Chairman’s Statement

With investment markets showing signs of recovery from the global economic crisis and news of encouraging results for the Scheme’s third funding valuation, the outlook for the Scheme is looking positive.

Most asset classes have bounced back from their low valuations at the height of the recession, although government bonds have yielded low returns with interest rates in the UK continuing to be held at record lows. The Trustee Board has started to make its planned investment in UK Property. At the same time the Trustee Board has reviewed its investment strategy; increasing the property allocation, reducing corporate bonds and adding a slightly higher weight to Emerging Market equities.

The outcome of the actuarial valuation is that the funding level has improved to 91% and contribution rates will be held at current levels until the next triennial valuation. The improvement in funding is largely the result of higher Company contributions. It is expected that the funding shortfall will be cleared by September 2016, which is sooner than the projection in the last valuation. The Trustee Board and the Company have continued to build prudent assumptions into the valuation process and look for ways to control the costs of the Scheme. For example, the Scheme will see a reduction in the Levy it is required to pay to the Pension Protection Fund as a direct result of a parent guarantee from EADS NV.

We have now launched the Scheme website to make it easier for our 4000 members to get information about the Scheme. This also provides links to ePA enabling you to check your data and run calculations and to Standard Life enabling you to track your AVC or Retirement Account Investments.

The Trustee Directors have “been back to school” to prove their knowledge through passing the examinations for the Pension Management Institute’s Award in Pension Trusteeship. Governance issues continue to feature highly with reviews being conducted on Scheme data and process reviews of contribution collections.

Inside this issue:

Valuation results
Improved funding level with contributions unchanged and shortfall to be cleared sooner.

Investment strategy
Diversify into property and consolidate gains from corporate bonds.

Governance
Trustees pass exams.

Trustee report
Information on membership and the Scheme finances.

Defined contributions investments
The investment returns for AVCs and Retirement Accounts reflect the positive recovery in most investment markets.

Information when you want it
You can now get easy access to information about your pension on-line through a variety of media.

Throughout this summary report all figures and values are effective as at 5 April 2010 unless stated otherwise.

Connect with your pension and visit the Scheme’s website: www.eadsastrumpensions.eads.com

EADS Astrium Pension Scheme
a plan for the rest of your life

For employees in the UK of:
**Scheme membership**

Overall membership numbers have continued to increase, up 14% on last year. The number of pensioners is increasing as older legacy members retire. A further employer, Cimpa Limited, which is a subsidiary of Airbus Operations Limited has been added and employees of Surrey Satellite Technology Limited will join in 2011.

**Membership by type**

- **Total membership**: 4,102
  - **Active members**: 3,484 (2009: 3,125)
    - Schedule 1: 2,191 (2009: 1,770)
    - Schedule 2: 852 (2009: 892)
    - Schedule 3: 441 (2009: 463)
  - **Deferred pensioners**: 450 (2009: 342)
  - **Pensioners**: 168 (2009: 131)

**Key changes this year**

- 594 new joiners to Schedule 1
- 63 members leaving and taking a refund of contributions
- 29 retirements from active membership
- 2 deaths in service

**Contributions by employer**

- Astrium: 73.0%
- Paradigm Services: 9.8%
- Airbus: 6.4%
- Infoterra: 3.8%
- DSUK: 1.2%
- Eurocopter: 2.0%
- Imass: 2.1%
- EADS UK: 1.7%

**Scheme finances**

**Total increase to the fund: £78.8m (2009: £7.6m)**

**Total assets**

**Outgoings from the fund: £5.1m (2009: £4.5m)**

**Assets of the Defined Benefit section of the Scheme: £247.2m (2009: £173.1m)**

- UK Equities: £51.9m (2009: £33.6m)
- Overseas Equities: £50.2m (2009: £33.5m)
- UK Index Linked Gilts: £69.8m (2009: £71.1m)
- UK Corporate Bonds: £45.5m (2009: £32m)
- Cash and other assets: £5.8m (2009: £19.5m)

**Assets of the Defined Contribution section of the Scheme: £19.3m (2009: £14.1m)**

- Retirement account: £5.8m (2009: £3.1m)
- AVCs: £13.4m (2009: £11m)

**Pensions**

- £1.2m (2009: £0.96m)
- £0.47m (2009: £0.56m)

**Cash on retirement**

- £0.6m (2009: £0.72m)
- £0.25m (2009: £0.5m)
- £0.92m (2009: £1.24m)

**Refunds of contributions and transfer out**

- £0.29m (2009: £0.25m)
Summary Funding Statement including valuation results as at 5th April 2010

The Scheme Actuary has reported to the Trustee Board on the actuarial valuation carried out with an effective date of 5th April 2010.

