



EADS Annual Review 2010

Flight into the Future

EADS

A low-angle photograph of a man carrying a young child on his shoulders. They are both looking upwards towards a clear blue sky. In the upper right portion of the sky, a white helicopter with red and blue markings is flying. The scene is brightly lit, suggesting a clear day.

EADS

at a glance

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EADS Group

From stabilisation to expansion



EADS is a global leader in aerospace, defence and related services. In 2010, the Group's 10th anniversary year, EADS comprising Airbus, Eurocopter, Astrium and Cassidian generated revenues of €45.8 billion and employed a workforce of some 122,000.

EADS Group		2010	2009	2008
Revenues	€m	45,752	42,822	43,265
Self-financed R&D	€m	2,939	2,825	2,669
EBIT*	€m	1,231	-322	2,830
Net income ¹⁾	€m	553	-763	1,572
Earnings per share ¹⁾	€	0.68	-0.94	1.95
Dividend per share ²⁾	€	0.22 ²⁾	—	0.20
Net cash position	€m	11,918	9,797	9,193
Order intake ³⁾	€m	83,147	45,847	98,648
Order book ³⁾	€m	448,493	389,067	400,248
Employees		121,691	119,506	118,349

Results

EADS' annual results demonstrated significant achievements in 2010 supported by the recovery of the macro-economic and commercial environment which was stronger than expected.

Revenues

EADS' revenues increased 7% to a new high of €45,752 million thanks to growth from both volume and mix effects across core businesses.

EBIT*

EBIT* stood at €1,231 million and benefited from good underlying performance in all core business activities, especially Airbus legacy programmes.

Net cash

Net cash position amounted to €11,918 million, representing a key asset to foster future growth.

Order book

The record €448,493 million order book provides a solid platform for future deliveries.

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

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

2) To be proposed to the EADS Annual General Meeting.

3) Contributions from commercial aircraft activities to EADS Order intake and Order book based on list prices.

IV

EADS



A380



A400M



EC225



(€m)	2010	2009	Variation
Revenues	29,978	28,067	+7%
Self-financed R&D	2,321	2,306	+1%
EBIT*	305	-1,371	-
Order intake	68,223	23,904	+185%
Order book	400,400	339,722	+18%

Airbus Division comprises Airbus Commercial and Airbus Military. Airbus' consolidated revenues of €29,978 million show an increase of 7% compared to the same period last year.

In number of aircraft	2010	2009	Variation
Deliveries	510	498	+2%
Order book	3,552	3,488	+2%

Airbus Commercial

Airbus Commercial revenues amounted to €27,673 million, reflecting a favourable volume and mix effect. Deliveries increased to 510 commercial aircraft.



	2010	2009	Variation
Revenues	4,830	4,570	+6%
Self-financed R&D	189	164	+15%
EBIT*	183	263	-30%
Order intake	4,316	5,810	-26%
Order book	14,550	15,064	-3%

Eurocopter's revenues increased by 6% to €4,830 million, reflecting a favourable revenue mix. Deliveries totalled 527 helicopters, including 28 NH90 and 15 Tiger, double the 2009 level. The Dutch and French navies received the first naval versions of the NH90 multi-role helicopter.

	2010	2009	Variation
Deliveries	20	16	+25%
Order book	241	250	-4%

Airbus Military

Airbus Military revenues increased to €2,684 million, driven by higher A400M revenue recognition but lower revenues in medium and light aircraft and tankers.

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

1) Following integration of former Airbus Military into Airbus, Airbus is reporting in two segments: Airbus Commercial and Airbus Military. The Airbus Commercial perimeter includes EFW and the completed aerostructures reorganisation but excludes the A400M. Airbus Military includes the former Military Transport Aircraft Division as well as A400M Airbus operations. Eliminations are treated at the Division level.

EADS Divisions' results reflect the strong uplift in commercial aviation, with a headwind approaching in institutional and governmental businesses.

V



Ariane 5



Eurofighter



ATR 72-600

Please refer to www.eads.com for further information.

Other Businesses²⁾

2010	2009	Variation
5,003	4,799	+4%
85	74	+15%
283	261	+8%
6,037	8,285	-27%
15,760	14,653	+8%

Astrium's revenues increased by 4% to €5,003 million, exceeding expectations and marking a year of strong programme execution. Milestones included the start of M51 ballistic missile deliveries to the French Navy. Ten Astrium-built satellites were launched in 2010 and Ariane 5 delivered its 41st consecutive launch success.

2010	2009	Variation
5,933	5,363	+11%
251	216	+16%
457	449	+2%
4,312	7,959	-46%
16,903	18,796	-10%

Cassidian's revenues rose by 11% to €5,933 million, with pressure from tightening European defence budgets. The strong revenue increase reflects volume growth from core and export in Eurofighter and missile programmes, and progress in Lead Systems Integrator border security contracts.

2010	2009	Variation	(€m)
1,182	1,096	+8%	Revenues
10	6	+67%	Self-financed R&D
25	21	+19%	EBIT *
1,668	969	+72%	Order intake
2,519	1,952	+29%	Order book

The revenues of Other Businesses increased by 8% to €1,182 million, driven predominantly by the ramp-up in Light Utility Helicopter deliveries at EADS North America. ATR delivered 52 of its turboprop aircraft to customers and received 78 firm net orders.

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

2) Other Businesses is not a stand-alone EADS Division.

VI



Airbus Commercial

Airbus Commercial is market leader in the sector for civil aircraft seating 100 or more passengers. It offers airlines a highly competitive range of advanced, fuel-efficient aircraft.



A320



A330/A340



A350 XWB

A320 Family

Airbus' Family of single-aisle aircraft, based on the A320, includes the A318, A319 and A321 derivatives. With over 4,500 aircraft in service at the end of 2010, the A320 Family has proven extremely popular with airlines, offering high standards of comfort and economic performance on short and medium-haul routes. In 2010, Airbus launched a new eco-efficient option for its A320 Family aircraft, with new "sharklet" wingtip devices and fuel-efficient engines. The A320neo (new engine option) will deliver fuel savings of up to 15%. Entry into service is planned for 2015.

A330/A340

The A330/A340 Family has the versatility to fly either regional or long-range routes, coming in six different passenger configurations, powered by two or four engines. The twin-engine A330 is designed to generate maximum revenue and to reduce operating costs on regional routes, while the four-engine A340 provides flexibility on long-range flights. Airbus has also developed a cargo variant of the A330 Family, the A330-200F, a mid-sized long-range cargo aircraft, designed for fuel efficiency. First delivery of this aircraft was made to Etihad Airways in July 2010. Airbus received 63 firm orders for the A330/A340 Family of aircraft in 2010, and delivered 91 aircraft to customers.

A350 XWB Family

The A350 XWB (extra wide body) Family is designed to meet airline demand for a new generation of medium-capacity, long-range aircraft. With a fuselage made largely of composite material, its low weight will help airlines to cut fuel costs and emissions. The wide body will give passengers greater comfort on long journeys. Launched in 2006, the A350 XWB went into production in 2010, with manufacturing of the first sub-assemblies. At the end of 2010, Airbus had received a total of 583 firm orders for A350 XWB Family aircraft from 36 customers.



A380



A380

The twin-deck A380 is the most spacious and efficient large aircraft in service today. The baseline aircraft has 525 seats and offers passengers an unrivalled level of comfort while delivering superior economic performance, lower fuel consumption, less noise and reduced emissions. In 2010, the total number of orders, including those already delivered, increased to 234 from 17 customers. Over the year, Airbus delivered 18 A380 aircraft to customers. By the end of 2010, 41 aircraft had entered service and nearly nine million passengers had enjoyed the experience of flying with the A380.

» The year 2010 in review

10 June Emirates orders 32 Airbus A380

Dubai-based Emirates airline orders a further 32 A380 from Airbus, taking its total firm orders for the airline industry flagship to 90. Emirates and Airbus CEOs sign the agreement in a ceremony at the Berlin Air Show, witnessed by German Chancellor Angela Merkel.

20 July Etihad takes delivery of the world's newest freighter

Etihad Airways and Airbus celebrate the UAE airline's status as the launch customer for the world's newest freighter aircraft, the wide-body A330-200F, at the Farnborough International Air Show.

19 September Airbus Family day recalls "40 Years of Innovation"

Airbus marks 40 years of innovation by inviting 145,000 employees, their families and friends to a celebration at its five sites in Toulouse. Guests are able to find out about aeronautics careers, visit Airbus facilities, watch flying displays and take a closer look at the aircraft.

1 December Airbus offers A320 with new fuel-saving engines

Airbus improves the eco-efficiency of its best-selling A320 Family by launching a fuel-saving option. The A320neo (new engine option) combines new engines with large wingtip devices, called "sharklets", that reduce drag. Airbus will start deliveries in 2015.

7 December Airbus produces first A350 XWB fuselage barrel

Airbus starts making the first carbon fibre barrel for the A350 XWB fuselage at the Company's production plant in Illescas, Spain. The fuselage barrel is 5.5 metres long and 56 square metres.

VIII



Airbus Military

Airbus Military is responsible for the European heavy military transport A400M project and produces and sells special mission aircraft, derived from existing aircraft platforms. It is the global leader for light and medium-sized military transport aircraft.



A330 MRTT



CN235



C295

A330 MRTT

The A330 MRTT (Multi-Role Tanker Transport) is the world's leading air-to-air refuelling aircraft with an enormous basic fuel capacity and an innovative fly-by-wire refuelling boom. Its huge basic fuel capacity means that no auxiliary tanks are needed to give air-to-air refuelling performance that far exceeds its nearest competitors. The entire cargo bay is available for freight.

By the end of 2010, it had won orders from Australia, Saudi Arabia, the United Arab Emirates and the UK, with a total backlog of 28 aircraft.

CN235

The CN235 is a twin-engine turboprop transport aircraft capable of operating from short and unpaved runways. The latest variant, the CN235-300, can transport a payload of up to 6,000 kg, accommodating 36 paratroopers or over-sized loads such as aircraft engines or helicopter blades. Variants of the CN235-300 are used for missions such as maritime patrol or pollution control, among others. Including all variants, over 275 CN235 have been sold since the beginning of the programme.

C295

The C295 has a basic configuration similar to the CN235, with a stretched cabin to airlift a 50% heavier payload at greater speed over longer distances. Over 70 C295 have been delivered to 12 operators from 11 countries. The C295 has accumulated 90,000 flight hours in all kind of environments: from the polar arctic areas to deserts.



A400M



A400M

Airbus Military's A400M airlifter is a cost-effective, high-speed turboprop aircraft specifically designed to meet the harmonised needs of NATO nations, as well as the requirements of international air forces. Powered by four modern turboprop engines, the A400M is capable of cruising speeds of up to Mach 0.72 and altitudes up to 37,000 feet. The A400M is designed for operations from unprepared runways – enabling it to deliver large payloads to tactical forward bases or to evacuate a full complement of refugees or casualties from remote areas. The aircraft completed its maiden flight from Seville, Spain in December 2009 and first delivery is planned for a contractual date in early 2013.

» The year 2010 in review

23 August US Coast Guard orders three CN235 maritime patrol aircraft

The US Coast Guard orders three additional Airbus Military CN235 maritime patrol aircraft through EADS North America, the prime contractor for EADS military and defence products in the United States. The Coast Guard has an option to buy up to six more aircraft over four years.

6 October Military certification for A330 MRTT

Airbus Military obtains certification for the A330 Multi Role Tanker Transport (MRTT) from Spanish military certification authority Instituto Nacional de Tecnologia Aeroespacial, paving the way for delivery of the first A330 MRTT to the Royal Australian Air Force. This follows shortly after the UK Royal Air Force's first MRTT completed its maiden flight in September 2010.

20 December Fourth A400M makes first flight

The fourth A400M military airlifter takes to the air for the first time. The five-hour flight from Seville, Spain caps a highly successful 2010 for the A400M programme, with the development fleet completing 1,000 flight hours.

X



Eurocopter is a global leader in the civil and military helicopter market, offering one of the most complete and modern ranges of helicopters and related services. Overall, the Division's products account for 33% of the total world civil and parapublic helicopter fleet.



EC725



NH90



Tiger

EC225/EC725

The EC225/EC725 brings Eurocopter's latest rotor and all-weather technology to the 11-ton helicopter class. The EC225 flies for offshore oil and gas services, VIP transport, and search and rescue services. Its military twin, the EC725, is in service with the French Army and Air Force. The twin-engine helicopter is equipped with a five-blade rotor and a large-capacity fuel tank, providing enhanced performance and a greater flight endurance.

NH90

The NH90 medium-weight, multi-role military helicopter has two basic variants, the Tactical Transport Helicopter and the NATO Frigate Helicopter. The programme is a co-development with Agusta-Westland and Fokker Aerostructures within NATO Helicopter Industries (NHI). Eurocopter's share of NHI is 62.5%. At the end of 2010, the NH90 programme had received 529 firm orders from 14 nations.

Tiger

The Tiger is a medium-weight air-to-air combat and fire-support helicopter, fitted with twin engines. It includes four variants, based on the same airframe, which have been ordered by France, Germany, Spain and Australia. Total deliveries amounted to 70 as of the end of 2010.

Since 2009, the Tiger has been deployed in Afghanistan by the French Armed Forces with three helicopters permanently on site (1,600 flight hours).

EC135

The EC135 is a light twin-engine, multi-mission helicopter made using the latest carbon fibre technologies. Variations have been designed specifically for VIP transport, and for rescue and police work. The EC135 has become the helicopter of choice in the world of emergency medical services (EMS). More than 800 of these rotary-wing aircraft – including 400 in the EMS configuration – have been delivered to 160 customers in 40 countries since the programme was launched. At the end of 2010, the EC135 held a 63% share in the market for this category of aircraft.



Eurocopter's civil range



EC175

A joint development and production programme of Eurocopter and Aviation Industry Corporation of China (AVIC), the EC175 is a multi-role helicopter in the seven-metric-ton category. In addition to its version for the oil and gas marketplace, the EC175 is being developed for search and rescue missions and emergency medical transport. It can meet the needs of the commercial aviation industry for VIP and corporate transport. EC175 deliveries are scheduled to begin in 2012. At the end of 2010, a total of 114 commitments for the EC175 had been placed by 14 customers.

» The year 2010 in review

19 March Eurocopter and Helibras break ground in Brazil

Eurocopter and its Helicópteros do Brasil-Helibras subsidiary start to build a new rotary-wing centre of excellence in Itajubá, Brazil, where Helibras will produce, assemble and maintain EC725 helicopters for the Brazilian armed forces. The Brazil armed forces' three initial EC725, built by Eurocopter in France and finished by Helibras, were delivered in December 2010. Assembly of the EC725 at Itajubá will begin in 2012.

27 September New hybrid X3 helicopter flies

Eurocopter begins test flights of the X3 demonstrator for its innovative high-speed, long-range hybrid helicopter concept. Combining excellent vertical takeoff and landing capabilities, the X3 can fly at cruise speeds of more than 220 knots.

20 October Eurocopter forms Indian subsidiary

Eurocopter inaugurates its new Indian subsidiary, with the goal of expanding in this fast-growing market, reinforcing its support and

services network throughout the country, and further developing the company's four-decade relationship with Indian industry.

17 December NH90 TTH for France and Spain perform maiden flights

France and Spain's NH90 Tactical Transport Helicopters perform their first flights at Eurocopter's Marignane facility in southwest France. The NH90 is the largest helicopter programme ever undertaken by Europe, and its capabilities cover the full spectrum of activities, from reconnaissance to casualty evacuation.

XII



Astrium is the third largest space systems manufacturing company in the world and the leading supplier in Europe. It designs, develops and manufactures satellites, orbital infrastructures and launcher systems and provides space services.



