, presiding over the merger that created BNP Paribas in 2000. He also led the Crédit Commercial de France, after holding various high ranking positions within the French Treasury.

11
JUAN MANUEL EGUIAGARAY (66)
Economic Advisor

Mr Eguiagaray is a renowned economist and formerly Spain's Minister for Public Administration (1991-93) and for Industry and Energy (1993-96). He has also served as a Professor of Economics at Deusto University in Bilbao and at Carlos III University in Madrid.

06
WILFRIED PORTH (53)
Member of the Board of Management
of Daimler AG

Mr Porth is Daimler's Director for Human Resources. He is also in charge of labour relations, IT-management and Procurement of Non-Production Material & Services. He previously held various engineering management and other top positions within the Daimler Group.



CHIEF EXECUTIVE OFFICER'S MESSAGE

LOUIS GALLOIS

*Dear Shareholders,
employees, customers
and suppliers,*

Last year, I expressed my conviction that at the beginning of its second decade EADS would start to take off, demonstrating the power of stability and maturity. We have done exactly that. In 2011, EADS overachieved on all its key financial indicators, including revenues, order intake, EBIT* and net income. All Divisions contributed to the better-than-expected EBIT*, setting a series of new records on the way:

- ◎ Raising production for the tenth year in a row, Airbus Commercial achieved a record 534 aircraft deliveries while Airbus Military delivered 29 units;
- ◎ Airbus Commercial registered a record haul of 1,419 net orders, thanks above all to the A320neo, the fastest-selling jet in commercial aviation history;
- ◎ In a difficult market context, Eurocopter achieved record revenues of €5.4 billion;
- ◎ Orders and net cash reached record levels, safeguarding our future and giving us room for new initiatives to develop the Company.

These records are a testament to the Group's cutting-edge product portfolio, which contributed to a long list of achievements in 2011:

- ◎ **Airbus** listened to its customers, fitting the A320 with new engines to significantly improve the economics of air travel. The new engine option (neo) has proven an inspiration, showing the huge demand for cost-effective innovations on proven platforms.
- ◎ **Astrium** demonstrated excellent programme execution. The Ariane 5 performed five launches, bringing up its 46th consecutive successful launch, ensuring Europe's autonomous access to space. In order to safeguard this key capability, it is essential that we launch the Ariane 5 Midlife Evolution.
- ◎ **Eurocopter** delivered the 1,000th Dauphin, the 1,000th EC135 and the 100th NH90. These helicopters are a mainstay for many customers – civil or military. The X³ and AS350 hybrid helicopter demonstrators show that Eurocopter's ambitious innovation strategy is bearing fruit.

In addition, the commercial helicopter market is recovering as witnessed by the HeliExpo trade show in early 2012, where Eurocopter received 191 orders.

- © **Cassidian's** order intake of €4.2 billion was remarkable given the challenging business environment. The Division also delivered its 300th Eurofighter. This European flagship programme is already a success. However, I call upon our partner countries to support the integration of a fuller range of options onto the jet, to boost its exportability.
- © **Other Businesses** fared well, too. ATR had an exceptional year with 119 net orders, representing over 80% of all sales of regional aircraft with between 50 and 90 seats. In March 2012, EADS North America delivered the 200th Light Utility Helicopter to the US Army out of the planned 345 units. All deliveries were on time and within budget.

These successes support our growth strategy, as does our external growth in 2011. Acquiring Vector Aerospace, Vizada, Satair and Metron will bolster our services offerings and help to extend our global footprint. We are now focusing on the smooth integration of these profitable companies. We remain open to further acquisitions, should opportunities arise and if the conditions are right. Our cash reserves give us flexibility to act.

At the same time, we shall continue managing risks and challenges. Airbus is working to resolve the A380 wing rib feet issues in the best interest of our clients and to manage the complex development of the A350 XWB. This programme is very challenging. Airbus Military is moving ahead at full speed to achieve first customer delivery of the A400M on time. Furthermore, we are monitoring the macro-economic context and on-going discussions with governments, particularly Germany, on the future of defence procurement programmes. It is crucial that these talks quickly generate mutually beneficial solutions.

Our ability to achieve success and manage risk is only possible thanks to EADS' greatest asset: its workforce. The momentum at the Group is the result of the tireless efforts of 133,000 employees worldwide. They are proud, capable and motivated, which is why they deserve our staunch support. This year saw a third round of our Engagement process to improve employee satisfaction. We are committed to translating employees' feedback into action in order for EADS to be a top employer.

This commitment is shared by the incoming executive management team and by the Board. When I became CEO in 2007, EADS needed a new direction and greater cohesion.

We have made enormous progress since then. I believe my five years as CEO were fast-paced and successful thanks to the commitment of a great top management team and workforce. Tom Enders is the best successor. He knows the Company perfectly. He embodies its spirit as a driver of change and promotes the European success story it represents. His new executive management team shares the same spirit. I wish them the best of luck in taking EADS on a flight path of growth and success – for the benefit of our employees, partners, customers and shareholders.

*the last five years of exciting,
and successful achievements are yours;
thank you for your support. EADS
embodies the best of Europe: Keep
the adventure alive!*



LOUIS GALLOIS
CHIEF EXECUTIVE OFFICER



THOMAS ENDERS

Mr Enders is expected to succeed Mr Gallois as Chief Executive Officer, following the Annual General Meeting to be held on 31 May 2012.



THE EXECUTIVE COMMITTEE*

SEAN O'KEEFE

heads EADS North America

Mr O'Keefe has strategic, management and operational responsibilities in the US to expand the EADS market presence in coordination with the EADS operating Divisions.

MARWAN LAHOUD

leads EADS' Strategy and Marketing activities

Mr Lahoud is responsible for elaboration and execution of the Group's strategy including Merger and Acquisition operations, as well as the Group's international development and marketing.

THOMAS ENDERS

leads the Airbus Division

As Airbus Chief Executive, Mr Enders is responsible for the overall success of all Airbus activities, commercial and military, driving ongoing and development programmes and strategic initiatives.

DOMINGO UREÑA-RASO

drives Airbus Military

Mr Ureña-Raso is in charge of Airbus Military, responsible notably for the A400M programme and Tankers. He reports to the Head of Airbus.

LUTZ BERTLING

heads the Eurocopter Division

Mr Bertling's mission is to strengthen Eurocopter's leading position and deliver commercial success and customer satisfaction on all helicopter programmes and related services.

LOUIS GALLOIS

is the Chief Executive Officer of EADS

Mr Gallois is responsible for the overall successful management of EADS Group business and operations. He chairs the Executive Committee.

* Current composition. Future composition will be subject to the decision of the newly appointed Board of Directors.



HANS PETER RING

heads EADS' Finance

Mr Ring's mission is to ensure successful management of EADS' financial resources to support operational performance, drive ambition for value creation and prepare the Group's future.

STEFAN ZOLLER

leads the Cassidian Division

Mr Zoller is in charge of driving successful business performance at Cassidian while preparing the Division's future.

JUSSI ITÄVUORI

drives EADS' Human Resources

As Head of HR, Mr Itävuori's role is to ensure that the EADS workforce is competent, engaged and efficiently managed to master present challenges and anticipate future talent needs.

FABRICE BRÉGIER

leads Group-wide improvement initiatives and the operations of Airbus

Mr Brégier is Airbus COO and manages its operations and Power8. He has the additional permanent mission of enhancing operational performance across the EADS Group.

FRANÇOIS AUQUE

heads the Astrium Division and coordinates Space and Defence activities

Mr Auque is responsible for the success of Astrium and coordinates between the Group's defence, security and space activities to foster synergies.

JEAN BOTTI

steers EADS' Research and Technology, Innovation, Technical means and policies

Mr Botti's mission is to steer EADS Group R & T strategy, activities and to secure the innovative technologies as well as IT, quality and manufacturing tools for the Company's future.

ACHIEVING

with the capacity to
sustain results long-term

TODAY

Cutting-edge technology makes
innovative aircraft such as
the Eurocopter EC145 T2 quieter
and more fuel-efficient.



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your smartphone for
more information or visit
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X³ helicopter demonstrator



TOMORROW

The new X³ high-speed, long-range helicopter demonstrator combines the vertical lift-off capability of a helicopter with the speed of a plane.



INTERVIEW WITH THE CHIEF FINANCIAL OFFICER

HANS PETER RING

What in your view are the most important messages to be taken from EADS' financial results of 2011?

First of all the overall message is a good one. We beat our guidance on all key indicators. Our revenues increased by 7% to €49.1 billion, despite the volatile macro-economic environment. Our order book grew significantly to €541 billion. It's a formidable basis for future business. Our EBIT* before one-off increased 34% to €1.8 billion. And the improvement is flowing through to the net income which increased by 87% to €1,033 million. Our 2011 results do confirm our equity story!

In 2011, EADS made a number of significant acquisitions. Is your approach to cash management evolving?

I would say that our ability to make strategic acquisitions, like those of Vizada, Vector Aerospace, Satair and Metron in 2011, is mainly thanks to our careful approach to cash management. This remains a key priority for us. The investment of approximately €1.5 billion into acquisitions in 2011 is more than financed by the Free Cash Flow before acquisitions. Our net cash position at the end of 2011 amounted to a solid €11.7 billion. This puts us in a position to invest in organic growth, or acquisitions, in the years ahead.

EADS is proposing a dividend of €0.45 per share in 2012. How do you explain the increase?

I am pleased that we have been able to share our good performance with shareholders through the increased dividend. Compared to last year's dividend of €0.22 per share the increase is a significant one and is in line with the improved financial performance of the Company. Based on earnings per share (EPS) for 2011 of €1.27, the pay-out ratio is similar to sector and industry peers. As the Group matures, this dividend policy should serve as the orientation for the future.

“In financial terms, I think the Company is sounder than ever, with strong revenues, a huge backlog of orders, and a very solid financial profile.”

How do you estimate the currency risk for EADS going forward?

In the past, EADS has suffered from the continuous weakening of the US dollar against the euro. In 2011, the hedge rate deterioration compared to the previous year had a negative impact of around €200 million on Airbus' EBIT* before one-off. Over the next two or three years, however, we don't foresee significant impacts on EBIT* from hedge-book deterioration.

Looking further ahead, we continue to target an increase in dollar procurement and global industrial footprint as a means of reducing our exposure. We're also making progress in our effort to increase euro contracting with airlines, which we successfully started in 2011 with more than US\$5 billion worth of future aircraft revenues converted to euros. And of course we continue with our successful hedging policy.

What financial performance should we expect from EADS in the coming year?

Assuming that the world economy and air traffic grow in line with prevailing forecasts and the euro stays around a rate of €1=\$1.35, we expect revenues to grow above 6% in 2012. With production increases underway, Airbus deliveries should rise to around 570 commercial aircraft. Group EBIT* before one-off should increase to above €2.5 billion in 2012 due to volume increases at Airbus and Eurocopter, better pricing at Airbus and A380 improvement. That's a significant improvement.

Where do you see the main risks going forward?

Our future profitability depends to a large extent on our ability to execute on our major complex programmes. The A400M is advancing towards first customer delivery. The A380 series production is making progress, with deliveries up from 18 in 2010 to 26 in 2011. Management is focused on delivering a

long-term solution to the issues affecting rib feet inside the aircraft's wings. Clearly, the A350 remains our biggest industrial challenge and is demanding the Company's utmost attention. The programme is very challenging: the schedule is tightening as Airbus progresses towards its next milestones.

Another risk area where we need to be vigilant is the macro-economic environment and its impact on GDP growth, air traffic growth, governments' ability to invest and on the high volatility of the financial markets.

In 2012 you step down as CFO after some ten years in this role. What would you say have been your main achievements?

