# REGISTRATION DOCUMENT 2011

European Aeronautic Defence
and Space Company EADS N.V.

EADS

European Aeronautic Defence and Space Company EADS N.V. (the "**Company**" or "**EADS**" and together with its subsidiaries, the "**Group**") is a Dutch company, which is listed in France, Germany and Spain. The applicable regulations with respect to public information and protection of investors, as well as the commitments made by the Company to securities and market authorities, are described in this Registration Document (the "**Registration Document**").

In addition to historical information, this Registration Document includes forward-looking statements. The forward-looking statements are generally identified by the use of forward-looking words, such as "anticipate", "believe", "estimate", "expect", "intend", "plan", "project", "predict", "will", "should", "may" or other variations of such terms, or by discussion of strategy. These statements relate to EADS' future prospects, developments and business strategies and are based on analyses or forecasts of future results and estimates of amounts not yet determinable. These forward-looking statements represent the view of EADS only as of the dates they are made, and EADS disclaims any obligation to update forward-looking statements, except as may be otherwise required by law. The forward-looking statements in this Registration Document involve known and unknown risks, uncertainties and other factors that could cause EADS' actual future results, performance and achievements to differ materially from those forecasted or suggested herein. These include changes in general economic and business conditions, as well as the factors described in "Risk Factors" below.

**This Registration Document was prepared in accordance with Annex 1 of EC Regulation 809/2004, filed in English with, and approved by, the *Autoriteit Financiële Markten* (the "AFM") on 12 April 2012 in its capacity as competent authority under the *Wet op het financieel toezicht* (as amended) pursuant to Directive 2003/71/EC. This Registration Document may be used in support of a financial transaction as a document forming part of a prospectus in accordance with Directive 2003/71/EC only if it is supplemented by a securities note and a summary approved by the AFM.**

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# RISK FACTORS

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EADS is subject to many risks and uncertainties that may affect its financial performance. The business, results of operation or financial condition of EADS could be materially adversely affected by the risks described below. These are not the only risks EADS faces. Additional risks and uncertainties not presently known to EADS or that it currently considers immaterial may also impair its business and operations.

# 1. Financial Market Risks

## EU Sovereign Debt Crisis

EADS' operations and performance depend significantly on economic conditions in Europe, the US and the rest of the world. Economic and market conditions may deteriorate significantly due to, among other things, crises affecting credit or liquidity markets, regional or global recessions, sharp fluctuations in commodity prices (including oil), currency exchange rates or interest rates, inflation or deflation, sovereign debt and bank debt rating downgrades, restructurings or defaults, or adverse geopolitical events (including those in the Middle East, North Africa and other regions). Sharp economic downturns may develop quickly and could affect EADS' business for short or extended periods and have a negative effect on EADS' future results of operation and financial condition.

European financial markets have recently experienced significant disruptions as a result of concerns regarding the ability of certain countries in the euro-zone to reduce their public deficits and refinance or pay their debt obligations as they come due. Banks with exposure to these countries and which must also comply with stricter regulations have faced funding issues and have started to reduce their balance sheets accordingly. Such disruptions have contributed to increased volatility in the exchange rate of the euro against other major currencies, affected the credit markets and created uncertainty regarding the near-term economic prospects of countries in the EU as well as the quality of loans to sovereign debtors and banks in the EU. There has also been an indirect impact on financial markets worldwide. If economic conditions in the relevant European countries or in Europe more generally were to deteriorate or if more pronounced market disruptions were to occur, there could be a new or incremental tightening in the credit markets, low liquidity, and extreme volatility in credit, currency and equity markets. This could have a number of effects on EADS' business, including:

- requests by customers to postpone or cancel orders for aircraft due to, among other things, lack of adequate credit supply from the market to finance aircraft purchases or weak levels of passenger demand for air travel and cargo activity more generally;
- an increase in the amount of sales financing that EADS must provide to its customers to support aircraft purchases, thereby increasing its exposure to the risk of customer defaults despite any security interest it might hold in the underlying aircraft;
- further reductions in public spending for defence, homeland security and space activities, which go beyond those budget consolidation measures already proposed by governments around the world;
- insolvency or financial instability of outsourcing partners or suppliers or their inability to obtain credit to finance development and / or manufacture products, resulting in product delays;
- continued de-leveraging as well as mergers and bankruptcies of banks or other financial institutions, resulting in a smaller universe of counterparties and lower availability of credit, which may in turn reduce the availability of bank guarantees needed by EADS for its businesses or restrict its ability to implement desired foreign currency hedges; and
- default of investment or derivative counterparties and other financial institutions, which could negatively impact EADS' treasury operations including the cash assets of EADS.

EADS' financial results could also be negatively affected depending on gains or losses realised on the sale or exchange of financial instruments; impairment charges resulting from revaluations of debt and equity securities and other investments; interest rates; cash balances; and changes in fair value of derivative instruments. Increased volatility in the financial markets and overall economic uncertainty would increase the risk of the actual amounts realised in the future on the Company's financial instruments differing significantly from the fair values currently assigned to them.

## Foreign Currency

A significant portion of EADS' revenues is denominated in US dollars, while a substantial portion of its costs is incurred in euro, and to a lesser extent, in pounds sterling. Consequently, to the extent that EADS does not use financial instruments to hedge its exposure resulting from this foreign currency mismatch, its profits will be affected by market changes in the exchange rate of the US dollar against these currencies, and to a lesser extent, by market changes in the exchange rate of pound sterling against the euro. EADS has therefore implemented a long-term hedging portfolio to help secure the rates at which a portion of its future US dollar-denominated revenues (arising primarily at Airbus and in the commercial satellite business) are converted into euro or pound sterling, in order to manage and minimise this foreign currency exposure.

There are complexities inherent in determining whether and when foreign currency exposure of EADS will materialise, in particular given the possibility of unpredictable revenue variations arising from order cancellations, postponements or delivery delays. EADS may also have difficulty in fully implementing its hedging strategy if its hedging counterparties are unwilling to extend further credit, and is exposed to the risk of non-performance or default by these hedging counterparties. The exchange rates at which EADS is able to hedge its foreign currency exposure may also deteriorate, as has been the case during the past several years with the steady appreciation of the euro against the US dollar. Accordingly, EADS' foreign currency hedging strategy may not protect it from significant changes in the exchange rate of the US dollar to the euro and the pound sterling, in particular over the longer-term, which could have a negative effect on its results of operation and financial condition. In addition, the portion of EADS' US dollar-denominated revenues that is not hedged in accordance with EADS' hedging strategy will be exposed to changes in exchange rates, which may be significant.

Currency exchange rate fluctuations in those currencies other than the US dollar in which EADS incurs its principal manufacturing expenses (mainly the euro) may have the effect of distorting competition between EADS and competitors whose costs are incurred in other currencies. This is particularly true with respect to fluctuations relative to the US dollar, as many of EADS' products and those of its competitors (*e.g.*, in the defence export market) are priced in US dollars. EADS' ability to compete with competitors may be eroded to the extent that any of EADS' principal currencies appreciates in value against the principal currencies of such competitors.

EADS' consolidated revenues, costs, assets and liabilities denominated in currencies other than the euro are translated into the euro for the purposes of compiling its financial statements. Changes in the value of these currencies relative to the euro will therefore have an effect on the euro value of EADS' reported revenues, costs, earnings before interest and taxes, pre-goodwill impairment and exceptionals ("**EBIT***"), other financial result, assets and liabilities.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations — 2.1.7 Hedging Activities" for a discussion of EADS' foreign currency hedging strategy. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — 2.1.2.6 Accounting for Hedged Foreign Exchange Transactions in the Financial Statements" for a summary of EADS' accounting treatment of foreign currency hedging transactions.

## Sales Financing

In support of sales, EADS may agree to participate in the financing of customers. As a result, EADS has a significant portfolio of leases and other financing arrangements with airlines and other customers. The risks arising from EADS' sales financing activities may be classified into two categories: (i) credit risk, which concerns the customer's ability to perform its obligations under a financing arrangement, and (ii) aircraft value risk, which primarily relates to unexpected decreases in the future value of aircraft. Measures taken by EADS to mitigate these risks include optimised financing and legal structures, diversification over a number of aircraft and customers, credit analysis of financing counterparties, provisioning for the credit and asset value exposure, and transfers of exposure to third parties. No assurances may be given that these measures will protect EADS from defaults by its customers or significant decreases in the value of the financed aircraft in the resale market.

EADS' sales financing arrangements expose it to aircraft value risk, because it generally retains security interests in aircraft for the purpose of securing customers' performance of their financial obligations to EADS, and because it may guarantee part of the market value of certain aircraft during limited periods after their delivery to customers. Under adverse

market conditions, the market for used aircraft could become illiquid and the market value of used aircraft could significantly decrease below projected amounts. In the event of a financing customer default at a time when the market value for a used aircraft has unexpectedly decreased, EADS would be exposed to the difference between the outstanding loan amount and the market value of the aircraft, net of ancillary costs (such as maintenance and remarketing costs, etc.). Similarly, if an unexpected decrease in the market value of a given aircraft coincided with the exercise window of an asset value guarantee with respect to that aircraft, EADS would be exposed to losing as much as the difference between the market value of such aircraft and the guarantee amount. No assurances may be given that the provisions taken by EADS will be sufficient to cover these potential shortfalls. Through the Airbus Asset Management department or as a result of past financing transactions, EADS is the owner of used aircraft, exposing it directly to fluctuations in the market value of these used aircraft.

In addition, EADS has several outstanding backstop commitments to provide financing related to orders on Airbus' and ATR's backlog. While past experience suggests it is unlikely that all such proposed financing actually will be implemented, EADS' sales financing exposure could rise in line with future sales growth depending on the agreement reached with customers. Despite the measures taken by EADS to mitigate the risks arising from sales financing activities as described above, EADS remains exposed to the risk of defaults by its customers or significant decreases in the value of the financed aircraft in the resale market, which may have a negative effect on its future results of operation and financial condition.

## Counterparty Credit

In addition to the credit risk relating to sales financing as discussed above, EADS is exposed to credit risk to the extent of (i) non-performance by its counterparties for financial instruments, such as hedging instruments and cash investments, and (ii) price risks arising from the credit spreads embedded in cash investments. However, the Group has policies in place to avoid concentrations of credit risk and to ensure that credit risk is limited.

Cash transactions and derivative counterparties are contracted with a large number of financial institutions worldwide, but only if they meet certain high credit quality criteria. EADS has set up a credit limit system to actively manage and limit its credit risk exposure. This limit system assigns maximum exposure lines to counterparties of financial transactions, based on a minimum credit rating threshold as published by Standard & Poor's, Moody's and Fitch Ratings, on a minimum amount of total assets and a maximum tolerable price to buy credit protection against the default of such counterparty. The respective limits are regularly monitored and updated, but there can be no assurances that despite these limits and the diversification of counterparties, EADS will not lose the benefit of certain derivatives, or cash investments, in case of a systemic market disruption. In such circumstances, the value and liquidity of these financial instruments could decline and result in a significant impairment, which may in turn have a negative effect on EADS' future results of operation and financial condition.

## Equity Investment Portfolio

EADS holds several equity investments for industrial or strategic reasons, the business rationale for which may vary over the life of the investment. Equity investments are either accounted for using the equity method (associated companies), if EADS has the ability to exercise significant influence, or at fair value. If fair value is not readily determinable, the investment is measured at cost.

EADS' principal investment in associates is Dassault Aviation. The net asset value of this investment was €2.6 billion as of 31 December 2011. EADS is exposed to the risk of unexpected material adverse changes in the fair value of Dassault Aviation and that of other associated companies. For equity investments other than associates, which make up only a fraction of EADS' total assets, EADS regards the risk of negative changes in fair value or impairments on these investments as non-significant.

Treasury shares held by EADS are not considered to be equity investments. Additionally, treasury shares are not regarded as being exposed to risk, as any change in value of treasury shares is recognised directly in equity only when sold to the market and never affects net income. Treasury shares are primarily held to hedge the dilution risk arising from employee stock ownership plans and the exercise by employees of stock options.

## Pension Commitments

EADS participates in several pension plans for both executive as well as non-executive employees, some of which are underfunded. For information related to these plans, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Notes to the Consolidated Financial Statements (IFRS) — Note 25B: Provisions for retirement plans". Although EADS has recorded a provision in its balance sheet for its share of the underfunding based on current estimates, there can be no assurance that these estimates will not be revised upward in the future, leading EADS to record additional provisions in respect of such plans.

Necessary adjustments of such provisions are driven by (i) the discount factor (dependent in part on interest rates) and the inflation rate applied to calculate the net present value of the pension liabilities, (ii) the performance of the asset classes which are represented in the pension assets, and (iii) additional cash injections contributed by EADS from time to time to the pension assets. EADS has taken measures to limit potential losses on the pension assets and to better match the characteristics of the pension liabilities with those of the pension assets as a long-term objective. Nevertheless, any required additional provisions would have a negative effect on EADS' total equity (net of deferred taxes), which could in turn have a negative effect on its future financial condition.

For further information relating to financial market risks and the ways in which EADS attempts to manage these risks, see "Notes to the Consolidated Financial Statements (IFRS) — Note 34A: Financial risk management".

# 2. Business-Related Risks

## Commercial Aircraft Market Cyclicality

Historically, the market for commercial aircraft has shown cyclical trends, due in part to changes in passenger demand for air travel and cargo activity, which are in turn primarily influenced by economic or gross domestic product ("**GDP**") growth. Other factors, however, play an important role in determining the market for commercial aircraft, such as (i) the average age and technical obsolescence of the fleet relative to new aircraft, (ii) the number and characteristics of aircraft taken out of service and parked pending potential return into service, (iii) passenger and freight load factors, (iv) airline pricing policies, (v) airline financial health and the availability of outside financing for aircraft purchases, (vi) deregulation and (vii) environmental constraints imposed upon aircraft operations. EADS expects that the market for commercial aircraft will continue to be cyclical, and that downturns in broad economic trends may have a negative effect on its future results of operation and financial condition.

## Terrorism, Pandemics and Catastrophic Events

As past terrorist attacks (such as in New York and Madrid) and the spread of pandemics (such as H1N1 flu) have demonstrated, terrorism and pandemics may negatively affect public perception of air travel safety and comfort, which may in turn reduce demand for air travel and commercial aircraft. The outbreak of wars, riots or political unrest in a given region may also affect the willingness of the public to travel by air. Furthermore, major airplane crashes may have a negative effect on the public's or regulators' perceptions of the safety of a given class of aircraft, form of design, airline or air traffic. As a result of terrorism, geopolitical instability, pandemics and other catastrophic events, an airline may be confronted with sudden reduced demand for air travel and be compelled to take costly security and safety measures. In response to such events, and the resulting negative impact on the airline industry or particular airlines, EADS may suffer from a decline in demand for all or certain types of its aircraft or other products, and EADS' customers may postpone delivery or cancel orders.

Moreover, EADS' business may be disrupted by the occurrence of these and other events, including information technology or infrastructure attacks or failures, damaging weather or acts of nature and other crises. Any such disruptions could affect EADS' internal operations or services provided to customers, and could have a significant adverse effect on EADS' future results of operations and financial condition as well as its reputation.

## Dependence on Key Suppliers and Subcontractors

EADS is dependent on numerous key suppliers and subcontractors to provide it with the raw materials, parts and assemblies that it needs to manufacture its products. Certain of these suppliers may experience financial or other difficulties in the future, in particular those with a significant foreign currency mismatch between revenues denominated in US dollars and a substantial portion of costs incurred in euro. Depending on the severity of these difficulties, some suppliers could be forced to reduce their output, shut down their operations or file for bankruptcy protection, which could disrupt the supply of materials and parts to EADS.

It may be difficult for EADS to find a replacement for certain suppliers without significant delay, thereby impacting its ability to complete its customer obligations satisfactorily and in a timely manner. These events could in turn have a negative impact on EADS' future results of operation and financial condition. To the extent that EADS decides in the future to provide financial or other assistance to certain suppliers in financial difficulty in order to ensure an uninterrupted supply of materials and parts, it could be exposed to credit risk on the part of such suppliers.

Finally, if the macro-economic environment leads to higher than historic average inflation, the labour and procurement costs of EADS may increase significantly in the future. This may lead to higher component and production costs which could in turn negatively impact EADS' future profitability and cash flows, to the extent EADS is unable to pass these costs on to its customers or require its suppliers to absorb such costs. EADS' suppliers or subcontractors may also make claims or assertions against it for higher prices or other contractual compensation, in particular in the event of significant changes to development or production schedules, which could negatively affect EADS' future profitability.

## Industrial Ramp-Up

As a result of the large number of new orders for aircraft recorded in recent years, EADS intends to accelerate its production in order to meet the agreed upon delivery schedules for such new aircraft (including helicopters). As it nears full capacity, EADS' ability to further increase its production rate will be dependent upon a variety of factors, including execution of internal performance plans, availability of raw materials, parts (such as aluminium, titanium and composites) and skilled employees given high demand by EADS and its competitors, conversion of raw materials into parts and assemblies, and performance by suppliers and subcontractors (particularly suppliers of buyer-furnished equipment) who may experience resource or financial constraints due to ramp-up. Management of such factors is also complicated by the development of new aircraft programmes in parallel, in particular at Airbus, which carry their own resource demands. Therefore, the failure of any or all of these factors could lead to missed delivery commitments, and depending on the length of delay in meeting delivery commitments, could lead to additional costs and customers' rescheduling or terminating their orders.

## Dependence on Public Spending and on Certain Markets

In any single market, public spending (including defence and security spending) depends on a complex mix of geopolitical considerations and budgetary constraints, and may therefore be subject to significant fluctuations from year to year and country to country. In particular, the significant deterioration in public finances and high debt levels of the main industrialised countries have led several of them recently to seek to reduce their public spending. This is especially true with respect to defence and security budgets, where certain countries have either proposed or already implemented substantial reductions. Depending on how future budget reductions are finally implemented, the termination or reduction of funding for existing or new programmes may have a negative effect on EADS' future results of operations and financial condition. In the case where several countries undertake to enter together into defence or other procurement contracts, economic, political or budgetary constraints in any one of these countries may have a negative effect on the ability of EADS to enter into or perform such contracts.

Further, a significant portion of EADS' backlog is concentrated in certain regions or countries, including the US, China, India and the United Arab Emirates. Adverse economic and political conditions as well as downturns in broad economic trends in these countries or regions may have a negative effect on EADS' future results of operation and financial condition.

## Availability of Government and Other Sources of Financing

Since 1992, the EU and the US have operated under an agreement that sets the terms and conditions of financial support that governments may provide to civil aircraft manufacturers. In late 2004, however, the US sought to unilaterally withdraw from this agreement, which eventually led to the US and the EU making formal claims against each other before the World Trade Organization ("**WTO**"). While both sides have expressed a preference for a negotiated settlement that provides for a level playing field when funding future aircraft developments, they have thus far failed to reach agreement on key issues. The terms and conditions of any new agreement, or the final outcome of the formal WTO proceedings, may limit access by EADS to risk-sharing-funds for large projects, may establish an unfavourable balance of access to government funds by EADS as compared to its US competitors or may theoretically cause the European Commission and the involved governments to analyse possibilities for a change in the commercial terms of funds already advanced to EADS.

In prior years, EADS and its principal competitors have each received different types of government financing of product research and development. However, no assurances can be given that government financing will continue to be made available in the future, in part as a result of the proceedings mentioned above. Moreover, the availability of other outside sources of financing will depend on a variety of factors such as market conditions, the general availability of credit, EADS' credit ratings, as well as the possibility that lenders or investors could develop a negative perception of EADS' long- or short-term financial prospects if it incurred large losses or if the level of its business activity decreased due to an economic downturn. EADS may therefore not be able to successfully obtain additional outside financing on favourable terms, or at all, which may limit EADS' future ability to make capital expenditures, fully carry out its research and development efforts and fund operations.

## Competition and Market Access

The markets in which EADS operates are highly competitive. In some areas, competitors may have more extensive or more specialised engineering, manufacturing and marketing capabilities than EADS. In addition, some of EADS' largest customers may develop the capability to manufacture products or provide services similar to those of EADS. This would result in these customers supplying their own products or services and competing directly with EADS for sales of these products or services, all of which could significantly reduce EADS' revenues. There can be no assurance that EADS will be able to compete successfully against its current or future competitors or that the competitive pressures it faces in all business areas will not result in reduced revenues or market share.

In addition, the contracts for many aerospace and defence products are awarded, implicitly or explicitly, on the basis of home country preference. Although EADS is a multinational company which helps to broaden its domestic market, it may remain at a competitive disadvantage in certain countries, especially outside of Europe, relative to local contractors for certain products. The strategic importance and political sensitivity attached to the aerospace and defence industries means that political considerations will play a role in the choice of many products for the foreseeable future.

## Technologically Advanced Products and Services

EADS offers its customers products and services that are technologically advanced, the design and manufacturing of which can be complex and require substantial integration and coordination along the supply chain. In addition, most of EADS' products must function under demanding operating conditions. Even though EADS believes it employs sophisticated design, manufacturing and testing practices, there can be no assurance that EADS' products or services will be successfully developed, manufactured or operated or that they will be developed or will perform as intended.

Certain of EADS' contracts require it to forfeit part of its expected profit, to receive reduced payments, to provide a replacement launch or other products or services, to provide cancellation rights, or to reduce the price of subsequent sales to the same customer if its products fail to be delivered on time or to perform adequately. No assurances can be given that performance penalties or contract cancellations will not be imposed should EADS fail to meet delivery schedules or other measures of contract performance – in particular with respect to new development programmes such as the A350 XWB or A400M, for example.

In addition to any costs resulting from product warranties, contract performance or required remedial action, such problems may result in increased costs or loss of revenues – in particular as a result of contract cancellations – which could have a negative effect on EADS' future results of operation and financial condition. Any problems in this respect may also have a significant adverse effect on the competitive reputation of EADS' products.

## Major Research and Development Programmes

The business environment in many of EADS' principal operating business segments is characterised by extensive research and development costs requiring significant up-front investments with a high level of complexity. The business plans underlying such investments often contemplate a long payback period before these investments are recouped, and assume a certain level of return over the course of this period in order to justify the initial investment. There can be no assurances that the commercial, technical and market assumptions underlying such business plans will be met, and consequently, the payback period or returns contemplated therein achieved. EADS expects that its consolidated research and development expenses may increase significantly in future years in connection with the ramp-up of new programmes across all Divisions, in particular development of the A350 XWB.

Successful development of new programmes also depends on EADS' ability to attract and retain aerospace engineers and other professionals with the technical skills and experience required to meet its specific needs. Demand for such engineers may often exceed supply depending on the market, resulting in intense competition for qualified professionals. There can be no assurances that EADS will attract and retain the personnel it requires to conduct its operations successfully. Failure to attract and retain such personnel or an increase in EADS' employee turnover rate could negatively affect EADS' future results of operation and financial condition.

## Restructuring, Transformation and Cost Saving Programmes

In order to improve competitiveness, offset rising procurement costs and achieve profitability targets, among other things, EADS and its Divisions have launched several restructuring, transformation and cost saving programmes over the past several years. These include Group-wide programmes such as Power8 Plus and "Future EADS", as well as Division-specific programmes.

Anticipated cost savings under these programmes are based on estimates, however, and actual savings under these programmes may vary significantly. In particular, EADS' cost reduction measures are based on current conditions and do not take into account any future cost increases that could result from changes in its industry or operations, including new business developments, wage and cost increases or other factors. EADS' failure to successfully implement these planned cost reduction measures, or the possibility that these efforts may not generate the level of cost savings it expects going forward, could negatively affect its future results of operation and financial condition.

In addition to the risk of not achieving the anticipated level of cost savings from the programmes above, EADS may also incur higher than expected implementation costs. In many instances, there may be internal resistance to the various organisational restructuring and cost reduction measures contemplated. Restructuring, closures, site divestitures and job reductions may also harm EADS' labour relations and public relations, and have led and could lead to work stoppages and/or demonstrations. In the event that these work stoppages and/or demonstrations become prolonged, or the costs of implementing the programmes above are otherwise higher than anticipated, EADS' future results of operation and financial condition may be negatively affected.

## Acquisitions, Joint Ventures & Strategic Alliances

As part of its business strategy, EADS may acquire businesses and form joint ventures or strategic alliances. Acquisitions are inherently risky because of difficulties that may arise when integrating people, operations, technologies and products. There can be no assurance that any of the businesses that EADS acquires can be integrated successfully and as timely as originally planned or that they will perform well and deliver the expected synergies once integrated. In addition, EADS may incur significant acquisition, administrative and other costs in connection with these transactions, including costs related to integration of acquired businesses. While EADS believes that it has established appropriate and adequate procedures and processes to mitigate these risks, there is no assurance that these transactions will be successful.

## Public-Private Partnerships and Private Finance Initiatives

Defence customers, particularly in the UK, increasingly request proposals and grant contracts under schemes known as public-private partnerships ("**PPPs**") or private finance initiatives ("**PFIs**"). PPPs and PFIs differ substantially from traditional defence equipment sales, as they often incorporate elements such as:

- the provision of extensive operational services over the life of the equipment;
- continued ownership and financing of the equipment by a party other than the customer, such as the equipment provider;
- mandatory compliance with specific customer requirements pertaining to public accounting or government procurement regulations; and
- provisions allowing for the service provider to seek additional customers for unused capacity.

EADS is party to PPP and PFI contracts, for example through Paradigm with Skynet 5 and related telecommunications services, and in the AirTanker (FSTA) project. One of the complexities presented by PFIs lies in the allocation of risks and the timing thereof among different parties over the lifetime of the project.

There can be no assurances of the extent to which EADS will efficiently and effectively (i) compete for future PFI or PPP programmes, (ii) administer the services contemplated under the contracts, (iii) finance the acquisition of the equipment and the on-going provision of services related thereto, or (iv) access the markets for the commercialisation of excess capacity. EADS may also encounter unexpected political, budgetary, regulatory or competitive risks over the long duration of PPP and PFI programmes.

## Programme-Specific Risks

In addition to the risk factors mentioned above, EADS also faces the following programme-specific risks (while this list does not purport to be comprehensive, it highlights the current risks believed to be material by management):

***A350 XWB programme.*** In connection with the A350 XWB programme, EADS faces the following main challenges: (i) ensuring the maturity of technology linked to the use of composite materials, (ii) meeting the technical performance targets for the aircraft and respecting the development schedule, (iii) ensuring the production ramp-up and the ramp-up of key skilled personnel, *e.g.* for composite stress and design, (iv) securing the achievement of recurring cost targets, (v) ensuring the performance of the risk sharing partners, including those selected for sites divested by Airbus and those involved in the extended enterprise framework, (vi) maintaining customer satisfaction with a new customisation policy which is a key enabler for the production ramp-up, and (vii) managing customer contracts in coherence with the industrial delivery plan;

***A380 programme.*** In connection with the A380 programme, EADS faces the following main challenges: (i) management of stress in the supply chain as a result of the steep ramp-up in production in coming years, (ii) making continued improvements to lower the resources and costs associated with designing each customised "head of version" aircraft for new customers, in order to allow a higher number of heads of version to be completed each year, (iii) managing maturity in service, and (iv) mastering the root causes of, and launching the required action to fix, the hairline cracks discovered in the wing rib feet of certain A380 aircraft, and limiting associated costs to repair costs only;

***A400M programme.*** In connection with the A400M programme, EADS faces the following main challenges: (i) ensuring that the aircraft is both civilly certified and meets the initial military certification and qualification requirements (initial operational clearance (IOC)) of programme customers, (ii) developing a full set of in-service support goods and services that deliver mission success to programme customers, (iii) finalising aircraft development (engine, cargo systems, defensive aids, etc.), (iv) preparing entry into service of the first aircraft together with the necessary set of support elements, (v) managing the anticipated difficulties on the production ramp-up concurrently with the delivery of progressively enhanced aircraft capabilities (standard operational clearance (SOC) 1 to 3), and (vi) meeting the contractual time schedule;

***A320neo programme.*** In connection with the A320neo programme, EADS faces the following main challenges: (i) management of stress in the supply chain as a result of the industrial ramp-up, (ii) meeting the engine development status and its schedule, and (iii) ensuring the availability of skilled personnel for the programme;

***NH90 programme.*** In connection with the NH90 programme, EADS faces the following main challenges: (i) meeting the development schedule, the cost objectives and the technical content (full operational configuration of the NATO Frigate Helicopter (NFH) version), (ii) continuing to proceed with the industrial ramp-up on the programme, (iii) mastering the contract renegotiations with governments and addressing requests to reduce contractually binding orders, and (iv) assuring support readiness in connection with multiple fleets entering into service; and

***Lead systems integration.*** In connection with lead systems integration projects (in particular Saudi border surveillance contract), EADS faces the following main challenges: (i) meeting the schedule and cost objectives with a high number of sites with complex local infrastructure to deliver and the integration of COTS products (radars, cameras, sensors) with their interfaces into the system, (ii) assuring an efficient project and staffing ramp-up, and (iii) managing the rollout including subcontractors as well as training and organisational adaptation of the customer.

# 3. Legal Risks

## Dependence on Joint Ventures and Minority Holdings

EADS generates a substantial proportion of its revenues through various consortia, joint ventures and equity holdings. These arrangements include primarily:

- the Eurofighter and AirTanker consortia;
- three principal joint ventures: MBDA, ATR and Atlas Electronik; and
- investment in associates: Dassault Aviation.

The formation of partnerships and alliances with other market players is an integral strategy of EADS, and the proportion of sales generated from consortia, joint ventures and equity holdings may rise in future years. This strategy may from time to time lead to changes in the organisational structure, or realignment in the control, of EADS' existing joint ventures.

EADS exercises varying and evolving degrees of control in the consortia, joint ventures and equity holdings in which it participates. While EADS seeks to participate only in ventures in which its interests are aligned with those of its partners, the risk of disagreement or deadlock is inherent in a jointly controlled entity, particularly in those entities that require the unanimous consent of all members with regard to major decisions and specify limited exit rights. The other parties in these entities may also be competitors of EADS, and thus may have interests that differ from those of EADS.

In addition, in those holdings in which EADS is a minority partner or shareholder, EADS' access to the entity's books and records, and as a consequence, EADS' knowledge of the entity's operations and results, is generally limited as compared to entities in which EADS is a majority holder or is involved in the day-to-day management.

## Product Liability and Warranty Claims

EADS designs, develops and produces a number of high profile products of large individual value, particularly civil and military aircraft and space equipment. EADS is subject to the risk of product liability and warranty claims in the event that any of its products fails to perform as designed. While EADS believes that its insurance programmes are adequate to protect it from such liabilities, no assurances can be given that claims will not arise in the future or that such insurance cover will be adequate.

## Intellectual Property

EADS relies upon patent, copyright, trademark and trade secret laws, and agreements with its employees, customers, suppliers and other parties, to establish and maintain its Intellectual property rights in technology and products used in its operations. Despite these efforts to protect its Intellectual property rights, any of EADS' direct or indirect Intellectual property rights could be challenged, invalidated or circumvented. Further, the laws of certain countries do not protect EADS' proprietary rights to the same extent as the laws in Europe and the US. Therefore, in certain jurisdictions EADS may be unable to protect its proprietary technology adequately against unauthorised third-party copying or use, which could adversely affect its competitive position.

In addition, although EADS believes that it lawfully complies with the Intellectual property rights granted to others, it has been accused of infringement on occasion and could have additional claims asserted against it in the future. These claims

could harm its reputation, cost it money and prevent it from offering certain products or services. Any claims or litigation in this area, whether EADS ultimately wins or loses, could be time-consuming and costly, injure EADS' reputation or require it to enter into licensing arrangements. EADS might not be able to enter into these licensing arrangements on acceptable terms. If a claim of infringement were successful against it, an injunction might be ordered against EADS, causing further damages.

## Export Controls and Other Laws and Regulations

The export market is a significant market for EADS. In addition, many of the products EADS designs and manufactures for military use are considered to be of national strategic interest. Consequently, the export of such products outside of the jurisdictions in which they are produced may be restricted or subject to licensing and export controls, notably by the UK, France, Germany and Spain, where EADS carries out its principal military activities as well as by other countries where suppliers come from, notably, the US. There can be no assurance (i) that the export controls to which EADS is subject will not become more restrictive, (ii) that new generations of EADS products will not also be subject to similar or more stringent controls or (iii) that geopolitical factors or changing international circumstances will not make it impossible to obtain export licenses for one or more clients or constrain EADS' ability to perform under previously signed contracts. Reduced access to military export markets may have a significant adverse effect on EADS' business, results of operation and financial condition.

EADS is also subject to a variety of other laws and regulations, including among others, those relating to commercial relationships, the use of its products and anti-bribery provisions. In addition, EADS' ability to market new products and enter new markets may be dependent on obtaining government certifications and approvals in a timely manner. Although EADS seeks to comply with all such laws and regulations, even unintentional violations or a failure to comply could result in administrative, civil or criminal liabilities resulting in significant fines and penalties or result in the suspension or debarment of EADS from government contracts for some period of time or suspension of EADS' export privileges.

In addition, EADS is sometimes subject to government inquiries and investigations of its business and competitive environment due, among other things, to the heavily regulated nature of its industry. Any such inquiry or investigation could result in an unfavourable ruling against EADS, which could have a negative effect on its business, results of operation and financial condition.

## Litigation

EADS is currently engaged in a number of legal proceedings. See "Information on EADS' Activities — 1.1.9 Legal and Arbitration Proceedings". EADS expects to continue to incur time and expenses associated with its defence, regardless of the outcome, and this may divert the efforts and attention of management from normal business operations. Although EADS is unable to predict the outcome of these proceedings, it is possible that they will result in the imposition of damages, fines or other remedies, which could have a negative effect on EADS' business, results of operation and financial condition. An unfavourable ruling could also negatively impact EADS' stock price and reputation.

# 4. Industrial and Environmental Risks

Given the scope of its activities and the industries in which it operates, EADS is subject to stringent environmental, health and safety laws and regulations in numerous jurisdictions around the world. EADS therefore incurs, and expects to continue to incur, significant capital expenditure and other operating costs to comply with increasingly complex laws and regulations covering the protection of the natural environment as well as occupational health and safety, including costs to prevent, control, eliminate or reduce emissions into the environment, releases of air pollutants into the atmosphere, discharges to surface and subsurface water and soil, usage of certain substances and the content of EADS' products, the disposal and treatment of waste materials, and costs to comply with reporting or warning regulations. Moreover, new laws and regulations, the imposition of tougher licence requirements, increasingly strict enforcement or new interpretations of existing laws and regulations may cause EADS to incur increased capital expenditure and operating costs in the future in relation to the above, which could have a negative effect on its results of operation and financial condition.

If EADS fails to comply with these environmental, health and safety laws and regulations, even if caused by factors beyond its control, that failure may result in the assessment of civil or criminal penalties and fines against it. Regulatory authorities may require EADS to conduct investigations and undertake remedial activities, curtail operations or close installations or facilities temporarily to prevent imminent risks. In the event of an industrial accident or other serious incident, employees, customers and other third parties may file claims for personal injury, property damage or damage to the environment (including natural resources). Further, liability under some environmental laws relating to contaminated sites can be imposed retroactively, on a joint and several basis, and without any finding of non-compliance or fault. These potential liabilities may not always be covered by insurance, or may be only partially covered. The obligation to compensate for such damages could have a negative effect on EADS' results of operation and financial condition.

In addition, the various products manufactured and sold by EADS must comply with relevant environmental, health and safety and substances / preparations related laws and regulations in the jurisdictions in which they operate. Although EADS seeks to ensure that its products meet the highest quality standards, increasingly stringent and complex laws and regulations, new scientific discoveries, delivery of defective products or the obligation to notify or provide regulatory authorities or others with required information (such as under the EU regulation known as "REACH", which addresses the production and use of chemical substances) may force EADS to adapt, redesign, redevelop, recertify and / or eliminate its products from the market. Seizures of defective products may be pronounced, and EADS may incur administrative, civil or criminal liability. In the event of an accident or other serious incident involving a product, EADS may be required to conduct investigations and undertake remedial activities. Employees, customers and other third parties may also file claims for personal injury, property damage or damage to the environment (including natural resources). Any problems in this respect may also have a significant adverse effect on the competitive reputation of EADS' products.

# 1

# Information on EADS' Activities


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# 1.1 Presentation of the EADS Group

## 1.1.1 Overview

Due to the nature of the markets in which EADS operates and the confidential nature of its businesses, any statements with respect to EADS' competitive position set out in paragraphs 1.1.1 through 1.1.7 below have been based on EADS' internal information sources, unless another source has been specified below.

With consolidated revenues of €49.1 billion in 2011, EADS is Europe's premier aerospace and defence company and one of the largest aerospace and defence companies in the world. In terms of market share, EADS is among the top two manufacturers of commercial aircraft, civil helicopters, commercial space launch vehicles and missiles, and a leading supplier of military aircraft, satellites and defence electronics. In 2011, it generated approximately 76% of its total revenues in the civil sector and 24% in the defence sector. As of 31 December 2011, EADS' active headcount was 133,115.

### 2011 Highlights

2011 was a year of growth and progress for EADS, with strengthening momentum in the commercial aircraft market, reflected in new order and delivery records at Airbus. In the face of pressure on defence and public spending, EADS' Divisions took further steps to strengthen their competitive position by investing in new products and capacities as well as driving efficiency programmes. EADS successfully steered the Group's growth by managing several acquisitions in the services business during the year.

Revenues in 2011 amounted to €49.1 billion. They increased by 7.4% compared to 2010 due to growth from both volume and mix effects at Airbus and the increase of commercial activity at Eurocopter. These increases more than offset a slight decrease at Astrium and Cassidian. The overall 2011 revenue contribution from the first-time consolidation of major acquisitions was around €300 million, mainly Vector Aerospace and Satair, while the EBIT* [(1)] impact was insignificant.

EBIT* in 2011 amounted to €1.7 billion. As of 31 December 2011, the order book of EADS reached €541.0 billion. The net cash position of €11.7 billion at year-end was higher than anticipated due to improved performance and higher order intake.

In 2011, order intake amounted to €131.0 billion, driven by the strong momentum in commercial aviation and the rebound in the commercial helicopter market. Institutional markets including defence and public spending have to be monitored going forward in the context of budget pressure.

The commercial success of the Airbus civil aircraft business, with 1,419 net orders in 2011, represented one of the highlights of the year. This success was driven mainly by the A320neo (new engine option), which received 1,226 firm orders. The new aircraft is designed to deliver fuel savings of 15% compared to the current A320 single-aisle family and is due to enter into service in 2015.

The A350 XWB programme progressed, with the first major airframe sections delivered to the A350 XWB final assembly line in Toulouse at the end of 2011. Maturity of the A350 XWB main components at final assembly start remains one of the Group's top priorities. Entry into service is currently targeted for the first half of 2014, with the aim of achieving an appropriate maturity level at each step. As the A380 series production gained in maturity, deliveries on that programme increased to 26 in 2011, from 18 in 2010. The A400M series production was launched early in 2011 and final assembly of the first aircraft for customer delivery began in November 2011. The Ariane 5 launcher completed its 46th consecutive successful take-off, while the Eurofighter programme achieved its 300th delivery in 2011, making it the only new-generation multi-role aircraft to reach this milestone. In addition, EADS' subsidiary ATR recorded 119 net orders in 2011.

In the framework of its Vision 2020 goals, EADS conducted several important acquisitions to expand the services business across its Divisions. Airbus acquired the aviation parts distributor Satair. Astrium acquired Vizada, a leading independent provider of global satellite-based communication services, and Eurocopter purchased Canada-based Vector Aerospace, a specialist in helicopter maintenance.

In 2011, the global economic recovery remained uneven, with key issues still to be addressed such as the European sovereign debt crisis, the high level of US public debt and volatile capital inflows to emerging economies. Continued financial market volatility showed how fragile economic recovery still remains in developed markets, with the capital markets questioning the ability of sovereign nations to repay their debts. Also, despite some short-term exchange rate improvement in 2011, persistent US dollar weakness has continued to disadvantage EU companies with a cost base mainly in euros whereas US manufacturers continue to derive benefit from more attractively priced exports.

In 2011, the commercial aviation business experienced continued growth in passenger demand and positive profitability, despite the effects of the tsunami in Japan, unrest in the Middle East and North Africa and a high oil price level. However, regional

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

differences still exist, with Asian Pacific carriers contributing nearly half of the profit, while profitability amongst European airlines as a whole was lower. Aircraft manufacturers experienced continued high demand for commercial aircraft, driven by growth needs in emerging markets and mature market replacement demand spurred by higher fuel prices. The competitive landscape among manufacturers is intensifying, with several emerging players developing aircraft to position themselves in the single-aisle market. Further consolidation in the supplier base also occurred due to the need for risk sharing partners and supplier rationalisation.

Defence and public spending faced downward pressure in Europe as well as in the US, whereas in areas such as the Middle East and Asia, defence spending has increased. While US and European defence budgets are expected to experience cuts over the coming years, the full impact on industry is still unclear. The need for some EU countries to reduce public sector spending but still maintain defensive capabilities has driven governments to look for ways to mitigate the impact on defence budgets. Thus, compromises need to be found between maintaining research and development and procurement budgets on the one hand and considering adaptations of the operational budgets on the other. The retirement of platforms, planned cancellation of some procurement orders and a reduction in personnel are driving demand for closer collaboration between industry and end users, particularly in services.

Governments may therefore pursue further outsourcing of defence-related services to industry players in order to achieve better value for money. Additionally, sustained growth in security spending both from the government and private sectors has been driven by the need to respond effectively to emergency response requirements such as large-scale natural disasters, fires, flooding and earthquakes, as well as asymmetric terrorist threats and increasingly sophisticated cyber-attacks.

Airbus generated revenues of €33.1 billion in 2011, representing an increase of 10.4% compared to 2010. With 534 commercial aircraft deliveries to 88 customers in 2011, Airbus beat its previous record of 2010 by 24 aircraft. Deliveries included 421 A320 family aircraft, 87 A330s and 26 A380s. Airbus Military also delivered a record number of 29 aircraft consisting of six A330 MRTTs, 20 light and medium military transport aircraft (C212, CN235 and C295) and three P-3 conversions. Airbus outperformed its order intake target by recording a total of 1,608 gross commercial aircraft orders in 2011. Of these orders, the A320neo received 1,226 firm orders. Airbus also successfully completed the first flight-test of a sharklet-fitted A320 at year-end. The first major sub-assemblies of the A350 XWB were delivered to Toulouse in 2011, ahead of the final assembly. In order to focus on preparing a robust and efficient production process, Airbus re-scheduled the start of final assembly to early 2012, with the first delivery planned for the first half of 2014. Deliveries ramped-up on the A380, rising to 26 for the year, while the programme received 29 new gross orders in 2011. At the end of 2011, a total of 67 A380s had been delivered to seven customers. The A400M programme is delivering results, having completed more than 2,600 flight hours in over 900 test flights up to the end of 2011, with a fifth aircraft joining the flight test programme. Finally, six A330 MRTTs were delivered to customers in 2011, including the four first MRTTs to the Royal Australian Air Force.

Eurocopter generated revenues of €5.4 billion in 2011, representing an increase of 12.1% compared to 2010. 503 helicopters were delivered to customers in 2011, including the 1,000th Dauphin and the 1,000th EC135. New net orders totalled 457 helicopters. These orders, mostly from outside Eurocopter's home countries, included key EC175 and EC225 contracts and confirm the recovery of the civil market, in particular in the US and in the light helicopters segment. The robust support and service activities were enhanced through the acquisition of Vector Aerospace and accounted for 38% of revenues in 2011. 32 NH90 and 16 Tiger helicopters were delivered in 2011. Five new customers took delivery of their first NH90 helicopter during the year, while the 100th NH90 was recently delivered. 2011 was also a year of innovation for Eurocopter with the achievement of speed records with the X3 hybrid high-speed demonstrator aircraft, the presentation of the new EC145 T2 version and the launch of the future X4 helicopter intended to replace the Dauphin by the end of the decade.

At €5.0 billion, Astrium' revenues remained stable in 2011 despite a challenging economic climate in institutional markets and increasing competition. New orders amounted to €3.5 billion and demonstrated continued momentum. At year-end the order book stood at €14.7 billion, equivalent to three years' worth of work. The Ariane 5 launcher continued to prove its reliability by completing five launches in one year, achieving its 46th successful launch in a row. Under a European Space Agency initiative, Astrium is currently preparing the next generation of launchers, through the Ariane 5 ME (Mid-life Evolution), an expected programme due to enter service in 2017. During 2011, Astrium delivered 13 satellites including the first two Galileo in-orbit validation satellites, and signed contracts for six new satellites: four for telecommunication and two for Earth observation, representing 20% of the commercial satellite market. 2011 also saw the launch of the second automated transfer vehicle space craft, Johannes Kepler, which successfully docked with the International Space Station. Finally, Astrium Services was awarded a contract for implementation of the European data relay system, the future data highway in space.

Cassidian achieved stable revenues of €5.8 billion in 2011 and booked €4.2 billion of new orders, whereas its market environment remains very challenging, The Eurofighter programme and MBDA missile programmes continued to be key revenue drivers, while new security programmes also contributed. Profitability declined slightly in line with expectations, due to higher self-funded research and development for future business and a restructuring charge. With the implementation of its transformation programme in 2011, the Division is adapting to the changing defence market by targeting growth outside Europe and developing new offerings in the security field. The Division also re-shaped its organisation to better address new markets and facilitate customer proximity. In core programmes, a major milestone was passed in 2011 with the delivery of the 300th Eurofighter, and production of Eurofighter Tranche 3A was secured until 2017. Within the field of unmanned aircraft systems, 2011 was marked by the successful ferry flight of the Euro Hawk from California to Germany in July. Cassidian also progressed with its self-funded

medium-altitude long endurance unmanned aircraft system initiative by further extending its international collaboration with Turkish Aerospace Industries and Alenia Aermacchi, and more recently formed an unmanned aircraft system partnership with RheinMetall. Finally, Cassidian signed a letter of intention with partner nations to continue full scale development of the next generation of e-scan radar, and reinforced its leading position in the radar market with the introduction of the next generation of naval radar TRS-4D and the SpexerTM 1000 security radar.

EADS turned 2011 into a year of growth and improved performance, despite the European sovereign debt crisis and downward pressure on defence and public spending. EADS will seek to use this success to pave the way for further development in its second decade.

## Strategy

In order to maximise value for its shareholders, EADS intends to reinforce its position as a leader in major global aerospace and defence markets. Beyond addressing current operational challenges, EADS will continue to focus on providing superior value to its customers through innovative product and service solutions. EADS has defined the following long-term objectives for the future pursuant to its Vision 2020 plan:

- ***Improve portfolio balance between Airbus Commercial manufacturing and other EADS activities.*** In 2011, revenues at Airbus Commercial manufacturing continued to represent a significant portion of EADS' consolidated revenues for the year. As a result, the Group remains vulnerable to the financial burden and risk associated with aircraft programmes, US dollar exchange rate fluctuations and, to some extent, commercial aircraft market cyclicality. EADS will therefore seek to increase the contribution to revenues from other business segments in future years, while still maintaining long-term parity with Boeing in the commercial aircraft market. In particular, EADS will seek to increase the proportion of revenues emanating from its defence, security and services businesses. The Group will consider all options for achieving such growth, including targeted acquisitions or partnerships that enhance its overall competitive position and add capabilities to its portfolio, in particular in global key markets such as Asia, the Middle East and the Americas;
- ***Increase profitability.*** EADS intends to increasingly focus on its core activities, which means moving towards a new business model and re-allocating resources away from certain non-core legacy activities. Through more optimal resource allocation and cost control, enhanced programme execution and stronger development of more profitable segments, EADS will strive to establish a level of profitability that is both attractive to its shareholders and sufficient to fund its future development initiatives;
- ***Expand its services offering.*** Historically, EADS' growth has been driven by the sale of technologically advanced products and solutions. At the same time, management is focused on increasing EADS' presence in the high value services market, given its countercyclical nature and opportunities for sustained growth. Factors supporting this market include the rapid expansion of EADS' in-service commercial and defence fleet — which will require support throughout its lifecycle — as well as the increasing tendency on the part of defence and governmental agencies to outsource various key functions. EADS will seek to provide high value-added services related to both platforms and systems, including advanced in-service support, air traffic management systems and training. Revenue from services activities is targeted to account for 25% of EADS' consolidated revenues by 2020. Such ambitions would require further growth as EADS intends to continue playing an increasingly important role in Europe;
- ***Become a truly global industrial group.*** A significant portion of EADS' suppliers, facilities and employees are based in Europe, while the majority of its revenues originate from outside of Europe. In order to achieve access to certain markets and technology, optimise costs and hedge against future US dollar volatility, EADS will aim to implement a long-term industrial strategy that corrects this imbalance by expanding its industrial footprint and partnerships in key markets outside of Europe, including the Americas, Asia, Russia and India. In the US, the goal is to establish a firm industrial and commercial presence in the world's largest defence and homeland security market. Consequently, by 2020, EADS is seeking to have 40% of its sourcing and 20% of its employees based outside of Europe;
- ***Continue to foster innovation.*** Innovation in product, technology, manufacturing and customer offerings will define EADS' future. With development cycles shortening and new competitors emerging in all fields, EADS must maintain its technological edge and cover a broad spectrum of capabilities in order to remain a market leader. To maintain its innovative edge, EADS will seek to systematically employ the latest digital design and engineering tools in order to complete major platform developments more quickly, and will seek to accelerate the pace at which it reviews its core technologies so as to close gaps against the competition. These core technologies are expected to include C4I, network centric operations and unmanned aerial system technology, among others;
- ***Focus on the environment.*** EADS will seek to anticipate and address future environmental challenges as part of its commitment to reconciling environmental responsibility with economic success. Being greener, cleaner, quieter and smarter, the A380 has already set new standards for air transport and the environment. EADS will pursue additional initiatives in the future – including a comprehensive environmental management system based on ISO 14001 to cover all EADS activities – in order to render eco-efficiency a competitive advantage over the long-term; and
- ***Develop its people.*** EADS needs motivated and competent employees. EADS' leadership culture is based on mutual trust, empowerment, recognition and accountability. Employee development is a core activity of EADS managers. To this end, it is the duty of EADS and its management

to provide employees with the opportunities to meet their professional expectations, develop their professional skills and realise their personal potential. This requires active management development based on a new leadership model. EADS will also encourage stronger mobility and greater internal diversity in its teams.

## Organisation of EADS Businesses

EADS organises its businesses into the following four operating Divisions: (1) Airbus (including Airbus Commercial and Airbus Military), (2) Eurocopter, (3) Astrium and (4) Cassidian. The chart set out in "General Description of the Company and its Share Capital — 3.3.6 Simplified Group Structure Chart" illustrates the allocation of activities among these four Divisions.

### Airbus

Airbus is one of the world's leading aircraft suppliers, with a mission to provide aircraft best suited to the market's needs and to support these aircraft with the highest quality of service. The Airbus commercial product line comprises aircraft that range in size from the 107-seat single-aisle A318 aircraft to the 525-seat A380 widebody aircraft. Airbus also continues to broaden its scope and product range by applying its expertise to the military market, as well as extending its portfolio of freighter aircraft.

In 2011, Airbus recorded total revenues of €33.1 billion – including total revenues of €2.5 billion at Airbus Military – representing 67.4% of EADS' revenues.

#### Airbus Commercial

Since it was founded in 1970 and up to the end of 2011, Airbus has received orders for 11,479 commercial aircraft from approximately 334 customers around the world. With 534 aircraft deliveries in 2011 (510 in 2010), Airbus was the largest supplier of commercial aircraft in the world for the ninth consecutive year. Airbus received 1,608 gross orders in 2011 (compared to 644 gross orders in 2010), or 56% of the gross worldwide market share (in value terms) of aircraft with more than 100 seats. After accounting for cancellations, net order intake for 2011 was 1,419 aircraft (compared to 574 aircraft in 2010). As of 31 December 2011, Airbus' backlog of commercial orders was 4,437 aircraft (compared to 3,552 aircraft in 2010). See "— 1.1.2 Airbus — Airbus Commercial".

#### Airbus Military

Airbus Military produces and sells special mission aircraft, which are derived from existing aircraft platforms and are dedicated to specialised military and security tasks such as in-flight refuelling capabilities, maritime surveillance and antisubmarine warfare. Airbus Military also manufactures and sells light and medium military transport aircraft and is responsible for the European heavy military transport A400M project. See "— 1.1.2 Airbus — Airbus Military".

### Eurocopter

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. This product range currently includes light single-engine, light twin-engine, medium and medium-heavy helicopters which are adaptable to all kinds of mission types based on customer needs.

Eurocopter delivered 503 helicopters in 2011 (527 in 2010), including the 1,000th Dauphin and the 1,000th EC135 helicopter. Eurocopter received 472 gross orders in 2011 (compared to 395 gross orders in 2010). After accounting for cancellations, net order intake for 2011 was 457 helicopters (compared to 346 helicopters in 2010). Civil contracts accounted for 68% of this order volume, with military sales representing the remaining 32%. As of 31 December 2011, Eurocopter's backlog of helicopter orders was 1076 aircraft (compared to 1,122 aircraft in 2010). In 2011, Eurocopter recorded total revenues of €5.4 billion, representing 11.0% of EADS' revenues. See "— 1.1.3 Eurocopter".

### Astrium

Astrium designs, develops and manufactures satellites, orbital infrastructures and launcher systems and provides space services. It is the third largest space systems manufacturing company in the world after Boeing and Lockheed Martin and the leading European supplier of satellites, orbital infrastructures, launchers and associated services. Astrium has three main Business Units: Astrium Satellites, Astrium Space Transportation and Astrium Services. These Business Units include the provision of launch services through Astrium's shareholdings in Arianespace (Ariane 5 launcher), Starsem (Soyuz launcher) and Eurockot (Rockot launcher), as well as services related to telecommunication and Earth observation satellites through wholly or majority owned subsidiaries such as Paradigm Secure Communications, Infoterra and Spot Image. In 2011, Astrium recorded total revenues of €5.0 billion, representing 10.1% of EADS' revenues. See "— 1.1.4 Astrium".

### Cassidian

Cassidian is a worldwide leader in global security solutions and systems, providing lead systems integration and value-added products and services to civil and military customers around the globe: air systems (combat aircraft, military transport, mission aircraft and unmanned aerial systems), land, naval and joint systems, intelligence and surveillance, cyber security, secure communications, test systems, missiles, services and support solutions. As a lead systems integrator, Cassidian combines the know-how to design, develop and implement overall system solutions by integrating across platforms, equipment and services. In 2011, Cassidian recorded total revenues of €5.8 billion, representing 11.8% of EADS' revenues. See "— 1.1.5 Cassidian".

### Other Businesses

Other Businesses include turboprop manufacturer ATR, aerostructure and aircraft seat business Sogerma, US operating unit EADS North America and 30% (consolidated at equity) of Daher-Socata. Other Businesses do not form part of EADS' four Divisions. In 2011, the recorded total revenues of Other Businesses amounted to €1.3 billion. See "— 1.1.6 Other Businesses".

### Investments

Among its significant investments, EADS holds a 46.3% stake in Dassault Aviation, a major participant in the world market for military jet aircraft and business jets. See "— 1.1.7 Investments".

## Summary Financial and Operating Data

The following tables provide summary financial and operating data for EADS for the past three years.

### Consolidated Revenues by Division for the years ended 31 December 2011, 2010 and 2009

| | Year ended 31 December 2011 | | Year ended 31 December 2010 | | Year ended 31 December 2009 | |
|---|---|---|---|---|---|---|
| | Amount in €bn | In percentage [1] | Amount in €bn | In percentage [1] | Amount in €bn | In percentage [1] |
| Airbus [2] | 33.1 | 67.1% | 30.0 | 65.5% | 28.1 | 65.6% |
| *Airbus Commercial* | *31.2* | *63.2%* | *27.7* | *60.5%* | *26.4* | *61.6%* |
| *Airbus Military* | *2.5* | *5.1%* | *2.7* | *5.9%* | *2.2* | *5.2%* |
| Eurocopter | 5.4 | 11.0% | 4.8 | 10.6% | 4.6 | 10.7% |
| Astrium | 5.0 | 10.1% | 5.0 | 10.9% | 4.8 | 11.2% |
| Cassidian | 5.8 | 11.8% | 5.9 | 13.0% | 5.3 | 12.5% |
| **Total Divisional revenues** | **49.3** | **100%** | **45.7** | **100%** | **42.8** | **100%** |
| Other Businesses | 1.2 | | 1.2 | | 1.1 | |
| HQ/Consolidation [3] | (1.4) | | (1.1) | | (1.1) | |
| **Total** | **49.1** | | **45.8** | | **42.8** | |

(1) Before "Other Businesses" and "HQ/Consolidation".
(2) Airbus reports in two segments: Airbus Commercial and Airbus Military. Eliminations between Airbus Commercial and Airbus Military are treated at the Airbus Division level.
(3) HQ/Consolidation includes, in particular, adjustments and eliminations for intercompany transactions.

### Consolidated Revenues by Geographical Area for the years ended 31 December 2011, 2010 and 2009

| | Year ended 31 December 2011 | | Year ended 31 December 2010 | | Year ended 31 December 2009 | |
|---|---|---|---|---|---|---|
| | Amount in €bn | In percentage [1] | Amount in €bn | In percentage [1] | Amount in €bn | In percentage [1] |
| Europe | 20.7 | 42.1% | 21.4 | 46.8% | 21.4 | 50.1% |
| North America | 5.8 | 11.9% | 3.5 | 7.6% | 6.1 | 14.3% |
| Asia/Pacific | 14.3 | 29.1% | 11.4 | 24.8% | 8.6 | 20.1% |
| Rest of the World [2] | 8.3 | 16.9% | 9.5 | 20.8% | 6.7 | 15.5% |
| **Total** | **49.1** | **100%** | **45.8** | **100%** | **42.8** | **100%** |

(1) Percentage of total revenues after eliminations.
(2) Including the Middle East.

### Consolidated Orders Booked for the years ended 31 December 2011, 2010 and 2009

| | Year ended 31 December 2011 | | Year ended 31 December 2010 | | Year ended 31 December 2009 | |
|---|---|---|---|---|---|---|
| | Amount in €bn | In percentage [1] | Amount in €bn | In percentage [1] | Amount in €bn | In percentage [1] |
| **Orders booked [2]** | | | | | | |
| Airbus [3] [4] | 117.9 | 90% | 68.2 | 83% | 23.9 | 52% |
| *Airbus Commercial* | *117.3* | *90%* | *68.2* | *83%* | *23.5* | *51%* |
| *Airbus Military* | *0.9* | *1%* | *0.2* | *0%* | *0.6* | *1%* |
| Eurocopter | 4.7 | 4% | 4.3 | 5% | 5.8 | 13% |
| Astrium | 3.5 | 3% | 6.0 | 7% | 8.3 | 18% |
| Cassidian | 4.1 | 3% | 4.3 | 5% | 8.0 | 17% |
| **Total Divisional orders** | **130.2** | **100%** | **82.8** | **100%** | **46.0** | **100%** |
| Other Businesses | 2.0 | | 1.7 | | 0.9 | |
| HQ/Consolidation | (1.2) | | (1.4) | | (1.1) | |
| **Total** | **131.0** | | **83.1** | | **45.8** | |

(1) Before "Other Businesses" and "HQ/Consolidation".
(2) Without options.
(3) Based on catalogue prices for commercial aircraft activities.
(4) Airbus reports in two segments: Airbus Commercial and Airbus Military. Eliminations between Airbus Commercial and Airbus Military are treated at the Airbus Division level.

### Consolidated Backlog for the years ended 31 December 2011, 2010 and 2009 [1]

| | Year ended 31 December 2011 | | Year ended 31 December 2010 | | Year ended 31 December 2009 | |
|---|---|---|---|---|---|---|
| | Amount in €bn | In percentage [2] | Amount in €bn | In percentage [2] | Amount in €bn | In percentage [2] |
| **Backlog [3]** | | | | | | |
| Airbus [4] [5] | 495.5 | 92% | 400.4 | 89% | 339.7 | 87% |
| *Airbus Commercial* | *475.5* | *88%* | *378.9* | *85%* | *320.3* | *82%* |
| *Airbus Military* | *21.3* | *4%* | *22.8* | *5%* | *20.7* | *5%* |
| Eurocopter | 13.8 | 2% | 14.5 | 3% | 15.1 | 4% |
| Astrium | 14.7 | 3% | 15.8 | 4% | 14.6 | 4% |
| Cassidian | 15.5 | 3% | 16.9 | 4% | 18.8 | 5% |
| **Total Divisional backlog** | **539.5** | **100%** | **447.6** | **100%** | **388.2** | **100%** |
| Other Businesses | 3.0 | | 2.5 | | 2.0 | |
| HQ/Consolidation | (1.5) | | (1.6) | | (1.1) | |
| **Total** | **541.0** | | **448.5** | | **389.1** | |

(1) For a discussion on the calculation of backlog, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — 2.1.3.1 Order Backlog".
(2) Before "Other Businesses" and "HQ/Consolidation".
(3) Without options.
(4) Based on catalogue prices for commercial aircraft activities.
(5) Airbus reports in two segments: Airbus Commercial and Airbus Military. Eliminations between Airbus Commercial and Airbus Military are treated at the Airbus Division level.

## Relationship between EADS N.V. and the Group

EADS N.V. itself does not engage in the core aerospace, defence or space business of its Group but coordinates related businesses, sets and controls objectives and approves major decisions for its Group. As the parent company, EADS N.V. conducts activities which are essential to the Group activities and which are an integral part of the overall management of the Group. In particular, finance activities pursued by EADS N.V. are in support of the business activities and strategy of the Group. In connection therewith, EADS N.V. provides or procures the provision of services to the subsidiaries of the Group. General management service agreements have been put in place with the subsidiaries and services are invoiced on a cost plus basis.

For management purposes, EADS N.V. acts through its Board of Directors, Executive Committee, and Chief Executive Officer in accordance with its corporate rules and procedures detailed in "Corporate Governance".

Within the framework defined by EADS, each Division, Business Unit and subsidiary is vested with full entrepreneurial responsibility.

# 1.1.2 Airbus

Airbus is one of the world's leading aircraft suppliers, with a mission to provide aircraft best suited to the market's needs and to support these aircraft with the highest quality of service. The Airbus commercial product line comprises aircraft that range in size from the 107-seat single-aisle A318 aircraft to the 525-seat A380 widebody aircraft. Airbus also continues to broaden its scope and product range by applying its expertise to the military market, as well as extending its portfolio of freighter aircraft.

In 2011, Airbus recorded total revenues of €33.1 billion – including total revenues of €2.5 billion at Airbus Military – representing 67.4% of EADS' revenues.

## Airbus Commercial

### Introduction and Overview

Since it was founded in 1970 and up to the end of 2011, Airbus has received orders for 11,479 commercial aircraft from approximately 334 customers around the world. With 534 aircraft deliveries in 2011 (510 in 2010), Airbus was the largest supplier of commercial aircraft in the world for the ninth consecutive year. Airbus received 1,608 gross orders in 2011 (compared to 644 gross orders in 2010), or 56% of the gross worldwide market share (in value terms) of aircraft with more than 100 seats. After accounting for cancellations, net order intake for 2011 was 1,419 aircraft (compared to 574 aircraft in 2010). As of 31 December 2011, Airbus' backlog of commercial orders was 4,437 aircraft (compared to 3,552 aircraft in 2010).

## Strategy

Airbus' primary goal is to deliver strong results in a sustained manner, while commanding between 40% and 60% of the worldwide commercial aircraft market over the long-term and expanding its customer services offering. To achieve these goals, Airbus is actively:

### Building a Leaner, More Fully Integrated Company

In order to build a leaner, more fully integrated company and thereby bolster its competitiveness, Airbus continues to work on implementation of the transformation programme referred to as "Power8 Plus". In addition to modules aimed at simplifying governance and improving decision-making processes, Power8 Plus also comprises modules targeting performance and efficiency gains within key programmes. The "Single-Aisle Cost Optimisation" module (SCOPE) is one such example.

### Developing the Most Comprehensive Line of Products in Response to Customer Needs

Airbus continuously seeks to develop and deliver new products to meet customers' evolving needs, while also improving its existing product line. For example, the A320neo (new engine option) is the latest of many upgrades to the A320 family in order to respond to strong market demand for fuel efficient aircraft and increased competition in the single-aisle market.