Ariane 5



Ariane 5



ATV-2



Spot 5

Ariane 5

Ariane 5 is a heavy-lift satellite launcher, with a payload capacity of up to ten tonnes. Since becoming operational in 2005, it has proved reliable and flexible, with 41 successful launches in succession up to the end of 2010. Astrium is the sole prime contractor for the Ariane 5 system and is the largest industrial shareholder in Arianespace, which markets and sells the Ariane launcher worldwide and carries out launches from the Guiana Space Centre in Kourou, French Guiana. Astrium is prime contractor for future developments on Ariane 5, starting with the development of the Ariane 5 ME (Midlife Evolution) launcher, which will provide an increased payload capacity of up to 12 tonnes.

ATV

Astrium is the prime contractor for the development and construction of the Automated Transfer Vehicle (ATV) cargo carrier, designed to carry fuel and supplies to the International Space Station (ISS) and to provide reboost capability and a waste disposal solution. The first ATV, "Jules Vernes", was launched in 2008 and docked to the ISS. After six months in orbit, it was de-docked from the ISS and burned up on re-entering the atmosphere. The second ATV, "Johannes Kepler", was launched from Kourou, French Guiana on 16 February 2011, successfully docking to the ISS a week later.

Services

Astrium offers innovative, tailored solutions in the fields of secure communication and geo-information services. Following a contract extension signed in 2010, wholly-owned subsidiary Paradigm will provide the UK Ministry of Defence with military satellite communications services until at least 2022. A team led by Astrium is providing Germany's armed forces with a secure satellite communication network. The system began operations in 2010.

With its subsidiaries Infoterra and Spot Image, Astrium Services is also a provider of both optical and radar-based geo-information services.



Eurostar 3000



Eurostar 3000

Astrium produces telecommunication satellites for fixed and mobile applications and direct-to-home broadcast services. Its geostationary telecommunication satellites are based on the Eurostar Family platforms, of which 63 had been ordered up to the end of 2010. The latest version is Eurostar 3000. Astrium's telecommunications satellites are used for both civil and military applications.

» The year 2010 in review

9 March UK Ministry of Defence orders fourth Skynet 5 satellite

Paradigm, a wholly owned subsidiary of Astrium Services, signs a contract with the UK Ministry of Defence (MoD) to extend the Skynet 5 programme by two years until 2022. This will involve the manufacture, launch, test and operation of a fourth satellite, Skynet 5D. The Skynet 5 contract ensures that British and allied troops have access to critical communications whenever needed.

27 April Satellite Helios IIB launched

Astrium achieves in-flight acceptance of the Helios IIB observation satellite on behalf of the French Defence Procurement Agency and under delegation from the French space agency CNES.

Helios IIB enters operation, serving France, Belgium, Spain, Italy, Greece and Germany.

11 May Second ATV achieves milestone

The second of the European Space Agency's Automated Transfer Vehicles (ATV) cargo craft is cleared for shipping to the launch site in Kourou, French Guiana. ATV-2 is named after astronomer and mathematician Johannes Kepler.

7 July Contract to start new generation launcher

The European Space Agency (ESA) selects Astrium to undertake initial development studies for a next-generation launcher for future satellite launches. This 15-month project has a total contractual value of

€8.5 million, and Astrium will contribute €1.5 million of this from its own funds.

29 December 41st consecutive success for Ariane 5

The Ariane 5 launch vehicle takes off successfully from Kourou, French Guiana, for the 41st time in a row. The launcher places two telecommunication satellites in orbit, Hispasat 1E and KOREASAT 6.

XIV



Cassidian is the main pole of EADS' defence and global security activities. Its wide range of products and services include the Eurofighter combat aircraft, missile systems, integrated defence and security solutions, defence electronics and related services.



Security Solutions



TRS-3D Radar



Euro Hawk

Security Solutions

Security threats often call for multiple responses from different services. The need to coordinate action has driven demand for integrated security solutions. Cassidian delivers integrated systems for border security, maritime security, crisis and emergency response, as well as for protection of infrastructure and populations. Cassidian Professional Mobile Radio (PMR) solutions enable security organisations to communicate effectively, reliably and securely.

Radars

Cassidian is heavily involved in the technological development and application of next-generation active electronically scanning (AESA) radars for air, naval and ground applications. In the area of air defence, Cassidian

produces mid-range radars for ship (TRS-3D/4D) and land (TRML-3D) applications. The TRS-3D radar has been selected for the US Navy's Littoral Combat Ship and is also being supplied to the US Coast Guard for its fleet of National Security Cutters.

Missile Systems

MBDA, a joint venture between EADS, BAE Systems and Finmeccanica, is the missile systems group within Cassidian. The broad range of MBDA products covers all six principal missile system categories: air-to-air, air-to-surface, ground-to-air, surface-to-air, anti-ship and surface-to-surface. Programmes currently under development include the Aster Paams naval air defence system and the Meteor air superiority missile system.

UAS

In the field of Unmanned Aerial Systems (UAS), Cassidian is seeking to develop leading technologies and products based on its projects to date, which include Talarion, Harfang, Barracuda and DRAC systems. Cassidian and its US partner Northrop Grumman are supplying the German forces with the Euro Hawk UAS. Euro Hawk is a high-altitude Unmanned Aerial System for signal intelligence. Cassidian is responsible for the overall mission system, including situation analysis and reporting, as well as sensor-payload and modifications. In 2010, Euro Hawk successfully undertook its first flight in Palmdale, California.



Eurofighter



Eurofighter

Eurofighter, known as “Typhoon” for export outside of Europe, is a network-enabled, extremely agile, multi-role combat aircraft optimised for swing-role operations in complex air-to-air and air-to-surface combat scenarios.

Participating countries in the Eurofighter programme include the UK, Germany, Italy and Spain, and the aircraft is competing in major export campaigns. The 250th delivery was achieved in 2010.

The Eurofighter is designed to be adapted and improved over the long-term, as new avionics and weapons evolve, to provide for an extended service life.

» The year 2010 in review

17 May Cassidian commissioned to deliver Future Soldier System

Germany's Federal Office of Defence Technology and Procurement orders a further 220 units of the Future Soldier System infantry equipment, including bullet-proof vests and communications equipment, to meet the needs of the Bundeswehr forces deployed in Afghanistan.

31 May Cassidian forms strategic Brazil joint venture

Signalling its commitment to the Brazilian market, Cassidian forms a joint venture with the Odebrecht Organisation, one of the country's biggest companies. The two companies aim to forge a long-term partnership, with an industrial base servicing regional defence and security needs.

29 June Euro Hawk makes first flight

The Euro Hawk Unmanned Aerial System, built by Northrop Grumman Corporation and Cassidian, successfully completes its first flight, reaching an altitude of 32,000 feet over the Palmdale desert in California. The Euro Hawk has a wingspan larger than a commercial airliner, endurance of 30 hours and a maximum altitude of more than 60,000 feet.

20 July Eurofighter GmbH and Euroradar to develop latest-generation radar

Together with their industrial partners, Eurofighter GmbH and Euroradar begin full-scale development of a new-generation Active Electronically Scanned Array radar for the Eurofighter. The radar will enter service in 2015.

19 August Acquisition of leading cyber-security company

Cassidian acquires UK-based Regency IT Consulting, strengthening its cyber-security capabilities. The acquisition will ensure that Cassidian stays at the forefront of cyber-security expertise and has keen insights into emerging threats.

XVI Other Businesses



UH-72A Light Utility Helicopter



ATR 42-500

EADS North America

EADS North America is the North American operation of EADS. Headquartered in Arlington, Virginia, the company offers a broad array of advanced solutions for fixed- and rotary-wing aircraft, homeland and cyber security, telecommunications, defence electronics and avionics, and services. It is prime contractor for the US Army's UH-72A Light Utility Helicopter programme. On 4 March 2010, the 100th helicopter was delivered on-time and on budget.

ATR

ATR is the world's leading manufacturer of advanced 50 to 74 seat regional turboprop aircraft. ATR is a joint venture and equal partnership between EADS and Alenia Aeronautica. ATR's Family of 42- and 72-series high-wing, twin turboprop aircraft are designed for optimal efficiency, operational flexibility and comfort. Since the beginning of the programme, ATR has booked net orders for 1,074 aircraft (423 ATR 42 and 651 ATR 72).

A Family upgrade was launched in October 2007. Deliveries of the first ATR 72-600 are scheduled to start by mid-2011, while deliveries of ATR 42-600 are due to start before the end of the year 2011.

Global Sales



(€m)	2010
Revenues	21,402
Order intake	17,813
Order book	124,291

EADS leverages Europe's well-established aerospace capabilities and is expanding its cooperation in Eastern Europe and Russia. In 2010, UTair Aviation, Russia's largest helicopter operator, signed a contract with Eurocopter Vostok for the acquisition of twenty AS350/AS355 helicopters.



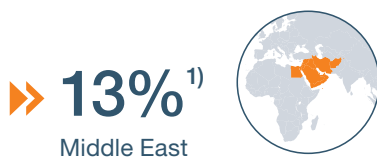
(€m)	2010
Revenues	3,507
Order intake	19,235
Order book	63,425

EADS is a leading supplier and industrial partner in North America and has been selected to provide major equipment programmes for the Army and the Coast Guard. In 2010, EADS North America delivered its 100th Lakota Light Utility Helicopter to the US Army.



(€m)	2010
Revenues	11,335
Order intake	28,772
Order book	124,645

Asia Pacific is an important region for the EADS Group. China and India, in particular, show huge market potential, while Korea and Vietnam also offer significant opportunities. In 2010, Astrium signed a contract with Vietnam for delivery of an optical Earth observation satellite system.



(€m)	2010
Revenues	6,247
Order intake	9,277
Order book	101,124

The Middle East is an attractive market for EADS where significant breakthroughs have been made in new fields such as border surveillance or air-to-air refuelling aircraft. Middle East airlines are important Airbus customers. In 2010, Emirates ordered a further 32 A380, taking its total firm orders for this aircraft to 90.



(€m)	2010
Revenues	3,261
Order intake	8,050
Order book	35,008

Amongst other regions, Latin America offers numerous commercial and industrial opportunities. EADS is seeking to develop strategic partnerships with Brazil in space, defence and security domains. In 2010, Cassidian signed an agreement with Odebrecht in Brazil for a joint-venture in the field of defence and security technology.

1) Of Group revenues.

XVIII EADS Shares

In 2010, EADS was the seventh best performer of the CAC 40. It outperformed the CAC 40 and DAX, as well as the Dow Jones US Select Aerospace & Defense index. In a positive market environment, EADS benefited from a favourable dollar development, encouraging news on aircraft orders and the gradual derisking of the A400M and A380 programmes.

Early in the year, EADS' share price benefited from a general market upturn. Following positive news on the continuation of the A400M programme, the EADS share rose to €15.96 on 5 March 2010. The share price decreased after EADS announced a more conservative than expected EBIT* outlook for 2010 and, more generally, as markets became unsettled by sovereign debt issues. After retreating to €13.56 on 7 May 2010 the EADS stock rebounded, however, driven by positive market data. The weakening euro, which fell below US\$ 1.20 on 6 June supported the advance, as did the announcement of new aircraft orders, in particular the Emirates order for 32 A380. A conservative EBIT* outlook for 2011, announced in November 2010 with the nine months results, caused the share price to dip back to €16.68 on 23 November. In December, the share began to recover again in a strong commercial environment.

On 31 December 2010, the EADS share price closed at €17.44, having gained 23.82% over the year. During the same period the CAC 40 fell -3.34%.

Please refer to
www.eads.com
for further
information

Profile

» Number of shares
as of 31 December 2010

816,402,722

» ISIN code

NL0000235190

» High in 2010 on Paris
Stock Market: on 21 September

€19.60

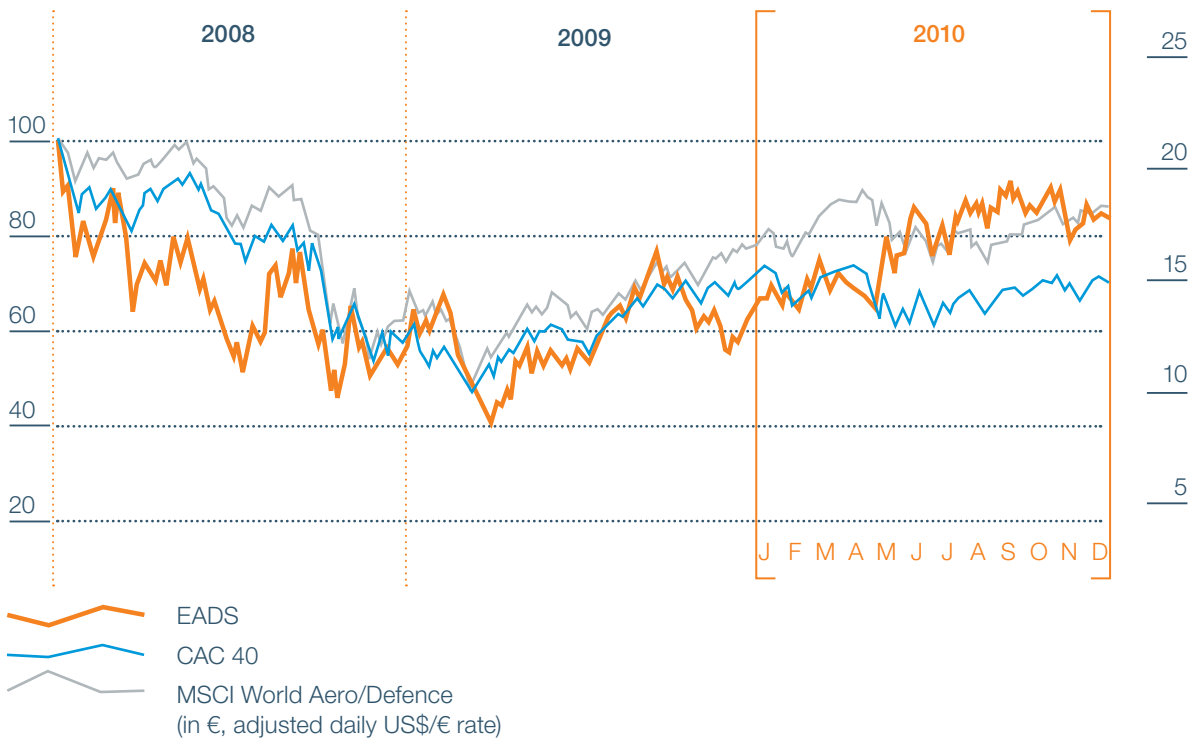
» Low in 2010 on Paris
Stock Market: on 15 February

€13.55

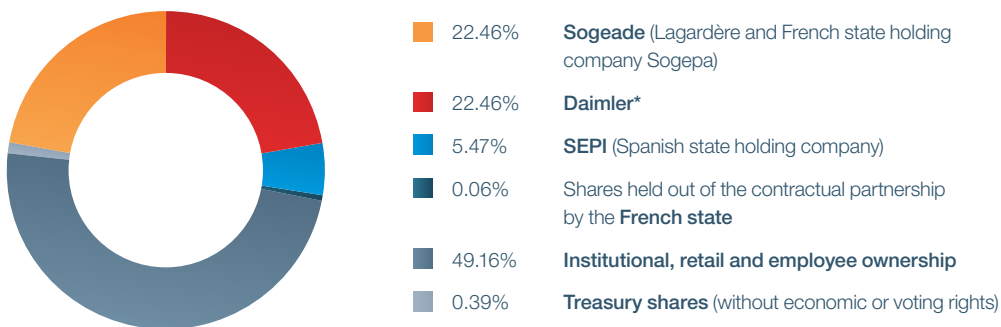
Share Price Evolution as of 31 December 2010