My years as CFO have been very eventful and I'm certainly proud of the way that EADS has evolved as a leading company in its sector. In financial terms, I think the Company is sounder than ever, with strong revenues, a huge backlog of orders, and a very solid financial profile. This is the achievement of a strong management and finance team based on a changed governance five years ago. I have thoroughly enjoyed exchanging with the financial market in many personal meetings and conferences. It has been a pleasure and a privilege to share and convey the views of shareholders, analysts and experts as passionate followers of this industry and I'm grateful for the trust of many people I met.

More importantly, looking into the future, I believe the Company is well set for top and bottom-line growth. I am convinced the new management team with my successor, Harald Wilhelm, who has been a strong pillar of my finance team, is ideally placed to open a new chapter of our success story.

* Unless otherwise indicated, EBIT* figures presented in this report are Earnings Before Interest and Taxes, pre-goodwill impairment and exceptionals.

INTERVIEW WITH THE CHIEF STRATEGY AND MARKETING OFFICER

MARWAN LAHOUD

In terms of EADS strategy, what would you say were the highlights of 2011?

Clearly, 2011 was the year we stepped up our efforts towards reaching our longer term goals through targeted acquisitions. The companies we acquired – in particular, maintenance specialist Vector Aerospace, satellite communications provider Vizada, spare parts logistics expert Satair and air traffic management specialist Metron – will help us to increase the services share of our business, and to extend our global footprint.

We've also made some important strategic advances through joint ventures. For example, in Kazakhstan, where we already had a strategic partnership in the space field. In 2011, Eurocopter signed an agreement to formalise its Kazakhstan Engineering joint venture. The new organisation has started assembly and delivery of the first of 45 EC145s to be acquired by the Kazakh government up to 2016. Eurocopter also created a joint venture with Korea Aerospace Industries to support Korean Utility Helicopter marketing and support.

Can you explain how the acquisitions fit your strategy?

As you know, we have a target of increasing the services share of EADS business to 25% by 2020. At the same time, we want to extend our global footprint in order to access new markets, especially in North America and in emerging countries where there is strong growth. And we want to diversify our currency base. The acquisitions we made in 2011 will help us to achieve these goals, while also contributing positively to EADS' profitability growth.

Vector Aerospace, for example, is mainly located in Canada and in the UK, and enjoys an important presence in the US and South Africa. As a leading provider of multi-platform helicopter maintenance services, Vector Aerospace clearly complements Eurocopter's existing competencies, while it also has a strong base of both civil and defence customers.

Vizada likewise will strengthen EADS' presence on the North American market being a major supplier to the US government as well as to a range of civil customers. Vizada is present on five continents and is a perfect complement to Astrium's existing mainly governmental and secure satellite communications portfolio. Both Vizada and Vector Aerospace are profitable businesses, too.

What about the other acquisitions?

Satair too fits perfectly with EADS' strategy. It will significantly enhance Airbus' services offering in aircraft material management and its revenues are distributed broadly equally between the US, Asia and Europe. Metron Aviation, another Airbus acquisition, will help the Company expand its air traffic management activities in the US.

2011 was in many ways a difficult year for the global economy. How would you summarise EADS' marketing achievements in this context?

In terms of the macro-environment, 2011 was indeed a difficult year, with uncertainties over the sovereign debt crisis, a weakening growth dynamic in developed economies, pressures on government budgets and unexpected events such as the disaster in Japan.

Nevertheless, EADS won €131 billion worth of orders and the order backlog has grown to a record level of €541 billion. It's an indication of how resilient our business is. And it's further confirmation of the importance of the Asia-Pacific market in particular, which has been a clear focus of our marketing activities in recent years. The Asia-Pacific region accounted for more than 50% of total EADS orders in 2011, not only with respect to civil aircraft orders, but also for defence. Our 2011 orders also show the growing importance of the Latin American market, which is seeing increasing weight in the EADS order book. This is mainly related to civil aircraft orders, but we see here strong potential also in the military transport market.

“The acquisitions we made in 2011 will help us to increase the services share of our business and extend our global footprint.”

Clearly civil aircraft orders accounted for by far the largest part of EADS' orders in 2011. How will this affect EADS' strategy of balancing its portfolio in the years ahead?

The record order intake at Airbus Commercial is clearly a reason for us to be pleased. At the same time, it is true that our other businesses will have an enormous challenge to match growth projections for the civil aircraft business. It's an ambitious aim, certainly, but we continue to have it in our sights. Eurocopter has seen a recovery in the civil helicopter market. Despite pressures on governmental budgets, both Astrium and Cassidian saw continued order momentum while transforming their businesses. Astrium scored important export breakthroughs with DIRECTV in the US and the MEASAT telecom satellite in Malaysia. And Cassidian won an important systems integration contract in the United Arab Emirates through its joint venture EMIRAJE Systems.

As mentioned, our recent acquisitions should help us to improve the balance, certainly. Despite a total investment of some €1.5 billion, our net cash remains at a very healthy €11.7 billion. So we continue to have the means to manoeuvre, when new opportunities arise.



KEY EXPORT MARKETS 2012-2022

EADS: a European company in a global environment

◎ RUSSIA

- Russia's industrial and technological capabilities offer EADS great potential for partnerships.
- EADS harbours the ambition of building a true strategic partnership with Russia in aerospace, defence and security.

◎ TURKEY

- Turkey is a large, fast-growing market with substantial and competitive industrial, technological and human capabilities, which will play an important and enduring role in the region.
- As a European industrial leader, backed by its various home countries, EADS is eager to develop its cooperation with Turkey.
- EADS' interests lie in developing the common business and industrial cooperation established in the past by strengthening these relationships in future, and making Turkey a strategic partner in aerospace and defence activities.

◎ BRAZIL

- Brazil is one of the fastest-growing economies in the world, and aims to become a global player in aerospace and defence.
- EADS intends to become Brazil's accepted industrial partner, assisting it in fulfilling its ambitions.

◎ MIDDLE EAST

- The Middle East will continue to have one of the highest regional growth rates for commercial transportation worldwide, being located at the crossroads of the globe's most dynamic markets.
- The region remains an important market for defence and security, with a special emphasis on homeland and border security.
- EADS is helping to establish local industry, providing diversification from the oil economy.

◎ CHINA

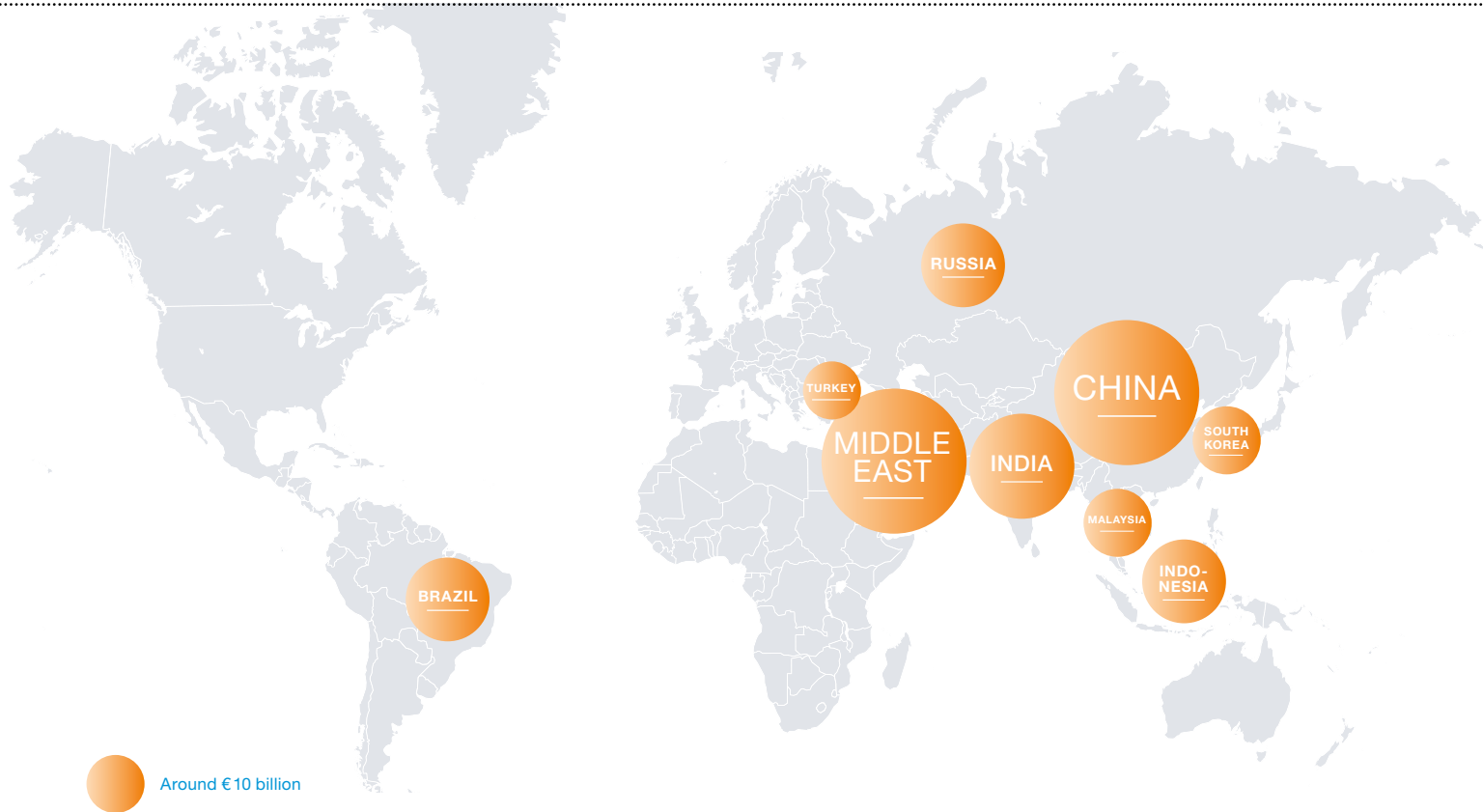
- EADS continues to increase its share of the largest market for commercial aircraft in the world.
- The successful execution of a well-planned industrial strategy has positioned the Group as the most successful foreign aerospace company in China.

◎ KOREA

- South Korea, which aims to be a leading international economy by 2020, has made aerospace an industrial priority. It has very high ambitions for its aerospace and defence industry, through co-development with the sector's major international companies.
- Following the success of the Korean Utility Helicopter programme, developed in strong partnership with local industry, EADS is well positioned for other major industrial programmes in the near future.

◎ MALAYSIA

- In the past decade, EADS has become the first foreign customer of the Malaysian aeronautical industry. Malaysia and EADS have developed a long-term strategic partnership, delivering benefits to every EADS Business Unit.
- Outstanding successes in commercial aviation have been supported by significant achievements in the defence sector, and by the development of a strong industrial partnership with the local industry, notably in composites.
- The next step of EADS' cooperation with Malaysia includes increased sourcing, development of services, training and research and technology.



MARKET POTENTIAL

Based on Airbus Global Market Forecast 2011-2030 and internal estimates

© INDONESIA

- Indonesia is one of Asia's most promising markets with good growth prospects.
- EADS has been the Indonesian aeronautical industry's main partner and is committed to strengthening this long-term industrial partnership.
- The Group aims to participate in the commercial market's opportunities – Indonesia being one of the fastest-growing civil aviation markets – and to be the partner of choice on governmental and defence programmes.

© INDIA

- India represents one of EADS' largest aerospace and defence markets, with vast opportunities across commercial aviation, defence and space.

- With strong ambitions to build up a thriving aerospace industry with global reach, India offers EADS the opportunity to establish a strong local industrial base, to develop support and services hubs for the sub-continent, and to benefit from large research and development investments, leveraging a rich pool of engineering and innovation talent.
- EADS' challenge will be to penetrate the promising defence market further, through winning major contracts and joint development programmes.
- India also offers largely untapped opportunities in security solutions and services.
- In space, EADS expects further expansion of its fruitful partnership with India's space agency.