How is the financial security of the Scheme measured?

It is important to remember that the Scheme’s aim is to honour the Employers’ promise to pay you certain defined benefits on retirement or earlier death. An indication of these benefits is provided in either the benefits statement that you receive each year, or notified to you when you left the Scheme or retired.

The cost of these benefits is met through contributions paid by you and the Employers spread over your working life. These contributions are held in a Trust Fund held separately from the Employers. The Trust Fund is looked after by the Trustees, who are responsible for deciding on the investment policy, after consulting with the Principal Employer. Every three years a valuation of the Scheme is carried out by the Scheme Actuary. An objective of this valuation is to compare the value of the assets held by the Scheme with the estimated value of the liabilities, i.e. the cost of meeting all the benefits promised up to the date of the valuation. This process will either show a surplus or a shortfall – the funding level.

It is normal practice to adjust future contributions to deal with any surplus or deficit. In rare circumstances surpluses can be paid back to the employers, but this has never been done under this Scheme.

Valuation results as at 5th April 2010

Before completing the valuation the Trustee Board and the Principal Employer, Astrium Limited, reviewed the Statement of Funding Principles (“the SFP”) which governs the method and assumptions used within the actuarial valuation. The SFP includes the statutory funding objective that the Scheme should have sufficient and appropriate assets to cover its technical provisions. The SFP sets out the Trustee Board’s policy for securing that this objective is met.

The assumptions adopted in the SFP were adapted to reflect the Scheme experience and current financial and demographic forecasts. In addition the following changes were made:

- increased allowance for improvements in life expectancy;
- reduced allowance for salary increases;
- tightened investment return assumptions;
- reduced length of the recovery period to eliminate the deficit; and
- lower expense allowance to take account of lower expected Pension Protection Fund Levy.

The results show that the Scheme had a deficit relative to its statutory funding objective of £24.8m at 5th April 2010 and that the assets of the Scheme covered about 91% of its technical provisions. This represents an improvement in the funding level since the last actuarial valuation, which was largely due to increased employer contributions and slightly higher investment returns than expected. The results, together with those of the previous valuation can be summarised as follows:

<table>
<thead>
<tr>
<th>2007 valuation</th>
<th>2010 valuation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td>£158.9m</td>
</tr>
<tr>
<td></td>
<td>£266.0m</td>
</tr>
<tr>
<td>Amount needed</td>
<td>£192.3m</td>
</tr>
<tr>
<td>to provide</td>
<td>£290.8m</td>
</tr>
<tr>
<td>Scheme benefits</td>
<td></td>
</tr>
<tr>
<td>Shortfall</td>
<td>£33.4m</td>
</tr>
<tr>
<td></td>
<td>£24.8m</td>
</tr>
<tr>
<td>Funding level</td>
<td>83%</td>
</tr>
<tr>
<td></td>
<td>91%</td>
</tr>
</tbody>
</table>

Contributions and Recovery Plan

The Trustee Board and the Principal Employer have agreed a Recovery Plan that contributions will be paid to the Scheme by the employers, in addition to the cost of benefit accrual and expenses, with the objective of clearing the funding shortfall by September 2016. The rates of Recovery Plan employer contributions are 7.6% of pensionable earnings for Schedule 2 members and 6.8% of contribution earnings for Schedule 3 members.

The ongoing cost required to fund future benefits on the assumptions adopted in the SFP have largely stabilised relative to the last actuarial valuation. The members’ and the employers’ contributions will therefore remain the same as before.

The rates of contributions are recorded in the Schedule of Contributions dated November 2010. The next actuarial valuation of the Scheme will be carried out with an effective date of 5th April 2013. However in the intervening years the Trustee Board will obtain annual actuarial reports.