Base 100 as of 2 January 2008

EADS share price in €



Shareholder Structure as of 31 December 2010

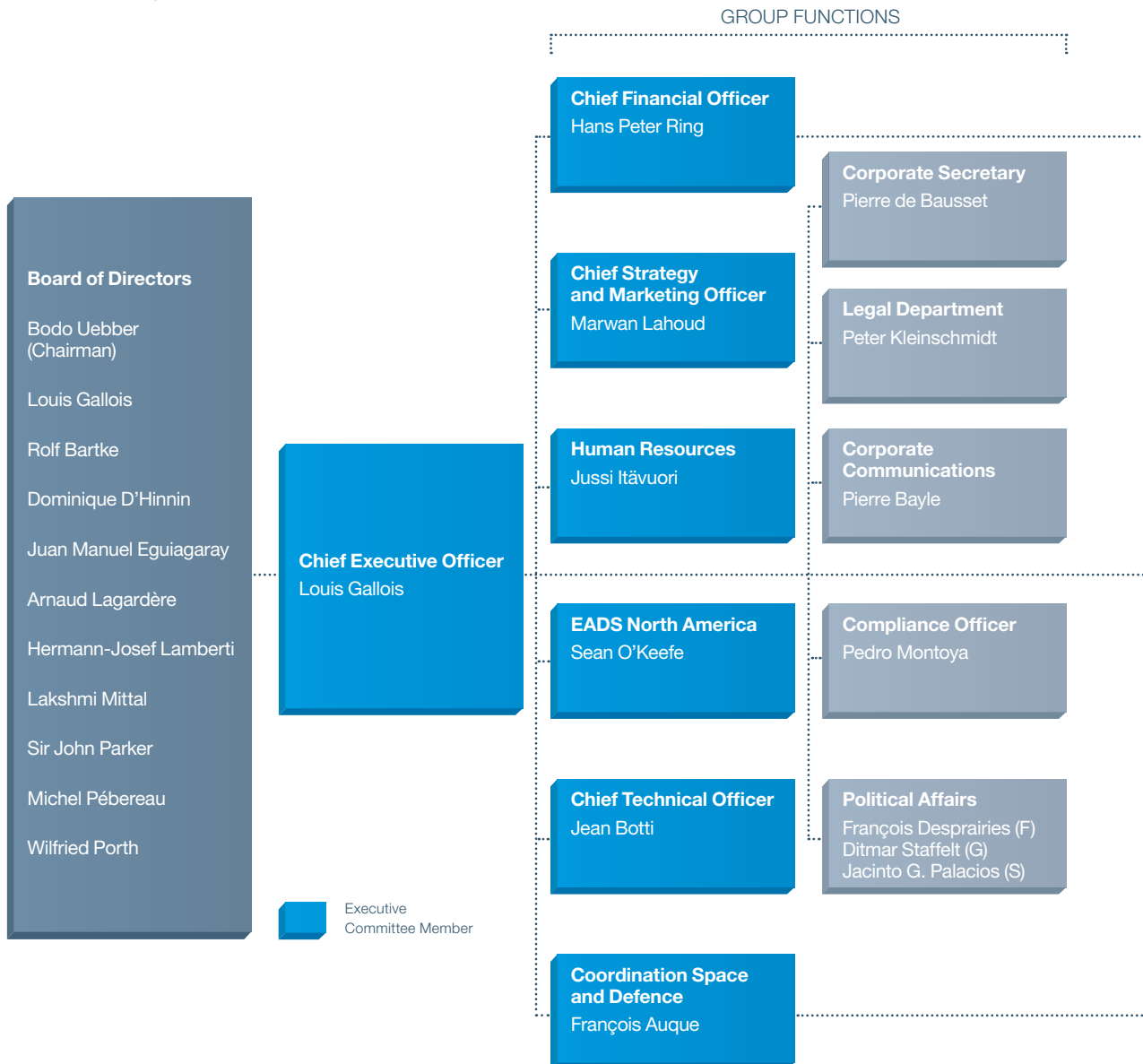


* On 9 February 2007, Daimler reached an agreement with a consortium of private and public-sector investors by which it effectively reduced its shareholding in EADS by 7.5%, while retaining its voting rights over the entire 22.5% package of EADS shares.

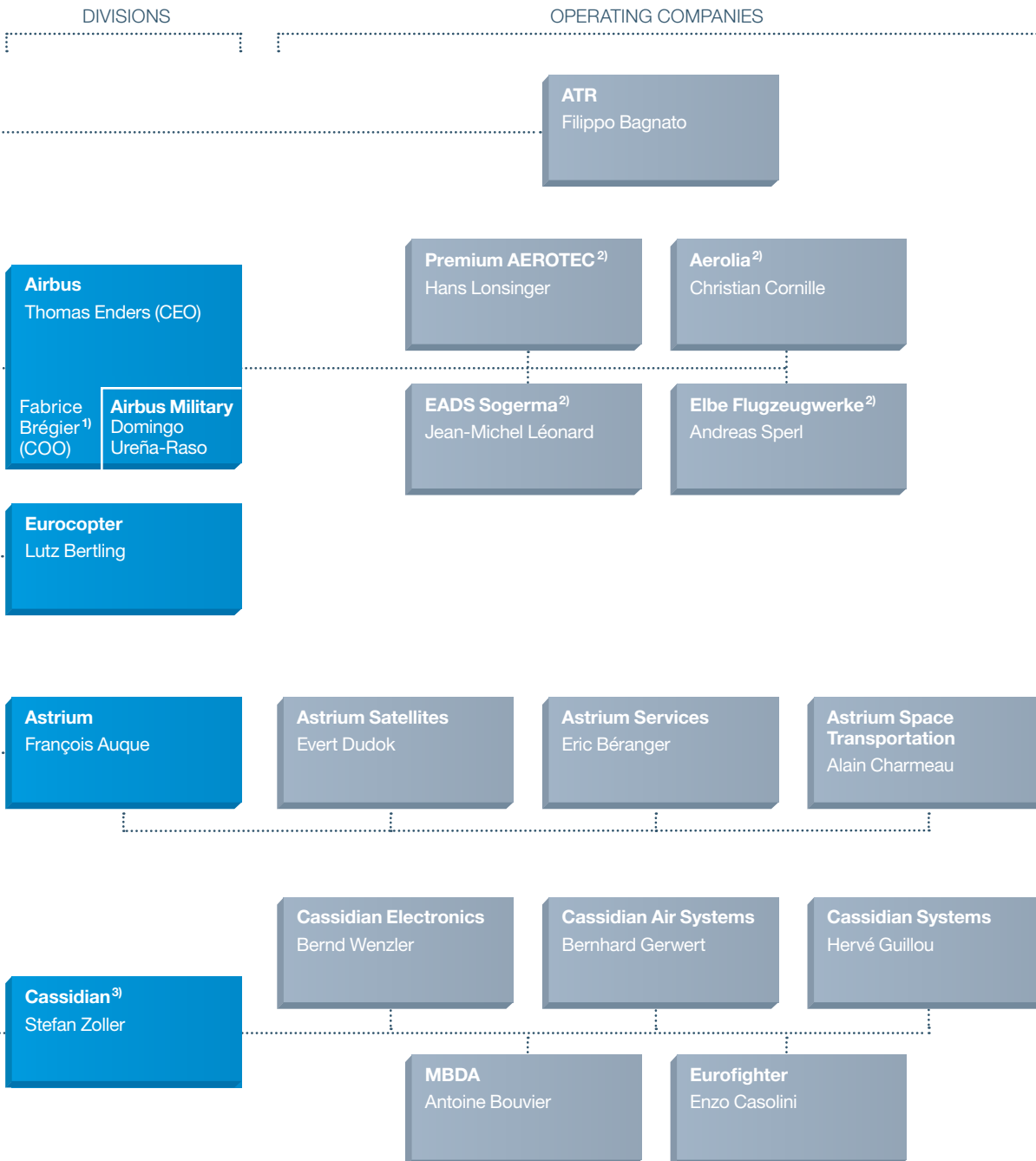
XX

EADS Management Structure

as of 1 April 2011



The Board actively shapes the Group's mission and strategic priorities, which are implemented under the leadership of the **Chief Executive Officer** (CEO), who provides the impetus for major operational initiatives. The Group functions and Divisions operate under the leadership of the CEO.



The four Divisions – **Airbus, Eurocopter, Astrium and Cassidian** – serve the specific needs of their respective customers, while the Group functions enhance the Company offering through information exchange, technology sharing and working practice synergies.

1) Responsible as Executive Committee Member, of a permanent Group-wide mission to ensure EADS enhanced operational performance.

2) 100% EADS owned, management delegated to Airbus.

3) The organisation of Cassidian is under revision and is due to change from 1 August 2011 onwards.



EADS 2010

annual review

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Built from vision our continuing su creating long-ter Our flight into the



and innovation,
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m value.
future starts today.

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Our flight into the future

The 10,000 school children who we invited to EADS sites across Europe to celebrate our 10th anniversary represent our future. At EADS, we anticipate the products our clients will need 10 or 20 years from now. By doing so, we stay ahead of the game, make more possible for our customers and deliver products that are at the cutting edge. By thinking long-term, we create value for all our stakeholders, including the children who will work here tomorrow.



long
haul

A large commercial airplane is shown on a runway at dusk. The sky is a deep blue, and the runway is dark with some lights visible. The text "Interim Use" is overlaid in a large, white, sans-serif font. The word "Interim" is on the top line, and "Use" is on the bottom line, partially overlapping the airplane's wing and engines.

Interim
Use

“I am convinced that the high level of EADS technology and employee commitment will drive long-term value.”

— **Louis Gallois**
Chief Executive Officer

EADS is a world leader in the aerospace and defence industry and can count on the expertise and passionate commitment of some 122,000 employees around the world.





8 Letter from the Chairman of the Board



Dear Shareholders,

In 2010, EADS turned ten. Management, employees and shareholders looked back on an eventful decade, in which the Group captured top spots in our industry. Everyone who contributed to this European success story can be proud. EADS' strength today is remarkable, as became even more apparent during the global economic crisis. The Group proved resilient during this difficult time. Our management of the order backlog was outstanding, not the least because of customer loyalty and the quality of our order book. These attributes contributed significantly to EADS' impressive recovery last year.

Overall performance in 2010 was better than expected. When we closed our books, all key financial indicators were above management guidance, particularly cash flow and order intake. Initiatives launched to enhance programme management, reduce costs and create efficiencies have all begun to deliver results. For our part, the Board lived up to its task of guiding management on a number of fronts.

We facilitated the implementation of a comprehensive compliance organisation, and are pleased with the processes and procedures that have now been put in place. The Audit Committee, to which the compliance organisation reports regularly, can focus on project-related reviews. Where necessary, we will continue to pursue further organisational enhancements.

Our Enterprise Risk Management has also become well established. Its creation was decisive in improving programme control, and it holds the key to further enhancements. The Board fully endorses its rigorous Group-wide implementation. "Risk flagging" and mitigation must be a vital part of our management culture – and EADS is evolving significantly in this regard.

The Board also examined major programmes closely, such as the A350 XWB, A380, A400M, NH90 and Tiger. We focused on de-risking initiatives – an area where EADS truly progressed in 2010. A380 production is under control and the A400M programme stands on a robust foundation again. I am especially proud of the Board's role in finding a solution to the A400M negotiations.

Importantly, after dealing mainly with operational challenges in the past, the Board was able in 2010 to focus more on the strategic context, vision, and forward looking initiatives to support sustainable growth. Nimbleness and anticipation are mandatory to succeed in today's dynamic business environment. The Strategic Committee and the Board spent a considerable amount of time discussing globalisation strategies as well as future programmes. The Board subsequently approved a key investment in the A320neo (new engine option), which is of fundamental importance to EADS.

“As EADS pushes ahead with its flight into the future, we are committed to holding the course.”

9

Finally, the Remuneration and Nomination Committee had the complex task of redesigning EADS' remuneration system. The Board approved the proposed measures. We did not take this decision lightly because the levers of performance management and planning are very sensitive. But this was a prudent decision, as we need carefully calibrated indicators to steer EADS' ambition effectively. I am convinced the new mechanism put in place is geared towards achieving this objective.

In summary, the Board played its part in EADS' recovery in 2010. We were pleased to note that the share price reflected this positive trend. Clearly, our positive results have raised the bar in terms of market expectations. We will do our utmost to ride this successful path. Accordingly, the Board will focus on three particular aspects in 2011:

- » Firstly, we will continue and improve our work by fine-tuning newly introduced procedures and processes. A special emphasis will remain on de-risking of programmes further.
- » Secondly, we will concentrate on strategic initiatives to ensure EADS is poised for global growth and for capturing evolving business sectors, while anticipating changes in the competitive landscape.
- » Thirdly, we will use the new target setting and remuneration process to ensure sustainable financial progress towards benchmark profitability.

All these efforts provide a sound basis which will ensure that the successful work of the Board will sustainably be pursued.

EADS' development since its foundation is a source of great pride for us. Our employees continuously show their enthusiasm for our products and their loyalty to the community we form together. Now, as EADS pushes ahead with its flight into the future, we are committed to holding the course. We all share the same interest in the pursuit of sustainable profitability for EADS: your priorities are ours. It is with great pleasure that the Board of Directors proposes a resumption of the Company's dividend policy to reward you for your loyalty with a payment of 22 cents for 2010. This is a first step towards our objective of achieving a gradual improvement of dividend in the coming years, through enhanced profitability and programme execution. It is our honour to serve you on this exciting flight.

Truly yours,



Bodo Uebber
Chairman

10 The Board of Directors



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BODO UEPPER (51)

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 (51)

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

LOUIS GALLOIS (67)

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

JUAN MANUEL EGUIAGARAY UCELAY (65)

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.

03

HERMANN-JOSEF LAMBERTI (55)

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.

09

ROLF BARTKE (63)

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.



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SIR JOHN PARKER (68)
Chairman of National Grid PLC
and Anglo American PLC

Prior to his current positions, Sir John Parker held several management positions in the engineering, shipbuilding and defence industries, including some 25 years' experience as a Chief Executive Officer with Harland & Wolff and the Babcock International Group.

05

ARNAUD LAGARDÈRE (49)
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.

06

LAKSHMI N. MITTAL (60)
Chairman and CEO of ArcelorMittal

Mr Mittal is an entrepreneur who founded the Mittal Steel Company. The company has successfully grown throughout the years to become the world's largest steel maker. Mr Mittal is widely recognised for his leading role in restructuring the global steel industry.

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For more detailed information, please refer to the **Corporate Governance** section in the **Registration Document 2010**.

10

WILFRIED PORTH (52)
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.

11

MICHEL PÉBEREAU (69)
Chairman of the Board of Directors
of BNP Paribas

Mr Pébereau has been the Chairman of BNP Paribas since 2003. 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.

12 Corporate Governance

Focusing on major strategic and operational issues, Board discussions concentrated on topics such as the launch of the A320neo and the A400M contract negotiations.

Board meetings

The Board of Directors met 12 times during 2010, with attendance averaging 80%. The Chief Executive Officer kept it fully informed through business reports, strategic and operational plans.

Throughout the year, the Board monitored the progress of significant programmes, such as the A350 XWB and A380 aircraft, and NH90 and Tiger helicopters. It was kept informed about the A380 Qantas engine incident and reviewed the status of the programme management improvement initiative throughout the Group. The Board approved the launch of the A320neo (new engine option), as well as the bid for the US Department of Defense's tanker replacement programme. It was also involved in the A400M contract negotiations. From a strategic perspective, along with the objectives set forth in Vision 2020, the Board also focused on cash management, savings from improvement and efficiency programmes, compliance in key business processes and employee engagement.

General topics addressed by the Board included: EADS' strategy (including the competitive environment), the Group's financial results and forecasts, Enterprise Risk Management results and system, investor relations and financial communication policy, as well as legal risks. The Board approved a change in the Company's executive remuneration structure and system and focused on succession planning. Finally, it decided to replace the 2010 employee share ownership plan by a free share plan for every eligible EADS employee, in celebration of EADS' 10th anniversary.

Board self-assessment

The Corporate Secretary conducted the annual self-assessment in early 2011, which concluded that the Board's work as a team has grown increasingly efficient, allowing it to explore new domains and tackle relevant matters in the best interest of the Group.

The Directors felt they were given more time to address longer term questions than in the past. During 2010, for the second time, they devoted a full day meeting to strategy, which was held at an industrial site. This practice is considered beneficial and will be continued.