IndiGo A320neo

MARKETS & PERSPECTIVES

The global economy slowed in 2011, yet aviation continued its growth trend. Meanwhile, high levels of public sector debt are putting pressure on government spending within the defence, security and space sectors.

RECOVERY UNDER THREAT

WEAKER ECONOMIC GROWTH

Worldwide economic growth slowed in 2011, following a strong rebound in 2010 from the preceding global economic crisis. In 2011, the global economy was hit by a barrage of shocks, including the devastating Japanese earthquake and tsunami, unrest in Middle Eastern oil producing countries and financial turbulence in the eurozone area. Markets were also unsettled by ambivalent data on US economic growth, raising fears that the world's largest economy might slip into recession. A protracted dispute within the US Congress over raising the debt ceiling added to the financial uncertainty. In August 2011, Standard & Poor's lowered the US credit rating for the first time.

According to the International Monetary Fund (IMF) in its September 2011 World Economic Outlook, the world economy was suffering from a weaker recovery in advanced economies, combined with a large increase in financial uncertainty. In the same study, the IMF forecast global growth of 4.0% for 2012.

World economic growth is a key driver of air traffic, which drives to a large extent demand for new aircraft. A clear correlation can be drawn between growth in global Gross Domestic Product (GDP) and air traffic growth rates, measured in available seat kilometres (see diagram).

In terms of growth rate, emerging countries continue to outpace the advanced economies. While the advanced economies were expected to grow in 2012 at an average rate of 1.9%, the IMF forecast growth of 6.1% in emerging economies, with China growing fastest at 9.0%. India was expected to grow 7.5% and Brazil 3.6%. Growth projections by the National Intelligence Council (NIC) indicate that Brazil, Russia, India and China will collectively match the original G-7's share of global GDP by 2040-2050. Africa, though lagging far behind, will have many of the fastest growing economies in the world in 2012, with Ghana, Uganda and Mozambique joining Nigeria as energy producing countries.

Within the advanced economies, a gap in predicted growth rates between the US and the eurozone countries emerged. The IMF forecast US growth of 1.8% in 2012 and eurozone growth of 1.1%.

SOVEREIGN DEBT CRISIS MOUNTS

The high level of public debt in advanced economies is widely seen as a risk to future growth. In its September 2011 report, the IMF observed that markets were more sceptical about the ability of many countries to stabilise their debt. Whereas initially concerns were reserved to a few small countries on Europe's periphery, through the course of 2011 more countries were subjected to critical scrutiny in Europe and beyond - from Japan to the US. Following the US downgrade, nine eurozone countries had their credit ratings downgraded by Standard & Poor's in January 2012.

In the US, the world's biggest spender on defence, budgets are being reduced after a decade when the annual defence budget doubled to reach nearly US\$700 billion in 2010. The pressures are also great in Europe. According to figures published in 2011 by the Stockholm International Peace Research Institute (SIPRI), European defence expenditure fell 2.8% in 2010. Defence spending grew, however, in regions such as South America (5.8%), the Middle East (2.5%) and Asia and Oceania (1.4%). At the end of 2011, the US administration announced an increased Pacific focus as part of its priorities as well as a focus on the Middle East.

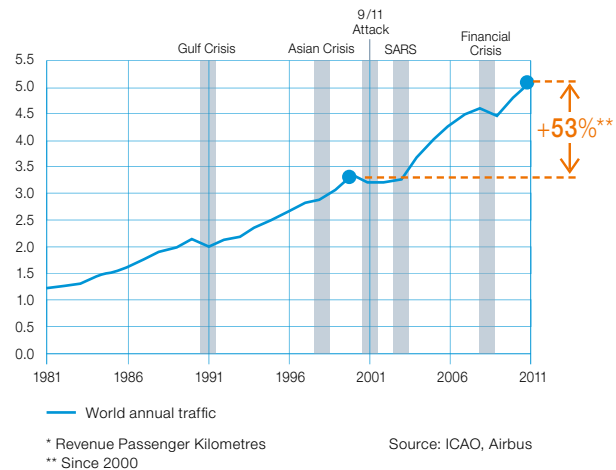
Banks in Europe are adapting to recent economic turbulence and newly introduced "Basle III" banking recommendations by building capital reserves and tightening lending. Moreover, European banks are facing higher costs to access US dollars, the main aircraft financing currency. Despite these pressures Airbus surpassed its deliveries target for 2011. Higher margins made aircraft financing more attractive to those financial institutions that have access to US dollars. Leasing companies,

in particular, played an important role in providing liquidity to the airline industry. Through sale and lease-back arrangements as well as direct deliveries, lessors accounted for 40% of all Airbus deliveries in 2011.

Overall, the volatile economic situation, in particular the debt crisis, led to a heightened sense of caution towards future developments, posing a challenge to industry and the competitiveness of the industrial and technological base.

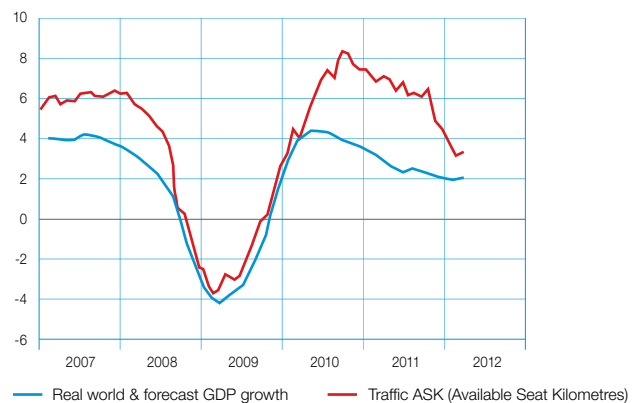
AIR TRAVEL HAS PROVED TO BE RESILIENT TO EXTERNAL SHOCKS

(in RPK* trillions)



PASSENGER TRAFFIC IN LINE WITH GDP

(in %)





Toronto Airport, Canada



A380 Emirates

COMMERCIAL AVIATION CONTINUES GROWTH PATH

EXPANSION CONTINUES

Over the past decades, air traffic has proved remarkably resilient to external shocks (see graph). In 2010, worldwide air travel measured in revenue passenger kilometres was 45% above 2000 levels despite two of the worst downturns the industry has experienced in the intervening years. In its December 2011 forecast, the International Air Transport Association (IATA) said it expected that passenger demand would grow 4% in 2012.

Longer-term growth in air traffic will be driven above all by emerging countries. According to Airbus Global Market Forecast (GMF), emerging countries, including Brazil, Russia, India and China, together accounted for 69% of the world population in 2010 and will generate 56% of the world's economic growth from 2011 to 2030.

AIRCRAFT MANUFACTURING RESILIENCE

In spite of recent economic uncertainties, the main aircraft makers have amassed record order backlogs. Buoyed by robust growth in countries such as China, Asia-Pacific airlines were expected to generate the largest profits both in 2011 and 2012, according to IATA's December 2011 report. The Asia-Pacific region accounts for 32% of Airbus deliveries projected for 2012.

SUPPLY CHAIN FRAGILITY

As manufacturers increase production, pressure has grown for suppliers to consolidate. In September 2011, United Technologies agreed to buy Goodrich for US\$16.5 billion. Further consolidation may continue amongst lower tier suppliers seeking to meet demand for more integrated systems.

Tighter credit in the wake of the "Basle III" banking recommendations could prove a threat to smaller suppliers in particular, especially with increased production planned for the coming years.

MOUNTING COMPETITION

Despite the growth dynamic, aviation remains fiercely competitive. According to its December 2011 report, IATA expected airlines to deliver a net profit margin of 1.2% in 2011 and of 0.6% in 2012. As governments reduce their stakes in national carriers, consolidation in the air industry is likely to increase. In Brazil, the merger of TAM and LAN will create one of the world's largest airlines. In the US, too, some consolidation is expected.

Fuel is one of the largest operating expenses incurred by the aviation industry and the volatility of crude oil prices is a major challenge for airlines. During the second quarter of 2011, oil prices briefly rose more than 25% above the levels that prevailed in January 2011.



EC175



A320 production line, Hamburg, Germany

Introduced in January 2012, the European Union's Emissions Trading Scheme (ETS) is set to charge airlines additionally for CO₂ emissions. Airline companies and manufacturers have already made progress to improve eco-efficiency. According to Airbus GMF, in the decade to the end of 2010 air traffic grew by 45%, while fuel consumption rose by only 3%. According to IATA, the ETS is expected to cost airlines €900 million in 2012 and up to €2.8 billion in 2020. High fuel prices and regulations on emissions have driven demand for efficient new aircraft such as the A320neo.

As well as airlines, aircraft manufacturing is expected to see increased competition, as emerging countries build up their local industry. China, Brazil and Russia are all nurturing aircraft manufacturing industries, with additional development progress in countries such as India, South Korea and Turkey amongst others.

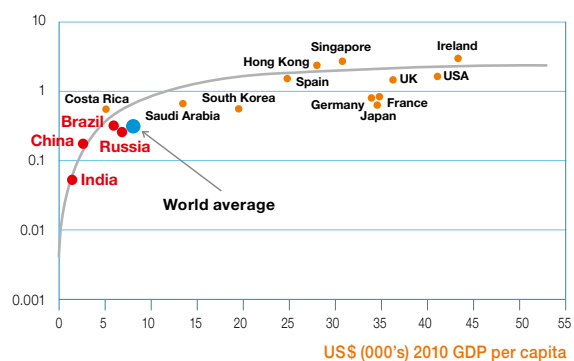
HELICOPTER ORDERS RECOVER

Within the helicopter sector, order levels are recovering from their recession lows. The oil and gas sector is driving demand, as relatively high energy prices are leading to exploration activity. For some helicopter suppliers, continuing military production is helping to fund new development in anticipation of civil recovery. Recovery in the US and Europe is critical to the commercial rotorcraft market, as these markets account for

60% of global demand. China is expected to offer significant new opportunities following the opening up of low altitude airspace for civil helicopter use. Forecast International estimates that manufacturers will deliver some 18,000 rotorcraft, worth around US\$80 billion, in the years from 2011 to 2020.

EMERGING ECONOMIES ON THE EDGE OF STRONG TRAVEL GROWTH

(in number of trips* per capita in 2010)



* Passengers originating from respective country

Source: IATA PaxIS, Global Insight, Airbus



Eurofighter



NH90

DEFENCE, SECURITY AND SPACE SECTORS ADAPT

POOLING EU RESOURCES

After a decade of increasing defence budgets, world military expenditure slowed in 2010. Within the European Union (EU), the need to reduce expenditure has led governments like Germany to ask for existing orders to be renegotiated. In some cases governments have sought to sell on contracted orders to export countries.

Europe's budgetary crisis has led to calls for governments to pool resources. The UK and France launched in 2010 a programme of bilateral cooperation. Following an initiative of EU defence ministers in 2010, the European Defence Agency has identified promising areas in which member states could gain by pooling resources, such as helicopter training, maritime surveillance,

air-to-air refuelling and satellite communications. NATO's "Smart Defence" initiative, launched in 2011, has spurred similar efforts for nations to share resources at a transatlantic level.

EVOLVING THREAT SCENARIOS

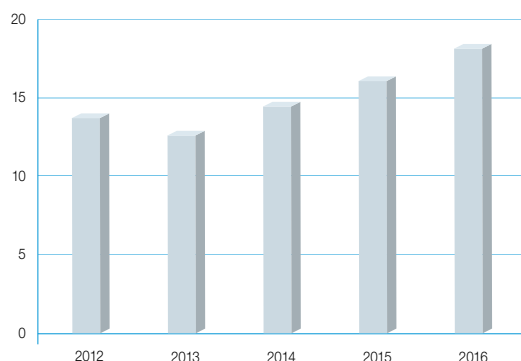
Despite budget pressures, NATO campaigns in Libya and Afghanistan have shown a clear need for European investment, especially in enhanced interoperability and in air-to-air refuelling.