Airbus is also currently pursuing (i) development and production on the new A350 XWB programme, (ii) the gradual expansion of relevant freighter applications with the A330-200F, (iii) additional opportunities in the military business through the A400M and military derivatives products such as the A330 MRTT (see "— Airbus Military" below), and (iv) research on the development of new aircraft in the short- and medium-range segments.

### Expanding its Customer Services Offering

Airbus seeks to remain at the forefront of the industry by expanding its customer services offering to meet customers' evolving needs. As a result, Airbus has developed a wide range of value-added and customised services which customers can select based on their own outsourcing policy and needs. This approach provides Airbus operators with solutions to significantly reduce their operating costs, increase aircraft availability and enhance the quality of their operations.

## Market

### Cyclicality and Market Drivers

The main factors affecting the commercial aircraft market include passenger demand for air travel, cargo activity, economic growth cycles, national and international regulation (and deregulation), the rate of replacement and obsolescence of existing fleets and the availability of aircraft financing sources. The performance, competitive posture and strategy of aircraft manufacturers, airlines, cargo operators and leasing companies as well as wars, political unrest, pandemics and extraordinary events may also precipitate changes in demand and lead to short-term market imbalances.

In recent years, China and India have emerged as significant new aircraft markets. According to internal estimates, they are expected to constitute the second and fourth most important markets for aircraft deliveries respectively, in the next twenty years. As a result, Airbus has sought to strengthen its commercial and industrial ties in these countries. New aircraft demand from airlines in the Middle East has also become increasingly important, as they have rapidly executed strategies to establish themselves with a global presence and to leverage the benefits the region can deliver.

The no-frills/low-cost carriers also constitute a significant sector, and are expected to continue growing around the world, particularly in Asia, where emerging markets and continued deregulation should provide increased opportunities. While Airbus single-aisle aircraft continue to be a popular choice for these carriers, demand for Airbus' range of twin-aisle aircraft may also increase as some of these carriers begin testing the market with new long-range operations.

***Overall Growth.*** The long-term market for passenger aircraft depends primarily on passenger demand for air travel, which is itself primarily driven by economic or GDP growth, fare levels and demographic growth. Measured in revenue passenger kilometres, air travel increased every year from 1967 to 2000, except for 1991 due to the Gulf War, resulting in an average annual growth rate of 7.9% for the period. Demand for air transportation also proved resilient in the years following 2001, when successive shocks, including 9/11 and SARS in Asia, dampened demand. Nevertheless, the market quickly recovered.

More recently, the financial crisis and global economic difficulties witnessed at the end of 2008 and into 2009 resulted in only the third period of negative traffic growth during the jet age, and a cyclical downturn for airlines in terms of traffic (both passenger and cargo), yields and profitability. By the end of 2010 however, traffic had recovered strongly from 2009 levels, with traffic growth expected to be above the long-term trend for 2011 upon the release of official figures.

Beyond the near-term market uncertainties driven by the sovereign debt crisis in Europe and based on internal estimates, Airbus believes that air travel remains a growth business and will grow at 4.8% *per annum* during the period 2011-2030. Airbus therefore expects passenger traffic, as measured in revenue passenger kilometres, to more than double in the next twenty years.

***Cyclicality.*** Despite the expected overall long-term growth in air travel, the market for commercial aircraft has proven to be cyclical, due to the volatility of airline profitability, cyclicality of the world economy and occasional unforeseen events which can further depress demand for air travel, such as the spread of H1N1 flu. Accordingly, following the peak in new orders reached in 2007, Airbus recorded significantly fewer new orders in 2008 and 2009 as a result of the cyclical downturn. In 2010 and 2011, the rebound in passenger traffic, improved yields and higher load factors helped support a cyclical recovery among airlines globally, which in turn was reflected in increased orders as well as record deliveries over these years.

When cyclical downturns do occur, aircraft manufacturers have typically experienced decreases in aircraft orders and have made fewer deliveries, with some customers seeking to

postpone or cancel their existing orders. In the past this has generally been followed by a period of sustained new order and delivery activity. However, as with any macro-economic development, it is difficult to predict how the current recovery and the next cycle will develop.

***Regulation/Deregulation.*** National and international regulation (and deregulation) of international air services and major domestic air travel markets affect demand for passenger aircraft as well. In 1978, the US deregulated its domestic air transportation system, followed by Europe in 1985. The more recently negotiated "Open Skies Agreement" between the US and Europe, which became effective in 2008, allows any European or US airline to fly any route between any city in the EU and any city in the US. Other regions and countries are also progressively deregulating, particularly in Asia. This trend is expected to continue, facilitating and in some cases driving demand. In addition to providing greater market access (which may have formerly been limited), deregulation may allow for the creation and growth of new airlines or new airline models, as has been the case with the no-frills/low-cost airline model, which has increased in importance throughout major domestic and intra-regional markets since deregulation (*e.g.*, in the US and Europe).

***Airline Network Development:"Hub" and "Point-to-Point" Networks.*** Following deregulation, major airlines have sought to tailor their route networks and fleets to continuing changes in customer demand. Accordingly, where origin and destination demand prove sufficiently strong, airlines often employ direct, or "point-to-point" route services. However, where demand between two destinations proves insufficient, airlines have developed highly efficient "hub and spoke" systems, which provide passengers with access to a far greater number of air travel destinations through one or more flight connections.

The chosen system of route networks in turn affects aircraft demand, as hubs permit fleet standardisation around both smaller aircraft types for the short, high frequency and lower density routes that feed the hubs (between hubs and spokes) and larger aircraft types for the longer and higher density routes between hubs (hub-to-hub), themselves large point-to-point markets. As deregulation has led airlines to diversify their route network strategies, it has at the same time therefore encouraged the development of a wider range of aircraft in order to implement such strategies (although the trend has been towards larger-sized aircraft within each market segment as discussed below).

Airbus, like others in the industry, believes that route networks will continue to grow through expansion of capacity on existing routes and through the introduction of new routes, which will largely be typified by having a major hub city at least at one end of the route. These new route markets are expected to be well served by Airbus' latest product offering, the A350 XWB. In addition, the A380 has been designed primarily to meet the significant demand between the major hub cities, very often also the major centres of population such as London, Paris, New York and Beijing for example. Airbus has identified 32 such cities in its market analysis. Airbus believes that it is well positioned to meet current and future market requirements given its complete family of products.

***Alliances.*** The development of world airline alliances has reinforced the pattern of airline network development described above. According to data from Ascend, a UK-based aviation industry consultancy, approximately one third of the world's jetliner seats being flown today are operated by just 15 airlines as of January 2012. In the 1990s, the major airlines began to enter into alliances that gave each alliance member access to the other alliance members' hubs and routings, allowing airlines to concentrate their hub investments while extending their product offering and market access. Airlines have also begun to explore different merger possibilities in recent years. Examples include the merger of Air France and KLM, Delta and Northwest and United and Continental, with talks between other airlines currently on-going.



### Market Structure and Competition

***Market Segments.*** According to a study conducted by Airbus, a total of 15,000 passenger aircraft with more than 100 seats were in service with airlines worldwide at the beginning of 2011 (as compared to 14,240 passenger aircraft at the beginning of 2010). Currently, Airbus competes in each of the three principal market segments for aircraft with more than 100 seats.

"Single-aisle" aircraft, such as the A320 family, have 100-210 seats, typically configured with two triple seats per row divided by one aisle, and are used principally for short-range and medium-range routes.

"Twin-aisle" or "wide-body" aircraft, such as the A330/A350 XWB families, have a wider fuselage with more than 210 seats, typically configured with eight seats per row and with two aisles. The A330/A350 XWB families are capable of serving all short to long-range markets.

"Very large aircraft", such as the A380 family, are designed to carry more than 400 passengers, non-stop, over very long-range routes with superior comfort standards and with significant cost-per-seat benefits to airlines, although such aircraft can also be used over shorter ranges in high-density (including domestic) markets. Freight aircraft, which form a fourth, related segment, are often converted ex-passenger aircraft. See "— 1.1.7 Investments — Aerostructures, Aircraft Conversion and Floor Panels — EFW".

Airbus also competes in the corporate, VIP business jet market with the ACJ, an A319-based Corporate Jetliner, and the A318 Elite. It has also recently sold the A320 and A380 to serve the business jet market in private, corporate shuttle and in government/VIP roles.

***Geographic differences.*** The high proportion of single-aisle aircraft in use in both North America and Europe reflects the predominance of domestic short-range and medium-range flights, particularly in North America due to the development of hubs following deregulation. In comparison with North America and Europe, the Asia-Pacific region uses a greater proportion of twin-aisle aircraft, as populations tend to be more concentrated in fewer large urban centres. The tendency towards use of twin-aisle aircraft is also reinforced by the fact that many of the region's major airports limit the number of flights, due either to environmental concerns or to infrastructure constraints that limit the ability to increase flight frequency. These constraints

necessitate higher average aircraft seating capacity per flight. However, Airbus believes that demand for single-aisle aircraft in Asia will grow over the next 20 years, particularly as domestic markets in China and India and low-cost carriers continue to develop in the region. Aircraft economics will also help to drive aircraft size, with airlines looking to reduce the cost per seat through higher density aircraft cabins and the use of larger aircraft types and variants where possible.

***Competition.*** Airbus has been operating in a duopoly since Lockheed's withdrawal from the market in 1986 and Boeing's acquisition of McDonnell Douglas in 1997. As a result, the market for passenger aircraft of more than 100 seats is now effectively divided between Airbus and Boeing. According to the manufacturers' published figures, in 2011 Airbus and Boeing, respectively, accounted for 53% and 47% of total deliveries, 64% and 36% of total net orders (in units), and 54% and 46% of the total year-end backlog (in units).

Nevertheless, the high technology and high value nature of the business makes aircraft manufacturing an attractive industry in which to participate, and besides Boeing, Airbus faces aggressive international competitors who are intent on increasing their market share. Regional jet makers Embraer and Bombardier, coming from the less than 100-seat commercial aircraft market, continue to develop larger airplanes (such as the new 100- to 149-seat C-Series launched by Bombardier). Additionally, other competitors from Russia, China and Japan will enter the 70- to 150-seat aircraft market over the next few years.

### Customers

As of 31 December 2011, Airbus had 334 customers, 6,645 Airbus aircraft had been delivered to operators worldwide since the creation of Airbus, and 4,437 aircraft were on order. The table below shows Airbus' largest commitments in terms of total gross firm orders by customer for the year 2011.

| Customer | Firm orders [1] |
|---|---|
| Air Asia | 200 |
| Indigo | 180 |
| Qantas | 110 |
| ILFC | 100 |
| Go Air | 72 |
| Gecas | 60 |
| Republic Airways | 60 |

(1) Options are not included in orders booked or year-end backlog.

## Products and Services

### The Family Concept — Commonality across the Fleet

Airbus' aircraft families promote fleet commonality. This philosophy takes a central aircraft and tailors it to create derivatives to meet the needs of specific market segments, meaning that all new-generation Airbus aircraft share the same cockpit design, fly-by-wire controls and handling characteristics. Pilots can transfer among any aircraft within the Airbus family with minimal additional training. Cross-crew qualification across families of aircraft provides airlines with significant operational flexibility. In addition, the emphasis on fleet commonality permits aircraft operators to realise significant cost savings in crew training, spare parts, maintenance and aircraft scheduling. The extent of cockpit commonality within and across families of aircraft is a unique feature of Airbus that, in management's opinion, constitutes a sustainable competitive advantage.

In addition, technological innovation has been at the core of Airbus' strategy since its creation. Each product in the Airbus family is intended to set new standards in areas crucial to airlines' success, such as cabin comfort, cargo capacity performance, economic performance, environmental impact and operational commonality. Airbus innovations often provide distinct competitive advantages, with many becoming standard in the aircraft industry.

***A320 family.*** Airbus' family of single-aisle aircraft, based on the A320, includes the A318, A319 and A321 derivatives, as well as the A319-based Airbus Corporate Jetliner and A318 Elite business jet. Each aircraft in the A320 family shares the same systems, cockpit, operating procedures and cross-section. The A320 family covers the market from 100 to 220 seats, flying routes up to 3,700 nm/6,800 km.

At 3.96 metres diameter, the A320 family has the widest fuselage cross-section of any competing single-aisle aircraft. This provides a roomy passenger cabin, a high comfort level and a more spacious under floor cargo volume than its competitors. The A320 family incorporates digital fly-by-wire controls, an ergonomic cockpit and a lightweight carbon fibre composite horizontal stabiliser. The use of composite material has also been extended to the vertical stabiliser. The A320 family's competitor is the Boeing 737 series.

With more than 8,292 aircraft sold and 4,829 currently in service, the A320 family has proven extremely popular with customers, offering high standards of cabin comfort, technology and economic performance. Its success with low-cost airlines in particular demonstrates the economic appeal of the A320 family.

Airbus continues to invest in the A320 family, introducing enhancements and new technology to maintain the aircraft's appeal to customers. In 2011, Airbus completed the first test flight of an A320 development aircraft using new fuel-saving "sharklet" wingtip devices. These devices cut down on

aerodynamic drag by helping reduce the spiral-shaped vortices that are formed at the wingtips of aircraft during flight. As a result, they are expected to result in around 3.5% reduced fuel burn over long sectors as well as increased payload-range and improved take-off performance. Introduced as an option for customers, the first A320 fitted with sharklets is expected to enter into service at the end of 2012.

In addition, Airbus began offering new fuel saving engines as an option on its A320 family at the end of 2010. With 95% airframe commonality with the existing models of the A320 family, the A320neo is designed to deliver fuel savings of 15%(including sharklets) as well as an additional flight distance of 500nm (950 km) or two tonnes more payload at a given range. This new engine option will be available for the A321, A320 and A319 aircraft models, with an entry into service targeted for October 2015.

In 2011, Airbus received 1,470 gross orders for the A320 family of aircraft (1,348 net), and delivered 421 to customers.



*A320 Family Technical Features (standard version)*

| Model [1] | Entry into service | Passenger capacity [1] | Maximum range (km) | Length (metres) | Wingspan (metres) |
|---|---|---|---|---|---|
| A318 | 2003 | 107 | 6,000 | 31.4 | 34.1 |
| A319 | 1996 | 124 | 6,800 | 33.8 | 34.1 |
| A320 | 1988 | 150 | 5,900 | 37.6 | 34.1 |
| A321 | 1994 | 185 | 5,950 | 44.5 | 34.1 |

(1) Two-class layout.

***A330 family.*** With 1,186 aircraft sold and 831 currently in service, the A330 family covers all market segments with one twin-engine aircraft type and is designed to carry between 250 and 300 passengers. The combination of low operating costs, high efficiency, flexibility and optimised performance makes the twin-engine A330 popular with an ever-increasing operator base. The A330 family offers high levels of passenger comfort as well as large under-floor cargo areas. The competitors of the A330 family are the Boeing 767, 777 and 787 aircraft series.

Airbus has also developed a new dedicated cargo variant of the A330 family, the A330-200F, a mid-size long-range cargo aircraft that is designed to respond to the current market dynamics of rising fuel prices and increased pressure on yields. Since entering into service in 2010, the A330-200F has demonstrated its attractiveness as an efficient, reliable and profitable freighter.

In 2011, Airbus received 99 gross orders for the A330 family of aircraft (85 net), and delivered 87 to customers.

*A330 Family Technical Features*

| Model [1] | Entry into service | Passenger capacity [1] | Maximum range (km) | Length (metres) | Wingspan (metres) |
|---|---|---|---|---|---|
| A330-200 | 1998 | 253 | 13,400 | 59.0 | 60.3 |
| A330-300 | 1994 | 295 | 10,800 | 63.7 | 60.3 |

(1) Three-class layout.

***A340 family.*** Airbus decided to terminate the A340 programme in November 2011, although it continues to support the existing fleet of aircraft around the world. With 377 aircraft sold and 364 currently in service, the four-engine A340 combines outstanding range, excellent performance and high efficiency for airlines.

***A380.*** The double-deck A380 is the world's largest commercial aircraft. Its cross-section provides flexible and innovative cabin space, allowing passengers to benefit from wider seats, wider aisles and more floor space, tailored to the needs of each airline. Carrying 525 passengers in a comfortable three-class configuration and with a range of 8,300 nm/15,400 km, the A380 offers superior economic performance, lower fuel consumption, less noise and reduced emissions. The A380's competitor is the 400-seat Boeing 747-8.

In 2011, the A380's customer base increased by 2 new airlines: Asiana Airlines of South Korea and Japan's Skymark Airlines. Airbus received 29 gross orders for the A380 in 2011 (19 net), and delivered 26 to customers.

### *A380 Technical Features*

| Model [1] | Entry into service | Typical capacity [1] | Maximum range (km) | Length (metres) | Wingspan (metres) |
|---|---|---|---|---|---|
| A380-800 | 2007 | 525 | 15,400 | 73.0 | 79.8 |

(1) Three-class layout.

## New Product Development

***A350 XWB family.*** The A350 XWB family is an all new family of mid-sized wide-body aircraft, designed to accommodate between 270 and 350 passengers. The A350 XWB features A380 technology, a wider fuselage than that of competing new generation aircraft, and a greater use of composite material. The A350 XWB's main competitors are the Boeing 787 and 777 aircraft series.

In 2011, the A350 XWB programme entered into the manufacturing phase. Manufacturing and pre-assembly of the A350 XWB-900 progressed across all pre-final assembly sites, with the first major airframe sections delivered to the A350 XWB final assembly line in Toulouse at the end of 2011.

Following a review of the A350 XWB-900 programme in the second half of 2011, Airbus has decided to prioritise A350 XWB ramp-up maturity over schedule. Entry into service is currently targeted for the first half of 2014.

In 2011, Airbus received 10 gross orders for the A350 XWB (-31 net), for a total of 555 firm orders from 34 customers at the end of the year.

### *A350 XWB Family Technical Features*

| Model [1] | Entry into service | Passenger capacity [1] | Maximum range (km) | Length (metres) | Wingspan (metres) |
|---|---|---|---|---|---|
| A350 XWB-800 | 2016 | 270 | 15,700 | 61.0 | 64.0 |
| A350 XWB-900 | 2014 | 314 | 15,000 | 67.3 | 64.0 |
| A350 XWB-1000 | 2017 | 350 | 15,600 | 74.0 | 64.0 |

(1) Three-class layout.

***A400M.*** For information related to the A400M programme, see "— Airbus Military" below.

## Customer Services

Airbus Customer Services' prime role is to help its customers operate their Airbus fleet safely and profitably and to the satisfaction of passengers. As a result of its continued growth, Airbus' customer base has increased consistently over the past years.

A team of more than 4,000 people cover all areas of support from technical engineering/operational assistance and spare parts supply, to crew and personnel training. Hundreds of technical specialists provide advice and assistance to Airbus customers 24 hours a day, 7 days a week. There are over 243 customer support representatives positioned around the world in more than 163 stations close to the airlines they serve, and an international network of support centres, training centres and spares' stores.

Beyond the core customer support activities, Airbus Customer Services department has developed a wide range of modular and customised services driven by the unique added value that an aircraft manufacturer can bring. These services are clustered around four main domains of activity: fly-by-the-hour services, material management, systems and cabin upgrade, and training and flight operations. Innovative and integrated solutions have been developed in these domains, such as the Flight Hour Services Component programme (FHS Component) and Tailored Support Package (FHS TSP), which provide integrated engineering/maintenance and component packages to enable customers to reduce their investments and support costs while increasing operational reliability. Similar integrated solutions have also been developed in system and cabin upgrade.

Part of Airbus' growth strategy in the area of customer services consists of targeted acquisitions, such as that of Satair (completed in October 2011). This Copenhagen-based company distributes aircraft spare parts worldwide, mostly through exclusive distribution deals with manufacturers of the original equipment.

## Customer Finance

Airbus favours cash sales, and does not envisage customer financing as an area of business development. However, Airbus recognises the commercial need for manufacturers to assist customers in arranging financing of new aircraft purchases, and in certain cases to participate in financing those aircraft for the airline.

Extension of credit or assumption of exposure is subject to corporate oversight and monitoring, and follows strict standards of discipline and caution. Airbus' dedicated customer finance team has accumulated decades of expertise in aircraft finance. When Airbus finances a customer, the financed aircraft generally serve as collateral, with the engine manufacturer participating in the financing. These elements assist in reducing the risk borne by Airbus. Airbus' customer financing transactions are designed to facilitate subsequent sell-down of the exposure to the financial markets, third party lenders or lessors.

In 2011, Airbus was able to begin taking advantage of improved financing markets by selling down more exposure than it added. The markets, however, remain unpredictable and Airbus continues to allow for potential additional financing exposure. Management believes, in light of its experience, that the level of provisioning protecting Airbus from default costs is adequate and consistent with standards and practice in the aircraft financing industry. See "Management's Discussion and Analysis of Financial Condition and Results of Operations".

### Asset Management

The Airbus Asset Management Division was established in 1994 to manage and re-market used aircraft acquired by Airbus, originally as a result of customer bankruptcies, and subsequently in the context of certain buy-back commitments. The Division operates with a dedicated staff and manages a fleet comprised of Airbus aircraft across the range of models. Through its activities, the Asset Management Division helps Airbus respond more efficiently to the medium- and long-term fleet requirements of its customers.

Its key roles comprise commercial and risk management of the Airbus portfolio of used aircraft. Most of the aircraft are available to customers for cash sale, while some can only be offered on operating lease, depending on the financing attached to such aircraft. At the end of 2011, the Airbus Asset Management portfolio contained 17 aircraft, a net increase of one aircraft from 2010. The Asset Management Division also provides a full range of remarketing services, including assistance with entry into service, interior reconfiguration and maintenance checks.

## Production

### Industrial Organisation

Each task in the building of Airbus aircraft (from design to production) is allocated to a designated centre of excellence ("**CoE**"). The CoEs are organised around different aircraft sections, *i.e.* Fuselage/Cabin, Wing/Pylon and Empennage/Aft Fuselage, with one transversal CoE focused on Industrial Processes and Aerostructures. The transversal CoE is in charge of ensuring that harmonised and standardised processes, methods and tools are selected and implemented across the CoEs, in order to increase efficiency.

Following production by the respective CoEs, the various aircraft sections are transferred between the network of sites and the final assembly lines using dedicated transport means, such as the "Beluga" Super Transporters. To support the A380 production flow, Airbus has also integrated road, river and sea transport. Programme management is then responsible for the final assembly line activities. The programme management works closely with the CoEs to secure delivery of aircraft sections to the final assembly lines on time, cost and quality.

Following the reorganisation of aerostructure activities initiated under Power8, two new entities, Premium AEROTEC GmbH and Aerolia S.A., commenced full operations on 1 January 2009 under EADS ownership. They are major players on the global aerostructure market. See "— 1.1.7 Investments — Aerostructures, Aircraft Conversion and Floor Panels — Aerolia" and "– Premium AEROTEC".

### Engineering

Airbus Engineering is a global organisation that develops complete aircraft and aircraft components and conducts research that can be applied to the next generation of aircraft. The Centres of Competences and centres of excellence that make up Airbus Engineering operate transnationally, with most engineers employed at four Airbus sites in France, Germany, the UK and Spain. A growing population of experienced aerospace engineers worldwide are employed at five further engineering centres in Wichita (Kansas, US), Mobile (Alabama, US), Moscow (Russia), Bangalore (India) and Beijing (China). A key part of the Airbus engineering organisation is the architect and integration centre, which ensures, together with a team of senior aircraft architects and the programme chief engineers, that a consistent and multi-disciplinary approach is applied during aircraft development.

In 2011, Airbus Engineering performed a successful flight test programme for the A400M and made continued progress towards A400M type certification. The A350 XWB programme, despite a shifting of the entry into service as discussed above, made further progress, with the iron bird integration test rig and further integration test benches put into operation, as well as the delivery of the first aircraft sections to the final assembly line. Finally, Airbus Engineering contributed to the achievement of the first development milestones for the A320neo and the first test flight of an A320 development aircraft equipped with sharklets.

### Targeted Deliveries in 2012

Airbus delivered 534 aircraft in 2011 (compared to 510 in 2010) and is targeting approximately 570 aircraft deliveries in 2012. Any major production or market disruption or economic downturn could lead to revision of these figures.

# Airbus Military

## Introduction and Overview

Airbus Military produces and sells special mission aircraft, which are derived from existing aircraft platforms and are dedicated to specialised military and security tasks such as in-flight refuelling capabilities, maritime surveillance and antisubmarine warfare. Airbus Military also manufactures and sells light and medium military transport aircraft and is responsible for the European heavy military transport A400M project.

In 2011, Airbus Military recorded total revenues of €2.5 billion.

## Strategy

Airbus Military's strategy is to further develop its core businesses and increase market share by leveraging EADS' technology know-how, while at the same time enhancing profitability. To achieve these goals, Airbus Military is actively:

### Strengthening its Position as a Major Supplier of Special Mission Aircraft

As a supplier of special mission aircraft, Airbus Military satisfies customers' mission-specific requirements by relying on its own specialised technologies (aerial refuelling boom system ("**ARBS**"), fully integrated tactical system ("**FITS**"), maritime

patrol and antisubmarine warfare solutions (MPA, ASW, ASuW), signal intelligence (SIGINT) and airborne early warning and command (AEW&C), as well as those of EADS' wide range of platforms and systems. Airbus Military will seek further consolidation of its position in this market in the future, in particular through its offering of the A330 MRTT, which entered into service in 2011.

### Maintaining its Leadership for Military Transport Aircraft

Airbus Military is a global leader in the light and medium military transport aircraft markets. Through the addition of the A400M heavy military transport aircraft — which has so far accumulated more than 2,600 successful flight test hours and whose certification is targeted for 2012 — Airbus Military offers a full range of tactical military transport aircraft capable of covering all mission needs.

### Increasing Services Revenue by Expanding its Offering of Mission-Critical Services

Airbus Military intends to further develop and deliver "value for money" solutions for its clients based on a comprehensive understanding of their needs and through the formation of long-term partnerships worldwide. Airbus Military offers a competitive services portfolio ranging from traditional support to full availability-based and "mission success" contracting, leveraging its capabilities as a design authority to provide fully integrated support service to clients throughout the life cycle of its products.

## Market

### Special Mission Aircraft

Special mission aircraft are derived from existing aircraft platforms and adapted to particular missions, in general for military and security customers. Adaptations to the platform require thorough knowledge of the basic airframe, which generally only the aircraft manufacturer possesses. The skills necessary for the overall systems integration into the aircraft are extensive and the number of participants in the world market is very limited.

Moreover, modern defence and warfare require independent access to complex forms of information in various operational theatres, and customers are therefore increasingly demanding comprehensive systems tailored to their specific operational requirements. This development as well as rapidly evolving defence and security needs is expected to boost demand for special mission aircraft in the medium-term. Airbus Military believes that it is well positioned in this market based on the range of customised solutions that it offers.

### Military Transport Aircraft

Governments and national organisations constitute the main customers in the market for military transport aircraft. This market consists of three segments: (i) light transport aircraft, with a payload of one to three tonnes, (ii) medium transport aircraft, with a payload of four to 14 tonnes, and (iii) heavy transport aircraft, with a payload of 13 tonnes or more. According to an analysis by DMS Forecast International — an independent aerospace and defence industry consulting firm — the global market for military transport aircraft is expected to amount to approximately US$69.6 billion from 2011 through 2012 (value of production).

***Heavy Military Transport.*** This market segment has been driven historically by US policy and budget decisions, and therefore has been dominated by US manufacturers, in particular Lockheed Martin's C-130 Hercules. The A400M represents Airbus Military's entry into this market, at a time when the US and Europe are expected to begin upgrading and replacing their existing fleets. In the upper part of the segment, the A400M could compete against the C-17 from Boeing.

***Medium Military Transport.*** Management believes that this market will continue to grow at a moderate rate. Airbus Military aircraft are leaders in this segment, specifically the CN235 and C295 aircraft, which have a combined average market share (in units) of 48% over the last ten years according to internal estimates. Both the CN235 and the C295 have been designed as complements or replacements for the ageing C-130 Hercules, accomplishing most of their missions at a much lower operating cost. Their competitors are the C-27J Spartan, manufactured by Alenia Aeronautica, and the An-32, manufactured by Antonov.

***Light Military Transport.*** This is a mature market that is diminishing in size as countries develop economically and are able to afford medium military transport aircraft. The C212 has historically led this market segment, with an average market share (in units) of 17% over the last ten years according to internal estimates. The C212's main competitors are the M-28, manufactured by Polskie Zaklady Lotnice Mielec, and the DHC-6 Series 400, manufactured by Viking, Canada.

## Products and Services

### Special Mission Aircraft

***Multi-Role Tanker Transport — A330 MRTT.*** The A330 MRTT, a derivative of the successful Airbus A330/A340 family, is the world's leading air-to-air refuelling aircraft. Its huge basic fuel capacity means that no auxiliary tanks are needed to give air-to-air refuelling performance that exceeds its nearest competitors. Fuel is passed through an innovative fly-by-wire refuelling boom that delivers a larger fuel flow rate, refuelling envelope and better control than other systems available on the market. As the A330 MRTT does not need auxiliary fuel tanks, the entire cargo bay is available for freight, with the possibility of incorporating standard LD3 or LD6 containers, military pallets and/or any other type of load device in use today. Airbus Military achieved civil and military certification for the A330 MRTT in 2010.

To date, Airbus Military has won contracts for the A330 MRTT with the governments of Australia, Saudi Arabia (including one repeat order), the United Arab Emirates and the UK, with a total backlog of 22 aircraft at the end of 2011. This includes a 27-year contract with the UK Ministry of Defence ("**MoD**") in connection with the latter's Future Strategic Tanker Aircraft ("**FSTA**") programme through the AirTanker consortium. The FSTA programme calls for the provision of a fleet of 14 new tanker aircraft (based on the latest generation Airbus A330-200) to

enter service from the beginning of 2012, replacing the previous fleet of VC-10 and Tristar refuelling aircraft. The contract also includes provision for all necessary infrastructure, training, maintenance, flight management, fleet management and ground services to enable the Royal Air Force to fly air-to-air refuelling and transport missions worldwide.

Airbus Military is also working on a technological programme aimed at developing a new ARBS. The new ARBS is designed to provide a refuelling performance that is substantially faster than that of the competition — a considerable advantage given the vulnerability of the aircraft during the refuelling procedure. The ARBS has been tested with over 1,300 dry and wet contacts on a wide range of aircraft, including F-16 and F/A-18 fighters and E-3 Awacs.

***Maritime Patrol Aircraft.*** Airbus Military provides different solutions ranging from maritime surveillance to anti-submarine warfare missions through aircraft based on the C212, CN235, C295 or P-3 Orion platforms. Airbus Military aircraft, specifically the CN235 and C295, have a combined average market share (in units) of 43% over the last ten years according to internal estimates. Their main competitors are maritime patrol versions of the Bombardier Dash-8 Q200/Q300 and Alenia ATR 42/72.

Airbus Military also develops FITS, which is the core of the mission system installed on these maritime patrol platforms. FITS is a new generation system that enhances tactical awareness and facilitates decision-making processes and operations within a network-centric environment.

In 2011, the US Coast Guard ordered one additional CN235 for use within the Deepwater programme. In terms of deliveries, Airbus Military delivered three CN235 and three C295 maritime patrol aircraft in 2011 (two CN235 for the US Coast Guard, one CN235 for Mexico, one C295 for Portugal and two C295 ASW for Chile).

Based on the maritime patrol configuration, the C295 ASW is the first ASW type designed and certified in Europe and intended to replace ageing P-3 Orion or Bréguet Atlantic fleets. Airbus Military is also involved in the modernisation and operational upgrade of P-3 Orion maritime patrol aircraft for the Spanish and Brazilian Air Forces. The programme includes the FITS installation together with new mission sensors and avionics equipment. In 2011, a new upgraded P-3 was delivered to the Spanish Air Force and two were delivered to the Brazilian Air Force.

## Military Transport Aircraft

***CN235 — Medium Military Transport.*** The first version in the CN235 family, the S-10, entered into service in 1987. The latest one, the Series 300, is a new-generation, twin turboprop, pressurised aircraft. The CN235-300 is capable of transporting a payload of up to 6,000 kg, accommodating (i) 36 paratroopers, (ii) 18 stretchers plus three medical attendants, (iii) four of the most widely used types of freight pallets, or (iv) oversized loads such as aircraft engines or helicopter blades. Paratrooper operations can be performed through the two lateral doors in the rear part of the aircraft or over the rear ramp. Variants of the CN235-300 are used for other missions such as maritime patrol or pollution control, among others.

Considering all variants, over 260 CN235 aircraft have been delivered since the beginning of the programme.

***C295 — Medium Military Transport.*** Certified in 1999, 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. The C295 is equipped with integrated avionics incorporating digital cockpit displays and a flight management system, enabling tactical navigation, planning and the integration of signals from several sensors. The C295 has accumulated 110,000 flight hours in all kind of environments: from the polar arctic areas to deserts. Over 85 C295 aircraft have been delivered to 14 operators from 13 countries.

In 2011, Airbus Military received a total order for three C295 aircraft from Mexico and Ghana (which became a new customer) and delivered a total of seven C295 aircraft to Mexico, Finland, Egypt and Ghana.

***C212 — Light Military Transport.*** The C212 was designed as a simple and reliable unpressurised aircraft able to operate from makeshift airstrips in order to perform both civilian and military tasks. The first version, the S-100, entered into service in 1974. The latest version, the S-400, incorporates several improvements such as new avionics and engines for enhanced performance in hot climates and high altitudes, as well as improved short take-off and landing performance. In addition, the C212's rear cargo door provides multi-mission capability with a configuration that can be changed quickly and easily, thereby reducing turnaround times. Since the beginning of the programme, a total of 475 C212 aircraft have been delivered.

In 2011, Airbus Military delivered a total of three C212 aircraft to Vietnam and Thailand.

## New Product Development

***A400M.*** The A400M is an all-new military airlifter designed for tactical, strategic and logistic applications, intended to respond to the needs of the world's armed forces for military, humanitarian and peacekeeping missions. Airbus Military's objective is to develop a leadership position in the market for heavy military transport aircraft, which together with its medium and light military transport aircraft will allow it to offer a full range of tactical military transport aircraft to customers. The current order book comprises 174 aircraft, with 170 allocated to the seven launch customer nations and four to one export customer, Malaysia. In addition, there are 10 options (seven for Germany and three for the UK). Airbus Military will seek additional export opportunities for the A400M while providing in-service support for customers following entry into service.

The flight test campaign is progressing and had logged more than 2,600 flight test hours and around 900 flights by the end of 2011. The fifth and final test aircraft started flights in December 2011. The main programme target in 2012 is to obtain initial operating clearance (IOC) for the aircraft, with the first customer delivery (to the French Air Force) targeted for the end of 2012 or early 2013. Seven additional aircraft are currently in various stages of production with a full production rate of 2.5 aircraft per month targeted for 2015.

In April 2011, Airbus Military announced that an amendment to the A400M contract had been signed by OCCAR and the seven A400M launch customer nations, following negotiations on various aspects of a new programme approach for the A400M. For a discussion of the related financial consequences, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — 2.1.1.3 Significant Programme Developments in 2009, 2010 and 2011 — A400M programme".

### Customer Services

More than 800 delivered aircraft are supported by Airbus Military's Customer Services organisation, which offers personalised assistance to meet the needs of each operator. Airbus Military applies the integrated logistic support ("**ILS**") concept throughout the life cycle of its products, from the first design phase right through to the end of their useful lifetimes. Airbus Military's main objective is to ensure that clients obtain the best operational performance and benefit from an integrated support service in accordance with their needs, thus guaranteeing the success of their missions.

Airbus Military support centres are strategically located throughout the world to provide maintenance on equipment. Overhaul and repair services can also be obtained at each location. In November 2011, EADS PZL Warszawa-Okęcie, the Polish branch of Airbus Military, opened a new MRO service centre dedicated to the repair and servicing of Airbus Military C295 aircraft. This is Airbus Military's second service centre in Europe, adding to the capabilities of its service centre in Seville.

As new products are introduced, Airbus Military service centre capabilities are continually updated to support them. For example, Airbus Military is currently working on development of ILS tasks, products and associated services to support the A400M's entry into service. Negotiations on in-service support for France (the first A400M customer) are on-going.

In 2011, Airbus Military sought to enhance its Customer Services organisation by reinforcing the role of the customer programme managers, in order to increase customer satisfaction and develop additional business opportunities related to mission-critical services throughout the product life cycle.

Finally, Airbus Military has the capability to design, develop, produce and give assistance with training at different levels of complexity. An Airbus Military training centre is located in Seville, which has space for six full-flight simulators and a range of other computer-based training devices.

### Production

A final assembly line for light and medium aircraft is located at the San Pablo factory in Seville (southern Spain). The facilities – which are shared with the A400M – have a surface area of 600,000 $m^2$.

## 1.1.3 Eurocopter

### Introduction and Overview

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. This product range currently includes light single-engine, light twin-engine, medium and medium-heavy helicopters which are adaptable to all kinds of mission types based on customer needs. In 2011, Eurocopter recorded total revenues of €5.4 billion, representing 11.0% of EADS' revenues.

Eurocopter delivered 503 helicopters in 2011 (527 in 2010), including the 1,000th Dauphin and the 1,000th EC135 helicopter. Eurocopter received 472 gross orders in 2011 (compared to 395 gross orders in 2010). After accounting for cancellations, net order intake for 2011 was 457 helicopters (compared to 346 helicopters in 2010). Civil contracts accounted for 68% of this order volume, with military sales representing the remaining 32%. As of 31 December 2011, Eurocopter's backlog of helicopter orders was 1076 aircraft (compared to 1,122 aircraft in 2010).

### Strategy

Eurocopter aims at further strengthening its position and increasing its services revenues in order to achieve sustained profitable growth. To achieve these goals, Eurocopter is actively:

#### Implementing an Ambitious Product and Services Policy

With the aim of maintaining market leadership and technological superiority, Eurocopter will continue to strongly invest in the renewal of its comprehensive products and services lines of civil and military helicopters. Accordingly, Eurocopter is currently focused on launching a number of platform upgrades and other new developments, in particular in the medium and medium-heavy segments of the market (*e.g.*, EC175 and X4), so as to incorporate the latest innovations. Through a combination of core technological solutions with high-value customisation capabilities, Eurocopter seeks to offer a cost-effective solution to both civil and military customers with multi-mission needs. The latest products launched on the market (like the EC145 T2 or EC130 T2) have received a very positive customer response.

In addition, Eurocopter will seek a significant expansion in its service offering in order to enhance aircraft availability as well as mission performance and cost effectiveness for its customers. Support and service efficiency is therefore a major focus in Eurocopter's latest products developments, aimed equally at generating future revenues and increasing customer satisfaction. Eurocopter may also pursue external growth opportunities to increase its service offering in the future, as it did through the acquisition of Vector Aerospace in 2011.

### Globalising to Capture Growth Worldwide

Eurocopter's business model is heavily focused on exports, and growth of its global footprint will remain a priority for the future. Building on its already strong implementation in countries like the US, Australia and Brazil and its presence in 30 nations, Eurocopter will seek to further develop its industrial footprint in potential growth markets such as Russia, China and India. Through such international expansion, Eurocopter intends to increase platform sales and capture service opportunities in the after-sales market, in line with customer proximity efforts.

### Building a Leaner, More Streamlined Company

Following implementation of the "SHAPE" transformation programme in 2010, Eurocopter is pursuing further improvement initiatives to build an ever leaner and efficient company and thereby bolster its competitiveness. In this regard, Eurocopter has launched the "LEAN" initiative across the whole value chain in order to increase efficiency. This is intended to result in shorter product development time, faster production cycles and enhanced customer service.

## Market

### Market Drivers

The value of turbine helicopters delivered worldwide grew from an estimated €17.4 billion in 2010 to an estimated €18 billion in 2011. According to market forecasts published by The Teal Group, Honeywell and Rolls Royce, between 9,000 to 11,000 civil helicopters and 6,000 to 6,800 military helicopters are expected to be built globally between 2012 and 2020. This forecast, particularly with respect to the military sector, relies to a large extent on large US development programmes.

Helicopters sold in the civil and parapublic sector, where Eurocopter is a leader in each market segment, provide transport for corporate executives, offshore oil operations, diverse commercial applications and state agencies, including coast guard, police, medical and fire-fighting services. Market data indicates that in 2011, worldwide deliveries of civil turbine helicopters stood at approximately 786 units.

Demand for military helicopters, which are usually larger and have more sophisticated systems than civil helicopters, is mainly driven by budgetary and strategic considerations, and the need to replace ageing fleets. Eurocopter believes that the advanced age of current fleets, the emergence of a new generation of helicopters equipped with integrated systems and the on-going introduction of combat helicopters into many national armed forces will contribute to increased military helicopter procurement over the next few years. Recent large-scale military programmes, such as those conducted by the US, Russia, China, India, South Korea, Saudi Arabia, Brazil and most western European countries have confirmed this trend. Nevertheless, demand from the military sector has historically been subject to large year-to-year variations due to evolving strategic considerations, and short-term growth potential may be limited due to increasing budgetary constraints on public spending in some regions like Europe, while other regions like Asia or Latin America are expected to continue growing. Market data indicates that in 2011, worldwide deliveries of military helicopters stood at 661 units.

### Competition

Eurocopter's main competitors in the civil and parapublic sector are Agusta-Westland, Sikorsky and Bell Helicopter. The civil sector has grown more competitive in recent years, with Sikorsky and Agusta-Westland having increased their market share in the heavy and medium helicopter classes, while Bell has increased its market share in the light helicopter classes.

The military sector is highly competitive and is characterised by competitive restrictions on foreign manufacturers' access to the domestic defence bidding process, sometimes to the virtual exclusion of imports. Nevertheless, with the introduction of the Tiger, NH90 and EC725 and with a more aggressive approach to international industrial cooperation, Eurocopter's share of the global market for military helicopters has increased. In 2011, Eurocopter ranked third in the military sector by deliveries in a market still dominated by US manufacturers and, more recently, Russian manufacturers. Eurocopter's main competitors in the military sector are Agusta-Westland in Europe, and Sikorsky, Boeing and Bell Helicopter (a division of Textron Inc.) in the US. Russian manufacturers have been aggressive particularly in the Asian and Latin American markets. Military sales accounted for 47% of Eurocopter's revenues in 2011.

### Customers

Almost 3,000 operators currently operate Eurocopter helicopters in 149 countries, forming a broad base for Eurocopter's customer support activities. 85% of Eurocopter's customers have fleets of between one and four helicopters. Eurocopter's principal military clients are European MoDs, as well as MoDs in Asia, the US and Latin America. In the civil and parapublic sector, Eurocopter has a leading market share in Europe, the US and Canada.

The versatility and reliability of Eurocopter products have made them the preferred choice of the most prominent customers. The world's largest offshore operators (such as Bristow, CHC, Era and PHI) use Eurocopter helicopters for passenger transport and offshore oil industry support. In the emergency medical services market segment, Eurocopter helicopters dominate the fleets of large operators such as Air Methods in the US and ADAC in Germany. Agencies with high serviceability requirements, including police and armed forces, also rely on Eurocopter products.

Eurocopter's marketing strategy is strongly leveraging on the scale of its global network. Eurocopter's network currently encompasses 30 foreign subsidiaries, complemented by a rich network of authorised distributors and service centres aimed at a large number of existing and potential clients. Eurocopter has developed expertise in production licensing, joint production and subcontracting agreements, and has been developing links with industrial partners and suppliers in more than 35 countries.

## Products and Services

Eurocopter offers a complete range of helicopters that covers nearly the entire civil and military market spectrum, which it updates continuously with leading-edge technologies. This product range includes light single-engine, light twin-engine, medium and medium-heavy helicopters, and is based on a series of new-generation platforms designed to be adaptable to both military and civil applications. In addition, products share multiple technical features as part of a family concept approach.

The following table sets forth Eurocopter's existing product line, consisting of optimised products for different mission types:

| Helicopter Type | Primary Missions |
|---|---|
| **Light Single Engine** | |
| EC120 "Colibri" | Corporate/Private, Civil & Military Training |
| **Single Engine ("Ecureuil" family)** | |
| AS350 "Ecureuil"/AS550 "Fennec" | Parapublic (1), Civil & Military Utility (2), Corporate/Private |
| EC130 | Emergency Medical, Tourism, Oil & Gas, Corporate/Private |
| **Light Twin Engine** | |
| AS355NP/AS555 | Parapublic (1), Utility, Corporate/Private |
| EC135/EC635 | Emergency Medical, Parapublic (1), Oil & Gas, Corporate/Private |
| EC145/LUH (UH-72)/EC645 | Civil & Military Utility (2), Emergency Medical, Parapublic (1), Shuttle |
| **Medium ("Dauphin" family)** | |
| AS365 "Dauphin"/AS565 "Panther" | Parapublic (1) (in particular Coast Guard & SAR), Oil & Gas |
| EC155 | Corporate/Private, VIP, Oil & Gas, Parapublic (1), Shuttle |
| EC175 | SAR, Emergency Medical, Oil & Gas |
| **Medium-Heavy** | |
| AS332 "Super Puma"/AS532 "Cougar" | Military Transport, Oil & Gas, Shuttle |
| EC225/EC725 | SAR, Combat-SAR, Military Transport, Oil & Gas, VIP |
| NH90 (TTH/NFH) | SAR, Combat-SAR, Military Transport, Naval |
| **Attack** | |
| Tiger | Combat, Armed reconnaissance/Escort |

(1) Parapublic includes homeland security, law enforcement, fire fighting, border patrol, coast guard and public agency emergency medical services.
(2) Civil Utility includes different kinds of commercial activities such as aerial works, electrical new gathering (ENG), passenger and cargo transport.

### Civil Range

Eurocopter's civil range includes light single-engine, light twin-engine, medium and medium-heavy helicopters which are adaptable to all kinds of mission types based on customer needs. In order to maintain and strengthen its competitive edge in the civil sector, Eurocopter is pursuing a fast-paced product range renewal. This will entail both upgrades of existing platforms and new development for the next generation of helicopters.

The newest products targeted for entry into service in the short-term are the twin-engine EC145T2/P2 and the medium-class EC175. The EC145T2/P2 helicopter has been developed based on the existing EC145, and was unveiled in early 2011 at the Heli-Expo air show in Orlando, Florida. The EC145T2/P2 incorporates Eurocopter's latest innovations in terms of power, avionics, flight safety, noise reduction and mission equipment and also features a brand-new tail-boom Fenestron assembly. In addition, Eurocopter and Chinese AVIC II Corporation have launched the joint development and production (on a 50/50 basis) of the EC175, a civil helicopter in the 6-tonne category, which will broaden both partners' product ranges. The development phase began in 2006 and is targeted to end with aircraft certification in 2012, with entry into service planned thereafter.

Towards the second half of the decade, Eurocopter is working on the development of the X4 helicopter, the next-generation helicopter and successor of the current Dauphin family. Packed with innovative features and technology, the X4 will offer significantly improved performances, less fuel consumption and noise emissions, and will provide pilots with a new way of flying a helicopter.

### Military Range

Eurocopter's military range comprises platforms derived from its commercial range (such as the EC725 derived from the EC225) as well as purely military platforms for governmental development programmes (the NH90 and the Tiger).

***NH90.*** Designed for modern multi-mission capabilities and cost effectiveness throughout its lifecycle, the NH90 has been developed as a multi-role helicopter for both tactical transport (TTH) and naval (NFH) applications. The programme, mainly financed by the governments of France, Germany, Italy and the Netherlands, has been jointly developed by Eurocopter, Agusta-Westland of Italy and Fokker Services of the Netherlands as joint partners in Nato Helicopter Industries ("**NHI**") in direct proportion to their countries' expressed procurement commitments. Eurocopter's share of NHI is 62.5%. There were 32 NH90 deliveries in 2011, for a cumulative total of 100 deliveries as of the end of 2011.

***Tiger.*** The Tiger combat attack helicopter programme includes four variants based on the same airframe: the HAP (turreted gun, rockets and air-to-air missile), 40 of which have been ordered by France and 6 by Spain; the UHT (antitank missile, air-to-air missile, axial gun and rockets), 80 of which have been ordered by Germany; the ARH (antitank missile, turreted gun and rockets), 22 of which have been ordered by Australia; and the HAD (antitank missile, air-to-air missile, turreted gun, rockets and upgraded avionics and engines), 24 and 40 of which have been ordered by Spain and France, respectively. The Tiger has been deployed in Afghanistan by the French Armed Forces since 2009 with three helicopters permanently on site, and in Libya for a few months in 2011. There were 16 Tiger deliveries in 2011, for a cumulative total of 86 deliveries as of the end of 2011.

### Customer Services

With 2,959 operators in 149 countries, Eurocopter has a large fleet of more than 11,470 in-service helicopters to support. As a result, customer service activities to support this large fleet generated 38% of Eurocopter's revenues for 2011. Eurocopter's customer service activities consist primarily of maintenance, repairs, spare parts supply, training and technical support. In order to provide efficient worldwide service, Eurocopter has established an international network of subsidiaries, authorised distributors and service centres. Further, in order to meet globalising customer demand, Eurocopter has been extending its range of customer services. Eurocopter plans to pursue this expansion in order to offer its customers advanced services that are tailor-made to their operations. Eurocopter's service offering is not only limited to its own helicopter fleet but also comprises other original equipment manufacturer (OEM) platforms as well as fixed-wing mission aircraft.

In 2011, Eurocopter enhanced its worldwide presence and expanded its services activities with the acquisition of Vector Aerospace Corporation, a leading maintenance repair and overhaul services provider for fixed and rotary wings aircraft. This acquisition, the largest in Eurocopter's history, is intended to help the company bolster its activities in both civil and governmental markets as well as increase the company's presence in North America and the UK.

### Production

Eurocopter's industrial activities are conducted in four primary locations, two in France, one in Germany and one in Spain. The French sites are Marignane, in southern France, and La Courneuve, near Paris. The German site is located in Donauwörth, and the Spanish site is located in Albacete.

In the US, American Eurocopter has an industrial site in Columbus, Mississippi, which is dedicated to the assembly and delivery of light utility helicopters for the US government. In Australia, Australian Aerospace assembles NH90 and Tiger for the country's armed forces. Work is also on-going on construction of a new rotary-wing centre of excellence in Itajuba, Brazil, where Helibras (Eurocopter's Brazilian subsidiary) will produce, assemble and maintain EC725 helicopters acquired by the Brazilian armed forces as well as Ecureuils.

Eurocopter will continue to pursue international expansion of its global supply chain with an emphasis on US dollar-based and low-cost sourcing in particular, while also seeking to rationalise its supply network and streamline its internal industrial organisation in parallel.

## 1.1.4 Astrium

### Introduction and Overview

Astrium designs, develops and manufactures satellites, orbital infrastructures and launcher systems and provides space services. It is the third largest space systems manufacturing company in the world after Boeing and Lockheed Martin and the leading European supplier of satellites, orbital infrastructures, launchers and associated services. In 2011, Astrium recorded total revenues of €5.0 billion, representing 10.1% of EADS' revenues.

Astrium has three main Business Units: Astrium Satellites, Astrium Space Transportation and Astrium Services. These Business Units include the provision of launch services through Astrium's shareholdings in Arianespace (Ariane 5 launcher), Starsem (Soyuz launcher) and Eurockot (Rockot launcher), as well as services related to telecommunication and Earth observation satellites through wholly or majority owned subsidiaries such as Paradigm Secure Communications, Infoterra and Spot Image.

### Strategy

With its established presence in five European countries that have active space programmes (France, Germany, UK, Spain and the Netherlands), Astrium is the only European company to offer comprehensive expertise in all areas of the space industry

(satellites, launchers, orbital infrastructure, equipment and services). Astrium's strategy is to strengthen its position in the market by offering its customers a wide range of solutions built on these key strategic assets.

With the launcher and satellite markets still flat, Astrium continues to focus on strengthening its services activity in particular, which is expected to account for the largest part of growth in the coming years. The creation of a new international sales and marketing organisation in 2011, together with the acquisition of Vizada (as discussed below), reflects Astrium's strategy of developing industrial footprints in key countries and markets in order to achieve the expected contribution to the Group's long-term objectives. To achieve its goals, Astrium is actively seeking to:

### Generate profitable growth in a flat market

Institutional and military spending on space activities is relatively flat in Europe due to existing budget constraints. Competition in commercial markets for launchers and telecommunication satellites is also intense, in particular given the weakness of the US dollar against the euro in recent years. Within this difficult market context, Astrium is pursuing the following strategy:

- with respect to the Ariane launcher and M51 missile systems, Astrium Space Transportation has sought to rationalise and streamline its activities by assuming the role of prime contractor (as opposed to a main supplier and industrial architect only). This has strongly contributed to increasing the reliability and cost effectiveness of these products. In addition, Astrium is currently the second largest shareholder of Arianespace with a 32.5% stake after the French space agency ("**CNES**"). Astrium Space Transportation will seek to strengthen this leadership to better serve its customers;
- with respect to satellites and services, Astrium has sought in recent years to move from being solely a systems supplier to a leading satellite service provider in the areas of secure communication and geo-information. The acquisition of Vizada, a leading telecommunication services company providing both mobile and fixed satellite communication services to business-to-business (B2B) customers, represents an important step forward in 2011. Other examples include Astrium's agreement to acquire 66.78% of the Italian company Space Engineering, a specialist in digital telecommunications, radio frequency (RF) and antenna equipment engineering for both space and ground based applications, as well as an increase in Astrium's ownership of the US geo-information company I-Cubed (from 25% to 78%). In the future, Astrium will seek to further strengthen its position in the field of geo-information services.

### Be the benchmark in terms of customer service and attractiveness to employees

Launched in 2010 to counter the increasingly challenging market environment and enhance profitability, the transformation programme AGILE (Ambitious, Globally growing, Innovative, Lean and Entrepreneurial) strives to improve Astrium's agility and competitiveness, while freeing up additional resources to invest in innovation. At the same time, AGILE emphasises customer orientation as well as employee empowerment. In 2011, measures implemented under AGILE enabled Astrium to win business in new export markets, such as the sale of satellites in the US (DirectTV15) and Malaysia (Measat 3B).

## Astrium Satellites

Astrium Satellites is a world leader in the design and manufacturing of satellite systems, payloads, ground infrastructure and space equipment for a wide range of civil and military applications. Prime contractor for 100 communication satellites, Astrium Satellites is a reference partner for many of the world's most prestigious operators. Astrium Satellites' business covers the four categories of satellite systems — telecommunication, observation, scientific and navigation satellites.

### Market

The commercial telecommunication satellite market is extremely competitive, with customer decisions based on price, technical expertise and track record. In 2011, Astrium Satellites' worldwide market share (in units) for new orders of geostationary satellites amounted to approximately 20% according to internal estimates. Its main competitors are Loral, Boeing, Orbital and Lockheed Martin in the US, Thales Alenia Space (TAS) in France and Italy, and Information Satellite Systems Reshetnev in Russia. The geostationary commercial telecommunication market is expected to remain stable at a level of orders of approximately 20-22 orders per year on average over the next 5 years, with increased competition. Astrium Satellites will seek to reinforce its position in this market.

In the market for observation, scientific and navigation satellites, competition in Europe is organised either on a national or multinational level, such as through the European Space Agency ("**ESA**"). There is also sizeable export demand for Earth observation systems, for which EADS is the leading European provider. Furthermore, civil state agencies, including ESA, have displayed increased needs for Earth observation satellites, for example in the framework of European environmental programmes. Astrium expects this market to continue growing over the medium-term.

Finally, for military customers, demand for telecommunication and observation satellites has increased in recent years. The Skynet 5/Paradigm contract in the UK, the Satcom BW contract in Germany, the Yahsat contract in the United Arab Emirates and the 2010 contract for two optical reconnaissance satellites in France demonstrate the growth trend in this market.

### Products and Services

Astrium Satellites offers turnkey satellite systems to its customers, including through an array of wholly owned subsidiaries such as (i) EADS CASA Espacio (Spain), which supplies platforms, space-borne antennas, deployment mechanisms and harness subsystems for telecommunication satellites, (ii) CRISA (Spain), which designs and manufactures electronic equipment and software for space applications, (iii) Tesat (Germany), which is in charge of telecommunication electronic equipment and subsystems, (iv) Dutch Space

(Netherlands), which provides solar arrays and other specialised items, (v) SSTL (UK), which provides small satellites and payloads, and (vi) Jena-Optronik, which provides space sensors and optical systems.

***Telecommunication Satellites.*** Astrium Satellites produces telecommunication satellites which have multiple applications, such as long-distance and mobile telephone links, television and radio broadcasting, data transmission, multimedia and Internet trunking. They may be used for civil or military applications. Astrium's geostationary telecommunication satellites are based on the EUROSTAR family platforms (67 ordered to date), the latest version of which is EUROSTAR 3000.

Astrium Satellites won orders for four commercial telecommunication satellites in 2011 (Measat 3B for Malaysian operator MEASAT, DirectTV 15 for Direct TV, Eutelsat 3B and 9B for Eutelsat). Five telecommunication satellites were launched in 2011: Yahsat 1A for Yahsat (April 2011), Astra 1N for SES Astra (August 2011), AM4 for RSCC (August 2011), Arabsat 5C for Arabsat (September 2011) and Atlantic Bird7 for Eutelsat (September 2011).

***Observation and Scientific Satellites.*** Astrium Satellites is the leading European supplier of Earth observation satellite systems for both civil and military applications. In this field, customers derive significant benefits from the common elements of Astrium Satellites' civil and military programmes. Observation satellites allow the collection of information for various fields, such as cartography, weather forecasting, climate monitoring, agricultural and forestry management, mineral, energy and water resource management and military reconnaissance and surveillance applications. Astrium Satellites also produces scientific satellites, which are tailor-made products adapted to the specific requirements of the mission assigned to them. They have applications such as astronomical observation of radiation sources within the universe, planetary exploration and Earth sciences.

Astrium Satellites designs and manufactures a wide range of highly versatile platforms, optical and radar instruments and equipment for the complete scope of remote-sensing applications, operations and services. Astrium Satellites is the prime contractor for complex missions such as (i) Pléiades, two small and highly agile Earth observation satellites for civil and military applications, (ii) Swarm, a climatology satellite monitoring the evolution of the Earth's magnetic fields, (iii) Gaia, a global space astrometry mission, (iv) Bepi Colombo, an observation mission to Mercury, (v) EarthCARE, a joint European-Japanese cloud and aerosol mission, (vi) Seosat and Seosar, a radar Earth observation system for the Spanish government, and (vii) Spot 6 and Spot 7 for Spot Image, a subsidiary of Astrium Services.

In 2011, Astrium was selected by ESA as prime contractor for the development and construction of Sentinel-4 dual spectrometers and Sentinel 5 Precursor satellite, both part of the Global Monitoring for Environment and Security ("**GMES**") programme. Astrium also won one order for an Earth observation satellite from the Vietnam Academy of Science & Technology.

Six Earth observation satellites were launched in 2011: Pléiades 1A for the CNES (December 2011), the four ELISA micro-satellites for the joint DGA/CNES customer (December 2011), and SSOT for the Chilean Armed Forces (December 2011).

***Navigation Satellites.*** Astrium Satellites produces navigation satellite systems, which deliver signals that enable users to determine their geographic position with high accuracy, and are increasingly significant in many sectors of commercial activity, such as airlines, transport operators on land, sea and air, emergency services, agriculture and fisheries, tourism and telecommunication networks. Following the decision reached by the European Union at the end of 2007 to move ahead with the development of a European global satellite navigation system,"Galileo", ESA has been placed in charge of direct procurement of the various necessary components (space segment, ground segment, system support, launchers, etc.). Astrium is responsible for the Galileo in-orbit validation phase ("**IOV**") to test the new satellite navigation system under real mission conditions. The IOV phase covers the construction of the first four satellites of the constellation and part of the ground infrastructure for Galileo, followed by the testing of this partial system. In 2011, the first two Galileo IOV satellites were successfully launched and completed their launch and early operations sequence. Astrium will also play an active role in the full operational capability phase ("**FOC**") of Galileo, in particular through its subsidiary SSTL which will provide the payloads for the first 14 FOC satellites. In 2011, ESA awarded Astrium the Galileo Full Operational Capability Ground Control Segment, which covers the provision of ground control segment facilities for the operation of the Galileo constellation.

## Astrium Space Transportation

Astrium Space Transportation is the European space infrastructure and space transportation specialist. It designs, develops and produces Ariane 5 launchers, the Columbus laboratory and the Automated Transfer Vehicle ("**ATV**") cargo carrier for the International Space Station ("**ISS**"), ballistic missiles for France's deterrence forces, propulsion systems and space equipment.

### Orbital Infrastructure

The orbital infrastructure segment comprises manned and unmanned space systems. The ISS, together with related vehicle and equipment development programmes and services, constitutes the predominant field of activity in this segment. Astrium Space Transportation is the prime contractor under an ESA contract relating to two key elements of the ISS: the Columbus Orbital Facility laboratory ("**COF**") and the ATV cargo carrier.

#### Market

Demand for orbital infrastructure systems originates solely from publicly funded space agencies, in particular from ESA, NASA, Roscosmos (Russia) and NASDA (Japan). Such systems are usually built in cooperation with international partners. In addition to the COF and ATV projects, ESA is responsible for additional ISS components for the station's construction and

operational phases. National space agencies, such as DLR and CNES, are also involved in the development of experimental facilities to be used on the ISS.

### Products and Services

Astrium Space Transportation has been the prime contractor for the development and integration of the COF. The COF is a pressurised module with an independent life-support system. It provides a full-scale research environment under microgravity conditions (material science, medicine, human physiology, biology, Earth observation, fluid physics and astronomy) and serves as a test-bed for new technologies. In 2011, ESA awarded Astrium Space Transportation a contract to manage the continued operation of the European components of the ISS as the lead partner in an industrial consortium. The contract represents the first phase of a long-term service agreement for the entire planned service life of the ISS until 2020.

Astrium Space Transportation is also the prime contractor for the development and construction of the ATV cargo carrier, designed to carry fuel and supplies to the ISS and to provide re-boost capability and a waste disposal solution. Following the first two successful launches, the third ATV, "Edoardo Amaldi", was shipped to Kourou in August 2011 for final assembly. Following loading, fuelling and installation on an Ariane 5 launcher, it was successfully launched in March 2012.

## Launchers & Launch Services

Space systems (including satellites, orbital infrastructure elements and interplanetary probes) depend on rocket propelled multi-stage launchers, which are consumed during the launch process, to place them into orbit. Astrium Space Transportation is active in two distinct businesses: (i) designing and manufacturing launchers for both civil and military purposes, and (ii) providing launch services through its interests in Arianespace, Starsem and Eurockot.

Astrium Space Transportation is the sole prime contractor for the Ariane 5 system, with responsibility for the delivery to Arianespace of a complete and fully tested vehicle. Astrium Space Transportation also supplies all Ariane 5 stages, the equipment bay, the flight software as well as numerous sub-assemblies. Additionally, Astrium Space Transportation is the prime contractor for ballistic missile systems to the French State. It is responsible for the development, manufacturing and maintenance of submarine-launched missiles and related operating systems.

### Market

The market for commercial launch services continues to evolve. Competitive pressure is increasing in light of other competitors entering or coming back into the market. The Arianespace accessible market for commercial launch services for geostationary satellites is expected to remain stable at 20 payloads per year. However, due to various factors (such as technology advances and consolidation of customers), this figure remains volatile. This market does not include institutional launch services for the US, Russian or Chinese military and governmental agencies.

In the area of national defence, Astrium Space Transportation has been the exclusive supplier of ballistic missiles to the French State since the early 1960s. In addition to conducting production and state-financed development work, Astrium Space Transportation performs substantial maintenance work on the ballistic missile arsenal to ensure system readiness over the life span of the equipment, which may stretch over several decades. Astrium Space Transportation also provides on-site support to the French military. Finally, Astrium Space Transportation is working in partnership with others on a NATO contract relating to theatre missile defence architecture.