Overall, the Board considers that it assembles a very international and varied set of skills, with competencies centred on business and finance; it believes that its renewal in 2012 will be an opportunity to fine-tune its composition, which may improve gender diversity.

The Audit Committee

The Audit Committee met eight times, with an 88% average attendance rate, to review financial results, performance and disclosure. It also reviewed the compliance organisation’s processes and achievements, the enterprise risk management system’s effectiveness and internal audit.

The Remuneration and Nomination Committee

The Remuneration and Nomination Committee met four times, with an 88% average attendance rate. In addition to making recommendations to the Board of Directors for major appointments, the Committee reviewed proposed changes to the executives’ remuneration structure and system from 2011 onwards. Executive Committee members’ 2010 salaries, long-term incentive plan, variable pay for 2009 and succession planning were also discussed as well as a possible adaptation to the 2011 employee share ownership plan.

The Strategic Committee

The Strategic Committee met twice, with a 90% average attendance rate. It monitored major strategic and divisional initiatives, acquisition targets and disinvestment 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 recent constraints on defence budgets. A thorough review of technology development in EADS was also conducted.

» **Committees of the Board of Directors**

Audit Committee

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

Remuneration and Nomination Committee

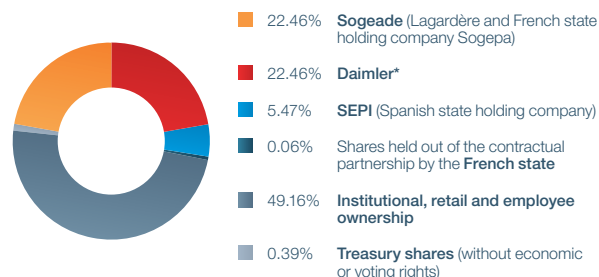
- Sir John Parker** (Chairman)
- Dominique D’Hinnin**
- Hermann-Josef Lamberti**
- Wilfried Porth**

Strategic Committee

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

For more detailed information, please refer to the **Corporate Governance** section in the **Registration Document 2010**.

» **Shareholder Structure as of 31 December 2010**



* 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.

14 Chief Executive Officer's Message

Dear Shareholders,
employees, customers
and suppliers,

Last year, EADS celebrated its 10th anniversary, concluding a decade in which it has matured into a world leader in aerospace and defence. In just ten years, EADS has emerged from a collection of medium-sized national companies to become the foremost model of European integration.

After a phase of operational and financial progress but also turbulence, we have embarked on the next decade of our development. Sound business performance has allowed us to shift our main focus from securing stability to promoting growth. Revenues increased in 2010, our cash flow generation was robust, and order intake for commercial aircraft was excellent. EADS is emerging from the crisis stronger than it entered.

The key development that freed us to move to the next stage of our growth was improved programme management across our major programmes.

The highlights include:

- ▶ The A380 programme is now under control, its rate of production steadily improving. The programme management improvement initiative launched two years ago is reinforcing this crucial skill-set throughout EADS.
- ▶ The A400M's remaining development risk is substantially reduced, demonstrably for our launch customer nations – a fantastic achievement compared to a year ago. The contract is clarified and we are progressing towards certification.
- ▶ As the A350 XWB enters a critical phase with the start of production, Airbus has the benefit of the lessons learnt on previous programmes.
- ▶ Finally, Eurocopter is making huge progress in managing the NH90 and Tiger helicopter programme challenges, with output moving notably higher although work remains to be done.

Beyond this, EADS achieved a number of other milestones in 2010 within the Divisions that hold the key to profitable future growth.

By launching the A320neo (new engine option), Airbus has given its customers the opportunity to fly further, more economically, with a reduced environmental impact. From 2015, the A320neo will enable airlines to reduce fuel consumption by up to 15% compared with the present A320. Early commercial success demonstrates the strong underlying rationale for this aircraft.

Astrium demonstrated its reliability with a year of strong programme execution. Among other successes, the Division started in 2010 with impressive on-time and on-quality deliveries of M51 ballistic missiles to French forces.

“Now that we have entered our second decade of operations, I am convinced we can realise the Group's full potential.”

Eurocopter is continuing to invest in its innovation strategy in spite of a challenging environment for the helicopter market. The X3 demonstrator's first flight showed how this is promising enhancements of helicopter performance; subsequent innovations are high on our agenda.

Finally, Cassidian advanced its globalisation strategy. 2010 gave birth to several new partnerships, particularly in high-growth markets such as Brazil and India.

We are focusing on making EADS' flight into the future a successful one. We know our people are the key to achieving that. Therefore, management has challenged the status quo and conducted the second round of the Engagement Survey in 2010. It revealed improving employee satisfaction and we are redoubling our efforts to lift engagement up. We are committed to keeping EADS an innovative and attractive employer.

Improvement programmes continue to be part of our flight plan, too, being yet another key to competitiveness. At Group level, Future EADS is on track in terms of delivering savings and, more importantly, fostering integration.

By the end of 2010, Power8 had met its targets, and had been instrumental in helping Airbus to weather the economic crisis. Other cost saving plans which stretch across Airbus and other parts of EADS, will maintain this positive momentum until 2014.

As our markets evolve, so must we. Astrium (AGILE) and Eurocopter (SHAPE) are making progress with transformation programmes launched in 2010, while Cassidian follows in 2011. Adapting to ever-changing dynamics is a prerequisite for the Divisions' success.

Being competitive and integrated is vital for the success of our Vision 2020 strategy. We have a huge task ahead of us in better balancing our portfolio of activities and becoming less dependent on Airbus commercial aircraft cycles, developing, in particular, services, security, and defence outside Europe in a period of budget constraints in our domestic countries.

This is why we are building EADS on three strategic pillars. Certainly, we will maintain our presence in Europe where our roots are. In parallel, we must give a more global base to our footprint to get access to the United States, a key market in our industry, and emerging markets to benefit from their dynamism.

Now that we have entered our second decade of operations, I am convinced we can realise the Group's full potential. We are starting to demonstrate the power of stability and maturity. We are committed to improving profitability, knowing it will not only fuel our flight into the future but also ensure highest long-term value for our shareholders, employees and customers.

Yours sincerely,



Louis Gallois
Chief Executive Officer





From left to right
First row

STEFAN ZOLLER

leads the Cassidian Division

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

HANS PETER RING

is the Chief Financial Officer of EADS

Mr Ring's mission is to ensure successful management of EADS' financial resources to support operational performance and prepare the Group's future.

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.

From left to right
Second row

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.

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 and is member of the EADS Executive Committee.

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 and manufacturing tools for the Company's future.

**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.

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.

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.

JUSSI ITÄVUORI

drives EADS' Human Resources

Mr Itävuori's role is to ensure that the EADS workforce is efficiently managed, engaged and competent to be able to master present and future challenges.

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.

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.

18 Interview with the Chief Financial Officer

Hans Peter Ring



How do you see EADS' 2010 results within the larger context?

When you look at the overall context, I think we can be highly satisfied with the year's financial results. Despite coming out of a difficult commercial situation, our revenues have progressed 7% to €45.8 billion in 2010. Supported by the economic recovery, our order intake rose 81%, and our order book now stands at more than €448 billion. That's a solid base for future business.

Free cash flow at €2.7 billion was significantly above the previous year's mark, based on active cash management and an improved financing environment. And, after a €553 million contribution to pension assets, our net cash position is now at the record level of €11.9 billion. Our profitability was better than expected, even if not at a satisfactory level. And we aim to improve it further in future.

In the past, you have highlighted the importance of cash as an asset to cope with the economic crisis. The macro-economic environment is improving now. How does this affect your thinking about cash?

Cash management remains a key priority for us. A strong cash position gives us flexibility to manoeuvre, a solid foundation for our operational and strategic needs. In the near term we will need to drive organic growth through continued investment in our large programmes and our future business. It also gives us the capacity to grow through acquisitions. And most importantly, we also need to remunerate shareholders through paying dividends.

This year, EADS is proposing a dividend of 22 cents per share. Can you explain the rationale behind this?

EADS' performance in 2010, with earnings per share of €0.68, merits the proposed dividend. And we are pleased to resume the Company policy of rewarding our loyal shareholders, who have remained committed to the Group. Going forward it is our ambition, clearly, to improve profitability. If achieved, this should be the foundation for dividend growth.

In the past, EADS' profitability has been burdened by US dollar weakness. How do you estimate the level of risk going forward?

A weak dollar has a direct impact on our commercial aircraft business, as planes are sold in dollars, whereas a significant portion of the manufacturing cost is in euros.

“I believe we are well set for future profitable growth from 2012 onwards, as the improved commercial environment leads to increased demand for aircraft.”

During the first decade of EADS' existence the dollar lost 30% in value against the euro. As a consequence, the dollar rate in our hedge book has continued to deteriorate from year to year.

Exposure to the dollar has not changed in principle, and the strategy to protect ourselves has not changed either: we hedge our exposure in the financial market against short-term fluctuation of the dollar, buying us time to adapt the cost base, and we try to increase natural hedging through increasing the dollar cost base. As an example, for our new aircraft programmes such as the A350 XWB, we have increased the level of dollar sourcing to mitigate currency risks. As new programmes ramp up, we should see a gradual increase in the level of natural hedging and a reduction in the risks associated with exchange rate fluctuations.

EADS' underlying profitability is expected to be roughly stable in 2011. What are you doing to improve profitability beyond the current level?

We have clear plans to improve our profitability going forward. Cost saving and improvement programmes are in progress across the Group. EADS is currently working on a further integration and cost saving programme referred to as Future EADS. In addition, all Divisions are running their transformation and cost cutting plans to adapt to their new competitive environment and Airbus, after the success of Power8, is working on further continuous improvement measures beyond 2012 to enhance competitiveness, compensate for inflation and achieve profitability targets.

On top of that, EADS is introducing in 2011 a new top-down target setting process which is specifically structured to foster the necessary personal incentives and accountabilities for EADS' long-term profitability ambitions.

How would you sum up EADS' perspectives for the medium term?

I would say we are in a good position. We can capitalise on the strongest product portfolio – commercially and on the military side. We have to monitor the government budget situation. Based on our proven risk management processes, we are closely following geo-political developments in North Africa, the fuel price, and dollar evolution. Two of the three big programme risks, the A380 and A400M, made huge improvements in 2010 and we are fully focused on execution of the A350 XWB programme. Our backlog and net cash position are two key assets for the future. I believe we are well set for future profitable growth from 2012 onwards, as the improved commercial environment leads to increased demand for aircraft.



the
pilot



big ure

“Testing an EC225, I am contributing to a truly global partnership.”

— **Alain Di Bianca**

Experimental Test Pilot,
Eurocopter

Eurocopter helicopters are currently in service in more than 140 countries and account for 33% of the worldwide civil and parapublic fleet. The EC225 is the latest member of the Super Puma Family, which are in operation in more than 20 countries. The military variant, EC725, has been selected by the Brazilian armed forces.





Interview with the Chief Strategy and Marketing Officer

Marwan Lahoud

How would you summarise the year 2010 from the point of view of EADS' strategic development and marketing activities?

The results for 2010 were positive on the whole and include many important achievements despite a difficult business context. The international economic environment was still rather uncertain, which slowed down some of our industrial development activities. Saying that, we continued to make progress with major projects.

India and the Asia-Pacific region seem to be a strong focus in EADS' international development activities. Why is that?

India and China, in particular, are countries with huge market potential and excellent growth prospects. India has a mature and ambitious aerospace and defence industry, which offers EADS significant potential for industrial and commercial development. China, clearly, is likely to represent one of the largest markets in the commercial aircraft sector, as well as being an important market for helicopters and secure communications. Our challenge is to watch carefully China's aerospace ambitions as a major player and partner.

Can you elaborate a little on progress EADS has made over the past year in India?

EADS has strengthened its local presence in India this past year, in particular with Cassidian establishing an engineering centre in Bangalore and Eurocopter inaugurating an Indian subsidiary that will reinforce the support and services network throughout the country.

What about other strategic countries?

We made important progress in Brazil, another key country for us because of its growth dynamic and its established aerospace industrial capacity. In 2010, Eurocopter's Brazilian subsidiary Helibras delivered the first three of an order of 50 EC725 for Brazil's armed forces. From 2012, Helibras will be assembling these helicopters at a new production facility at Itajubá, Brazil. Also in Brazil, Cassidian formed a joint venture with engineering conglomerate Odebrecht to address defence and security markets in that country.

These activities support the Vision 2020 globalisation goals of having 20% of employees and 40% of sourcing outside Europe. What about the goal of balancing revenues from commercial aircraft and other activities?

Our strategy is clear. Through to 2020, we aim to strike a balance between commercial aircraft and other businesses, in particular institutional activities. Part of the rebalancing will be achieved through successful portfolio evolution. The A400M programme is a part of that strategy, and the programme made substantial progress last year. Astrium, Cassidian and Eurocopter are supporting efforts to balance EADS' portfolio by investing in their future business. It will be a hard task to compensate the expected strong growth in the commercial aircraft market over the next few years.

Are you considering acquisitions as an option to achieve the balance?

Certainly, this is an option we have to consider, both in order to rebalance the business and to expand the international footprint. 2010 was not an easy year for the mergers and acquisitions market. Sellers often had high expectations. Nevertheless, EADS continued to make targeted acquisitions and EADS is currently studying acquisition opportunities among mid-sized companies in North America and Europe.

“Developing our foundations in the United States and emerging countries, and growing the business in services, security and defence remain clear priorities.”

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Services represent another field of activity you wish to develop as part of the Vision 2020 strategy. What have been the main achievements in that area?

The goal is for our profitable services businesses to grow to 25% of overall EADS revenues. In Eurocopter the services share of revenues is already above that level. In 2010, Astrium integrated its Spot Image and Infoterra subsidiaries to form a new GEO-Information business division for services related to optical and radar satellite imagery. To support internal efforts to explore new opportunities, we have created the first EADS-wide services catalogue.

Looking to the year ahead, what will be your priorities?

Developing our foundations in the United States and emerging countries, and growing the business in services, security and defence remain clear priorities for my organisation and the Group as a whole. We will continue to assess and pursue strategic opportunities, whether through organic growth, partnerships or acquisitions. We have strong assets in terms of our product portfolio and industrial capacity which will help us to grow. And we have the resources to make acquisitions that fit our requirements.



26 Markets & Perspectives

The world's economic centre of gravity is shifting, with far-reaching consequences for the aerospace industry. Growth in emerging countries helped to mitigate the effects of the economic crisis, supporting recovery in Europe and the US. While countries such as China appear to be nurturing future competitors, the aerospace industry cannot ignore new opportunities arising out of global partnerships.

» The world economy enters recovery mode

Early indications of increased demand

The global economy returned to growth faster than expected in 2010, with emerging markets leading the recovery. After suffering less than advanced economies in the 2008-2009 recession, they rebounded most quickly. Advanced economies also returned to growth but were restrained by high levels of public and private sector debt, high unemployment and low consumer confidence. For 2011, the International Monetary Fund (IMF) expected global growth of 4.2%, with developing economies growing at 6.4% and advanced ones at 4.2%¹⁾.

Trends over the past decades indicate a strong correlation between the rate of growth in the economy at large and the rate of growth in air traffic. Air traffic growth in turn drives demand for new passenger aircraft. Defence, security and space businesses are driven to a greater extent by government demand. Growth in these sectors is more closely related to government budgets as well as strategic priorities and public perceptions of threat.

Fragility remains

Yet continued financial market volatility shows how fragile economic recovery remains in developed markets, with financial markets questioning the ability of sovereign nations to repay their debts. In particular, peripheral Europe's sovereign debt crisis illustrates the challenges faced.

Government finances are weak across most of the developed world, causing severe public spending cuts. By contrast, many developing nations have no such spending constraints – a fact that is evident in their defence and space budgets.

Recent social unrest in parts of the Middle East and North Africa has also raised concerns about fuel supply and possible implications for global economic growth.