Recent operations have also shown the importance of Unmanned Aerial Systems (UAS) for surveillance and combat missions when faced with asymmetric threats. According to Teal Group's 2011 forecast, approximately US\$94 billion will be spent on UAS platforms between 2011 and 2020. America's Federal Aviation Administration (FAA) is moving towards opening up civil airspace for small UAS. This could lead to a civil market for these platforms.

Cyber-security is another growth area. According to EADS estimates, the combined French, German and UK cyber security market was worth around €7 billion in 2010 and was projected to grow by approximately 10% per year. The market for large-scale security solutions is also expected to grow, as governments in Europe and worldwide look to monitor critical infrastructure, secure major sporting events and enhance border surveillance and security.

WORLDWIDE FIGHTER AIRCRAFT MARKET FORECAST

(in US\$ billion)



Source: Teal Group - Fighter/Attack Aircraft - February 2011

INCREASED INVESTMENT OUTSIDE EUROPE

While EU defence budgets are flat or will be reduced, emerging and Middle Eastern countries are continuing to invest in defence and security solutions. According to SIPRI, India's defence expenditure in 2010 rose 15% above the previous year to US\$41.2 billion. In the same period, defence spending rose



Ariane 5



International Space Station

10% in Russia to US\$58.7 billion and 10% in Saudi Arabia to US\$45.2 billion. Further into the future, the Arctic could become a focus for security activity as oil and gas exploration gives rise to competing interests.

US administration is looking at shifting from government owned and operated launchers towards a more commercial approach. The recent trend towards reusable launch vehicles promises lower cost for space access.

EUROPEAN SPACE SPENDING

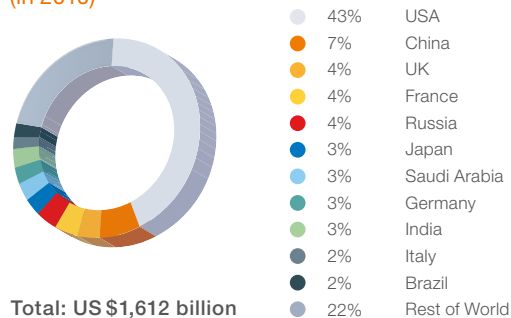
The space industry as a whole continues to be strongly driven by national interests and institutional activities. European interests are represented by the European Space Agency (ESA). For the European space industry, 78% of revenues are generated in Europe, 22% are for export. By far the largest customer in Europe is ESA, followed by Arianespace. In recent years, Europe's space industry has remained robust despite increased competition in the launcher segment. Technological advances in satellite communications, satellite navigation and imaging have led to multiple innovations and new space-related service industries.

The next ESA Ministerial Council, in late 2012, is expected to set budgets for the coming five years, laying the foundations for Europe's new initiatives in the field of space transportation and satellite applications. While the space industry has been robust in recent years, the outcome of this meeting will be closely watched given the difficult budgetary context.

Outside Europe and the US, China is moving forward with its space programme. Russia's space industry, though beset by technical setbacks in 2011, continues to provide access to the International Space Station (ISS).

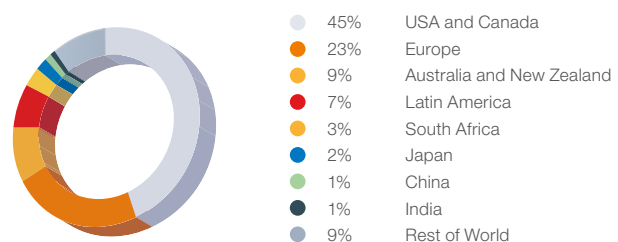
According to America's FAA there were 74 space launches worldwide in 2010, of which 23 were commercial. The 23 commercial launches in 2010 were valued at approximately US\$2.5 billion according to FAA. Increasingly, the

GLOBAL MILITARY SPENDING (in 2010)



Source: SIPRI

WORLD CIVIL HELICOPTER FLEET BY REGION (as of November 2011, in % of aircraft)



Source: Eurocopter

LEADING

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success





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TOMORROW

Cassidian pioneers ground-breaking technology, such as those integrated within the Euro Hawk UAS, to safeguard sensitive infrastructure and monitor terrorist hot spots.



Euro Hawk



THE YEAR IN REVIEW



Virgin buys the A320neo

17 January 2011

A320NEO STARTS RECORD YEAR.

Virgin Airways announces the first firm order for the A320 new engine option, starting a record year in which the eco-efficient aircraft wins 1,226 firm orders, becoming the fastest-selling new aircraft ever.



ATV-2

16 February 2011

PERFECT SPACE RENDEZVOUS FOR 2ND ATV.

After a flight of 4 million kilometres in space, Astrium's second unmanned supply vehicle, built for the European Space Agency, docks with the International Space Station.

16 May 2011

X³ HELICOPTER DEMONSTRATOR EXCEEDS SPEED TARGET.

The innovative Eurocopter X³ fixed-wing helicopter demonstrator pushes the boundaries in helicopter flight by achieving an air speed of 430 km/hour, surpassing its original target.



X³ helicopter demonstrator

20-26 June 2011

EADS INVITES YOUNG TALENT TO PARIS AIR SHOW.

In a year when EADS hires approximately 5,000 employees, the Group invites talented young people and experienced professionals to the Paris Air Show to meet its top management and engineers.



EADS young employees at Paris Air Show



Zehst, Zero Emission High Speed Technology

21 June 2011

ZEHST HIGH-SPEED CONCEPT REVEALED.

EADS presents a futuristic concept of an aircraft designed to fly above the atmosphere at four times the speed of sound, with limited impact on the environment, aiming to develop demonstrators by 2020.



Paris Air Show, June 2011

22 June 2011

AIRBUS WINS RECORD AIR SHOW ORDERS.

At the Paris Air Show, Airbus lands orders and commitments worth US\$72.2 billion for a total of 730 aircraft from 16 customers, setting a record for the largest number of orders ever won at an air show.

30 June 2011

EUROCOPTER MAKES SERVICES ACQUISITION.

Eurocopter announces acquisition of Vector Aerospace, marking EADS' push into aerospace services. Later in 2011, Airbus and Astrium respectively acquire the Satair and Vizada services businesses.

21 July 2011

FIRST EURO HAWK TOUCHES DOWN.

The first Euro Hawk unmanned aircraft for the German armed forces, jointly produced by Cassidian and Northrop Grumman, touches down in Manching, Germany, prior to delivery planned for 2012.



Euro Hawk

19 August 2011

ATR DELIVERS FIRST OF NEW TURBOPROP FAMILY.

ATR delivers its first ATR 72-600 to launch customer Royal Air Maroc. Thanks to high demand for its fuel-efficient aircraft, ATR wins 119 net orders in 2011.



ATR 72-600



Eurofighter

18 October 2011

DELIVERY OF THE 300TH EUROFIGHTER TYPHOON.

Cassidian delivers the 300th Typhoon, making the Eurofighter the only new-generation, multi-role fighter aircraft to have such a large fleet in service.



A400M Final Assembly Line

23 November 2011

AIRBUS MILITARY BEGINS A400M FINAL ASSEMBLY.

Airbus begins final assembly of the first A400M modern military airlifter for delivery to a customer. The French Air Force will receive the aircraft in the first quarter of 2013.

1 December 2011

NEW ARIANE 5 LAUNCHER APPROVED.

The European Space Agency approves Astrium's design for the new Ariane 5 Midlife Evolution satellite launcher, pending budget approval at the ministerial meeting scheduled for 2012.



Ariane 5

9 December 2011

AIRBUS STARTS JOINING THE FIRST A350 XWB FRONT FUSELAGE

Airbus starts joining the first 21-metre long front fuselage section for the A350 XWB in Saint-Nazaire, France. This will be the first major section of the A350 XWB to enter the Final Assembly Line.



A350 XWB



In 2011, Airbus won a record number of orders, thanks to the successful launch of the A320neo (new engine option), while it also broke its previous deliveries record.

Airbus had a record year for commercial orders and deliveries in 2011, while significant progress was achieved on major development programmes.

Airbus consolidated revenues grew by 10% to €33.1 billion (€30.0 billion in 2010), reflecting higher commercial deliveries. EBIT* increased by 91% to €584 million (€305 million in 2010). As expected, research and development costs rose in 2011, mainly due to the A350 XWB.

RECORD DELIVERIES AND ORDERS

The Airbus Division set a new record of 534 commercial aircraft deliveries in 2011 (510 in 2010). A record was also achieved by Airbus Military with 29 deliveries (20 in 2010), including six A330 MRTT.

Airbus Commercial won a total of 1,608 gross orders in 2011, 1,419 net of cancellations (2010: 644 gross orders, 574 net). The order intake of 2011 broke the previous record achieved in 2007 of 1,458 gross orders, 1,341 net. The A320neo alone accounted for 1,226 firm orders. The aircraft is now the fastest-selling commercial jet ever. At the year's end, the Airbus Commercial order book amounted to €475.5 billion (year-end 2010: €378.9 billion), comprising 4,437 aircraft (3,552 aircraft in 2010).

The commercial aircraft order book is geographically well distributed. Europe accounts for 12%, the US and the Middle East each account for 11%, and Latin America represents 7%. The high-growth Asia-Pacific region, including India and China, represents 37%.

In a challenging market environment, Airbus Military won five new orders, compared to 21 in 2010. The order backlog stands at 217 (241 in 2010).

MAJOR PROGRAMMES ADVANCE

Airbus made significant progress on its major new production and development programmes.

Deliveries of the A380 were above the set target and rose to 26 in 2011, compared to 18 in 2010. Airbus is working to resolve wing rib feet issues in the best interest of its customers. A380 programme losses should significantly decrease in the mid-term thanks to volume and process improvements.

First major sub-assemblies of the A350 XWB were delivered to Toulouse in 2011 ahead of final assembly. In line with Airbus' "stop and fix" approach, which aims to ensure a robust and efficient production process, the start of final assembly was rescheduled to April 2012, with entry into service planned for the first half of 2014. This led to an EBIT* charge of €200 million in 2011.

The A400M successfully performed its critical flight test programme in 2011, reaching a total of more than 2,600 flight hours. The fifth A400M flight test aircraft joined the campaign at the end of 2011, completing the test fleet.

STRATEGIC ACQUISITIONS

As part of the Group's strategy of increasing service-related business, Airbus acquired Satair, a leading distributor of aviation parts, for €351 million. Satair is supplier to a broad international customer base, supporting all major commercial aircraft families. This acquisition will help Airbus' materials management division to grow.

Airbus also acquired US-based Metron Aviation, a leading provider of advanced Air Traffic Management (ATM) products and services for the global aviation industry.

ALTERNATIVE FUELS

Airbus is working to reduce the environmental impact of aviation by integrating technological innovations into new aircraft and by supporting the search for alternative sources of fuel. Airbus, the European Commission and a number of other industry organisations launched the "Biofuel Flightpath" initiative, aiming to refine two million tonnes of biofuel annually for aviation by 2020.

AIRBUS DIVISION¹⁾

(€m)	2011	2010	Variation
Revenues	33,103	29,978	+10%
Self-financed R&D	2,482	2,321	+7%
EBIT*	584	305	+91%
Order intake	117,874	68,223	+73%
Order book	495,513	400,400	+24%

1) Airbus reports in two segments: Airbus Commercial and Airbus Military.
Eliminations are treated at the Division level.

AIRBUS COMMERCIAL

Airbus Commercial revenues rose to €31.2 billion (€27.7 billion in 2010), reflecting increased deliveries, a higher proportion of large aircraft and pricing improvements compared to the previous year. Airbus Commercial EBIT* of €543 million (2010: €291 million) benefited from operational improvement including a favourable pricing effect, partially offset by hedge rate deterioration and higher research and development costs, particularly for the A350 XWB.

Airbus Commercial won 56% of total gross aircraft orders (above 100 seats) by value in 2011 and 54% of net orders by value.