The role of the Trustee

The Trustee’s main objective is to have enough money in the Scheme to be able to pay the pensions and other benefits due to members. In addition to taking actuarial advice on the funding of the Scheme and agreeing contributions with the Employers, the Trustee is responsible for the Scheme’s investment policy. The Scheme’s funds are currently invested in a broad range of assets, as shown in the Investments section of this newsletter.

The Trustee has appointed investment managers to track appropriate indices or invest in funds, and an investment adviser to give professional advice on its investment policy. Details about the Trustee’s investment policy are shown in the Statement of Investment Principles (SIP).

The importance of the Employers’ support

The funding of the Scheme does rely on the continuing support of the Employers. If an employer goes out of business any shortfall in its share of a pension scheme would become a debt on that employer. The employer would be required to pay enough money to enable the trustee to buy insurance policies to meet that employer’s share of the benefits promised.

The cost of buying insurance policies is very expensive, especially for younger members. For example, if the Astrium Scheme had been wound up and insurance policies purchased in April 2010 the assets would have met 56% of the cost. Under normal circumstances it is unlikely that a pension scheme would be forced to wind up immediately – the Trustee could continue to keep the scheme open and pay the benefits as they become due, although further benefits would not accrue.

The worst that can happen is that the employer goes into liquidation whilst a scheme has a shortfall and there were not sufficient proceeds from the liquidation to meet the cost of the buy-out policies. The Government has set up the Pension Protection Fund to cover such eventualities, subject to certain limits and qualification conditions. Details can be found on the following website: www.pensionprotectionfund.org.uk

How can I get more information?

Your pension is an important benefit and you can obtain more information about the Scheme and how it is managed by contacting the Scheme Secretary at the address shown on the back page of this newsletter. A copy of the full Trustee Report and a copy of the Statement of Investment Principles can also be obtained from the same source.
**Strategy**

The Trustee Board has continued to keep its investment strategy under review to meet its long term objective to seek extra return but without adding risk, particularly through greater diversification of asset classes.

The outlook for UK Property continued to remain poor throughout the first half of the year, so the Trustee staved off its intended allocation until March 2010.

Investment markets continue to prove challenging and the Trustee Board undertook a further review of its asset allocation during the year. After taking advice a revised allocation as in the table below was developed. Transition to the new allocation would be gradual using new money, as the Scheme has positive cashflow with approximately £2m available for investment each month.

The investment allocation changes are summarised below:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Old allocation</th>
<th>New allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK Equities</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>Overseas Equities (50% currency hedged)</td>
<td>20%</td>
<td>16%</td>
</tr>
<tr>
<td>Emerging Market Equities</td>
<td>0%</td>
<td>4%</td>
</tr>
<tr>
<td>UK Gilts</td>
<td>10%</td>
<td>0%</td>
</tr>
<tr>
<td>Index Linked Gilts</td>
<td>30%</td>
<td>35%</td>
</tr>
<tr>
<td>Corporate Bonds (over 15 years)</td>
<td>10%</td>
<td>5%</td>
</tr>
<tr>
<td>Corporate Bonds (all stocks)</td>
<td>10%</td>
<td>5%</td>
</tr>
<tr>
<td>UK Property</td>
<td>0%</td>
<td>15%</td>
</tr>
</tbody>
</table>

Comprehensive details of the Trustee Board’s investment strategy are set out in the Statement of Investment Principles (SIP) a copy of which can be obtained from the Pension Manager.

**Investment performance**

Investment markets had bounced back as the global economy came out of recession. The return on the Scheme’s assets during the year was 25.6%.

Equities rallied but growth slowed in the third quarter. Bond yields have remained low due to fiscal policy and have been hindered by the sovereign debt problems particularly in the EU. The chart below shows the investment performance of the Scheme’s assets to 5th April 2010. The performance of each asset class was in line with the target index against which the investment manager is measured. The overall yearly rate of return of 6.7% since the Scheme was set up is above the long term investment target assumed in the actuarial valuation indicated by the red line.