Air passengers return

Air traffic is highly sensitive to economic growth. The International Air Transport Association (IATA) reported full-year 2010 demand statistics for international scheduled air traffic that showed an 8.2% increase in the passenger business and a 20.6% increase in freight.

1) IMF forecasts October 2010.

Following a remarkable increase in higher margin business travel in the second half of 2010, IATA, in its March 2011 forecast, reported that airlines had earned a US\$ 16 billion profit in 2010, up from 2009's US\$ 9.9 billion loss. Yet there were stark regional differences, with Asia-Pacific's carriers contributing nearly half of the profit.

North American carriers registered a strong recovery, recording year-on-year increases in passenger demand of 7.4% in 2010.

Aircraft fleet to double

Surging economic growth in emerging markets is expected to be the main factor behind a doubling of the world's aircraft fleet over the next 20 years. Additionally, much of today's existing fleet will be replaced by aircraft offering greater fuel efficiency and lower emissions. The A320neo, offering an improvement of up to 15% in fuel consumption, will lead the transition to greater efficiency within the single-aisle segment, ahead of the development of an all new aircraft in the next decade when breakthrough engine technology reaches maturity.



Two A380 taking off from Sidney Airport



A400M Final Assembly Line

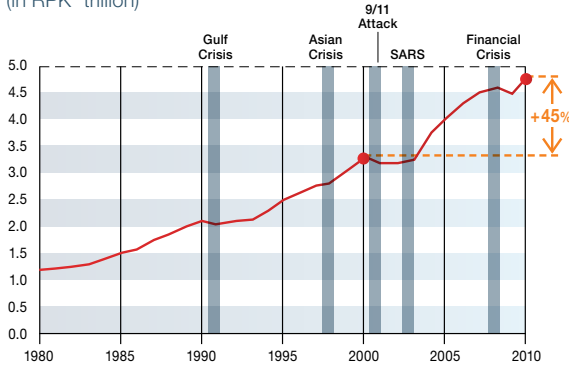
IATA revised its outlook for global traffic growth in 2011 to 5.6% on higher expected Gross Domestic Product (GDP) growth but lowered its forecast for 2011 global airline profits to US\$8.6 billion on rising oil prices.

Expansion of emerging market airlines drove resumption in aircraft orders. In 2010, Airbus and Boeing together received gross orders for 1,269 aircraft, up from 573 in 2009.

According to Airbus Global Market Forecast 2010, almost 26,000 new passenger and freight aircraft worth US\$3.2 trillion will be needed over the next 20 years to satisfy demand. Approximately 25,000 will be passenger aircraft, with 10,000 of these replacing older, inefficient aircraft in mature markets, and 15,000 meeting new demand, chiefly in developing markets. These are mainly in the single-aisle segment, which are the workhorse of short-haul flights, especially for budget airlines.

» Air travel is resilient to external shocks

(in RPK* trillion)

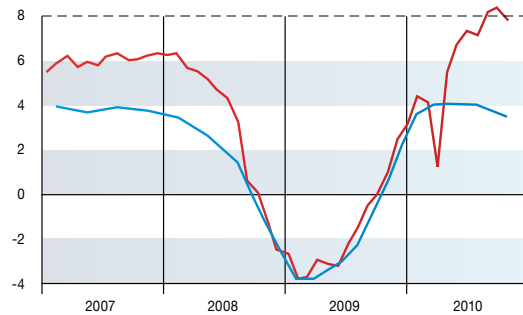


* Revenue Passenger Kilometres.

Source: ICAO, Airbus

» Passenger traffic recovering in line with GDP

(in %)



— Real world & forecast GDP growth — Traffic ASK (Available Seat Kilometres)

Source: IHS Global Insight (November 2010 data), OAG (ASKs data), Airbus

» Emerging economies leading the recovery

Customers outside Europe and North America drive new growth

With the rise in importance of emerging countries, aerospace and defence companies are globalising their businesses, seeking further orders from these rapidly growing countries, while also outsourcing some production to them.

world's biggest airline by stock market capitalisation, at US\$20 billion, followed by Singapore Airlines at US\$ 14 billion, Cathay Pacific at US\$ 12 billion and China Southern at US\$ 11 billion.

In anticipation of future growth, emerging market airlines are ordering large numbers of new aircraft.



A320neo



EC225



A380 in Hong Kong

China remains the world's fastest growing economy. The IMF anticipates growth of 10.5% in 2010. India is also growing strongly, with 9.7% projected for 2010, while Brazil led Latin America's expansion, achieving 7.5% growth.

Developing Asia and Latin America & the Caribbean are expected by the IMF to grow at 9.4% and 5.7%, respectively, during 2010, with strong private sector demand signifying that recovery is sustainable. By contrast, Central and Eastern Europe is forecast to expand at a rate of 3.7% — only a little above the rate of developed economies.

High value creation amongst Asia-Pacific airlines

As wealth rises, so air traffic is expanding. IATA forecasts that global passenger numbers will rise from 2.5 billion in 2009 to 3.3 billion by the end of 2014, with 360 million of the 800 million increase occurring in the Asia-Pacific region.

Already the Asia-Pacific region's rapidly growing airlines are the world's most profitable. IATA reported that they earned profits of US\$7.6 billion in 2010, nearly half the global industry's total. As of 2010, Air China is the

Asia-Pacific and Middle Eastern customers now account for approximately half of EADS' order backlog — with the majority of these orders being for Airbus aircraft. As recently as 2002, these regions contributed only 10% of EADS' revenues. According to PricewaterhouseCoopers, by 2028 regions outside Europe and North America will own roughly half of the commercial aircraft in service.

According to data gathered in Airbus Global Market Forecast 2010, in developed economies such as Europe or the United States, on average around one to two air trips were made per person per annum in 2009. Emerging countries such as China (approx. 0.2 trips) and India (less than 0.1 trips) continued to trail far behind. Air travel in those countries is expected to increase significantly as dynamic growth translates into higher standards of living.

Industrial interests on the agenda

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

Developing an industrial footprint takes longer in aerospace than in many other high-tech sectors. Aerospace and



A380 route proving in Shanghai



Security solutions

defence suppliers are not easily interchangeable due to relatively low production volumes and a correspondingly high level of investment required in intellectual capital and certifications. Also, expansion into any foreign market generally increases the risk that protected technology and manufacturing know-how will be transferred.

Many emerging countries are nurturing their local aerospace industries. Governments placing large orders often make it a condition that a proportion of the related procurement or production is based

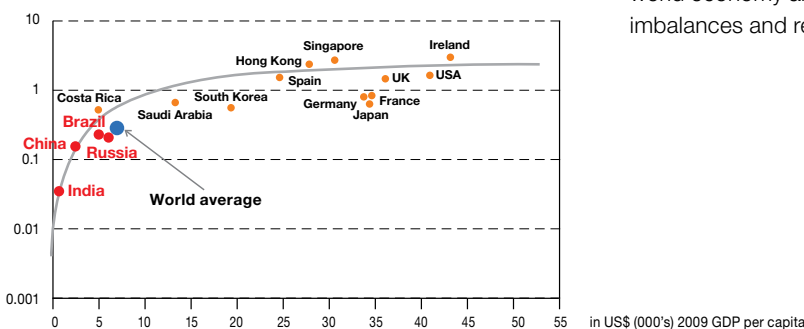
in their countries. While this leads to the development of qualified new industrial partners and suppliers it also leads to a risk of new competitors.

Aircraft manufacturers from emerging countries have signalled their ambition to challenge today's Airbus/Boeing duopoly. Embraer in Brazil, Commercial Aircraft Corporation of China (Comac) and Superjet International, a Russian/Italian joint venture company, are all seeking to gain market share in the commercial aircraft sector.

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

» Emerging economies on the edge to strong travel growth

(in number of trips* per capita in 2009)



* Passengers originating from respective country.

Source: IATA PaxIS, Global Insight, Airbus

30

» Changing demand in defence, security & space

Revised European and United States defence spending; increased export potential

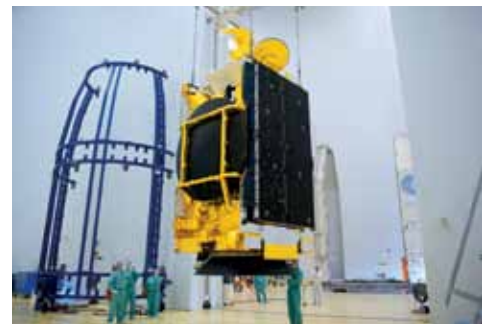
The United States continues to have by far the biggest defence budget. According to research from the Stockholm International Peace Research Institute, the United States spent US\$661 billion on its military in 2009, France spent US\$ 63.9 billion, the United Kingdom US\$ 58.3 billion, Germany US\$ 45.6 billion and Spain US\$ 18.3 billion.



Eurofighter

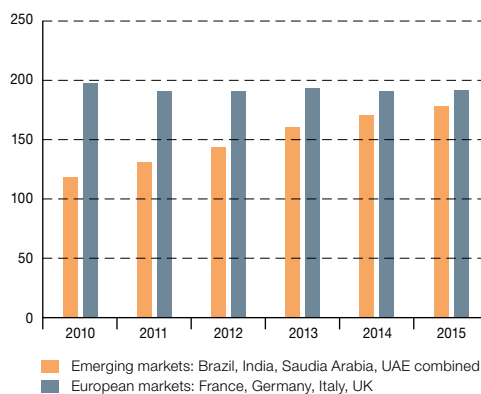


A400 M



Astra-3B satellite

» **Defence spending:
European markets vs. emerging markets**
(in 2010, in US\$ bn)



Source: Jane's defence budget

Defence budgets in home countries will experience cuts over the coming years, although the impact on industry is not yet clear. In the United States, larger defence programmes are subject to severe cuts, while other countries are preferring to seek efficiencies in operations while protecting investments in new equipment. As part of its effort to reduce defence spending, Germany has decided to transform its armed forces into a fully professional service from 2011.

Emerging countries, however, are spending far more on defence than ten years ago. Saudi Arabia's and India's budgets have increased by two thirds and Brazil's by more than a third.

Defence exports from the European Union and North America have increased dramatically in recent years to Turkey, Pakistan, Singapore, the Baltic States, the UAE, Qatar, Malaysia and Japan.

Defence and security strategies adapt to new realities

Shifting alliances, nuclear proliferation, terrorism and cyber-warfare are all causing countries to reconsider their defence strategies. National security strategies are driven by the need to respond effectively to large-scale natural disasters, as well as terrorist threats. These require large complex system capabilities that enable different response services and different platforms to work together in concert.

NATO's new Strategic Concept, agreed in November 2010, reasserted the alliance's commitment to nuclear deterrence while placing a new emphasis on missile defence, protection against terrorists and countering cyber warfare. NATO also sought greater cooperation with Russia, particularly through mutual missile defence.

Within Europe, the need to reduce public sector spending, while at the same time maintaining defensive capabilities, is leading to cooperative initiatives between countries. Notably, the United Kingdom and France signed agreements in 2010 to share resources in areas such as nuclear warhead research, military transport aircraft and, potentially, aerial refuelling aircraft.

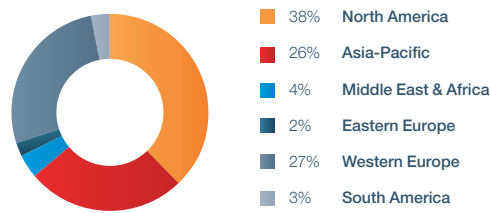
Cyber warfare is one of the newest threats and is forecast to increase. Already, security agencies in western countries report thousands of malicious e-mails every month designed to disrupt the computer systems that are vital to critical national infrastructure. Governments are therefore moving to classify cyber security as a top-tier threat. The cyber security market, estimated at approximately US\$8 billion in 2009, is projected to grow to US\$27 billion in 2018.

Strategic importance of space remains strong

Space is increasingly important for countries' defence and security. Satellite surveillance already plays a vital role in conflict areas such as Afghanistan, in military communications and in relief operations.

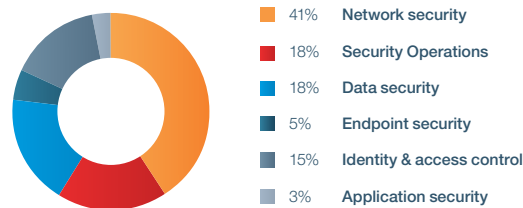
Increasingly, private-sector companies are moving into the space sector and national space agencies and governments are beginning to reconsider their role. Trends indicate a move away from big government programmes in favour of tightly managed and leaner

» Cyber security market: spending by regions in 2010



Source: Frost & Sullivan

» Cyber security market: spending by solutions segments in 2010



Source: Frost & Sullivan

commercial space projects. In the near future, launches of sub-orbital science payloads and flight tests of piloted vehicles could be carried out by private companies.

The number of commercial satellite launches is expected to more than double during the next decade. As a result, the satellite manufacturing sector is expected to generate revenues of more than US\$26 billion during the next ten years. The relative improvement in the economy and in financial markets in 2010 may lead to increased mergers and acquisitions in the satellite services sector in particular.

Major Asian countries have signalled increased ambitions in the space industry. China and India are both preparing to send unmanned rover missions to the Moon within the next ten years. While space spending is constrained in the United States and Europe, these countries have an opportunity to catch up quickly. China, for example, has stated it aims to take 20% of the global space industry by 2015.

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“We pride ourselves on keeping our aircraft fit for any challenging mission.”

— Anton Ottowitz

Flight Equipment Technician,
Cassidian

Cassidian builds products that have to endure the most demanding operational requirements – over several decades. Expertise in maintenance and related services, as well as technology upgrades, ensure that aircraft like the Eurofighter continue to meet customer needs.





36 The Year in Review

8 June 2010

First plane flies on algae-based biofuel.

At the Berlin Air Show 2010, EADS showcases the world's first aircraft powered by pure biofuel made from algae. A Diamond Aircraft DA42 flies daily demonstrations.



UH-72A



10th anniversary celebration



Berlin Air Show

4 March 2010

EADS North America delivers 100th UH-72A.

EADS North America delivers its 100th UH-72A Lakota Light Utility Helicopter to the US Army on-time and on-budget, yet again showing its reliability in this successful programme that supports America's military and homeland security.

8 June 2010

EADS celebrates its 10th anniversary.

To celebrate its 10th birthday, EADS invites 10,000 school students from across Europe to visit its sites. As part of the celebration, EADS later unveils a new brand identity with a modernised Group logo and better integration of Division brands.

29 June 2010

Euro Hawk makes maiden flight.

The Euro Hawk Unmanned Aerial System, built by Cassidian and Northrop Grumman Corporation, successfully completes its first flight and reaches the high altitude of 32,000 feet over the Palmdale desert in California. The Euro Hawk has a wingspan larger than a commercial airliner, endurance of 30 hours and a maximum altitude of more than 60,000 feet.

June and July 2010

Berlin and Farnborough Air Shows herald upturn.

Signalling a clear upturn, Airbus receives firm orders valued at over US\$ 15.3 billion at the 2010 Berlin Air Show, including orders for 32 A380 aircraft worth around US\$ 11.5 billion. Just a few weeks later, at the Farnborough Air Show, airlines order 255 aircraft valued at around US\$ 28 billion.



Cri-Cri

2 September 2010

Cri-Cri, the all-electric aircraft, takes off.

The all electric Cri-Cri, the first-ever all-electric aerobatic plane makes its official maiden flight at Le Bourget airport, near Paris. EADS Innovation Works has developed the aircraft in partnership with Aero Composites Saintonge and the Green Cri-Cri Association.



A400M

20 October 2010

Eurocopter forms Indian subsidiary.

Eurocopter inaugurates its new Indian subsidiary, with the goal of expanding in this fast-growing market, reinforcing its support and services network throughout the country, and further developing the company's four-decade relationship with Indian industry.

5 November 2010

EADS and Airbus welcome A400M agreement with launch customer nations.