BEST-SELLING A320 FAMILY

In terms of commercial aircraft orders, 2011 was the year of the A320neo. The A320neo combines advances in engine fuel-efficiency with “sharklet” wing-tip devices that enhance aerodynamics to burn up to 15% less fuel than today’s single-aisle aircraft. An important milestone was achieved in 2011 with the first flight of an A320 fitted with “sharklets”. The A320neo is scheduled to enter into service in 2015. Overall gross A320 family sales totalled 1,470 in 2011, representing 70% of all units sold within the single-aisle category.

At the end of 2011 the A320 family had won a total of 8,292 orders with 3,345 still to be delivered. In 2011, Airbus successfully increased the monthly production rate to 38 from a previous rate of 36. Further increases are planned during 2012 up to rate 42.

A350 XWB MAKES INDUSTRIAL PROGRESS

The A350 XWB family consists of three passenger versions with long-range capability up to 8,500nm/15,580km. In a typical three-class configuration, the A350-800 will offer 270 seats, while the A350-900 and the A350-1000 will offer 314 and 350 seats respectively. The total order backlog for the A350 XWB family stood at 555 at the end of 2011.

Manufacturing and pre-assembly of the A350-900 progressed across all pre-final assembly sites in 2011. Final assembly of the first static test A350-900 started in April 2012. The first flight of the A350-900 is scheduled for the first half of 2013, with entry into service planned for the first half of 2014.

The A350-1000 design was enhanced in 2011, to offer customers additional range, payload and thrust. Entry into service of this model is now set for 2017. Entry into service of the A350-800 is scheduled for 2016.

A380 SERIES PRODUCTION ACCELERATES

Series production of the A380 accelerated in 2011 above the rate of two a month. In 2012, the A380 is due to reach a production rate of three per month. At the end of 2011, the order backlog stood at 186 aircraft.

Two airlines – China Southern and Korean Airlines – took delivery of their first A380s in 2011. At the end of 2011, 67 A380 aircraft were in service with seven airlines and approximately 18 million passengers had flown on A380 flights.

Airbus won 29 gross firm orders for the A380 (19 net) during 2011, including repeat orders from Lufthansa and Qatar Airways. Additionally, Transaero Airlines signed a memorandum of understanding for four A380s, making it the aircraft’s launch customer in Russia.

MID-RANGE A330 ADDS TO ORDER BOOK

The A330 won 99 new orders in 2011 (85 net), demonstrating its continuing competitiveness in the mid-range market. At the end of 2011, the total order backlog for the A330 stood at 351 aircraft. Due to strong demand, Airbus decided early in 2011 to raise the monthly production rate from eight to nine in early 2012, before reaching rate ten in the second quarter of 2013.

Four A330 freighters were delivered in 2011, and seven new orders were received.

Airbus continues to invest in technical enhancements for the A330 directed towards reducing the cost of operation and improving eco-efficiency.

Airbus terminated the A340 programme at the end of 2011. Customers operating this aircraft type will continue to receive support from Airbus.

(€m)	2011	2010	Variation
Revenues	31,159	27,673	+13%
Self-financed R&D	2,467	2,311	+7%
EBIT*	543	291	+87%
Order intake	117,301	68,210	+72%
Order book	475,477	378,907	+25%

(number of aircraft)	2011	2010	Variation
Deliveries	534	510	+5%
Order book	4,437	3,552	+25%

A330-200 Freighter



A330 Final Assembly Line, Toulouse, France



Air Asia A320neo

A400M and C295



A330 MRTT



A400M Final Assembly Line, Seville, Spain

AIRBUS MILITARY

While Airbus Military's revenues decreased to €2.5 billion (€2.7 billion in 2010), EBIT* rose significantly to €49 million (€21 million in 2010), due to a favourable mix, operational improvements and overhead cost reductions.

A400M BEGINS SERIES PRODUCTION

The A400M made important technical progress. By the end of 2011, the A400M had achieved more than 2,600 of the total 3,700 flight hours foreseen for the test campaign. Testing will proceed aggressively in 2012, as the fifth aircraft joins the campaign, following its maiden flight at the end of 2011.

A400M series production was launched early in 2011 and final assembly of the first customer aircraft began in November 2011. The first delivery is due to be made to the French customer by end of March 2013. Six serial aircraft were in production by the end of 2011. The total order backlog for the A400M stood at 174 aircraft.

Airbus estimates a potential for approximately 400 export orders over the next 30 years on top of the current firm orders.

A330 TANKER ENTERS SERVICE

The first six A330 MRTT aircraft were handed over to customers during 2011. These included the first four deliveries to the Royal Australian Air Force.

Within the UK Future Strategic Tanker Aircraft (FSTA) programme, the aircraft obtained its civil certification in July and its military certification in August 2011. Airbus remained on course

to deliver the full capacity of 14 MRTTs to the UK Royal Air Force by 2016. The first aircraft is due to enter into service in 2012. The Royal Air Force contract includes integrated aircraft service over a 24 year period.

The existing worldwide fleet of aerial tankers consists of 630 aircraft, averaging 44 years of age. Airbus estimates a potential total export market, excluding the US, of more than 100 tanker aircraft. The most capable in-flight refuelling platform available, the A330 MRTT, is well positioned to win export orders.

RECORD MEDIUM AND LIGHT AIRCRAFT DELIVERIES

In a difficult market, Airbus Military continued to lead the market for medium and light-weight transport and surveillance aircraft. A record 23 aircraft were delivered during the year, up from 20 in 2010.

Budget pressures depressed the number of new orders in the year, with five received, compared to 21 in 2010. Two of these were follow-on orders from existing customers.

Airbus Military continues to develop specialist applications for its C295 and CN235 medium and light military transport aircraft. A new radar housing structure, called a rotodome, underwent flight testing on a C295 in 2011, with the aim of developing a new market segment for high-performance airborne early warning and control systems.

AIRBUS DIVISION OUTLOOK

In 2012, Airbus is targeting a further increase in deliveries to approximately 570 commercial and 30 military aircraft. Monthly production rates are set to be ramped up to 42 for the A320, 9.5 per month for the A330 and towards three per month for the A380 by the end of 2012. Gross commercial aircraft orders are expected to be above the number of deliveries.

The "sharklets" for the A320 family will complete testing, ahead of certification before the year's end. A400M production will ramp up in preparation for delivery of the first aircraft to the French Air Force by the end of March 2013.

In financial terms, Airbus Commercial underlying profitability (EBIT* before one-off) is expected to improve significantly, thanks to higher delivery volumes, better pricing and improvement of A380 production performance. Going forward, the reported EBIT* 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.

(€m)	2011	2010	Variation
Revenues	2,504	2,684	-7%
Self-financed R&D	14	10	+40%
EBIT*	49	21	+133%
Order intake	935	152	+515%
Order book	21,315	22,819	-7%

In number of aircraft	2011	2010	Variation
Deliveries	29	20	+45%
Order book	217	241	-10%



Eurocopter beat expectations in 2011, achieving record revenues, improved profitability and a significant increase in new helicopter orders. The Division began to benefit from its innovation and efficiency drive, while paving the way for further growth.

In 2011, Eurocopter demonstrated significant progress in its financial performance. Through its strategy of product innovation, internationalisation, services expansion and operational improvement, Eurocopter is positioning itself to benefit from a recovering market.

Eurocopter revenues grew by 12% to €5.4 billion (€4.8 billion in 2010). The increase reflected the consolidation of Vector Aerospace, as well as a favourable mix effect in commercial deliveries and higher services and support sales. In total, 503 helicopters were delivered (527 in 2010). Deliveries of helicopters represented 51% of Eurocopter's revenues, while support and services accounted for 38% of the total. The remaining 11% was generated by development and other activities.

EBIT* rose by 42% to €259 million (€183 million in 2010), supported by the favourable mix effect in commercial deliveries and support activities, as well as improved operational performance.

In a recovering market, Eurocopter booked 457 net helicopter orders (346 in 2010). The order intake amounted to €4.7 billion. Export sales outside the company's home countries represented 77% of order bookings. Civil contracts accounted for 68% of the order volume, with military orders representing the remaining 32%. At the end of 2011, the Eurocopter order book stood at €13.8 billion.

INCREASING INTERNATIONAL PRESENCE AND SERVICES ACTIVITIES

Eurocopter expanded its services activities and enhanced its presence in North America and the UK with the acquisition of Vector Aerospace for €460 million. This acquisition, the largest in Eurocopter's history, will help the Division bolster its activities in both civil and governmental markets.

Among other international developments, a joint venture was signed in Kazakhstan for local assembly of the EC145 and in Korea for marketing of the new Korean Utility Helicopter.

Support and services activities were further reinforced by the opening of new training centres in Russia and China, along with a support and service centre in Scotland.

EMPHASIS ON INNOVATION

Eurocopter introduced a series of new helicopter innovations in 2011. Unveiled at the Paris Air Show where it performed impressive flight displays, the X³ demonstrator combines a main rotor with two propellers, giving it superior speed and range at affordable costs. Eurocopter also pioneered flight testing of a hybrid helicopter, combining an internal combustion engine and electric motor. The Division also unveiled its new upgraded EC145 T2 version, offering enhanced performance, lower noise and state-of-the-art avionics.

OPERATIONAL IMPROVEMENT

Eurocopter inaugurated its new global logistics centre in Marignane, France, and advanced the "Systemhaus" project at Donauwörth, Germany, to concentrate resources, skills and equipment in one location. Progress was made in the new facility project to be built at Le Bourget Airport near Paris, France. The site is to become a worldwide benchmark in the conception, manufacture, maintenance and overhaul of helicopter blades.

OUTLOOK

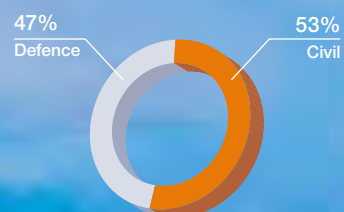
In 2012, Eurocopter aims to continue its ambitious innovation programme, while growing its international footprint and further expanding services.

Development of the next-generation X4, Eurocopter's successor in the Dauphin segment, will be a priority for 2012, as will the inauguration of the EC725 assembly line in Brazil, and the phasing-in of an aerostructure production facility in Mexico. Eurocopter will also continue discussions with the German government on defence programmes.

In the next 5 years, Eurocopter is anticipating a gradual global recovery in the civil market, especially outside Europe. Eurocopter expects deliveries to return to pre-crisis levels in the next few years and a significant improvement in its mid-term profitability.

(€m)	2011	2010	Variation
Revenues	5,415	4,830	+12%
Self-financed R&D	235	189	+24%
EBIT*	259	183	+42%
Order intake	4,679	4,316	+8%
Order book	13,814	14,550	-5%

REVENUES BY MARKET (in % of external revenues)



(€m)	2011	2010	Variation
Revenues	4,964	5,003	-1%
Self-financed R&D	109	85	+28%
EBIT*	267	283	-6%
Order intake	3,514	6,037	-42%
Order book	14,666	15,760	-7%

REVENUES BY MARKET (in % of external revenues)



Ariane 5



Astrium demonstrated again its excellent programme execution, maintaining revenues at 2010 level despite a challenging institutional market and increased competition. The transformation programme AGILE delivered first results, supporting successes in export markets. Significant progress towards future expansion was achieved through the acquisition of Vizada.

In 2011, Astrium reinforced its impressive record for programme execution, in particular through the 46th consecutive Ariane 5 launch success, and achieved important commercial successes in satellite activities. Meanwhile, the Division made significant progress towards its strategic goal of becoming a global leader in space services.

Despite an increasingly competitive environment, revenues were stable at €5 billion (€5 billion in 2010), with significant contributions from military and institutional activities.

While performance of the satellite, defence and launcher segments improved, 2011 saw lower services activity due to a changing market environment. Astrium's investment in future competitiveness led to higher research and development and non-recurring costs related to the AGILE transformation plan. EBIT* declined slightly to €267 million (€283 million in 2010).