**Defined contribution investments**

The Trustee Board offers a range of funds with Standard Life plc in which you can invest your Additional Voluntary Contributions (AVCs) or Retirement Account contributions. It is important that you keep your defined contribution investments under review. Whilst there may be a gain (or fall) in your investments over a short period, e.g. one year, it is the long term value of your investments to retirement that matters. You should be aware of the type of investment funds your contributions are invested in and remember that you can move your investments between funds.

**Balanced Lifestyle Fund – the automatic fund choice**

Most members are invested in the Balanced Lifestyle Fund as this is the automatic choice made available by the Trustee for those members who have made no personal selection. This fund starts with investments held in the Managed fund then gradually moves the investments to more cautious funds as you approach retirement (see the graph below):

**Performance of individual funds**

The Trustee Board regularly monitors the performance of each of the Standard Life funds. The return on each fund during the year and over the last three years is shown in the graphs below (individual funds) and to the right (Balanced Lifestyle).

**Individual Funds**

The return on both the With Profits Fund and the With Profits 2006 Fund for the year to 31 December 2009, which is reflected in the Unit Price for these funds, was 7.9%. The underlying Bonus Growth rate declared by Standard Life for these two With Profits funds was 2%. 
**Governance**

The Trustee Board directors place a lot of importance on building up their knowledge on pension matters and attend a number of conferences and seminars to supplement the support and advice they get in Board meetings from their advisers. To prove this, six out of the seven Trustee Directors “went back to school” and have passed examinations called the Award in Pension Trusteeship set by the Pensions Management Institute.

A workshop was held to enable the directors to review the Risk Register and a number of the risks were re-rated, with many of the previously identified mitigating actions leading to closure or a lower priority ranking. No serious issues were identified. In addition the appointments of the Scheme Actuary, Stephen Rees of Towers Watson Limited and Dr Kellerman as the Scheme’s medical adviser were reviewed by the Trustee Board and their services retained.

Checks on the quality of Scheme data and controls around collecting and maintaining Scheme data were undertaken. This work was carried out in the context of new guidance issued by The Pensions Regulator and the Scheme’s data standards were found to be more than satisfactory. However action plans were still put in place and this included the implementation of a new reconciliation process for core contributions to the Scheme.

The Trustee Board has been provided with a formal Guarantee by EADS NV to meet the obligations and liabilities of Participating Employers to the Scheme, which is expected to significantly reduce the Scheme’s Levy payments to the Pension Protection Fund.

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**Information when you want it**

Have you visited the Scheme’s new website yet?

We have put together in one place lots of information about the pension scheme and links to other sites where you can access your own records. The site is split between the three different Schedules of the pension scheme so you can look at the part relevant to you.

In the right margin of each page on the website there are links to “Your Core Pension Record” and your “AVC” or “Retirement Account” record. Plus there is a booklet called “yourpensiononline” which explains how to use these two systems to get information about your pension and to run combined quotations.

Remember to keep your Expression of Wish nomination for the life assurance up to date in Your Core Pension record. Use the AVC/Retirement Account link to keep track of your pension investments. If you have problems remembering your passwords use the prompts on screen or call the helpline.

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**Payments to the Company**

There are circumstances when your Scheme can make payments to the Company, for example, to cover administration expenses of the Scheme. Whilst the rules of the Scheme do allow for payments to the Company in certain limited circumstances, new legislation now requires the Trustee Board to pass a Resolution if such payments are to continue to be made after 1st April 2011.

The Trustee Board intends to pass a resolution to enable them to retain the ability to make payments to the Company in certain limited circumstances, in accordance with the Scheme rules and in compliance with statutory requirements. This will continue to allow the Scheme to reimburse the Company with administration costs that have, for convenience and efficiency, been paid for by the Company on behalf of the Scheme.

The resolution would take effect from 1st April 2011 so that payments to the Company under the Scheme rules are not in breach of section 251 of the Pensions Act 2004. The Trustee Board is satisfied, after taking legal advice, that it is in the interests of the members of the Scheme to pass the resolution.

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**Pension increases**

Annual increases to pensions in payment from 1 April are based on the increase to the Retail Prices Index (RPI) for the 12 months to the previous September. Due to deflation during the measurement period, there was no general increase to pensions in payment in April 2010.