EADS and Airbus conclude negotiations with the A400M airlifter's seven launch customer nations. The agreement, finalised in Toulouse, further details the principle agreement reached in March 2010 and marks a significant step towards amending the contract in line with the programme's technical complexity.



Ariane 5

29 December 2010

41st consecutive success for Ariane 5.

The Ariane 5 launch vehicle takes off successfully from Kourou, French Guiana, for the 41st time in a row. The launcher places two telecommunications satellites in orbit, Hispasat 1E and KOREASAT 6.



Eurocopter's new Indian subsidiary

1 December 2010

Airbus offers A320neo.

Airbus decides to offer for its best-selling A320 Family new fuel saving engines as an option. The A320neo (new engine option) also incorporates wing tip devices called sharklets and offers fuel savings of up to 15%. Deliveries are due to start in 2015.

7 December 2010

Airbus starts production of first fuselage barrel on A350 XWB.

Airbus starts making the first carbon-fibre barrel for the A350 XWB fuselage at its Illescas production plant in Spain. While the majority of the A350 XWB fuselage is made from panels, which are easier to manufacture and to assemble, Airbus has selected a barrel as the optimum structure for the rear part.



Recovery in the aviation sector was much stronger than originally expected, leading to record commercial deliveries and a strong increase in orders. Profitability should improve in the medium term at 2010 exchange rate levels, supported by production rates rising to meet the demand, firmer pricing and cost improvements on the A380 programme.

Airbus delivered a record number of aircraft for the eighth year in a row and, as economic conditions improved, order intake was unexpectedly high. Significant progress was made on key programmes, in particular the A400M, A380 and A350 XWB. While costs associated with the A380 production ramp-up in particular, as well as the weak dollar rate in the hedge book, continued to weigh on profitability, the way has been cleared for better underlying financial performance in the mid-term at 2010 exchange rate conditions.

Revenues grew by 7% to €30 billion (€28.1 billion in 2009), reflecting higher deliveries. EBIT* stood at €305 million (€-1.4 billion in 2009). By the year's end, Airbus' total order book amounted to 3,552 commercial aircraft and 241 military transport aircraft. The consolidated order book was valued at €400.4 billion (year-end 2009: €339.7 billion).

Record deliveries

The Division set a new record of 510 (498 in 2009) commercial aircraft deliveries to 94 customers. Some 19 of these were new Airbus customers. Deliveries of military aircraft also proceeded at a high level, as 20 aircraft were delivered (16 in 2009) to armed forces in Europe, the United States and Latin America.

New aircraft orders recovered after falling in 2009. Airbus booked 644 gross commercial orders (574 net after cancellations), compared to 310 in 2009. The value of new orders surpassed US\$ 84 billion gross (US\$ 74 billion net) at catalogue prices. This represents a 51% gross share of the number of passenger aircraft exceeding 100 seats sold worldwide (52% net).

Airbus Military won 21 medium and light transport aircraft orders (15 in 2009), demonstrating its leadership of this market sector.

» Airbus Division¹⁾

(€m)	2010	2009	Variation
Revenues	29,978	28,067	+7%
Self-financed R&D	2,321	2,306	+1%
EBIT*	305	-1,371	-
Order intake	68,223	23,904	+185%
Order book	400,400	339,722	+18%

1) Following integration of former Airbus Military into Airbus, Airbus is reporting in two segments: Airbus Commercial and Airbus Military. The Airbus Commercial perimeter includes EFW and the completed aerostructures reorganisation but excludes the A400M. Airbus Military includes the former Military Transport Aircraft Division as well as A400M Airbus operations. Eliminations are treated at the Division level.

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



A320neo

Airbus substantially reduced the level of risk on its major new programmes. Agreement was reached with the seven European launch customer nations of the A400M aircraft to amend the original contract in line with the programme's technical complexity. In the A380 programme, Airbus delivered 18 aircraft, compared to ten in 2009, confirming that industrial processes have stabilised. Furthermore, manufacturing began on the first A350 XWB components and sub-assemblies at section level. Airbus anticipates starting deliveries in the second half of 2013. The time schedule is challenging due to the advanced technological complexity of the programme.

A320neo

Airbus launched the A320neo (new engine option) derivative of its popular single-aisle Family, which will use the most efficient engine technology now available. Entering into service in 2015, the aircraft will burn up to 15% less fuel than today's A320 Family, which translates into a saving of up to 3,600 tonnes of CO₂ emissions per aircraft each year. Virgin America became a first customer with a firm order for 30 A320neo in December 2010.

Increased production

Meanwhile, to accommodate increased production rates for both A320 and A330 aircraft, Airbus recruited 2,200 new employees during the year 2010. In 2011, Airbus plans to hire up to 3,000 people, as production rates increase further and new programmes move into series production.

Biofuel flights

Airbus together with the Latin American TAM Airlines conducted the first Jatropa-based biofuel flight in Latin America, using an Airbus A320. Airbus will also support the world's first scheduled daily biofuel flights, which are due to start in Germany in 2011.

Improved competitiveness

Airbus has increased competitiveness due to the Power8 programme, which significantly over-achieved its final target of €2.1 billion in gross annual savings against the projected cost base by the end of 2010. Airbus is maintaining the momentum created with Power8 Plus which is an EADS-wide cost-savings programme.



A330-200F



The A350 XWB building is equipped with solar panels

(€m)	2010	2009	Variation
Revenues	27,673	26,370	+5%
Self-financed R&D	2,311	2,293	+1%
EBIT*	291	386	-25%
Order intake	68,210	23,461	+191%
Order book	378,907	320,321	+18%
In number of aircraft	2010	2009	Variation
Deliveries	510	498	+2%
Order book	3,552	3,488	+2%

Airbus Commercial revenues amounted to €27.7 billion (2009: €26.4 billion) despite exchange rate deterioration, reflecting increased deliveries, a higher proportion of larger aircraft, including A380, and pricing improvement. In spite of the growth of revenues, EBIT* decreased to €291 million (2009: €386 million), mainly due to hedge rate deterioration. High costs on the A380 programme continued to weigh significantly on EBIT*. Looking to the mid-term, however, at 2010 exchange rate levels profitability should strengthen due to higher volumes, better pricing on delivered aircraft and efficiency gains on A380 production.

Evolving short-range Family

Responding to demand for more eco-efficient aircraft, Airbus decided to offer its best-selling A320 Family in a new optional configuration with fuel saving engines. In addition to significant fuel and CO₂ savings, the A320neo, which also incorporates fuel-saving wing tip devices called Sharklets, offers a double-digit reduction in NOx emissions, quieter engines, lower operating costs and up to 500nm (950km) more range (two tonnes more payload).

Virgin America became a first customer in 2010, and IndiGo, India's low-cost airline, signed early in 2011 a memorandum of understanding to buy 150 A320neo and 30 A320. In total, the A320 Family, which serves the short-haul market, won 416 net orders and the total order backlog increased to 2,418 at the year end (2,403 in 2009). Airbus delivered 401 A320 Family aircraft in the year.

The production rate was increased from 34 to 36 aircraft per month in 2010. The rate will increase to 38 per month in the latter half of 2011 and 40 per month in early 2012.

The new long-range aircraft

The A350 XWB continued to win strategic customers, boosting the total orders for the Family to 583 and the number of customers to 36. Within a short period of time,



A330 Final Assembly Line

the A350 XWB has won a sizeable share of the worldwide market for mid-sized, long-haul aircraft, demonstrating the appeal of its design to airlines.

Production started in 2010, with manufacturing of the first components and major sub-assemblies. The systems test rig started operations in December 2010. The Final Assembly Line is due to start operating by the end of 2011. Entry into service for this aircraft is planned for the second half of 2013.

Compared to current-generation aircraft in this category, the aircraft will represent a step change in operational efficiency, burning significantly less fuel and offering a corresponding reduction in carbon emissions. For passengers, the extra wide cabin will offer the highest standards of in-flight comfort, with a spacious interior design, new, wider windows and the latest state-of-the-art amenities.

A380 attracts passengers

By the end of 2010, 41 A380 in service had flown nearly 9 million passengers between 20 airports worldwide. Airlines confirm that it is improving their competitiveness and profitability, burning 20% less fuel per seat than its nearest competitor, attracting significantly higher load factors and reducing noise levels.

In 2010, Emirates placed a follow-on order for 32 A380 aircraft, increasing the total order backlog to 193 and the programme's total number of orders (including those already delivered) to 234. Airbus achieved a commercial breakthrough with a memorandum of understanding for the A380 from a Japanese airline.

Airbus delivered 18 A380 during 2010, as industrial processes in series production were significantly improved. Supplier issues and the well-publicised Rolls Royce engine incident prevented an even higher production output. The production ramp-up will continue in 2011, aiming to reach the target of three aircraft a month in 2012.

A330 Freighter enters service

Offering customers an attractive combination of long range and large payload, the A330 Freighter achieved flight certification and was in service with three operators by the end of 2010; the aircraft had won 66 orders from 11 customers.

A record number of 91 A330/A340 long-range Family deliveries was achieved. Due to strong market demand, Airbus decided early in 2011 to raise the production rate for its A330 Family from eight to nine in early 2012, before reaching rate ten in the second quarter of 2013.

» Airbus Military



A400M production



A330 MRTT

(€m)	2010	2009	Variation
Revenues	2,684	2,235	+20%
Self-financed R&D	10	13	-23%
EBIT*	21	-1,754	-
Order intake	152	637	-76%
Order book	22,819	20,686	+10%

In number of aircraft	2010	2009	Variation
Deliveries	20	16	+25%
Order book	241	250	-4%

Airbus Military's revenues reached €2.7 billion, an increase compared to 2009 (€2.2 billion). Higher A400M revenue recognition was partially offset by lower revenues from refuelling aircraft and medium and light transport aircraft. A400M revenue recognition in 2010 was based again on the milestone achievement methodology.

Airbus Military reported an EBIT* of €21 million (€-1.75 billion in 2009), as the A400M impact was neutral in 2010 compared to the significant loss of 2009.

A400M on track

Following the new time schedule agreed with the European launch customer nations, the A400M programme is on track for delivery to the first customer, the French Air Force, by the end of 2012/early 2013. The four development aircraft now flying have accomplished more than 1,000 flight hours in over 300 test flights. Series production starts in 2011, and civil certification is planned for late 2011.

The total number of aircraft orders stands at 174, with orders from the European launch nations and Malaysia. Airbus Military estimates the export market for these versatile transport aircraft at around 400 up until 2030.

A330 MRTT achieves certification

The A330-based Multi-Role Tanker Transport (MRTT) reached the final stage of production, as civil and military safety certification was achieved. Two MRTT were awaiting delivery to the Royal Australian Air Force at the end of 2010. A further five MRTT were making test flights at the year end, with four undergoing conversion. An A330 MRTT for the UK Royal Air Force successfully completed a series of dry contacts with a receiver aircraft.



A400M

Having won 28 orders from four air forces, the MRTT has proved itself the most competitive tanker in international markets. Based on this proven success in previous competitions, the US Department of Defense invited EADS North America in 2010 to present an A330 MRTT bid for cost evaluation against its eventual preferred bidder for the US tanker replacement programme. The contract for that programme was awarded to Boeing on 24 February 2011.

Medium and light transport growth

Airbus Military continued to lead the market for medium and light-weight transport and surveillance aircraft. In spite of the pressure on public sector budgets, deliveries and orders increased. Airbus Military won 21 orders and delivered 20 aircraft within this segment. This compares with 15 orders and 16 deliveries in 2009.

Notable orders during 2010 included, among others, eight CN235 military transport for France, increasing its current CN235 fleet, as well as three CN235 maritime patrol for the US Coast Guard, adding to the 11 acquired in earlier years.

Airbus Military continues to develop the product line. The C295 Anti-Submarine-Warfare version, for example, obtained its military safety certification.

» Airbus Division Outlook

Looking ahead to 2011, Airbus Commercial is targeting a further increase in deliveries to between 520 and 530, with strong airline demand for new and more eco-efficient aircraft leading to new orders exceeding the number of deliveries.

Airbus Military begins A400M series production and will proceed towards civil certification of the aircraft, which it plans to obtain before the end of the year 2011.

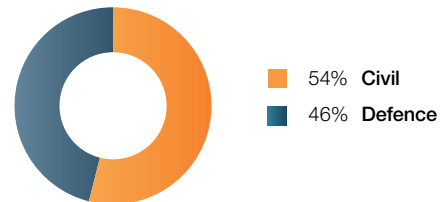
In financial terms, profitability is likely to remain stable in the short term but Airbus Commercial underlying profitability (EBIT* before one-off) is expected to significantly improve in 2012, thanks to higher volume, better pricing and improvement of A380 performance.



Eurocopter achieved higher revenues as services and military activities compensated for lower deliveries of commercial aircraft. Eurocopter made significant progress in its innovation and efficiency drive, preparing the way for an expected market recovery from 2012.

(€m)	2010	2009	Variation
Revenues	4,830	4,570	+6%
Self-financed R&D	189	164	+15%
EBIT*	183	263	-30%
Order intake	4,316	5,810	-26%
Order book	14,550	15,064	-3%

» Revenues by markets (in % of external revenues)



Higher activity in services and governmental programmes led to an increase in Eurocopter's revenues in 2010, despite a decrease in civil deliveries due to the slow recovery of the commercial market. Eurocopter continued to invest in its product range, and to expand its global footprint to prepare for future markets. The SHAPE improvement programme started to deliver results in the form of efficiency savings.

Revenues increased to €4.8 billion (€4.6 billion in 2009), reflecting a favorable mix from higher support and governmental revenues. Deliveries included 28 NH90 multi-role military helicopters and 15 Tiger attack helicopters – twice as many as in 2009 for both aircraft – as well as the first three of 50 EC725 for the Brazilian armed forces. Total helicopter deliveries amounted to 527 (558 in 2009).

Deliveries of new production helicopters accounted for 53% of Eurocopter's 2010 revenues, while support and services provided 36% of the total. The remaining 11% was generated by development and other activities.

EBIT* declined to €183 million (€263 million in 2009) weighed down by a charge on the NH90 programme, a restructuring charge and higher product investment.

Stable orders

New net orders were stable at 346 (344 in 2009) evenly balanced between civil (51%) and military (49%). Bookings included Super Puma contracts for Malaysia and Mexico, as well as additional LUH orders for the United States. The Kazakhstan Ministry of Defence signed a memorandum of understanding to purchase 45 EC145 medium-sized helicopters over six years. The year-end order book fell slightly to €14.6 billion (€15.1 billion in 2009) for 1,122 helicopters.



X3 demonstrator

Orders for new helicopters represented 49% of total bookings, followed by a 42% share for services and 9% for development and other activities. Of the total 2010 bookings, 73% were for export sales (65% in 2009).

Strategic highlights

As part of its strategic innovation drive, Eurocopter successfully carried out the first test flight of the new X3 high-speed, long-range helicopter demonstrator. Having main rotor blades and two propellers installed on short-span fixed wings, the aircraft combines the vertical lift-off capability of a helicopter with the speed of a plane.

Eurocopter continued to expand internationally. Eurocopter India was inaugurated with the goal of expanding its commercial presence and reinforcing the support and services network in the country. In Brazil, construction began on an additional facility to manufacture and maintain the 50 heavy-weight EC725 helicopters being purchased by the Brazilian government. A new, enlarged facility was opened in Singapore early in 2011. A successful maiden flight of the second EC175 prototype took place, marking an important step in the joint programme with Chinese industry.

» Outlook

Recovery in the civil segment is slow, in particular due to a high number of second-hand helicopters on the market. An upturn is expected from 2012 onwards. In the military market, the outlook is subject to governments' budget policies which may weigh on military and parapublic orders.

In 2011, Eurocopter will pursue its innovation strategy investing in new product and services development and upgrades. The network of industrial capabilities and training and maintenance centres will be further extended.