New orders of €3.5 billion demonstrated continued momentum in both commercial and institutional space markets, though at a lower level than the exceptional previous two years. The order book stood at €14.7 billion at year-end (€15.8 billion in 2010).

NOTABLE ACHIEVEMENTS

The Division successfully delivered 13 Astrium-built satellites (compared to ten in 2010), including five telecommunication satellites and the first two Galileo In-Orbit-Validation satellites. Contract wins for two telecommunication satellites for EUTELSAT, for the US DIRECTV and the Malaysian MEASAT operators proved Astrium's competitiveness on the global market. In total, Astrium won contracts for four telecommunication and three Earth observation satellites, representing 20% of the commercial satellite market.

In 2011, the Ariane 5 heavy launcher successfully completed five launches. ESA approved the design of the new Ariane 5 Midlife Evolution. The new launcher, due to enter service in 2017, will offer a 20% improvement both in capacity and cost per kilogram. Moreover, Astrium was commissioned by ESA to manage the continued operation and exploitation of the European components of the International Space Station (ISS) as the leading partner in an industrial consortium.

Also in 2011, the second Automated Transfer Vehicle space craft, "Johannes Kepler", successfully docked with the ISS and a third vehicle, named "Edoardo Amaldi" was delivered to Kourou for launch in 2012.

Within Astrium Services, a major public private partnership contract was signed with ESA to design, deliver and operate the European Data Relay System, a constellation of geostationary satellites which will transmit data at high speed from other satellites in low-Earth orbit. Following the successful launch in December 2011 of the very high resolution Earth observation satellite Pléiades 1A, Astrium Services will be the exclusive commercial distributor of the Pléiades constellation.

MAJOR SERVICES ACQUISITION

As part of its strategy to extend its global footprint and increase the services business, Astrium completed in 2011 the acquisition of Vizada. This company is a leading independent provider of global satellite-based communication services, with a strong US governmental business. It generated revenues of approximately €450 million in 2011.

OUTLOOK

In 2012, Astrium will continue the drive to improve its competitiveness through the transformation programme AGILE, launched in late 2010.

Revenues are expected to be stable in 2012, while pressure on institutional markets will weigh on services profitability. In the following years, Astrium is expected to return to benchmark profitability, in line with the Group's ambitious targets for 2020.

In 2012, budget constraints will put pressure on order intake from institutional customers both in the defence and space exploration sector. The ESA Ministerial Council, due to take place in late 2012, is expected to provide clear perspectives on the future direction of European space programmes.



Cassidian achieved stable revenues in a challenging market environment, while profitability was in line with expectations. The Division is adapting to the changing defence market by targeting growth outside Europe and developing new offerings in the security field.

Cassidian introduced a far-reaching transformation plan in 2011, spanning performance and cost improvements and a new structural set-up to counterbalance challenges from the changed business environment. The previous business unit structure was replaced by a matrix structure with a country and business line dimension to improve proximity to international markets and customers. Targeted gross savings will be mainly used for investment in new products and services, to fund globalisation and to secure Cassidian's profitability ambitions.

Revenues were stable at €5.8 billion (€5.9 billion in 2010). The Eurofighter programme and MBDA missile programmes continued to be key revenue drivers, while security programmes also contributed.

The Division's EBIT* declined in line with expectations to €331 million (€457 million in 2010), due to a significant increase in self-funded research and development, a restructuring charge and a negative charge on programmes.

While the order flow in Europe slowed somewhat due to the tightened budget situation, important international orders were booked in 2011, in particular within the Integrated Systems business. The order intake amounted to €4.2 billion in 2011. At the end of 2011, Cassidian's order book stood solid at €15.5 billion (€16.9 billion in 2010).

PROGRESS IN CORE PROGRAMMES

The Eurofighter programme achieved its 300th delivery in 2011, making it the only new-generation multi-role combat aircraft to reach this milestone. A Letter of Intent was signed with partner nations to continue full scale development of the next generation Eurofighter E-scan radar. In April 2011, Eurofighter was short-listed by India as one of two remaining contenders for an order of 126 advanced multi-role combat aircraft. In January 2012, India selected the competitor as the preferred bidder pending contract signature.

Within the Integrated Systems business, the contract for the first phase of the United Arab Emirates command and control system, won by Cassidian joint venture EMIRAJE Systems LLC, represented one of the year's most significant contracts, at a value of approximately US\$550 million.

TOMORROW'S PRODUCTS AND SYSTEMS

Cassidian continued to develop its UAS capabilities. The high-altitude long-endurance UAS Euro Hawk, a co-development with Northrop Grumman, successfully performed its ferry flight from California to Germany in July 2011. Following this flight, the signal intelligence system developed by Cassidian was successfully integrated in Manching.

In 2011, Cassidian signed UAS collaboration agreements with Turkish Aerospace Industries and with Alenia Aermacchi of Italy. In late 2011, Cassidian signed a further agreement with Rheinmetall to pursue UAS activities together with EADS within a new entity.

The global UAS market shows significant growth potential. Cassidian is investing in new technologies and the development of a future advanced UAS to support the need for surveillance and reconnaissance capabilities in the armed forces in Europe.

Cassidian introduced the Spexer™ range of radars for both wide area protection of sensitive infrastructure and coastal surveillance. Cassidian also introduced a new generation of naval radars, the TRS-4D, which utilises advanced E-scan technology for maritime surveillance.

OUTLOOK

During 2012, Cassidian will continue to adapt to the changing global business environment. Cassidian will continue to invest in technologies, technology demonstrators and globalisation to secure future business, while managing risks and pursuing its transformation process through efficiency improvements, headcount adaptations and development outside Europe.

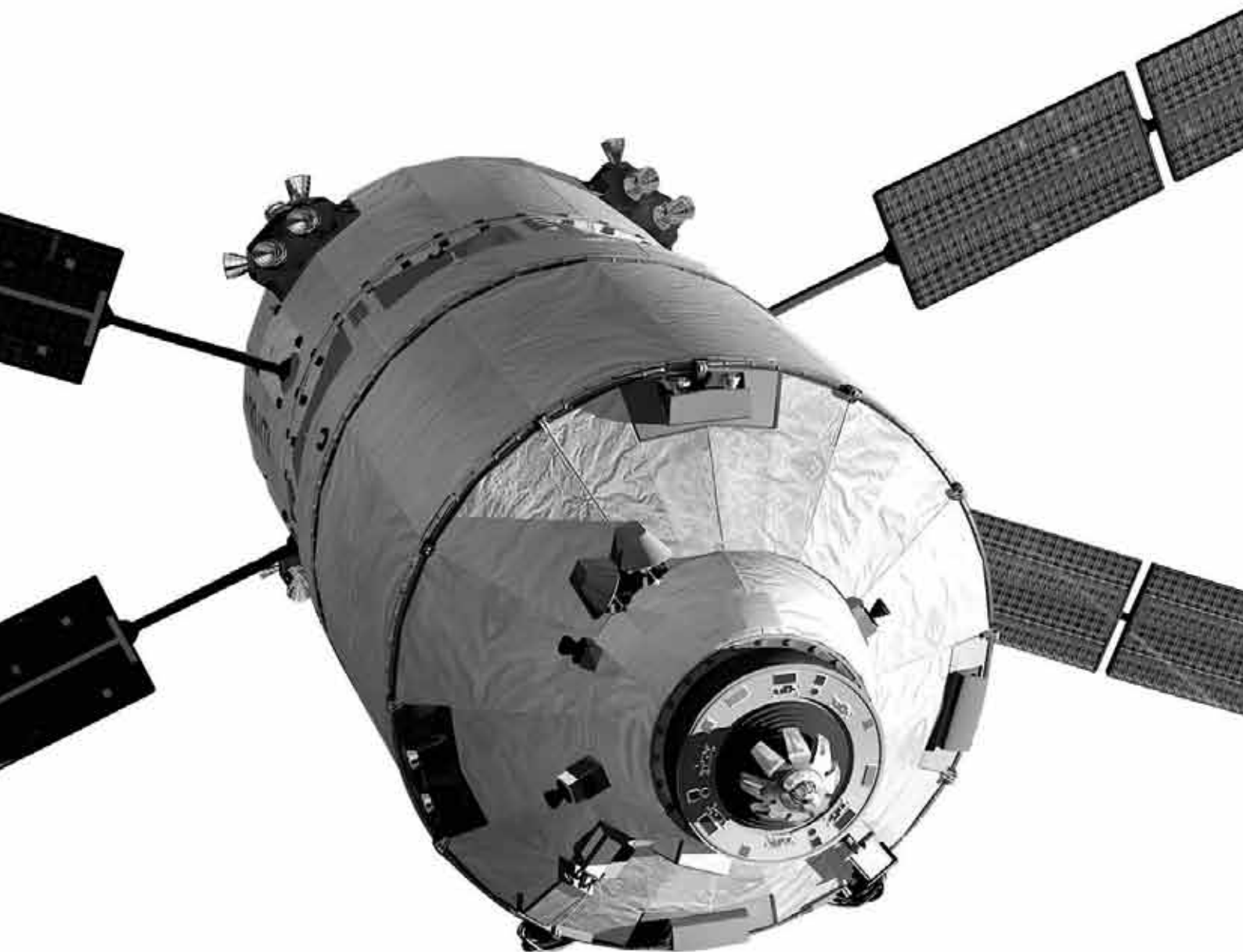
Beyond 2012, Cassidian aims to return gradually to benchmark profitability confirming ambitious long-term targets for growth, profitability and cash generation.

In the medium term, Cassidian expects to be generating more than 50% of its total business outside the traditional home countries, compared to 32% in 2010. In the long term, Cassidian aims to increase the security-related share of its revenues to 50% compared to 22% in 2010.

(€m)	2011	2010	Variation
Revenues	5,803	5,933	-2%
Self-financed R&D	275	251	+10%
EBIT*	331	457	-28%
Order intake	4,168	4,312	-3%
Order book	15,469	16,903	-8%

REVENUES BY MARKET (in % of external revenues)





Automated Transfer Vehicle (ATV)



VERSATILE

Securing access to space



TODAY

In 2011, the most complex cargo spacecraft ever produced in Europe, the Astrium-produced Automated Transfer Vehicle Johannes Kepler, successfully docked with the International Space Station.



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more information or visit
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Ariane 5



TOMORROW

Astrium is prime contractor for future developments of the proven Ariane 5, which has already achieved 46 successful launches in succession. The next major upgrade aims to provide an increased payload of up to 12 tonnes.

ENGAGED PEOPLE

EADS is focusing on building an even more engaging workplace for its people, while anticipating the key skills it will need in the future. In 2011, progress was achieved in both areas.

EADS made further progress towards its goal of creating a more engaging working environment for its people, and strengthening the culture of innovation. Working with relevant stakeholders within the businesses, Human Resources (HR) also took important steps in mapping existing competences and defining those EADS will need to develop in future.

ENHANCING ENGAGEMENT

In 2011, EADS and all its Divisions launched numerous initiatives to improve employees' engagement. Empowerment was increased through streamlining of decision-making processes, while recognition was enhanced through specific events and awards.

People management skills have been further developed via dedicated trainings, and two Group-wide engagement forums identified best practices which have been widely communicated to all managers. Dialogue between employee and manager was further strengthened in 2011 through the roll-out of a mid-year review, in addition to the existing annual interview meetings.

2011 also saw the launch of the "my life at EADS" initiative, which aims to create a better working environment and enhance employees' wellbeing. Seven local initiatives in areas such as health and safety, stress prevention, childcare solutions and flexible working arrangements were honoured in December 2011 with "my life at EADS" labels.

PLANNING COMPETENCIES

As from 2011, employees throughout the Group are mapping their individual competencies and assessing them against those required for their jobs as part of the mid-year review with their managers. EADS offers employees a wide range of training opportunities to develop and fill perceived competence gaps. In 2011, EADS invested over €200 million in training of its employees.