### Products and Services

***Launch Services.*** Astrium Space Transportation is active in the field of launch services through shareholdings in Arianespace (for heavy-lift launchers), Starsem (for medium-lift launchers) and Eurockot (for small-lift launchers):

- *Arianespace*. Astrium is Arianespace's second largest shareholder (after CNES) with a 32.5% stake (direct and indirect), and its largest industrial shareholder. Arianespace is the world's largest commercial launch service provider in terms of total order book. Arianespace markets and sells the Ariane launcher worldwide and carries out launches from the Guiana Space Centre in Kourou, French Guiana.

  In 2011, Arianespace signed a total of 10 Ariane 5 contracts for geostationary satellites, representing more than 48% of the available market. Arianespace conducted five Ariane launches, which placed eight telecommunication satellites and one ATV into orbit. Since the first Ariane 5 launch in 1996, 60 Ariane 5 rockets have been launched. In 2011, Arianespace also performed two history-making inaugural missions of Soyuz from Kourou, deploying eight institutional satellites into their respective orbits.

- *Starsem*. Astrium Space Transportation directly owns 35% of Starsem, a French corporation, along with Arianespace (15%), the Russian space agency (25%) and the Russian state-owned Samara Space Centre (25%). Through Arianespace, Starsem markets launch services by Soyuz launchers for medium-weight spacecraft into low or sun-synchronous orbits as well as for interplanetary missions. In 2011, Starsem conducted two Soyuz launches from Baikonur cosmodrome, which placed 12 commercial satellites into orbit.

- *Eurockot*. Astrium Space Transportation (51%) and Khrunichev (49%) jointly control Eurockot Launch Services, which provides launch services for small, low-Earth orbit satellites with Rockot launchers derived from SS-19 ballistic missiles.

***Commercial Launchers.*** Astrium Space Transportation manufactures launchers and performs research and development for the Ariane programmes. Member states, through ESA, fund the development cost for Ariane launchers and associated technology.

Astrium Space Transportation has been the sole prime contractor for the Ariane 5 system since 2004. Given the

commercial success of Ariane 5, Astrium Space Transportation signed a contract with Arianespace in 2009 for the production of 35 Ariane 5 launchers, in addition to the batch of 30 Ariane 5 launchers ordered in 2004. In 2010, Astrium Space Transportation contracted the first part of the Phase 1 development for the Ariane 5 Midlife Evolution, which will increase launcher capacity with an in-service date scheduled for 2017. In 2011, Astrium Space Transportation received confirmation from ESA following a preliminary design review that the Ariane 5 Midlife Evolution launcher project had been approved.

***Ballistic Missiles.*** Astrium Space Transportation is the only company in Europe which designs, manufactures, tests and maintains ballistic missiles. Following its contracts with the French State for the submarine-launched ballistic missiles family of M1, M2, M20, M4 and M45, Astrium Space Transportation is now under contract to develop and produce the M51 with increased technical and operational capabilities. With the successful 4th flight test and acceptance launch in 2010, the M51.1 is set to soon enter service on France's nuclear-powered ballistic missile submarines. In 2010, the French Defence Procurement Agency and Astrium Space Transportation signed a contract covering the development and production of the second version of the M51 strategic missile (M51.2), which helps to secure Astrium Space Transportation's capabilities in this field. In addition, Astrium Space Transportation manages the operational maintenance of the M51 missile system on behalf of the French armed forces. At the end of 2011, Astrium Space Transportation received a first design study contract in order to prepare the intended M51.3 new upper stage development.

## Astrium Services

Astrium Services offers innovative, highly competitive end-to-end tailored solutions in the fields of secure communication and geo-information. As the European "one-stop-shop" provider for military satellite communication services, Astrium Services delivers secure military satellite services to a number of countries.

In 2011, Astrium Services acquired Vizada, a leading independent provider of global satellite communications services. Vizada has more than 700 employees serving 200,000 end-customers across sectors such as maritime, aero, land, media, non-governmental organisations and government/defence. Vizada offers mobile and fixed connectivity services from multiple satellite network operators, both directly and through a network of 400 service provider partners. The integration of Vizada is intended to enhance Astrium Services' range of solutions, strengthen its presence globally and enhance its satellite telecommunication services.

Astrium also finalised the acquisition of a majority shareholding of 75.1% in ND SatCom, the satellite equipment provider and ground systems integrator based in Friedrichshafen, Germany.

### Products and Services

***Military Communication.*** In 2003, the UK MoD selected Paradigm to deliver a global military satellite communication service for its next-generation Skynet 5 programme. This contract, pursuant to which Paradigm owns and operates the UK military satellite communication infrastructure, allows the UK MoD to place orders and to pay for services as required. Offering a catalogue of services, Paradigm delivers tailored end-to-end in-theatre and back-to-base communication solutions for voice, data and video services, ranging from a single voice channel to a complete turnkey system incorporating terminals and network management. Paradigm also provides welfare services, ensuring that deployed troops can call home and can use the Internet. The first three Skynet 5 satellites were launched in 2007 and 2008, enabling the UK MoD to pronounce full operational service in 2009. In 2010, the contract was extended by 30 months, including the manufacturing, launch, testing and operation of a fourth satellite Skynet 5D, scheduled for launch at the end of 2012.

In Germany, a team led by Astrium Services is providing Germany's first dedicated satellites for a secure communication network. Two military-frequency satellites and a comprehensive user ground terminal segment give the German Armed Forces (Bundeswehr) a secure information resource for use by units on deployed missions, with voice, fax, data, video and multimedia applications. With the first satellite (ComSat BW1) launched in 2009, the second (ComSat BW2) in 2010, and user terminals deployed in theatre, the system commenced operations in 2010. Astrium Services, through a joint venture with ND Satcom (Astrium Services: 75%, ND Satcom: 25%) operates the system on a long-term basis and provides additional capacity from commercial operators.

In Abu Dhabi, Astrium Services (together with Thales Alenia Space) is working on a contract signed with Yahsat, a wholly owned subsidiary of Mubadala Development Company, for the construction of a secure satellite communication system. Astrium Services is managing the programme and will supply the space segment (except for the payload) and 50% of the ground segment. In 2011, after the successful completion of in-orbit testing, the first satellite Yahsat 1A was officially handed over to Yahsat and the initial system acceptance milestone was achieved. This milestone enables Yahsat to provide the United Arab Emirates Armed Forces with military satellite communications capabilities. The delivery of the second satellite, Yahsat 1B, is expected in 2012.

***Geo-Information Services.*** Astrium Services is a provider of both optical and radar-based geo-information services to customers including international corporations, governments and authorities around the world. The successful launch of TerraSAR-X in 2007 – a radar-based Earth observation satellite that provides high-quality topographic information – enabled Astrium subsidiary Infoterra to significantly expand its capabilities by proposing new kinds of images based on radar. TanDEM-X, its almost identical twin, was successfully launched in 2010 and will further expand Infoterra's product portfolio by allowing 3D imagery.

Spot Image, a provider of satellite-based geographic information and services (98.9% owned by Astrium), continues work on the "Astroterra programme", which is designed to replace Spot 5 (owned by the French State with an exclusive operating license granted to Spot Image) before the end of its lifetime with a

constellation of two Earth observation satellites (Spot 6 and Spot 7) in order to maintain high resolution capability through to 2023. Following its successful launch in December 2011 on a Soyuz from Kourou, the French Space Agency's Pléiades 1A satellite has produced its first images. Pléiades is a very high resolution dual-use observation system for civil and military users. Pléiades will be operated by CNES with commercial distribution managed exclusively by Astrium Services' geo-information division.

In 2011, Astrium Services was selected by ESA to design, deliver and operate the European Data Relay System ("**EDRS**") through a public-private partnership (PPP) between ESA and Astrium. The EDRS system will be a system of two geostationary telecommunication satellites with an associated ground segment. It is designed to reduce time delays in the transmission of large quantities of Earth observation data and to relay information to and from non-geostationary satellites and fixed earth stations, which otherwise are not able to permanently communicate. The new space data highway will provide Europe with independent, on demand access to Earth observation data from low Earth orbit satellites in real-time. EDRS operations are expected to commence with the launch of the first EDRS mission at the end of 2014. The European Union, with its GMES programme and its Sentinel satellites, is intended to be the anchor tenant for the service, with additional capacity on the system marketed by Astrium Services to third-party users.

### Production

Astrium's main production facilities are located in France (Élancourt, Les Mureaux, Bordeaux, Toulouse, Limeil-Brévannes), Germany (Backnang, Bremen, Friedrichshafen, Jena, Lampoldshausen, Ottobrunn), Spain (Madrid), the UK (Portsmouth, Stevenage, Guildford) and the Netherlands (Leiden).

## 1.1.5 Cassidian

### Introduction and Overview

Cassidian is a worldwide leader in global security solutions and systems, providing lead systems integration and value-added products and services to civil and military customers around the globe: air systems (combat aircraft, military transport, mission aircraft and unmanned aerial systems), land, naval and joint systems, intelligence and surveillance, cyber security, secure communications, test systems, missiles, services and support solutions. As a lead systems integrator, Cassidian combines the know-how to design, develop and implement overall system solutions by integrating across platforms, equipment and services.

In 2011, Cassidian recorded total revenues of €5.8 billion, representing 11.8% of EADS' revenues.

### Strategy

Cassidian is seeking to support the implementation of the Vision 2020 plan by growing defence and security revenues, improving profitability to benchmark level, increasing its services business and transforming itself into a truly global Division. To achieve these goals, Cassidian is actively:

#### Implementing an Ambitious Transformation Programme

During 2011, Cassidian introduced a far reaching transformation programme spanning performance and cost improvements and a new structural set up to counterbalance deterioration and challenges from the changed business environment. The previous Business Unit structure was replaced by a matrix structure with a country and business line dimension to improve proximity to international markets and customers. Through the implementation of its transformation programme along with selected investment in next generation products and services and focused global growth, Cassidian is seeking to strengthen its local footprint in strategic markets and improve its profitability to attain European benchmark levels.

#### Pursuing Future Growth Areas

Within the context of increasing budgetary constraints on public spending in its European home markets, Cassidian will seek to maintain its leadership in core areas (such as combat aircraft, missiles, electronics and systems) while simultaneously targeting fast growing markets such as:

- the unmanned aerial systems market, where Cassidian is developing a leading position based on its strong experience and supported by key acquisitions which have boosted its capabilities in this area;
- the security market, where Cassidian offers solutions such as integrated systems for global security, comprehensive security communications solutions and security electronics. Project awards in the Middle East make Cassidian a world leader in integrated nationwide security solutions. Cassidian also made a significant move in the cyber security market by creating a new cyber branch targeting both a product and service offering of advanced cyber security;
- the services market, where Cassidian will seek to enhance its offering of comprehensive packages of mission critical services to its customers at home and abroad. This service portfolio ranges from consultancy, concept development and simulation, to through-life support of aerial platforms, fleet service/flight service, training, operation and outsourcing.

### Consolidating in Home Markets while Becoming a Global Player

Cassidian is seeking to consolidate its position in its European home markets (France, Germany, Spain and the UK). Within these markets, Cassidian will aim to leverage its technology and skills in the areas of electronics, airborne platforms, missiles and system businesses in particular.

In addition, Cassidian is working to expand its industrial footprint in other markets with significant growth potential, such as the Middle East, Brazil and India. Cassidian is targeting not only wins of key campaigns, but also the development of a long-term industrial presence in order to be considered as a trusted local player by potential customers.

In parallel, Cassidian will strive to increase its market share in the key US market – in close coordination with EADS North America – by offering superior products and technologies. Cassidian is also building strong transatlantic industrial partnerships with US prime contractors to explore new opportunities.

## Market

### Market Drivers

The defence and security market continues to be driven by rapidly evolving security challenges and the need to respond to new global threats. At the same time, economic conditions in the main industrialised countries — in particular Cassidian's European home markets — are creating downward pressure on budget resources for defence and security spending. Countries must therefore balance funding priorities in order to plan for the broadest possible range of operations, including homeland defence, stabilisation efforts, counterinsurgency and counterterrorism operations, or nation state aggressors with growing sophistication and military means. This has only served to reinforce the convergence of the traditional roles of defence and security into a single set of customer needs, a trend that Cassidian expects will continue.

Within the current economic climate, Cassidian believes that the strongest opportunities for growth are in the export markets of the Middle East, Brazil and India, among others, where defence and security budgets are growing quickly. With increasing needs and aging equipment, these regions have the financial strength necessary to make future defence and security acquisitions.

### Competition

The defence and security market is highly competitive, with Cassidian facing competition from large- and medium-sized US and European companies that also specialise in its key markets. Its main competitors include Lockheed Martin, Dassault, Boeing, Northrop Grumman, Thales, Motorola, General Dynamics, Raytheon, other lead systems integrators and combat aircraft manufacturers worldwide. Competitive factors include affordability, technical and management capability, the ability to develop and implement complex, integrated system architectures and the ability to provide timely solutions to customers.

Cassidian's major challenge is to develop business in new strategic geographic markets and high growth market segments globally so as to compensate for stagnating or declining defence budgets in its European home markets. In 2011, Cassidian continued to accelerate its drive to globalise its business outside of Europe while also developing next-generation defence and security products.

### Customers

The nature of Cassidian's business demands that it establish long-term relationships with its customers and, where possible, enter into strategic partnerships or joint ventures with large international players in order to sustainably expand the Division's industrial footprint outside its home markets. Key customers primarily include government and security agencies, such as ministries of defence and the interior and security forces, located not only in Cassidian's European home markets but increasingly worldwide.

This includes the Middle East, where Cassidian is a key supplier of military air systems, advanced radar technologies, secure communications systems and large integrated systems, as well as Brazil, where Cassidian already supplies radio communication networks and is seeking (together with its Brazilian joint venture partner Odebrecht) to offer defence and security integrated systems, products and services to customers in Brazil and Latin America. Cassidian has also established a footprint in India in the areas of sensors, secure communications systems and design and engineering.

## Products and Services

### Air Services

Cassidian offers its customers a full suite of services associated with operating their military air systems, including maintenance, repair and overhaul, modernisation, logistics optimisation, product-specific training and integrated system support centres. In addition to these services, Cassidian offers its clients the possibility of upgrading their military air systems. Cassidian has developed expertise in this area by conducting upgrade programmes for aircraft such as the Tornado and C-160 Transall, among others.

### Combat Air Systems

Eurofighter, known as "Typhoon" for export outside of Europe, is a network-enabled, extremely agile, high-performance multi-role combat aircraft optimised for swing-role operations in complex air-to-air and air-to-surface combat scenarios. Eurofighter is designed to enhance fleet efficiency through a single flying weapon system capable of fulfilling supersonic, beyond-visual-range combat, subsonic close-in air combat, air interdiction, air defence suppression and maritime and littoral attack roles.

The Eurofighter GmbH shareholders and subcontractors are EADS (46% share), BAE Systems (33% share) and Alenia Aermacchi, a division of Finmeccanica (21% share). With regard to series production, the respective production work shares of the participating partners within the Eurofighter consortium stand at 43% for EADS, 37.5% for BAE Systems and 19.5% for Alenia. EADS is responsible for the centre fuselage, the

flight control system, attack and identification as well as communication sub-systems, the manufacturing of the right wing and leading edge slats for all aircraft ordered under the programme, as well as the final assembly of the aircraft ordered by the German and Spanish Air Force.

As of 31 December 2011, 472 aircraft were firmly on order within the core programme (with an additional 87 for export) and a total of 315 aircraft had been delivered (including 38 aircraft in 2011), with production of tranche 3A secured until 2017.

Outside the core programme, further export opportunities are believed to exist in Europe, the Middle East, Asia and the Far East, following a government to government deal reached between the UK and Saudi Arabia for the purchase of 72 aircraft, for which deliveries are on-going.

### Mission Air Systems

Cassidian offers a full range of manned and unmanned mission air systems. In the field of unmanned aerial systems, Cassidian provides tactical systems like Tracker and ATLANTE, medium-altitude long endurance (MALE) systems like Harfang, and high-altitude long endurance (HALE) systems like EuroHawk, which celebrated its roll-out of the signal intelligence system in 2011.

Cassidian also worked on a next-generation system for reconnaissance and surveillance missions based on a risk-reduction study awarded by France, Germany and Spain. In the Research and Technology programme "Agile UAV-NCE" of the German Armed Forces, Cassidian is contributing with its Barracuda Technology Demonstrator.

### Cyber Security

To meet the growing cyber security needs of users of critical IT infrastructure, including governments and global companies, Cassidian has established a cyber-security branch. Cassidian provides all of the expertise and solutions to help organisations protect against, detect, prevent and respond to cyber threats. Cassidian has a long track record in providing the most sensitive secure IT and data handling (*e.g.* ECTOCRYP) and training solutions to defence and security customers throughout France, Germany, the UK and other NATO countries.

### Integrated Systems

Cassidian offers comprehensive mission systems and solutions in the areas of air dominance, battle space systems, intelligence solutions and naval systems, as well as overall systems support. It is a leading provider for full systems design architecture and systems integration responsibility for military and security land-, sea-, air- and space-based systems. Cassidian designs, integrates and implements secure fixed, tactical, theatre and mobile information infrastructure solutions, including all of the services needed to support integrated mission systems and solutions. Cassidian is also a major designer and supplier of C4I systems (Command, Control, Communications, Computers and Intelligence systems).

Cassidian's lead systems integration offering includes the ability to design, develop and integrate the widest possible range of individual platforms and subsystems into a single effective network. Lead systems integration has become increasingly important for customers engaged in border control and coastal surveillance, as well as for non-military customers in areas such as homeland security, all of which are areas of major focus for Cassidian.

Cassidian signed the world's first fully integrated border and maritime security system in 2007 (the Qatar National Security Shield), and currently it is prime contractor in Saudi Arabia on development of a national security programme covering about 9,000 kilometres of the country's borders. Cassidian is also providing an integrated solution for border surveillance and security for Romania,

### Mission Avionics

As a major partner in the field of military mission avionics for the A400M, Cassidian assumes sub-system responsibility for mission management and defensive aids. Its offering also comprises avionics equipment, such as digital map units, flight data recording units and obstacle warning systems for helicopters. In addition, Cassidian is developing multi-sensor integration and data fusion technology, which is a key future technology for network-enabled capabilities.

### Secure Communication Systems

Cassidian is a leading provider of digital Professional Mobile Radio ("**PMR**") and secure networks with more than 200 networks delivered in 67 countries. Its solutions for PMR enable professional organisations in various areas – such as public safety, civil defence, transport and industry – to communicate effectively, reliably and securely. Cassidian offers its customers specialised PMR solutions based on TetraPOL, Tetra and P25 technologies. Cassidian's PMR solutions helped to secure events like the Olympic Games in Beijing, Le Tour de France, the soccer World Cup in South Africa and only recently in November 2011, the G20 summit held in Cannes, France.

### Sensors and Electronic Warfare

Cassidian is a principal partner in the development of airborne multi-mode radars and provides integrated logistics support, maintenance and upgrades. It is also 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. Synthetic aperture radars (SAR) for reconnaissance and surveillance operations and airport surveillance radars (ASR-S) also form part of the portfolio. In 2011, Cassidian presented the SpexerTM security radar family.

In the field of electronic warfare, Cassidian supplies electronic protection systems for military vehicles, aircraft and civil installations, such as laser warning, missile warning and active electronic countermeasure units.

### Test and Services

The test and services product range covers the entire life cycle of equipment and systems and includes comprehensive solutions that rely on test services and systems. The solutions are either integrated or sold as stand-alone elements: instrumentation, system software and application software.

The versatility of test and services systems means that a multitude of equipment and systems can be tested. Already present worldwide with its civil and military equipment testers, Cassidian is consolidating its development strategy on the international stage with new locations in France, Germany, Spain, the UK and the US, as well as a global distribution network.

## Joint Ventures

### MBDA

MBDA (a joint venture between EADS, BAE Systems and Finmeccanica with stakes of 37.5%, 37.5% and 25%, respectively) is responsible for missile systems within Cassidian. MBDA offers superior capabilities in missile systems and covers the whole range of solutions for air dominance, ground based air defence and maritime superiority, while also providing advanced technological solutions in battlefield engagement. Beyond its leading role in European markets, a strong foothold has been established in export markets like Asia, the Gulf Region and Latin America.

The broad product portfolio covers all six principal missile system categories: air-to-air, air-to-surface, surface-to-air, anti-ship, anti-submarine and surface-to-surface. MBDA's product range also includes a portfolio of airborne countermeasures such as missile warning and decoying systems and decoy dispensers, airborne combat training and countermining systems. The most significant programmes currently under development are the Aster Paams naval air defence system, the METEOR air superiority missile system, the Medium Extended Air Defence System (MEADS) and the Scalp NAVAL ship and submarine launched deep strike weapon. MBDA is also part of Team Complex Weapon (TCW) to define an approach for fulfilling the UK's complex weapon requirements.

### Signalis

Signalis is a provider of maritime safety and security solutions and officially started operating as of 1 January 2011. Signalis regroups all activities of Sofrelog (acquired by Cassidian in 2006) and Atlas Maritime Security, a subsidiary of Atlas Elektronik. Signalis is co-owned by Cassidian (60%) and Atlas Elektronik (40%). Signalis provides integrated mission critical real-time systems using radar and other wide-area sensors, mostly for maritime applications, typically vessel traffic services and coastal surveillance.

### Atlas Elektronik

Atlas Elektronik GmbH, headquartered in Bremen (Germany), is a joint venture of ThyssenKrupp (51%) and EADS (49%). Atlas Elektronik provides maritime and naval solutions above and below the ocean surface. The company holds a leading position in all fields of maritime high technology from command and control systems to coastal surveillance systems and in-house support.

### Larsen & Toubro

In February 2011, Indian authorities approved a joint venture between the Indian engineering company Larsen & Toubro and Cassidian in the field of defence electronics (with stakes of 74% and 26%, respectively). The joint venture cooperates closely with Cassidian's new engineering centre in Bengaluru (inaugurated in early 2011), where systems design and engineering activities are carried out in the fields of electronic warfare, radars and avionics for military application.

### Emiraje Systems

Emiraje Systems LLC is a joint venture established in 2009 between C4 Advanced Solutions L.L.C. (C4AS) (51%), a wholly owned subsidiary of the Emirates Advanced Investments ("**EAI**") group, and Cassidian (49%) for the purpose of building a strong lead systems integration capability within the United Arab Emirates and bringing the most advanced C4ISR solutions to United Arab Emirates customers and to the wider circle of Middle East customers. This partnership is also a cornerstone of the EAI and Cassidian strategy to effectively address the transfer of technology to the United Arab Emirates, which is a key factor for the successful development and operation of strategic and nationally sensitive defence and security systems. In 2011, Emiraje Systems was awarded the contract for the first phase of development of the United Arab Emirates command and control system (C4ISR programme).

### Odebrecht

In 2010, Cassidian established a joint venture, Odebrecht EADS Defesa SA, with the Brazilian company Odebrecht (with stakes of 50% each). The objective is to offer Brazil-based solutions for defence and security integrated systems, products and services to customers in Brazil and other countries. This initiative mainly focuses on engineering, production and procurement activities which can be realised in Brazil.

## Production

As a global company with strong national roots, Cassidian has facilities in its European home markets of Germany, France, Spain and the UK. In addition, Cassidian operates in more than 80 countries worldwide and has a worldwide network of offices in order to secure and maintain close relationships with both customers and partners. The main production sites are located in Germany (Manching, Ulm) and Spain (Getafe). In addition, Cassidian operates an engineering centre in Bengaluru, India.

# 1.1.6 Other Businesses

## Regional Aircraft — ATR

ATR (*Avions de Transport Régional*) is a world leader in the 50- to 74-seat regional turboprop aircraft market. ATR is an equal partnership between EADS and Alenia Aeronautica (Finmeccanica Group), with EADS' 50% share managed by Airbus. Headquartered in Blagnac near Toulouse in the south of France, ATR employs more than 930 people, with major operations in the Midi Pyrénées and Aquitaine regions of France. ATR was launched in 1981.

### Market

The regional turboprop aircraft industry has experienced growing concentration over the years. During the 1990s, a number of regional aircraft manufacturers merged, closed or ceased production, leading to the withdrawal from the market of BAe, Beechcraft, Fokker, Saab and Shorts, among others. Currently, the worldwide market for turboprop aircraft of 50-70 seats in production is dominated by two manufacturers: ATR and Bombardier.

After a number of years of declining activity, the regional turboprop aircraft market has since experienced sustained growth due to the advantages of turboprop aircraft over jet aircraft in terms of fuel efficiency and $CO_2$ emissions. In 2011, ATR delivered 54 new aircraft (compared to 51 in 2010) and recorded orders for 157 new aircraft (compared to 80 in 2010).

As of 31 December 2011, ATR had a backlog of 224 aircraft (compared to 165 in 2010). The current backlog represents close to three years of deliveries, with at least 70 targeted for 2012. The relative lower operating cost and reduced $CO_2$ emissions of turboprop aircraft, in an ever passenger-yield constrained environment, are expected to lead to sustained market activity over the coming years.

### Products and Services

***ATR 42 and ATR 72.*** Commencing with the ATR 42 (50-seat), which entered service in 1985, ATR has developed a family of high-wing, twin turboprop aircraft in the 50- to 74-seat market that are designed for optimal efficiency, operational flexibility and comfort. In 1995, in order to respond to operators' increasing demands for comfort and performance, ATR launched the ATR 42-500 and two years later, the ATR 72-500 (70-seat) series. Like Airbus, the ATR range is based on the family concept, which provides for savings in training, maintenance operations, spare parts supply and cross-crew qualification.

In 2007, ATR launched the new -600 series with improved engines, new avionics and a new cabin. The ATR 72-600 pre-series aircraft started its flight test campaign in 2009, while the first flight of the ATR 42-600 followed in 2010. The ATR 72-600 received certification on 31 May 2011, and the first delivery was made on 19 August 2011. 10 ATR -600 series aircraft were delivered in 2011.

***Customer Service.*** ATR has established a worldwide customer support organisation committed to supporting the aircraft over its service life. Service centres and spare parts stocks are located in Toulouse, Paris, the greater Washington D.C. area, Miami, Singapore, Bangalore, Auckland, Kuala Lumpur, Toronto and Johannesburg.

ATR Asset Management also responds to the market for second-hand aircraft by assisting in the placement and financing of used and end-of-lease aircraft. By providing quality reconditioned aircraft at attractive prices, ATR Asset Management has helped both to broaden ATR's customer base, in particular in emerging markets, and to maintain the residual values of used aircraft. In the past, clients for such used aircraft have subsequently purchased new aircraft as they have gained experience in the operation of ATR turboprops.

### Production

The ATR fuselage is produced in Naples, Italy, and ATR wings are manufactured in Merignac near Bordeaux, France. Final assembly occurs in Saint Martin near Toulouse on the Airbus production site. Flight-testing, certification and deliveries also occur in Toulouse. ATR outsources certain areas of responsibility to Airbus, such as wing design and manufacturing, flight-testing and information technology.

## EADS Sogerma

EADS Sogerma is a wholly owned subsidiary of EADS which is specialised in aerostructures and cabin interior activities. The company designs and manufactures major aerostructure elements in metal and composite for commercial and military aircraft and is also a leading provider of cockpit and passenger seats (first and business class) for commercial and military aircraft as well as for business jets and helicopters.

In the aerostructures field, EADS Sogerma engages in the design, manufacturing and assembly of Airbus aircraft sections (A318/A320/A330), manufacturing and assembly of ATR wings, design and manufacturing of the A400M ramp door as well as design and manufacturing of pilot and co-pilot seats. In the cabin interior segment, EADS Sogerma designs and manufactures first and business class seats for large commercial aircraft.

EADS Sogerma employs approximately 2,200 people and has three sites in France (Rochefort, Bordeaux and Toulouse), a subsidiary in Morocco (Maroc Aviation) as well as two subsidiaries specialised in composites: CAQ (Composite Aquitaine) in France and CAL (Composite Atlantic) in Canada.

## EADS North America

EADS North America is the US-based subsidiary of EADS. Headquartered in Herndon, 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. EADS North America business operations include the activities of: American Eurocopter Corporation; Airbus Military North America; EADS Supply & Services; EADS North America Test and Services; Fairchild Controls Corporation and Cassidian Communications.

EADS North America's presence in the US defence and homeland security sectors continues to grow. EADS has supplied more than 90 Eurocopter HH-65 helicopters to the Coast Guard for its homeland security missions. EADS North America is also a prime contractor for the supply of up to 36 HC-144A Ocean Sentry aircraft for Coast Guard maritime patrol and support missions, and EADS is supplying shipboard multimode acquisition radars for the Coast Guard's National Security Cutter.

### Daher-Socata

In January 2009, EADS sold a 70% stake in Socata to Daher, while retaining the remaining 30% stake. Daher-Socata specialises in the aerospace, nuclear, defence and industry sectors and offers manufacturing and services solutions combining three areas of expertise (manufacturing, services and transport) built into a global offer.

In aerospace and defence, Daher-Socata is both a manufacturer and a tier-1 supplier of equipment and services with approximately 7,500 employees and a presence in 14 countries. Daher-Socata produces aerostructures and systems, fitted sections and airframes. In the under 8.6-tonne category, it produces aircraft with options dedicated to the civil (business aircraft) and military (multi-role aircraft) markets.



## 1.1.7 Investments

### Dassault Aviation

EADS holds a 46.3% stake in Dassault Aviation (listed on the Eurolist of Euronext Paris), with Groupe Industriel Marcel Dassault holding a 50.6% stake and a free float of 3.1%. Dassault Aviation itself holds a 26% stake in Thales, which makes it the second largest shareholder of Thales behind the French state.

Dassault Aviation is a major player in the world market for military jet aircraft and business jets. Founded in 1936, Dassault Aviation has delivered more than 8,000 military and civil aircraft to purchasers in more than 80 countries. On the basis of its experience as designer and industrial architect of complex systems, Dassault Aviation designs, develops and produces a wide range of military aircraft and business jets. In order to avoid any potential conflict between the military products of Dassault Aviation and EADS (Rafale and Eurofighter) and to facilitate a "Chinese wall" approach, EADS' Dassault Aviation shareholding is managed by EADS Corporate, whereas the Eurofighter programme is managed by Cassidian.

In 2011, Dassault Aviation recorded orders totalling €2.9 billion (compared to €1.3 billion in 2010), including 36 net orders for Falcon business jets (compared to the cancellation of nine orders in 2010). Consolidated revenues amounted to €3.3 billion in 2011 (compared to €4.2 billion in 2010), with consolidated net income of €323 million (compared to €267 million in 2010). Dassault has approximately 11,500 employees, of which more than 60% are based in France.

#### Military Jet Aircraft

Dassault Aviation offers wide expertise in the design and manufacturing of the latest generation military jet aircraft.

***Rafale.*** The Rafale is a twin-engine, omni-role combat aircraft developed for both airforce and navy applications. To date, 180 Rafale aircraft have been ordered by the French MoD. From 2013 and onwards, the new Rafale "Omnirole" will be delivered, with improvements such as radar, missile launch detector and optronics.

***Mirage 2000.*** The Mirage 2000 family reached the end of its production phase in 2006. Today, approximately 500 Mirage 2000 aircraft are in service worldwide.

***nEUROn.*** Dassault Aviation is the prime contractor for the development of the unmanned combat air vehicle demonstrator, nEUROn. The programme was open to European cooperation and five countries have decided to participate and share the skills of their aerospace industries: EADS CASA (Spain), SAAB (Sweden), HAI (Greece), RUAG (Switzerland) and Alenia Aeronautica (Italy). The nEUROn demonstrator is scheduled to make its first flight by mid-2012.

***MALE UAV system.*** Following the French-UK joint Declaration on Defence and Security Co-operation signed in November 2010, Dassault and BAE Systems have agreed to work together on the next generation of medium-altitude long endurance (MALE) unmanned air surveillance system. The common product would be called Telemos. Telemos is planned to have a maximum take-off weight of about 8 metric tonnes, and a wing-span of 24 metres. A jointly funded, competitive assessment phase was conducted in 2011, with a view to new equipment delivery between 2015 and 2020.

#### Business Jets

Dassault Aviation offers a wide range of products at the top end of the business jet sector. The family of Falcon business jets currently includes the Falcon 7X, the 900 LX & EX and the 2000 LX & S. In-service Falcons currently operate in over 65 countries worldwide, filling corporate, VIP and government transportation roles.

## Aerostructures, Aircraft Conversion and Floor Panels

### EADS Elbe Flugzeugwerke GmbH — EFW

EFW is a wholly owned subsidiary of EADS (consolidated within Airbus) and a core centre for Airbus passenger to freighter conversion, a centre of excellence for the manufacture of fibre-reinforced furnishing components as well as an important partner for special programmes such as the conversion of the A330 MRTT.

The conversion of passenger aircraft into freighter aircraft is a common heavy modification undertaken on behalf of commercial aircraft owners. The market for aircraft freighter conversion encompasses freight service airlines such as FedEx, airlines with small aircraft fleets and finance groups. In the aerostructures field, EFW is the supplier of fibre reinforced flat sandwich panels for all Airbus models. Its product range covers floor and ceiling panels, cargo linings and bullet-proof cockpit doors. EFW's engineering department is a certified design organisation that works to develop future products.

### Aerolia

Aerolia is a wholly owned subsidiary of EADS (consolidated within Airbus) which was formed from the spin-off of the former French Airbus sites in Méaulte and St-Nazaire Ville pursuant to the aerostructures reorganisation strategy initiated under Power8. Aerolia has approximately 2,300 employees who work on the design and manufacturing of around 6 million detail parts and panels and more than 500 sections of the Airbus nose fuselage.

The standalone company operates with four operational Directorates (Engineering, Operations, Procurement, Programmes & Commercial) and four support Directorates (Quality, Finances, Human Resources, Strategy & Communications), which are geographically located on three sites: Méaulte (1,350 employees), St-Nazaire (650 employees) and Toulouse (400 employees). In 2009, a fourth site was launched in Tunisia (target is to have 750 employees by 2014).

The design office, based in Toulouse, combines the skills of approximately 250 engineers and employees, coming for the most part from the Airbus design offices.

The activities integrated in Aerolia will maintain and develop commercial and industrial relations mainly with Airbus, while continuing to develop relations with others such as Bombardier, ATR, Latecoere, Sonaca, Sogerma, Stork Fokker, Piaggio, SAAB and SABCA.

### Premium AEROTEC

Premium AEROTEC is a wholly owned subsidiary of EADS (consolidated within Airbus) which was formed from the spin-off of the former German Airbus sites in Nordenham and Varel and the former EADS site in Augsburg pursuant to the aerostructures reorganisation strategy initiated under Power8. Premium AEROTEC has its own development unit with its main facilities at its Augsburg site and offices in Bremen, Hamburg, Munich/Ottobrunn and Manching. The management headquarters for the operational units are in Varel, while the company itself is headquartered in Augsburg. Premium AEROTEC GmbH is also setting up a new plant for processing aircraft components in Ghimbav/Brasov County in Romania. This production unit began operations during the course of 2010, and is expected to be fully completed by the end of 2011. A second building section is in the pipeline.

The core business of Premium AEROTEC is focused on structures and manufacturing systems for aircraft construction and related development activities. The aim of Premium AEROTEC over the coming years is to further expand its position as the leading tier 1 supplier of civil and military aircraft structures.

Premium AEROTEC is a partner in all major European aircraft development programmes, such as the commercial Airbus aircraft families, the A400M military transport aircraft programme and the Eurofighter Typhoon. It plays a significant role in the design of new concepts in such fields as carbon composite technologies.

## 1.1.8 Insurance

EADS Corporate Insurance Risk Management ("**IRM**") is an integrated corporate finance function established to proactively and efficiently respond to risks that can be treated by insurance techniques. IRM, centralised at EADS headquarters, is accordingly responsible for all corporate insurance activities and related protection for the Group and is empowered to deal directly with the insurance and re-insurance markets. A continuous task of IRM in 2010 was the development, design and structure of efficient and appropriate corporate and project related insurance solutions based on the individual needs of the Divisions.

IRM's mission includes the definition and implementation of EADS' strategy for insurance risk management to help ensure that harmonised insurance policies and standards are in place for all insurable risks underwritten by the Group. A systematic review and monitoring procedure is in place to assess the exposure and protection systems applicable to all EADS sites, aiming at:

- the continuous and consistent identification, evaluation and assessment of insurable risks;
- the initiation and monitoring of appropriate mitigation and risk avoidance measures for identified and evaluated insurable risks; and
- the efficient, professional management and transfer of these insurable risks to protect the assets and liabilities of EADS adequately against financial consequences due to unexpected events.

An embedded reporting and information system is in place to facilitate IRM's ability, in close relationship with insurance managers in charge of the Divisions, to respond to insurance related risks of the Group. This system seeks to ensure that insurance risk management solutions are developed under consideration of adequate and competitive terms and conditions as well as a lean and efficient administration to adequately cover the assets and liabilities of EADS.

EADS' insurance programmes cover high risk exposure dedicated to protect the assets and liabilities of the Group, and risk exposure dedicated to protect employee-related risks.

Asset and liability insurance policies underwritten by IRM for the Group cover risks such as:

- property damage and business interruption;
- aviation third party liabilities including product liabilities;
- manufacturer's aviation hull insurance up to the replacement value of each aircraft;
- space third party liabilities including product liabilities;
- commercial general liabilities including non-aviation and non-space product liabilities and risks related to environmental accidents; and
- director and officer liability.

Claims related to property damage and business interruption are covered up to a limit of €2.5 billion per occurrence. Aviation liability coverage is provided up to a limit of $2.5 billion per occurrence, with an annual aggregate cap of $2.5 billion for product liability claims. Certain sub-limits are applicable for the insurance policies as outlined above.

Group employee-related insurance policies cover risks such as:

- personal accidents;
- medical and assistance support during business trips and assignments;
- company automobiles; and
- personal and property exposure during business trips.

Amounts insured for non-core insurance policies adequately cover the respective exposure.

EADS follows a policy of seeking to transfer the insurable risk of EADS to external insurance markets at reasonable rates, on customised and sufficient terms and limits as provided by the international insurance markets. All insurance policies are required to satisfy EADS' mandatory standards of insurance protection.

However, to be more independent from the volatilities of the insurance markets, EADS uses the capabilities of a corporate-owned reinsurance captive as a strategic tool with respect to the property damage, business interruption programme and the aviation insurance programme. The captive is capitalised and protected according to European legal requirements so as to help ensure its ability to reimburse claims, without limiting the scope of coverage of the original insurance policies or additionally exposing the financial assets of EADS.

The insurance industry remains unpredictable in terms of its commitment to provide protection for large industrial entities. There may be future demands to increase insurance premiums, raise deductible amounts and limit the scope of coverage.

In addition, the number of insurers that have the capabilities and financial strength to underwrite large industrial risks is currently limited, and may contract further in light of new solvency requirements. No assurance can be given that EADS will be able to maintain its current levels of coverage on similar financial terms in the future.

## 1.1.9 Legal and Arbitration Proceedings

EADS is involved from time to time in various legal and arbitration proceedings in the ordinary course of its business, the most significant of which are described below. Other than as described below, EADS is not aware of any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened), during a period covering at least the previous twelve months which may have, or have had in the recent past significant effects on EADS' or the Group's financial position or profitability.

### WTO

Although EADS is not a party, EADS is supporting the European Commission in litigation before the WTO. Following its unilateral withdrawal from the 1992 EU-US Agreement on Trade in Large Civil Aircraft, the US lodged a request on 6 October 2004 to initiate proceedings before the WTO. On the same day, the EU launched a parallel WTO case against the US in relation to its subsidies to Boeing. On 1 June 2011, the WTO adopted the final report in the case brought by the US assessing funding to Airbus from European governments. On 1 December 2011, the EU informed the WTO that it had taken appropriate steps to bring its measures fully into conformity with its WTO obligations, and to comply with the WTO's recommendations and rulings. Because the US did not agree, the matter has now been referred to arbitration under WTO rules. On 12 March 2012, the WTO Appellate Body published its final report in the case brought by the EU concerning subsidies to Boeing. Exact timing of further steps in the WTO litigation process is subject to further rulings and to negotiations between the US and the EU. Unless a settlement, which is currently not under discussion, is reached between the parties, the litigation is expected to continue for several years.

## Securities litigation

Following the dismissal of charges brought by the French *Autorité des marchés financiers* for alleged breaches of market regulations and insider trading rules with respect primarily to the A380 delays announced in 2006, proceedings initiated in other jurisdictions have also been terminated. Nevertheless, following criminal complaints filed by several shareholders in 2006 (including civil claims for damages), a French investigating judge is still carrying out an investigation based on the same facts.

## CNIM

On 30 July 2010, Constructions Industrielles de la Méditerrannée ("**CNIM**") brought an action against EADS and certain of its subsidiaries before the commercial court of Paris, alleging anti-competitive practices, breach of long-term contractual relationships and improper termination of pre-contractual discussions. CNIM is seeking approximately €115 million in damages on a joint and several basis. On 12 January 2012, the court rejected all of CNIM's claims, following which CNIM filed for appeal.

## GPT

EADS has commissioned an independent investigation into compliance allegations made in connection with one of its subsidiaries, GPT Special Project Management Ltd. The independent investigation remains ongoing.

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Regarding EADS' provisions policy, EADS recognises provisions for litigation and claims when (i) it has a present obligation from legal actions, governmental investigations, proceedings and other claims resulting from past events that are pending or may be instituted or asserted in the future against the Group, (ii) it is probable that an outflow of resources embodying economic benefits will be required to settle such obligation and (iii) a reliable estimate of the amount of such obligation can be made. EADS believes that it has made adequate provisions to cover current or contemplated general and specific litigation risks. For the amount of provisions for litigation and claims, see "Notes to the Consolidated Financial Statements (IFRS) — Note 25C. Other provisions".

# 1.1.10 Research and Technology, Intellectual Property

## Research and Technology

In 2011, the EADS Corporate Technical Office continued to pursue many activities needed to achieve the Research and Technology goals associated with EADS' Vision 2020 strategic roadmap. These included pursuing strategies for key technologies, continuing a Group-wide "green" technologies group, increasing efforts to recruit sufficient engineering talent and further improving Research and Technology management.

EADS has a Research and Technology leadership team across the Divisions, implementing a streamlined approach to capture synergies. Management focuses Research and Technology spending on a number of larger projects, thereby ensuring more concentrated investment of funds in strategic directions. In addition, global Research and Technology collaboration continued to grow outside Europe in order to access a diverse pool of scientific and engineering expertise. Partnerships with leading research institutes expanded in Canada, India, Russia, Singapore, China and the US.

Across EADS, 2011 was a significant year for technology development, with innovation ranging from future civil technology concepts to manufacturing technologies and hybrid propulsion.

### Performance and Best Practices

#### The Research and Technology Strategic Approach

Strategic obligations for EADS include the development of core competencies and technologies for platform and platform-based systems architecture and integration. In parallel, EADS strives to keep the innovation pipeline flowing in order to replace ageing technologies and processes.

Building on the identification, evaluation and prioritisation of critical technologies for the Group, EADS is shaping a technological policy that seeks to strengthen Group synergies and is aimed at maintaining – and when needed, increasing – EADS' Research and Technology efforts. Each Division is responsible for proposing its own targets, as well as for securing public and private Research and Technology funding.

The EADS Research and Technology strategy is driven by:

- shareholder value: a stringent, leading-edge Research and Technology portfolio that seeks to enable seamless introduction of new technology on future products and a strong return on investment;
- customer satisfaction: high-value solutions that meet the technological, performance, safety and cost-competitive pressures that challenge the future;
- upstream contribution to successful on-time, on-quality and on-price introduction of new products and processes;
- technology leadership to fuel business growth; and
- societal responsibility: Research and Technology solutions that contribute to mobility, environmental protection, safety and security requirements.

#### Corporate Technical Office Organisation

The Chief Technical Officer's ("**CTO**") mission is to be the Research and Technology focal point for the entire Group. The CTO ensures that business strategy and technology strategy are closely linked. He is responsible for innovation best practices across EADS, and also manages information technology,

Group quality operations and Intellectual property. The CTO is a member of the Executive Committee and has responsibility for the entire Research and Technology budget and Research and Technology production within EADS. The CTO seeks to deliver shareholder value through a disciplined, leading-edge Research and Technology portfolio that enables the introduction of new technologies on future products with strong returns on investment. The CTO's mandate is also to pursue innovation that addresses broader public concerns concerning safety, security, environmental compatibility and energy efficiency.

The EADS Executive Technical Council, chaired by the CTO, is made up of the technical directors of each Division. The Executive Technical Council is responsible for ensuring alignment with the Group's technology strategy and implementation through the Group Research and Technology roadmap. The Executive Technical Council ensures that a balance is maintained between the top-down strategic guidance and bottom-up activities.

Group innovation networks and their leaders in the CTO's team report to the Chief Operating Officer-Innovation to ensure that Research and Technology synergies are exploited throughout the Divisions and at EADS Innovation Works – the Company's aerospace research arm. The Chief Operating Officer – Innovation is chairperson of the Research and Technology Council, which is made up of the Research and Technology directors of the Divisions and Business Units, and the head of EADS Innovation Works.

The CTO steers the EADS-wide harmonisation of transversal technical processes, methods, tools and skills development programmes, such as systems engineering, common tools for product life-cycle management (PLM/Phenix) training and qualification. The CTO team also carries out technical assessments on behalf of the CEO and the Executive Committee.

The head of EADS Innovation Works reports to the CTO. EADS Innovation Works manages the corporate Research and Technology production that develops the Group's technical innovation potential from low Technology Readiness Level (TRL) one to three. Driven by the EADS Research and Technology strategy, EADS Innovation Works seeks to identify new technologies and prepare them for eventual transfer to the Divisions so as to create long-term innovation value for the Group.

EADS Innovation Works operates two principal sites near Munich and Paris and employs over 1,000 people – including doctorates and university interns. Research centres are maintained in Toulouse and Nantes (France) as well as Hamburg and Stade (Germany) to support knowledge transfer to the Business Units. A liaison office operates in Moscow, which coordinates relations with leading Russian scientific institutes. EADS operates Research and Technology centres in the UK, Spain, Singapore and India. It also operates two offices in the US and China.

EADS Innovation Works and the EADS Research and Technology community in the Divisions maintain and continually grow partnerships with leading universities and high-tech engineering schools through employment of thesis students, post-graduate interns and doctorates, and through research contracts.

## Protecting Innovation: Intellectual Property

Intellectual property – including patents, trademarks, copyrights and know-how – plays an important role in the production and protection of EADS' technologies and products. The use of Intellectual property rights enables EADS to remain competitive in the market and to manufacture and sell its products freely, and to prevent competitors from exploiting protected technologies. It is EADS' policy to establish, protect, maintain and defend its rights in all commercially significant Intellectual property and to use those rights in responsible ways. The value proposition of EADS' Intellectual property is also leveraged through EADS' technology licensing initiative, as discussed below.

### Organisation

The general management of Intellectual property in EADS is conducted through an Intellectual property Council led by the EADS Chief Intellectual property Counsel. Executives responsible for Intellectual property at the Divisions sit on this council.

Each of the Divisions and EADS Innovation Works own the Intellectual property that is specific to their particular business. Where Intellectual property is of common interest throughout the Group, the Division that generated the Intellectual property may issue a licence allowing its use elsewhere (respecting the interests of the other shareholders when appropriate). EADS also owns Intellectual property directly or under licence agreements with its Divisions. EADS centralises and coordinates the Group's Intellectual property portfolio, participates with the Divisions in its management and promotes licensing of common Intellectual property between the Divisions. EADS seeks to control the protection of its Intellectual property developed in strategic countries.

### Performance and Best Practices

To increase the added value of the Group, the EADS CTO team promotes sharing within the Group of all the knowledge of the Business Units and the sharing of resources, skills, research and budget to develop new knowledge, while respecting existing contractual and legal frameworks. For example, all of the contracts between Business Units of the Group concerning shared Research and Technology must have provisions allowing for the flow of knowledge (EADS Research and Technology network rules).

In 2011, the EADS Intellectual property portfolio comprised approximately 9,500 inventions (approximately 9,000 in 2010), which are covered by more than 33,000 patents throughout the world. 1,018 priority patents were filed in 2011, which gives an indication of the greater momentum in Research and Technology and product development. For international patent protection, EADS uses the Patent Cooperation Treaty, which provides a simplified system for international patent filing.

In 2009, EADS launched its technology licensing initiative, which provides access to a wide range of technologies to help companies outside the Group to develop new products, improve production methods and expand their market opportunities. EADS' technology licensing initiative seeks to generate revenues by exploiting EADS' large patent portfolio and related know-how.

## 1.1.11 Environmental Protection

Protection of the environment is a global priority that requires engagement and responsibility by citizens, government and industry, often working together in partnership. Eco-efficiency is therefore a major goal of EADS'"Vision 2020" strategic roadmap, which aims at maximising the benefits of EADS' products and services for customers and other stakeholders while minimising the environmental impact of manufacturing and operating these products throughout their life cycle. The implementation of further innovative and eco-efficient technologies and processes is a key factor in ensuring EADS' sustainability, increasing the attractiveness of its products and its overall competitiveness, benefiting growth, safeguarding employment and creating added value for all stakeholders.

EADS continuously pursues eco-efficiency by seizing "green" business opportunities, seeking to mitigate the environmental impact of EADS' activities and products throughout their life cycle, developing breakthrough technologies, products and services and, more generally, integrating environment into its business.

### Organisation

While each Division, Business Unit and corporate function remains responsible for the implementation of EADS' environmental policy in pursuit of eco-efficiency, EADS Corporate Environmental Affairs ensures the consistency of the various initiatives Group-wide. This newly created team is intended to leverage capabilities, avoid duplications of responsibility, limit the capacity needed to provide an expanded service and strengthen EADS' responsiveness by:

- anticipating environmental issues, monitoring and sharing information on emerging trends globally and on legislative activity concerning environmental matters;
- supporting the lobbying and communication activities of the Divisions on environmental issues in their respective sectors, and helping to co-ordinate a Group-wide position when necessary;
- catalysing the sharing of best practices and fostering communications within the environmental network; and
- complying with the Group's reporting obligations, and ensuring a homogeneous quality of standard of reporting by the Group's entities.

This department takes over the coordination mission of the EADS Environmental Network composed of representatives of the main business areas. Working groups on specific topics have been established in areas such as Environmental Reporting, REACH and Design for Environment/Life Cycle Practices.

EADS strives to develop joint initiatives within industry in order to improve the overall environmental performance of the aerospace and defence industry in the most effective, consistent and cost-efficient manner possible. EADS supported the creation of the International Aerospace Environmental Group (IAEG) in order to harmonise industry responses to existing and emerging environmental regulations, align aerospace environmental standards and work on a common approach and expectations for the supply chain.

EADS leads or participates in various European and international environmental working groups such as ICAO, ATAG, ICCAIA, ASD, CAEP and WEF, and in environmental working groups of national industry organisations such as GIFAS in France, TEDAE in Spain, BDLI in Germany and ADS in the UK.

### EADS Eco-Efficiency Approach

The eco-efficiency concept is about maximising economic value creation while minimising environmental impact. It was first defined by the World Business Council for Sustainable Development (WBCSD) as a "Concept of creating more goods and services while using fewer resources and creating less waste and pollution".

EADS's prominence in aerospace makes it a central player of the sustainable mobility issue and more broadly, of the evolution towards a "green economy". The Group has committed to moving towards an eco-efficient enterprise and has established a Corporate Environmental Roadmap to support this effort through a series of concrete projects and actions. This dictates regulatory compliance and continuous improvement in environmental management, and defines specific goals of eco-efficient operations, products and services to be achieved by 2020.

For EADS, achieving its targets involves two key elements:

- ***Integration of environment into business.*** An eco-efficient approach being the reconciliation of environmental protection with business opportunities, it is therefore key to fully integrate environment into business, enabling decision-making in key processes to also be driven by environmental considerations. This is especially the case with investment processes, which are currently being reviewed to integrate relevant environmental criteria; and

- ***Performance operational goals (against 2006 baseline).*** 80% reduction of water discharge; 50% reduction of waste, water consumption, $CO_2$ and volatile organic compound (VOC) emissions; 30% reduction of energy consumption; 20% sourcing of energy from renewable sources; pursuit of Advisory Council for Aeronautics Research in Europe (ACARE) research goals for aviation and the various defined goals for other products; and development of eco-efficient solutions for core and adjacent customer segments that provide sustainable value creation for the Company.

## Products and Services

A lifecycle-oriented approach takes into account all stages of the life of a product or service, from the design of the product to the end of its lifetime. EADS' main target is to design or identify "true" environmentally-friendly solutions, which avoid pollution transfers from one stage of the lifecycle to the other.

### Designing for the Environment

The environment is part of top-level requirements for the design of any new product. One major strand of the EADS' Research and Technology efforts is therefore to investigate, test, validate and optimise the most advanced technologies, design features, configurations and architectures. This is intended to lead to aircraft that generate fewer emissions and less noise, while carrying a maximum payload over the mission range.

In addition to optimising propulsion systems and overall aerodynamic efficiency, the continuous and progressive introduction of advanced materials and new manufacturing processes also reduces the weight of an aircraft, and therefore its fuel consumption and corresponding engine emissions.

For example, the A380 is the first commercial aircraft to incorporate as much as 25% composites. The carbon-fibre reinforced plastic composite centre wing box has saved up to 1.5 tonnes. As a result, with less than 3 litres per passenger per 100 kilometres, the A380 has very low fuel burn. Reducing noise is equally important. The company is working on nacelle designs, acoustic treatments and engine technologies aiming to reduce noise, hand-in-hand with engine manufacturers.

An example of an initiative launched by Eurocopter is the CORINE project, the objective of which is to supply small and medium enterprises with a collaborative eco-design tool shared between contractors and suppliers, to allow the identification and integration of new materials and processes all along the helicopter life cycle.

### Operating in the Most Efficient Way

The most obvious way to cut $CO_2$ emissions is to reduce fuel consumption. This can be done through improvements in aircraft technologies as well as streamlining air traffic management. Alternative fuels are one of many options, and EADS believes these should be primarily reserved for aviation as there are no other viable alternative energy sources foreseen in the coming years.

EADS is pioneering sustainable biofuels, made from bio-mass feedstock that give off (or use) carbon dioxide as they grow, thereby offsetting emissions when they are burned. EADS has been working with universities, fuel companies and start-up companies, as well as standard-setting organisations, to develop "drop-in" biofuels (that work with existing aircraft and infrastructure). Airbus has four value chain projects in place, with Tarom (Romania), Iberia (Spain), Qatar Airways (Qatar), TAM (Brazil), three on the verge of a breakthrough in China, India and Australia, and is pursuing projects in South Africa and Canada. It also supports airlines, such as Lufthansa, Air France, Interjet and others with their commercial operations using biofuels and is co-leading a key project with the EU to prepare a feasibility study and road map to ensure two million tonnes of biofuel availability for aviation in the EU by 2020.

EADS is dedicated to the development and support of modern air traffic management systems, with the overall objective being to allow a sustainable growth of air transport. EADS is interacting with and helping to develop air traffic management programmes such as "Single European Sky ATM Research"(SESAR) in Europe, as well as NextGen in the US. In 2011, Airbus launched a new subsidiary company called "Airbus ProSky", dedicated to the development and support of modern air traffic management systems.

Modern aircraft using innovative technologies, biofuels, optimised air traffic and flight procedures, can all lead to a significant drop in $CO_2$ emissions. This has been shown by Air France and Airbus, which completed the world's greenest commercial flight on 13 October 2011, using an Airbus A321 from Toulouse to Paris. $CO_2$ emissions were cut in half compared to a usual flight (2.2 l/passenger/100 km).

## Environmental Management (ISO 14001/EMAS)

ISO 14001 is an internationally recognised standard of environmental management system efficiency for businesses and organisations. EADS encourages not only the environmental certification of its operations but also the development of a full life cycle orientation for its products and services, as this remains the most cost-efficient and practical way to effectively reduce environmental impacts. Certified environmental management systems have been progressively implemented across EADS' manufacturing sites, and over 90% of EADS' employees operate under an ISO 14001. The site and product life cycle orientation of the environmental management system attempts to create economic value by reducing environmental costs and exposure at each stage of the product life, from design to operations up to end of life.

In 2011, further progress was achieved:

- Astrium GmbH has a global certification which encompasses Astrium Satellites and Astrium Space Transportation;
- in the UK, Astrium was re-certified to ISO 14001 and OHSAS 18001 as a joint certification, the certification covering the sites of Portsmouth, Stevenage and the facilities department at Poynton;
- ATR has enlarged its certification to ATR 42-500/600 and 72-500/600 life cycle;

- Cassidian has undertaken an inventory approach for its Finnish sites, with the objective to obtain an ISO 14001 certification around 2013;
- in addition, Eurocopter has planned ISO 14001 certification for Canada, Brazil, Singapore and Romania in 2012.

Monitoring of the various achievements against objectives is being performed through the collection of a set of indicators. Consistency and reliability of the reporting exercise is being ensured through corporate procedure and guidelines derived from GRI requirements combined with an advanced environmental management information system that is operational within EADS worldwide.

## Reducing EADS' Industrial Environmental Impact

In order to meet stakeholders' increasing demands for environmental impact related information and further movement towards eco-efficient industrial activities, and in anticipation of more stringent reporting regulations, it is essential for EADS to communicate on its environmental impact, and on the reduction projects implemented through the Divisions to achieve the 2020 targets. The EADS-wide environmental reporting system was implemented four years ago; organised around clear guidelines derived from Global Reporting Initiative (GRI) as well as greenhouse gas protocol requirements, it provides a status of the Group's environmental performance and enables the monitoring of progress achieved. The reporting process and the environmental data of EADS are externally audited every year.

This year, numerous initiatives have been launched at the Division and site level to reduce the environmental footprint of the Company by 2020, in particular:

- Airbus' BLUE-5 initiative, which provides a roadmap for reducing the environmental footprint of Airbus by 2020 on the five aspects of EADS Vision 2020: energy consumption, $CO_2$ emissions, waste production, water consumption and discharges and volatile organic compound emissions;
- Astrium's set-up of a multi-functional working group Production/Facility Management/Design, with the aim of making environmental performance a decision driver for new production means;
- optimisation of the ventilation system at the A380 paintshop, resulting in a reduction of energy consumption by 50,000 kilowatt hours during the 16-day processing time for an A380; a 32-tonne reduction of $CO_2$ emissions per aircraft, and considerable savings on fuel costs;
- in San Pablo, Spain, the installation at the A400M final assembly line of 18,000 $m^2$ of solar panels providing 10% of the plant's total electricity needs without producing any $CO_2$ emissions. Elsewhere in Spain, Getafe's Centre for Prototype Aircraft has pipes for geo-thermal heating which run through thermo-active foundations, avoiding the need for any $CO_2$-generating fossil fuel use in heating the building;
- at Eurocopter, the construction work of a unique high-tech platform emphasises environmentally-friendly and innovative construction. The building features geo-thermal heating and groundwater cooler, as well as "green" roods that can be walked on. There will also be several charging stations for electric vehicles. Eurocopter's Marignane site in France also performed the installation of solar panels.

## Hazardous Substances Management

The European REACH (Registration, Evaluation and Authorisation of Chemicals) regulation (EU No. 2007/1906) came into force on 1 June 2007. REACH aims at improving the protection of human health and the environment through closer regulation of chemical use by industry; it replaces the pre-existing EU regulatory framework on chemicals. REACH introduces a range of new obligations over a period of 11 years which are intended to reduce risk that the 30,000 most frequently used chemicals may cause. The regulation will also bring about the phased withdrawal from use of some of the substances that are considered to be of very high concern for human health and environment.

Taking on the lessons learned from the management of the RoHS and WEE directives and in order to provide a consistent and cost-efficient compliance approach for the whole Company and support its supply chain, a dedicated working group has been created as part of the EADS environmental network which brings together all EADS business areas.

EADS and its Divisions are also joining forces at the international level together with other major international aerospace companies to further structure the entire sector's compliance approach. One such initiative was the creation of the International Aerospace Environmental Group (IAEG) to harmonise industry responses to existing and emerging environmental regulations, align aerospace environmental standards and work on a common approach for the supply chain.

An internal EADS REACH audit has been conducted to assess progress of the Divisions in meeting their obligations under the REACH regulation, and intensive efforts were devoted to improve exchanges of best practices and to allow the qualification of the most standardised possible solutions. While proactively moving towards the elimination of these substances, EADS and its Divisions are committed to the highest achievable control of emissions, in full compliance with the applicable regulatory framework.

# 1.1.12 Employees

At 31 December 2011, the EADS workforce amounted to 133,115 employees (compared to 121,691 employees in 2010 and 119,506 employees in 2009), 96.5% of which consisted of full time employees. Depending on country and hierarchy level, the average working time is between 35 and 40 hours per week.

In 2011, 8,238 employees worldwide joined EADS (compared to 5,047 in 2010 and 5,663 in 2009). At the same time, 3,666 employees left EADS (compared to 3,213 in 2010 and 3,308 in 2009).

In total, 92.1% of EADS' active workforce is located in Europe on more than 100 sites.

## Workforce by Division and Geographic Area

The tables below provide a breakdown of EADS employees by Division and geographic area, including the percentage of part-time employees. Employees of companies accounted for by the proportionate method (such as ATR, MBDA) are included in the tables on the same proportionate basis.

| Employees by Division | 31 December 2011 | 31 December 2010 | 31 December 2009 |
|---|---|---|---|
| Airbus | 69,300 | 62,751 | 61,987 |
| Eurocopter | 20,759 | 16,760 | 16,316 |
| Astrium | 16,623 | 15,340 | 14,624 |
| Cassidian | 20,923 | 21,181 | 21,093 |
| Headquarters | 2,665 | 2,430 | 2,285 |
| Other Businesses | 2,845 | 3,229 | 3,200 |
| **Total EADS** | **133,115** | **121,691** | **119,506** |

| Employees by geographic area | 31 December 2011 | 31 December 2010 | 31 December 2009 |
|---|---|---|---|
| France | 48,394 | 45,580 | 44,760 |
| Germany | 47,051 | 43,966 | 43,814 |
| Spain | 10,701 | 10,498 | 10,469 |
| UK | 13,467 | 12,813 | 12,733 |
| Italy | 480 | 487 | 483 |
| US | 2,829 | 2,692 | 2,512 |
| Other Countries | 10,193 | 5,655 | 4,735 |
| **Total EADS** | **133,115** | **121,691** | **119,506** |

| % Part time employees | 31 December 2011 | 31 December 2010 | 31 December 2009 |
|---|---|---|---|
| France | 4.1% | 4.1% | 4.1% |
| Germany | 3.9% | 3.7% | 3.4% |
| Spain | 0.9% | 0.7% | 1.0% |
| UK | 2.2% | 2.1% | 2.0% |
| US | 1.4% | 0.7% | 1.3% |
| Other Countries | 2.8% | 2.8% | 3.0% |
| **Total EADS** | **3.5%** | **3.4%** | **3.3%** |

## 1.1.13 Incorporation by Reference

The English versions of the following documents shall be deemed to be incorporated in and form part of this Registration Document:

- the Consolidated Financial Statements (IFRS) and the Company Financial Statements of EADS for the year ended 31 December 2009, together with the related notes, appendices and Auditors' reports, as incorporated by reference in the Registration Document filed in English with, and approved by, the AFM on 21 April 2010 and filed in English with the Chamber of Commerce of The Hague;
- the Consolidated Financial Statements (IFRS) and the Company Financial Statements of EADS for the year ended 31 December 2010, together with the related notes, appendices and Auditors' reports, as incorporated by reference in the Registration Document filed in English with, and approved by, the AFM on 19 April 2011 and filed in English with the Chamber of Commerce of The Hague; and
- the Consolidated Financial Statements (IFRS) and the Company Financial Statements of EADS for the year ended 31 December 2011, together with the related notes, appendices and Auditors' reports.

Copies of the above-mentioned documents are available free of charge upon request in English, French, German and Spanish at the registered office of the Company and on **www.eads.com** (Investor Relations > Events and Reports > Annual Report and Registration Document).

Copies of the above-mentioned Registration Documents are also available in English on the website of the AFM on **www.afm.nl** (Professionals > Registers > Approved prospectuses). The above-mentioned financial statements are also available in English for inspection at the Chamber of Commerce of The Hague.