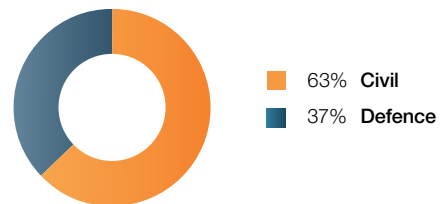
The SHAPE improvement programme aims to generate €200 million in cost savings by the end of 2011. It was implemented early in 2010 to counter the economic downturn and respond to competitive challenges and is more than half way towards achieving its cost savings target. Furthermore, SHAPE has already delivered results in terms of new product developments, enhanced customer service, innovation and a more streamlined organisation. Additional benefits from the SHAPE programme are expected in 2011.



In 2010, Astrium once again demonstrated its ability to execute reliably on programmes. Order momentum continued, despite increased competition and government budget constraints.

(€m)	2010	2009	Variation
Revenues	5,003	4,799	+4%
Self-financed R&D	85	74	+15%
EBIT*	283	261	+8%
Order intake	6,037	8,285	-27%
Order book	15,760	14,653	+8%

» Revenues by markets (in % of external revenues)



In 2010, Astrium once again demonstrated its excellent record for product quality and programme execution. The Ariane 5 heavy-lift satellite launcher maintained its record for reliability, successfully completing its 41st consecutive take-off. During 2010, six Ariane 5 and ten satellites were successfully launched. In an outstanding achievement, the final acceptance launch of France's M51 ballistic missile took place on schedule during summer 2010. Astrium Space Transportation delivered the second of five Automated Transfer Vehicle cargo craft for the International Space Station to the Kourou space port in French Guiana, which was launched in early 2011.

Revenues increased slightly to €5.0 billion (€4.8 billion in 2009), with significant contributions from military and institutional activities. Compared with 2009, revenue growth was stronger than appears, as 2009 revenues were boosted by a €0.2 billion one-time catch up effect for in-orbit incentives on satellites.

Growth and productivity in defense and military services as well as operational improvement in institutional activities enabled higher investments in research and development, while contributing to lift EBIT* by 8% to €283 million (€261 million in 2009). The EBIT* margin improved to 5.7% (5.4% in 2009).

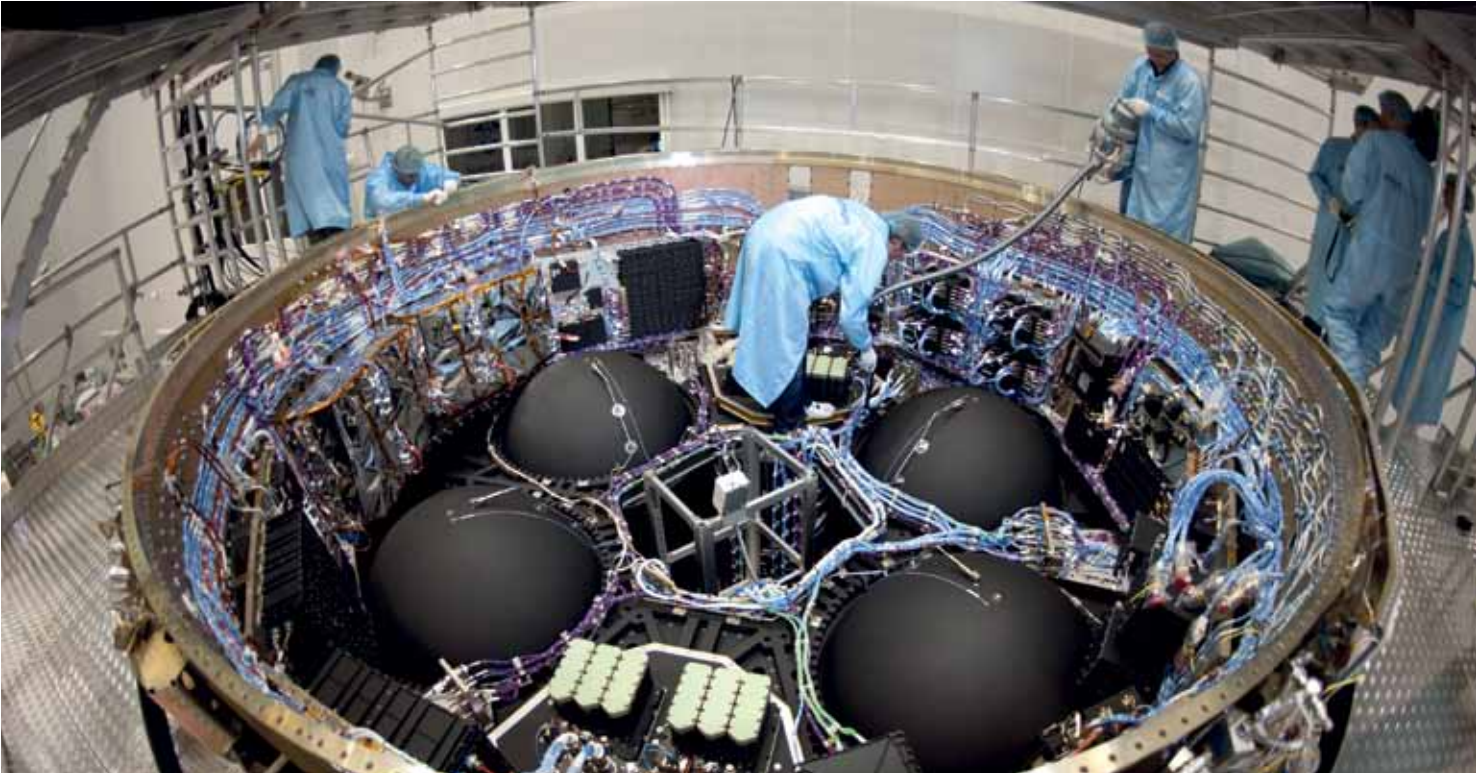
Robust order book

Order intake at €6.0 billion was significantly above expectations. Excluding an exceptional order of 35 Ariane 5 launchers in 2009, orders received in 2010 rose by more than 40%, increasing the order book to €15.8 billion (€14.7 billion in 2009).

In all, Astrium won orders for three telecommunication satellites, including the Skynet 5D military communication satellite, and for five Earth observation satellites, including two optical reconnaissance satellites for the French Defence Procurement Agency (DGA). Astrium's position as leading exporter in the Earth observation sector was confirmed by the two satellites ordered by Kazakhstan and, in addition, a contract signed with Vietnam. Astrium also received orders from the DGA for evolution and maintenance of the M51 ballistic missile.

Strategic developments

In order to sustain growth in a challenging environment with public sector space budgets under pressure and increasing competition from outside Europe and across business segments, Astrium has launched a major transformation programme to enhance agility, innovation and competitiveness. The AGILE (Ambitious, Globally growing, Innovative, Lean and Entrepreneurial) initiative



ATV-2 in Kourou

will promote an entrepreneurial culture, streamline organisation and decision-making processes, free resources to invest in the future and strengthen customer partnership.

In order to expand its capabilities, Astrium acquired Jena-Optronik in 2010, a German specialist in space sensors and optical systems. The acquisition will help Astrium provide its institutional and commercial customers with high-quality equipment for Earth observation satellites.

In the field of launchers, Astrium began the first development phase of the Ariane 5 Midlife Evolution, which will increase launcher capacity.

Astrium Services further expanded its activities through the extension of the contract to supply the UK Ministry of Defence with secure communication services, and invested in the construction of two Earth observation satellites for Spot Image.

» Outlook

Astrium's medium-term market may become more competitive with government budgets under pressure and increasing global competition.

Multi-year military and civil institutional contracts will limit the impact of the deteriorating competitive landscape in 2011. However, Services business lines such as Telecommunication and GEO-Information are likely to be affected by lower military and governmental demand, leading to short-term stabilisation of revenues.

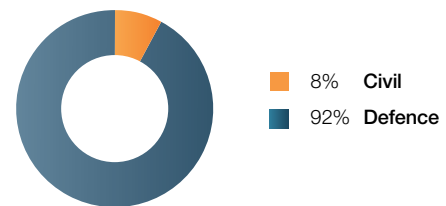
Longer term, the profitability of the Division should gradually improve due to new ways of working after the implementation of the transformation programme AGILE.



Cassidian showed significant organic growth, driven by an increase in contributions from the newer security segments, Eurofighter and missile businesses. The Division accelerated its drive to globalise its business outside Europe – supported by its rebranding – while also developing next-generation defence and security products.

(€m)	2010	2009	Variation
Revenues	5,933	5,363	+11%
Self-financed R&D	251	216	+16%
EBIT*	457	449	+2%
Order intake	4,312	7,959	-46%
Order book	16,903	18,796	-10%

» Revenues by markets (in % of external revenues)



In 2010, Cassidian balanced steady growth in its core businesses with greater investment in the markets and products expected to fuel future expansion. The Division's rebranding reflects Cassidian's long-term strategy of becoming a truly global player in the defence and security markets.

Revenues rose by 11% to €5.9 billion (€5.4 billion in 2009), mainly reflecting growth in security business where significant programme milestones were achieved in the Saudi border security contract. In addition, significant contributions were made by Eurofighter and MBDA¹⁾ missile programmes, including export.

Security businesses, particularly border security, are currently ramping up and have not yet achieved the profitability levels of mature programmes. Despite higher self-funded research and development for future business, the less favourable business mix and a charge resulting from the UK's cancellation of the FiReControl security contract, EBIT* increased slightly to €457 million (€449 million in 2009), thanks to margin growth in mature programmes.

New orders of €4.3 billion resulted in a year-end order book of €16.9 billion (€18.8 billion in 2009). All four activities – Air Systems, Electronics, Systems and Missiles – contributed.

Expanding international presence

The Division developed its presence in growing defence markets. In India, the focus of a current Eurofighter export campaign, Cassidian established an engineering centre in Bangalore. Additionally, a joint venture was formed with Larsen & Toubro in India. In Brazil, a joint venture was created with Odebrecht, a large local conglomerate, to target the Latin American defence and security market. As a consequence of the various security projects in the Middle East, Cassidian's workforce in the region increased significantly.

Unmanned Aerial Systems development

Cassidian consolidated its credentials as a potential European prime contractor for Unmanned Aerial Systems (UAS). The Barracuda demonstrator completed four test flights, in particular showing its ability to fly in civil

1) EADS owns 37,5% of MBDA, one of the world's largest missile companies.



Eurofighter

airspace. The Euro Hawk, jointly developed with Northrop Grumman, made its first flight in June 2010. The Harfang MALE UAS demonstrated its outstanding operational performance in Afghanistan.

Talarion is the focus of Cassidian's UAS development. With both military and civil security applications, it is the only genuine European UAS programme. EADS is continuing to explore research and development funding with European governments.

Progress across businesses

Among other important advances, development of Eurofighter's E-Scan next-generation radar began, which aims at improving Eurofighter's export potential. The transatlantic new Medium Extended Air Defence System (MEADS) passed its critical design review.

In the increasingly important field of cyber security, Cassidian took major steps to reinforce its capabilities by entering a number of strategic cooperation agreements and making an acquisition.

» Outlook

Cassidian will seek to consolidate its position in its European home markets in the context of contracting domestic budgets. In parallel, Cassidian is focussing activities on strategic growth markets such as India, Brazil and the Middle East region with the objective of developing a long-term industrial presence.

Cassidian's large system integration capabilities, its experience in leveraging complex technologies and customer proximity will remain the key enablers in securing the future growth of these activities. This medium- to long-term transformation process aims to achieve a well-balanced and optimised positioning of Cassidian from a geographic and solution-offering perspective.

In the short term, Cassidian's profitability will suffer from increasing research and development expenses and a less favourable mix of activities.



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“I’m glad to be playing a role in innovations which will transform future lives.”

— **Maud Deplancq**
Quality Manager - Assembly,
Integration and Test, Astrium

Innovation is the foundation of the future. EADS files over 1,000 patents every year and is committed to maintaining investment in new technologies; such as for satellites to monitor the Earth and provide communications to remote areas.





54 Human Resources

EADS management and Human Resources are working together to provide employees greater support and to create a more innovative and engaging working environment.

During 2010, EADS stepped up its multi-year engagement programme, aiming to boost motivation and innovation throughout the workforce. The Human Resources (HR) function continued actions to improve proximity to the some 122,000 employees and to increase efficiencies through organisational redeployment and streamlining.

Increased engagement

Based on the findings of the first EADS-wide survey in 2009, actions were taken to improve employee engagement.

Managers and their teams discussed and analysed survey results and decided together on specific actions to take. Divisions made the overall survey results accessible to all their employees. Some 3,000 managers received training in ways to build engagement. To encourage exchange of best practice, around 100 focus groups were organised in all Divisions. At corporate level, two engagement forums were held involving some 600 managers. Recommendations from both were discussed within the EADS Executive Committee and fed into improvement measures.

A follow-up 2010 engagement survey attracted a high level of participation at 80%, compared to 69% in 2009, indicating employee commitment to the process.

The number of “engaged” employees increased compared to 2009. Actions to lift engagement at all levels of the organisation will continue over the coming years, with the next survey due to take place in early 2012.

Proximity, efficiency and mobility

In the frame of the Future EADS improvement programme, HR is further streamlining the way it delivers its services. The new “HR Delivery Model” is based on three pillars: HR Business Partners, Centres of Competence and Shared Service Centres.

The number of HR Business Partners is to rise to one for every 200 employees, a 34% increase overall. This will enable employees to meet their HR Business Partner more often. In order to give HR Business Partners more time to support employees’ development and business needs, administrative tasks are being transferred to Shared Service Centres.

For instance, the Group’s International Mobility Centre, which supports employees on international transfers became fully operational in 2010. It is another step to support international mobility, which is a key priority for EADS.



Competence management

A new Learning & Competences Directorate has been set up to foster harmonisation of competency development and training across the entire EADS Group through dedicated Shared Colleges.

A common competence management tool is also being progressively deployed to improve anticipation of individual development needs as well as the Group's overall requirements for different skills and competencies.

Employer attractiveness

EADS' popularity among European engineering students remained strong, demonstrating the Group's success in attracting the continent's engineering talent. In France, engineering students voted EADS the first and in Europe the eighth most highly regarded employer, according to an independent survey.

Free share plan

Employees were offered ten free EADS shares to mark EADS 10th anniversary, a symbolic gesture to acknowledge each employee's personal contribution to the Groups' success.

» Rich social dialogue

EADS enjoys a history of social dialogue which is unique in the aerospace and defence sector.

During 2010, an agreement defining the negotiation process at European level was signed with all unions in the Group's four main home countries and with the European Works Council. They agreed that European social agreements signed by a majority of two thirds of union negotiators will be automatically transposed at national level in all these countries, without modification.

This innovative agreement is a major step towards further integration within EADS.

Relations with the EADS European Works Council were constructive. For example, EADS funded a trip by employee representatives to view its activities in India, and an in-depth analysis of Group strategy aided by a consultant.

Also of note, three agreements aiming at promoting gender and social diversity, and at preventing stress, were signed in France in 2010.

56 Innovation

Innovation has a vital role to play in sustaining the Group's competitive position and in enabling it to achieve its Vision 2020 goals. Driven and coordinated by the Corporate Technical Office (CTO), EADS' research and technology activities in 2010 recorded significant achievements, with a specific emphasis on the environment.



Acting as the focal point for research and technology (R&T) across the Group, the CTO is working to support EADS Vision 2020 targets by setting and executing R&T strategy, globalising activities in the R&T field and ensuring that people at the Company have the required level of expertise to master future technology challenges.

Self-financed research and development spending – which includes product development – remained roughly stable as a proportion of Group revenues, at 6.4%. The budget of Innovation Works, CTO’s global network of laboratories for strategic long-term research, remained at a stable level. In 2010, CTO recorded major achievements above all in the areas of green mobility and efficient manufacturing processes.

Technology

EADS aims to maintain its position as the global number one in aerospace patents, and in 2010, the Group filed a total of 1,007 new patents. Over the last six years, EADS’ portfolio has doubled in size to more than 9,000 patents.

EADS’ technologies have a range of applications not only within aerospace. For example, many wind turbine blades use an efficient fibre-composite manufacturing method originally developed at EADS research facilities and Cassidian. The Group is offering select intellectual property to other companies through licensing agreements.