DIVERSITY

At EADS, diversity is seen as a performance driver. A Group-wide diversity board was set up in 2011 to foster gender, social, cultural and intergenerational diversity as well as to support those with disabilities.

In 2011, the EADS management deployed a leadership development programme targeting more than 700 talented women. By 2020, EADS intends to employ women in 20% of all executive and senior manager positions. In 2011, 21% of new recruits at EADS were women and women made up 17% of the active workforce.

ATTRACTIVE WORKPLACE

EADS continues to attract highly qualified people. Engineering graduates voted EADS the most desirable employer in France and the third most desirable in Europe according to independent surveys.

In 2011, 8,238 employees worldwide entered employment with EADS (5,047 in 2010). At the same time, 3,666 employees left EADS (3,213 in 2010). At year-end, the EADS workforce was composed of 133,115 employees (year-end 2010: 121,691 employees). The increase in active workforce was driven by both business ramp-up and perimeter changes, in particular with the consolidation of Vector Aerospace (2,419 employees), PFW Aerospace (2,155 employees), Vizada (719 employees), ND Satcom (301 employees) and Satair (377 employees).

HR PROXIMITY AND EFFICIENCIES

The new HR Delivery Model – relying on three pillars: HR Business Partners, Centres of Competence and Shared Services – became operational in 2011.

As planned, the number of HR Business Partners, ensuring HR proximity support to employees, will be increased to one for every 200 employees in 2012, representing a 34% increase.

HR Shared Service Centres are taking on greater amounts of administrative work and creating efficiencies. In 2011, their total revenue was close to €200 million and they achieved their planned cost savings.

EMPLOYEE SHARE OWNERSHIP PLAN

In 2011, the Employee Share Ownership Plan (ESOP) was changed to a matching plan concept and an all-time record number of 23,371 employees (18.8% of the workforce) invested in the Company as part of the ESOP.

EC225 Final Assembly Line, Marignane, France



DEVELOPING THE SKILLS OF TOMORROW

INTERVIEW WITH
SABINE HAMAN,
Head of HR Strategy &
Competency Development,
EADS

How will the skills EADS needs in 10 years differ from what you have in the workplace today?

Our competitive environment and our ambition to remain market and technology leaders mean we have to carefully monitor our strategic capabilities. We need to acquire new competencies as well as secure existing know-how to deliver best-in-class products and services to our customers. For example, we will need to increase the skills we have in cyber security and air traffic management, both new areas where we expect growth.

What is being done to make sure these skills are in place?

Based on a structured mapping of our existing competencies and a prospective process to anticipate future capability needs, we are putting in place policies and action plans at both Division and Group levels. Our long-term recruitment strategy is focused particularly on young generations and international profiles to support "EADS Vision 2020" goals. We are also working closer with universities both within Europe and in other countries to make sure future graduates have the competences we need.

How does long-term management of EADS' skills base help employees to have rewarding careers?

In order to secure our key competences, for example in engineering, industrial processes, programme management and services, we are investing in development programmes for employees at all stages of their careers. Employees therefore have a chance to develop through specific training, professional certifications and assignments under the coordination of the Academies at divisional level and Shared Colleges at Group level. Furthermore, we are reinforcing the leadership skills of our managers.

Flight with 100% biofuel from algae



ACCELERATING NEW TECHNOLOGY

INTERVIEW WITH GUY GALLIE,

Head of Technology
Competence Centre -
Innovative Concepts,
EADS

How does Zehst potentially improve the environmental performance of air travel?

Zehst aims at zero emissions of CO₂ particles, and reduction of NOx emissions compared to the current standard. It also aims at reducing noise during the entire flight: from take-off to landing, including high-speed legs of the journey. Zehst's environmental objectives are aligned to the European Commission goals for aviation, elaborated by the Advisory Council for Aeronautics Research and Innovation in Europe (ACARE). Zehst will also dramatically shorten travel times.

What technologies will it use to do this?

Zehst will use turbofans compliant with ACARE requirements, a rocket engine to climb, and ramjet to cruise at high altitude. Use of hydrogen as fuel means the system will not produce CO₂. Engines will be designed so as to produce as little NOx as possible. The choice of flight profile, and aeroshape will contribute to a major reduction in sonic boom footprint, as well as noise in general.

How are you likely to use what you have learned from Zehst?

Zehst can be viewed as an accelerator for new technologies that have potential use in more conventional aerospace fields. Such technologies include high temperature materials, environmental control systems, green fuel, low emissions propulsion systems, reusable launchers and cryogenics technology. It is also a unique opportunity to cross-fertilise aeronautics and space worlds.

How long will it be before this sort of advanced concept leads to a new generation of aircraft?

The general plan is to have unmanned demonstrators (on ground and in flight) by 2020 to validate critical technologies and concepts. Then a manned prototype could be designed and tested by 2030.

ECO-EFFICIENT INNOVATION

EADS is developing new technologies to overcome today's environmental challenges, and studying advanced concepts to pave the way for zero-emissions flight in future decades.

The pace of innovation at EADS continued in 2011. Overall, self-financed research & development spending as a proportion of Group revenues for the year stood at 6.4% (2010: 6.4%) and the Group filed a total of 1,018 new patents (2010: 1,007).

A major portion of EADS' innovation activity is focused on improving the fuel-efficiency and environmental performance of the Group's products and manufacturing plants. EADS regards this as a means of gaining a competitive edge and ensuring the long-term growth of the overall aviation industry as companies face stricter regulations on emissions and high fuel prices. Five of the seven research and technology groups within Innovation Works, the Group's corporate research network, address eco-efficiency-related topics.

Signifying the growing importance EADS is assigning to eco-efficiency, the Corporate Environmental Affairs office was established in 2011. This will seek to better anticipate environmental issues, to share best practices across the Divisions and to help the Divisions comply with their reporting obligations.

FUEL EFFICIENT AIRCRAFT

Replacement of existing fleets with new-generation, fuel-efficient aircraft is expected to bring the greatest improvement in eco-efficiency in the medium term. The A380 double-decker, which consumes less than three litres of fuel per passenger over 100 kilometres, provides significant efficiency gains compared to older models, as will the A350 XWB, which is due to enter service in 2014.

Confirming commercial appetite for eco-efficient aircraft, Airbus sold more than 1,200 new A320neo passenger planes in 2011. The A320neo will deliver up to 3,600 tonnes of CO₂ savings annually per aircraft through new engine technology and wing-tip devices.

INDUSTRIALISING BIOFUELS

To promote industrialisation of biofuels in aviation, Airbus, the European Commission and a number of other industry organisations introduced in 2011 an initiative labelled "Biofuel Flight-path". This is a roadmap with clear milestones which targets an annual production of two million tonnes of sustainably produced biofuel for aviation by 2020.

Additionally, Airbus and Corporate Technical Office are working on a number of "value chain" projects across the world, forming joint ventures with airlines and other organisations to study efficient ways of producing biofuels. It is also supporting airlines such as Lufthansa, Air France and Interjet that are using drop-in biofuels on commercial flights.

TECHNOLOGY DEMONSTRATORS

As a starting point for research into radically new aircraft designs which could pave the way for zero emissions air travel, Innovation Works presented in 2011 two new advanced concepts, Zehst and VoltAir.

Zehst, for Zero Emission High Speed Technology, represents a future aircraft which could fly through the stratosphere 30 km above the ground, at a speed exceeding MACH 4. A technology demonstrator is planned by 2020, and the aircraft could conceivably be ferrying passengers by 2050.

The all-electric aircraft technology concept VoltAir combines a fuselage design that minimises drag with highly-efficient, super-conducting electric motors. The high-performance batteries it would need are likely to be available in twenty years from today.

SATELLITE MONITORING

Within Astrium, satellites such as Cryosat, which monitors ice cover, are providing intelligence into the causes of global warming. Astrium's REDD+ (Reducing Emissions from Deforestation and forest Degradation) international workshop, held in October 2011, attracted more than 80 world experts. Astrium is also actively addressing the sustainability of space around the Earth through de-orbiting of used satellites and launcher elements and innovation for active debris removal.

CLEANING UP PRODUCTION

EADS Divisions continued to take action to reduce emissions from their production sites, for example through the Airbus BLU-5 initiative, a roadmap for cutting everything from energy consumption to volatile organic compound emissions. EADS innovations such as additive layer manufacturing have an important role to play in further reducing waste production.

PROGRAMME MANAGEMENT

By introducing best practices and training specialists in the field, EADS is seeking to improve its capacity to manage programme risks and opportunities.

Following systematic introduction of programme management policies and guidelines across the EADS Group in 2010, benefits could already be seen within the programmes in 2011, both in the major aircraft developments at Airbus and in key programmes at other Divisions.

Some 17 common policies have now been deployed across Divisions with the aim of improving programme management and sharing best practices throughout the Group. In 2011, approximately 400 people set out to obtain EADS Programme Management Certification. A further 6,000 professionals of all disciplines have received training in specific skills relating to programme management since 2010.

PROGRAMME IMPROVEMENTS

Independent reviews, introduced as part of the drive to improve programme management, are now routinely conducted at critical programme milestones throughout the Group. During such reviews, experts from across EADS come together to assess key issues such as resource plans, time plans and technological maturity. The external character of these reviews creates a more challenging environment, requiring those leading the programme to prepare with a greater level of detail. Independent reviews have been conducted successfully on the A320neo, as well as for the Eurocopter X4 in 2011.

In order to improve the control of major programmes, Earned Value Management (EVM) approaches are being promoted across the Group. EVM requires definition of milestones and work packages so that those managing the programme can compare technical progress with the associated costs. EVM has been successfully implemented on the A400M

programme, where the approach has been audited and approved by the customer, OCCAR, and has led to an unprecedented level of transparency between customer and manufacturer. EVM is also being applied to the A350 XWB, where the approach contributed to the early decision to shift entry into service by six months in order to stabilise the overall production process.

NEW POLICIES

One of the new policies deployed in 2011 is related to the independent pre-launch assessment applied to the A320neo. In future, all major programmes will be independently assessed in this way. Two others concern the supply chain – one seeking to strengthen collaboration with key suppliers through consistent practices, and the other for assessing the maturity of suppliers.

At the request of the managers of major EADS programmes, three further policies were designed and will be deployed in 2012. These are focused on preparing supplier work packages effectively, learning from mistakes and preparing to support customers early in new programmes.

DEVELOPING PROFESSIONALS

EADS regards programme management as a core company skill and is building a pool of qualified programme managers. Approximately 400 people have applied for programme management certification at EADS. From 2012, all candidates selected to manage an Airbus programme will be required to have a relevant certification.

Professional programme managers receive the same training across the Group and are therefore qualified for programme management responsibilities in any Division. By the end of 2012, some 800 candidates are expected to have applied for certification.

In addition to those who have chosen a programme manager career path, many more individuals have received training in specific policy areas. In 2011, 3,000 people were trained in programme and risk management, while 550 people were trained in Earned Value Management.

Over the next year, activities in the field of programme management improvement will shift further from defining policies to actively supporting the Divisions' deployment of them.

A380 Final Assembly Line, Toulouse, France



MAKING PROGRAMME MANAGEMENT A STRENGTH

INTERVIEW WITH
JEAN-JACQUES
SALVATOR,

Head of Programme
Management Organisation,
Eurocopter

How have you gone about improving programme management at Eurocopter?

We started at Eurocopter in the frame of EADS Programme Management Improvement three years ago with three main focus areas: process improvement, people adaptation and best-practice sharing. In 2010, in line with the EADS programme categorisation approach, we detailed what processes need to be applied to all programmes according to their size, scope and risks. EADS policies implementation made it possible to introduce a structured approach –

establishing rules in areas such as project control, risk management and reporting. Obviously such standards make programme managers' lives easier.

What progress has been made in terms of training?