# 1.2 Recent Developments

### EADS Board of Directors Announces Future Top Management Appointments and Board Composition

On 26 January 2012, the Board of Directors announced that it had designated Tom Enders to take over the role of CEO when Louis Gallois steps down at the end of his mandate. Concurrently, Arnaud Lagardère will assume the role of Chairman of the Board presently held by Bodo Uebber. The change-over was prepared diligently by the Board of Directors and results from the application of the succession process under the governance of EADS, which was updated in October 2007. It will take place after EADS' Annual General Meeting of Shareholders to be held on 31 May 2012. These new mandates will carry a five-year term.

Following the recommendations of the Remuneration and Nomination Committee, the Board of Directors also announced further evolutions of the management team effective 1 June 2012:

- Fabrice Brégier will succeed Tom Enders and become CEO of Airbus, EADS' largest Division, and Günter Butschek, presently Head of Operations of Airbus will be affected to the position of COO of Airbus;
- Harald Wilhelm will become Chief Financial Officer (CFO) of EADS, alongside his present role as CFO of Airbus, following the request of Hans Peter Ring to retire from the Company and pursue other objectives;
- Marwan Lahoud, whose mandate comes up for renewal, will be reappointed as Chief Strategy and Marketing Officer (CSMO);
- Thierry Baril will assume the role of Head of Human Resources (HR) for EADS; he will retain his duties as Head of Airbus HR together with his expanded responsibility. Jussi Itävuori leaves the Company after ten years as Head of HR for EADS.

As for the Board of Directors, most current Board Members will stand for re-appointment, carrying the experience gained over the last five years into the new Board of Directors. The following names will be proposed for appointment by the Annual General Meeting of Shareholders to be held on 31 May 2012: Arnaud Lagardère, Tom Enders, Hermann Josef Lamberti, Sir John Parker, Michel Pébereau, Lakshmi Mittal, Bodo Uebber, Wilfried Porth, Dominique D'Hinnin, Jean-Claude Trichet and Josep Piqué i Camps. Juan Manuel Eguiagaray and Rolf Bartke have chosen not to stand for reappointment.

# 2

# Management's Discussion and Analysis of Financial Condition and Results of Operations


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# 2.1 Operating and Financial Review

The following discussion and analysis is derived from and should be read together with the audited Consolidated Financial Statements (IFRS) of EADS as of and for the years ended 31 December 2011, 2010 and 2009 incorporated by reference herein. These financial statements have been prepared in accordance with International Financial Reporting Standards ("***IFRS***") issued by the International Accounting Standards Board as endorsed by the European Union, and with Part 9 of Book 2 of the Dutch Civil Code.

## 2.1.1 Overview

With consolidated revenues of €49.1 billion in 2011, EADS is Europe's premier aerospace and defence company and one of the largest aerospace and defence companies in the world. In terms of market share, EADS is among the top two manufacturers of commercial aircraft, civil helicopters, commercial space launch vehicles and missiles, and a leading supplier of military aircraft, satellites and defence electronics. In 2011, it generated approximately 76% of its total revenues in the civil sector (compared to 73% in 2010) and 24% in the defence sector (compared to 27% in 2010). As of 31 December 2011, EADS' active headcount was 133,115.

### 2.1.1.1 Exchange Rate Information

The financial information presented in this document is expressed in euros, US dollars or pounds sterling. The following table sets out, for the periods indicated, certain information concerning the exchange rate between the euro and the US dollar and pound sterling, calculated using the official European Central Bank fixing rate:

| | Average | | Year End | |
|---|---|---|---|---|
| **Year ended** | **€-US$** | **€-£** | **€-US$** | **€-£** |
| 31 December 2009 | 1.3948 | 0.8909 | 1.4406 | 0.8881 |
| 31 December 2010 | 1.3257 | 0.8578 | 1.3362 | 0.8608 |
| 31 December 2011 | 1.3920 | 0.8679 | 1.2939 | 0.8353 |

### 2.1.1.2 Reportable business segments

EADS organises its businesses into the following five reportable segments:

- **Airbus Commercial**: Development, manufacturing, marketing and sale of commercial jet aircraft of more than 100 seats and related services; aircraft conversion;
- **Airbus Military**: Development, manufacturing, marketing and sale of military transport aircraft and special mission aircraft and related services;

The reportable segments, Airbus Commercial and Airbus Military, form the Airbus Division. The effect of internal subcontracting between Airbus Commercial and Airbus Military is eliminated in the consolidated figures of the Airbus Division;

- **Eurocopter**: Development, manufacturing, marketing and sale of civil and military helicopters and provision of helicopter-related services;
- **Astrium**: Development, manufacturing, marketing and sale of satellites, orbital infrastructures and launchers and provision of space-related services; and
- **Cassidian**: Development, manufacturing, marketing and sale of missile systems, military combat aircraft and training aircraft; provision of defence electronics and global security market solutions such as integrated systems for global border security and secure communications solutions and logistics; training, testing, engineering and other related services.

"**Other Businesses**" mainly consist of the development, manufacturing, marketing and sale of regional turboprop aircraft, aircraft components as well as the Group's activities managed in the US.

### 2.1.1.3 Significant Programme Developments in 2009, 2010 and 2011

***A380 programme.*** In 2009, the A380 programme weighed significantly on underlying performance. Following completion of an industrial and financial review on the programme, certain deliveries were rescheduled and an additional loss-making contract provision of €-0.2 billion (before foreign exchange effects) was recorded to reflect both this shift as well as an increase in recurring costs. Beyond the adjustment of the provision, on-going fleet support, inefficiencies and under absorption of fixed costs had a negative impact on 2009 performance. In 2010, EADS made significant progress on the learning curve, leading to an improvement of the gross margin per aircraft in 2010. However, the A380 programme continued to weigh significantly on underlying performance.

In 2011, EADS made continued progress on the learning curve, leading to a further improvement of the gross margin per aircraft (though still negative). Following the discovery of hairline cracks in the wing rib feet of certain A380 aircraft currently in service, management is devoting maximum attention to solving the issue. The costs of repair will be borne by Airbus; a provision of €105 million for estimated warranty costs for delivered aircraft has been recorded in 2011.

***A350 XWB programme.*** In 2011, the A350 XWB programme entered into the manufacturing phase. Manufacturing and pre-assembly of the A350 XWB-900 progressed across all pre-final assembly sites, with the first major airframe sections delivered to the A350 XWB final assembly line in Toulouse at the end of 2011.

Following a programme review in the second half of 2011, EADS recorded an adjustment on the loss-making contract provision of €0.2 billion to reflect the entry into service currently targeted for the first half of 2014. The A350 XWB programme is very challenging; the schedule is tightening as Airbus progresses towards its next milestones, particularly entry into the final assembly line.

***A400M programme.*** During 2009, negotiations among EADS/Airbus/AMSL, OCCAR and the launch nations addressed various aspects of a new programme approach for the A400M. Based on different elements and the best estimate of EADS' management at the time of the related year-end closing procedures, an additional loss-making contract provision and charges totalling €-1.8 billion were recorded in 2009, bringing the total EBIT* impact of the programme on EADS to €-4.0 billion as of 31 December 2009. On 5 November 2010, EADS/Airbus/AMSL, OCCAR and the launch nations concluded their negotiations, with an amendment to the A400M programme contract subsequently finalised on 7 April 2011. The on-going technical progress on the A400M programme resulted in the recognition of A400M-related revenues of €1.0 billion in 2010, including a partial utilisation of the A400M loss provision of €-157 million. Further technical progress on the A400M programme resulted in the recognition of A400M-related revenues of €0.8 billion in 2011.

### 2.1.1.4 Trends

Airbus announced that it would increase the monthly production rate for its A320 family to 42 per month in the fourth quarter of 2012, following the increase to 40 per month achieved in the first quarter of 2012. The monthly production rate for the A330 family will increase to the rate of 10 per month in the second quarter of 2013, following the increase to nine per month achieved in the first quarter of 2012; a further increase to 11 per month in the second quarter of 2014 is currently planned, provided the inclusion of aircraft operations in the European Union Emissions Trading Scheme (from 2012) does not harm aircraft orders. Airbus is targeting approximately 570 commercial aircraft deliveries in 2012, as well as a level of gross orders that is above deliveries. Any major production or market disruption or economic downturn could lead to revision of these figures.

Underlying performance in 2012 should reflect volume increases at Airbus and Eurocopter, better pricing at Airbus and A380 margin improvement. Going forward, the EBIT* and earnings per share performance of EADS will be dependent on the Group's ability to execute on its complex programmes such as A400M, A380 and A350 XWB, in line with the commitments made to its customers.

## 2.1.2 Critical Accounting Considerations, Policies and Estimates

### 2.1.2.1 Scope of and Changes in Consolidation Perimeter

Acquisitions and disposals of interests in various businesses can account, in part, for differences in EADS' results of operations for one year as compared to another year. The overall 2011 revenue contribution from the first consolidation of major acquisitions was around €300 million, mainly from Vector Aerospace and Satair, while the EBIT* impact was insignificant. See "Notes to the Consolidated Financial Statements (IFRS) — Note 4: Acquisitions and disposals".

#### Acquisitions

On 21 December 2011, Astrium announced that Astrium Holding S.A.S. acquired 66.8% of Space Engineering, Rome (Italy), a specialist in digital telecommunications, RF and antenna equipment engineering for both space and ground based applications. The completion of this transaction is subject to customary conditions, including regulatory approvals.

On 19 December 2011, Astrium Holding S.A.S. acquired 100% of MobSat Group Holding S.A.r.l., Munsbach, Luxemburg, being the ultimate parent company of Vizada group ("**Vizada**"), from

a consortium of investors led by Apax France, a French private equity fund and the former majority shareholder. Vizada is a commercial satellite service provider offering mobile and fixed connectivity services from multiple satellite network operators. The total consideration paid by Astrium included €413 million for the acquisition of Vizada's equity instruments as well as €325 million due to a mandatory extinguishment of the former Vizada debt structure.

On 20 October 2011, Airbus Operations GmbH acquired 74.9% of the shares and voting rights of PFW Aerospace AG, Speyer, Germany, the ultimate parent company of PFW Aerospace Group, for a total consideration of €4 million primarily arising from impacts due to the separate recognition of settlements of pre-existing relationships.

On 19 October 2011, Airbus Americas, Inc. acquired 100% of the shares and voting rights of Metron Holdings, Inc., Dulles, Virginia (USA), the ultimate parent company of Metron Aviation, a provider of air traffic flow management solutions, from its management team and two institutional investors for a total consideration of €55 million.

On 5 October 2011, Airbus S.A.S. obtained control of Satair A/S, Copenhagen, Denmark ("**Satair**"), an independent distributor of aircraft part and services, following a public voluntary conditional tender offer of DKr580/share for all of the outstanding shares of Satair, including an offer of DKr378.66/warrant for each warrant holder. As a result of the public voluntary offer EADS acquired 98.5% of Satair's shares during October and November 2011, while the remaining 1.5% of Satair's shares were acquired via linked squeeze out procedures finalised on 6 February 2012. The total consideration of €351 million for this acquisition includes €346 million paid in cash for 98.5% of Satair's shares and 100% of warrants during October and November 2011 as well as an amount of €5 million paid to the remaining shareholders (1.5% of Satair's shares) within the linked squeeze out procedures.

On 30 June 2011, Eurocopter Holding S.A.S. acquired 98.3% of Vector Aerospace Corporation, Toronto (Canada)("**Vector**"), following a CAD 13.00/share cash offer for all of the outstanding common shares of Vector, including all shares that could be issued on the exercise of options granted under Vector's share option plan. The remaining 1.7% shares of Vector were acquired via linked squeeze out procedures finalised on 4 August 2011. The total consideration for this independent global provider of original equipment manufacturer (OEM) approved maintenance, repair and overhaul (MRO) aviation services includes the amount paid in cash for the acquisition of 98.3% of Vector's shares (€452 million) at the end of June 2011 as well as the amount of €8 million paid to the remaining shareholders within squeeze out procedures.

On 9 June 2011, Cassidian increased via EADS Deutschland GmbH, Ottobrunn, Germany, its 45.0% shareholding in Grintek Ewation (Pty) Ltd., Pretoria, South Africa, a system engineering company, by acquiring a 42.4% stake formerly held by Saab South Africa Ltd., Centurion, South Africa, for €21 million within a step-acquisition. A 12.6% shareholding is still held by Kunene Finance Company (Pty.) Ltd., Gauteng, South Africa, a South African private equity investor.

On 7 June 2011, EADS N.V. purchased the remaining 25% of DADC Luft- und Raumfahrt Beteiligungs AG, Munich (Germany), from Daimler Luft- and Raumfahrt Holding AG, Ottobrunn, for a total consideration of €110 million.

On 10 May 2011, the GEO Information Division of Astrium Services (formerly Spot Image and Infoterra) expanded its investment in i-cubed LLC, Fort Collins, Colorado (USA), a provider of imagery and geospatial data management technologies and services, from 25.6% to 77.7% by a step-acquisition of the additional 52.1% for €6 million via its US subsidiary SPOT Image Corporation, Chantilly, Virginia (USA).

On 28 February 2011, Astrium Services GmbH obtained control of ND SatCom GmbH, Immenstaad (Germany), a supplier of satellite and ground systems equipment and solutions, by acquiring 75.1% of the shares and voting interests in the Company for a total consideration of €5 million from SES ASTRA.

On 11 January 2011, Cassidian and Atlas Elektronik GmbH, Bremen, Germany ("**Atlas Elektronik**"), a joint venture of ThyssenKrupp AG and Cassidian, completed the merger of their maritime safety and security activities formerly carried out via their separate subsidiaries Sofrelog and Atlas Maritime Security. The new company named SIGNALIS was set up as a medium-sized corporation which will be co-owned by Cassidian (60%) and Atlas Elektronik (40%).

On 3 December 2010, Astrium GmbH acquired Jena-Optronik GmbH, Jena (Germany), one of the international leading providers of space sensors and opto-electronic instruments.

On 1 October 2009, Atlas Elektronik GmbH acquired via its subsidiary Atlas Elektronik UK, the underwater systems business of QinetiQ based in Winfrith, Dorset (United Kingdom).

During 2009, EADS increased its share in Spot Image based in Toulouse (France), a world leader in the provision of satellite imagery and geo-information value-added services, from 81% to 96% by acquiring further shares from non-controlling shareholders. In 2010, further purchases of shares led to an increase in EADS' share in Spot Image to 99%.

## Disposals

On 13 May 2011, EADS North America, Inc. sold its subsidiary EADS North America Defense Security and Systems Solutions, Inc., San Antonio, Texas (USA), to Camber Corporation, Huntsville, Alabama (USA).

On 31 December 2010, Cassidian Air Systems sold its shares in ASL Aircraft Services Lemwerder GmbH to SGL Rotec GmbH & Co. KG, which intends to establish a production line for rotor blades at the Lemwerder site. The programme related assets and liabilities of the Eurofighter, Tornado, A400M and C160 programmes were transferred to Premium Aerotec GmbH.

On 7 January 2009, EADS sold 70% of the shares in Socata to Daher. The remaining 30% of Socata is accounted for using the equity method and presented in "Other Businesses".

On 5 January 2009, EADS sold its Airbus site in Filton (UK) to GKN.

### 2.1.2.2 UK Pension Commitments

In the UK, the different pension plans in which EADS participates are currently underfunded. Accordingly, EADS has recorded a provision of €0.9 billion as of 31 December 2011 (compared to €0.6 billion as of 31 December 2010) for its current share of the net pension underfunding in these plans. A related amount of actuarial gains and losses (cumulative) of €-1.0 billion has been recorded in total equity (net of deferred taxes) as of 31 December 2011 (compared to €-0.8 billion as of 31 December 2010) in accordance with IAS 19.

For further information related to EADS' participation in pension plans in the UK, see "Notes to the Consolidated Financial Statements (IFRS) — Note 25B: Provisions for retirement plans".

### 2.1.2.3 Fair Value Adjustments

The merger of the operations of Aerospatiale Matra, Daimler Aerospace AG and Construcciones Aeronáuticas SA, leading to the creation of EADS in 2000, was recorded using the purchase method of accounting with Aerospatiale Matra as the acquirer. Accordingly, the book value of certain assets and liabilities, mainly property, plant and equipment and inventories, was adjusted by an aggregate amount of €1.8 billion, net of income taxes, to allocate a portion of the respective fair market values of Daimler Aerospace AG and Construcciones Aeronáuticas SA at the time of the merger (the "fair value adjustments"). These aggregate additions in value are generally being depreciated over four to 25 years for fixed assets and were amortised over approximately 24 months for inventories. In addition, in 2001 in connection with the formation of Airbus S.A.S., EADS adjusted the book value of Airbus fixed assets and inventories by an aggregate amount of €0.3 billion, net of income taxes, to reflect their fair market values. The fair value adjustments lead to a depreciation expense that is recorded in cost of sales in the consolidated income statement. For management reporting purposes, EADS treats these depreciation charges as non-recurring items in EBIT pre-goodwill impairment and exceptionals. See "— 2.1.3.2 Use of EBIT*".

### 2.1.2.4 Impairment/Write-down of Assets

When a triggering event such as an adverse material market event or a significant change in forecasts or assumptions occurs, EADS performs an impairment test on the assets, group of assets, subsidiaries, joint ventures or associates likely to be affected. In addition, EADS tests goodwill for impairment in the fourth quarter of each financial year, whether or not there is any indication of impairment. An impairment loss is recognised in the amount by which the asset's carrying amount exceeds its recoverable amount.

Generally, the discounted cash flow method is used to determine the value in use of the assets. The discounted cash flow method is particularly sensitive to the selected discount rates and estimates of future cash flows by EADS' management. Consequently, slight changes to these elements can materially affect the resulting asset valuation and therefore the amount of the potential impairment charge.

The discount rates used by EADS are derived from the weighted average cost of capital of the businesses concerned. See "Notes to the Consolidated Financial Statements (IFRS) — Note 2: Summary of significant accounting policies — Significant Accounting Policies — Impairment of non-financial assets" and "— Note 14: Intangible assets".

An impairment of goodwill has an effect on profitability, as it is recorded in the line item "Other expenses" on EADS' consolidated income statement. No goodwill was impaired in 2009 or 2010. In 2011, the annual impairment test within Other Businesses resulted in an impairment charge of €20 million.

### 2.1.2.5 Capitalised Development Costs

Pursuant to the application of IAS 38 "Intangible Assets", EADS assesses whether product-related development costs qualify for capitalisation as internally generated intangible assets. Criteria for capitalisation are strictly applied. All research and development costs not meeting the IAS 38 criteria are expensed as incurred in the consolidated income statement. €53 million of product-related development costs were capitalised in accordance with IAS 38 in 2009, €145 million in 2010 and €97 million in 2011, the latter relating mostly to the A330 MRTT aerial refuelling boom system and FSTA programme at Airbus Military, and to development in the military air systems and electronics business segments at Cassidian.

Capitalised development costs are generally amortised over the estimated number of units produced. If the number of units produced cannot be estimated reliably, capitalised development costs are amortised over the estimated useful life of the internally generated intangible asset. Amortisation of capitalised development costs (and impairments, if any) is mainly recognised within "Cost of sales". Amortisation of capitalised development costs amounted to €-146 million in 2009, €-34 million in 2010 and €-116 million in 2011, the latter relating mostly to the Airbus A380 programme and FSTA programme.

Internally generated intangible assets are reviewed for impairment annually when the asset is not yet in use and subsequently whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. See "Notes to the Consolidated Financial Statements (IFRS) — Note 2: Summary of significant accounting policies — Significant accounting policies — Research and development expenses".

### 2.1.2.6 Accounting for Hedged Foreign Exchange Transactions in the Financial Statements

More than 60% of EADS' revenues are denominated in US dollars, whereas a substantial portion of its costs is incurred in euros and, to a lesser extent, pounds sterling. EADS uses hedging strategies to manage and minimise the impact of exchange rate fluctuations on its profits. See "— 2.1.7.1 Foreign Exchange Rates" and "Risk Factors — 1. Financial Market Risks — Exposure to Foreign Currencies".

***Cash flow hedges.*** The Group generally applies cash flow hedge accounting to foreign currency derivative contracts that hedge the foreign currency risk on future sales as well as to certain interest rate swaps that hedge the variability of cash flows attributable to recognised assets and liabilities. Changes in fair value of the hedging instruments related to the effective part of the hedge are reported in accumulated other comprehensive income ("**AOCI**") – a separate component of total consolidated equity, net of applicable income taxes – and recognised in the consolidated income statement in conjunction with the result of the underlying hedged transaction, when realised. See "— 2.1.5 Changes in Consolidated Total Equity (including Non-controlling Interests)". The ineffective portion is immediately recorded in "Profit (loss) for the period". Amounts accumulated in equity are recognised in profit or loss in the periods when the hedged transaction affects the income statement, such as when the forecast sale occurs or when the finance income or finance expense is recognised in the income statement. If hedged transactions are cancelled, gains and losses on the hedging instrument that were previously recorded in equity are generally recognised in "Profit (loss) for the period". If the hedging instrument expires or is sold, terminated or exercised, or if its designation as hedging instrument is revoked, amounts previously recognised in equity remain in equity until the forecasted transaction or firm commitment occurs. Apart from derivative financial instruments, the Group also uses financial liabilities denominated in a foreign currency to hedge foreign currency risk inherent in forecast transactions. See "— 2.1.7.1 Foreign Exchange Rates".

Revenues in currencies other than the euro that are not hedged through financial instruments are translated into euro at the spot exchange rate at the date the underlying transaction occurs.

***"Natural" hedges.*** EADS uses certain foreign currency derivatives to mitigate its foreign currency exposure arising from changes in the fair value of recognised assets and liabilities. To reflect the largely natural offset those derivatives provide to the remeasurement gains or losses of specific foreign currency balance sheet items, EADS presents the gains or losses of those foreign exchange rate derivatives as well as the fair value changes of the relating recognised assets and liabilities in EBIT* (rather than presenting the gains or losses of those foreign exchange rate derivatives in "other financial result" but the fair value changes of the relating recognised assets and liabilities in EBIT*) insofar as certain formal requirements are met, with no impact on net income. See "Notes to the Consolidated Financial Statements (IFRS) — Note 2: Summary of significant accounting policies — Significant Accounting Policies — Derivative financial instruments" and "— Note 12: Total finance costs — Other financial result".

### 2.1.2.7 Foreign Currency Translation

EADS' Consolidated Financial Statements are presented in euros. The assets and liabilities of foreign entities whose reporting currency is other than euro are translated using period-end exchange rates, while the corresponding income statements are translated using average exchange rates during the period. All resulting translation differences are included as a component of AOCI.

Transactions in foreign currencies are translated into euro at the exchange rate prevailing on transaction date. Monetary assets and liabilities denominated in foreign currencies at period-end are translated into euro using the period-end exchange rate. Foreign exchange gains and losses arising from translation of monetary assets are recorded in the consolidated income statement, except when deferred in equity as qualifying hedging instruments in cash flow hedges.

Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into euro at the exchange rate in effect on the date of the transaction. Translation differences on non-monetary financial assets and liabilities that are measured at fair value are reported as part of the fair value gain or loss. In addition, translation differences of non-monetary financial assets measured at fair value and classified as available for sale are included in AOCI.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity that was acquired after 31 December 2004 are treated as assets and liabilities of the acquired company and are translated into euro at the period-end exchange rate. Regarding transactions prior to that date, goodwill, assets and liabilities acquired are treated as those of the acquirer.

See "Notes to the Consolidated Financial Statements (IFRS) — Note 2: Summary of significant accounting policies — Significant accounting policies — Foreign currency translation".

#### Currency Translation Mismatch

Customer advances (and the corresponding revenues recorded when sales recognition occurs) are translated at the exchange rate prevailing on the date they are received. US dollar-denominated costs are converted at the exchange rate prevailing on the date they are incurred. To the extent that US dollar-denominated customer advances differ, in terms of timing of receipt or amount, from corresponding US dollar-denominated costs, there is a foreign currency exchange impact (mismatch) on EBIT*. Additionally, the magnitude of any such difference, and the corresponding impact on EBIT*, is sensitive to variations in the number of deliveries.

### 2.1.2.8 Accounting for Sales Financing Transactions in the Financial Statements

In order to support product sales, primarily at Airbus, Eurocopter and ATR, EADS may agree to participate in the financing of customers, on a case-by-case basis, directly or through guarantees provided to third parties. Certain sales contracts may include the provision of an asset value guarantee, whereby EADS guarantees a portion of the market value of an aircraft or helicopter during a limited period, starting at a specific date after its delivery (in most cases, 12 years post-delivery). See "— 2.1.6.4 Sales Financing" and "Notes to the Consolidated Financial Statements (IFRS) — Note 33: Commitments and contingencies". The accounting treatment of sales financing transactions varies based on the nature of the financing transaction and the resulting exposure.

***On Balance Sheet.*** When, pursuant to a financing transaction, the risks and rewards of ownership of the financed aircraft reside with the customer, the transaction is characterised as either a loan or a finance lease. In such instances, revenues from the sale of the aircraft are recorded upon delivery, while financial interest is recorded over time as financial income. The outstanding balance of principal is recorded on the statement of financial position (on balance sheet) in long-term financial assets, net of any accumulated impairments. See "Notes to the Consolidated Financial Statements (IFRS) — Note 17: Investments in associates accounted for under the equity method, other investments and other long-term financial assets".

By contrast, when the risks and rewards of ownership remain with the Group, the transaction is characterised as an operating lease. EADS' general policy is to avoid, whenever possible, operating leases for new aircraft to be delivered to customers. Rather than recording 100% of the revenues from the "sale" of the aircraft at the time of delivery, rental income from such operating leases is recorded in revenues over the term of the respective leases. The leased aircraft are recorded at production cost on the statement of financial position (on balance sheet) as property, plant and equipment, and the corresponding depreciation and potential impairment charges are recorded in cost of sales. See "Notes to the Consolidated Financial Statements (IFRS) — Note 15: Property, plant and equipment".

If the present value of an asset value guarantee exceeds 10% of the sales price of the aircraft, the sale of the underlying aircraft is accounted for as an operating lease in the Consolidated Financial Statements. In this case, upon aircraft delivery, the cash payment received from the customer is recognised on the consolidated statement of financial position as deferred income and amortised straight-line up to the amount, and up to the last exercise date, of the asset value guarantee. The production cost of the aircraft is recorded on the statement of financial position as property, plant and equipment. Depreciation expenses are recorded in cost of sales in the consolidated income statement. See "Notes to the Consolidated Financial Statements (IFRS) — Note 15: Property, plant and equipment" and "Note 30: Deferred income".

***Off Balance Sheet — Contingent Commitments.*** Certain sales financing commitments, such as lease in/lease out structures and asset value guarantees the present value of which is below the 10% threshold, are not recorded on the statement of financial position (on balance sheet).

As a result, transactions relating to such asset value guarantees are accounted for as sales, with the related exposure deemed to be a contingent commitment. To reduce exposure under asset value guarantees and to minimise the likelihood of their occurrence, the Group extends them with prudent guaranteed asset values and restrictive exercise conditions, including limited exercise window periods.

Under lease in/lease out structures, which Airbus and ATR applied in the past to allow investors to take advantage of certain jurisdictions' leasing-related tax benefits, the risks and rewards of ownership of the aircraft are typically borne by a third party, usually referred to as the head lessor. The head lessor leases (directly or indirectly) the aircraft to Airbus or ATR, which in turn sub-leases it to the customer. To the extent possible, the terms of the head lease and sub-lease match payment streams and other financial conditions. Such commitments by Airbus or ATR are reported as off-balance sheet contingent liabilities. See "Notes to the Consolidated Financial Statements (IFRS) — Note 33: Commitments and contingencies".

***Provisions and Allowances.*** Under its provisioning policy for sales financing risk, EADS records provisions to fully cover its estimated financing and asset value net exposure. Provisions pertaining to sales financing exposure, whether on-balance sheet or off-balance sheet, are recorded as impairments of the related assets or in provisions. Provisions recorded as liabilities relate primarily to off-balance sheet commitments. See "Notes to the Consolidated Financial Statements (IFRS) — Note 25C: Other provisions". Provisions are recorded as impairments of the related assets when they can be directly related to the corresponding asset. See "Notes to the Consolidated Financial Statements (IFRS) — Note 15: Property, plant and equipment" and "— Note 17: Investments in associates accounted for under the equity method, other investments and other long-term financial assets". While management views its estimates of valuations of collateral as conservative, changes in provisions reflecting revised estimates may have a material impact on net income in future periods.

### 2.1.2.9 Provisions for Loss-Making Contracts

EADS records provisions for loss-making contracts when it becomes probable that total contract costs will exceed total contract revenues. Due to the size, length of time and nature of many of EADS' contracts, the estimation of total revenues and costs at completion is complicated and subject to many assumptions, judgements and estimates. The introduction of new aircraft programmes (such as the A350 XWB) or major derivative aircraft programmes adds an additional element of complexity to the assumptions, judgements and estimates related to expected development, production and certification schedules and anticipated cost components, including possible customer penalties and supplier claims. EADS' contracts may also include customer options to cancel or extend the contract under certain circumstances, requiring a judgment as to the probability that these options will be exercised.

Loss-making contract provisions are therefore reviewed and reassessed regularly. However, future changes in the assumptions used by EADS or a change in the underlying circumstances, such as the fluctuation of certain foreign exchange rates, may lead to a revaluation of past loss-making contract provisions and have a corresponding positive or negative effect on EADS' future financial performance.

# 2.1.3 Measurement of Management's Performance

## 2.1.3.1 Order Backlog

Year-end order backlog consists of contracts signed up to that date. Only firm orders are included in calculating order backlog – for commercial aircraft, a firm order is defined as one for which EADS receives a non-refundable down payment on a definitive contract. Defence-related orders are included in the backlog upon signature of the related procurement contract (and the receipt, in most cases, of an advance payment). Commitments under defence "umbrella" or "framework" agreements by governmental customers are not included in backlog until they are officially notified to EADS.

For civil market contracts, amounts of order backlog reflected in the table below are derived from catalogue prices, escalated to the expected delivery date and, to the extent applicable, converted into euro (at the corresponding hedge rate for the hedged portion of expected cash flows, and at the period-end spot rate for the non-hedged portion of expected cash flows). The amount of defence-related order backlog is equal to the contract values of the corresponding programmes.

### Consolidated Backlog for the Years Ended 31 December 2011, 2010 and 2009 [1]

| | Year ended 31 December 2011 | | Year ended 31 December 2010 | | Year ended 31 December 2009 | |
|---|---|---|---|---|---|---|
| | Amount in €bn | In percentage [2] | Amount in €bn | In percentage [2] | Amount in €bn | In percentage [2] |
| Airbus [3] [4] | 495.5 | 92% | 400.4 | 89% | 339.7 | 87% |
| *Airbus Commercial* | *475.5* | *88%* | *378.9* | *85%* | *320.3* | *82%* |
| *Airbus Military* | *21.3* | *4%* | *22.8* | *5%* | *20.7* | *5%* |
| Eurocopter | 13.8 | 2% | 14.5 | 3% | 15.1 | 4% |
| Astrium | 14.7 | 3% | 15.8 | 4% | 14.6 | 4% |
| Cassidian | 15.5 | 3% | 16.9 | 4% | 18.8 | 5% |
| **Total Divisional backlog** | **539.5** | **100%** | **447.6** | **100%** | **388.2** | **100%** |
| Other Businesses | 3.0 | | 2.5 | | 2.0 | |
| HQ/Consolidation | (1.5) | | (1.6) | | (1.1) | |
| **Total** | **541.0** | | **448.5** | | **389.1** | |

(1) Without options.
(2) Before "Other Businesses" and "HQ/Consolidation".
(3) Based on catalogue prices for commercial aircraft activities.
(4) Airbus reports in two segments: Airbus Commercial and Airbus Military. Eliminations between Airbus Commercial and Airbus Military are treated at the Airbus Division level. See "— 2.1.1 Overview".

***2011 compared to 2010.*** The €92.5 billion increase in the order backlog from 2010, to €541.0 billion, primarily reflects the strong order intake at EADS in 2011 (€131.0 billion), which largely exceeded the revenues accounted for in the same year (€49.1 billion). In addition, the stronger US dollar spot rate used for conversion of the non-hedged portion of the backlog into euro at year end (€-US$1.29 as compared to €-US$1.34 at the end of 2010) had a positive impact on order backlog of approximately €15 billion.

Airbus' backlog increased by €95.1 billion from 2010, to €495.5 billion, reflecting a strong increase at Airbus Commercial. Airbus Commercial's backlog increased by €96.6 billion from 2010, to €475.5 billion, primarily reflecting a book-to-bill ratio of more than three with new orders of €117.3 billion and, to a lesser extent, the positive net foreign currency adjustment to the non-hedged portion of the order backlog. Order intake consisted of 1,419 net orders in 2011 (as compared to 574 in 2010), driven mainly by the A320neo (new engine option), which received 1,226 firm orders. Total order backlog at Airbus Commercial amounted to 4,437 aircraft at the end of 2011 (as compared to 3,552 aircraft at the end of 2010). Airbus Military's backlog decreased by €1.5 billion from 2010, to €21.3 billion, reflecting a book-to-bill ratio of less than one with new orders of €0.9 billion. Order intake at Airbus Military consisted of five net orders in 2011 (as compared to 11 in 2010). Total order backlog at Airbus Military amounted to 217 aircraft at the end of 2011 (as compared to 241 aircraft at the end of 2010).

Eurocopter's backlog decreased by €0.7 billion from 2010, to €13.8 billion, reflecting a book-to-bill ratio of less than one with new orders of €4.7 billion. Order intake consisted of 457 net orders in 2011 (as compared to 346 in 2010), driven mainly by orders for civil helicopters, in particular Ecureuil and the EC145. Total order backlog amounted to 1,076 helicopters at the end of 2011 (as compared to 1,122 helicopters at the end of 2010).

Astrium's backlog decreased by €1.1 billion from 2010, to €14.7 billion, reflecting a book-to-bill ratio of less than one with new orders of €3.5 billion, driven mainly by commercial and institutional satellite orders.

Cassidian's backlog decreased by €1.4 billion from 2010, to €15.5 billion, reflecting a book-to-bill ratio of less than one with new orders of €4.2 billion. Order intake included a contract award for the first phase of the United Arab Emirates command and control system.

***2010 compared to 2009.*** The €59.4 billion increase in the order backlog from 2009, to €448.5 billion, primarily reflects the strong order intake at EADS in 2010 (€83.1 billion), which largely exceeded the revenues accounted for in the same year (€45.8 billion). In addition, the stronger US dollar spot rate used for conversion of the non-hedged portion of the backlog into euro at year end (€-US$1.34 as compared to €-US$1.44 at the end of 2009) had a positive impact on order backlog of approximately €25 billion.

Airbus' backlog increased by €60.7 billion from 2009, to €400.4 billion, primarily reflecting a strong increase at Airbus Commercial. Airbus Commercial's backlog increased by €58.6 billion from 2009, to €378.9 billion, primarily reflecting a book-to-bill ratio of more than one with new orders of €68.2 billion and, to a lesser extent, the positive net foreign currency adjustment to the non-hedged portion of the order backlog. Order intake consisted of 574 net orders in 2010 (as compared to 271 in 2009). Total order backlog at Airbus Commercial amounted to 3,552 aircraft at the end of 2010 (as compared to 3,488 aircraft at the end of 2009). Airbus Military's backlog increased by €2.1 billion from 2009, to €22.8 billion, primarily reflecting the terms of the new agreement reached among EADS/Airbus/AMSL, OCCAR and the launch nations with respect to the A400M programme. Order intake at Airbus Military consisted of 11 new net orders in 2010, including 21 orders for medium and light military aircraft, partially offset by a reduction of ten firm orders for A400M aircraft by Germany and the UK. Total order backlog at Airbus Military amounted to 241 aircraft at the end of 2010 (as compared to 250 aircraft at the end of 2009).

Eurocopter's backlog decreased by €0.5 billion from 2009, to €14.5 billion, reflecting a book-to-bill ratio of less than one with new orders of €4.3 billion. Order intake consisted of 346 net orders in 2010 (as compared to 344 in 2009), remaining roughly stable in terms of units but decreasing in terms of value compared to 2009. Total order backlog amounted to 1,122 helicopters at the end of 2010 (as compared to 1,303 helicopters at the end of 2009).

Astrium's backlog increased by €1.1 billion from 2009, to €15.8 billion, reflecting a book-to-bill ratio of more than one with new orders of €6.0 billion. Order intake consisted primarily of contracts with the French DGA for M51 evolution and maintenance and two optical reconnaissance satellites, as well as extension of the Skynet 5 contract with the UK MoD.

Cassidian's backlog decreased by €1.9 billion from 2009, to €16.9 billion, reflecting a book-to-bill ratio of less than one with new orders of €4.3 billion. Order intake included orders for Eurofighter integrated logistics support and captor radar, as well as Team Complex Weapons in the UK.

The table below illustrates the proportion of civil and defence backlog at the end of each of the past three years.

| | Year ended 31 December 2011 | | Year ended 31 December 2010 | | Year ended 31 December 2009 | |
|---|---|---|---|---|---|---|
| | Amount in €bn [1] | In percentage | Amount in €bn [1] | In percentage | Amount in €bn [1] | In percentage |
| **Backlog:** | | | | | | |
| Civil Sector | 488.2 | 90% | 390.2 | 87% | 331.8 | 85% |
| Defence Sector | 52.8 | 10% | 58.3 | 13% | 57.3 | 15% |
| **Total** | **541.0** | **100%** | **448.5** | **100%** | **389.1** | **100%** |

(1) Including "Other Businesses" and "HQ/Consolidation".

## 2.1.3.2 Use of EBIT*

EADS uses EBIT pre-goodwill impairment and exceptionals as a key indicator of its economic performance. The term "exceptionals" refers to such items as depreciation expenses of fair value adjustments relating to the EADS merger, the Airbus combination and the formation of MBDA, as well as impairment charges thereon. It also comprises disposal and impairment impacts related to goodwill in EADS.

Set forth below is a table reconciling EADS' profit (loss) before finance costs and income taxes (as reflected in EADS' consolidated income statement) with EADS' EBIT*.

| (in €m) | Year ended 31 December 2011 | Year ended 31 December 2010 | Year ended 31 December 2009 |
|---|---|---|---|
| Profit (loss) before finance costs and income taxes | 1,613 | 1,187 | (380) |
| Disposal and impairment of goodwill | 42 | - | - |
| Exceptional depreciation/disposal | 41 | 44 | 58 |
| **EBIT*** | **1,696** | **1,231** | **(322)** |

### 2.1.3.3 EBIT* Performance by Division

Set forth below is a breakdown of EADS' consolidated EBIT* by Division for the past three years.

| (in €m) | Year ended 31 December 2011 | Year ended 31 December 2010 | Year ended 31 December 2009 |
|---|---|---|---|
| Airbus [1] | 584 | 305 | (1,371) |
| *Airbus Commercial* | *543* | *291* | *386* |
| *Airbus Military* | *49* | *21* | *(1,754)* |
| Eurocopter | 259 | 183 | 263 |
| Astrium | 267 | 283 | 261 |
| Cassidian | 331 | 457 | 449 |
| **Total Divisional EBIT*** | **1,441** | **1,228** | **(398)** |
| Other Businesses | 59 | 25 | 21 |
| HQ/Consolidation [2] | 196 | (22) | 52 |
| **Total** | **1,696** | **1,231** | **(322)** |

(1) Airbus reports in two segments: Airbus Commercial and Airbus Military. Eliminations between Airbus Commercial and Airbus Military are treated at the Airbus Division level. See "— 2.1.1 Overview".
(2) HQ/Consolidation includes results from headquarters, which mainly consist of the "share of profit from associates accounted for under the equity method" from EADS' investment in Dassault Aviation.

***2011 compared to 2010.*** EADS' consolidated EBIT* increased by 37.8%, from €1.2 billion for 2010 to €1.7 billion for 2011, primarily reflecting the increased EBIT* at Airbus, Eurocopter and Headquarters/Consolidation. Partially offsetting this increase was a deterioration in EBIT* at Cassidian and Astrium in 2011.

Airbus' EBIT* increased by 91.5%, from €0.3 billion for 2010 to €0.6 billion for 2011, due primarily to an increase at Airbus Commercial. Airbus Commercial's EBIT* increased by 86.6%, from €0.3 billion for 2010 to €0.5 billion for 2011, mainly due to operational improvements, including higher aircraft deliveries (534 deliveries in 2011 with margin recognition for 536, as compared to 510 deliveries in 2010 with margin recognition for 508), positive mix effects and an improvement in the price of delivered aircraft net of escalation. See "— 2.1.4.1 Consolidated Revenues". Partially offsetting this EBIT* increase was an increase in research and development expenses, particularly for the A350 XWB programme, and a deterioration of hedge rates.

Airbus Military's EBIT* increased from €21 million for 2010 to €49 million for 2011, primarily due to a favourable delivery mix, operational improvements and overhead cost reductions.

Eurocopter's EBIT* increased by 41.5%, from €183 million for 2010 to €259 million for 2011, primarily due to a favourable mix effect in commercial deliveries and support activities as well as better operational performance. An increase in research and development expenses was roughly offset by cost savings. 2011 EBIT* includes a net charge of €-115 million mainly relating to governmental programmes and the "SHAPE" transformation programme.

Astrium's EBIT* decreased by 5.7%, from €283 million for 2010 to €267 million for 2011. The strong performance in the satellites and space transportation businesses was weighed down by lower activity in services, expenses related to the Vizada acquisition and a charge of €23 million booked for the "AGILE" transformation programme in 2011.

Cassidian's EBIT* decreased by 27.6%, from €457 million for 2010 to €331 million for 2011, primarily due to a significant increase in research and development expenses, a restructuring provision of €38 million in relation to its transformation programme and a net negative charge of €34 million on programmes in 2011.

The EBIT* of Other Businesses increased from €25 million for 2010 to €59 million for 2011, primarily due to increases at ATR and Sogerma as well as a gain from the divestiture of Defense Security and Systems Solutions (DS3) in EADS North America that was completed in May 2011.

Headquarters/Consolidation EBIT* improved from €-22 million for 2010 to €196 million for 2011, mainly due to an increased allocation of management fees to Divisions and positive impacts from Group eliminations in the fourth quarter of 2011.

***2010 compared to 2009.*** EADS' consolidated EBIT* increased from €-0.3 billion for 2009 to €1.2 billion for 2010, primarily reflecting the increased EBIT* at Airbus. Partially offsetting this increase was a deterioration in EBIT* at Eurocopter in 2010.

Airbus' EBIT* increased from €-1.4 billion for 2009 to €0.3 billion for 2010, due to an increase at Airbus Military. Airbus Commercial's EBIT* decreased by 24.6%, from €0.4 billion for 2009 to €0.3 billion for 2010, primarily due to an approximate €-0.6 billion negative exchange rate effect compared to 2009. This decrease in 2010 EBIT* at Airbus Commercial was partially offset by (i) good underlying business performance, including higher aircraft deliveries (510 deliveries in 2010 of which 508 qualified for margin recognition, as compared to 498 deliveries in 2009) and a favourable mix effect and (ii) an improvement in the price of delivered aircraft net of escalation. In 2010, the A380 continued to weigh significantly on Airbus Commercial's underlying performance.

The approximate €-0.6 billion negative exchange rate effect at Airbus Commercial compared to 2009 related to generally less favourable rates of hedges that matured in 2010 as compared to 2009, which had a negative effect of €-0.9 billion, partially offset by (x) the revaluation of loss-making contract provisions which had a positive effect of €0.1 billion on EBIT* compared to 2009, and (y) other currency translation adjustments, including those related to the mismatch between US dollar-denominated customer advances and corresponding US dollar-denominated costs, which had a positive effect of €0.3 billion on EBIT* compared to 2009. See "— 2.1.2.7 Foreign Currency Translation".

Airbus Military's EBIT* increased from €-1,754 million for 2009 to €21 million for 2010, primarily due to a favourable delivery mix and the A400M programme at zero margin compared to the charge of €-1.8 billion recorded in 2009.

Eurocopter's EBIT* decreased by 30.4%, from €263 million for 2009 to €183 million for 2010, primarily due to (i) negative effects of €-0.1 billion, driven mainly by charges for the NH90 and restructuring and (ii) higher research and development expenses for innovation and product investment. The decrease in EBIT* was partially offset by a favourable mix effect.

Astrium's EBIT* increased by 8.4%, from €261 million for 2009 to €283 million for 2010, primarily due to growth and productivity in defence and military services as well as operational improvement in institutional activities.

Cassidian's EBIT* increased by 1.8%, from €449 million for 2009 to €457 million for 2010, primarily due to volume and margin growth in mature programmes. Partially offsetting this increase was significant growth in research and development expenses in projects such as UAS and secure communications, as well as a net negative one-time effect of approximately €-20 million reflecting among others the cancellation of the Firecontrol contract by the UK government.

The EBIT* of Other Businesses increased by 19.0%, from €21 million for 2009 to €25 million for 2010, primarily due to increases at ATR (including a positive foreign exchange effect of €15 million) and Sogerma. The increase was partially offset by higher investment at EADS North America.

***Foreign Currency Impact on EBIT*.*** More than 60% of EADS' revenues are denominated in US dollars, whereas a substantial portion of its costs is incurred in euros and, to a lesser extent, pounds sterling. Given the long-term nature of its business cycles (evidenced by its multi-year backlog), EADS hedges a significant portion of its net foreign exchange exposure to mitigate the impact of exchange rate fluctuations on its EBIT*. See "— 2.1.7.1 Foreign Exchange Rates" and "Risk Factors – 1. Financial Market Risks – Exposure to Foreign Currencies". In addition to the impact that Hedging Activities have on EADS' EBIT*, the latter is also affected by the impact of revaluation of certain assets and liabilities at the closing rate and the impact of natural hedging.

During 2011, cash flow hedges covering approximately US$19.1 billion of EADS' US dollar-denominated revenues matured. In 2011, the compounded exchange rate at which hedged US dollar-denominated revenues were accounted for was €-US$1.37, as compared to €-US$1.35 in 2010. This difference resulted in an approximate €-0.2 billion decrease in EBIT* from 2010 to 2011, of which approximately €-0.2 billion was at Airbus. In addition, other currency translation adjustments, including those related to the mismatch between US dollar-denominated customer advances and corresponding US dollar-denominated costs as well as the revaluation of loss-making contract provisions, had a positive effect of €0.2 billion on EBIT* compared to 2010. See "— 2.1.2.7 Foreign Currency Translation".

During 2010, cash flow hedges covering approximately US$18.5 billion of EADS' US dollar-denominated revenues matured. In 2010, the compounded exchange rate at which hedged US dollar-denominated revenues were accounted for was €-US$1.35, as compared to €-US$1.26 in 2009. This difference resulted in an approximate €-1.0 billion decrease in EBIT* from 2009 to 2010, of which approximately €-0.9 billion was at Airbus. In addition, other currency translation adjustments, including those related to the mismatch between US dollar-denominated customer advances and corresponding US dollar-denominated costs as well as the revaluation of loss-making contract provisions, had a positive effect of €0.4 billion on EBIT* compared to 2009.

## 2.1.4 Results of Operations

Set forth below is a summary of EADS' consolidated income statements (IFRS) for the past three years.

| (in €m, except for earnings (losses) per share) | Year ended 31 December 2011 | Year ended 31 December 2010 | Year ended 31 December 2009 |
|---|---|---|---|
| Revenues | 49,128 | 45,752 | 42,822 |
| Cost of sales | (42,285) | (39,528) | (38,383) |
| **Gross margin** | **6,843** | **6,224** | **4,439** |
| Selling and administrative expenses | (2,408) | (2,312) | (2,196) |
| Research and development expenses | (3,152) | (2,939) | (2,825) |
| Other income | 359 | 171 | 170 |
| Other expenses | (221) | (102) | (102) |
| Share of profit from associates accounted for under the equity method and other income from investments | 192 | 145 | 134 |
| **Profit (loss) before finance costs and income taxes** | **1,613** | **1,187** | **(380)** |
| Interest result | 13 | (99) | (147) |
| Other financial result | (233) | (272) | (445) |
| Income taxes | (356) | (244) | 220 |
| **Profit (loss) for the period** | **1,037** | **572** | **(752)** |
| Attributable to: | | | |
| **Equity owners of the parent (Net Income (loss))** | **1,033** | **553** | **(763)** |
| Non-controlling interests | 4 | 19 | 11 |
| **Earnings (losses) per share (basic)**(in €) | **1.27** | **0.68** | **(0.94)** |
| **Earnings (losses) per share (diluted)**(in €) | **1.27** | **0.68** | **(0.94)** |

Set forth below are year-to-year comparisons of results of operations, based upon EADS' consolidated income statements.

### 2.1.4.1 Consolidated Revenues

Set forth below is a breakdown of EADS' consolidated revenues by Division for the past three years.

| (in €m) | Year ended 31 December 2011 | Year ended 31 December 2010 | Year ended 31 December 2009 |
|---|---|---|---|
| Airbus [1] | 33,103 | 29,978 | 28,067 |
| *Airbus Commercial* | *31,159* | *27,673* | *26,370* |
| *Airbus Military* | *2,504* | *2,684* | *2,235* |
| Eurocopter | 5,415 | 4,830 | 4,570 |
| Astrium | 4,964 | 5,003 | 4,799 |
| Cassidian | 5,803 | 5,933 | 5,363 |
| **Total Divisional revenues** | **49,285** | **45,744** | **42,799** |
| Other Businesses | 1,252 | 1,182 | 1,096 |
| HQ/Consolidation [2] | (1,409) | (1,174) | (1,073) |
| **Total** | **49,128** | **45,752** | **42,822** |

(1) Airbus reports in two segments: Airbus Commercial and Airbus Military. Eliminations between Airbus Commercial and Airbus Military are treated at the Airbus Division level. See "— 2.1.1 Overview".
(2) HQ/Consolidation includes, in particular, adjustments and eliminations for intercompany transactions.

For 2011, consolidated revenues increased by 7.4%, from €45.8 billion for 2010 to €49.1 billion for 2011. The increase was primarily due to higher revenues at Airbus and Eurocopter, partially offset by slight revenue decreases at Astrium and Cassidian.

For 2010, consolidated revenues increased by 6.8%, from €42.8 billion for 2009 to €45.8 billion for 2010. The increase was due to higher revenues across all Divisions.

## Airbus

For 2011, Airbus' consolidated revenues increased by 10.4%, from €30.0 billion for 2010 to €33.1 billion for 2011. The increase was due to higher revenues at Airbus Commercial, partially offset by a decrease in revenues at Airbus Military.

For 2010, Airbus' consolidated revenues increased by 6.8%, from €28.1 billion for 2009 to €30.0 billion for 2010. The increase was primarily due to higher revenues at Airbus Commercial, as well as a small increase in revenues at Airbus Military.

### Airbus Commercial

Set forth below is a breakdown of deliveries of commercial aircraft by product type for the past three years.

| Number of aircraft | Year ended 31 December 2011 | Year ended 31 December 2010 | Year ended 31 December 2009 |
|---|---|---|---|
| Single-aisle | 421 | 401 | 402 |
| Long-range | 87 | 91 | 86 |
| Very large | 26 | 18 | 10 |
| **Total** | **534** (1) | **510** (2) | **498** |

(1) 536 aircraft with revenue recognition (two A330-200 delivered under operating lease in 2010 were sold down in 2011).
(2) 508 aircraft with revenue recognition (two A330-200 delivered under operating lease).

For 2011, Airbus Commercial's consolidated revenues increased by 12.6%, from €27.7 billion for 2010 to €31.2 billion for 2011. The increase was primarily due to higher aircraft deliveries (534 deliveries in 2011 with revenue recognition for 536, as compared to 510 deliveries in 2010 with revenue recognition for 508), a favourable mix effect (in particular the increased number of A380s delivered in 2011) as well as an improvement in the price of delivered aircraft net of escalation. Partially offsetting this revenue increase was an approximate €-0.4 billion negative impact of exchange rate effects. For a discussion of the impact of exchange rate variations on EADS' results of operations, see "— 2.1.2.6 Accounting for Hedged Foreign Exchange Transactions in the Financial Statements","— 2.1.2.7 Foreign Currency Translation","— 2.1.7.1 — Foreign Exchange Rates" and "Risk Factors — 1. Financial Market Risks — Exposure to Foreign Currencies".

For 2010, Airbus Commercial's consolidated revenues increased by 4.9%, from €26.4 billion for 2009 to €27.7 billion for 2010. The increase was primarily due to higher aircraft deliveries (510 deliveries in 2010 of which 508 qualified for revenue recognition, as compared to 498 in 2009), a favourable mix effect (in particular the increased number of A380s delivered in 2010) as well as an improvement in the price of delivered aircraft net of escalation. Partially offsetting this revenue increase was an approximate €-0.5 billion negative impact of exchange rate effects.

### Airbus Military

Set forth below is a breakdown of deliveries of military transport aircraft by product type for the past three years.

| Number of aircraft | Year ended 31 December 2011 | Year ended 31 December 2010 | Year ended 31 December 2009 |
|---|---|---|---|
| CN235 | 7 | 6 | 4 |
| C212 | 3 | - | - |
| C295 | 10 | 13 | 12 |
| P-3 | 3 | 1 | - |
| A330 MRTT (Tanker) | 6 | - | - |
| **Total** | **29** | **20** | **16** |

For 2011, Airbus Military's consolidated revenues decreased by 6.7%, from €2.7 billion for 2010 to €2.5 billion for 2011. The decrease was primarily due to €0.3 billion lower revenue recognition on the A400M programme in 2011, partially offset by an increase in revenues from tanker activities.

For 2010, Airbus Military's consolidated revenues increased by 20.0%, from €2.2 billion for 2009 to €2.7 billion for 2010. The increase was primarily due to €0.5 billion in higher revenue recognition on the A400M programme in 2010, partially offset by a decrease in revenues from tanker and medium and light aircraft activities.

### Eurocopter

Set forth below is a breakdown of deliveries of helicopters by product type for the past three years.

| Number of aircraft | Year ended 31 December 2011 | Year ended 31 December 2010 | Year ended 31 December 2009 |
|---|---|---|---|
| Tiger | 16 | 15 | 7 |
| Light | 237 | 260 | 284 |
| Medium | 189 | 197 | 219 |
| Heavy | 61 | 55 | 48 |
| *of which NH90* | *32* | *28* | *15* |
| **Total** | **503** | **527** | **558** |

For 2011, consolidated revenues of Eurocopter increased by 12.1%, from €4.8 billion for 2010 to €5.4 billion for 2011, despite an overall decrease in helicopter deliveries from 527 in 2010 to 503 in 2011. The revenue increase was primarily due to a favourable mix effect in commercial deliveries and from support activities, as well as additional revenues of €0.2 billion in 2011 related to the first-time consolidation of Vector Aerospace. See "— 2.1.2.1 Scope of and Changes in Consolidation Perimeter".

For 2010, consolidated revenues of Eurocopter increased by 5.7%, from €4.6 billion for 2009 to €4.8 billion for 2010, despite an overall decrease in helicopter deliveries from 558 in 2009 to 527 in 2010. The revenue increase was primarily due to a favourable mix effect (in particular the higher number of NH90 and Tiger helicopters delivered in 2010) and growth in support revenues.

### Astrium

Set forth below is a breakdown of deliveries of telecommunications satellites for the past three years.

| | Year ended 31 December 2011 | Year ended 31 December 2010 | Year ended 31 December 2009 |
|---|---|---|---|
| Telecommunication Satellites | 5 | 5 | 4 |

For 2011, consolidated revenues of Astrium amounted to €5.0 billion, almost stable compared to 2010. A decrease in revenues at Astrium Services was nearly offset by an increase in revenues at Astrium Space Transportation and Astrium Satellites.

For 2010, consolidated revenues of Astrium increased by 4.3%, from €4.8 billion for 2009 to €5.0 billion for 2010. The increase was due to strong deliveries in telecommunication and earth observation satellites and growth in defence revenues, which more than offset the catch-up effect for in-orbit incentive schemes booked in 2009 (€-0.2 billion).

### Cassidian

For 2011, consolidated revenues of Cassidian decreased by 2.2%, from €5.9 billion for 2010 to €5.8 billion for 2011. Strong revenues related to backlog deliveries from core and export Eurofighter programme, missiles and radar business were more than offset by, among other things, the milestone shift in the security business.

For 2010, consolidated revenues of Cassidian increased by 10.6%, from €5.4 billion for 2009 to €5.9 billion for 2010. The increase primarily reflects volume growth in core and export markets for Eurofighter and missile programmes as well as progress in border security contracts.

### Other Businesses

For 2011, consolidated revenues of Other Businesses increased by 5.9%, from €1.2 billion for 2010 to €1.3 billion for 2011. The increase mainly reflects a ramp-up in medium and light transport aircraft deliveries and higher revenues from light utility helicopter deliveries at EADS North America in 2011, as well as production rate increases and higher cabin seat activity at EADS Sogerma.

For 2010, consolidated revenues of Other Businesses increased by 7.8%, from €1.1 billion for 2009 to €1.2 billion for 2010. The increase mainly reflects the ramp-up in light utility helicopter deliveries at EADS North America (53 in 2010 compared to 45 in 2009).

## 2.1.4.2 Consolidated Cost of Sales

For 2011, consolidated cost of sales increased by 7.0% despite certain cost savings, from €39.5 billion for 2010 to €42.3 billion for 2011. The increase was primarily due to strong delivery patterns and costs related to business growth at Airbus, as well as a loss-making contract charge of €200 million incurred on the A350 XWB programme in 2011. See "— 2.1.1.3 Significant Programme Developments in 2009, 2010 and 2011". Consolidated cost of sales also includes the amortisation of capitalised development costs pursuant to IAS 38, which amounted to €-116 million in 2011 compared to €-34 million in 2010. Mainly as a result of the above stated items and despite

a negative US dollar effect at Airbus in respect of revenues compared to 2010, the gross margin increased from 13.6% in 2010 to 13.9% in 2011.

For 2010, consolidated cost of sales increased by 3.0%, from €38.4 billion for 2009 to €39.5 billion for 2010. The increase was primarily due to strong delivery patterns, cost escalation and costs related to business growth at Airbus, which were partially offset by additional Power8 savings in 2010 and the absence of loss-making contract charges incurred on the A400M and the A380 programmes in 2009 (€-2.1 billion). See "— 2.1.1.3 Significant Programme Developments in 2009, 2010 and 2011". Consolidated cost of sales also includes the amortisation of capitalised development costs pursuant to IAS 38, which amounted to €-34 million in 2010 compared to €-146 million in 2009. Mainly as a result of the above stated items and despite a negative US dollar effect at Airbus in respect of revenues compared to 2009, the gross margin increased from 10.4% in 2009 to 13.6% in 2010.

### 2.1.4.3 Consolidated Selling and Administrative Expenses

For 2011, consolidated selling and administrative expenses increased by 4.2%, from €2.3 billion for 2010 to €2.4 billion for 2011. The increase was primarily due to higher expenses at Eurocopter, which was in turn primarily related to the first consolidation of Vector Aerospace. See "— 2.1.2.1 Scope of and Changes in Consolidation Perimeter".

For 2010, consolidated selling and administrative expenses increased by 5.3%, from €2.2 billion for 2009 to €2.3 billion for 2010. The increase was primarily due to higher expenses at Airbus and Astrium in connection with bid campaigns.

### 2.1.4.4 Consolidated Research and Development Expenses

For 2011, consolidated research and development expenses increased by 7.2%, from €2.9 billion for 2010 to €3.2 billion for 2011. The increase was primarily due to higher expenses at Airbus for A350 XWB development, at Cassidian for unmanned aerial systems and Eurofighter radar activities and at Eurocopter across the product range. See "— 2.1.2.5 Capitalised development costs".

For 2010, consolidated research and development expenses increased by 4.0%, from €2.8 billion for 2009 to €2.9 billion for 2010. The increase was primarily due to higher expenses at Cassidian for the unmanned aerial systems and systems businesses and at Eurocopter across the product range. At Airbus, the increase in A350 XWB-related expenses was roughly offset by decreases in other programmes, in particular the A380 and the A330-200F.

### 2.1.4.5 Consolidated Other Income and Other Expenses

Consolidated other income and other expenses include gains and losses on disposals of investments in fixed assets and income from rental properties.

For 2011, the net of other income and other expenses was €138 million as compared to €69 million for 2010. The net increase was mainly due to the settlement of European government refundable advances following Airbus' termination of the A340 programme in 2011, which had a positive effect of €192 million on other income. See "Notes to the Consolidated Financial Statements (IFRS) — Note 27: Other financial liabilities". This positive effect was partially offset by a goodwill impairment charge of €-20 million in 2011.

For 2010, the net of other income and other expenses was €69 million as compared to €68 million for 2009. Gains and losses roughly offset each other compared to 2009.

### 2.1.4.6 Consolidated Share of Profit from Associates Accounted for under the Equity Method and Other Income from Investments

Consolidated share of profit from associates accounted for under the equity method and other income from investments principally includes results from companies accounted for under the equity method and the results attributable to non-consolidated investments.

For 2011, EADS recorded €192 million in consolidated share of profit from associates accounted for under the equity method and other income from investments as compared to €145 million for 2010. The €47 million increase reflects among others the increased contribution from EADS' equity investment in Dassault Aviation. See "Notes to the Consolidated Financial Statements (IFRS) — Note 11: Share of profit from associates accounted for under the equity method and other income from investments".

For 2010, EADS recorded €145 million in consolidated share of profit from associates accounted for under the equity method and other income from investments as compared to €134 million for 2009. The €11 million increase primarily reflects the increased contribution from EADS' equity investment in Dassault Aviation.

### 2.1.4.7 Consolidated Interest Result

Consolidated interest result reflects the net of interest income and expense arising from financial assets and liabilities, including interest expense on refundable advances provided by European governments to finance R&D activities.

For 2011, EADS recorded a consolidated net interest income of €13 million, as compared to a consolidated net interest expense of €-99 million for 2010. The improvement in interest result is primarily due to lower interest expenses on refundable advances and a higher interest income recorded on the Group's higher cash balances. The 2011 interest result includes a positive effect of €120 million following Airbus' termination of the A340 programme in 2011. See "Notes to the Consolidated Financial Statements (IFRS) — Note 27: Other financial liabilities".

For 2010, EADS recorded a consolidated net interest expense of €-99 million, as compared to a consolidated net interest expense of €-147 million for 2009. The improvement is due

primarily to lower interest expense paid on the Group's financing liabilities and to the reassessment of future cash outflows of European government refundable advances.

### 2.1.4.8 Consolidated Other Financial Result

This line item includes, among others, the impact from the revaluation of financial instruments, the effect of foreign exchange valuation of monetary items and the unwinding of discounted provisions. See "Notes to the Consolidated Financial Statements (IFRS) — Note 2: Summary of significant accounting policies — Significant Accounting Policies — Derivative financial instruments — Embedded derivatives". This line item also includes the valuation of the premium paid for US dollar options used for foreign exchange hedging.

For 2011, consolidated other financial result improved to €-233 million from €-272 million for 2010. This positive €39 million change results among others from the improvement in the impact of revaluation changes of US dollar- and pound sterling-denominated cash balances on the euro-denominated balance sheets of Group companies. See "Notes to the Consolidated Financial Statements (IFRS) — Note 12: Total finance costs" for further discussion.

For 2010, consolidated other financial result improved to €-272 million from €-445 million for 2009. This positive €173 million change results primarily from the lower unwinding of discounts in 2010 compared to 2009, due in turn to the lower discounted provisions outstanding.

### 2.1.4.9 Consolidated Income Taxes

For 2011, income tax expense was €-356 million as compared to €-244 million for 2010. The increase was primarily due to the higher taxable income recorded in 2011 (€1,393 million) as compared to 2010 (€816 million). The effective tax rate was 26% in 2011. The decrease of the tax rate reflects, among others, a positive impact from the reassessment of tax provisions. See "Notes to the Consolidated Financial Statements (IFRS) — Note 13: Income taxes".

For 2010, income taxes yielded a €-244 million expense, compared to a €220 million benefit in 2009. The expense was due to the taxable income of €816 million recorded in 2010, as compared to a taxable loss of €-972 million recorded in the previous year. The effective tax rate was 30% in 2010.