Green mobility

EADS is supporting the development of biofuels to make aircraft more environmentally friendly. Biofuels are considered carbon-neutral as their feedstock consumes CO₂ when growing. Algae are seen to be a promising potential feedstock, as certain species contain high levels of oil and cultivation does not compete with food production. Microalgae reproduce rapidly and create at least 30 times more organic substance (biomass) per cultivation area than, for example, rapeseed.

In 2010, EADS achieved the world’s first flights of an aircraft powered by pure biofuel made from algae, using a Diamond DA42 twin-propeller plane.

Advances were also achieved in the field of electrical and hybrid propulsion. The all electric Cri-Cri aircraft, jointly developed by EADS Innovation Works, Aero Composites Saintonge and the Green Cri-Cri Association made its official maiden flight in 2010.

The aerobatic plane incorporates numerous innovative technologies such as lightweight composite structures and electric motors which deliver propulsion without CO₂ emissions.

Helicopters with hybrid diesel-electric propulsion systems that reduce fuel consumption and emissions by up to 50% were showcased at the UK’s Farnborough Air Show in July 2010.

People

The EADS Lean Six Sigma programme (formerly EADS Black Belt programme) aims to train 3% of the EADS population by 2014 in continuous improvement techniques, and to embed the principles of Lean and Six Sigma in the businesses. In 2010, 786 employees were certified through the programme including 56 trained as Black Belts, achieving savings of over €37 million. CTO is collaborating with the Group’s Human Resources function in order to support experts’ careers and PhD candidates, as well as identifying future key competences and skills. To support the Group’s globalisation strategy, the number of staff at EADS research centres in Bangalore, India and Singapore was increased.

» **Revolutionising manufacturing**

EADS is leading the world in development of Additive Layer Manufacturing (ALM), a revolutionary new method of manufacturing that promises greater precision, improved raw material performance and significantly less waste.

With the aid of lasers, raw materials in powder form are fused together, one layer at a time, to form component parts. Consequently, designs can be followed exactly, raw materials can be

used to their optimum performance and the waste from traditional machining processes is eliminated.

Analysis of an A380 door strut bracket has shown that ALM has great potential as a “green technology”, using 25 times less energy and raw material, and weighing 50% less than a milled titanium bracket. ALM has moved rapidly from prototype stage to producing certified high-performance aerospace parts.

58 Programme Management

The drive to improve programme management gathered pace. Actions included implementing best practice policies across the Group, formalising approaches and developing expert competencies. EADS considers programme management to be a core competency and is aiming to foster a culture of excellence in this field.

Focusing on programme management as a core competency, the Group is enhancing its capabilities in this field, leveraging best practices developed in one area of business to make improvements in others.

In 2010, actions to improve programme management were focused on introducing new policies for solving challenges and training employees in programme management disciplines.

Programme management policies

Targeting specific areas that are critical to the success of programmes, twelve policies for improving programme management were introduced during the year 2010 in areas such as how to allocate resources and decide on leadership of programmes, offer and bid management, and risk management. The policies outline high-level rules and recommendations, based on Group best practices. Individual businesses started to apply them, and progress will be monitored in 2011.

The policy on programme management organisation, for example, introduces a reference model enabling managers to adapt a proven model to new projects rather than designing entirely new programme structures.

A further policy defines principles for EADS businesses trading with one another, enabling programme managers to spend their time focusing on fundamental technology and engineering tasks, rather than negotiating ad hoc agreements.

Capability development

To improve levels of expertise and support the task of identifying and allocating required competencies, a specific programme management career path was initiated during the year. Clearly defined and certified competencies will ensure that programmes are assigned to managers with the appropriate expertise to deal with the specific levels of complexity, risk and challenge.

The first candidates passed through qualification in 2010. Over a hundred are currently training for qualification. From 2012, all programme managers of new programmes at Airbus will progressively need to be certified. The other Divisions will follow.

In total, over 3,000 individuals received training. In most cases, this was training in programme management fundamentals. Approximately 1,000 were taught programme risk and opportunity management. Moreover, 100 programme management executives were trained



A330/340 Final Assembly Line, Toulouse

in dedicated courses at Group level and provided support through a network of peers enabling a constructive exchange of experiences.

Supply chain

Improving supply chain management was another area of focus. Work began on a common hub with suppliers. Analysis was conducted into how suppliers can be supported in delivering programmes to specification, by anticipating the difficulties they may have and fostering their development. Learning from experience, a study is underway into practices that contribute to more successful supplier relationships. There are also plans for evaluating supply chain maturity.

» **Controlling project risk**

2010 saw significant progress in major programmes. NH90 helicopter deliveries increased. Astrium achieved the 41st successful Ariane 5 transporter launch in succession and delivered the M51 missile on time. Airbus brought the A400M military transport programme back on track following agreement with launch customers nations, and established control over A380 production. Lessons learned from the A380 have been applied to the new A350 XWB.

Within the A350 programme, potential difficulties are being minimised before major sub-assemblies reach the Final Assembly Line. To reduce risk, technical maturity of the different systems is being pursued at an early stage. A “stop and fix” approach has been adopted, meaning that technical issues are addressed as and when they appear rather than passed down the chain, so limiting the overall impact.

60 Sourcing

EADS made progress towards adapting its supply chain to the Group's strategic goals. The benefits of an increasingly coordinated approach to common suppliers continued to be realised, and further steps were taken to prepare for a higher level of procurement from countries outside Europe.



Logistic centre, Manching

Management of the supply chain became increasingly coordinated in 2010, following further integration of EADS' procurement organisation. While it will take several years for the full synergies to be realised, 2010 saw increased leverage of Group buying power and enhanced management of suppliers.

External procurement is equivalent to approximately 70% of EADS' revenues, and volumes increase every year in line with the Group's revenue growth. The supply chain is therefore critical to Group performance, especially as top tier suppliers are given more responsibility on large programmes.

The Group progressed towards the mid-term goals of the Future EADS programme, aimed at greater integration, as well as the Vision 2020 goal of lifting the proportion of procurement from outside Europe to 40%. By extending the supplier base outside Europe, EADS aims to benefit from cost advantages, to reduce its exposure to euro/dollar exchange rate fluctuations and to benefit, through an increased local presence, from business opportunities in growth markets.

Integration

EADS General Procurement (EGP), the shared services organisation covering suppliers for a wide range of common items, from professional services to IT, became fully operational during the year 2010. Charged with extracting synergies and costs from the €8 billion general procurement spend, it overachieved 2010 targets and is on schedule to meet its targets through to 2012.

The two specialist Aerostructures and Systems & Equipment procurement boards, established in 2009, began to fulfil their mandates. They held several meetings with common suppliers, aiming to strengthen and coordinate supply chain relationships. Board Members exchanged best practices, discussed supplier performance and agreed common approaches towards the supply chain.

Joint procurement of raw materials continued to deliver synergies, as lead buyers negotiated contracts on behalf of the whole Group. Purchasing of commodities is increasingly covered by common EADS strategies.

Global sourcing

The Global Sourcing Network was strengthened, most notably through preparation of a US sourcing office at Airbus Americas' headquarters in Virginia. It joins the established offices in China and India.

Development of the Global Sourcing Network is preparing the ground for growth in international procurement. In 2010, 26% of EADS external procurement by value was from North America and 3% from the rest of the world, with 71% from Europe. Procurement from countries such as China and India has risen from a low base over five years, and will grow significantly as production within new programmes at Airbus and other Divisions is ramped up.

Responsible procurement

Efforts to encourage ethical practices in the supply chain took a step forward when leading suppliers were sent the new EADS Supplier Code of Conduct. The Group aims to ensure that suppliers commit to its core values regarding human rights, labour, environmental and anti-corruption practices.

» **Stronger ties with US aerospace suppliers**

To strengthen EADS' procurement activities in the United States, the Group established a US Sourcing Office at Airbus Americas' Virginia headquarters in early 2011. EADS already spends more than US\$ 11 billion each year in the United States, supporting more than 200,000 US jobs. The US sourcing volume will increase further with the ramp up of the A350 XWB programme. The new team will bring closer contact with the existing US supply chain,

and open opportunities for additional procurement.

A US sourcing strategy will be mapped out, leading to procurement marketing, supplier screening, surveillance and development. The office opening is an important step in fulfilling the Vision 2020 strategy of expanding EADS' international footprint, to gain access to new markets and technology resources, as well as multi-currency based sourcing.

Eco-Efficiency

Eco-efficiency is a key strategic priority for EADS. In 2010, EADS strengthened its position as a leading player in the “green” growth market both within commercial aviation and in other aerospace fields.

EADS' role in aerospace makes it a key player in efforts to develop sustainable mobility and the “green” economy. Promoting eco-efficiency as a driver of innovation and business was among EADS' top ten strategic priorities of 2010.

For EADS, the concept of eco-efficiency combines the goal of reducing the environmental impact of products and operations with business logic. Fuel-efficient aircraft produce less emissions as well as being cheaper for airlines to run. Through its advanced technologies, EADS is able to benefit from opportunities in many areas of the green economy. Astrium, for example, plays a key role in European programmes to monitor climate change.

The strategy of developing greener products and processes gathered momentum during the year, with significant advances in both product development and manufacturing.

Product development

While EADS seeks to reduce the environmental impact of all its operations, improving the eco-efficiency of aircraft is especially important. Compared to the rest of its lifecycle, the in-service phase of an aircraft has by far the greatest impact in terms of CO₂ emissions. The introduction of the Airbus A380, as a replacement for older models, is helping airlines to reduce fuel burn and emissions per passenger. The A380 is one of the most environmentally-friendly passenger aircraft in service today, consuming less than three litres of fuel per passenger over 100 kilometres, compared with an average of five litres for the worldwide commercial aircraft fleet.

The new A320neo development, announced in 2010, will bring further advances. Compared to the current A320 Family, the A320neo will reduce fuel burn by up to 15% per plane which represents a saving of up to 3,600 tonnes of CO₂ per year.

Eurocopter is pioneering noise and emissions ratings for the helicopter industry, while also developing eco-efficient blade and engine technologies. Combined in the Bluecopter technology programme, these are intended to reduce helicopters' CO₂ and NO_x footprints, as well as noise.



Micro algae, a promising source for sustainable biofuel

Pioneering biofuels

As part of a project to gradually substitute fossil fuel in aviation with sustainable¹⁾ biofuel, in 2010 Airbus and Brazil’s TAM Airlines flew Latin America’s first biofuel flight. Airbus is working with TAM Airlines to establish a bio-kerosene jet-fuel processing plant in Brazil.

From 2011, Lufthansa plans to operate the first commercial service partly propelled by biofuel on an Airbus A321 between Hamburg and Frankfurt.

Manufacturing facilities

While EADS’ facilities have low emissions relative to many industries, production processes are being reviewed to include systematically eco-efficiency criteria in capital expenditure calculations and other Company processes.

Initiatives are underway to reduce energy, emissions of CO₂ and volatile organic compounds, water consumption, water discharge and general waste. For example, renewable energy heating and power devices are being fitted to assembly line buildings.

EADS-wide environmental reporting was externally audited for the first time in 2010.

» **Reducing CO₂ in aviation**

Over the past 40-50 years, improvements in engine technology, aircraft weight and aerodynamics have reduced CO₂ emissions by 70% and noise by 75%. Looking forward, developing new products to make significant further enhancements has assumed a new sense of urgency. EADS is taking a leading role in initiatives to improve the overall environmental performance of the sector still further. In this framework,

the Clean Sky project, a seven-year, €1.6 billion joint technology initiative aims at developing technologies by 2020 that will meet targets set by the Advisory Council for Aeronautics Research in Europe. These are: 50% reduction in perceived noise, 50% reduction in CO₂, 80% reduction in nitrogen oxide (all relative to 2000 levels). The aviation industry aims to halve CO₂ emissions by 2050 and ensure carbon neutral growth by 2020²⁾.

1) EADS defines sustainable biofuels as neither competing with land/water resources used for food production nor destroying rain forests.
2) Air Transport Action Group Targets.

Glossary

Additive Layer Manufacturing (ALM)

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 reduce cost.

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 supplies of 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.

Black Belt

See *Lean Six Sigma Programme*.

Bluecopter

Bluecopter is the name of the Eurocopter 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.

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 environmental impact.

Emerging market/country

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

Endpoint security

Endpoint security involves installing security software at 'end points', ranging from desktop computers to point-of-sale terminals. The software is then centrally managed through a server or gateway.

Engagement survey

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

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 hedge is a form of financial insurance that provides protection against adverse currency movements.

International Air Transport Association (IATA)

IATA is the airline industry's global trade association, representing some 230 airlines operating 93% of scheduled air traffic.

International Civil Aviation Organisation (ICAO)

A United Nations specialised agency that works to achieve the safe, secure and sustainable development of civil aviation.

International Organisation for Standardisation (ISO)

ISO is a network of national standards institutes that sets standards for the benefit of business and the wider community.

Innovation Works

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

Lean Six Sigma Programme

A course in 'lean' management techniques, designed to improve management of industrial programmes (formerly known as the Black Belt programme). Lean methodologies generally seek to minimise the resources required for production by eliminating waste, so reducing costs, lead times and inventory requirements.

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

A long-range aircraft is capable of travelling more than 3,000 nautical miles, at normal cruising conditions, with a full payload.

Medium Extended Air Defence System (MEADS)

A NATO-managed project designed to replace the Patriot missile defence system.

Nitrogen oxides (NOx)

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

Parapublic

The adjective describing organisations linked to the public sector.

Power8

An Airbus cost reduction programme that has introduced a new organisational structure, leaner processes and better cash management.

Power8 plus

The extension of the Power8 cost reduction programme that includes all EADS Divisions.

Ramp-up

An aerospace industry term used to describe a new production programme's increasing level of activity.

Revenue Passenger Kilometre (RPK)

Revenue passenger kilometres measure actual passenger traffic. A revenue passenger kilometre is flown when a revenue passenger is carried one kilometre. A passenger for whose transportation an air carrier receives commercial remuneration is called a revenue passenger.

SHAPE

Eurocopter's improvement programme designed to increase efficiency and reduce cost.

Shared services

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

Single-aisle aircraft

A single-aisle aircraft has just one aisle, such as the Airbus A320.

Sourcing

Sourcing is another term for procurement from the supply chain.

Supply chain

A supply chain consists of an organisation's network of external suppliers. In EADS' case, the Business Units have suppliers providing systems, components and services.

Unmanned Aerial System (UAS)

An unmanned aircraft, and ground control system, used for military or security purposes that conducts reconnaissance and can be used as an attack aircraft.

Vision 2020

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

Volatile Organic Compound (VOC)

A VOC is an organic chemical compound that has significant vapour pressures, and which can affect the environment.

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Shareholder Information

» Visit our website at www.eads.com

Financial Calendar

Full Year 2010 results release:

9 March 2011

First Quarter 2011 results release:

13 May 2011

Annual General Meeting:

26 May 2011, Amsterdam,
The Netherlands

**Private Shareholder Information
meeting:**

30 June 2011, Paris, France

Half Year 2010 results release:

29 July 2011

Nine-Month 2010 results release:

10 November 2011

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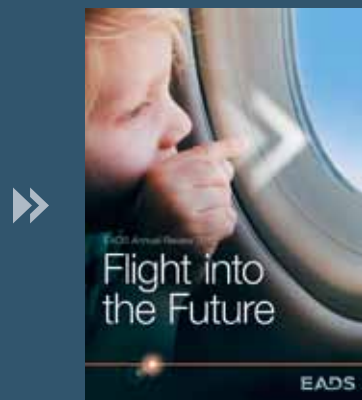
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to answering shareholders' enquiries:
ir@eads.com

EADS would like to thank all those who contributed to the making of this Annual Report and the photos.

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The complete EADS Annual Report suite 2010 consists of:



» Annual Review 2010
Flight into the Future



Registration Document 2010
Financial Statements

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