Until quite recently it was considered normal for a good engineer to be given the task of managing a programme, without specific training. It is now widely recognised that programme management is a discipline in its own right. In 2011 we launched the Eurocopter certification programme for programme managers, and a first set of 30 applications were received. From 2012 our target is to have all programme managers certified. On top of that, around 700 people received training in different aspects of programme management in 2011 thus spreading this new culture.

What practical improvements are you seeing?

A lot of things have changed, making it possible for us to focus more on real programme issues. Better synergies have been created in the project teams through the set-up of an operational Programme Management Organisation. On top of this, independent EADS reviews on our key programmes such as the X4 programme have brought valuable inputs to set a robust basis.

A400M Final Assembly Line, Seville, Spain



AIRBUS WATCHTOWER

INTERVIEW WITH OLIVIER CAUQUIL,

Head of Procurement
Strategy & Operations,
Airbus

Why is it so important for you to monitor the supply chain at Airbus?

At Airbus we have a very close relationship with our suppliers. Most of the parts we buy in are Airbus-specific, rather than standard products. They require a significant prior investment, have long lead times and are usually sourced from a single supplier. Moreover, 80% of Airbus' recurring costs are outsourced. So we have to pay close attention to the sustainability of our supply chain.

What specific processes do you have in place?

We introduced a supplier watchtower process during the 2008 credit crisis. As part of the watchtower, we closely analyse suppliers' financial statements for signs of stress. On average around 250 suppliers are included in the scope. We regularly review the outcome of the analysis within procurement. If we discover difficulties, we of course work on recovery plans. We try though to mitigate risks before they occur, by helping suppliers to secure funding, or by supporting consolidation of suppliers.

Airbus supply chain experts are integrated in this process. Often financial stress has an industrial root cause. Our experts can help suppliers to improve their industrial processes.

If you look at the success Airbus has had in maintaining production rates in recent years, despite the economic crisis, I think our approach has been very effective so far.

Is the sovereign debt crisis increasing the need for vigilance?

We cannot say for sure that suppliers are faced with a shortage of credit, but we have to be careful because the finances of some small and mid-sized suppliers remain fragile after the last crisis. The situation is not ideal at a time when we are ramping up key programmes. This is why we have to continue to be pro-active.

SUPPLY CHAIN

EADS is adapting the way it manages the supply chain to support performance during the coming years of growth, transition and global expansion.

With production increases underway in major core programmes and new programmes about to ramp up, the supply chain will be increasingly important to EADS' success in the coming years. In 2011, as in the previous year, external procurement represented approximately 70% of EADS' annual revenues.

REALISING SYNERGIES

In order to ensure a stable and efficient supply chain, EADS has been streamlining its approach to major suppliers, seeking, wherever possible, to strengthen relations, bundle volumes Group-wide and obtain optimum conditions for all its businesses.

Procurement of all supplies which are not directly product-related is now managed centrally for the whole Group through the shared services unit EADS General Procurement (EGP). With an annual procurement volume of approximately €8 billion, EGP became fully operational in 2010. It remained on course in 2011 to achieve total savings as targeted.

A dedicated EADS Lead Buyer Network is managing the most critical materials for the Group as a whole, such as aluminium, titanium, composites, electronics and standard parts, which together account for approximately 9% of EADS' annual spend. Commodity strategies covering material and parts have been implemented to support both programme ramp-ups and the global supply chain.

SUPPLIER PERFORMANCE

While many suppliers are large conglomerates with a broad and international customer base, some smaller suppliers make the bulk of their business with top-level aerospace manufacturers like EADS. To ensure all suppliers are capable of meeting ramp-up targets, a watchtower approach has been introduced at EADS, through which the performance and financial health of critical suppliers is routinely monitored and reported within the Group.

Airbus has increased its supply chain and quality team in procurement to monitor and support critical suppliers in the ramp-up of the current series production and the A350 XWB programme. Eurocopter has also decided to build a dedicated team in that area. A concept for sustainable supplier performance development was designed in 2011 and will be implemented across the Group in 2012.

Strategic fit meetings were held with suppliers throughout 2011 to review performance and, if necessary, to propose remedial actions. In some cases, EADS actively supported suppliers, helping to diagnose and fix problems.

GLOBAL SOURCING

As part of its long-term plans for global growth and in order to increase dollar-based procurement, EADS is aiming to develop its supply chain outside Europe. In 2010, 29% of the Group's external sourcing volume was procured from countries outside Europe. By the year 2020, EADS aims to be sourcing 40% of its supplies from non-European countries, mirroring the globalisation of the business. A common framework was introduced in 2011 to make sure that the Group as a whole remains on course to reach this target, while taking into account constraints within specific businesses.

Country sourcing offices in China and India were expanded in 2011, and worked to develop local supplier relations. Additional sourcing offices were opened in the United States and Brazil.

Sourcing in emerging countries is being extended beyond aerostructures and raw materials to general procurement and higher-value systems and equipment.

RESPONSIBLE PROCUREMENT

EADS' expectations towards suppliers are set out in the EADS Supplier Code of Conduct – Growing Together. EADS requests that suppliers comply with standards in the areas of environmental management, organisational governance, fair operating practices, human rights and labour practices and promoting a culture of respect.

GLOSSARY

ADDITIVE LAYER MANUFACTURING

A revolutionary new method of manufacturing that promises greater precision, improved raw material performance and significantly less waste.

AGILE

Short for *Ambitious, Globally growing, Innovative, Lean and Entrepreneurial*. Astrium's improvement programme designed to increase efficiency and drive new business.

ADVISORY COUNCIL FOR AERONAUTICS RESEARCH IN EUROPE (ACARE)

A European research organisation founded by government and industry that aims to make Europe's commercial aviation more affordable, cleaner, safer and quieter.

AIR TRAFFIC MANAGEMENT

Air traffic management is the process for making sure that aircraft are safely guided from take-off to landing. It comprises airspace management, air traffic flow and capacity management, and air traffic control.

AIR TRANSPORT ACTION GROUP (ATAG)

A global coalition of air transport industry companies and trade associations that have united to foster aviation industry improvements in an environmentally responsible manner.

AUTOMATED TRANSFER VEHICLE (ATV)

The space cargo vehicle that is supplying the International Space Station with scientific equipment, spares and fuel, together with food, air and water.

AVAILABLE SEAT KILOMETRES (ASK)

Available seat kilometres measure an airline's passenger carrying capacity. The measure is calculated by multiplying the number of seats available by the distance flown.

BIOFUEL

Fuel made from a range of biomass sources. Biofuels are regarded as carbon neutral because the biomass they are derived from consumes CO₂ as it grows. Second generation biofuels do not compete with agriculture for land.

BLUECOPTER

Bluecopter is the name of the European technology demonstrator that showcases "green" technologies, including a fuel-efficient, low-emission propulsion system.

CARBON DIOXIDE (CO₂)

A greenhouse gas identified as contributing to climate change.

CLEAN SKY

Funded equally by the European Commission and Europe's aviation industry, this Joint Technology Initiative is designed to speed up the technology breakthroughs needed to achieve ACARE's environmental goals.

CORPORATE GOVERNANCE

The control and monitoring of a company to ensure that management acts in the interests of stakeholders, no undue risks are taken and relevant legislation is complied with.

CYBER SECURITY/WARFARE

Cyber security is the emerging field of protecting computer systems and data from interference through the internet.

DEMONSTRATOR

A prototype used to demonstrate new technologies ahead of their incorporation into new products.

EARNINGS BEFORE INTEREST AND TAXES (EBIT*)

EADS uses EBIT* pre-goodwill impairment and exceptional items as a key indicator of its economic performance.

ECO-EFFICIENCY

Term used to describe the management philosophy of creating economic value while minimising economic impact.

EMERGING MARKET/COUNTRY

An emerging market is loosely defined by the International Finance Corporation of the World Bank as an economy with low-to-medium per capita income.

EMISSIONS TRADING SCHEME (ETS)

The European Union's scheme for reducing greenhouse gas emissions, by making large industrial organisations pay a price for emissions higher than a specified level.

ENGAGEMENT SURVEY

A survey of EADS employees intended to canvass their level of engagement across a range of measures.

ENTERPRISE RISK MANAGEMENT (ERM)

A common process applied across EADS and its businesses to identify potential events that may affect EADS, to manage risks and provide reasonable assurance regarding the achievement of EADS' objectives.

EUROPEAN DEFENCE AGENCY (EDA)

A European Union agency tasked with improving European defence capabilities, and sustaining European security and defence policy.

EUROPEAN SPACE AGENCY (ESA)

The European organisation backed by 19 member states that plans and executes Europe's space programme.

FEDERAL AVIATION ADMINISTRATION (FAA)

The US national aviation authority, which has the authority to regulate and oversee all aspects of civil aviation within the country.

FUTURE EADS

EADS programme aimed at improving integration of support functions across the Group, to deliver efficiency gains and cash savings.

GROSS DOMESTIC PRODUCT (GDP)

GDP is a basic measure of a country's economic output, or the market value of all goods and services produced by a country in a year.

HEDGE

A form of financial instrument that protects against a specific market risk. Through currency hedge contracts, EADS agrees with a counterparty to convert future revenues, usually dollars from aircraft sales, into euros at an agreed time and rate of exchange, the "hedge rate". EADS uses currency hedges to protect itself against the risk of worsening exchange rates.

INTERNATIONAL AIR TRANSPORT ASSOCIATION (IATA)

The airline industry's global trade association.

INNOVATION WORKS

EADS' global organisation that conducts strategic research, inventing the technologies needed for product development.

INTERNATIONAL SPACE STATION (ISS)

An inhabitable satellite in low-earth orbit that provides a platform for conducting scientific research.

LIGHT UTILITY HELICOPTER (LUH)

The US Army's Light Utility Helicopter programme is supplying the UH-72A Lakota helicopter for administrative, logistic and medical evacuation purposes, as well as to support army training.

LONG-RANGE AIRCRAFT

Long-range aircraft, such as the Airbus A330 or A350 XWB, are mainly used for long-haul, intercontinental flights. Such aircraft are generally larger and carry more passengers than single-aisle aircraft. They are also often referred to as "wide-bodies" or "twin-aisles".

NITROGEN OXIDES

NOx are a group of gases that contribute to climate change.

POWER8

An Airbus efficiency programme that introduced a range of improvements including leaner processes and better cash management.

RAMP-UP

An industry term to describe a production programme's increasing level of output.

SHARED SERVICES

Support functions that an organisation's various entities share in order to increase efficiency and reduce cost.

SHARKLET

The "sharklet" is a wingtip device designed to improve an aircraft's aerodynamics and so to reduce fuel consumption.

SINGLE-AISLE AIRCRAFT

An aircraft having one passenger aisle running the length of the cabin. Single-aisle aircraft are mainly used for short and medium-haul flights. The Airbus A320 family consists of single-aisle aircraft. See also long-range aircraft.

SOURCING

Sourcing is another term for procurement from the supply chain.

SUPPLY CHAIN

A supply chain consists of an organisation's network of external and internal suppliers.

UNMANNED AERIAL SYSTEM (UAS)

An unmanned aircraft with ground control system, often used for military or security purposes, such as reconnaissance.

VISION 2020

Vision 2020 is EADS' strategic vision for guiding the Group's development until 2020.

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FULL YEAR 2011 RESULTS RELEASE:

8 March 2012

FIRST QUARTER 2012 RESULTS RELEASE:

16 May 2012

ANNUAL GENERAL MEETING:

31 May 2012, Amsterdam,
The Netherlands

PRIVATE SHAREHOLDER INFORMATION MEETINGS:

28 June 2012, Paris, France
4 July 2012, Munich, Germany

HALF YEAR 2012 RESULTS RELEASE:

27 July 2012

NINE-MONTH 2012 RESULTS RELEASE:

8 November 2012

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Progressing, Innovating,
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Registration Document 2011
Financial Statements



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Cover image: Tail rotor of diesel-electric
hybrid helicopter concept, developed
by EADS Innovation Works.

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