### 2.1.4.10 Consolidated Non-Controlling Interests

For 2011, consolidated profit for the period attributable to non-controlling interests was €4 million, as compared to €19 million for 2010 and €11 million for 2009.

### 2.1.4.11 Consolidated Profit (Loss) for the Period Attributable to Equity Owners of the Parent (Net Income (Loss))

As a result of the factors discussed above, EADS recorded consolidated net income of €1,033 million for 2011, as compared to consolidated net income of €553 million for 2010 and a consolidated net loss of €-763 million for 2009.

### 2.1.4.12 Earnings per Share

Basic earnings were €1.27 per share in 2011, as compared to €0.68 per share in 2010. The number of outstanding shares as of 31 December 2011 was 814,896,511. The denominator used to calculate earnings per share was 812,507,288 shares, reflecting the weighted average number of shares outstanding during the year. In 2009, EADS reported a basic loss of €-0.94 per share.

Diluted earnings were €1.27 per share in 2011, as compared to €0.68 per share in 2010. The denominator used to calculate diluted earnings per share was 813,701,912, reflecting the weighted average number of shares outstanding during the year, adjusted to assume the conversion of all potential ordinary shares. In 2009, EADS reported a diluted loss of €-0.94 per share.

See "Notes to the Consolidated Financial Statements (IFRS) — Note 23: Total equity" and "— Note 38: Earnings per share".

## 2.1.5 Changes in Consolidated Total Equity (Including Non-Controlling Interests)

The following table sets forth a summary of the changes in consolidated total equity for the period 1 January 2011 through 31 December 2011.

| (in €m) | |
|---|---|
| **Balance as of 31 December 2010** | **8,936** |
| Profit for the period | 1,037 |
| Actuarial gains and losses | (579) |
| Accumulated other comprehensive income | (289) |
| *Thereof currency translation adjustments* | *(72)* |
| Capital increase | 63 |
| Share-based payment (IFRS 2) | 15 |
| Cash distribution to EADS NV shareholders/dividends paid to non-controlling interests | (183) |
| Equity transaction (IAS 27) | (125) |
| Change in non-controlling interests | 3 |
| Change in treasury shares | (8) |
| **Balance as of 31 December 2011** | **8,870** |

The consolidated total equity in 2011 primarily reflects changes in actuarial gains and losses (€-0.6 billion) and the decrease in accumulated other comprehensive income ("**AOCI**") (€-0.3 billion), with the latter mainly due to the negative variation (net of tax) of the year-end mark-to-market valuation of that portion of EADS' hedge portfolio qualifying for cash flow hedge accounting under IAS 39 ("**cash flow hedges**"). These decreases in consolidated total equity were partially offset by the profit for the period recorded for 2011.

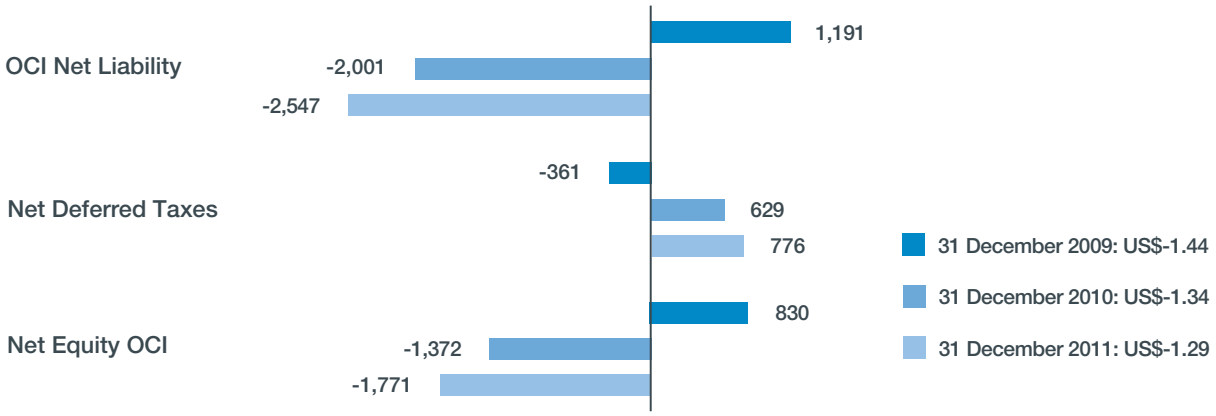
Set forth below is a discussion on the calculation of AOCI and the related impact on consolidated total equity. For a discussion of the other line items affecting consolidated total equity, see "Consolidated Financial Statements (IFRS) of EADS — Consolidated Statements of Changes in Equity (IFRS) for the years ended 31 December 2011, 2010 and 2009".

### 2.1.5.1 Cash Flow Hedge Related Impact on AOCI

As of 31 December 2011, the notional amount of EADS' portfolio of outstanding cash flow hedges amounted to US$75.1 billion, hedged against the euro and the pound sterling. The year-end mark-to-market valuation of this portfolio required under IAS 39 resulted in a negative pre-tax AOCI valuation change of €-0.5 billion from 31 December 2010, based on a closing rate of €-US$1.29, as compared to a negative pre-tax AOCI valuation change of €-3.2 billion as of 31 December 2010 from 31 December 2009, based on a closing rate of €-US$1.34. For further information on the measurement of the fair values of financial instruments see "Notes to the Consolidated Financial Statements (IFRS) — Note 34: Information about financial instruments".

Positive pre-tax mark-to-market values of cash flow hedges are included in other financial assets, while negative pre-tax mark-to-market values of cash flow hedges are included in other financial liabilities. Year-to-year changes in the mark-to-market value of cash flow hedges are recognised as adjustments to AOCI. These adjustments to AOCI are net of corresponding changes to deferred tax assets (for cash flow hedges with negative mark-to-market valuations) and deferred tax liabilities (for cash flow hedges with positive mark-to-market valuations). Set out below is a graphic presentation of cash flow hedge related movements in AOCI over the past three years (in €m).

**Cash Flow Hedge Related Movements in AOCI in €m (based on year-end exchange rates)**




As a result of the negative change in the fair market valuation of the cash flow hedge portfolio in 2011, AOCI amounted to a net liability of €-2.5 billion for 2011, as compared to a net liability of €-2.0 billion for 2010. The corresponding €0.2 billion tax effect led to a net deferred tax asset of €0.8 billion as of 31 December 2011 as compared to a net deferred tax asset of €0.6 billion as of 31 December 2010.

See "Notes to the Consolidated Financial Statements (IFRS) — Note 34B: Carrying amounts and fair values of financial instruments" for further information.

### 2.1.5.2 Currency Translation Adjustment Impact on AOCI

The €-72 million currency translation adjustment ("**CTA**") related impact on AOCI in 2011 mainly reflects the effect of the variation of the US dollar.

## 2.1.6 Liquidity and Capital Resources

The Group's objective is to maintain sufficient cash and cash equivalents at all times to meet its present and future cash requirements and maintain a favourable credit rating. It attempts to achieve this objective by:

- implementing measures designed to generate cash;
- developing and maintaining access to the capital markets; and
- containing its exposure to customer financing.

EADS benefits from a strong positive cash position, with €16.8 billion of consolidated gross cash (including securities of €11.5 billion) as of 31 December 2011. EADS defines its consolidated net cash position as the difference between (i) cash and cash equivalents, (ii) securities less (iii) financing liabilities (as recorded in the consolidated statement of financial position). The net cash position as of 31 December 2011 was €11.7 billion (€11.9 billion as of 31 December 2010).

This cash position is further supported by a €3.0 billion syndicated back-up facility, undrawn as of 31 December 2011 with no financial covenants, as well as a Euro medium term note programme and commercial paper programme. See "— 2.1.6.3 Consolidated Financing Liabilities". The factors affecting EADS' cash position, and consequently its liquidity risk, are discussed below.

EADS has a long-term credit rating of A1 with a stable outlook by Moody's Investors Service Inc. ("**Moody's**"), A- with a positive outlook by Standard and Poor's Credit Market Services Europe Limited ("**Standard & Poor's**") and BBB+ with a stable outlook by Fitch Polska S.A. ("**Fitch Ratings**"). Standard and Poor's and Fitch Ratings are established in the European Union and, as of the date of this Registration Document, are registered as credit rating agencies in accordance with EC Regulation 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (the "**CRA Regulation**"). Moody's is not established in the European Union and not registered under the CRA Regulation but Moody's Investors Service Ltd., its European Union credit rating agency affiliate, is registered under the CRA Regulation and has endorsed Moody's rating.

### 2.1.6.1 Cash Flows

EADS generally finances its manufacturing activities and product development programmes, and in particular the development of new commercial aircraft, through a combination of flows generated by operating activities, customer advances, risk-sharing partnerships with sub-contractors and European government refundable advances. In addition, EADS' military activities benefit from government-financed research and development contracts. If necessary, EADS may raise funds in the capital markets.

The following table sets forth the variation of EADS' consolidated net cash position over the periods indicated.

| (in €m) | Year ended 31 December 2011 | Year ended 31 December 2010 | Year ended 31 December 2009 |
|---|---|---|---|
| **Consolidated net cash position at 1 January** | **11,918** | **9,797** | **9,193** |
| Gross cash flow from operations [1] | 3,392 | 2,177 | 2,423 |
| Changes in other operating assets and liabilities | 1,386 | 2,819 | 15 |
| *Thereof customer financing* | *135* | *63* | *(406)* |
| Cash used for investing activities [2] | (3,820) | (2,289) | (1,853) |
| *Thereof industrial capital expenditures* | *(2,197)* | *(2,250)* | *(1,957)* |
| *Thereof acquisitions* | *(1,535)* | *(38)* | *(21)* |
| **Free cash flow [3]** | **958** | **2,707** | **585** |
| *Thereof free cash flow before customer financing* | *823* | *2,644* | *991* |
| Cash distribution to shareholders/non-controlling interests | (183) | (7) | (166) |
| Changes in capital and non-controlling interests | (65) | (48) | 17 |
| Change in treasury shares | (1) | (3) | (5) |
| Contribution to plan assets of pension schemes | (489) | (553) | (173) |
| Other changes in financial position | (457) | 25 | 346 |
| **Consolidated net cash position as of 31 December** | **11,681** | **11,918** | **9,797** |

(1) Represents gross cash flow from operations, excluding (i) variations in working capital and (ii) contribution to plan assets of pension schemes (€(173) million for 2009; €(553) million for 2010; €(489) million for 2011).
(2) Does not reflect investments in available-for-sale securities (net addition of €(821) million for 2009; net addition of €(3,147) million for 2010; net addition of €(378) million for 2011), which are classified as cash and not as investments solely for the purposes of this net cash presentation.
(3) Does not reflect investments in available-for-sale securities or contribution to plan assets of pension schemes.

The net cash position as of 31 December 2011 was €11.7 billion, a 2.0% decrease from 31 December 2010. The decrease primarily reflects the cash used for investing activities (€-3.8 billion) in particular related to acquisitions in 2011, partially offset by the gross cash flow from operations (€3.4 billion) as well as other items.

#### Gross Cash Flow from Operations

Gross cash flow from operations increased by 55.8% to €3.4 billion for 2011, primarily due to the improvement of profitability before depreciation and provisioning.

#### Changes in Other Operating Assets and Liabilities

Changes in other operating assets and liabilities is comprised of inventory, trade receivables, other assets and prepaid expenses netted against trade liabilities, other liabilities (including customer advances), deferred income and customer financing. Changes in working capital resulted in a €1.4 billion positive impact on the net cash position for 2011, as compared to a positive impact of €2.8 billion for 2010.

In 2011, the main net contributors to the positive working capital variation were: (i) pre-delivery payments from customers (€2.0 billion), which increased compared to 2010 due to higher business activity mainly at Airbus, (ii) the change in trade liabilities (€0.8 billion), mainly at Airbus and (iii) the change in trade receivables (€0.4 billion). The positive variations within the year were partially offset by (i) the change in inventory (€-1.6 billion) reflecting inventory growth across most Divisions, in particular at Airbus due to the progressive ramp-up on single-aisle and long-range aircraft production and (ii) the change in other assets and liabilities (€-0.3 billion).

In 2010, the main net contributors to the positive working capital variation were: (i) the change in inventory (€0.7 billion), reflecting inventory reduction at Airbus in particular and (ii) pre-delivery payments from customers (€1.7 billion), which were higher at Airbus Commercial during 2010 but nonetheless decreased overall compared to 2009 as a result of lower advance payments at Astrium and Cassidian following the exceptional order intake booked in 2009, and (iii) the change in other assets and liabilities (€0.7 billion), including government receipts for development programmes. The positive variations within the year were partially offset by the change in trade receivables (€-0.3 billion).

***European Government Refundable Advances.*** As of 31 December 2011, total European government refundable advances received, recorded on the statement of financial position in the line items "non-current other financial liabilities" and "current other financial liabilities" due to their specific nature, amounted to €5.7 billion, including accrued interest.

European government refundable advances (net of reimbursements) as recorded on the statement of financial position decreased in 2011, due primarily to the settlement of €0.4 billion in obligations following Airbus' termination of the A340 programme (cash effect of €-0.1 billion). This also had a positive effect on other income and on interest result (€192 million and €120 million, respectively) during 2011 as discussed above. See "Notes to the Consolidated Financial Statements (IFRS) — Note 27: Other financial liabilities".

Set out below is a breakdown of the total amount of European government refundable advances outstanding, by product/project.

| (in €bn) | 2011 | 2010 | 2009 |
|---|---|---|---|
| Long-range | 1.5 | 1.8 | 1.2 |
| A380 | 3.8 | 3.7 | 3.6 |
| Eurocopter | 0.2 | 0.2 | 0.2 |
| Others | 0.2 | 0.3 | 0.3 |
| **Total** | **5.7** | **6.0** | **5.3** |

## Cash Used for Investing Activities

Management categorises cash used for investing activities into three components: (i) industrial capital expenditures, (ii) acquisitions and (iii) others.

***Industrial Capital Expenditures.*** Industrial capital expenditures (investments in property, plant and equipment and intangible assets) amounted to €-2.2 billion for 2011, as compared to €-2.3 billion for 2010 and €-2.0 billion for 2009. Capital expenditures in 2011 related to programmes at Airbus of €-1.4 billion (a large portion of which related to the A350 XWB) and additional projects in the other Divisions of €-0.8 billion, mainly driven by investment at Astrium.

For the period 2012 to 2013, it is expected that the majority of EADS' capital expenditures will occur in connection with Airbus activities – in particular, for the A350 XWB programme – and be broadly distributed across EADS' home markets of France, Germany, Spain and the UK.

***Acquisitions.*** In 2011, the €-1.5 billion figure reflects the net cash used for the Group's acquisitions during the year, in particular Vizada (€-709 million), Vector (€-432 million) and Satair (€-342 million). See "Notes to the Consolidated Financial Statements (IFRS) — Note 31: Consolidated statement of cash flows".

In 2010, the €-38 million figure reflects the acquisition of Jena-Optronik GmbH. In 2009, the €-21 million figure primarily reflects the acquisition of the underwater systems business of QinetiQ.

## Free Cash Flow

As a result of the factors discussed above, free cash flow amounted to €1.0 billion for 2011, as compared to €2.7 billion for 2010 and €0.6 billion for 2009. Free cash flow before customer financing was €0.8 billion for 2011, as compared to €2.6 billion for 2010 and €1.0 billion for 2009.

## Contribution to Plan Assets of Pension Schemes

The cash outflows of €-0.5 billion and €-0.6 billion in 2011 and 2010, respectively, primarily relate to a contribution to the Contractual Trust Arrangement (CTA) for allocating and generating pension plan assets in accordance with IAS 19, as well as to plan assets in the UK and to German benefit funds. The cash outflow of €-0.2 billion in 2009 primarily relates to a contribution to plan assets in the UK and to German benefit funds. See "Notes to the Consolidated Financial Statements (IFRS) — Note 25B: Provisions for retirement plans". In 2012, EADS intends to make additional contributions to plan assets in order to reduce the provision for retirement plans on its statement of financial position.

## Other Changes in Financial Position

In 2011, the negative change of €-457 million results from increases in financing liabilities due to the newly consolidated companies. In 2010 there was a small positive change of €25 million, compared to a positive change of €346 million in 2009 which reflects among others currency effects on financing liabilities.

## 2.1.6.2 Consolidated Cash and Cash Equivalents and Securities

The cash and cash equivalents and securities portfolio of the Group is invested mainly in non-speculative financial instruments, mostly highly liquid, such as certificates of deposit, overnight deposits, commercial paper, other money market instruments and bonds. See "— 2.1.7.2 Interest Rates" and "Notes to the Consolidated Financial Statements (IFRS) — Note 34A: Financial risk management".

EADS has a fully automated cross-border cash pooling system (covering France, Germany, Spain, the Netherlands, the UK and the US). The cash pooling system enhances management's ability to assess reliably and instantaneously the cash position of each subsidiary within the Group and enables management to allocate cash optimally within the Group depending upon shifting short-term needs.

Total cash and cash equivalents (including available-for-sale securities) in 2011 included €0.7 billion from the 37.5% consolidation of MBDA, compared to €0.7 billion in 2010 and €0.8 billion in 2009.

## 2.1.6.3 Consolidated Financing Liabilities

The following table sets forth the composition of EADS' consolidated financing liabilities, including both short- and long-term debt, as of 31 December 2011:

| | 31 December 2011 | | | |
|---|---|---|---|---|
| (in €m) | Not exceeding 1 year | Over 1 year up to 5 years | More than 5 years | Total |
| Bonds | - | 1,056 | 549 | 1,605 |
| Liabilities to financial institutions | 74 | 801 | 679 | 1,554 |
| Loans | 279 | 187 | 185 | 651 |
| Finance Leases | 13 | 59 | 112 | 184 |
| Others | 1,110 | - | - | 1,110 |
| **Total** | **1,476** | **2,103** | **1,525** | **5,104** [(1)] |

(1) Financing liabilities include non-recourse Airbus debt for €455 million.

The outstanding balance of financing liabilities increased from €4.3 billion as of 31 December 2010 to €5.1 billion as of 31 December 2011. This increase is mainly related to new loans granted by the European Investment Bank (US$721 million) and the Development Bank of Japan (US$300 million) in 2011, as described below.

Financing liabilities include liabilities connected with sales financing transactions amounting to €532 million as of 31 December 2011, most of which bore interest at variable rates. See "— 2.1.6.4 Sales Financing".

***EMTN Programme.*** EADS has a €3 billion Euro Medium Term Note ("**EMTN**") Programme in place, with two tranches outstanding as of 31 December 2011:

- €0.5 billion of notes issued in 2003 and maturing in 2018, bearing interest at 5.5%(effective interest rate: 5.6%) and subsequently swapped into a variable rate of 3-month EURIBOR plus 1.72%; and
- €1.0 billion of notes issued in 2009 and maturing in 2016, bearing interest at 4.625%(effective interest rate: 4.7%) and subsequently swapped into a variable rate of 3-month EURIBOR plus 1.57%.

***Commercial Paper Programme.*** EADS has the ability to issue commercial paper on a rolling basis, under a so-called "*billet de trésorerie*" programme. This commercial paper would bear interest at fixed or floating rates with individual maturities ranging from 1 day to 12 months. The programme has been in place since 2003 and has a maximum authorised volume limit of €2 billion. As of 31 December 2011, there was no commercial paper outstanding under the programme.

***European Investment Bank Loans.*** In 2004, the European Investment Bank granted a long-term loan to EADS in the amount of US$421 million maturing in 2014 and bearing interest at 5.1%(effective interest rate: 5.1%). In 2011, EADS entered into a US$721 million long-term credit agreement maturing in 2021 (with straight line amortisation from August 2015 onwards) with the European Investment Bank, bearing interest at a variable rate of 3-month USD LIBOR plus 0.849%. EADS concurrently swapped the variable interest rate into a fixed rate of 3.2%.

***Development Bank of Japan Credit Facility.*** In 2011, EADS entered into a US$300 million credit facility maturing in 2021 (bullet loan) with the Development Bank of Japan, fully drawn down and bearing interest at a variable rate of 3-month USD LIBOR plus 1.15%. EADS concurrently swapped the variable interest rate into a fixed rate of 4.8%.

For further information, see "Notes to the Consolidated Financial Statements (IFRS) — Note 26: Financing liabilities".

## 2.1.6.4 Sales Financing

EADS favours cash sales and encourages independent financing by customers, in order to avoid retaining credit or asset risk in relation to delivered products. However, in order to support product sales, primarily at Airbus, Eurocopter and ATR, EADS may agree to participate in the financing of customers, on a case-by-case basis, directly or through guarantees provided to third parties.

The financial markets remain unpredictable, which may cause EADS to increase its future outlays in connection with customer financing of commercial aircraft, mostly through finance leases and secured loans. Nevertheless, it intends to keep the amount as low as possible.

Dedicated and experienced teams structure such financing transactions and closely monitor total EADS finance and asset value exposure and its evolution in terms of quality, volume and intensity of cash requirements. EADS aims to structure all financing it provides to customers in line with market-standard contractual terms so as to facilitate any subsequent sale or reduction of such exposure.

In determining the amount and terms of a financing transaction, Airbus and ATR take into account the airline's credit rating as well as risk factors specific to the intended operating environment of the aircraft and its expected future value. Market yields and current banking practices also serve to benchmark the financing terms offered to customers.

Approximately 10% of the €5.1 billion of total consolidated financing liabilities as of 31 December 2011 are derived from the funding of EADS' sales financing assets, which are of a long-term nature and have predictable payment schedules.

Set out below is a breakdown of the total amount of sales financing liabilities outstanding.

| (in €m) | 2011 | 2010 | 2009 |
|---|---|---|---|
| Finance leases | - | - | 1 |
| Liabilities to financial institutions | 421 | 491 | 590 |
| Loans | 111 | 140 | 142 |
| **Total sales financing liabilities** [1] | **532** | **631** | **733** |

(1) The amount of total sales financing liabilities as of 31 December 2009 reflects the offsetting of sales financing liabilities by €306 million. As of 31 December 2010 and 2011, no sales financing liabilities were offset.

Of the €532 million total sales financing liabilities as of 31 December 2011, €455 million is in the form of non-recourse debt, where EADS' repayment obligations are limited to its receipts from transaction counterparties. A significant portion of financial assets representing non-cancellable customer commitments have terms closely matching those of the related financing liabilities. See "Notes to the Consolidated Financial Statements (IFRS) — Note 26: Financing liabilities". See also "— 2.1.2.8 Accounting for Sales Financing Transactions in the Financial Statements".

Furthermore, in 1999, Airbus received a reinvestment note from Deutsche Bank AG in the amount of US$800 million, bearing a fixed interest rate of 9.88% with an outstanding debt of €224 million as of 31 December 2011 (2010: €275 million, 2009: €305 million).

Sales financing transactions are generally collateralised by the underlying aircraft. Additionally, Airbus, Eurocopter and ATR benefit from protective covenants and from security packages tailored according to the perceived risk and the legal environment of each transaction.

EADS classifies the exposure arising from its sales financing activities into two categories: (i) Customer Financing Exposure, where the customer's credit – its ability to perform its obligations under a financing agreement – constitutes the risk; and (ii) Asset Value Exposure, where the risk relates to decreases in the future value of the financed aircraft. See also "Risk Factors — 1. Financial Market Risks — Exposure to Sales Financing Risk".

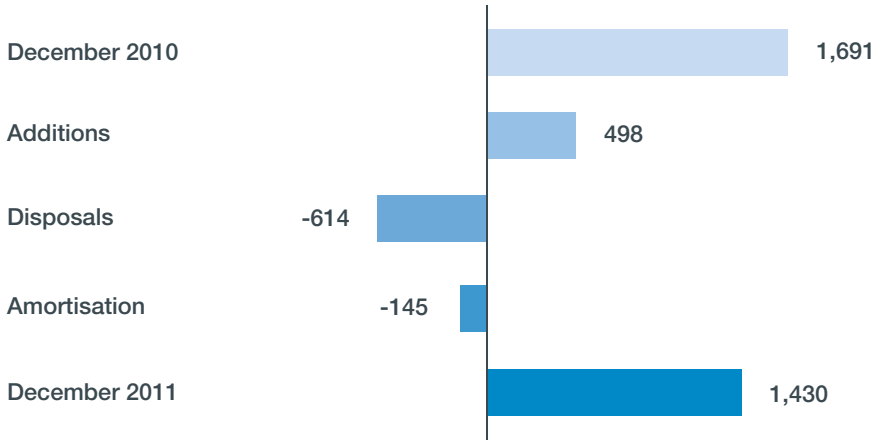
## Customer Financing Exposure

***Gross exposure.*** Gross Customer Financing Exposure is computed as the sum of (i) the net book value of aircraft under operating leases; (ii) the outstanding principal amount of finance leases or loans; and (iii) the net present value of the maximum commitment amounts under financial guarantees.

Gross Customer Financing Exposure from operating leases, finance leases and loans differs from the value of related assets on EADS' statement of financial position and related off-balance sheet contingent commitments for the following reasons: (i) assets are recorded in compliance with IFRS, but may relate to transactions where there is limited recourse to Airbus, Eurocopter or ATR; (ii) the value of the assets is impaired or depreciated on the consolidated statement of financial position; (iii) off-balance sheet gross exposure is calculated as the net present value of future payments, whereas the financial statements present the total future payments in nominal terms; and (iv) exposure related to certain asset value guarantees recorded as operating leases in the financial statements is categorised under Asset Value Exposure, not Customer Financing Exposure.

Airbus' Gross Customer Financing Exposure amounted to US$1.4 billion (€1.1 billion) as of 31 December 2011. The chart below illustrates the evolution of this exposure during 2011 (in US$ million).

## Evolution of Airbus Gross Exposure during 2011




Airbus Gross Customer Financing Exposure as of 31 December 2011 is distributed over 79 aircraft, operated at any time by approximately 25 airlines. In addition, the level of exposure may include other aircraft-related assets, such as spare parts. 90% of Airbus Gross Customer Financing Exposure is distributed over 13 airlines in 11 countries (this excludes backstop commitments).

ATR's Gross Customer Financing Exposure amounted to US$0.1 billion (€0.1 billion) as of 31 December 2011. This exposure is distributed over 129 aircraft. EADS proportionally consolidates only 50% of ATR and shares the risk with its partner, Alenia.

Eurocopter's Gross Customer Financing Exposure amounted to €0.1 billion as of 31 December 2011. This exposure is distributed over 43 helicopters.

***Net exposure.*** Net exposure is the difference between gross exposure and the estimated value of the collateral security. Collateral value is assessed using a dynamic model based on the net present value of expected future rentals from the aircraft in the leasing market and potential cost of default. This valuation model yields results that are typically lower than residual value estimates by independent sources in order to allow for what management believes is its conservative assessment of market conditions, as well as for repossession and transformation costs. See "— 2.1.2.8 Accounting for Sales Financing Transactions in the Financial Statements".

The table below shows the transition from gross to net financing exposure (which does not include asset value guarantees) as of 31 December 2011, 2010 and 2009. It includes 100% of Airbus' and Eurocopter's customer financing exposure and 50% of ATR's exposure, reflecting EADS' stake in ATR.

| | | Airbus | | | ATR 50% | | | Eurocopter | | | Total EADS | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (in €m) | Note[1] | 31/12/2011 | 31/12/2010 | 31/12/2009 | 31/12/2011 | 31/12/2010 | 31/12/2009 | 31/12/2011 | 31/12/2010 | 31/12/2009 | 31/12/2011 | 31/12/2010 | 31/12/2009 |
| Operating leases | 15 | 497 | 579 | 341 | - | - | - | - | - | - | 497 | 579 | 341 |
| Finance leases & loans | 17 | 1,062 | 1,234 | 1,569 | 13 | 14 | 4 | 46 | 41 | 29 | 1,121 | 1,289 | 1,602 |
| Others | | - | - | - | 29 | 55 | 108 | - | - | - | 29 | 55 | 108 |
| **On balance sheet customer financing** | | **1,559** | **1,813** | **1,910** | **42** | **69** | **112** | **46** | **41** | **29** | **1,647** | **1,923** | **2,051** |
| **Off balance sheet customer financing** | | **357** | **448** | **446** | **56** | **46** | **47** | **40** | **48** | **47** | **453** | **542** | **540** |
| Non-recourse transactions on balance sheet | | (721) | (880) | (985) | - | - | - | - | - | - | (721) | (880) | (985) |
| Off balance sheet adjustments | | (90) | (115) | (111) | - | - | - | - | - | - | (90) | (115) | (111) |
| **Gross Customer Financing Exposure** | **33** | **1,105** | **1,266** | **1,260** | **98** | **115** | **159** | **86** | **89** | **76** | **1,289** | **1,470** | **1,495** |
| Collateral values | 33 | (627) | (759) | (772) | (86) | (105) | (145) | (53) | (62) | (55) | (766) | (926) | (972) |
| **Net exposure** | | **478** | **507** | **488** | **12** | **10** | **14** | **33** | **27** | **21** | **523** | **544** | **523** |
| **Asset impairments and provisions on:** | | | | | | | | | | | | | |
| Operating leases | 33 | (127) | (75) | (70) | - | - | - | - | - | - | (127) | (75) | (70) |
| Finance leases & loans | 33 | (172) | (176) | (158) | - | - | - | - | - | - | (172) | (176) | (158) |
| On balance sheet commitments | 33 | - | - | - | (12) | (10) | (14) | (33) | (27) | (21) | (45) | (37) | (35) |
| Off balance sheet commitments | 33 | (179) | (256) | (260) | - | - | - | - | - | - | (179) | (256) | (260) |
| **Asset impairments and provisions** | | **(478)** | **(507)** | **(488)** | **(12)** | **(10)** | **(14)** | **(33)** | **(27)** | **(21)** | **(523)** | **(544)** | **(523)** |
| Residual exposure | | - | - | - | - | - | - | - | - | - | - | - | - |

(1) The indicated numbers refer to the number of the Notes to Consolidated Financial Statements (IFRS).

The gross value of consolidated operating leases shown in the table above (€497 million in 2011, €579 million in 2010 and €341 million in 2009) is accounted for in "Property, plant and equipment" at net book value of operating leases before impairment. Corresponding accumulated asset impairments (€-127 million in 2011, €-75 million in 2010 and €-70 million in 2009) are charged against this net book value. See "Notes to the Consolidated Financial Statements (IFRS) — Note 15: Property, plant and equipment" and "— Note 33: Commitments and contingencies".

Also shown in the table above is the gross value for consolidated finance leases and loans (€1,121 million in 2011, €1,289 million in 2010 and €1,602 million in 2009). Consolidated finance leases (€618 million in 2011, €731 million in 2010 and €845 million in 2009) are accounted for as long-term financial assets, recorded at their book value before impairment. Loans (€503 million in 2011, €558 million in 2010 and €757 million in 2009) are also accounted for as long-term financial assets, recorded at their outstanding gross amount. Corresponding overall accumulated impairments (€-172 million in 2011, €-176 million in 2010 and €-158 million in 2009) are charged against the book values. See "Notes to the Consolidated Financial Statements (IFRS) — Note 17: Investments in associates accounted for under the equity method, other investments and other long-term financial assets".

Off-balance sheet customer financing exposure at Airbus, ATR (accounted for at 50% by EADS) and Eurocopter was €453 million in 2011, €542 million in 2010 and €540 million in 2009. These amounts reflect the total nominal value of future payments under lease in/lease out structures. The corresponding net present value of future payments (discounted and net of mitigating factors) is included in total Gross Financing Exposure for an amount of €363 million in 2011, €427 million in 2010 and €429 million in 2009. A provision of €179 million has

been accrued for in EADS' balance sheet as of 31 December 2011 to cover the full amount of the corresponding net exposure. See "Notes to the Consolidated Financial Statements (IFRS) — Note 33: Commitments and contingencies".

### Asset Value Exposure

A significant portion of EADS' asset value exposure arises from outstanding asset value guarantees, primarily at Airbus. Management considers the financial risks associated with such guarantees to be manageable. Three factors contribute to this assessment: (i) the guarantee only covers a tranche of the estimated future value of the aircraft, and its level is considered prudent in comparison to the estimated future value of each aircraft; (ii) the asset value guarantee-related exposure is diversified over a large number of aircraft and customers; and (iii) the exercise dates of outstanding asset value guarantees are distributed through 2022, resulting in low levels of exposure maturing in any year. In addition, these asset value guarantees must generally be exercised during a pre-defined window and contain specific conditions that must be met in order for them to be exercisable.

***Gross exposure.*** Gross Asset Value Exposure is defined as the sum of the maximum guaranteed tranche amounts (as opposed to the sum of the maximum guaranteed asset value amounts) under outstanding asset value guarantees. As of 31 December 2011, Gross Asset Value Exposure was US$2.1 billion (€1.7 billion). The off-balance sheet portion of Gross Asset Value Exposure, representing asset value guarantees with net present values of less than 10% of the sales price of the corresponding aircraft, was €1,117 million, excluding €354 million where the risk is considered to be remote. In many cases, the risk is limited to a specific portion of the residual value of the aircraft. The remaining Gross Asset Value Exposure is recorded on-balance sheet.

***Net exposure.*** The present value of the risk inherent to the given asset value guarantees, where a settlement is considered to be probable, is fully provided for and included in the total amount of provisions for asset value risks of €735 million. This provision covers a potential expected shortfall between the estimated value of the aircraft of the date upon which the guarantee can be exercised and the value guaranteed on a transaction basis taking counter guarantees into account. See "Notes to the Consolidated Financial Statements (IFRS) — Note 25C: Other provisions".

### Backstop Commitments

While backstop commitments to provide financing related to orders on Airbus' and ATR's backlog are also given, such commitments are not considered to be part of gross exposure until the financing is in place, which occurs when the aircraft is delivered. This is due to the fact that (i) past experience suggests it is unlikely that all such proposed financings actually will be implemented (although it is possible that customers not benefiting from such commitments may nevertheless request financing assistance ahead of aircraft delivery), (ii) until the aircraft is delivered, Airbus or ATR retain the asset and do not incur an unusual risk in relation thereto (other than the corresponding work-in-progress), and (iii) third parties may participate in the financing.

***Airbus orders and backstop commitments.*** Over the last three years (2009, 2010 and 2011), the average number of newly ordered aircraft in respect of which a backstop commitment has been offered amounted to 9% of the average orders recorded over the same period, *i.e.* 65 supported aircraft per year out of 755 orders per year on average. These financing commitments may or may not materialise at the contractual delivery date of the aircraft. In addition, the level of financing support together with the terms and conditions offered to customers will vary.

***Airbus Deliveries and Financing Support Implemented at Delivery.*** Over the last three years (2009, 2010 and 2011), the average number of aircraft delivered in respect of which financing support has been provided by Airbus amounted to 2% of the average number of deliveries over the same period, *i.e.* 12 aircraft financed per year out of 514 deliveries per year on average. This financing support may take the form of senior or junior loans or guarantees. Such support may have originated from EADS' contractual backstop commitments provided at signing of the purchase agreement (see above) or may be the result of a request for financing assistance made by the customer ahead of aircraft delivery.

See "Notes to the Consolidated Financial Statements (IFRS) — Note 33: Commitments and contingencies" for further discussion of EADS' sales financing policies and accounting procedures.



## 2.1.7 Hedging Activities

### 2.1.7.1 Foreign Exchange Rates

More than 60% of EADS' revenues are denominated in US dollars, with approximately half of such currency exposure "naturally hedged" by US dollar-denominated costs. The remainder of costs is incurred primarily in euros, and to a lesser extent, in pounds sterling. Consequently, to the extent that EADS does not use financial instruments to hedge its net current and future exchange rate exposure from the time of a customer order to the time of delivery, its profits will be affected by market changes in the exchange rate of the US dollar against these currencies, and to a lesser extent, by market changes in the exchange rate of pound sterling against the euro. As EADS intends to generate profits only from its operations and not through speculation on foreign currency exchange rate movements, EADS uses hedging strategies solely to mitigate the impact of exchange rate fluctuations on its EBIT*. See "— 2.1.3.3 EBIT* Performance by Division — Foreign Currency

Impact on EBIT*". See also "Risk Factors — 1. Financial Market Risks — Exposure to Foreign Currencies".

As EADS uses financial instruments to hedge its net foreign currency exposure, the portion of its US dollar-denominated revenues not hedged by financial instruments (approximately 40% of total consolidated revenues) is exposed to changes in exchange rates. Of this non-hedged portion of revenues, a certain percentage (relating to customer pre-delivery payments) is converted into euro at the spot rate effective at the time the payment was received by EADS. The remainder of non-hedged US dollar-denominated revenues (corresponding to payments upon delivery) are subject to changes in the spot rate at the time of delivery. See "— 2.1.2.7 Foreign Currency Translation".

***Exposure on aircraft sales.*** For products such as aircraft, EADS typically hedges forecasted sales in US dollars. The hedged items are defined as the first forecasted highly probable future cash inflows for a given month based upon final payments at delivery. The amount of the expected flows to be hedged can cover up to 100% of the equivalent of the net US dollar exposure at inception. For EADS, a forecasted transaction is regarded as highly probable if the future delivery is included in the firm order book or is very likely to materialise in view of contractual evidence (*e.g.*, a letter of intent). The coverage ratio is adjusted to take into account macroeconomic movements affecting the spot and interest rates as well as the robustness of the commercial cycle.

***Exposure on non-aircraft business.*** For the non-aircraft business, EADS typically hedges inflows and outflows of foreign currencies from sales and purchase contracts following the same logic, typically in lower volumes.

***Exposure on treasury operations.*** In connection with its treasury operations, EADS enters into foreign exchange swaps (notional amount of €5.4 billion as of 31 December 2011) to adjust for short-term fluctuations of non-euro cash balances at the Business Unit level. Year-to-year changes in the fair market value of these swaps are recorded in the consolidated income statement in the line item "other financial result" if not designated as hedging instruments. These changes may have a material impact on EADS' net income.

***Embedded derivatives.*** EADS also has foreign currency derivative instruments which are embedded in certain purchase and lease contracts denominated in a currency other than the functional currency of the significant parties to the contract, principally US dollar and pound sterling. Gains or losses relating to such embedded foreign currency derivatives are reported in the line item "other financial result" if not designated as hedging instruments. These changes may have a material impact on EADS' net income. See "Notes to the Consolidated Financial Statements (IFRS) — Note 2: Summary of significant accounting policies — Significant accounting policies — Derivative financial instruments — Embedded derivatives". In addition, EADS hedges currency risk arising from financial transactions in other currencies than euro, such as funding transactions or securities.

***Hedge Portfolio.*** EADS manages a long-term hedge portfolio with a maturity of several years covering its net exposure to US dollar sales, mainly relating to the activities of Airbus Commercial (and to a lesser extent, of ATR, Eurocopter, Astrium and Cassidian). The net exposure is defined as the total currency exposure (US dollar-denominated revenues), net of the part that is "naturally hedged" by US dollar-denominated costs. The hedge portfolio covers the vast majority of the Group's hedging transactions.

For financial reporting purposes, EADS mostly designates a portion of the total firm future cash flows as the hedged position to cover its expected net foreign currency exposure. Therefore, as long as the actual gross foreign currency cash inflows (per month) exceed the portion designated as being hedged, a postponement or cancellation of sales transactions and corresponding cash inflows have no impact on the hedging relationship. As hedging instruments, EADS primarily uses foreign currency forwards and synthetic forwards, as well as options. EADS may adjust the pace of its hedging activity depending on the size of its portfolio and its available capacity with banks in the forward markets.

The table below sets forth the notional amount of foreign exchange hedges in place as of 31 December 2011, and the average US dollar rates applicable to corresponding EBIT*.

| | 2012 | 2013 | 2014 | 2015 | 2016+ | Total |
|---|---|---|---|---|---|---|
| **Total Hedges (in US$bn)** | **21.4** [1] | **21.4** [1] | **17.2** | **11.7** | **3.4** | **75.1** |
| Forward Rates **(in US$)** [2] | | | | | | |
| €-US$ | 1.36 | 1.37 | 1.37 | 1.39 | 1.36 | |
| £-US$ | 1.62 | 1.58 | 1.57 | 1.60 | 1.57 | |

(1) Including US$1.5 billion and US$1 billion of options in 2012 and 2013, respectively.
(2) Including options at their least favourable rates.

For further information regarding the notional amounts of the Group's foreign exchange derivative financial instruments, see "Notes to the Consolidated Financial Statements (IFRS) — Note 34C: Notional amounts of derivative financial instruments".

### 2.1.7.2 Interest Rates

EADS uses an asset and liability management approach with the objective of limiting its interest rate risk. EADS attempts to match the risk profile of its assets with a corresponding liability structure. The remaining net interest rate exposure is managed through several types of instruments in order to minimise risks and financial impacts. Therefore, EADS may use interest rate derivatives for hedging purposes.

Hedging instruments that are specifically related to debt instruments (such as the notes issued under the EMTN programme) have at most the same nominal amounts, as well as the same maturity dates, as the corresponding hedged item.

Regarding the management of its cash balance, EADS invests in short- as well as medium-term instruments and/or floating rate instruments in order to further minimise any interest risk in its cash and securities portfolio.

For information regarding the notional amounts of the Group's interest rate derivative financial instruments, see "Notes to the Consolidated Financial Statements (IFRS) — Note 34C: Notional amounts of derivative financial instruments". For further information relating to market risk and the ways in which EADS attempts to manage this risk, see "Notes to the Consolidated Financial Statements (IFRS) — Note 34A: Financial risk management".

# 2.2 Financial Statements



The Consolidated Financial Statements (IFRS) and the Company Financial Statements of EADS for the year ended 31 December 2011, together with the related notes, appendices and auditors' reports, shall be deemed to be incorporated in and form part of this Registration Document.

In addition, the English versions of the following documents shall be deemed to be incorporated in and form part of this Registration Document:

- the Consolidated Financial Statements (IFRS) and the Company Financial Statements of EADS for the year ended 31 December 2009, together with the related notes, appendices and auditors' reports, as incorporated by reference in the Registration Document filed in English with, and approved by, the AFM on 21 April 2010 and filed in English with the Chamber of Commerce of The Hague; and
- the Consolidated Financial Statements (IFRS) and the Company Financial Statements of EADS for the year ended 31 December 2010, together with the related notes, appendices and auditors' reports, as incorporated by reference in the Registration Document filed in English with, and approved by, the AFM on 19 April 2011 and filed in English with the Chamber of Commerce of The Hague.

Copies of the above-mentioned documents are available free of charge upon request in English, French, German and Spanish at the registered office of the Company and on **www.eads.com** (Investor Relations > Events and Reports > Annual Report and Registration Document).

Copies of the above-mentioned Registration Documents are also available in English on the website of the AFM on **www.afm.nl** (Professionals > Registers > Approved prospectuses). The above-mentioned financial statements are also available in English for inspection at the Chamber of Commerce of The Hague.

EADS confirms that the reports of the auditors incorporated by reference herein have been accurately reproduced and that as far as EADS is aware and is able to ascertain from the information provided by the auditors, no facts have been omitted which would render such reports inaccurate or misleading.

# 2.3 Statutory Auditors' Fees

Services provided to the Group by statutory auditors and members of their network for the financial years 2011, 2010 and 2009:

| | KPMG Accountants N.V. | | | | | | Ernst & Young Accountants LLP | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2011 | | 2010 | | 2009 | | 2011 | | 2010 | | 2009 | |
| | Amount in €K | % | Amount in €K | % | Amount in €K | % | Amount in €K | % | Amount in €K | % | Amount in €K | % |
| **Audit** | | | | | | | | | | | | |
| Audit process, certification, examination of individual and consolidated accounts | 5,675 | 70.0% | 5,710 | 81.1% | 5,238 | 72.3% | 5,851 | 69.2% | 4,493 | 70.8% | 4,390 | 79.9% |
| Additional tasks | 1,678 | 20.7% | 516 | 7.4% | 1,258 | 17.4% | 2,338 | 27.6% | 1,607 | 25.4% | 969 | 17.6% |
| **Sub-total** | **7,353** | **90.7%** | **6,226** | **88.5%** | **6,496** | **89.7%** | **8,189** | **96.8%** | **6,100** | **96.2%** | **5,359** | **97.5%** |
| **Other services as relevant** | | | | | | | | | | | | |
| Legal, tax, employment | 715 | 8.8% | 628 | 8.9% | 354 | 4.9% | 201 | 2.4% | 123 | 1.9% | 137 | 2.5% |
| Information technology | 37 | 0.5% | 12 | 0.2% | 200 | 2.7% | 70 | 0.8% | 121 | 1.9% | - | - |
| Other (to be specified if >10% of the fees for the audit) | 6 | 0.1% | 172 | 2.4% | 194 | 2.7% | - | - | - | - | - | - |
| **Sub-total** | **758** | **9.3%** | **812** | **11.5%** | **748** | **10.3%** | **271** | **3.2%** | **244** | **3.8%** | **137** | **2.5%** |
| **Total** | **8,111** | **100%** | **7,038** | **100%** | **7,244** | **100%** | **8,460** | **100%** | **6,344** | **100%** | **5,496** | **100%** |

# 2.4 Information Regarding the Statutory Auditors

| | Date of first appointment | Expiration of current term of office [1] |
|---|---|---|
| **KPMG Accountants N.V.**<br>Rijnzathe 14, 3454 PV De Meern — The Netherlands<br>Represented by Jack Van Rooijen | 10 May 2000 | 31 May 2012 |
| **Ernst & Young Accountants LLP**<br>Boompjes 258, 3011 XZ Rotterdam — The Netherlands<br>Represented by C. T. Reckers | 24 July 2002 | 31 May 2012 |

(1) A resolution will be submitted to the Annual General Meeting of Shareholders to be held on 31 May 2012, in order to appoint Ernst & Young Accountants LLP and KPMG Accountants N.V. as the Company's auditors for the 2012 financial year.

KPMG Accountants N.V., Ernst & Young Accountants LLP and their respective representatives are registered with the Royal NIVRA (*Nederlands Instituut van Register Accountants*).

# 3

# General Description of the Company and its Share Capital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# 3.1 General Description of the Company

## 3.1.1 Commercial and Corporate Names, Seat and Registered Office

**Commercial Name:** EADS

**Corporate Name:** European Aeronautic Defence and Space Company EADS N.V.

**Registered Office:** Mendelweg 30, 2333 CS Leiden, the Netherlands

**Seat *(statutaire zetel)*:** Amsterdam

**Tel:** +31 (0)71 5245 600

**Fax:** +31 (0)71 5232 807

## 3.1.2 Legal Form

The Company is a public limited liability company (*naamloze vennootschap*) organised under the laws of the Netherlands.

As a company operating worldwide, EADS is subject to, and operates under, the laws of each country in which it conducts business.

## 3.1.3 Governing Laws and Disclosures

The Company is governed by the laws of the Netherlands (in particular Book 2 of the Dutch Civil Code) and by its Articles of Association (the "**Articles of Association**").

The Company is subject to various legal provisions of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) (the "**WFT**"). In addition, given the fact that its shares are admitted for trading on a regulated market in France, Germany and Spain, the Company is subject to certain laws and regulations in these three jurisdictions. A summary of the main regulations applicable to the Company in relation to information to be made public in these three jurisdictions, as well as the Netherlands, is set out below.

### 3.1.3.1 Periodic Disclosure Obligations

Pursuant to Directive 2004/109/EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market (the "**Transparency Directive**"), EADS is required to disclose certain periodic and on-going information (the "**Regulated Information**").

Pursuant to the Transparency Directive, EADS must disseminate such Regulated Information throughout the European Community in a manner ensuring fast access to such information on a non-discriminatory basis. For this purpose, EADS may use a professional service provider (wire). In addition, Regulated Information must be filed at the same time with the relevant competent market authority. EADS must then ensure that Regulated Information remains publicly available for at least five years.

Finally, Regulated Information must be made available for central storage by a mechanism that is officially designated by EADS' home member state.

#### Dutch Regulations

For the purpose of the Transparency Directive, supervision of EADS is effected by the member state in which it maintains its registered office, which is the Netherlands. The competent market authority that assumes final responsibility for supervising compliance by EADS in this respect is the AFM.

Under the Transparency Directive as implemented under Dutch law, EADS is subject to a number of periodic disclosure requirements, such as:

- publishing an Annual Financial Report, together with an audit report drawn up by the Statutory Auditors, within four months after the end of each financial year;
- publishing a semi-Annual Financial Report, within two months after the end of the first six months of the financial year; and
- publishing quarterly financial reports, within a period between ten weeks after the beginning and six weeks before the end of the first or second six-month period of the financial year.

In addition, the Company must file with the AFM, within five days following their adoption by the Company's shareholders, its audited consolidated annual financial accounts, the management report, the Auditors' report and other information related to the financial accounts.

The Company has also provided in this Registration Document a list of certain corporate and financial documents and other information that it has published or made available to the public over the last 12 months and details of where these documents can be obtained (see "— 3.5 Annual Securities Disclosure Report").

### French Regulations

Since the Transparency Directive was implemented in France on 20 January 2007, EADS is no longer required to comply with certain disclosure obligations pursuant to the general regulations of the AMF.

In accordance with the requirement set forth in the Transparency Directive to disseminate Regulated Information throughout the European Community, EADS is required to provide simultaneously in France the same information as that provided abroad.

### German Regulations

Since the Transparency Directive was implemented in Germany on 20 January 2007, EADS is no longer required to comply with certain disclosure obligations pursuant to the German Stock Exchange Act (*Börsengesetz*) and the German Stock Exchange Admissions Regulation (*Börsenzulassungs-Verordnung*).

Due to the listing of the Company's shares in the *Prime Standard* sub-segment of the Regulated Market (*regulierter Markt*) of the Frankfurt Stock Exchange, the Company is subject to certain post-listing obligations as described below. The Company is included *inter alia* in the selection index MDAX, the MidCap index of *Deutsche Börse AG*.

Pursuant to sections 50 and 51 of the Exchange Rules (*Börsenordnung*) of the Frankfurt Stock Exchange, the Company is required to publish consolidated annual and half-yearly financial statements as well as quarterly reports, which may be prepared in English only. In addition, pursuant to section 52 of the Exchange Rules, the Company is required to publish a financial calendar at the beginning of each financial year in German and English. The Company is also required to hold an analysts' meeting at least once per year in addition to the press conference regarding the annual financial statements.

Save for certain exceptions, pursuant to section 69 of the German Stock Exchange Admissions Regulation, the Company has to apply for admission of shares issued at a later date to the Regulated Market (*regulierter Markt*) of the Frankfurt Stock Exchange.

### Spanish Regulations

Since the entering into force of the law and regulation implementing the Transparency Directive in Spain in April and December 2007, respectively, EADS is no longer required to comply with certain disclosure obligations pursuant to the Spanish Securities Act as developed by Royal Decree 1362/2007 of 19 October 2007.

In accordance with the requirement set forth in the Transparency Directive to disseminate Regulated Information throughout the European Community, EADS is required to provide simultaneously in Spain the same information as that provided abroad.

## 3.1.3.2 Ongoing Disclosure Obligations

Pursuant to the Transparency Directive, Regulated Information includes in particular "inside information" as defined pursuant to Article 6 of Directive 2003/6/EC on insider dealing and market manipulation (the "**Market Abuse Directive**"). Such information must be disseminated throughout the European Community (see introduction to section "— 3.1.3.1 Periodic Disclosure Obligations").

Inside information consists of information of a precise nature which has not been made public that relates, directly or indirectly, to one or more issuers of financial instruments or to one or more financial instruments and which, if it were made public, would be likely to have a significant effect on the prices of those financial instruments or on the price of related derivative financial instruments.

Inside information must be disclosed to the markets as soon as possible. However, an issuer may under its own responsibility delay the public disclosure of inside information so as not to prejudice its legitimate interests provided that such omission would not be likely to mislead the public and provided that the issuer is able to ensure the confidentiality of that information.

### Dutch Regulations

Following the implementation of the Transparency Directive into Dutch law, EADS must publicly disclose Regulated Information and also file Regulated Information with the AFM, which will keep all relevant Regulated Information in a publicly available register. EADS will, whenever it discloses inside information pursuant to applicable mandatory law as part of the Regulated Information, disclose and disseminate throughout the European Community any such information.

Under Dutch law, the Company must also publish any change in the rights attached to its shares, as well as any changes in the rights attached to any rights issued by the Company to acquire the Company's shares.

### French Regulations

Any inside information as defined above will be disclosed in France by means of dissemination throughout the European Community, as it will be organised under Dutch law implementing the Transparency Directive so as to provide simultaneously in France equivalent information to that provided abroad.

### German Regulations

Any inside information as defined above will be disclosed in Germany by means of dissemination throughout the European Community, as it will be organised under Dutch law implementing the Transparency Directive so as to provide simultaneously in Germany equivalent information to that provided abroad.

### Spanish Regulations

Pursuant to Article 82 of the Spanish Securities Act, the Company is required to make public, as soon as possible, any fact or decision that may substantially affect the quotation of its shares ("**a relevant event**"). Any relevant event must be

notified to the CNMV simultaneously with its diffusion by any other means, as soon as the relevant fact is known, the relevant decision has been made or, the relevant agreement has been executed, as the case may be. EADS may, under its own responsibility, delay the publication of any relevant event if it considers that such publication damages its legitimate interests, provided that such lack of publication does not mislead the public and that EADS is in a position to guarantee the confidentiality of the relevant information. Nonetheless, EADS will immediately inform the CNMV should it decide to delay the publication of any relevant event. Furthermore, pursuant to the Spanish Securities Act, EADS must post details of any relevant event on its website. EADS must try to ensure that the relevant information is disclosed simultaneously to all types of investors in the member States of the European Union where it is listed.

An order dated 1 June 2009 requires that EADS appoint at least one official spokesperson to respond to any inquiries that the CNMV may have in relation to a relevant event disclosed by EADS. This spokesperson must be able to officially reply on behalf of EADS and must have access to senior management in order to verify any information requested by the CNMV.

A circular dated 4 November 2009 further provides that the publication of any relevant event must be made *via* the CIFRADOC system (the CNMV's electronic system for notifications and communications) and that publication by a different means is only possible under exceptional circumstances, subject to approval by the General Markets Directorate (*Dirección General de Mercados*).

Pursuant to the Spanish Securities Act and its implementing rules and regulations, EADS is also required:

(i) to have rules of the Board of Directors which must be filed with the CNMV and published on EADS' website;

(ii) to file with the CNMV a description of the relevant Dutch law provisions and provisions in the Articles of Association governing the conduct of shareholders' meetings and post such description on its website;

(iii) to have a website which must contain as a minimum the information specified by Spanish regulations;

(iv) to file a Corporate Governance Report with the CNMV on an annual basis; and

(v) in respect of the provisions of any shareholders' agreement which relate to the exercise of voting rights at shareholders' meetings or restrictions or conditions on the free transferability of shares or convertible bonds, to (a) provided EADS is a party to the shareholders' agreement, file such provisions with the CNMV which will then publish the provisions as a relevant event, (b) post the provisions on EADS' website, unless the CNMV exempts EADS from doing so, and (c) set out details of the provisions in the annual Corporate Governance Report referred to in (iv) above.

## 3.1.4 Date of Incorporation and Duration of the Company

The Company was incorporated on 29 December 1998 for an unlimited duration.

## 3.1.5 Objects of the Company

Pursuant to Article 2 of the Articles of Association, the objects of the Company are to hold, co-ordinate and manage participations or other interests and to finance and assume liabilities, provide for security and/or guarantee debts of legal entities, partnerships, business associations and undertakings that are involved in:

- the aeronautic, defence, space and/or communication industry; or
- activities that are complementary, supportive or ancillary thereto.

## 3.1.6 Commercial and Companies Registry

The Company is registered with the Registry of the Chamber of Commerce of The Hague (*Handelsregister van de Kamer van Koophandel en Fabrieken voor Den Haag*) under number 24288945.

## 3.1.7 Inspection of Corporate Documents

The Articles of Association are available for inspection in Dutch at the Chamber of Commerce of The Hague.

In France, the Articles of Association are available at the head office of EADS in France (37, boulevard de Montmorency, 75016 Paris, France, Tel.: +33 1 42 24 24 24).

In Germany, the Articles of Association are available at the head office of EADS in Germany (Willy-Messerschmitt-Str. – Tor 1, 81663 Munich, Germany, Tel.: +49 89 60 70).

In Spain, the Articles of Association are available at the CNMV and at the head office of EADS in Spain (Avda. Aragón 404, 28022 Madrid, Spain, Tel.: +34 91 585 70 00).

## 3.1.8 Financial Year

The financial year of the Company starts on 1 January and ends on 31 December of each year.

## 3.1.9 Allocation and Distribution of Income

### 3.1.9.1 Dividends

The Board of Directors shall determine which part of the profits of the Company shall be attributed to reserves. The remaining distributable profit shall be at the disposal of the shareholders' meeting.

The shareholders' meeting may resolve (if so proposed by the Board of Directors) that all or part of a dividend shall be paid in shares of the Company as opposed to cash.

The declaration of a dividend, an interim dividend or another distribution to the shareholders shall be made known to them within seven days after such declaration. Declared dividends shall be payable within four weeks of such declaration unless another date for payment is proposed by the Board of Directors and approved by the shareholders' meeting.

Dividends, interim dividends and other distributions on shares shall be paid by bank transfer to the bank or giro accounts designated in writing to the Company by, or on behalf of, shareholders at the latest 14 days after their announcement.

### 3.1.9.2 Liquidation

In the event of the dissolution and liquidation of the Company, the assets remaining after payment of all debts and liquidation expenses shall be distributed amongst the holders of the shares in proportion to their shareholdings.



## 3.1.10 General Meetings

### 3.1.10.1 Calling of Meetings

Shareholders' Meetings are held as often as the Board of Directors deems necessary or upon the request of shareholders holding, individually or together, at least 10% of the total issued share capital of the Company. The Annual General Meeting of Shareholders of the Company is held within six months of the end of the financial year.

The Board of Directors must give notice of general meetings at least 42 days before the day of the Meeting through publication of a notice on the Company's website (**www.eads.com**), which will be directly and permanently accessible until the Meeting. The convening notice must state the items as set out under Section 2:114 paragraph 1 of the Dutch Civil Code.

Shareholders' Meetings are held in Amsterdam, The Hague, Rotterdam or Haarlemmermeer (Schiphol Airport). The Board of Directors may decide that shareholders' meetings may be attended by means of electronic or video communication devices from the locations mentioned in the convening notice.

The Board of Directors must announce the date of the Annual General Meeting of Shareholders at least 10 weeks before the Meeting. Requests made by one or more shareholders collectively representing at least 1% of the issued share capital (or shares having an aggregate market value of €50 million) to put items on the agenda for the Annual General Meeting of Shareholders must be effected by the Board of Directors, if such requests to the Board of Directors have been made at least 8 weeks prior to the date scheduled for the Meeting and unless reasonableness and fairness require otherwise.

A request as referred to in the preceding paragraph may only be made in writing. The Board of Directors can decide that in "writing" is understood to include a request that is recorded electronically.

### 3.1.10.2 Right to attend Meetings

Each holder of one or more shares may attend shareholders' meetings, either in person or by written proxy, speak and vote according to the Articles of Association. See "— 3.1.10.4 Conditions of Exercise of Right to Vote". A shareholder or person who has the right to attend a meeting can see to it that he is represented by more than one proxy holder, provided that only one proxy holder can be appointed for each share.

The persons who have the right to attend and vote at shareholders' meetings are those who are so on record in a register designated for that purpose by the Board of Directors on the 28th day prior to the day of the shareholders' meeting (the "**Registration Date**"), irrespective of who may be entitled to the shares at the time of that meeting.

Any person who is entitled to exercise the rights set out in the above paragraph (either in person or by means of a written proxy) and is attending the Meeting from another location in such a manner that the person acting as Chairman of the Meeting is convinced that such a person is properly participating in the Meeting, shall be deemed to be present or represented at the Meeting, shall be entitled to vote and shall be counted towards a quorum accordingly.

As a prerequisite to attending the shareholders' meeting and to casting votes, the Board of Directors, or alternatively an entity or person so designated by the Board of Directors, should be notified in writing by each holder of one or more shares and those who derive the aforementioned rights from these shares, not earlier than the Registration Date, of the intention to attend the Meeting. Ultimately this notice must be received by the Board of Directors, or alternatively an entity or person so designated by the Board of Directors, on the day mentioned in the convening notice.

Holders of shares that are registered in the shareholders' register kept in Amsterdam have the option of holding them through Euroclear France S.A. In this case the shares are registered in the name of Euroclear France S.A.

Shareholders holding their EADS shares through Euroclear France S.A. who wish to attend general meetings will have to request from their financial intermediary or accountholder an admission card and be given a proxy to this effect from Euroclear France S.A. in accordance with the instructions specified by the Company in the convening notice. For this purpose, a shareholder will also be able to request that it be registered directly (and not through Euroclear France S.A.) in the register of the Company. However, only shares registered in the name of Euroclear France S.A. may be traded on stock exchanges.

In order to exercise their voting rights, the shareholders will also be able, by contacting their financial intermediary or accountholder, to give their voting instructions to Euroclear France S.A. or to any other person designated for this purpose, as specified by the Company in the convening notice.

Pursuant to its Articles of Association, EADS may provide for electronic means of attendance, speaking and voting at the shareholders' meetings. The use of such electronic means will depend on the availability of the necessary technical means and market practice.

### 3.1.10.3 Majority and Quorum

All resolutions are adopted by means of a simple majority of the votes cast except when a qualified majority is prescribed by the Articles of Association or by Dutch law. No quorum is required for any shareholders' meeting to be held. Dutch law requires a special majority for the passing of certain resolutions: *inter alia*, capital reduction, exclusion of pre-emption rights in connection with share issues, statutory mergers or statutory de-mergers; the passing of such resolutions requires a majority of two-thirds of the votes cast if 50% of the share capital with voting rights is not present at the Meeting (or otherwise a simple majority). In addition, resolutions to amend the Articles of Association or to dissolve the Company may only be adopted with a majority of at least two-thirds of the valid votes cast at a shareholders' meeting, whatever the quorum present at such meeting.

Pledgees of shares and beneficiaries of a usufruct, which do not have voting rights, do not have the right to attend and to speak at shareholders' meetings. The owners of shares which are subject to a pledge or a usufruct, which do not have voting rights, are entitled to attend and to speak at shareholders' meetings.

### 3.1.10.4 Conditions of Exercise of Right to Vote

In all shareholders' meetings, each shareholder has one vote in respect of each share it holds. The major shareholders of EADS – as set forth in "— 3.3.2 Relationships with Principal Shareholders" – do not enjoy different voting rights from those of the other shareholders.

A shareholder whose shares are subject to a pledge or usufruct shall have the voting rights attaching to such shares unless otherwise provided by law or by the Articles of Association or if, in the case of a usufruct, the shareholder has granted voting rights to the usufructuary. Pursuant to the Articles of Association and subject to the prior consent of the Board of Directors, a pledgee of shares in the Company may be granted the right to vote in respect of such pledged shares.

Article 25 (paragraph 2 and 3) of the Articles of Association provides that "*The right to vote can be granted to an usufructuary. The right to vote can be granted to a pledgee, but only with the prior consent of the Board of Directors. No vote may be cast at the General Meeting of Shareholders on a share that is held by the Company or a subsidiary; nor for a share in respect of which one of them holds the depositary receipts. Usufructuaries and pledgees of shares that are held by the Company or its subsidiaries are, however, not excluded from their voting rights, in case the right of usufruct or pledge was vested before the share was held by the Company or its subsidiary.*"

## 3.1.11 Disclosure of Holdings

Pursuant to the WFT, any person who, directly or indirectly, acquires or disposes of an interest in the capital or voting rights of EADS must immediately give written notice to the AFM by means of a standard form, if, as a result of such acquisition or disposal, the percentage of capital interest or voting rights held by such person meets, exceeds or falls below the following thresholds: 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%. Any person whose interest in the capital or voting rights of EADS meets, exceeds or falls below one or several of the above-mentioned thresholds due to a change in EADS' outstanding capital, or in voting rights attached to the shares as notified to the AFM by EADS, should notify the AFM no later than the fourth trading day after the AFM has published the notification by EADS. Among other things, EADS is required to notify the AFM immediately if its outstanding share capital or voting rights have changed by 1% or more since the Company's previous notification.

If at the end of a calendar year the composition of an investor's holding differs from its previous disclosure as a result of the conversion of certain types of securities or following the exercise of rights to acquire voting rights, this investor must then provide an update of its previous disclosure within four weeks of the end of each calendar year by giving written notice thereof to the AFM. The disclosures are published by the AFM on its website (**www.afm.nl**). Pursuant to the Articles of Association, shareholders must also notify the Company when crossing the thresholds above.

The Articles of Association also require that any person acquiring directly or indirectly or with others with whom it is acting in concert more than one tenth of the issued share capital or voting rights of the Company must notify the Company of its intentions (i) to buy or sell shares of the Company in the following 12 months; (ii) to continue or to stop acquiring shares or voting rights of the Company; (iii) to acquire control of the Company; or (iv) to seek to designate a Member of the Board of Directors of the Company. The Company will provide the AFM with the information received in this context.

Failure to comply with the legal obligation to notify a change in shareholding under the WFT is a criminal offence punishable by criminal and administrative penalties as well as civil law penalties, including the suspension of voting rights.

### Disclosure Requirements for Members of the Board of Directors and the Executive Committee

#### Disclosure of holdings

In addition to the requirements under the WFT regarding the disclosure of holdings in case the specified thresholds are met or exceeded or if holdings fall below these thresholds, Members of the Board of Directors must report to the AFM the number of shares in EADS and attached voting rights [1] held by him or an entity controlled by him, within two weeks following his appointment as Director, whether or not such shareholdings meet or exceed any of the specified thresholds. Subsequently, any Member of the Board of Directors is required to notify the AFM of any changes in such number of shares in EADS and attached voting rights.

#### Disclosure of transactions carried out on any securities issued by the Company

Based on Section 5:60 of the WFT, certain persons discharging managerial responsibilities within the Company and, where applicable, persons closely associated with them (together "**Insiders**", as defined below), are required to notify the AFM within five trading days of all transactions conducted for their own account involving shares of the Company, or derivatives or other financial instruments related to such shares, unless the aggregate amount of such transactions does not exceed €5,000 in respect of all transactions in a calendar year.

"**Insiders**" for EADS include (i) Members of the Board of Directors and the Executive Committee of the Company, (ii) persons closely associated with any person mentioned under category (i) (including their spouses, dependent children and other relatives who have shared the same household), and (iii) legal entities, trusts or partnerships whose managerial responsibilities are discharged by any person referred to in categories (i) or (ii) or which are directly or indirectly controlled by such a person, or that have been set up for the benefit of such a person, or whose economic interests are substantially equivalent to those of such a person.

EADS has adopted specific internal insider trading rules (the "**Insider Trading Rules**") in order to ensure compliance with the above requirements and with other share trading regulations applicable in the Netherlands, France, Germany and Spain. The Insider Trading Rules are available on the Company's website, and provide that: (i) all employees and Directors are prohibited from conducting transactions in EADS shares or stock options if they have inside information, and (ii) certain persons are only allowed to trade in EADS shares or stock options within very limited periods and have specific information obligations to the ITR Compliance Officer of the Company and the competent financial market authorities with respect to certain transactions. The ITR Compliance Officer is responsible for the implementation of the Insider Trading Rules and for reporting to the AFM.

Pursuant to section 5:59 paragraph of the WFT, the Company must maintain a list of all persons working for it by virtue of a labour relationship or otherwise, who may have access to inside information. Equivalent requirements exist under French, German and Spanish law.

(1) In this context, the term "shares" also includes for example depositary receipts for shares and rights resulting from an agreement to acquire shares or depositary receipts for shares, specifically call options, warrants, and convertible bonds. Equally, the term "voting rights" also includes actual or contingent rights to voting rights (*e.g.*, embedded in call options, warrants or convertible bonds).

According to paragraph 15a of the German Securities Trading Act, persons with significant managerial responsibility within the Company (*i.e.* for EADS, the Members of the Board of Directors and of the Executive Committee), or the persons closely associated with them, must disclose transactions conducted for their own account involving shares of the Company or financial instruments that relate to those shares, especially derivatives. These persons have to notify the Company and the German Federal Financial Supervisory Authority of the transactions within five trading days unless the aggregate amount of such transactions does not exceed €5,000 in respect of all transactions in a calendar year. Since implementation of the Transparency Directive into German law on 20 January 2007, EADS is no longer required to publish such notifications on its website or in a German supra-regional mandatory stock exchange newspaper.

## 3.1.12 Mandatory Offers

### 3.1.12.1 Takeover Directive

The Directive 2004/25/EC on takeover bids (the "**Takeover Directive**") sets forth the principles governing the allocation of laws applicable to EADS in the context of a takeover bid for the shares of the Company. The Takeover Directive refers to the rules of the Netherlands and the rules of the European Union Member State of the competent authority that must be chosen by EADS from among the various market authorities supervising the markets where its shares are listed.

For EADS, matters relating to, *inter alia*, the consideration offered in the case of a bid, in particular the price, and matters relating to the bid procedure, in particular the information on the offeror's decision to make a bid, the contents of the offer document and the disclosure of the bid, shall be determined by the laws of the European Union Member State having the competent authority, which will be selected by EADS at a future date.

Matters relating to the information to be provided to the employees of EADS and matters relating to company law, in particular the percentage of voting rights which confers control and any derogation from the obligation to launch a bid, the conditions under which the Board of Directors of EADS may undertake any action which might result in the frustration of the bid, the applicable rules and the competent authority will be governed by Dutch law (see "— 3.1.12.2 Dutch Law" and "— 3.1.12.3 Articles of Association"). Dutch law also contains provisions on the consideration offered, in particular the price and determination of a fair price by the Enterprise Chamber of the Amsterdam Court of Appeals at the request of the bidder, the target company or any holder of shares.

### 3.1.12.2 Dutch Law

The bill implementing the Takeover Directive (the "**Takeover Act**") in Dutch Law entered into force on 28 October 2007. In accordance with the Takeover Act, shareholders are required to make an unconditional public offer for all issued and outstanding shares in the Company's share capital if they – individually or acting in concert (as such term is defined below), directly or indirectly – have 30% or more of the voting rights (significant control) in the Company. In addition to the other available exemptions listed below, the requirement to make a public offer does not apply to persons, who at the time the Takeover Act came into force, already held – individually or acting in concert – 30% or more of the voting rights in the Company.

Under the Takeover Act, natural persons, legal entities or companies are "acting in concert" if they cooperate on the basis of an agreement with the objective to acquire significant control (as defined above) in the target company, or if they cooperate with the target company with the objective to prevent the success of an announced public offer for the shares in such target company. The following categories of natural persons, legal entities or companies are deemed to be "acting in concert" under the Takeover Act: (i) legal entities or companies that form a group of companies as defined in section 2:24b of the Dutch Civil Code, (ii) legal entities or companies and their subsidiaries, and (iii) natural persons and their subsidiary companies.

In addition to the exemption stated above, the obligation to make a public offer does not apply to the natural person, legal entity or company that, amongst others:

- acquires significant control as a result of declaring unconditional (*gestand doen*) a public offer made for all shares (or depositary receipts) in the target company;
- is a legal entity, independent from the target company, that acquires significant control after a public offer has been announced by a third party, provided that such entity (i) holds the shares in the target company for a maximum period of two years and for purposes of protection of the target company and (ii) the corporate objects of such entity are to preserve the interests of the target company;
- is a legal entity, independent from the target company, which has issued depositary receipts for the shares in the target company;
- acquires significant control as a result of: (i) an intra-group transfer of the shares representing significant control; or (ii) a transfer between a parent company and its subsidiary;
- acquires significant control acting in concert with one or more other natural persons, legal entities or companies, in which case the obligation to make a public offer lies with the natural person, legal entity or company that can exercise most of the voting rights in the General Meeting of Shareholders of the target company; and
- acts as a custodian (if and to the extent it cannot exercise any voting rights in its sole discretion).

The obligation to make a public offer also does not apply if:

- the natural person, legal entity or company, after acquiring significant control, loses such control within a thirty day grace period, unless (i) loss of control is due to a transfer to a natural person, legal entity or company to which one of the exemptions set out above applies, or (ii) the acquirer of the significant control has exercised its voting rights during this thirty day period; or
- the target company's General Meeting of Shareholders agrees upfront with the acquisition of significant control – and any subsequent acquisition of shares – by a third party with 95% of votes cast in favour of such proposal, excluding any votes by such third party and any of its concert parties.

Under the Takeover Act, a minority shareholder may also make a request for his shares to be purchased by an offeror who holds at least 95% of the issued share capital and the voting rights. This claim must be brought before the Enterprise Chamber of the Court of Appeals in Amsterdam within the three-month period after the closing of the acceptance period of the public offer.

### 3.1.12.3 Articles of Association

Without prejudice to the provisions of the Takeover Act as set out in section — 3.1.12.2 above, the Company's Articles of Association contain a number of provisions that could also trigger the requirement to make a public offer for the shares in the Company.

Pursuant to Article 15 of the Articles of Association, in the event that a direct or indirect acquisition of shares in the Company results in a person acting alone or in concert (as set out in Section 5:45 of the WFT) holding shares or voting rights where the control over the number of shares or votes reaches or exceeds 33 1/3% of the issued share capital of the Company then such person(s) is (are) required to make an unconditional public offer to all shareholders to acquire all of their shares or to procure that such an offer is made. Such offer must comply with all of the applicable regulatory or other legal requirements in each jurisdiction in which the Company's shares are listed.

Pursuant to Article 16 of the Articles of Association, in the event of a failure to launch such an offer (or if the offer does not satisfy the relevant legal or regulatory requirements in each of the jurisdictions where the Company's shares are listed) within two months after notification to the Company of shareholdings reaching or exceeding 33 1/3% or failing such notification, within a period of 15 days of receipt of notice from the Board of Directors confirming the obligation to make the public offer, then any person(s) who is (are) required to make the offer shall within the period specified by the notice sent by the Board of Directors exchange for depositary receipts to be issued by the *Stichting Administratiekantoor EADS* (the "**Foundation**"), such percentage of shares they hold over and above the 33 1/3% of the shares issued by the Company (the "**Excess Percentage**"). From the date specified in the notice sent by the Board of Directors, the right to attend meetings, to vote and to receive dividends shall be suspended in respect of the Excess Percentage. If, within a period of 14 days from a further notice from the Board of Directors, the person required to exchange his shares representing his Excess Percentage for depositary receipts still has not done so, then the Company is irrevocably authorised to exchange such shares for depositary receipts issued by the Foundation. The constitutive documents of the Foundation provide that the Foundation shall not have the right to attend shareholders' meetings of the Company as a shareholder, to speak at such meetings and to exercise the voting rights attached to the shares it holds, except if, in the view of the Board of Directors of the Foundation, such action is required for the performance of the mandatory offer provisions in the Articles of Association.

Pursuant to Article 17 of the Articles of Association, the obligation to make a public offer does not apply in the following situations:

- to a transfer of shares to the Company itself or to the Foundation;
- to a securities custody, clearing or settlement institution acting in that capacity, provided that the provisions of Article 16 of the Articles of Association described above shall be applicable where shares are held for persons acting in breach of the provisions of Articles 15 and 16 of the Articles of Association described above;
- to a transfer of shares by the Company or to an issue of shares by the Company on a merger or on an acquisition by the Company of another company or business;
- to a transfer of shares from one party to another party who is a party to an agreement as envisaged in the WMZ to define "concert parties" where the agreement is entered into before 31 December 2000 (as amended, supplemented or replaced by a new agreement by the admission of one or more new parties or the exclusion of one or more parties), except that this exemption will not apply to a new party that individually or with its subsidiaries and/or group companies holds at least 33 1/3% of the control over shares or votes in the Company; this exemption is intended to exclude the parties to the Participation Agreement (See "— 3.3.2 Relationships with Principal Shareholders") (as amended, supplemented or replaced by a new agreement by the admission of one or more new parties or the exclusion of one or more parties) from the obligation to make the mandatory offer in the event of a transfer of shares between themselves; or
- to a transfer by a shareholder to a subsidiary in which it holds more than 50% or by a shareholder to a company which holds more than 50% in such transferring shareholder.

# 3.2 General Description of the Share Capital

## 3.2.1 Issued Share Capital

As of 31 December 2011, the Company's issued share capital amounted to €820,482,291, consisting of 820,482,291 fully paid-up shares of a nominal value of €1.0 each.

## 3.2.2 Authorised Share Capital

As of 31 December 2011, the Company's authorised share capital amounted to €3 billion, consisting of 3,000,000,000 shares of €1.0 each.

## 3.2.3 Modification of Share Capital or Rights Attached to the Shares

Unless such right is limited or eliminated by the shareholders' meeting as described below, holders of shares have a pre-emptive right to subscribe for any newly issued shares *pro rata* to the aggregate nominal value of shares held by them, except for shares issued for consideration other than cash and shares issued to employees of the Company or of a Group company. For the contractual position as to pre-emption rights, see "— 3.3.2 Relationships with Principal Shareholders".

The shareholders' meeting has the power to issue shares. The shareholders' meeting may also authorise the Board of Directors for a period of no more than five years, to issue shares and to determine the terms and conditions of share issuances.

The shareholders' meeting also has the power to limit or to exclude pre-emption rights in connection with new issues of shares, and may authorise the Board of Directors for a period of no more than five years, to limit or to exclude pre-emption rights. All resolutions in this context must be approved by a two-thirds majority of the votes cast during the shareholders' meeting in the case where less than half of the capital issued is present or represented at said meeting.

Pursuant to the shareholders' resolution adopted at the Annual General Meeting of Shareholders held on 26 May 2011, the Board of Directors was granted powers (i) to issue shares and to grant rights to subscribe for shares which are part of EADS' authorised share capital, provided that such powers shall be limited to 0.15% of the Company's authorised share capital from time to time and (ii) to limit or exclude preferential subscription rights, in both cases for a period expiring at the Annual General Meeting of Shareholders to be held in 2012. Shareholders will be asked to renew this authority at this meeting.

The shareholders' meeting may reduce the issued share capital by cancellation of shares or by reducing the nominal value of the shares by means of an amendment to the Articles of Association, the latter requiring the approval by a two-thirds majority of the votes cast during the shareholders' meeting.

## 3.2.4 Securities Granting Access to the Company's Share Capital

Except for stock options granted for the subscription of EADS shares (See "Corporate Governance — 4.3.3 Long-Term Incentive Plans"), there are no securities that give access, immediately or over time, to the share capital of EADS.

The table below shows the total potential dilution that would occur if all the stock options issued as of 31 December 2011 were exercised:

| | Number of shares | % of diluted capital | Number of voting rights | % of diluted voting rights [1] |
|---|---|---|---|---|
| Total number of EADS shares issued as of 31 December 2011 | 820,482,291 | 97.9% | 816,812,499 | 97.9% |
| Total number of EADS shares which may be issued following exercise of stock options | 17,468,709 | 2.1% | 17,468,709 | 2.1% |
| **Total potential EADS share capital** | **837,951,000** | **100%** | **834,281,208** | **100%** |

(1) The potential dilutive effect on capital and voting rights of the exercise of these stock options may be limited as a result of the Company's share purchase programmes and in the case of subsequent cancellation of repurchased shares. See "— 3.3.7.1 Dutch law and information on share repurchase programmes".

## 3.2.5 Changes in the Issued Share Capital since Incorporation of the Company

| Date | Nature of Transaction | Nominal value per share | Number of shares issued/ cancelled | Premium [1] | Total number of issued shares after transaction | Total issued capital after transaction |
|---|---|---|---|---|---|---|
| 29 December 1998 | Incorporation | NLG 1,000 | 100 | - | 100 | NLG 100,000 |
| 3 April 2000 | Conversion into € | €1 | 50,000 | - | 50,000 | €50,000 |
| 8 July 2000 | Issue of shares in exchange for contributions by Aerospatiale Matra, DASA AG and SEPI | €1 | 715,003,828 | €1,511,477,044 | 715,053,828 | €715,053,828 |
| 13 July 2000 | Issue of shares for the purpose of the initial public offering and listing of the Company | €1 | 80,334,580 | €1,365,687,860 | 795,388,408 | €795,388,408 |
| 21 September 2000 | Issue of shares for the purpose of the employee offering carried out in the context of the initial public offering and listing of the Company | €1 | 11,769,259 | €168,300,403 | 807,157,667 | €807,157,667 |
| 5 December 2001 | Issue of shares for the purpose of an employee offering (*note d'opération* approved by the COB [2] on 13 October 2001 under number 01-1209) | €1 | 2,017,894 | €19,573,571.80 | 809,175,561 | €809,175,561 |
| 4 December 2002 | Issue of shares for the purpose of an employee offering (*note d'opération* approved by the COB on 11 October 2002 under number 02-1081) | €1 | 2,022,939 | €14,470,149.33 | 811,198,500 | €811,198,500 |
| 5 December 2003 | Issue of shares for the purpose of an employee offering (*note d'opération* approved by the COB on 25 September 2003 under number 03-836) | €1 | 1,686,682 | €19,363,109.36 | 812,885,182 | €812,885,182 |
| 20 July 2004 | Cancellation of shares upon authorisation granted by the Annual Shareholders' Meeting held on 6 May 2004 | €1 | 5,686,682 | - | 807,198,500 | €807,198,500 |
| 3 December 2004 | Issue of shares for the purpose of an employee offering (*note d'opération* approved by the AMF on 10 September 2004 under number 04-755) | €1 | 2,017,822 | €34,302,974 | 809,216,322 | €809,216,322 |
| In 2004 | Issue of shares following exercise of options granted to employees [3] | €1 | 362,747 | €6,133,436 | 809,579,069 | €809,579,069 |
| 25 July 2005 | Cancellation of shares upon authorisation granted by the Annual Shareholders' Meeting held on 11 May 2005 | €1 | 1,336,358 | - | 808,242,711 | €808,242,711 |
| 29 July 2005 | Issue of shares for the purpose of an employee offering (*note d'opération* approved by the AMF on 4 May 2005 under number 05-353) | €1 | 1,938,309 | €34,618,198.74 | 810,181,020 | €810,181,020 |
| In 2005 | Issue of shares following exercise of options granted to employees [3] | €1 | 7,562,110 | €144,176,031.61 | 817,743,130 | €817,743,130 |
| 20 July 2006 | Cancellation of shares upon authorisation granted by the Annual Shareholders' Meeting held on 4 May 2006 | €1 | 6,656,970 | - | 811,086,160 | €811,086,160 |
| In 2006 | Issue of shares following exercise of options granted to employees [3] | €1 | 4,845,364 | €89,624,589 | 815,931,524 | €815,931,524 |
| In 2007 | Cancellation of shares upon authorisation granted by the Annual Shareholders' Meeting held on 4 May 2007 | €1 | 4,568,405 | - | 811,363,119 | €811,363,119 |
| 9 May 2007 | Issue of shares for the purpose of an employee offering | €1 | 2,037,835 | €33,482,173 | 813,400,954 | €813,400,954 |
| In 2007 | Issue of shares following exercise of options granted to employees [3] | €1 | 613,519 | €9,438,683 | 814,014,473 | €814,014,473 |
| In 2008 | Cancellation of shares upon authorisation granted by the Annual Shareholders' Meeting held on 26 May 2008 | €1 | 1,291,381 | - | 812,723,092 | €812,723,092 |
| 25 July 2008 | Issue of shares for the purpose of an employee offering | €1 | 2,031,820 | €22,084,500 | 814,754,912 | €814,754,912 |
| In 2008 | Issue of shares following exercise of options granted to employees [3] | €1 | 14,200 | €208,030 | 814,769,112 | €814,769,112 |
| 31 July 2009 | Cancellation of shares upon authorisation granted by the Annual Shareholders' Meeting held on 27 May 2009 | €1 | 22,987 | - | 814,746,125 | €814,746,125 |
| 18 December 2009 | Issue of shares for the purpose of an employee offering | €1 | 1,358,936 | €13,263,215 | 816,105,061 | €816,105,061 |
| In 2010 | Issue of shares following exercise of options granted to employees [3] | €1 | 297,661 | €4,477,168 | 816,402,722 | €816,402,722 |
| 29 July 2011 | Issue of shares for the purpose of an employee offering | €1 | 2,445,527 | €34,602,580 | 818,848,249 | €818,848,249 |
| 9 August 2011 | Cancellation of shares upon authorisation granted by the Annual Shareholders' Meeting held on 26 May 2011 | €1 | 78,850 | - | 818,769,399 | €818,769,399 |
| In 2011 | Issue of shares following exercise of options granted to employees [3] | €1 | 1,712,892 | €25,995,005 | 820,482,291 | €820,482,291 |

(1) The costs (net of taxes) related to the initial public offering of the shares of the Company in July 2000 have been offset against share premium for an amount of €55,849,772.
(2) Predecessor of the AMF.
(3) For information on stock option plans under which these options were granted to EADS employees, see "Corporate Governance — 4.3.3 Long-Term Incentive Plans".

# 3.3 Shareholdings and Voting Rights

## 3.3.1 Shareholding Structure

EADS combined the activities of Aerospatiale Matra ("**Aerospatiale Matra**" or "**ASM**"), Daimler Aerospace AG ("**DASA AG**") (with the exception of certain assets and liabilities) and Construcciones Aeronáuticas SA ("**CASA**") pursuant to a series of transactions completed in July 2000.

In this document, the term "**Completion**" relates to the July 2000 completion of the contributions made by Aerospatiale Matra, DASA AG and *Sociedad Estatal de Participaciones Industriales* ("**SEPI**") (a Spanish state holding company) to EADS to combine such activities into EADS.

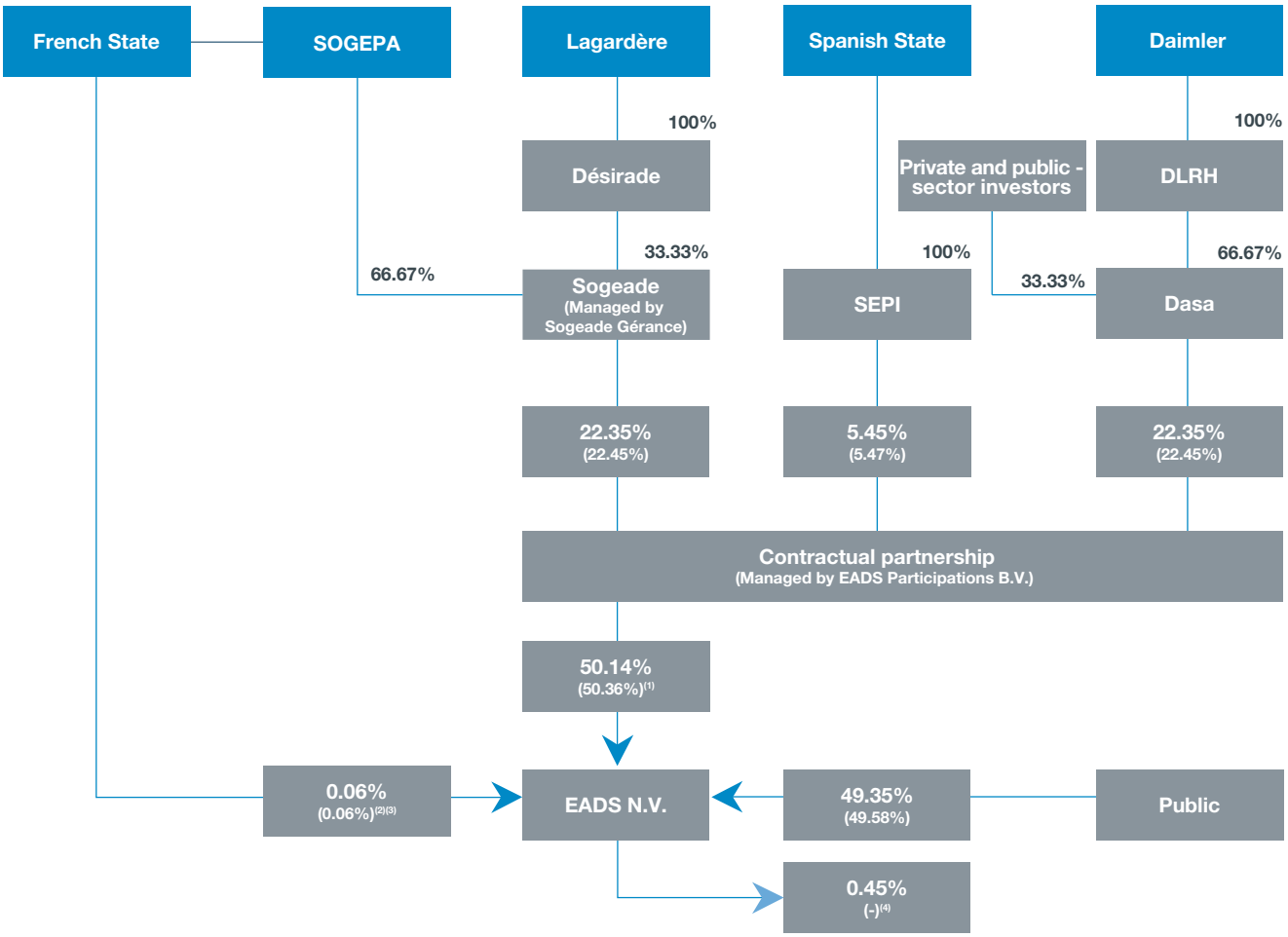
The term "**Indirect EADS Shares**" relates to the EADS shares held by Daimler AG ("**Daimler**"), SEPI and *Société de Gestion de l'Aéronautique, de la Défense et de l'Espace* ("**Sogeade**"), for which EADS Participations B.V. exercises all the attached voting rights, as well as, for Lagardère SCA ("**Lagardère**") and *Société de Gestion de Participations Aéronautiques* ("**Sogepa**"), or the companies of their group, the number of EADS shares held indirectly *via* Sogeade, reflecting by transparency, their respective interest in Sogeade.

Unless the context requires otherwise, the shareholdings of DASA AG in EADS are referred to in this document as shareholdings of Daimler, and the rights and obligations of DASA AG pursuant to the agreements described herein are referred to as rights and obligations of Daimler.

As of 31 December 2011, 22.35% of EADS' share capital was held by DASA AG, which is a 66.67% subsidiary of Daimler Luft- und Raumfahrt Holding AG ("**DLRH**"), a wholly owned subsidiary of Daimler. The remaining 33.33% of DASA AG is held by a consortium of private and public-sector investors. Sogeade, a French partnership limited by shares (*société en commandite par actions*) whose share capital, as of 31 December 2011, is held 66.67% by Sogepa (a French state holding company) and 33.33% by Désirade (a French *société par actions simplifiée* wholly owned by Lagardère), held 22.35% of EADS' share capital. Thus, 44.70% of EADS' share capital was held by Daimler and Sogeade who jointly control EADS through a Dutch law contractual partnership managed by EADS Participations B.V. (the "**Contractual Partnership**"). SEPI, which is a party to the Contractual Partnership, held 5.45% of EADS' share capital. The public (including EADS employees) and the Company held, respectively, 49.35% and 0.45% of EADS' share capital. The *République française* (the "**French State**") directly held 0.06% of EADS' share capital, such shareholding being subject to certain specific provisions.

The diagram below shows the ownership structure of EADS as of 31 December 2011 (% of capital and of voting rights (in parentheses) before exercise of outstanding stock options granted for the subscription of EADS shares). See "Corporate Governance — 4.3.3 Long-Term Incentive Plans".

### Ownership Structure of EADS as of 31 December 2011




(1) EADS Participations B.V. exercises the voting rights attached to these EADS shares pledged by Sogeade, Daimler and SEPI who retain title to their respective shares.
(2) The French State exercises the voting rights attached to these EADS shares (such shares being placed with the Caisse des Dépôts) in the same way that EADS Participations B.V. exercises the voting rights pooled in the Contractual Partnership.
(3) Shares held by the French State following the distribution without payment of consideration to certain former shareholders of Aerospatiale Matra as a result of its privatisation in June 1999. All the shares currently held by the French State will have to be sold on the market.
(4) As of 31 December 2011, the Company holds, directly or indirectly through another company in which the Company holds directly or indirectly more than 50% of the share capital, 3,669,792 of its own shares. The EADS shares owned by the Company itself do not carry voting rights.

For the number of shares and voting rights held by Members of the Board of Directors and Executive Committee, see "Corporate Governance — 4.2.1 Compensation Granted to Directors and Principal Executive Officers".

Approximately 3.7% of the share capital (and voting rights) are held by EADS employees as of 31 December 2011.

## 3.3.2 Relationships with Principal Shareholders

The principal agreements governing the relationships between the founders of EADS are an agreement (the "**Participation Agreement**") entered into on Completion between Daimler, DASA AG, Lagardère, Sogepa, Sogeade and SEPI, and a Dutch law Contractual Partnership agreement entered into on Completion between Sogeade, DASA AG, SEPI and EADS Participations B.V. (the "**Contractual Partnership Agreement**"), which repeats certain terms of the Participation Agreement and a certain number of other agreements (in particular, a shareholder agreement (the "**Sogeade Shareholders' Agreement**") entered into on Completion between Sogepa and Lagardère and an agreement between the French State, Daimler and DLRH). EADS Participations B.V. is a Dutch private company with limited liability (*besloten*

*vennootschap met beperkte aansprakelijkheid*) and is the managing partner of the Contractual Partnership. The Indirect EADS Shares held by Daimler, Sogeade and SEPI have been pledged to EADS Participations B.V., which has been granted the exclusive power to exercise the voting rights attached to the pledged shares (including the right to attend and speak at shareholders' meetings) in accordance with the Contractual Partnership Agreement.

The agreements above contain, among other things, provisions relating to the following matters:

- the composition of the boards of Directors of EADS, EADS Participations B.V. and Sogeade Gérance (*gérant commandité* of Sogeade);
- restrictions on the transfer of EADS shares and Sogeade shares;
- pre-emptive and tag-along rights of Daimler, Sogeade, Sogepa and Lagardère;
- defences against hostile third parties;
- consequences of a change of control of Daimler, Sogeade, Lagardère, Sogepa or SEPI;
- a put option granted by Sogeade to Daimler over its EADS shares in certain circumstances;
- specific rights of the French State in relation to certain strategic decisions, regarding among other issues, EADS' ballistic missiles activity; and
- certain limitations on the extent of the French State's ownership of EADS.

Further details on the agreements among the principal shareholders of EADS are set out below.

## Organisation of EADS Participations B.V.

The Board of Directors of EADS Participations B.V. has an equal number of Directors nominated by Daimler and by Sogeade, respectively (taking into account proposals made by Lagardère in respect of the Sogeade-nominated Directors). Daimler and Sogeade each nominate two Directors, unless otherwise agreed, and the Daimler-Directors and the Sogeade-Directors jointly have the right to nominate and to remove the Chairman and the Chief Executive Officer. In addition, SEPI has the right to nominate a Director, as long as the shareholding of SEPI in EADS is 5% or more but in any case until the Annual General Meeting of Shareholders to be held in 2012. The Chairman shall either have French or German nationality and the Chief Executive Officer shall have the other nationality.

This structure gives Daimler and Sogeade equal nominating rights in respect of the majority of the Directors of the decision-making body of EADS Participations B.V. All decisions of EADS Participations B.V.'s Board of Directors shall require the vote in favour of at least four Directors, including the vote in favour of all Sogeade-Directors and all Daimler-Directors. The quorum for transacting any business at a meeting of the Board of Directors of EADS Participations B.V. is one Sogeade Director and one Daimler Director being present.

## Transfer of EADS Shares

Daimler, Sogeade, SEPI, Lagardère and Sogepa each have the right to sell its EADS shares on the market, subject to the following conditions:

- if a party wishes to sell any EADS shares, it shall first sell its shares other than its Indirect EADS Shares before exercising its right to sell its Indirect EADS Shares in accordance with the provisions set out below;
- on the sale of Indirect EADS Shares, Daimler (in the case of a sale by Sogeade), Sogeade (in the case of a sale by Daimler) or Sogeade and Daimler (in the case of a sale by SEPI) may either exercise a pre-emption right or sell their respective Indirect EADS Shares on the market in the same proportions as the respective Indirect EADS Shares of the relevant parties bear to each other;
- any transfer of Indirect EADS Shares by either Sogepa or Lagardère is subject to a pre-emption right in favour of Lagardère or Sogepa, as the case may be. In the event that such pre-emption right is not exercised, the Indirect EADS Shares may be sold (a) to an identified third party subject to Lagardère's or Sogepa's consent (as the case may be) and also to Daimler's consent and (b) if such consent is not obtained, the Indirect EADS Shares may be sold on the market, subject to Daimler's pre-emption right referred to above;
- Lagardère and Sogepa shall each have a proportional right to tag-along on a sale of its Indirect EADS Shares; and
- the pre-emption and tag-along rights of Lagardère and Sogepa referred to above do not apply to a transfer of EADS shares directly held by one of them.

Any sale on the market of EADS shares in accordance with the Participation Agreement shall be conducted in an orderly manner so as to ensure the least possible disruption to the market of EADS shares. To this effect, the parties shall consult with each other before any such sale.

## Control of EADS

In the event that a third party to which Daimler or Sogeade objects (a "**Hostile Third Party**") has a direct or indirect interest in EADS shares equal to 12.5% or more of the number of such EADS shares the voting rights of which are pooled through the Contractual Partnership (a "**Qualifying Interest**"), then, unless a Hostile Offer (as defined below) has been made by the Hostile Third Party or until such time as Daimler and Sogeade agree that the Hostile Third Party should no longer be considered a Hostile Third Party or the Hostile Third Party no longer holds a Qualifying Interest, the parties to the Participation Agreement shall exercise all means of control and influence in relation to EADS to avoid such Hostile Third Party increasing its rights or powers in relation to EADS.

The parties to the Participation Agreement may accept an offer (whether by way of tender offer or otherwise) by a Hostile Third Party which is not acceptable to either Daimler or Sogeade (a "**Hostile Offer**"), subject to provisions requiring, *inter alia*, the party wishing to accept, to first offer its EADS shares to Daimler

and/or Sogeade, in which case Daimler and/or Sogeade may exercise their pre-emption rights in respect of some or all of the EADS shares held by the party wishing to accept the Hostile Offer.

Any sale of EADS shares, other than the EADS Indirect Shares, by Daimler, Sogeade or Lagardère, at a time when a Hostile Third Party is a shareholder and purchaser of EADS shares on the market, is subject to the pre-emption right of Sogeade, Daimler and Sogepa respectively. In the case of a sale by Lagardère, if Sogepa does not exercise its right of pre-emption, Daimler has in turn a pre-emption right.

## Dissolution of Contractual Partnership and EADS Participations B.V.

The Contractual Partnership and EADS Participations B.V. will be dissolved and wound up upon the occurrence of certain events (each, a "**Termination Event**") including:

(i) if the proportion which the Indirect EADS Shares of either Daimler or Sogeade bears to the total number of EADS shares is less than 10%, unless the difference between the holdings of Daimler and Sogeade (calculated as a percentage by reference to the number of Indirect EADS Shares held by each of them as against the total number of EADS shares) is 5% or less, in which case the dissolution and winding up shall only occur if the proportion which the Indirect EADS Shares of Daimler or Sogeade bears to the total number of EADS shares is 5% or less; or

(ii) if, on a change of control of either Lagardère, Sogepa, Sogeade or Daimler, no notice of an offer by a third party to purchase the Sogeade shares or the Indirect EADS Shares held by the party undergoing the change of control (the "**Changed Party**") (which offer the Changed Party wishes to accept) has been served in accordance with the Participation Agreement (see below "Change of Control") within 12 months of the date of the change of control occurring (the absence of notice of an offer by a third party to purchase the Indirect EADS Shares held by SEPI upon a change of control of SEPI does not trigger a dissolution of the Contractual Partnership or EADS Participations B.V. but shall cause SEPI to lose its main rights or liabilities under the Participation Agreement or the Contractual Partnership Agreement).

On the occurrence of a Termination Event, EADS Participations B.V. is prohibited from conducting further business except as is necessary to its liquidation or the liquidation of the Contractual Partnership.

## Change of Control

The Participation Agreement provides, *inter alia*, that if (a) Lagardère or Sogepa undergoes a change of control and Daimler so elects, (b) Sogeade undergoes a change of control and Daimler so elects, (c) Daimler undergoes a change of control and Sogeade so elects, (d) SEPI undergoes a change of control and Sogeade or Daimler so elects then:

(i) the party undergoing the change of control shall use its reasonable efforts to procure the sale of its Sogeade interest (if the party undergoing the change of control is Lagardère or Sogepa) or of its Indirect EADS Shares (if the party undergoing the change of control is Daimler, Sogeade or SEPI) to a third party purchaser on *bona fide* arm's length terms. When the party subject to the change of control is Lagardère or Sogepa, the third party purchaser shall be nominated with Daimler's consent, not to be unreasonably withheld; and

(ii) in the event that a third party offers to purchase the Sogeade interest held by Lagardère or Sogepa or the Indirect EADS Shares held by Daimler, Sogeade or SEPI as the case may be, is received and the party undergoing the change of control wishes to accept that offer, such offer shall immediately be notified to (a) Daimler in the case of a change of control occurring to Lagardère or Sogepa, (b) Sogeade in the case of the change of control occurring to Daimler, (c) Daimler in the case of the change of control occurring to Sogeade, or (d) Daimler or Sogeade in the case of the change of control occurring to SEPI (the party notified under (a), (b), (c) or (d) being the "**Non-Changed Party**"). The Non-Changed Party shall have a first right to purchase the Sogeade interest or the Indirect EADS shares being offered for sale at the price being offered by the third party. In relation to (d), if Daimler and Sogeade have both elected that SEPI procure a third party purchaser, then they shall each have the right to acquire SEPI's Indirect EADS Shares in the respective proportions which the number of their EADS shares bear to one another at that time. In the event that the Non-Changed Party does not give notice of its intention to purchase the Sogeade interest or the Indirect EADS Shares within 30 days of the offer being made, then the Changed Party is obliged to sell such Sogeade interest or Indirect EADS Shares to the third party on the terms of the third party's original offer.

The third party purchaser may not be a competitor of EADS, Sogeade or Daimler (as the case may be) nor a member of the Group which has taken control of the Changed Party.

## Events of Default Other than Change of Control

The Participation Agreement provides for certain actions following events of default (other than a change of control) (*i.e.* insolvency-related or a material breach of the Participation Agreement). In particular, if such an event of default occurs in relation to Daimler, Sogeade or SEPI, the non-defaulting party (respectively Sogeade, Daimler and Sogeade and Daimler acting together) has a call option over the defaulting party's EADS shares and interest in EADS Participations B.V. If such an event of default occurs in relation to Lagardère or Sogepa, such party is obliged to use its best efforts to sell its interest in the capital of Sogeade on *bona fide* arm's length terms to a third party purchaser (who must not be a competitor of EADS or Daimler). In the case of a sale by Lagardère, the third party purchaser must be nominated by Sogepa with Daimler's consent (which may not be unreasonably withheld). In the case of such a sale by Sogepa, Daimler must consent to the sale (again, such consent may not be unreasonably withheld).

## Specific Rights and Undertakings of the French State

The French State, not being a party to the Participation Agreement, entered into a separate agreement, governed by French law, with Daimler and DLRH on 14 October 1999 (as amended) pursuant to which:

- the French State undertakes to hold an interest of no more than 15% of the entire issued share capital of EADS through Sogepa, Sogeade and EADS Participations B.V.;
- the French State undertakes that neither it nor any of its undertakings will hold any EADS shares directly; and
- in each case disregarding (i) those EADS shares held by the French State following the distribution without payment of consideration to certain former shareholders of Aerospatiale Matra as a result of its privatisation in June 1999 and which will have to be sold on the market; (ii) those shares held by Sogepa or the French State which may be sold or acquired pursuant to the Participation Agreement or the Sogeade Shareholders' Agreement (see below); and (iii) those shares held for exclusively investment purposes.

Moreover, pursuant to an agreement entered into between EADS and the French State (the "**Ballistic Missiles Agreement**"), EADS has granted to the French State (a) a veto right and subsequently a call option on the ballistic missiles activity exercisable in the event that (i) a third party which is not affiliated to the Daimler and/or Lagardère Groups acquires, directly or indirectly, either alone or in concert, more than 10% or any multiple thereof of the share capital or voting rights of EADS or (ii) the sale of the ballistic missiles assets or of the shares of such companies carrying out such activity is considered after the termination of the Sogeade Shareholders' Agreement and (b) a right to oppose the transfer of any such assets or shares during the duration of the Sogeade Shareholders' Agreement.

## Sogeade

Sogeade is a French partnership limited by shares (*société en commandite par actions*) the share capital of which is split between Sogepa (66.67%) and Désirade, a French *société par actions simplifiée* (33.33%). The share capital of Désirade is itself wholly owned by Lagardère. Lagardère hence owns indirectly 33.33% of Sogeade.

The general partner (*associé commandité*) of Sogeade, Sogeade Gérance, is a French *société par actions simplifiée* which is the manager of Sogeade and the share capital of which is split equally between Sogepa and Lagardère SCA.

Sogeade Gérance's Board of Directors consists of eight Directors, four of them nominated by Lagardère (among whom one shall be designated as the Chairman of the Board) and four by Sogepa. Decisions of Sogeade Gérance's Board shall be approved by a simple majority of Directors except for the following matters which require the approval of a qualified majority of six of the eight Directors: (a) acquisitions or divestments of shares or assets the individual value of which exceeds €500 million; (b) agreements establishing strategic alliances, or industrial or financial co-operation; (c) a capital increase of EADS of more than €500 million to which no preferential right to subscribe for the shares is attached; (d) any decision to divest or create a security interest over the assets relating to prime contractor status, design, development and integration of ballistic missiles or the majority shareholdings in the companies Cilas, Sodern, Nuclétudes and the GIE Cosyde (each a "**Sogeade Reserved Matter**"). The decisions contemplated under (d) above are also governed by the Ballistic Missiles Agreement (see above "Specific Rights and Undertakings of the French State").

When a vote of Sogeade Gérance's Board on such matters does not reach the qualified majority of six Directors by reason of any of the Sogepa-nominated Directors casting a negative vote, the Sogeade-nominated Directors on the Board of EADS Participations B.V. are obliged to vote against the proposal. This means that the French State as the owner of Sogepa can veto any decisions on these matters within EADS Participations B.V. and in turn within EADS as long as the Sogeade Shareholders' Agreement remains in existence.

In addition, in the case where the Board of Directors of EADS Participations B.V. and/or the Board of Directors of EADS would be called to address the following matters:

(a) appointment/removal of the Chairman and the Chief Executive Officer of EADS and appointment/removal of the Chief Executive Officer of Airbus;

(b) investments, projects, launch of new products or divestments within the Group with an individual value/amount exceeding €500 million;

(c) strategic and cooperation agreements;

(d) modifications of the authorised share capital of EADS and increase in the issued capital of EADS, with the exception of capital increases for the purposes of ESOP or other securities issuances in favour of employees for an amount, per year or per plan, less than 2% of the issued capital;

(e) modifications of (1) the Articles of Association of EADS, (2) the internal rules for the Board of Directors and (3) the internal rules for the Executive Committee;

(f) change of name, place of incorporation and nationality of EADS; and

(g) significant decisions in connection with the ballistic missiles activities of EADS.

Sogeade Gérance's Board shall previously meet to come to a decision on the appropriateness of any of the above-mentioned matters. In this respect, the decision of Sogeade Gérance's Board shall be in writing and require the approval of a qualified majority of six of the eight Directors; it being understood that the Sogeade-nominated Directors on the Board of EADS Participations B.V. shall in no event be bound by such decision. Such procedure shall not apply in the case where the relevant

matter will have been examined as a Sogeade Reserved Matter in accordance with the above.

The shareholding structure of Sogeade shall reflect at all times the indirect interests of all the shareholders of Sogeade in EADS.

In certain circumstances, in particular in the event of a change of control of Lagardère, Lagardère shall grant a call option over its Sogeade shares to any non-public third party designated by Sogepa and approved by Daimler. This option may be exercised during the term of the Sogeade Shareholders' Agreement on the basis of the market price for the EADS shares.

The Sogeade Shareholders' Agreement shall terminate if Lagardère or Sogepa ceases to hold at least 20% of the capital of Sogeade, except that: (a) the provisions relating to the call option granted by Lagardère described above shall remain in force as long as the Participation Agreement is in force, (b) as long as Sogepa holds at least one Sogeade share, it will remain entitled to nominate a Sogeade Gérance director whose approval will be required with respect to any decision to divest or create a security interest over the assets relating to prime contractor status, design, development and integration of ballistic missiles activity or the majority shareholdings in the companies Cilas, Sodern, Nuclétudes and the GIE Cosyde; and (c) the Sogeade Shareholders' Agreement will be terminated in the event of a dissolution of EADS Participations B.V. caused by Daimler. In the latter case, the parties have undertaken to negotiate a new shareholders' agreement in the spirit of the shareholders' agreement between them dated 14 April 1999 relating to Aerospatiale Matra and with regard to their respective shareholdings in Sogeade at the time of the dissolution of EADS Participations B.V.

### Put Option

Under the Participation Agreement, Sogeade has granted a put option to Daimler over its EADS shares which shall be exercisable by Daimler, (i) in the event of a deadlock arising from the exercise by Sogepa of its rights relating to certain strategic decisions (listed above under the description of Sogeade) other than those relating to the ballistic missiles activity or (ii) during certain periods provided that in both cases the French State still holds any direct or indirect interest in EADS shares. The put option may only be exercised in respect of all and not some only of Daimler's EADS shares.

The exercise price of the option will be calculated on the basis of an average market price for EADS shares.

In the event that Daimler exercises the put option granted to it by Sogeade, Sogeade will acquire the EADS shares from Daimler. However, Lagardère has the right to require Sogepa to substitute itself for Sogeade in relation to the acquisition of Daimler's EADS shares following the exercise by Daimler of the put option. Such substitution right has been accepted by Daimler. In the event that Lagardère does not exercise such substitution right, Lagardère would have to provide its *pro rata* part of the financing necessary for such acquisition. Sogepa undertakes to provide its *pro rata* part of the financing corresponding to its rights in Sogeade. Should Lagardère decide not to take part in the financing, (a) Sogepa undertakes to substitute itself for Sogeade to buy the shares sold by Daimler as a result of the exercise of its put option and (b) Sogepa or Lagardère may request the liquidation of Sogeade and EADS Participations B.V. and the termination of the Sogeade Shareholders' Agreement (notwithstanding the termination provisions of the Sogeade Shareholders' Agreement described under the paragraph "Sogeade" above). In that case, Lagardère could freely sell its EADS shares on the market or in a block sale to a third party.

### Pledge over EADS' Shares Granted to EADS Participations B.V.

Upon Completion and in order to secure their undertakings under the Contractual Partnership Agreement and the Participation Agreement, Sogeade, Daimler and SEPI granted a pledge over their respective Indirect EADS Shares to EADS Participations B.V. for the benefit of EADS Participations B.V. and the other parties to the Contractual Partnership Agreement.

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Other than the relationships between the Company and its principal shareholders described above in this Section 3.3.2, there are no potential conflicts of interest between the duties to the Company of the Directors and their respective private interests or other duties.

## 3.3.3 Form of Shares

The shares of EADS are in registered form. The Board of Directors may decide with respect to all or certain shares, on shares in bearer form.

Shares shall be registered in the shareholders' register without the issue of a share certificate or, should the Board of Directors so decide, with respect to all or certain shares, with the issue of a certificate. Share certificates shall be issued in such form as the Board of Directors may determine. Registered shares shall be numbered in the manner to be determined by the Board of Directors.

## 3.3.4 Changes in the Shareholding of the Company Since its Incorporation

The Company was founded with an authorised share capital of 500,000 Netherlands Guilders ("**NLG**") divided into 500 shares each having a nominal value of 1,000 NLG, of which 100 were issued to Aerospatiale Matra on 29 December 1998. These shares were transferred to DASA AG by way of notarised transfer certificate on 28 December 1999.

The changes in the shareholding of the Company since its initial public offering and listing are set forth below (for a description of the changes in the issued share capital of the Company since its incorporation, see "— 3.2.5 Changes in the Issued Share Capital since Incorporation of the Company").

Since July 2000, 4,293,746 EADS shares have been distributed without payment of consideration by the French State to certain former shareholders of Aerospatiale Matra as a result of its privatisation in June 1999. The last distribution took place in July 2002.

In addition, in January 2001, the French State and Lagardère sold on the market all of their EADS shares (respectively 7,500,000 and 16,709,333 EADS shares) other than their Indirect EADS Shares (and, in the case of the French State, other than the EADS shares to be distributed to former shareholders of Aerospatiale Matra, see "— 3.3.2 Relationships with Principal Shareholders — Specific Rights and Undertakings of the French State") that they held as a result of the non-exercise of the over-allotment option granted to the underwriters in the context of the initial public offering carried out by the Company for the purpose of its listing in July 2000 (including, in the case of Lagardère, those shares other than its Indirect EADS Shares purchased from the French Financial Institutions at the end of the exercise period of the over-allotment option).

On 8 July 2004, Daimler announced that it had placed on the market (in the context of a hedging transaction) all of its EADS shares (22,227,478 EADS shares), representing 2.73% of the capital and 2.78% of the EADS voting rights at that date, except for its Indirect EADS Shares.

On 11 November 2005, DASA AG transferred its entire interest in EADS to its wholly owned subsidiary DaimlerChrysler Luft-und Raumfahrt Beteiligungs GmbH & Co. KG ("**DC KG**"). However, in November 2006, DC KG then transferred its entire interest in EADS back to DASA AG.

On 4 April 2006, Daimler and Lagardère announced the entry into simultaneous transactions aimed at reducing by 7.5% each their respective shareholdings in EADS. Daimler entered into a forward sale agreement of approximately 61 million EADS shares with a group of investment banks. Daimler indicated that it had lent these shares to the banks in anticipation of the settlement of the forward sale. Lagardère issued mandatory exchangeable bonds. The EADS shares deliverable at the maturity of the bonds represented a maximum of 7.5% of the share capital of EADS, or approximately 61 million EADS shares, and were delivered in three equal tranches representing 2.5% of the share capital of EADS. The first two tranches were delivered in June 2007 and June 2008, with delivery of the third tranche brought forward from June 2009 to March 2009, as discussed below.

On 8 September 2006, the Company was notified that JSC Vneshtorgbank (formerly Bank of Foreign Trade) acquired 41,055,530 shares of EADS, representing 5.04% of the share capital of EADS at that date.

On 9 February 2007, Daimler reached an agreement with a consortium of private and public-sector investors ("**Dedalus**") by which it effectively reduced its shareholding in EADS from 22.5% to 15%, while maintaining the balance of voting rights between German and French shareholders. The Dedalus consortium thereby acquired a 7.5% equity interest in EADS, with Daimler continuing to control the voting rights of the entire 22.5% package of EADS shares. If this structure is dissolved, Daimler has the right either to provide the investors with EADS shares or to pay cash compensation. If EADS shares are provided, the German State, and the French State and Lagardère through Sogeade, will be entitled to pre-empt such EADS shares. This transaction constitutes a specific exception to the agreements described in "— 3.3.2 Relationships with Principal Shareholders".

On 26 December 2007, JSC Vneshtorgbank sold and transferred 41,055,530 EADS shares to the Bank for Development and Foreign Economic Affairs (*Vnesheconombank*). EADS was notified of such transaction thereafter.

On 26 January 2009, Lagardère and Natixis, the sole subscriber to and sole holder of the outstanding mandatory exchangeable bonds issued by Lagardère in 2006, signed an amendment to the subscription contract whereby they agreed, on the initiative of Natixis, to bring forward the redemption date of the mandatory exchangeable bonds – and consequently, the delivery date of the third tranche of EADS shares – from 25 June 2009 to 24 March 2009. Under the terms of this amendment, Lagardère delivered 20,370,000 EADS shares, representing 2.5% of the capital and voting rights of EADS, to Natixis on 24 March 2009.

On 19 March 2010, Daimler and the Dedalus consortium of private and public-sector investors confirmed the continuation of the agreement reached on 9 February 2007 concerning the equity interests and voting rights in EADS (as discussed above). At Germany's Federal Chancellery on 16 March 2010, Daimler and the investors stated their willingness to maintain the existing agreement without any changes. As a result, Daimler continued to hold 22.5% of the voting rights in EADS while its economic interest remained at 15%. Thus, the existing balance of voting rights between German and French shareholders was unchanged.

On 10 November 2011, Daimler announced that it had reached an agreement in principle with the German federal government that the state-owned KfW bank group would take over a 7.5% equity interest in EADS from Daimler, with the sale slated to take place in 2012. Daimler also announced that it had agreed

with the German government to hold conclusive discussions in the near future about the long-term structure of the Dedalus investor consortium, which was set up in 2007 and confirmed in 2010 (as discussed above). The consortium already holds 7.5% of EADS, and Daimler has stated that the shared understanding is that the Dedalus investor consortium should fundamentally continue to exist.

The voting rights of the Dedalus investor consortium would remain with Daimler for the time being. As a result, after the planned transfer of shares to KfW, Daimler would reduce its economic interest in EADS to 7.5% and its voting rights to 15%. The voting rights of Daimler and KfW would be pooled in an intermediate holding company.

The evolution in ownership of the share capital and voting rights of the Company over the past three years is set forth in the table below:

| | Position as of 31 December 2011 | | | Position as of 31 December 2010 | | | Position as of 31 December 2009 | | |
|---|---|---|---|---|---|---|---|---|---|
| Shareholders | % of capital | % of voting rights | Number of shares | % of capital | % of voting rights | Number of shares | % of capital | % of voting rights | Number of shares |
| DASA AG | 22.35% | 22.45% | 183,337,704 | 22.46% | 22.55% | 183,337,704 | 22.46% | 22.55% | 183,337,704 |
| Sogeade | 22.35% | 22.45% | 183,337,704 | 22.46% | 22.55% | 183,337,704 | 22.46% | 22.55% | 183,337,704 |
| SEPI | 5.45% | 5.47% | 44,690,871 | 5.47% | 5.49% | 44,690,871 | 5.48% | 5.50% | 44,690,871 |
| **Sub-total Contractual Partnership** | **50.14%** | **50.36%** | **411,366,279** | **50.39%** | **50.59%** | **411,366,279** | **50.40%** | **50.60%** | **411,366,279** |
| French State (1) | 0.06% | 0.06% | 502,746 | 0.06% | 0.06% | 502,746 | 0.06% | 0.06% | 502,746 |
| Public (2) | 49.35% | 49.58% | 404,943,474 | 49.16% | 49.35% | 401,338,521 | 49.15% | 49.34% | 401,120,240 |
| Own share buy-back (3) | 0.45% | - | 3,669,792 | 0.39% | - | 3,195,176 | 0.39% | - | 3,115,796 |
| **Total** | **100%** | **100%** | **820,482,291** | **100%** | **100%** | **816,402,722** | **100%** | **100%** | **816,105,061** |

(1) Shares held by the French State following the distribution without payment of consideration of 4,293,746 shares to certain former shareholders of Aerospatiale Matra as a result of its privatisation in June 1999. All of the shares currently held by the French State will have to be sold on the market.
(2) Including EADS employees. As of 31 December 2011, EADS employees held approximately 3.7% of the share capital (and voting rights).
(3) The shares owned by the Company do not carry voting rights.

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To the knowledge of the Company, except as disclosed previously in "— 3.3.2 Relationships with Principal Shareholders", there are no pledges over the shares of the Company.

The Company requested a disclosure of the identity of the beneficial holders of its shares held by identifiable holders ("*Titres au porteur identifiables*") holding more than 2,000 shares each. The study, which was completed on 31 December 2011, resulted in the identification of 1,345 shareholders holding a total of 365,471,908 EADS shares (including 5,162,966 shares held by Iberclear on behalf of the Spanish markets and 32,906,252 shares held by Clearstream on behalf of the German market).

The current shareholding structure of the Company is as shown in the diagram in "— 3.3.1 Shareholding Structure".

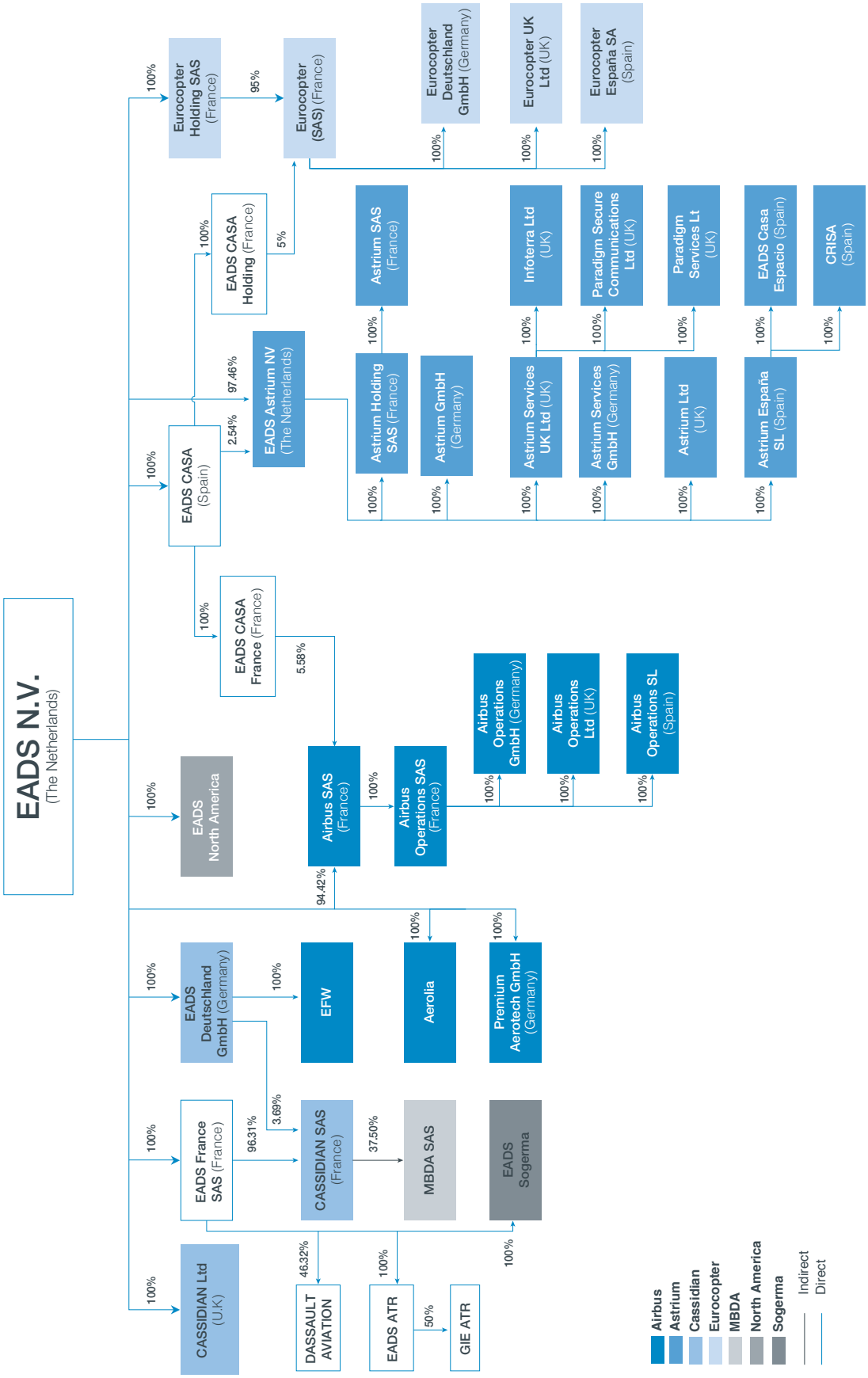
## 3.3.5 Persons Exercising Control over the Company

See "— 3.3.1 Shareholding Structure" and "— 3.3.2 Relationships with Principal Shareholders".

## 3.3.6 Simplified Group Structure Chart

The following chart illustrates the simplified organisational structure of EADS as of 31 December 2011, comprising four Divisions and the main Business Units. See "Information on EADS' Activities — 1.1.1 Overview — Organisation of EADS Businesses". For ease of presentation, certain intermediate holding companies have been omitted.

## EADS Group Structure Chart



## 3.3.7 Purchase by the Company of its Own Shares

### 3.3.7.1 Dutch Law and Information on Share Repurchase Programmes

Pursuant to EC Regulation No. 2273/2003, the Company is subject to conditions for share repurchase programmes and disclosure relating thereto, as described below.

Under Dutch Civil law, the Company may acquire its own shares, subject to certain provisions of the law of the Netherlands and the Articles of Association, if (i) the shareholders' equity less the payment required to make the acquisition does not fall below the sum of paid-up and called portion of the share capital and any reserves required by the law of the Netherlands and (ii) the Company and its subsidiaries would not thereafter hold or hold in pledge shares with an aggregate nominal value exceeding one-half (50%) of the Company's issued share capital. Share acquisitions may be effected by the Board of Directors only if the shareholders in general meeting have authorised the Board of Directors to effect such repurchases. Such authorisation may apply for a maximum period of 18 months.

Shares held by the Company do not carry voting rights. Usufructuaries and pledgees of shares that are held by the Company are, however, not excluded from their voting rights in such cases where the right of usufruct or pledge was vested before the share was held by the Company.

The Annual General Meeting of Shareholders held on 26 May 2011 authorised the Board of Directors, in a resolution that renewed the previous authorisation given by the Annual General Meeting of Shareholders held on 1 June 2010, for a period of 18 months from the date of such meeting, to repurchase shares of the Company, by any means, including derivative products, on any stock exchange or otherwise, as long as, upon such repurchase, the Company will not hold more than 10% of the Company's issued share capital and at a price not less than the nominal value and not more than the higher of the price of the last independent trade and the highest current independent bid on the trading venues of the regulated market of the country in which the purchase is carried out.

A resolution will be submitted to the Annual General Meeting of Shareholders called for 31 May 2012 in order to renew the authorisation given by the Annual General Meeting of Shareholders held on 26 May 2011 and authorise the Board of Directors, for a new period of 18 months as from the date of such meeting, to repurchase shares of the Company, by any means, including derivative products, on any stock exchange or otherwise, as long as, upon such repurchase, the Company will not hold more than 10% of the Company's issued share capital and at a price not less than the nominal value and not more than the higher of the price of the last independent trade and the highest current independent bid on the trading venues of the regulated market of the country in which the purchase is carried out.

As of the date of this document, the Company held 4,221,405 of its own shares, representing 0.51% of its share capital.

### 3.3.7.2 French Regulations

As a result of its listing on a regulated market in France, the Company is subject to the regulations summarised below.

Pursuant to Articles 241-1 to 241-6 of the AMF General Regulations, the purchase by a company of its own shares requires the publication of the description of the share repurchase programme. Such description must be published prior to the implementation of the share repurchase programme.

Under Articles 631-1 to 631-4 of the AMF General Regulations, a company may not trade in its own shares for the purpose of manipulating the market. Articles 631-5 and 631-6 of the AMF General Regulations also define the conditions for a company's trading in its own shares to be valid.

After purchasing its own shares, the Company is required to disclose on its website specified information regarding such purchases within at least seven trading days.

In addition, the Company must report to the AMF, on at least a monthly basis, all the specified information regarding such purchases previously published on its website and information concerning the cancellation of such repurchased shares.

### 3.3.7.3 German Regulations

As a foreign issuer, the Company is not subject to German rules on repurchasing its own shares, which only apply to German issuers.

### 3.3.7.4 Spanish Regulations

As a foreign issuer, the Company is not subject to Spanish rules on trading in its own shares, which only apply to Spanish issuers.

However, according to the Conduct Rules under the Spanish Securities Act 24/1988 of 28 July 1988, the Company may not trade in its own shares for the purpose of manipulating the market.

### 3.3.7.5 Description of the Share Repurchase Programme to be Authorised by the Annual General Meeting of Shareholders to be held on 31 May 2012

Pursuant to Articles 241-2-I and 241-3 of the AMF General Regulations, below is a description of the share repurchase programme ("*descriptif du programme*") to be implemented by the Company:

- **date of the shareholders' meeting to authorise the share repurchase programme:** 31 May 2012;
- **intended use of the EADS shares held by the Company as of the date of this document:** the reduction of share capital by cancellation of all or part of the repurchased shares, in particular to avoid the dilution effect related to certain share capital increases for cash (i) reserved or to be reserved for employees of the EADS Group and/or (ii) carried out or to be carried out in the context of the exercise of stock options granted or to be granted to certain EADS Group employees: 4,221,405 shares.

  For information on shares held by EADS at the date of the entry into force of EC Regulation No. 2273/2003 and still held by EADS at the date of this document, see below;
- **purposes of the share repurchase programme to be implemented by the Company (by order of decreasing priority, without any effect on the actual order of use of the repurchase authorisation, which will be determined on a case-by-case basis by the Board of Directors based on need):**
  - the reduction of share capital by cancellation of all or part of the repurchased shares, in particular to avoid the dilution effect related to certain share capital increases for cash (i) reserved or to be reserved for employees of the EADS Group and/or (ii) carried out or to be carried out in the context of the exercise of stock options granted or to be granted to certain EADS Group employees, it being understood that the repurchased shares shall not carry any voting or dividend rights,
  - the owning of shares for the performance of obligations related to (i) debt financial instruments convertible into EADS shares, or (ii) employee share option programmes or other allocations of shares to EADS Group employees,
  - the purchase of shares for retention and subsequent use for exchange or payment in the framework of potential external growth transactions, and
  - the liquidity or dynamism of the secondary market of the EADS shares carried out pursuant to a liquidity agreement to be entered into with an independent investment services provider in compliance with the decision of the AMF dated 1 October 2008 related to approval of liquidity agreements recognised as market practices by the AMF;
- **procedure:**
  - maximum portion of the issued share capital that may be repurchased by the Company: 10%,
  - maximum number of shares that may be repurchased by the Company: 82,380,506 shares, based on an issued share capital of 823,805,062 shares as of the date of this document. Assuming the exercise of all stock options outstanding as of the date of this document, the threshold of 10% would represent 83,787,499 shares based on the 837,874,993 shares which would make up the entire fully-diluted share capital of the Company,
  - the amounts to be paid in consideration for the purchase of the treasury shares must not, in accordance with applicable Dutch law, exceed the equity components which are repayable or distributable to the shareholders. "Equity components repayable or distributable to the shareholders" means the contribution premiums (in relation to contributions in kind), the issue premiums (in relation to cash contributions) and the other reserves as set out in the financial statements of EADS, from which the repurchase price for the treasury shares must be deducted.

    As of 31 December 2011, the respective values of each of these EADS equity components which are by nature repayable or distributable to the shareholders were: €7,519,000,000 (contribution premiums), €-3,486,000,000 (other reserves and retained earnings, including net profit for the year) and €-113,000,000 (treasury shares), *i.e.* an aggregate amount of €3,920,000,000.

    EADS reserves the right to implement the share purchase programme to its full extent and undertakes not to exceed, directly or indirectly, the threshold of 10% of the issued share capital as well as the amount of €3,920,000,000 throughout the term of the programme.

    Finally, EADS undertakes to maintain at any time a sufficient number of shares in public hands to meet the thresholds of NYSE Euronext,
  - shares may be bought or sold at any time (including during a public offering) to the extent authorised by the stock exchange regulations and by any means, including, without limitation, by means of block trades and including the use of options, combinations of derivative financial instruments or the issue of securities giving rights in any way to EADS shares within the limits set out in this document. Moreover, EADS will use call options and swaps that have been acquired pursuant to the agreements it had entered into during the previous share repurchase programme (see below) and does not exclude the possibility of using a structure of transaction similar to the one that had been used in the previous share repurchase programme in order to repurchase its own shares.

    The portion of shares repurchased through the use of block trades may amount to all the shares to be repurchased in the context of this programme,
  - in addition, in the event that derivative financial instruments are used, EADS will ensure that it does not use mechanisms which would significantly increase the volatility of the shares in particular in the context of call options,
  - characteristics of the shares to be repurchased by the Company: shares of EADS, a company listed on Euronext Paris, on the *regulierter Markt* of the Frankfurt Stock

Exchange and on the Madrid, Bilbao, Barcelona and Valencia Stock Exchanges,

- Daimler, DASA AG, the French State, Lagardère, SEPI, Sogeade and Sogepa will retain all of their rights, depending on the circumstances, to sell their available EADS shares to EADS as part of this share repurchase programme,
- maximum purchase price per share: €50;

- **term of the share repurchase programme and other characteristics:** this share repurchase programme shall be valid until 31 November 2013 inclusive, *i.e.* the date of expiry of the authorisation requested from the Annual General Meeting of Shareholders to be held on 31 May 2012. As one of the main aims of this EADS share repurchase programme is related to the possible exercise by EADS Group employees of stock options granted to them from 2002 to 2006, it is currently intended (i) that such a programme be continued and renewed until at least 17 December 2016 (16 December 2016 being the latest date upon which an employee of the EADS Group may exercise all or part of his/her stock options granted in 2006) and (ii) that the Annual General Meeting of Shareholders be asked to renew the authorisations until such date.

The 1,843,814 EADS shares held by EADS at the date of the entry into force of EC Regulation No. 2273/2003 of 22 December 2003 on 13 October 2004 and still held by EADS at the date of this document shall be, in order of decreasing priority, either (i) cancelled pursuant to a decision to be made, according to Dutch law, by an Annual General Meeting of Shareholders, to avoid the dilution effect related to certain share capital increases for cash carried out, during the financial year preceding such Annual General Meeting of Shareholders, in the context of an EADS employee share ownership programme and/or upon the exercise of stock options granted to certain EADS Group employees, or (ii) retained in order to allow the performance of certain obligations described within the aims of the share repurchase programme referred to in this document, or (iii) used for exchange or payment in the framework of a potential external growth transaction, or (iv) sold in the context of a liquidity agreement.

As of the date of this document, EADS has not entered into any liquidity agreement with an independent investment services provider in the context of the share repurchase programme.

In the context of the share repurchase programme, EADS has used derivative financial instruments (see below). These derivative financial instruments (call options) have the characteristics set out in the table below:

| | Opening positions as of the date of this document | | | |
|---|---|---|---|---|
| | Opening position on the purchase | | Opening position on the sale | |
| | Call purchased | Forward sale | Call purchased | Sale |
| Number of Shares | 6,710,403 | - | - | - |
| Average Maximum Maturity Date [1] | 9 August 2012 | - | - | - |
| Average Exercise Price [1] | - | - | - | - |

(1) See "Corporate Governance — 4.3.3 Long-Term Incentive Plans".

In order to compensate for the dilution effect related to the share capital increases in cash which would result from the exercise of stock options granted to certain EADS Group employees in 2002, EADS has implemented a share repurchase programme according to the neutral delta method. In this regard, EADS has entered into the following agreements: (i) call options agreements allowing EADS to acquire from a top ranking French bank a number of EADS' shares equal to the number of shares to be created as a result of the exercise of stock options granted to certain EADS Group employees in 2002, and (ii) swap agreements for the periodical adjustment of an amount in cash equal to the premiums paid by EADS to a top ranking French bank pursuant to the call options agreements, in accordance with the neutral delta method.

Pursuant to these agreements, the call options which EADS acquired from a top ranking French bank, have the same terms (as to exercise prices, exercise dates, quantities and expiry dates) as the stock options granted pursuant to the 2002 stock option plan. If the EADS share price increases, the top ranking French bank must buy the number of EADS shares which then derived from the increase in price according to the delta neutral method formula. The total amount paid for these shares by the top ranking French bank corresponds to the financial charge borne by EADS, as determined from the variable amounts in the swap agreement. On the other hand, in the case of a reduction in the EADS share price, the top ranking French bank must sell a number of EADS shares which derived from the reduction in the share price according to the neutral delta method formula. The total amount received by the top ranking French bank for the sale of these shares corresponds to the financial revenues received by EADS as determined from the variable amounts in the swap contract. Under these conditions, the final amount due as a result of the purchases of the call options is only known at the time of the payment as determined from the last variable amount of the swap contract.

The structure of the transaction aims at covering the dilution effect and the price risk for EADS linked to the exercise of stock options granted to certain EADS Group employees in 2002. Within this context, EADS uses the internal control procedures put in place by the Company in order to ensure the reliability of the management of the risks linked to these call options and swap. The procedures and tools for reporting have been

set up, the responsibility and powers have been delegated to the Finance and Treasury department of EADS which has responsibility for all operational decisions and all activities within its competence. The relevant competent bodies within the organisation must be made aware of all substantial transactions, activities and risks.

From an accounting standpoint, the call options qualify as equity instruments, provided that they are physically settled in EADS' own stock (IAS 32.16). The initial accounting led to a reduction in cash balances for the premiums paid and in stockholder's equity for the same corresponding amount. With each variable payment made in application of the delta neutral method formula, there is a corresponding impact on cash and on equity to reflect the cumulative premiums paid on the call options. Upon exercise of the call options, EADS decreases cash by the amount paid (strike price times number of options) and deducts treasury shares from shareholder's equity. Variations in the market value of the call options are not recognised in the financial statements. All such transactions are therefore neutral on the income statement.

The top ranking French bank has contractually undertaken to comply with the regulations in force in relation to repurchase procedures applicable to EADS and in particular the provisions of Articles 241-1 to 241-6 and 631-1 *et seq.* of the AMF General Regulations.

# 3.4 Dividends

## 3.4.1 Dividends and Cash Distributions Paid Since the Incorporation of the Company

Cash distributions paid to the shareholders since the incorporation of the Company are set forth in the table below:

| Financial Year | Date of the cash distribution payment | Gross amount per share [1] |
|---|---|---|
| 2000 | 27 June 2001 | €0.50 |
| 2001 | 28 June 2002 | €0.50 |
| 2002 | 12 June 2003 | €0.30 |
| 2003 | 4 June 2004 | €0.40 |
| 2004 | 8 June 2005 | €0.50 |
| 2005 | 1 June 2006 | €0.65 |
| 2006 | 16 May 2007 | €0.12 |
| 2007 | 4 June 2008 | €0.12 |
| 2008 | 8 June 2009 | €0.20 |
| 2009 | - | - |
| 2010 | 6 June 2011 | €0.22 |

(1) Note: figures have not been adjusted to take into account changes in the number of shares outstanding.

## 3.4.2 Dividend Policy of EADS

Based on earnings per share of €1.27 in 2011, the Board of Directors has proposed payment of a dividend of €0.45 per share to the next Annual General Meeting of Shareholders. Subject to approval by the Annual General Meeting, the dividend is expected to be paid on 7 June 2012 (expected record date of 6 June 2012).

This is converging towards a pay-out ratio in line with sector and industry peers. From the Board of Directors' perspective, as the Company is maturing, this policy shall be the orientation for the future.

## 3.4.3 Unclaimed Dividends

Pursuant to Article 31 of the Articles of Association, the claim for payment of a dividend or other distribution approved by the general meeting shall lapse five years after the day on which such claim becomes due and payable. The claim for payment of interim dividends shall lapse five years after the day on which the claim for payment of the dividend against which the interim dividend could be distributed becomes due and payable.

## 3.4.4 Taxation

The statements below represent a broad analysis of the current Netherlands tax laws. The description is limited to the material tax implications for a holder of the Company's shares (the "**Shares**") who is not, or is not treated as, a resident of the Netherlands for any Netherlands tax purposes (a "**Non-Resident Holder**"). Certain categories of holders of the Company's shares may be subject to special rules which are not addressed below and which may be substantially different from the general rules described below. Investors who are in doubt as to their tax position in the Netherlands and in their state of residence should consult their professional Advisors. Where the summary refers to "the Netherlands" or "Netherlands", it refers only to the European part of the Kingdom of the Netherlands.

### Withholding Tax on Dividends

In general, a dividend distributed by the Company in respect of Shares will be subject to a withholding tax imposed by the Netherlands at a statutory rate of 15%. Dividends include dividends in cash or in kind, deemed and constructive dividends, repayment of paid-in capital not recognised as capital for Netherlands dividend withholding tax purposes, and liquidation proceeds in excess of the average paid-in capital recognised as capital for Netherlands dividend withholding tax purposes. Stock dividends paid out of the Company's paid-in-share premium, recognised as capital for Netherlands dividend withholding tax purposes, will not be subject to this withholding tax.

A Non-Resident Holder of Shares can be eligible for a partial or complete exemption or refund of all or a portion of the above withholding tax pursuant to domestic rules or under a tax convention that is in effect between the Netherlands and the Non-Resident Holder's country of residence. The Netherlands has concluded such conventions with the US, Canada, Switzerland, Japan, almost all European Union member states and other countries.

### Withholding Tax on Sale or Other Dispositions of Shares

Payments on the sale or other dispositions of Shares will not be subject to Netherlands withholding tax, unless the sale or other disposition is, or is deemed to be, made to the Company or a direct or indirect subsidiary of the Company. In principle, a redemption or sale to the Company or a direct or indirect subsidiary of the Company will be treated as a dividend and will be subject to the rules set forth in "Withholding Tax on Dividends" above.

### Taxes on Income and Capital Gains

A Non-Resident Holder who receives dividends distributed by the Company on Shares or who realises a gain from the sale or disposition of Shares, will not be subject to Netherlands taxation on income or capital gains unless:

- such income or gain is attributable to an enterprise or part thereof which is either effectively managed in the Netherlands or carried on through a permanent establishment ("*vaste inrichting*") or permanent representative ("*vaste vertegenwoordiger*") in the Netherlands;
- the Non-Resident Holder is not an individual and the Non-Resident Holder has or is deemed to have, directly or indirectly, a substantial interest ("*aanmerkelijk belang*") or a deemed substantial interest in the Company and such interest (i) does not form part of the assets of an enterprise and (ii) is held by the Non-Resident Holder with the main objective, or one of the main objectives, to avoid Netherlands withholding tax on dividends or Netherlands individual income tax at the level of another person or entity; or
- the Non-Resident Holder is an individual and (i) the Non-Resident Holder has, directly or indirectly, a substantial interest ("*aanmerkelijk belang*") or a deemed substantial interest in the Company and such interest does not form part of the assets of an enterprise, or (ii) such income or gain qualifies as income from miscellaneous activities ("*belastbaar resultaat uit overige werkzaamheden*") in the Netherlands as defined in the Dutch Income Tax Act 2001 ("*Wet inkomstenbelasting 2001*").

Generally, a Non-Resident Holder of Shares will not have a substantial interest in the Company's share capital, unless the Non-Resident Holder, alone or together with certain related persons holds, jointly or severally and directly or indirectly, Shares in the Company, or a right to acquire Shares in the Company representing 5% or more of the Company's total issued and outstanding share capital or any class thereof. Generally, a deemed substantial interest exists if all or part of a substantial interest has been or is deemed to have been disposed of with application of a roll-over relief.

### Gift or Inheritance Taxes

Netherlands gift or inheritance taxes will not be levied on the transfer of Shares by way of gift, or upon the death of a Non-Resident Holder, unless the transfer is construed as an inheritance or gift made by or on behalf of a person who, at the time of the gift or death, is or is deemed to be resident in the Netherlands.

### Value-Added Tax

No Netherlands value-added tax is imposed on dividends on the Shares or on the transfer of the Shares.

### Other Taxes and Duties

There is no Dutch registration tax, transfer tax, capital tax, stamp duty or any other similar tax or duty other than court fees payable in the Netherlands in respect of or in connection with the execution, delivery and/or enforcement by legal proceedings (including any foreign judgment in the courts of the Netherlands) with respect to the dividends relating to the Shares or on the transfer of the Shares.

### Residence

A Non-Resident Holder will not become resident, or be deemed to be resident, in the Netherlands solely as a result of holding a Share or of the execution, performance, delivery and/or enforcement of rights in respect of the Shares.

## 3.5 Annual Securities Disclosure Report

The list of the following announcements comprises the disclosures made pursuant to Section 5:25f of the WFT and constitutes the annual securities disclosure report in application of Article 10 of Directive 2003/71/EC. The announcements and underlying information are on display and may be inspected during the life of this Registration Document on **www.eads.com**:

| | |
|---|---|
| Press release – First Quarter 2011 Results | 13 May 2011 |
| Press release – First Half 2011 Results | 29 July 2011 |
| Press release – EADS acquires Vizada for its Astrium Division | 1 August 2011 |
| Press release – Third Quarter 2011 Results | 10 November 2011 |
| Press release – 2011 Annual Results | 8 March 2012 |

In addition, EADS publishes announcements made in the ordinary course of business which are also available on **www.eads.com**.

# 4

# Corporate Governance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In accordance with Dutch law and with the provisions of the Dutch Corporate Governance Code as amended at the end of 2008 (the "**Dutch Code**"), which includes a number of non-mandatory recommendations, the Company either applies the provisions of the Dutch Code or, if applicable, explains and gives sound reasons for their non-application. While EADS, in its continuous efforts to adhere to the highest standards, applies most of the current recommendations of the Dutch Code, it must, in accordance with the "apply or explain" principle, provide the explanations below.

For the full text of the Dutch Code, please refer to **www.commissiecorporategovernance.nl.**

## 1. EADS is a controlled company and, therefore, a number of the Members of the Board of Directors, Audit Committee, Remuneration and Nomination Committee and Strategic Committee are designated and can be removed by its controlling shareholders

Nevertheless it should be noted that a self-assessment of the Board of Directors confirmed that the Members of the Board of Directors designated by the controlling shareholders hold opinions and defend positions that are in all relevant aspects aligned with the economic interests of individual shareholders. Given the absence of material conflicting business interests between EADS and its controlling shareholders, and the independence of the controlling shareholders from one another, the Members of the Board of Directors designated by the controlling shareholders are deemed to fairly represent the interest of all shareholders in acting critically and independently of one another and of any particular interests. Furthermore, both the Board of Directors' composition (with a wide range of different experiences represented) and the running of meetings are conducive to the expression of autonomous and complementary views.

Accordingly:

(a) four Members of the Board of Directors out of eleven are independent (whereas provision III.2.1 of the Dutch Code recommends that there be no more than one non-independent Board Member);

(b) Members of the Board of Directors retire simultaneously on a five-year basis (whereas provision III.3.6 of the Dutch Code recommends that there be a retirement schedule to avoid, as far as possible, a situation in which many non-Executive Members of the Board of Directors retire at the same time);

(c) the Board of Directors is headed by the Chairman of the Board of Directors. In case of dismissal or resignation of the Chairman, the Board shall immediately designate a new Chairman. There is therefore no need for a Vice-Chairman to deal with the situation when vacancies occur (whereas provision III.4.1(f) of the Dutch Code recommends that there be a Vice-Chairman);

(d) EADS' Audit Committee does not meet without the Chief Executive Officer being present (whereas provision III.5.9 of the Dutch Code recommends this);

(e) EADS' Audit Committee includes two Members of the Board of Directors designated by the controlling shareholders (whereas provision III.5.1 of the Dutch Code recommends that there be no more than one non-independent Audit Committee Member);

(f) EADS' Remuneration and Nomination Committee includes two Members of the Board of Directors designated by the controlling shareholders (whereas provision III.5.1 of the Dutch Code recommends that there be no more than one non-independent Committee Member); and

(g) EADS' Remuneration and Nomination Committee is not the relevant body responsible for the selection procedure and nomination proposals for Members of the Board of Directors (whereas provision III.5.14 (a) of the Dutch Code recommends that such Committee focus on drawing up selection criteria and the appointment procedures for Members of the Board of Directors; and provision III.5.14 (d) recommends that such Committee focus on making proposals for appointments and reappointments).

## 2. As for remuneration of Members of the Board of Directors

EADS applies different rules for the remuneration of Executive (the Chief Executive Officer) and non-Executive Members of the Board of Directors, as explained in "— 4.2.1.2 Detailed Remuneration Policy".

In case of dismissal from the Company of the Chief Executive Officer, a termination indemnity equal to one and a half times the annual total target salary would be paid subject to the following conditions (whereas provision II.2.8 of the Dutch Code recommends that the maximum remuneration in the event of dismissal be one year's salary, and that if the maximum of one year's salary would be manifestly unreasonable for an Executive Board Member who is dismissed during his first term of office, such Board Member be eligible for severance pay not exceeding twice the annual salary): the Board of Directors has concluded that the Chief Executive Officer can no longer fulfil his position as a result of change of EADS' strategy or policies or as a result of a change in control of EADS. The termination indemnity would be paid only provided that the performance conditions assessed by the Board of Directors had been fulfilled by the Chief Executive Officer.

However, this termination indemnity is no longer applicable, since the Chief Executive Officer has reached the age of 65 and is able to retire immediately.

### 3. EADS is listed on the Frankfurt, Paris and Spanish stock exchanges and endeavours to strictly comply with the relevant regulations and take into account the general principles on these markets protecting all of its stakeholders

(a) Moreover, EADS has adopted Insider Trading Rules providing for specific internal rules, *inter alia*, governing members' of the Board of Directors holding and trading of shares in EADS and other companies. Therefore, in line with these rules and these regulations and common practices in the jurisdictions in which the Company is listed;

(b) EADS does not require Members of the Board of Directors to hold their securities in the Company as a long-term investment (whereas provision III.7.2 of the Dutch Code recommends such a treatment);

(c) The term of the office of Members of the Board of Directors is five years without limitation on renewal (whereas provisions II.1.1 and III.3.5 of the Dutch Code recommend that there be no more than three four-year terms for non-Executive Members of the Board of Directors and that there be four-year terms (without limitation on renewal) for Executive Members of the Board of Directors);

(d) EADS does not follow various recommendations for dealings with analysts, including allowing shareholders to follow meetings with analysts in real time and publishing presentations to analysts on the website as set out in provision IV.3.1 of the Dutch Code.

# 4.1 Management and Control

Since its creation in 2000 and until 22 October 2007, EADS was led by a dual-headed management structure, with two Chairmen and two co-Chief Executive Officers, which provided the necessary balance and stability required for a company with such a unique industrial and multi-national heritage.

On 16 July 2007, Daimler (formerly DaimlerChrysler), the French Government and Lagardère decided, together with the EADS management team, to implement a new management and leadership structure. The German Government was also consulted. Guiding principles of this modification were efficiency, cohesiveness and simplification of EADS' management and leadership structure, towards corporate governance best practices while maintaining a balance between the French and the German core shareholders. Under the simplified management structure, EADS is now led by a single Chairman and a single Chief Executive Officer.

The core shareholders also concluded that it was in the best interest of the Group to recommend an increase in the number of independent members on the Board of Directors to appropriately reflect the global profile of EADS by conforming to international corporate governance best practices.

In this respect, both Daimler and Sogeade relinquished two seats on the Board of Directors and four independent Directors were elected during the Extraordinary General Meeting of Shareholders held on 22 October 2007. Apart from the Chief Executive Officer, the Board of Directors no longer comprises Executive Directors.

The core shareholders have also decided to amend the responsibilities assumed by the Board of Directors, the Chairman, the Chief Executive Officer and the Executive Committee, as described below. These modifications were fully implemented and became effective from the Extraordinary General Meeting of Shareholders and Board of Directors' meeting both held on 22 October 2007.

# 4.1.1 Board of Directors, Chairman and Chief Executive Officer

## 4.1.1.1 Composition, Powers and Rules

Pursuant to the Articles of Association, the Board of Directors is responsible for the management of the Company.

The Board of Directors consists of a maximum of eleven members appointed and removed by the shareholders' meeting. The Board of Directors adopted rules governing its internal affairs (the "**Rules**") at a Board of Directors' meeting held on 7 July 2000. The Rules were amended at a Board of Directors' meeting held on 5 December 2003 to take into account recommendations for changes to corporate governance. These Rules were further amended at a Board of Directors' meeting held on 22 October 2007, to take into account the corporate governance modifications approved during the Extraordinary General Meeting of Shareholders held the same day.

The Rules specify the composition, the role and the key responsibilities of the Board of Directors, and also determine the manner of appointment and the responsibilities of the Chairman and the Chief Executive Officer. Further, the Rules also stipulate the creation of three committees (the Audit Committee, the Remuneration and Nomination Committee and the Strategic Committee) and specify their composition, role and operating rules.

The Board of Directors has also adopted specific Insider Trading Rules, which restrict its members from trading in EADS shares in certain circumstances (for more information, please see "General Description of the Company and its Share Capital — 3.1.3 Governing Laws and Disclosures").

The parties to the Participation Agreement (as amended on 22 October 2007 and as defined in the opening paragraph of "General Description of the Company and its Share Capital — 3.3.2 Relationships with Principal Shareholders") have agreed that the voting rights attached to the Indirect EADS Shares shall be exercised by EADS Participations B.V. to ensure that the Board of Directors of EADS comprises the Directors of EADS Participations B.V. and four additional independent Directors.

According to the Rules, an independent Director is defined as "*a Director who is not an officer, director, employee, agent or otherwise has any significant commercial or professional connection with either the DASA Group, the Lagardère Group, the Sogepa Group, the SEPI Group, the French State, the German State, the Spanish State or the EADS Group*".

Pursuant to the Participation Agreement, the Board of Directors comprises eleven members as follows (the "**Board of Directors**", the Members of the Board of Directors being referred to as the "**Directors**"):

- one non-Executive Chairman, appointed on joint proposal by the Daimler-Directors and the Sogeade-Directors;
- the Chief Executive Officer of EADS, appointed on joint proposal by the Daimler-Directors and the Sogeade-Directors;
- two Directors nominated by Daimler;
- two Directors nominated by Sogeade;
- one Director nominated by SEPI, so long as the Indirect EADS Shares held by SEPI represent 5% or more of the total number of EADS Shares but in any case until the Annual General Meeting of Shareholders to be held in 2012; and
- four independent Directors, jointly proposed by the Chairman and the Chief Executive Officer of EADS and individually approved by the Board.

Pursuant to the Articles of Association, each Member of the Board of Directors holds office for a term that expires at the Annual General Meeting of Shareholders to be held in 2012. See "1. Information on EADS' Activities — 1.2 Recent Developments" for the proposed composition of the Board of Directors following such meeting. Members of the Board of Directors will retire at each fifth Annual General Meeting of Shareholders thereafter.

The shareholders' meeting may at all times suspend or dismiss any Member of the Board of Directors. There is no limitation on the number of terms that a Director may serve.

The Board of Directors appoints a Chairman, upon the joint proposal of the Daimler-Directors and the Sogeade-Directors. The Chairman ensures the smooth functioning of the Board of Directors in particular with respect to its relations with the Chief Executive Officer with whom he teams up for top level strategic discussions with outside partners, which are conducted under his supervision.

The Chairman shall have either French or German nationality, provided that the Chief Executive Officer is of the other nationality.

The Chairman can submit his resignation as Chairman to the Board of Directors or can be dismissed as Chairman by the Board of Directors, upon the joint proposal of the Daimler-Directors and the Sogeade-Directors. The appointment further terminates if the Chairman is dismissed or resigns as Director. Immediately following the dismissal or resignation of the Chairman, and if the Daimler-Directors and the Sogeade-Directors do not immediately jointly designate a new Chairman, the Board of Directors appoints by simple majority a Director (with the same citizenship as the former Chairman) as interim Chairman for a period which expires at the earlier of either (i) twenty clear days after the Daimler-Directors and the Sogeade-Directors jointly designate a new Chairman (during which period, a Board of Directors meeting is called in order to appoint the new Chairman, upon the joint proposal of the Daimler-Directors and the Sogeade-Directors), or (ii) two months from that interim Chairman's appointment.

Upon request by any Member of the Board of Directors made three years after the beginning of the Chairman's term and alleging that significant adverse deviation(s) from objectives and/failure(s) to implement the strategy defined by the Board of

Directors occurred, the Board of Directors shall meet, to decide whether deviations and/or failures actually occurred during this period and if so, to decide whether to renew its confidence in the Chairman (the "**Vote of Confidence**"). The Board of Directors resolves upon such Vote of Confidence by simple majority. The Chairman is removed if he does not obtain such Vote of Confidence, a new Chairman being then appointed in accordance with the above.

Upon the joint proposal by the Daimler-Directors and the Sogeade-Directors, the Board of Directors has appointed a Chief Executive Officer to be responsible for the day-to-day management of the Company. The way the Chief Executive Officer can resign or be dismissed and the way the Chief Executive Officer would, if any, be replaced are identical to those applying to the Chairman. The Vote of Confidence procedure stated above is also applicable to the Chief Executive Officer under the same conditions as for the Chairman.

## Powers of the Board of Directors

The Company is represented by the Board of Directors or by the Chief Executive Officer. The Chief Executive Officer may not enter into transactions that form part of the key responsibilities of the Board of Directors unless these transactions have been approved by the Board of Directors.

The key responsibilities of the Board of Directors include amongst others:

- approving any change in the nature and scope of the business of the Group;
- approving any proposal to be submitted to the General Meeting of Shareholders in order to amend the Articles of Association of EADS (Qualified Majority, as defined below);
- approving the overall strategy and the strategic plan of the Group;
- approving the operational business plan and the yearly budget of the Group;
- setting the major performance targets of the Group;
- monitoring on a quarterly basis, the operating performance of the Group;
- designating or removing the Chairman and the Chief Executive Officer and deciding upon the designation or removal of the Chief Executive Officer of Airbus; it being understood that (i) the Chairman and the Chief Executive Officer of Airbus shall be of the same citizenship, either French or German, and the Chief Executive Officer and the Airbus COO of the other citizenship, and (ii) the Chief Executive Officer and the Airbus Chief Executive Officer may not be the same person (Qualified Majority);
- appointing the members of the Executive Committee (see below), as a whole team, not on an individual basis;
- establishing and approving amendments to the Rules and to the rules for the Executive Committee (Qualified Majority);
- deciding upon the appointments of the Airbus Shareholder Committee, the EADS Corporate Secretary and the Chairmen of the Supervisory Board (or similar organ) of other important Group companies and Business Units;
- approving material changes to the organisational structure of the Group;
- approving investments, projects or product decisions or divestments of the Group with a value exceeding €350,000,000 (it being understood that this item shall require the Qualified Majority only for investments, projects or product decisions or divestments of the EADS Group with a value exceeding €500,000,000);
- approving strategic alliances and co-operation agreements of the Group (Qualified Majority);
- approving principles and guidelines governing the conduct of the Group in matters involving non-contractual liabilities (like environmental matters, quality assurance, financial announcement, integrity) as well as the corporate identity of the Group;
- approving matters of shareholder policy, major actions or major announcements to the capital markets;
- approving any material decision regarding the ballistic missiles business of the Group (Qualified Majority);
- approving other measures and business of fundamental significance for the Group or which involve an abnormal level of risk; and
- approving any proposal by the Chairman and the Chief Executive Officer as to the appointment of the independent Directors, for submission to the General Meeting of Shareholders.

## Voting and Rules

Each Director has one vote, provided that, if there are more Sogeade-nominated Directors than Daimler-nominated Directors present or represented at the Meeting, the Daimler-nominated Director who is present at the Meeting can exercise the same number of votes as the Sogeade-nominated Directors who are present or represented at the Meeting, and vice versa. All decisions of the Board of Directors are taken by a simple majority of votes (six Directors, present or represented, voting in favour of the decision), except for the votes relating to certain matters which can only be validly resolved upon a majority of votes including the unanimous vote of the two Sogeade-nominated Directors and the two Daimler nominated Directors (the "**Qualified Majority**"). The quorum for the transaction of business at meetings of the Board of Directors requires the presence of at least one of the Sogeade-nominated Directors and one of the Daimler-nominated Directors. A Director can authorise another Director to represent him or her at a Board meeting and to vote on his or her behalf. Such authorisation must be in writing.

In the event of a deadlock in the Board of Directors, other than a deadlock giving Daimler the right to exercise the put option granted to it by Sogeade (see "General Description of the Company and its Share Capital — 3.3.2 Relationships with Principal Shareholders — Put Option"), the matter shall be referred to Arnaud Lagardère (or such person as shall be nominated by Lagardère) as representative of Sogeade and to the Chief Executive Officer of Daimler. In the event that the matter in question, including a deadlock giving Daimler the right to exercise the put option (but in this case with the agreement of Sogepa and Daimler) is a matter within the competence of the general meeting of EADS, a resolution on the issue shall be put to the general meeting, with the voting rights of Sogeade, Daimler and SEPI being negated.

Pursuant to the Rules, the Board of Directors may form committees from its members. In addition to the Audit Committee, the Remuneration and Nomination Committee and the Strategic Committee, the Board of Directors may form other committees to which it may transfer certain minor or ancillary decision-making functions although such assignment does not negate the joint responsibility of all Directors. The quorum for the transaction of business at any meeting of a committee requires the presence of at least one of the Sogeade-nominated Directors and one of the Daimler-nominated Directors. All decisions of a committee require the simple majority of the members.

In addition to the Rules, the work of the Board of Directors is governed by internal Directors' guidelines (the "**Directors' Guidelines**") adopted in light of corporate governance best practices. The Directors' Guidelines are composed of a Directors' charter (the "**Directors' Charter**") detailing the rights and duties of the Members of the Board of Directors, an Audit Committee charter (the "**Audit Committee Charter**"), a Remuneration and Nomination Committee charter (the "**Remuneration and Nomination Charter**") and a Strategic Committee charter (the "**Strategic Committee Charter**"), with each such charter setting forth the respective committees' roles.

The Directors' Charter sets out core principles that bind each and every Director, such as acting in the best interest of the Company and its stakeholders, devoting necessary time and attention to the carrying out of their duties and avoiding any and all conflicts of interest.

## Composition of the Board of Directors

| Name | Age | Term started (as member of the Board of Directors) | Term expires | Principal function | Status |
|---|---|---|---|---|---|
| Bodo Uebber | 52 | 2007 | 2012 | Chairman of EADS NV | Non-Executive |
| Louis Gallois | 68 | 2000, re-elected in 2005 and 2007 | 2012 | Chief Executive Officer of EADS NV | Executive |
| Rolf Bartke | 64 | 2007 | 2012 | Chairman of Recaro-Group | Nominated by Daimler |
| Dominique D'Hinnin | 52 | 2007 | 2012 | Co-Managing Partner of Lagardère SCA | Nominated by Sogeade |
| Juan Manuel Eguiagaray Ucelay | 66 | 2005, re-elected in 2007 | 2012 | Economic Advisor | Nominated by SEPI |
| Arnaud Lagardère | 50 | 2003, re-elected in 2005 and 2007 | 2012 | General and Managing Partner of Lagardère SCA | Nominated by Sogeade |
| Hermann-Josef Lamberti | 56 | 2007 | 2012 | Member of the Management Board of Deutsche Bank AG | Independent |
| Lakshmi N. Mittal | 61 | 2007 | 2012 | Chairman and Chief Executive Officer of ArcelorMittal SA | Independent |
| Sir John Parker | 69 | 2007 | 2012 | Chairman of Anglo American PLC | Independent |
| Michel Pébereau | 70 | 2007 | 2012 | Honorary President of BNP Paribas SA | Independent |
| Wilfried Porth | 53 | 2009 | 2012 | Member of the Management Board of Daimler AG | Nominated by Daimler |

Note: Status as of 1 March 2012. The professional address of all Members of the Board of Directors for any matter relating to EADS is Mendelweg 30, 2333 CS Leiden, The Netherlands.

Within EADS, each Director must have the required mix of experience, qualifications, skills and industrial knowledge necessary to assist the Company in formulating and achieving its overall strategy, together with the specific expertise required to fulfil the duties assigned to him or her as member of one of the Board's committees. The Board of Directors also believes that having a diverse composition among its members with respect to gender, experience, national origin, etc. is valuable for the quality and efficiency of its work.

The Company has not appointed observers to the Board of Directors. Pursuant to applicable Dutch law, the employees are not entitled to elect a Director. There is no minimum number of shares that must be held by a Director.

## Curriculum Vitae and other Mandates and Duties Performed in any Company by the Members of the Board of Directors

### Bodo Uebber

Mr Bodo Uebber was appointed Chairman of EADS in April 2009. He is a Member of the Board of Management of Daimler AG, responsible for Finance and Controlling (since 16 December 2004) as well as for the Daimler Financial Services Division (since 16 December 2003). He previously held various leadership positions in finance within Dornier Luftfahrt GmbH, DASA AG and MTU Aero Engines GmbH. Mr Uebber was born on 18 August 1959 in Solingen. He graduated in 1985 with a degree in engineering and economics at the Technical University of Karlsruhe. In the same year, he joined Messerschmitt-Bölkow-Blohm GmbH (MBB).

Current mandates in addition to the one listed in the chart above are set forth below:

- Member of the Board of Management of Daimler AG;
- Chairman of the Board of Directors of EADS Participations B.V.;
- Chairman of the Supervisory Board of Daimler Financial Services AG;
- Member of the Supervisory Board of Mercedes-Benz Bank AG;
- Member of the Supervisory Board of Bertelsmann AG;
- Member of the Supervisory Board of Stiftung Deutsche Sporthilfe;
- Member of the Investment Council of "Stifterverband der Deutschen Wissenschaft";
- Member of the Advisory Board of Daimler Unterstützungskasse GmbH;
- Member of the Advisory Board of Deutsche Bank AG in Munich;
- Member of the Advisory Board of Landesbank Baden-Württemberg;
- Member of the Donor's Circle of the Jewish Museum, Berlin;
- Member of the Board of Trustees "Museumsinsel", Berlin; and
- Member of the Board of Trustees "Stuttgarter Galerieverein".

Former mandates for the last five years:

- Member of the Board of Directors of DaimlerChrysler México Holding S.A. de C.V. (resigned 31 July 2007);
- Chairman of the Board of Directors of DaimlerChrysler North America Holding Corporation (DCNAH) (resigned 3 August 2007);
- Chairman of the Board of Directors of DaimlerChrysler Corporation (DCC) (resigned 3 August 2007);
- Chairman of the Board of Directors of DC UK Holding plc (resigned 1 November 2007);
- Member of the Supervisory Board of Daimler España Holding S.A. (resigned 30 June 2008);
- Chairman of the Supervisory Board of Daimler France Holding S.A.S. (resigned 31 October 2008);
- Member of the Board of Directors of Freightliner LLC (resigned 30 September 2009);
- Member of the Supervisory Board of McLaren (resigned 10 November 2009); and
- Member of the Supervisory Board of Talanx AG (resigned 31 August 2011).

### Louis Gallois

Mr Louis Gallois has been Chief Executive Officer (CEO) of EADS since August 2007, after having been co-CEO of EADS, and President and CEO of Airbus since 2006. Previously, he served successively as Chairman and CEO of SNECMA, Chairman and CEO of Aerospatiale and Chairman of SNCF. Earlier in his career, he held positions in the French Ministry of Economy and Finance, the Ministry of Research and Industry, and the Ministry of Defence. Mr Gallois graduated from the École des hautes études commerciales in economic sciences and is an alumnus of the École nationale d'administration.

Current mandates in addition to the one listed in the chart above are set forth below:

- Chief Executive Officer of EADS Participations B.V.;
- Member of the Board of Directors of Stichting Administratiekantoor EADS;
- Member of the Supervisory Board of Michelin;
- Member of the Board of Directors of École Centrale des Arts et Manufactures; and
- President of Universcience Partenaires.

Former mandates for the last five years:

- Member of the Board of Directors of Dassault Aviation (resigned 26 November 2008).

### Rolf Bartke

Mr Rolf Bartke is Chairman of Recaro-Group. He was Chairman of Kuka AG until 2009 after being Head of the vans Business Unit at DaimlerChrysler AG from 1995 to 2006. Previously, he was Mercedes Benz's Managing Director in the fields of commercial vehicle planning and projects, commercial vehicle development, marketing and sales planning for Unimog and MB-trac. He started his career in 1976 as Managing Director of commercial agents of Unimat GmbH in Düsseldorf. Mr Bartke holds a PhD in economics from the University of Karlsruhe.

Current mandates in addition to the one listed in the chart above are set forth below:

- Chairman of the Supervisory Board of SFC Energy AG (formerly called SFC Smart Fuel Cell AG);
- Member of the Board of Directors of Campus Community Parnership Foundation (formerly called J&R Carter Partnership Foundation);

- Member of the Board of Directors of EADS Participations B.V.; and
- Member of the Advisory Board of HUF Hülsbeck & Fürst GmbH & Co. KG.

Former mandates for the last five years:

- Chairman of the Board of Directors of SAF-Holland S.A. (resigned 31 January 2009); and
- Chairman of Kuka AG (resigned 18 September 2009).

### Dominique D'Hinnin

Mr Dominique D'Hinnin was appointed Co-Managing Partner of Lagardère SCA in March 2010. He joined Lagardère in 1990 as Advisor to the Chairman of the Finance Committee of the Group. After that, he held different positions within the Group, first being appointed as Internal Audit Manager, and then CFO Hachette Livre in 1993, before being appointed Executive Vice President of Grolier Inc. in the US and Chief Financial Officer of Lagardère SCA in 1998. Mr D'Hinnin is an alumnus of the École normale supérieure and is an Inspecteur des finances.

Current mandates in addition to the one listed in the chart above are set forth below:

- Director, Chief Operating Officer of Arjil Commandité Arco S.A.;
- Chairman and Managing Director of Ecrinvest 4 S.A.;
- Administrator of Hachette S.A.;
- Member of the Supervisory Board of Lagardère Active S.A.S.;
- Permanent representative of Hachette S.A. at the Supervisory Board of Lagardère Active Broadcast;
- Administrator of Lagardère Entertainment S.A.S.;
- Administrator of Lagardère Services S.A.S;
- Administrator of Hachette Livre S.A.;
- Administrator of Lagardère Ressources S.A.S.;
- Administrator of Sogeade Gérance S.A.S.;
- Member of the Supervisory Board of Financière de Pichat & CIE SCA;
- Member of the Supervisory Board of Matra Manufacturing & Services S.A.S.;
- Chairman of the "Club des Normaliens dans l'Entreprise";
- Member of the Trustee Board and Treasurer of "Fondation de l'École normale supérieure";
- Chairman of the "Institut de l'École Nationale Supérieure";
- Permanent representative of Hachette Filipacchi Presse at the Supervisory Board of Les Editions P. Amaury S.A.;
- Member of the Supervisory Board and of the Audit Committee of CANAL + France S.A.;
- Director of Lagardère North America, Inc.;
- Member of the Board of Directors of EADS Participations B.V.; and
- Member of the Strategic Committee of PWC France.

Former mandates for the last five years:

- Chairman and Managing Director of Lagardère Télévision Holdings S.A. (resigned January 2007);
- Administrator of Legion Group S.A. (resigned May 2007);
- Director of Lagardère Management, Inc. (resigned October 2007);
- Member of the Supervisory Board of Hachette Holdings S.A.S. (resigned December 2007);
- Member of the Supervisory Board of Financière Pichat S.A.S. (resigned April 2008);
- Chairman of the Supervisory Board of Newsweb S.A. (resigned June 2008);
- Chairman of Eole S.A.S (resigned February 2009);
- Member of the Supervisory Board and Chairman of the Audit Committee of Le Monde S.A. (resigned November 2010);
- Vice-Chairman of Atari S.A. (former Infogrames Entertainment S.A.) and Chairman of the Audit Committee of Atari S.A. (resigned March 2011);
- Member of the Supervisory Board of Lagardère Sports S.A.S. (resigned May 2011); and
- Administrator of Le Monde Interactif S.A. (resigned December 2011).

### Juan Manuel Eguiagaray Ucelay

Mr Juan Manuel Eguiagaray Ucelay is an economist and economic Advisor for various social institutions and private companies. He has been a full time Professor of Economics at Deusto University in Bilbao (1970-1982), and Associate Professor of Economics at Carlos III University in Madrid. Mr Eguiagaray Ucelay holds degrees in economics and law, as well as a PhD, from Deusto University. Formerly Spain's Minister for Public Administration (1991-1993) and Minister for Industry and Energy (1993-1996), he resigned from Parliament in 2001 to devote himself to economic and social activities.

Current mandates in addition to the one listed in the chart above are set forth below:

- President of Solidaridad Internacional (NGO);
- Member of the Council Adviser of EPTISA (former Fundación Grupo EP);
- Member of the Council Adviser of Cap Gemini Spain;
- Member of the Board of Directors of EADS Participations B.V.;
- Member of the Council Adviser of Siemens S.A.;
- Chairman of the Advisory Committee at Fundacion Alternativas; and
- Chairman of an UNESPA mission for social and institutional initiative.

Former mandates for the last five years:

- Member of the Council Adviser of Creation, Advising and Development (Creade), S.L. (resigned 1 July 2007); and
- Economic Adviser of Arco Valoraciones S.A. (resigned 1 November 2007).

### Arnaud Lagardère

Mr Arnaud Lagardère was appointed Managing Partner of Lagardère SCA in March 2003 and his appointment was renewed by the Supervisory Board on proposal of the General Partners on 11 March 2009, for a period of six years to run until 11 March 2015. In addition, Mr Lagardère is the Chairman of Lagardère SAS and Lagardère Capital & Management SAS. He and these two companies held 9.62% of Lagardère SCA's share capital on 31 December 2011. Mr Lagardère holds a DEA higher degree in economics from the University of Paris Dauphine. He was appointed Director and Chief Executive Officer of the company MMB, which became Lagardère SCA, in 1987. He was Chairman of the US Company Grolier Inc. from 1994 to 1998.

Current mandates in addition to the one listed in the chart above are set forth below:

- Chairman and Chief Executive Officer of Lagardère Media (corporate name: Hachette S.A.);
- Director of Hachette Livre S.A.;
- Chairman of the Supervisory Board of Lagardère Services S.A.S. (ex Hachette Distribution Services);
- Chairman of the Supervisory Board of Lagardère Active S.A.S.;
- Chairman of the Executive Committee of Lagardère Unlimited S.A.S.;
- Director of Lagardère Ressources S.A.S.;
- President, Lagardère Unlimited Inc.;
- Permanent Representative of Lagardère Unlimited INC, Managing member of Lagardère Unlimited LLC;
- Chairman and Chief Executive Officer of Sogeade Gérance S.A.S.;
- Member of the Board of Directors of EADS Participations B.V.;
- Chairman of Fondation Jean-Luc Lagardère;
- President of the sports association, Lagardère Paris Racing Ressources (Association loi 1901);
- President of the sports association Lagardère Paris Racing (Association loi 1901);
- Chairman and Chief Executive Officer of Lagardère S.A.S.;
- Chairman and Chief Executive Officer of Lagardère Capital & Management S.A.S.;
- Chairman and Chief Executive Officer of Arjil Commanditée – ARCO S.A.; and
- Chairman of Sport Investment Company LLC.

Former mandates for the last five years:

- Chairman and Chief Executive Officer (Président Délégué) of Lagardère Active Broadcast S.A Monégasque (resigned March 2007);
- Member of the Supervisory Board of Lagardère Sports S.A.S. (resigned April 2007);
- Director of Lagardère Management Inc. (resigned October 2007);
- Chairman of the Board of Directors of Lagardère Active North America Inc. (resigned October 2007);
- Chairman of the Supervisory Board of Hachette Holding S.A.S. (ex Hachette Filipacchi Medias) (resigned December 2007);
- Director of France Télécom S.A. (resigned January 2008);
- Member of the Supervisory Board of Virgin Stores S.A. (resigned February 2008);
- Member of the Supervisory Board of Le Monde S.A. (resigned February 2008);
- President (Chief Executive Officer) of Lagardère Active Broadband S.A.S. (resigned June 2008);
- Director of LVMH-Moet Hennessy Louis Vuitton S.A. (resigned May 2009);
- Permanent Representative of Lagardère Active Publicité to the Board of Directors of Lagardère Active Radio International S.A. (resigned May 2009);
- Member of the Supervisory Board of Daimler AG (resigned April 2010);
- President of the "Association des Amis de Paris Jean-Bouin C.A.S.G." (Association loi 1901) (resigned September 2010); and
- Chairman of the Supervisory Board of Lagardère Sports S.A.S. (resigned May 2011).

### Hermann-Josef Lamberti

Mr Hermann-Josef Lamberti is a member of the Management Board of Deutsche Bank AG since 1999 and is the bank's Chief Operating Officer. From 1985, he held various management positions within IBM, working in Europe and the US, in the fields of controlling, internal application development, sales, personal software, marketing and brand management. In 1997, he was appointed Chairman of the Management of IBM Germany. He started his career in 1982 with Touche Ross in Toronto, before joining the Chemical Bank in Frankfurt. Mr Lamberti studied business administration at the Universities of Cologne and Dublin, and graduated with a Master's degree.

Current mandates in addition to the one listed in the chart above are set forth below:

- Member of the Supervisory Board of BVV Pensionsfonds des Bankgewerbes AG;

- Member of the Supervisory Board of BVV Versicherungsverein des Bankgewerbes A.G. und BVV Versorgungskasse des Bankgewerbes e.V.;
- Member of the Supervisory Board of Carl Zeiss AG;
- Member of the Supervisory Board of Deutsche Börse AG;
- Member of the Supervisory Board of Deutsche Bank Privat- und Geschäftskunden AG;
- Member of the Board of Management of Arbeitgeberverband des privaten Bankgewerbes e:V.;
- Member of the Advisory Board of Barmenia Versicherungen Wuppertal;
- Deputy member of the Deposit Insurance Committee of Bundesverband deutscher Banken e:V.;
- Delegate of the Delegates' Assembly of the Deposit Insurance Committee of Bundesverbank deutscher Banken e.V.;
- Member of the Financial Community Germany Committee of Bundesverband deutscher Banken e.V.;
- Member of the Board of Management of Deutsches Aktieninstitut e.V.;
- Member of the Board of Trustees of e-Finance Lab Frankfurt am Main;
- Member of the Stock Exchange Council of Eurex Deutschland;
- Member of the Stock Exchange Council of Frankfurter Wertpapierbörse AG;
- Chairman of the Society of Freunde der Bachwoche Ansbach e.V.;
- Member of the Board of Trustees of Institute for Law and Finance Frankfurt;
- Member of the Advisory Board of Institut für Unternehmensplanung - IUP;
- Member of the Board of Trustees of Junge Deutsche Philharmonie;
- Deputy Chairman of the Board of Trustees of the Society of Promotion of Kölner Kammerorchester e.V.;
- Member of the Programme Advisory Board of LOEWE Landes-Offensive zur Entwicklung Wissenschaftlich-ökonomischer Exzellenz des Hessischen Ministeriums für Wissenschaft und Kunst;
- Member of the Advisory Circle of Münchner Kreis;
- Deputy member of the Advisory Board of Prüfungsverband deutscher Banken e.V.;
- Member of the Board of Trustees of The Frankfurt International School e.V.;
- Member of the Managing Committee of the Institut für Wirtschaftsinformatik der HSG of the Universität St. Gallen;
- Member of the Administrative Council of Universitätsgesellschaft Bonn-Freunde, Förderer, Alumni;
- Member of the Advisory Board in the centre for market-orientated corporate management of WHU;
- Member of the Steering Committee and of the Federal Committee of Wirtschaftsrat der CDU e.V.;
- Member of the Commission of Börsensachverständigenkommission (Bundesfinanzministerium);
- Member of the Management Board and Member of the Executive Committee of Frankfurt Main Finance e.V.;
- Member of the Advisory Board of Franhofer-IUK-Verbund;
- Member of the University Council of the University of Cologne;
- Member of the Board of Directors of Stichting Administratiekantoor EADS;
- Member of the Board of Directors of Wirtschaftsinitiative FrankfurtRheinMain e.V.;
- Member of the Executive Committee and of the Steering Committee of Frankfurt RheinMain e.V.;
- Member of the Senate of acatech – Deutsche Akademie der Technikwissenschaften e.V.;
- Member of the Board of Directors of American Chamber of Commerce in Germany;
- Member of the Board of Trustees of Hanns Martin Schleyer-Stiftung;
- Member of the Editorial Board of scientific journal „Wirtschafstinformatik";
- Member of the International Advisory Board of IESE Business School, University of Navarra;
- Member of the Board of Trustees of Johann Wolfgang Goethe-Universität Fachbereich Wirtschaftswissenschaften; and
- Member of the Board of Trustees of Stiftung Lebendige Stadt.

Former mandates for the last five years:

- Member of the Board of Directors of Fiat S.p.A. (resigned 24 July 2007);
- Member of the Verband der Sparda-Banken e.V. (resigned 30 September 2007);
- Member of the Foundation Board of Otto A. Wipprecht-Stiftung (resigned 31 May 2008);
- Member of the Advisory Board of Universität Augsburg (resigned 30 September 2008);
- Executive Customer of the Advisory Council of Symantec Corporation (resigned 12 May 2010);

- Member of the Board of Trustees of Baden-Badener Unternehmergespräche - Gesellschaft zur Förderung des Unternehmensnachwuchses e.V. (resigned 13 May 2010);
- Member of the Board of Trustees of Wallraf-Richartz-Museum und Museum Ludwig e.V. (resigned 31 January 2011);
- Member of the Founder Council of Wallraf-Richartz-Museum (resigned 31 January 2011); and
- Member of the Senate of Fraunhofer Gesellschaft. (resigned 31 December 2011).

### Lakshmi N. Mittal

Lakshmi N. Mittal is the Chairman and CEO of ArcelorMittal. He founded Mittal Steel Company in 1976 and led its 2006 merger with Arcelor to form ArcelorMittal, the world's largest steel maker. He is widely recognised for his leading role in restructuring the global steel industry, and has over 35 years' experience working in steel and related industries. Among his manifold mandates, Mr Mittal is Member of the Board of Directors of Goldman Sachs, of the World Economic Forum's International Business Council, and of the Advisory Board of the Kellogg School of Management. Furthermore, he has been awarded numerous recognitions from international institutions and magazines and is closely associated with a number of not-for-profit organisations.

Current mandates in addition to the one listed in the chart above are set forth below:

- Chairman of the Board of Directors and CEO of ArcelorMittal S.A.;
- Chairman of the Board of Directors of Aperam S.A.;
- Member of the Board of Directors of Goldman Sachs;
- Member of the Executive Committee of World Steel Association (earlier named International Iron and Steel Institute);
- Member of the World Economic Forum's International Business Council;
- Member of the Foreign Investment Council in Kazakhstan;
- Member of the Prime Minister of India's Global Advisory Council;
- Member of the Presidential International Advisory Board of Mozambique;
- Member of President's Domestic and Foreign Investors Advisory Council, Ukraine;
- Member of the Advisory Board of the Kellogg School of Management;
- Member of Board of Trustees of Cleveland Clinic;
- Member of Executive Board of Indian School of Business;
- Gold Patron of Prince's Trust;
- Member of the Board of ArcelorMittal USA Inc.;
- President of Ispat Inland ULC;
- Gouverneur of ArcelorMittal Foundation;
- Member of the Board of ONGC Mittal Energy Ltd.;
- Member of the Board of ONGC Mittal Energy Services Ltd.;
- Trustee of Gita Mittal Foundation;
- Trustee of Gita Mohan Mittal Foundation;
- Trustee of Lakshmi and Usha Mittal Foundation;
- Chairman of Governing Council of LNM Institute of Information Technology;
- Trustee of Mittal Champion Trust; and
- Trustee of Mittal Children's Foundation.

Former mandates for the last five years:

- Member of the International Advisory Board of Citigroup (resigned June 2008);
- Member of the Board of Directors of ICICI Bank Limited (resigned May 2010);
- Member of the Board of Commonwealth Business Council Limited (resigned February 2011);
- Member of the Business Council (resigned December 2011); and
- Member of the Managing Committee of Lakshmi Niwas and Usha Mittal Foundation (resigned December 2011).

### Sir John Parker

Sir John Parker is Chairman of Anglo American PLC, Deputy Chairman of DP World (Dubai), Non-Executive Director of Carnival PLC and Carnival Corporation. He stepped down as Chairman of National Grid PLC in December 2011. His career has spanned the engineering, shipbuilding and defence industries, including some 25 years' experience as a Chief Executive Officer with Harland & Wolff and the Babcock International Group. He also chaired at the Court of the Bank of England between 2004 and 2009. Sir Parker studied Naval Architecture and Mechanical Engineering at the College of Technology, Queens University, Belfast.

Current mandates in addition to the one listed in the chart above are set forth below:

- Director of Carnival plc and Carnival Corporation;
- Deputy Chairman of D.P. World (Dubai);
- Director of White Ensign Association Limited;
- Member of the Board of Directors of Stichting Administratiekantoor EADS;
- President of the Royal Academy of Engineering; and
- Visiting fellow of the University of Oxford.

Former mandates for the last five years:

- Senior Non-Executive Director of Bank of England (resigned June 2009);
- Joint Chairman Mondi Group (resigned August 2009); and

- Chancellor of the University of Southampton (resigned July 2011);
- Member of the International Advisory Board of Citigroup (dissolved December 2011); and
- Chairman of National Grid PLC (resigned January 2012).

### Michel Pébereau

Mr Michel Pébereau was BNP Paribas' Chairman of the Board between 2003 and December 2011. He presided over the merger that created BNP Paribas in 2000, becoming Chairman and Chief Executive Officer (CEO). In 1993, he was appointed Chairman and CEO of the Banque Nationale de Paris and privatised it. Previously, he was Chairman and CEO of the Crédit Commercial de France. He started his career in 1967 at the Inspection Générale des Finances. In 1970 he joined the French Treasury where he held various high ranking posts. Mr Pébereau is an alumnus of the École nationale d'administration and of the École polytechnique.

Current mandates in addition to the one listed in the chart above are set forth below:

- Member of the Board of Directors of BNP Parisbas;
- Member of the Board of Directors of Compagnie de Saint-Gobain;
- Member of the Board of Directors of Total;
- Member of the Board of Directors of Pargesa Holding S.A., Switzerland;
- Member of the Board of Directors of BNP Paribas S.A., Switerland;
- Member of the Board of Directors of Axa;
- Member of the Supervisory Board of Banque Marocaine pour le Commerce et l'Industrie, Morocco;
- Censor of Galeries Lafayette S.A.;
- Chairman of the Management Board of Institut d'études Politiques de Paris;
- Member of the Supervisory Board of Institut Aspen France;
- Member of the Executive Committee of the Institut de l'Entreprise;
- Member of the Executive Committee of Mouvement des Entreprises en France; and
- Member of the "Académie des sciences morales et politiques".

Former mandates for the last five years:

- Member of the Board of Directors of EADS Participations B.V. (resigned 22 October 2007);
- Member of the Board of Directors of Lafarge (resigned 12 May 2011); and
- Chairman of the Board of Directors of BNP Paribas (resigned 1 December 2011).

### Wilfried Porth

Mr Wilfried Porth is a Member of the Board of Management of Daimler AG and the Director of Labor Relations, responsible for Human Resources, IT-management and Procurement of Non-Production Material and Services. Until 2006, he was Executive Vice President, MB Van and prior to that, he was Chief Executive Officer of Mitsubishi Fuso Truck & Bus Corp. He previously held various engineering management positions within the Daimler Group, including several years of experience abroad. Mr Porth graduated in engineering at the University of Stuttgart.

Current mandates in addition to the one listed in the chart above are set forth below:

- Member of the Supervisory Board of Daimler Financial Services AG;
- Member of the Board of Directors of EADS Participations B.V.; and
- Chairman of the Board of Trustees of Hanns Martin Schleyer Stiftung.

Former mandates for the last five years:

- Member of the Advisory Board of Westfalia Van Conversion GmbH (resigned November 2007);
- Member of the Supervisory Board of Mercedes-Benz Ludwigsfelde GmbH (resigned March 2009);
- Member of the Advisory Board of Mercedes-Benz España, S.A. (resigned June 2009);
- Member of the Board of Directors of Daimler Vans Manufacturing, LLC (resigned August 2009); and
- Officer of Daimler Vans Manufacturing, LLC (resigned August 2009).

## Independent Directors

The four independent Directors appointed pursuant to the criteria of independence set out above are Hermann-Josef Lamberti, Lakshmi N. Mittal, Sir John Parker and Michel Pébereau.

## Prior Offences and Family Ties

To the Company's knowledge, none of the Directors (in either their individual capacity or as director or senior manager of any of the entities listed above) has been convicted in relation to fraudulent offences, been the subject of any bankruptcy, receivership or liquidation, nor been the subject of any official public incrimination and/or sanction by a statutory or regulatory authority, nor been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of any issuer or conduct of affairs of any company, during at least the last five years. As of the date of this document, there are no family ties among any of the Directors.

### 4.1.1.2 Operation of the Board of Directors in 2011

#### Board Meetings

The Board of Directors met nine times during 2011 and was regularly informed of developments through business reports from the Chief Executive Officer, including rolling forecasts as well as strategic and operational plans. The average attendance rate at such meetings improved to 86%.

Throughout 2011, the Board of Directors monitored the progress of significant programmes, such as A350 XWB, A320neo, A400M, A380, Ariane 5, Paradigm, Eurofighter, Talarion, and Saudi Border Security. It was kept regularly informed about the A350 XWB programme development progress and reviewed the status of the programme management improvement initiative throughout the Group.

Furthermore, the Board of Directors addressed EADS' strategy (including the competitive environment and M&A strategy) and in line with the objectives set forth in the Vision 2020 approved the acquisitions of Vector Aerospace, Satair and Vizada, which strengthened EADS' position internationally in general and in the services market segment in particular.

The Board also focused on possible consequences resulting from the European sovereign debt crisis, the Group's financial results and forecasts, asset management, compliance in key business processes, and efficiency and innovation initiatives. It reviewed Enterprise Risk Management results, export control regulations, investor relations and financial communication policy, and legal risks. Moreover, the Board discussed further actions for the improvement of EADS employee engagement.

Finally, the Board of Directors focused on governance issues and succession planning in order to facilitate a smooth Board of Directors and management transition in 2012. The recommendations for the appointments were prepared diligently by the Board, applying the succession process under the governance of EADS, which was updated in October 2007. The process aims at identifying the best possible candidates for the composition of the Board of Directors as well as the top executive management positions. See "— 1. Information on EADS' Activities — 1.2 Recent Developments".

#### Board Self-Assessment

The Board of Directors carries out a self-assessment of its performance annually, and a more thorough assessment is conducted every three years by independent consultants (as occurred in 2010). The Corporate Secretary conducted the latest self-assessment in early 2012, based on one-to-one discussions with each Director. This self-assessment explored the role of the Board of Directors, its operations, whether it fulfils its mission, how its composition is suited to EADS' strategy, and the documentation and processes that influence its performance.

The Directors consider the frequency and length of meetings as adequate to cover all issues; meetings for specific decisions outside regular Board meetings and the travel constraints make EADS Board Membership demanding. Supporting documentation has further improved and is well focused to support decision-making, while remaining quite detailed. Information provided at meetings is adequate for the complexity of the business. The time to debate during meetings is satisfactory, particularly because Directors come well prepared.

The Directors unanimously find that the Board of Directors has matured; its work as a team is efficient, allowing it to explore new domains and tackle relevant matters in the best interest of the Group, very openly and professionally. Discussions are uninhibited and differing views are both encouraged and constructive. The Directors feel that the Board work allows them to fulfil their fiduciary duty. Moreover, the working relationship between the Board of Directors and the members of the Executive Committee is smooth and efficient, due to the experience of mutual exchanges. Occasional meetings on industrial sites are considered beneficial and the practice will be continued.

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

Directors sense that the Board of Directors is less absorbed by pressing programme challenges and short-term issues at the expense of the longer-term view. The majority of Board Members are satisfied that more time was devoted to long lead questions in 2011. For the third time, the Board of Directors devoted a full day meeting to strategy in 2011, including an assessment of specific country strategies, and the competitive landscape in certain industry segments.

Committees are very thorough and professional, and the articulation of the Audit Committee and of the Remuneration and Nomination Committee with the rest of the Board of Directors is satisfactory; Committee meetings are often held on dates separate from the Board of Directors' meeting. The result of most Committees' work is deemed helpful by the whole Board of Directors to prepare its decisions, as they focus more on special and technical issues, to avoid repetition of work. Ideas for the further improvement of the Strategic Committee work have been proposed to enhance its relevance to the Board of Directors. Finally, the Chairmanships of the Board of Directors and the Committees are recognised as very competent and dedicated.

Meeting attendance for the Board of Directors as a whole, and for the Remuneration and Nomination Committees has improved, and it is considered adequate to allow a constant and informed debate over matters. Individual attendance has also improved substantially.

Since the last self-assessment, in 2011, the discussions concerning financial strategy in the light of the European sovereign debt crisis, succession planning, organisational matters and ways to protect the Company in case of core shareholder divestment are the most tangible improvements. Continuous improvement, competitiveness and effectiveness of governance and management of the Group will remain a prime focus and key success factor for EADS.

## 4.1.2 Board Committees

### 4.1.2.1 Summary of memberships 2011

In 2011, membership on Board Committees was as follows:

| Director | Audit Committee | Remuneration & Nomination Committee | Strategic Committee |
|---|---|---|---|
| Bobo Uebber (Chairman) | | | Chairman |
| Louis Gallois (CEO) | | | X |
| Rolf Bartke | X | | |
| Dominique D'Hinnin | X | X | |
| Juan Manuel Eguiagaray Ucelay | | | |
| Arnaud Lagardère | | | X |
| Hermann-Josef Lamberti | Chairman | X | |
| Lakshmi N. Mittal | | | |
| Michel Pébereau | | | X |
| Sir John Parker | X | Chairman | |
| Wilfried Porth | | X | X |
| **Number of meetings held (attendance rate)** | **5 (85%)** | **4 (94%)** | **3 (80%)** |

### 4.1.2.2 Audit Committee

Pursuant to the Rules, the Audit Committee makes recommendations to the Board of Directors on the approval of the annual financial statements and the interim (Q1, H1, 9M) accounts, as well as the appointment of external auditors and the determination of their remuneration. Moreover, the Audit Committee has the responsibility for ensuring that the internal and external audit activities are correctly directed and that audit matters are given due importance at meetings of the Board of Directors. Thus, it discusses with the auditors their audit programme and the results of the audit of the accounts and it monitors the adequacy of the Group's internal controls, accounting policies and financial reporting. It also oversees the operation of the Group's ERM system and the Compliance Organisation. The rules and responsibilities of the Audit Committee have been set out in the Audit Committee Charter.

The Chairman of the Board of Directors and the Chief Executive Officer are invited as guests to each meeting of the Committee. The Chief Financial Officer and the Head of Accounting are requested to attend meetings of the Audit Committee to defend management proposals and to answer questions.

The Audit Committee is required to meet at least four times a year. It met five times during 2011, with an 85% average attendance rate. In 2011, the Audit Committee performed all of the above listed activities.

### 4.1.2.3 Remuneration and Nomination Committee

Pursuant to the Rules, the Remuneration and Nomination Committee makes recommendations to the Board of Directors regarding the appointment of members of the Executive Committee (upon proposal by the CEO and approval by the Chairman); the EADS Corporate Secretary; the members of the Airbus Shareholder Committee; and the chairmen of the Supervisory Board (or similar organ) of other important Group member companies and Business Units. The Remuneration and Nomination Committee also makes recommendations to the Board of Directors regarding remuneration strategies and long-term remuneration plans and decides on the service contracts and other contractual matters in relation to the Board of Directors and Executive Committee Members. The rules and responsibilities of the Remuneration and Nomination Committee have been set out in the Remuneration and Nomination Committee Charter.

The guiding principle governing management appointments in the Group is that the best candidate should be appointed to the position ("best person for the job"), while at the same time seeking to achieve a balanced composition with respect to gender, experience, national origin, etc. The implementation of these principles should, however not create any restrictions on diversity within the EADS executive management team.

The Chairman of the Board of Directors and the Chief Executive Officer are invited as permanent guests to each meeting of the Committee. The Head of EADS Human Resources is requested to attend meetings of the Remuneration and Nomination Committee to defend management proposals and to answer questions.

The Remuneration and Nomination Committee is required to meet at least twice a year. It met four times during 2011, with a 94% average attendance rate. In addition to making recommendations to the Board of Directors for major appointments within the Group, the Remuneration and Nomination Committee reviewed top talents and succession planning, discussed measures to improve engagement and to promote diversity, reviewed the remuneration of the Executive Committee Members for 2011, the long-term incentive plan, and the variable pay for 2010. Based on the outcome of the free share plan, it also proposed the terms of the 2012 ESOP plan.

#### 4.1.2.4 Strategic Committee

The Strategic Committee is not a decision-making body but a resource available to the Board of Directors for the preparation of decisions on strategic matters. Pursuant to the Rules, the Strategic Committee makes recommendations to the Board of Directors regarding strategic developments, corporate strategies, major merger and acquisition projects, major investments or divestments, projects or product decisions, as well as major research and development projects. The rules and responsibilities of the Strategic Committee have been set out in the Strategic Committee Charter.

The Strategic Committee is required to meet at least twice a year. The Chief Executive Officer is a member and the Chief of the EADS Marketing and Sales Organisation is a permanent guest of the Strategic Committee in order to defend management proposals and to answer questions. The Committee met three times during 2011, with an 80% average attendance rate.

In addition to monitoring major strategic and divisional initiatives, acquisition targets and divestment candidates, and progress on the top priorities of the Group for the year, it made recommendations to the Board of Directors linked to the competitive landscape and home countries industrial policy, company perception in key markets, the continuous constraints on defence budgets, and conducted a review of several country strategies.

### 4.1.3 Executive Committee

The Chief Executive Officer, supported by an Executive Committee (the "**Executive Committee**"), is responsible for managing the day-to-day operations of the Company. The Executive Committee, chaired by the Chief Executive Officer, also comprises the Heads of the major Functions and Divisions of the Group. The Executive Committee met 11 times during 2011.

The following matters are discussed, amongst others, at the Executive Committee meetings:

- appointment approvals of their management teams by the heads of the Group Divisions (with the exception of the Airbus Chief Operating Officer);
- investment approvals up to €350,000,000;
- setting up and control of the implementation of the strategy for EADS businesses;
- management, organisational and legal structure of the Group;
- performance level of the Group's businesses and support functions; and
- all business issues, including the operational plan of the Group and its Divisions and Business Units.

The internal organisation of the Executive Committee is defined by the business allocation among the members under the supervision of the Chief Executive Officer. Notwithstanding the joint responsibilities as defined above, each member of the Executive Committee is individually responsible for the management of his portfolio and must abide by decisions taken by the Chief Executive Officer and the Executive Committee, as the case may be.

The Chief Executive Officer endeavours to reach consensus among the members of the Executive Committee on the matters discussed at the Executive Committee meetings. In the event a consensus is not reached, the Chief Executive Officer is entitled to decide the matter. If there is a fundamental or significant disagreement with respect to any undecided matter, the dissenting Executive Committee Member may request that the Chief Executive Officer submit such matter to the Chairman for his opinion.

The Executive Committee Members are appointed by the Board of Directors on the proposal of the Chief Executive Officer first approved by the Chairman after review by the Remuneration and Nomination Committee. The appointment of the Executive Committee should be approved as a whole team, not on an individual basis, with the exception of the Chief Executive Officer of Airbus, who shall be appointed by the Board of Directors individually. The term of office for the Executive Committee Members is five years.

## Composition of the Executive Committee

| Name | Age | Current Term started | Term expires | Principal Occupation |
|---|---|---|---|---|
| Louis Gallois | 68 | 2007 | 2012 | Chief Executive Officer of EADS |
| François Auque | 55 | 2010 | 2015 | Astrium CEO/Coordination of Space & Defence |
| Lutz Bertling | 49 | 2011 | 2016 | Eurocopter CEO |
| Jean J. Botti | 54 | 2011 | 2016 | Chief Technical Officer of EADS |
| Fabrice Brégier | 50 | 2007 | 2012 | Airbus COO/EADS Operational Performance |
| Thomas Enders | 53 | 2007 | 2012 | Airbus CEO |
| Jussi Itävuori | 56 | 2008 | 2012 | Head of EADS' Human Resources |
| Marwan Lahoud | 45 | 2007 | 2012 | Chief Strategy and Marketing Officer of EADS |
| Sean O'Keefe | 56 | 2010 | 2014 | EADS North America CEO |
| Hans Peter Ring | 61 | 2007 | 2012 | Chief Financial Officer of EADS |
| Domingo Ureña-Raso | 53 | 2009 | 2014 | Head of Airbus Military |
| Stefan Zoller | 54 | 2010 | 2015 | Cassidian CEO |

Note: Status as of 1 March 2012. The professional address of all members of the Executive Committee for any matter relating to EADS is Mendelweg 30, 2333 CS Leiden, The Netherlands.

### Louis Gallois, Chief Executive Officer of EADS

See "— 4.1.1 Board of Directors, Chairman and Chief Executive Officer — Curriculum Vitae and other Mandates and Duties Performed in any Company by the Members of the Board of Directors".

### François Auque, Astrium CEO and Coordination of Space & Defence

Mr Auque was appointed in 2000. He was previously Chief Financial Officer (CFO) of Aerospatiale then Aerospatiale Matra and Managing Director for satellites of Aerospatiale Matra. He spent his earlier career with the Suez Group and the French Cour des comptes. Mr Auque graduated from École des Hautes études commerciales, Institut d'études politiques and is an alumnus of École nationale d'administration.

### Lutz Bertling, Eurocopter CEO

Mr Bertling was appointed in 2006. Coming from the Defence & Security Division, he joined Eurocopter in 2003 as Executive Vice President Governmental Programmes and became CEO of Eurocopter Deutschland in early 2006. Previously, Mr Bertling held various positions at DaimlerChrysler Rail Systems and Braunschweig University. He earned a PhD in Engineering at the Braunschweig University.

### Jean J. Botti, Chief Technical Officer

Mr Botti was appointed as CTO in 2006. He joined from General Motors, where he was Chief Technologist and then Business Line Executive of the Delphi Powertrain business. He started his career in 1978 as product engineer for Renault. Mr Botti holds a degree from INSA Toulouse, an MBA from Central Michigan University and a PhD from the Conservatoire des Arts et Métiers and completed the course of Research and Development Management at the Massachusetts Institute of Technology (MIT). Mr Botti is an SAE fellow as well as a member of the French Academy of Technology and a member of the European Research Advisory Board (ERAB).

### Fabrice Brégier, EADS Operational Performance

Mr Brégier was appointed Airbus COO in 2006, with additional responsibility for EADS operational performance. He became President and Chief Executive Officer (CEO) of Eurocopter in 2003. Previously, he was CEO of MBDA. He joined Matra Défense in 1993 as Chairman of the Apache MAW and Eurodrone GIEs. He is alumnus of École Polytechnique and École des Mines.

### Thomas Enders, Airbus CEO

Mr Enders, Chief Executive Officer of Airbus since 2007, studied Economics, Political Science and History at the University of Bonn and at the University of California in Los Angeles. Prior to joining the aerospace industry in 1991 (Messerschmitt-Bölkow-Blohm), he worked, *inter alia*, as a member of the Planning Staff of the German Minister of Defence. At MBB and subsequently DASA he held various positions, including Chief of Staff, Director Corporate Development & Technology, and Head of Defence Systems. Following the creation of EADS in 2000, he was appointed CEO of the EADS Defence and Security Systems Division, holding this position until 2005 when he was appointed co-CEO of EADS. Mr Enders has been President of BDLI (German Aerospace Industry Association) since 2005.

### Jussi Itävuori, Head of Human Resources

Mr Itävuori joined EADS in 2001 and became a member of the Executive Committee in 2003. Previously, he had worked for KONE Corporation from 1982, being appointed Head of Human Resources and member of the Executive Committee of KONE Corporation in 1995. Mr Itävuori graduated from the Vaasa School of Economics, Finland in 1982.

### Marwan Lahoud, Chief Strategy and Marketing Officer

Mr Lahoud was appointed in June 2007. Previously, he was CEO of MBDA. He worked for Aerospatiale on its merger with Matra and on the foundation of EADS. Within EADS, he served as Senior Vice President Mergers & Acquisitions. Mr Lahoud

is an alumnus of École Polytechnique and graduated from the École Nationale Supérieure de l'Aéronautique et de l'Espace.

### Sean O'Keefe, EADS North America CEO

Mr O'Keefe was appointed to the Executive Committee in 2010. Previously, he was a Corporate Officer of the General Electric Company. Before joining GE, he held several public service positions as Chancellor of the Louisiana State University, NASA Administrator, Deputy Director of the federal budget at the White House, Secretary of the US Navy and CFO of the US Department of Defence. Between public service appointments, he held professorships at US universities. Mr O'Keefe earned academic degrees from Syracuse University and Loyola University, and has been awarded five honorary doctoral degrees.

### Hans Peter Ring, Chief Financial Officer

Since his appointment in 2002 Mr Ring is the CFO of EADS. In addition he was acting as a Chief Operating Officer (2005-2007) and Airbus CFO (2007-2008). In 1996, he was made Senior Vice President of Controlling at DASA and, subsequently, EADS. From 1992, he was CFO and Board Member of Dornier Luftfahrt. He holds a degree in Business Administration from the University of Erlangen-Nuremberg.

### Domingo Ureña-Raso, Head of Airbus Military

Mr Ureña-Raso was appointed in February 2009. He was previously in charge of the Power8 and "Future EADS" programmes. Since 1989, he has held various positions, amongst others at CASA, EADS PZL, Defence & Security Division and Airbus. Mr Ureña-Raso holds degrees from the Polytechnic University of Madrid, from ESSEC in Paris and has an MBA.

### Stefan Zoller, Cassidian CEO

Mr Zoller was appointed in 2005, having held top management positions within the Division since 2000. Previously, he held various management positions within DASA, DaimlerChrysler, Dornier and Senstar/Canada. Mr Zoller graduated from the University Tübingen and holds a PhD.

## 4.1.4 Enterprise Risk Management System

Risk and opportunity management is of paramount importance to EADS, given the complex and volatile business environment in which EADS operates. A comprehensive set of risk and opportunity management procedures and activities across EADS makes up the EADS Enterprise Risk Management ("**ERM**") system.

The objective of the ERM system is to create and preserve value for EADS' stakeholders. It is designed and operated to effectively identify potential events that may affect EADS, manage risk to be within the defined risk tolerance, identify and manage opportunities, and provide reasonable assurance regarding the achievement of targets. To achieve this, EADS seeks to have one integrated, consistent, comprehensive, efficient and transparent ERM system, using the same understanding, practice and language. It seeks to embed the risk management philosophy into EADS culture, in order to make risk and opportunity management a regular and everyday process for employees.

The Board of Directors and EADS top management regard ERM as a key management process to steer the Company and enable management to effectively deal with risks and opportunities. The advanced ERM capabilities and organisation that EADS is seeking to progressively implement can provide a competitive advantage to the extent they successfully achieve the following:

- strategy: the selection of high level strategic objectives, supporting the EADS vision and consistent with risk appetite;
- operations: the effectiveness and efficiency of operations and resource allocation; the delivery of products on time and in accordance with cost and quality objectives; the capability to achieve performance and financial targets; the implementation of risk-enabled decisions and managerial processes;
- reporting: reliability of reporting, in particular financial reporting; and
- compliance: compliance with applicable laws and regulations.

### 4.1.4.1 ERM Process

The objectives, principles and process for the ERM system as endorsed by the Board of Directors are set forth in the EADS ERM Policy and communicated throughout the Group. The EADS ERM Policy is supplemented by various manuals, guidelines, handbooks, etc. The ERM system is based on the Internal Control and Enterprise Risk Management Framework of the Committee of Sponsoring Organisations of the Treadway Commission (COSO II). External standards that contribute to the EADS ERM system include the Internal Control and ERM frameworks of COSO, as well as industry-specific standards as defined by the International Standards Organisation (ISO).

The ERM system comprises an integrated hierarchical bottom-up and top-down process to enable better management and transparency of risks and opportunities. At the top, the Board of Directors and the Audit Committee discuss major risks and opportunities, related risk responses and opportunity capture as well as the status of the ERM system, including significant changes and planned improvements. This is based on systematic bottom-up information including management judgement. The results are then fed back into the organisation. The design of the ERM system seeks to ensure compliance with applicable laws and regulations with respect to internal control ("**IC**") and risk management ("**RM**"), addressing both subjects in parallel.

The ERM process consists of four elements: **the operational process**, which consists of a sequence of eight consistent, standardised components to enhance operational risk and opportunity management; **the reporting process**, which contains procedures for the status reporting of the ERM system and the risk/opportunity situation; **the compliance process**, which comprises procedures to substantiate the assessment of the effectiveness of the ERM system; and **the support process**, which includes procedures to increase the quality and provide further substantiation of the quality of the ERM system.

The ERM process applies to all possible sources of risks and opportunities, with both internal and external sources, quantifiable and unquantifiable, potentially affecting EADS in the short-, middle- and long-term. It also applies to all of EADS' businesses, activities and departments. Management at each level discusses ERM when they run the business, as part of their decision-making and related activities. Accordingly, the ERM process is part of the management process and interrelated with other processes. The details of application of the ERM process vary with the risk appetite of management and the size, structure and nature of the organisational unit, programme/project, department or process. Nonetheless, the fundamental principles of the EADS ERM Policy generally apply.

For a discussion of the main risks to which the Group is exposed, see "Risk Factors".

### 4.1.4.2 ERM Governance and Responsibility

The governance structure and related responsibilities for the ERM system are as follows:

- the Board of Directors supervises the design and effectiveness of the ERM system including management actions to mitigate the risks inherent in EADS' business activities. It discusses the major risks at least quarterly based on ERM reporting or as required depending on development of business risks. It is supported by the Audit Committee, which discusses at least yearly the activities with respect to the operation, design and effectiveness of the ERM system, as well as any significant changes and planned improvements prior to presentation to the full Board of Directors;
- the EADS Chief Executive Officer, backed by the Executive Committee, is responsible for an effective ERM system, the related internal environment (*i.e.* values, culture) and risk philosophy. He is supported by the EADS Chief Financial Officer who supervises the EADS Chief Risk Officer and the ERM system design and process implementation;
- the EADS Chief Risk Officer has primary responsibility for the ERM strategy, priorities, system design, culture development and reporting tool. He supervises the operation of the ERM system and is backed by a dedicated risk management organisation on Group and Division level, which actively seeks to reduce overall risk criticality. This risk management organisation is networked with the risk owners on the different organisational levels and pushes for a proactive risk management culture; and
- the executive management of the Divisions, Business Units and Headquarters' departments assume responsibility for the operation and monitoring of the ERM system in their respective area of responsibility. They seek to ensure transparency and effectiveness of the ERM system and adherence to its objectives. They take responsibility for the implementation of appropriate response activities to reduce probability and impact of risk exposures, and conversely for the implementation of appropriate responses to increase probability and impact of opportunities.

### 4.1.4.3 ERM Effectiveness

The EADS ERM system needs to be effective. EADS has established recurring ERM self-assessment mechanisms, to be applied across EADS. This seeks to allow EADS to reasonably assure the effectiveness of its ERM system. The ERM effectiveness assurance comprises:

- ERM process: needs to be present and functioning throughout EADS without any material weaknesses and needs to fulfil the EADS ERM Policy requirements;
- risk appetite: needs to be in accordance with the EADS risk environment;
- ERM IC system: needs to have an effective IC system for the ERM process in place.

For the coverage of all of its activities, EADS has defined 20 high level business processes. In order to achieve ERM effectiveness, the ERM process as an overlaying process must be an integral part of these business processes. ERM effectiveness is assured if the achievement of the ERM process objectives is secured by adequate ERM controls which are operating effectively throughout the organisation and are within the respective risk appetite level.

Operating effectiveness is measured *inter alia* by assessing any potential major failings in the ERM system which have been discovered in the business year or any significant changes made to the ERM system.

The combination of the following controls is designed to achieve reasonable assurance about ERM effectiveness:

| Organisation | ERM control with explanations |
|---|---|
| Board of Directors/Audit Committee | **Regular monitoring**<br>The Board of Directors and the Audit Committee review, monitor and supervise the ERM system. |
| Top Management | **ERM top management discussions**<br>This control is the most important step of the ERM compliance process. All results of the risk management, self-assessment and confirmation procedures are presented by the Divisions or Business Units to top management and discussed and challenged at EADS CEO/CFO level. |
| Management | **ERM confirmation letter procedure**<br>Entities and processes/departments heads that participate in the annual ERM compliance procedures need to sign ERM confirmation letters, especially on internal control effectiveness and deficiencies or weaknesses. The scope of participants is determined by aligning coverage of EADS business with management's risk appetite. |
| ERM department | **ERM effectiveness measurement**<br>Assess ERM effectiveness by performing operational risk management for the ERM process, benchmarks, etc. |
| Corporate Audit | **Audits on ERM**<br>Provide independent assurance to the Audit Committee on the effectiveness of the ERM system. |
| Compliance | **Alert System**<br>Provide evidence for deficiencies of the ERM system. |

### 4.1.4.4 Developments in 2011 and Outlook

Today, companies are operating in a more volatile risk environment than ever before. Mature risk management capabilities are therefore more critical, more strategic and overall more valuable. EADS seeks to deploy its ERM system effectively across the Group in order to mitigate risk and drive competitive advantage, and invests accordingly. The design of its ERM system has evolved towards a more homogeneous and performance-oriented management tool that is integrated into the business, with the following major achievements in 2011:

- strengthening of ERM foundations, with a progressive appreciation of ERM processes and development of a true risk culture;
- beginning roll-out of a dedicated Group-wide ERM IT tool;
- strong ERM contribution to improvement initiatives launched across the Group; and
- successful finalisation of year-end ERM compliance process, *i.e.* ERM confirmation letters were received from all relevant risk owners in Divisions, Business Units and Business Functions, and all ERM top management discussions took place.

As an outlook, EADS seeks to:

- follow the path to further mature risk management, especially ERM awareness, capabilities, culture and risk management organisation;
- fully embed the risk management organisation into business operations;
- improve ERM measurement, modelling and analytics for decision-making;
- further improve transparency, reduce risk criticality and encourage seizing of opportunity by use of the ERM methodology;
- further deploy and harmonise the Group-wide ERM IT tool; and
- introduce a common skills model and career path for risk managers.

More generally, EADS seeks to continuously evaluate and improve the operating effectiveness of the ERM system. EADS will use the recommendations from the Corporate Audit department, which has reviewed risk management of selected departments and business processes, to further strengthen its ERM system.

### 4.1.4.5 Board declaration – Limitations

The Board of Directors believes to the best of its knowledge that the internal risk management and control system over financial reporting has worked properly in 2011 and provides reasonable assurance that the financial reporting does not contain any errors of material importance.

No matter how well designed, all ERM systems have inherent limitations, such as vulnerability to circumvention or management overrides of the controls in place. Consequently, no assurance can be given that EADS' ERM system and procedures are or will be, despite all care and effort, entirely effective.

### 4.1.4.6 Business Processes Covered by the ERM System

Based on EADS' activities, 20 high-level business processes have been identified within EADS. They are categorised into core processes (research and development, production, sales, after-sales and programme management), support processes (corporate sourcing, Human Resources, accounting, fixed assets, treasury, information technology, mergers and acquisitions, legal and insurance) and management processes (strategy, corporate audit, controlling, compliance, Enterprise Risk Management and management controls). These business processes, together with the corresponding ERM processes, are designed to control process risks that have significant

potential to affect the Group's financial condition and results of operations. Below is a description of the main business processes at the respective headquarters' level which were in place during 2011.

## Accounting

At the core of EADS' ERM system are accounting processes and controls designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements and other financial information used by management and disclosed to EADS' investors and other stakeholders. The integrated approach to planning and reporting aims to improve internal communication and transparency across departments and organisational units within EADS.

The EADS financial control model defines the planning and reporting procedures that apply to all operational units of the Group, as well as the responsibilities of the Chief Financial Officer, who is charged with developing, implementing and monitoring these procedures. Among the Chief Financial Officer's primary tasks is oversight of the preparation of the Consolidated Financial Statements of EADS, which are prepared under the direct supervision of the Chief Accounting Officer ("**CAO**"). The CAO is responsible for the operation of the Group's consolidation systems and rules and for the definition of Group-wide accounting policies which comply with IFRS, reporting rules and financial guidelines in order to ensure the consistency and quality of financial information reported by the Divisions and Business Units. EADS' accounting policies are set out in a written accounting manual, which is agreed with the Company's external auditors. Changes to the EADS accounting manual require approval by the CAO, and, where significant changes are involved, the Chief Financial Officer or the Board of Directors (based upon the advice of the Audit Committee).

Control of the financial planning and reporting processes is achieved not only through the development of Group-wide accounting systems and policies, but also through an organised process for providing information from the reporting units on a timely basis as an up-to-date decision-making tool to control the operational performance of the Group. This information includes regular cash and treasury reports, as well as other financial information used for future strategic and operative planning and control and supervision of economic risks arising from the Group's operations. The Divisional Chief Financial Officers frequently meet with the CAO and his responsible staff to discuss the financial information generated by the Divisions.

Prior to being disclosed to the public and subsequently submitted for approval to the shareholders, the consolidated year-end financial statements are audited by EADS' external auditors, reviewed by the Audit Committee and submitted for approval by the Board of Directors. A similar procedure is used for the semi-annual and quarterly closing. Group auditors are involved before EADS financial statements are submitted to the Board of Directors.

## Treasury

Treasury management procedures, defined by EADS' central treasury department at Group headquarters, enhance management's ability to identify and assess risks relating to liquidity, foreign exchange rates and interest rates. Controlled subsidiaries fall within the scope of the centralised treasury management procedures, with similar monitoring procedures existing for jointly controlled affiliates, such as MBDA.

### Cash Management

The management of liquidity to support operations is one of the primary missions of the EADS Central Treasury department. Regular cash planning, in conjunction with the planning/reporting department, as well as monthly cash reporting by the central treasury department, provide management with the information required to oversee the Group's cash profile and to initiate necessary corrective action in order to ensure overall liquidity. To maintain targeted liquidity levels and to safeguard cash, EADS has implemented a cash pooling system with daily cash sweeps from the controlled subsidiaries to centrally managed accounts. Payment fraud prevention procedures have been defined and communicated throughout the Group. For management of credit risks related to financial instruments, see "Notes to the Consolidated Financial Statements (IFRS) — Note 34A: Financial risk management".

### Hedge Management

Commercial operations generate material foreign exchange and interest rate exposures. A Group hedging policy is defined and updated regularly by the Board of Directors. In order to ensure that all hedging activity is undertaken in line with the Group hedging policy, the central treasury department executes all hedging transactions. The central treasury department conducts ongoing risk analysis and proposes appropriate measures to the Divisions and Business Units with respect to foreign exchange and interest rate risk. Subsidiaries are required to calculate, update and monitor their foreign exchange and interest rate exposure with the EADS Central Treasury department on a monthly basis, in accordance with defined treasury procedures. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — 2.1.7 Hedging Activities".

### Sales Financing

In connection with certain commercial contracts, EADS may agree to enter into sales financing arrangements. In respect of sales financing at Airbus, an annual sales financing budget is defined as part of the EADS operative planning process. Sales financing transactions are approved on a case-by-case basis with the involvement of top management, in line with certain risk assessment guidelines and managed by a Group-wide integrated organisation.

## Sales

Commercial contracts entered into by EADS' operating subsidiaries have the potential to expose the Group to significant financial, operational and legal risks. To control these risks, management has implemented contract proposal review procedures that seek to ensure that EADS does not enter into material commercial contracts that expose it to unacceptable risk or are not in line with the Group's overall objectives. These procedures include (i) Board of Directors-approved thresholds and criteria for determining the risk and profitability profiles and (ii) a mandated pre-approval process for contracts defined

as "high-risk". Contracts falling within the defined threshold categories require approval by the respective Divisional Chief Financial Officer. Contracts that are deemed "high-risk" and/exceed certain thresholds must be submitted to a standing Commercial Committee (with the Chief Financial Officer and the Chief Strategy and Marketing Officer serving as Chairmen, and a possible escalation to the Chief Executive Officer when needed). This committee is responsible for reviewing the proposal and giving recommendations when necessary, based on which the concerned Business Unit is allowed to remit its offer. In the case of Airbus, due to the nature and size of its business, contracts are approved in accordance with Airbus' own corporate governance policy based on EADS guidelines which follow the same principle, with participation of EADS. In general, where EADS shares control of a subsidiary with a third party, the Commercial Committee is responsible for developing the EADS position on proposed commercial contracts.

### Legal

EADS is subject to myriad legal requirements in each jurisdiction in which it conducts business. The mission of the EADS Legal department, in coordination with the Division and Business Unit Legal departments, is to actively promote and defend the interests of the Group on all legal issues and to ensure its legal security at all times. By carrying out this mission it is responsible for implementing and overseeing the procedures designed to ensure that EADS' activities comply with all applicable laws, regulations and requirements. It is also responsible for overseeing all major litigation affecting the Group, including Intellectual property.

The EADS Legal department, together with the Corporate Secretary, also plays an essential role in the design and administration of (i) the EADS corporate governance procedures and (ii) the legal documentation underlying the delegation of powers and responsibilities which define the EADS management and its internal control environment.

### Corporate Audit

The EADS Corporate Audit department, under the direction of the Corporate Secretary, provides assurance to the Executive Committee and Audit Committee Members based upon a risk-oriented approved annual audit plan. The Corporate Audit department (i) reviews the achievement of the Group's strategic, financial or operational objectives, (ii) reviews the reliability and integrity of Group reporting, (iii) reviews the effectiveness of the ERM system, (iv) reviews the efficiency and effectiveness of selected processes, entities or functions and (v) reviews compliance with laws, regulations, Group guidelines and procedures. Corporate audit also conducts *ad hoc* reviews, performed at the request of management, focusing on current (*e.g.*, suspected fraudulent activities) and future (*e.g.*, contract management and programme management) risks. In 2011, the *Institut français de l'audit et du contrôle internes* (IFACI) reviewed the Corporate Audit department and certified that it fulfilled the requirements of the International Professional Practices Framework. Corporate audit also established a forensic function in 2011, with specialist expertise to support the Group in its treatment of compliance allegations.

### Corporate Sourcing

The performance of EADS is to a large extent determined through its supply chain. Therefore, sourcing is a key lever for EADS in its marketplace.

EADS' size and complexity requires a common approach to maximise market levers and to avoid inefficiencies in the procurement process. To help ensure that sourcing is carried out in the most effective, efficient and ethical manner, a set of common procurement processes, which support a common sourcing strategy and ultimately the Group strategy and vision, is defined by the head of Corporate Sourcing and the Chief Procurement Officers Council.

The common approach and processes are then implemented and optimised across all Divisions through the sourcing networks. These sourcing networks comprise representatives from all Divisions. They are tasked by the EADS Chief Procurement Officers Council to define and roll out across EADS strategic sourcing topics such as Supplier Relationship Management, Common Processes and Tools, Global Sourcing, Joint Procurement, Compliance, Corporate Social Responsibility, and Procurement Performance Management. The procurement processes are regularly reviewed by means of performance indicators, audits and self-assessments and thus consistently challenged and optimised.

### Ethics and Compliance

See "— 4.1.5 Compliance Organisation" below.

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## 4.1.5 Compliance Organisation

The EADS Group Chief Compliance Officer ("**CCO**") is in charge of the design and implementation of the EADS Ethics and Compliance Programme, which supports the Group's commitment to adhering to the highest ethical and compliance standards in order to sustain the Group's global competitiveness.

The EADS Ethics and Compliance Programme seeks to ensure that Group business practices conform to applicable laws and regulations as well as to ethical business principles endorsed by the Group. It also seeks to promote a culture of integrity and transparency. A key programme element consists of the Group Ethics Code, "Integrity & Transparency" (updated in 2010 and available on the Company's website), which seeks to guide the daily behaviour of all EADS employees.

A compliance organisation and resource network has been implemented throughout the Group, in a structure that balances proximity to day-to-day business activities with the necessary independence. Accordingly, Compliance Officers throughout the Group report both to management as well as to the compliance organisation. This is reflected at the very top of the hierarchy, with the EADS Group CCO reporting both to the Chief

Executive Officer and the Audit Committee, which oversees the functioning of the Group-wide compliance organisation as a whole.

Compliance Officers appointed in each of EADS' four Divisions as well as various Business Units are in charge of supporting employees to conduct business ethically and in accordance with the EADS Ethics and Compliance Programme. Chief Compliance Officers at the Divisions and Business Units must ensure that they have sufficient local resources to carry out their roles effectively, and report both to the EADS Group CCO and to the head of the relevant Division or Business Unit.

At Group level, permanent Compliance Officers are appointed to departments where the main compliance risks exist, and are empowered to issue compliance directives applicable throughout the Group. For example, the Group International Compliance Officer is in charge of developing and implementing EADS' Business Ethics Policy and Rules to prevent corruption. The Group Export Compliance Officer seeks to ensure that the activities of the Group comply with all relevant export control rules and with the internal "sensitive countries" policy, while the Group Procurement Compliance Officer supervises compliance in the supply chain. Since 2010, a fourth departmental Compliance Officer has been in charge of more effectively addressing data privacy compliance risks in the Group.

In order to achieve the objectives set by the Chief Executive Officer and discussed with the Audit Committee, the EADS Group CCO has established a compliance "roadmap" based on international standards. The roadmap provides an overview of compliance activities such as:

- a periodic assessment and reporting of the main compliance risks as part of the EADS ERM system;
- the monitoring of Ethics and Compliance policies;
- transparent reporting to the Audit Committee and discussions with the Executive Committee;
- communication and training activities across the Group; and
- the functioning of the new alert system implemented in 2010, the "OpenLine", through which employees may raise ethical and compliance concerns in strict confidentiality and without fear of retaliation. Due to current regulatory requirements, alerts posted on the OpenLine may only be treated if they deal with accounting, financial, corruption, or anti-competitive practices (since 2011) issues. The use of the OpenLine is limited to employees of all companies controlled by the Group and located in France, Germany, Spain and the UK. Taking into account EADS' overall compliance strategy, EADS will monitor the OpenLine system and will assess the possibility of extending its use to all employees and broadening its scope to issues of a general and operational nature.

In 2011, programme progress reports were presented four times to the Board of Directors and the Audit Committee.

In the future, EADS will continue to lead efforts to establish consistent global standards for compliance in the aerospace and defence industry, in particular business ethics. Today, the European Common Industry standards and the International Forum on Business Ethical Conduct are both among the most innovative sector-wide business ethics initiatives. As such industry standards become more consistent globally with a more level playing field for all, EADS will seek to turn its commitment to ethics and integrity into a sustainable competitive advantage.

# 4.2 Interests of Directors and Principal Executive Officers

## 4.2.1 Remuneration Granted to Directors and Principal Executive Officers

### 4.2.1.1 General Principles

#### Strategy

EADS' remuneration strategy is to provide remuneration that:

- attracts, retains and motivates qualified executives;
- is aligned with shareholders' interest;
- is performance-related to a significant extent;
- is fair and transparent;
- is competitive against the comparable market;
- can be applied consistently throughout the Group.

#### Benchmark

The remuneration policy is benchmarked regularly against the practice of other global companies, using peer group data and general industry data of consulting firms. The benchmark data

is a weighted average of French, German and UK information, in the home countries of EADS. In countries outside EADS' home region (such as the US), EADS benchmarks against national peer group data of the industry. The total target remuneration for executives is targeted at the median level compared to the benchmark data.

### 4.2.1.2 Detailed Remuneration Policy

#### Non-executive Members of the Board of Directors

Each non-executive Member of the Board of Directors receives an annual fixed fee of €80,000, as well as a fee for participation in Board meetings of €5,000 per meeting attended. The Chairman of the Board receives an annual fixed fee of €180,000 for carrying out this role, as well as a fee for participation in Board meetings of €10,000 per meeting attended.

The Chairmen of each of the Board Committees receive an additional annual fixed fee of €30,000. The members of each of the Board Committees receive an additional annual fixed fee of €20,000 for each Committee Membership. Committee chairmanship and Committee Membership annual fees are cumulative if the concerned non-executive Members of the Board of Directors belong to two different Committees.

Non-executive Members of the Board of Directors are not entitled to variable remuneration or grants under EADS' Long-Term Incentive Plans.

#### Chief Executive Officer

The Chief Executive Officer (the sole Executive Member of the Board of Directors) does not receive fees for participation in Board meetings or any dedicated compensation as a Member of the Board of Directors. Rather, the remuneration policy for the Chief Executive Officer (as well as the other members of the Executive Committee) is designed to balance short-term operational performance with the mid- and long-term objectives of the Company and consists of the following main elements:

| Remuneration Element | Main drivers | Performance measures | % of total target remuneration/% of vesting |
|---|---|---|---|
| Base salary | Reward market value of job/position | Not applicable | • EADS CEO: 45% of total target remuneration<br>• Other Members of the Executive Committee: 50% of total target remuneration |
| Annual variable remuneration | Reward annual performance based on achievement of Company performance measures and individual/team objectives, including financial and non-financial targets and behaviours | Collective part (50% of target variable remuneration): EBIT* (50%), Cash (50%)<br>Individual part (50% of target variable remuneration): achievement of annual individual objectives | • EADS CEO: 55% of total target remuneration (range from 0% to 200%)<br>• Other Members of the Executive Committee: 50% of total target remuneration (range from 0% to 200%) |
| Long term incentive plan | Reward long-term Company performance and engagement on financial targets | The number of performance units which will vest is based on 3 year absolute average earnings per share at EADS level | Vested performance units will range from 50% to 150% of initial grant (1) |

(1) In case of absolute negative results during the performance period, the Board of Directors can decide to review the vesting of the performance units including the 50% portion which is not subject to performance conditions (additional vesting condition).

In addition, the Chief Executive Officer (as well as the other members of the Executive Committee) is entitled to pension and other benefits as described below.

### 4.2.1.3 Remuneration of the Members of the Board of Directors

The amounts of the various components constituting the compensation granted to the Chief Executive Officer and to Non-Executive Directors during 2011, together with additional information such as the number of performance units (see "— 4.3.3 Long-Term Incentive Plans") and details of the pension benefits entitlements of the Chief Executive Officer, are set out in "Notes to the Company Financial Statements — Note 11: Remuneration".

They are summarised below as well:

## Total remuneration and related compensation costs

The total remuneration and related compensation costs of the Members of the Board of Directors related to 2011 and 2010 can be summarised as follows:

| | 2011 | 2010 |
|---|---|---|
| **Non-Executive Members of the Board of Directors** | in € | in € |
| Fixed fees [1] | 1,170,000 | 1,170,000 |
| Fees for participation in meetings | 425,000 | 520,000 |

(1) The fixed fees related to 2010 were paid in 2011; the fixed fees related to 2011 will be paid in 2012.

| | 2011 | 2010 |
|---|---|---|
| **Executive Member of the Board of Directors** | in € | in € |
| Base salary | 990,000 | 900,000 |
| Annual variable remuneration (related to reporting period including part paid by EADS NV) | 1,993,475 | 1,732,500 |

The cash remuneration of the non-executive Members of the Board of Directors related to 2011 was as follows:

| 2011 | Fixed fees [1] in € | Fees for participation in meetings in € | Total in € |
|---|---|---|---|
| **Director** | | | |
| Bodo Uebber | 210,000 | 90,000 | 300,000 |
| Rolf Bartke | 100,000 | 45,000 | 145,000 |
| Dominique D'Hinnin | 120,000 | 45,000 | 165,000 |
| Juan Manuel Eguiagaray Ucelay | 80,000 | 40,000 | 120,000 |
| Arnaud Lagardère | 100,000 | 30,000 | 130,000 |
| Hermann-Josef Lamberti | 130,000 | 35,000 | 165,000 |
| Lakshmi N. Mittal [2] | 80,000 | 30,000 | 110,000 |
| Sir John Parker | 130,000 | 35,000 | 165,000 |
| Michel Pébereau | 100,000 | 35,000 | 135,000 |
| Wilfried Porth | 120,000 | 40,000 | 160,000 |
| **Total** | **1,170,000** | **425,000** | **1,595,000** |

(1) The fixed fees will be paid in 2012.
(2) Excluding the fees related to 2010 paid in 2011.

The cash remuneration of the Executive Member of the Board of Directors related to 2011 was as follows:

| 2011 | Base salary in € | Annual variable remuneration in € related to 2011 |
|---|---|---|
| **Director** | | |
| Louis Gallois | 990,000 | 1,993,475 |

## Long-term incentives

The table below gives an overview of the performance units granted to the Chief Executive Officer in 2011 pursuant to the LTIP:

| | Unit plan: number of performance units [1] | |
|---|---|---|
| | Granted in 2011 | Vesting dates |
| Louis Gallois | 51,400 | Vesting schedule is made up of 4 payments over 2 years:<br>(i) 25% expected in May 2015;<br>(ii) 25% expected in November 2015;<br>(iii) 25% expected in May 2016;<br>(iv) 25% expected in November 2016. |

(1) Vesting of all performance units granted to the Chief Executive Officer is subject to performance conditions.

### Pension benefits

The twelve members of the Executive Committee have pension promises as part of their employment agreements. The general policy is to give them annual pensions of 50% of their annual base salary upon reaching five years of service in the Executive Committee of EADS, payable once they reach retirement age.

These rights can gradually increase to 60% after a second term, usually after ten years of service in the Executive Committee. However, in order to reach this 60% replacement ratio the respective member of the Executive Committee must also have 12 years of seniority within the Group.

These pension schemes have been implemented through collective executive pension plans in France and Germany. These pension promises also have separate rules, *e.g.* for minimum length of service and other conditions to comply with national regulations.

For the Chief Executive Officer, the amount of the pension defined benefit obligation (*i.e.* the book cash value) amounted to €2.9 million as of 31 December 2011, while the amount of current service and interest cost related to his pension promise accounted for the financial year 2011 represented an expense of €0.6 million. This obligation has been accrued in the Consolidated Financial Statements.

Non-executive Members of the Board of Directors do not receive pension benefits.

### Termination indemnity

As part of his mandate contract, the Chief Executive Officer is entitled to a termination indemnity when the departure results from a decision by the Company in case of change in control or change in the Company's strategy. Payment of the termination indemnity is also subject to performance conditions as fixed and assessed by the Board of Directors. The termination indemnity, if applicable, would amount to a maximum of 18 months of annual total target remuneration.

However this termination indemnity rule is not applicable, since the Chief Executive Officer has reached the age of 65 and is able to retire immediately.

Non-executive Members of the Board of Directors do not have a termination indemnity.

### Non-competition clause

A non-competition clause is included in the terms of the Chief Executive Officer's mandate, applicable for one-year starting at the end of the mandate contract, and renewable for another year at the Company's initiative. The clause envisages a compensation equal to 50% of the last target annual salary, defined as the base salary plus the last paid annual variable remuneration. The application of the clause is subject to a Board of Directors' decision.

The Chief Executive Officer has pro-actively renounced the benefit of such compensation, while remaining tied by the non-compete clause; the Board of Directors has agreed to this request.

### Other benefits

The Chief Executive Officer is entitled to a company car. The value of his company car as of 31 December 2011 is €24,120 (excluding VAT).

#### 4.2.1.4 Remuneration of the Members of the Executive Committee

The members of the Executive Committee, including the Chief Executive Officer, are entitled to receive for the year 2011 total remuneration on a full year basis of €18,786,097 (for compensation paid in the US, 2011 average exchange rate has been used). This remuneration is divided for the Chief Executive Officer into a 45% fixed part and a 55% variable part on target and for the other members of the Executive Committee into a 50% fixed part and a 50% variable part on target.

The total remuneration paid by EADS and all its Group companies to Mr Louis Gallois, Chief Executive Officer, during the year 2011, was €2,722,500 (this sum includes the payments of his January to December 2011 base salary (€990,000) and the variable pay for 2010 (€1,732,500).

The members of the Executive Committee including the Chief Executive Officer receive the majority of their remuneration from their relevant national Group entity (under the terms of their employment or mandate contract) and the remaining part from EADS NV ("NV compensation", under the terms of the NV letter of agreement).

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## 4.2.2 Long-Term Incentives Granted to the Chief Executive Officer

See "— 4.3.3 Long-Term Incentive Plans".

### 4.2.3 Related Party Transactions

Article 2:146 of the Dutch Civil Code provides as follows:

"Unless the Articles of Association provide otherwise, a company (*naamloze vennootschap*) shall be represented by its Board of supervisory Directors in all matters in which it has a conflict of interest with one or more of the members of its Board of Directors. The shareholders' meeting shall at all times have powers to designate one or more persons for this purpose". In the case of EADS, the Articles of Association do provide otherwise since they enable the Board of Directors to have power to represent the Company in matters where the Company has a conflict of interest with one or more Members of the Board of Directors.

During the years 2009, 2010 and 2011, no agreement was entered into by the Company with one of its Directors or principal officers or a shareholder holding more than 5% of the voting rights of the Company outside the ordinary course of business and in conditions other than arm's length conditions. See "Notes to the Consolidated Financial Statements (IFRS) — Note 36: Related party transactions" for the year ended 31 December 2011 and "Notes to the Consolidated Financial Statements (IFRS) — Note 36: Related party transactions" for the year ended 31 December 2010, as incorporated by reference herein.

For a description of the relationships between the Company and its principal shareholders, see "General Description of the Company and its Shareholders — 3.3.2 Relationships with Principal Shareholders". Other than the relationships between the Company and its principal shareholders described therein, there are no potential conflicts of interest between the duties to the Company of the Directors and their respective private interests or other duties.

### 4.2.4 Loans and Guarantees Granted to Directors

EADS has not granted any loans to its Directors or members of the Executive Committee.

## 4.3 Employee Profit Sharing and Incentive Plans

### 4.3.1 Employee Profit Sharing and Incentive Agreements

EADS' remuneration policy is strongly linked to the achievement of individual and Company objectives, both for each Division and for the overall Group. In 2011, a performance and restricted unit plan was established for the senior management of the Group (see "— 4.3.3 Long-Term Incentive Plans"), and employees were offered shares at favourable conditions within the context of a new employee share ownership plan (see "— 4.3.2 Employee Share Ownership Plans").

The success sharing schemes which are implemented at EADS in France, Germany, Spain and the UK follow one set of common rules of the Group, ensuring a consistent application in these four countries.

## 4.3.2 Employee Share Ownership Plans

EADS supports employee share ownership. Since its creation, EADS has regularly offered qualifying employees the opportunity to purchase EADS shares on favourable terms through employee share ownership plans ("**ESOPs**").

The following table summarises the main terms of the ESOPs conducted from 2000-2011 [3]:

| Year | Price per share | Nominal value per share | Number of shares issued | Date of issuance |
|---|---|---|---|---|
| 2000 | €15.30 | €1 | 11,769,259 | 21 September 2000 |
| 2001 | €10.70 | €1 | 2,017,894 | 5 December 2001 |
| 2002 | €8.86 [1]/€7.93 [2] | €1 | 2,022,939 | 4 December 2002 |
| 2003 | €12.48 | €1 | 1,686,682 | 5 December 2003 |
| 2004 | €18 | €1 | 2,017,822 | 3 December 2004 |
| 2005 | €18.86 | €1 | 1,938,309 | 29 July 2005 |
| 2007 | €19.62 [1]/€17.16 [2] | €1 | 2,037,835 | 9 May 2007 |
| 2008 | €12.79 [1]/€11.70 [2] | €1 | 2,031,820 | 25 July 2008 |
| 2009 | €10.76 | €1 | 1,358,936 | 18 December 2009 |
| 2011 | € 22.15 [1]/€ 21.49 [2] | €1 | 2,445,527 | 29 July 2011 |

(1) Shares purchased within context of Group employee savings plan.
(2) Shares purchased directly.
(3) In 2010, the normal ESOP plan was replaced through a worldwide 10 years EADS – Special Anniversary Free Share Plan for about 118,000 employees in 29 countries. Each eligible employee was granted 10 free shares in EADS, resulting in the distribution of 1,184,220 shares in total. Such shares were distributed out of treasury and therefore had no impact on the issued share capital.

### ESOP 2011

In June 2011, EADS offered to qualifying employees a maximum of 0.39% of its total issued share capital before the offering. This employee offering was for up to 3,200,000 shares of a nominal value of €1 each.

The employee offering was open only to employees who:

- had at least three months' seniority;
- were employed by (i) EADS or (ii) one of its subsidiaries or (iii) companies in which EADS holds at least 10% of the share capital and over whose management it has a determining influence.

The employee offering was divided into two tranches:

- shares subscribed for by qualifying employees as part of a Group employee savings plan were offered for a price of €22.15 per share;
- shares subscribed for by qualifying employees directly were offered for a price of €21.49 per share.

The 2011 ESOP was structured as a share matching plan, whereby EADS matched a certain number of shares purchased at fair market value with a grant of free shares based on a defined ratio. This ratio varied depending on the number of shares purchased, representing a maximum discount of 50% for 10 purchased shares and a minimum discount of 21% for 400 purchased shares (the maximum number of shares available for purchase by a single employee).

The employees are generally restricted from selling the shares offered in this employee offering for one year and sometimes longer in certain countries. A total number of 2,445,527 shares were issued in the employee offering. Shares were delivered on 29 July 2011.

### Future ESOPs

EADS intends to implement an ESOP in 2012, subject to approval by the Board of Directors. The 2012 ESOP is expected to be a share matching plan, whereby the Company would match a certain number of shares purchased at fair market value with a grant of free shares based on a defined ratio. The total offering would be up to approximately 3,200,000 shares of the Company, *i.e.* up to 0.39% of its issued share capital, open to all qualifying employees (including the Chief Executive Officer). As part of ESOP 2012, a dedicated UK share incentive plan (SIP) was launched in December 2011 subject to a final decision by the Board of Directors.



## 4.3.3 Long-Term Incentive Plans

Based on the authorisation granted to it by the shareholders' meetings (see dates below), the Board of Directors approved stock option plans in 2001, 2002, 2003, 2004, 2005 and 2006. In 2007, 2008, 2009, 2010 and 2011, the Board of Directors approved the granting of performance units and restricted units in the Company. The grant of so-called "units" will not physically be settled in shares but represents a cash settled plan in accordance with IFRS 2.

The principal characteristics of these options as well as performance and restricted units as of 31 December 2011 are set out in the "Notes to the Consolidated Financial Statements (IFRS) — Note 35: Share-based payment". They are also summarised in the tables below:

| | Third tranche | Fourth tranche |
|---|---|---|
| Date of shareholders' meeting | 10 May 2001 | 10 May 2001 |
| Date of Board of Directors meeting (grant date) | 12 July 2001 | 9 August 2002 |
| Number of options granted | 8,524,250 | 7,276,700 |
| Number of options outstanding | - | 1,593,543 |
| Options granted to: | | |
| • Mr Philippe Camus | 135,000 | 135,000 |
| • Mr Rainer Hertrich | 135,000 | 135,000 |
| • the 10 employees having being granted the highest number of options during the year 2001 (third tranche) and 2002 (fourth tranche) | 738,000 | 808,000 |
| Total number of eligible employees | 1,650 | 1,562 |
| Exercise date | 50% of options may be exercised after a period of two years and four weeks from the date of grant of the options; 50% of options may be exercised as of the third anniversary of the date of grant of the options (subject to specific provisions contained in the Insider Trading Rules – see "General Description of the Company and its Share Capital — 3.1.11 Disclosure of Holdings"). | |
| Expiry date | 12 July 2011 | 8 August 2012 |
| Conversion right | One option for one share | One option for one share |
| Vested | 100% | 100% |
| Exercise price | €24.66 | €16.96 |
| Exercise price conditions | 110% of fair market value of the shares at the date of grant | |
| Number of exercised options | 3,492,831 | 5,058,674 |

| | Fifth tranche | Sixth tranche |
|---|---|---|
| Date of shareholders' meeting | 6 May 2003 | 6 May 2003 |
| Date of Board of Directors meeting (grant date) | 10 October 2003 | 8 October 2004 |
| Number of options granted | 7,563,980 | 7,777,280 |
| Number of options outstanding | 3,165,988 | 5,269,000 |
| Options granted to: | | |
| • Mr Philippe Camus | 135,000 | 135,000 |
| • Mr Rainer Hertrich | 135,000 | 135,000 |
| • the 10 employees having being granted the highest number of options during the year 2003 (fifth tranche) and 2004 (sixth tranche) | 808,000 | 808,000 |
| Total number of eligible employees | 1,491 | 1,495 |
| Exercise date | 50% of options may be exercised after a period of two years and four weeks from the date of grant of the options; 50% of options may be exercised as of the third anniversary of the date of grant of the options (subject to specific provisions contained in the Insider Trading Rules – see "General Description of the Company and its Share Capital — 3.1.11 Disclosure of Holdings"). | |
| Expiry date | 9 October 2013 | 7 October 2014 |
| Conversion right | One option for one share | One option for one share |
| Vested | 100% | 100% (1) |
| Exercise price | €15.65 | €24.32 |
| Exercise price conditions | 110% of fair market value of the shares at the date of grant | |
| Number of exercised options | 3,771,068 | 5,900 |

(1) As regards to the sixth tranche, vesting of part of the options granted to the top EADS executives was subject to performance conditions. As a result, part of these conditional options have not vested and were therefore forfeited during the year 2007.

| | Seventh tranche |
|---|---|
| Date of shareholders' meeting | 11 May 2005 |
| Date of Board of Directors meeting (grant date) | 9 December 2005 |
| Number of options granted | 7,981,760 |
| Number of options outstanding | 5,800,678 |
| Options granted to: | |
| • Mr Thomas Enders | 135,000 |
| • Mr Noël Forgeard | 135,000 |
| • the 10 employees having being granted the highest number of options during the year 2005 (seventh tranche) | 940,000 |
| Total number of eligible beneficiaries | 1,608 |
| Exercise date | 50% of options may be exercised after a period of two years from the date of grant of the options; 50% of options may be exercised as of the third anniversary of the date of grant of the options (subject to specific provisions contained in the Insider Trading Rules — see "General Description of the Company and its Share Capital — 3.1.11 Disclosure of Holdings"). As regards to the seventh tranche, part of the options granted to the top EADS executives was performance related. |
| Expiry date | 8 December 2015 |
| Conversion right | One option for one share |
| Vested | 100% (1) |
| Exercise price | €33.91 |
| Exercise price conditions | 110% of fair market value of the shares at the date of grant |
| Number of exercised options | - |

(1) As regards to the seventh tranche, vesting of part of the options granted to the top EADS executives was subject to performance conditions. As a result, part of these conditional options have not vested and were therefore forfeited during the year 2008.

| | Eighth tranche |
|---|---|
| Date of shareholders' meeting | 4 May 2006 |
| Date of Board of Directors meeting (grant date) | 18 December 2006 |
| | **Stock option plan** |
| Number of options granted | 1,747,500 |
| Number of options outstanding | 1,639,500 |
| Options granted to: | |
| • Mr Thomas Enders | 67,500 |
| • Mr Louis Gallois | 67,500 |
| • the 10 employees having being granted the highest number of options during the year 2006 (eighth tranche) | 425,000 |
| Total number of eligible beneficiaries | 221 |
| Date from which the options may be exercised | 50% of options may be exercised after a period of two years from the date of grant of the options; 50% of options may be exercised as of the third anniversary of the date of grant of the options (subject to specific provisions contained in the Insider Trading Rules — see "General Description of the Company and its Share Capital — 3.1.11 Disclosure of Holdings") |
| Date of expiration | 16 December 2016 |
| Conversion right | One option for one share |
| Vested | 100% |
| Exercise price | €25.65 |
| Exercise price conditions | 110% of fair market value of the shares at the date of grant |
| Number of exercised options | - |

| | | Ninth tranche |
|---|---|---|
| Date of Board of Directors meeting (grant date) | | 7 December 2007 |
| | Performance and restricted unit plan | |
| | **Performance units** | **Restricted units** |
| Number of units granted | 1,693,940 | 506,060 |
| Number of units outstanding | - | 234,508 |
| Units granted to: | | |
| • Mr Louis Gallois | 33,700 | - |
| • the 10 employees having being granted the highest number of units during the year 2007 (ninth tranche) | 239,900 | 43,500 |
| Total number of eligible beneficiaries | | 1,617 |
| Vesting dates | The restricted units will vest if the participant is still employed by an EADS company at the respective vesting dates. Vesting schedule is made up of 4 payments over 2 years: • 25% expected in May 2011; • 25% expected in November 2011; • 25% expected in May 2012; • 25% expected in November 2012. | |
| Number of vested units | 4,240 | 241,352 |

| | | Tenth tranche |
|---|---|---|
| Date of Board of Directors meeting (grant date) | | 13 November 2008 |
| | Performance and restricted unit plan | |
| | **Performance units** | **Restricted units** |
| Number of units granted (1) | 2,192,740 | 801,860 |
| Number of units outstanding | 2,104,820 | 761,420 |
| Units granted to: | | |
| • Mr Louis Gallois | 40,000 | - |
| • the 10 employees having being granted the highest number of units during the year 2008 (tenth tranche) | 304,000 | 68,200 |
| Total number of eligible beneficiaries | | 1,684 |
| Vesting dates | The performance and restricted units will vest if the participant is still employed by an EADS company at the respective vesting dates and, in the case of performance units, upon achievement of mid-term business performance. Vesting schedule is made up of 4 payments over 2 years: • 25% expected in May 2012; • 25% expected in November 2012; • 25% expected in May 2013; • 25% expected in November 2013. | |
| Number of vested units | 5,600 | 3,780 |

(1) Based on 100% target performance achievement. A minimum of 50% of performance units will vest; 100% in case of on-target performance achievement; up to a maximum of 150% in case of overachievement of performance criteria. In case of absolute negative results (cumulative EBIT* of EADS) during the performance period, the Board of Directors can decide to review the vesting of the performance units including the 50% portion which is not subject to performance conditions (additional vesting condition).

| | | Eleventh tranche |
|---|---|---|
| Date of Board of Directors meeting (grant date) | | 13 November 2009 |
| | Performance and restricted unit plan | |
| | Performance units | Restricted units |
| Number of units granted [1] | 2,697,740 | 928,660 |
| Number of units outstanding | 2,612,380 | 910,360 |
| Units granted to: | | |
| • Mr Louis Gallois* | 46,000 | - |
| • the 10 employees having being granted the highest number of units during the year 2009 (eleventh tranche) | 356,000 | 96,000 |
| Total number of eligible beneficiaries | | 1,749 |
| Vesting dates | The performance and restricted units will vest if the participant is still employed by an EADS company at the respective vesting dates and, in the case of performance units, upon achievement of mid-term business performance. Vesting schedule is made up of 4 payments over 2 years: • 25% expected in May 2013; • 25% expected in November 2013; • 25% expected in May 2014; • 25% expected in November 2014. | |
| Number of vested units | 7,850 | 3,400 |

(1) Based on 100% target performance achievement. A minimum of 50% of performance units will vest; 100% in case of on-target performance achievement; up to a maximum of 150% in case of overachievement of performance criteria. In case of absolute negative results (cumulative EBIT* of EADS) during the performance period, the Board of Directors can decide to review the vesting of the performance units including the 50% portion which is not subject to performance conditions (additional vesting condition).

* For more information in respect of units granted to the Chief Executive Officer, see "Notes to the Company Financial Statements — Note 11: Remuneration".

| | | Twelfth tranche |
|---|---|---|
| Date of Board of Directors meeting (grant date) | | 10 November 2010 |
| | Performance and restricted unit plan | |
| | Performance units | Restricted units |
| Number of units granted [1] | 2,891,540 | 977,780 |
| Number of units outstanding | 2,843,440 | 956,400 |
| Units granted to: | | |
| • Mr Louis Gallois* | 54,400 | - |
| • the 10 employees having being granted the highest number of units during the year 2010 (twelfth tranche) | 341,600 | 79,000 |
| Total number of eligible beneficiaries | | 1,711 |
| Vesting dates | The performance and restricted units will vest if the participant is still employed by an EADS company at the respective vesting dates and, in the case of performance units, upon achievement of mid-term business performance. Vesting schedule is made up of 4 payments over 2 years: • 25% expected in May 2014; • 25% expected in November 2014; • 25% expected in May 2015; • 25% expected in November 2015. | |
| Number of vested units | - | - |

(1) Based on 100% target performance achievement. A minimum of 50% of performance units will vest; 100% in case of on-target performance achievement; up to a maximum of 150% in case of overachievement of performance criteria. In case of absolute negative results (cumulative EBIT* of EADS) during the performance period, the Board of Directors can decide to review the vesting of the performance units including the 50% portion which is not subject to performance conditions (additional vesting condition).

* For more information in respect of units granted to the Chief Executive Officer, see "Notes to the Company Financial Statements — Note 11: Remuneration".

| | | Thirteenth tranche |
|---|---|---|
| Date of Board of Directors meeting (grant date) | | 9 November 2011 |
| | Performance and restricted unit plan | |
| | Performance units | Restricted units |
| Number of units granted [1] | 2,588,950 | 877,750 |
| Number of units outstanding | 2,588,950 | 877,750 |
| Units granted to: | | |
| • Mr Louis Gallois* | 51,400 | - |
| • the 10 employees having being granted the highest number of units during the year 2011 (thirteenth tranche) | 320,050 | - |
| Total number of eligible beneficiaries | | 1,771 |
| Vesting dates | The performance and restricted units will vest if the participant is still employed by an EADS company at the respective vesting dates and, in the case of performance units, upon achievement of mid-term business performance. Vesting schedule is made up of 4 payments over 2 years: • 25% expected in May 2015; • 25% expected in November 2015; • 25% expected in May 2016; • 25% expected in November 2016. | |
| Number of vested units | - | - |

(1) Based on 100% target performance achievement. A minimum of 50% of performance units will vest; 100% in case of on-target performance achievement; up to a maximum of 150% in case of overachievement of performance criteria. In case of absolute negative results (cumulative EBIT* of EADS) during the performance period, the Board of Directors can decide to review the vesting of the performance units including the 50% portion which is not subject to performance conditions (additional vesting condition).

* For more information in respect of units granted to the Chief Executive Officer, see "Notes to the Company Financial Statements — Note 11: Remuneration".

The information in respect of stock options and performance and restricted shares cancelled and exercised during the year are set out in "Notes to the Consolidated Financial Statements (IFRS) — Note 35: Share-based payment".

For information on the transactions carried out by the Members of the Board of Directors and the Executive Committee see EADS' website and/or the relevant stock exchange authorities' website.

## Shareholding in the Company of the Members of the Board of Directors

| Member of the Board of Directors | Shareholding |
|---|---|
| • Mr Louis Gallois | 15 ordinary shares<br>67,500 stock options [1]<br>13,500 performance shares |
| • Mr Dominique d'Hinnin | 61 ordinary shares |
| • Mr Arnaud Lagardère | 2 ordinary shares |

(1) See eighth tranche as set forth in the above table.

The other Members of the Board of Directors do not hold shares or other securities in the Company.

# 5

# Entity Responsible for the Registration Document


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ENTITY RESPONSIBLE FOR THE REGISTRATION DOCUMENT

# 5.1 Entity Responsible for the Registration Document

EADS

# 5.2 Statement of the Entity Responsible for the Registration Document

The Company declares that, having taken all reasonable care to ensure that such is the case, the information contained in the Registration Document is, to the best of the Company's knowledge, in accordance with the facts and contains no omission likely to affect its import.

EADS represented by:

Louis Gallois

*Chief Executive Officer*

# 5.3 Information Policy

Contact details for information:

Mr Philippe Balducchi

Head of Investor Relations and Financial Communication

EADS

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A website, **www.eads.com**, provides a wide range of information on the Company, including the Board of Directors Report. Additionally, for the life of this Registration Document, copies of:

- the Articles of Association;
- the Registration Document filed in English with, and approved by, the AFM on 21 April 2010;
- the Registration Document filed in English with, and approved by, the AFM on 19 April 2011, and
- the Consolidated Financial Statements (IFRS) and the Company Financial Statements of EADS for the years ended 31 December 2009, 2010 and 2011, together with the related Auditors' reports, may be inspected at EADS' registered office at: European Aeronautic Defence and Space Company EADS N.V., Mendelweg 30, 2333 CS Leiden, the Netherlands, Seat (*statutaire zetel*) Amsterdam, Tel:. +31 (0)71 5245 600.

Special toll-free hotlines are available to shareholders in France (0 800 01 2001), Germany (00 800 00 02 2002) and Spain (00 800 00 02 2002). An e-mail box is dedicated to shareholders' messages: ir@eads.com.

# 5.4 Undertakings of the Company regarding Information

Given the fact that the shares of the Company are listed on Euronext Paris, on the *regulierter Markt* (in the sub-segment Prime Standard) of the Frankfurt Stock Exchange and on the Madrid, Bilbao, Barcelona and Valencia Stock Exchanges, the Company is subject to certain laws and regulations applicable in France, Germany and Spain in relation to information, the main ones of which are summarised in "General Description of the Company and its Share Capital — 3.1.3 Governing Laws and Disclosures".



# 5.5 Significant Changes

As of the date of this Registration Document, there has been no significant change in the Group's financial or trading position since 31 December 2011.

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