The Government has announced its intention to allow the use of the Consumer Prices Index (CPI) in place of the RPI as the inflation reference for minimum increases applied to company pension schemes. The June emergency budget had already announced CPI as the basis of increase for public and state pension benefits from 2011.

Once full details of the proposed changes in legislation are known, the impact on the Scheme will be assessed.
The Pensions Consultative Committee (PCC), whose members are nominated and elected from the whole active and pensioner membership as appropriate, is responsible for selection of Member Nominated Directors (MNDs).

Peter Cheney and Ian Westall were re-elected as both PCC representatives and also as Member Nominated Trustee Directors.

<table>
<thead>
<tr>
<th>Name</th>
<th>Constituency</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steve Chafer</td>
<td>Infoterra, Leicester</td>
<td>PCC member</td>
</tr>
<tr>
<td>Peter Cheney</td>
<td>Astrium, Stevenage</td>
<td>Trustee</td>
</tr>
<tr>
<td>Paul McAllister</td>
<td>Astrium, Portsmouth</td>
<td>Chairman of the PCC</td>
</tr>
<tr>
<td>Steve Parker</td>
<td>Astrium, Portsmouth</td>
<td>Trustee</td>
</tr>
<tr>
<td>Ian Westall</td>
<td>Pensioners</td>
<td></td>
</tr>
<tr>
<td>Dave Sutton</td>
<td>Astrium, Stevenage</td>
<td>PCC member</td>
</tr>
<tr>
<td>Carol Tiplady</td>
<td>Astrium, Poynton</td>
<td>PCC member</td>
</tr>
<tr>
<td>Phil Wadey</td>
<td>Paradigm (Corsham/Hawthorn/Oakhanger)</td>
<td>PCC member</td>
</tr>
<tr>
<td>Bill Mulllin</td>
<td>Airbus, Broughton</td>
<td>PCC member</td>
</tr>
<tr>
<td>Vacancy</td>
<td>Airbus, Filton</td>
<td>PCC member</td>
</tr>
<tr>
<td>Vacancy</td>
<td>Cassidian, Newport</td>
<td>PCC member</td>
</tr>
<tr>
<td>Vacancy</td>
<td>Eurocopter, Oxford</td>
<td>PCC member</td>
</tr>
</tbody>
</table>

Trustee and Advisers

Trustee EADS Astrium Pension Scheme Trustees Limited
Trustee Board of Directors
- Bill Newman (Chairman)
- Peter Cheney – Member Nominated Director
- Andreas Drabert
- Nigel Ede
- Robert Graham
- Steve Parker – Member Nominated Director
- Ian Westall – Member Nominated Director
Pensions Manager and Secretary to the Trustee Clive Bugeja
Astrium Limited, Gunnels Wood Road, Stevenage, SG1 2AS
Principal Employer Astrium Limited
Scheme Actuary Stephen Rees
Actuarial Advisers Towers Watson Limited
Administrator Towers Watson Limited
Auditors Ernst & Young LLP
Banker HSBC Bank
Investment Consultant Lane Clark & Peacock LLP
Investment Managers State Street Global Advisors Limited
Aviva Investors Pensions Limited
AVC/Retirement Account Provider Standard Life plc
Solicitors and Legal Adviser Sacker & Partners LLP

If you have difficulty reading this document you can obtain an audio copy by contacting the Pensions Manager.

Scheme contacts

Scheme website: www.eadsastriumpensions.eads.com
Scheme email address: eads-astrium-pension-scheme@astrium.eads.net

The on-line administration site address, ePA, can be found at: https://epa.watsonwyatt.com/doc/AST/login.htm

The Standard Life site address can be found at: http://www.mypensioninfo.com/viewer/login.do?username=ASTRIUM

If you have left employment or you have retired and you are drawing your pension you should contact Towers Watson to raise any queries about your pension at:
EADS Astrium Pension Scheme
Towers Watson Limited, PO Box 545, Redhill, RH1 1YX
Tel: 01707 607618
E-mail: eadspensions@towerswatson.com

If you wish to contact the Trustee Board, or if you have queries about the management of the Scheme or you require details of the dispute resolution procedure, please contact Clive Bugeja, Scheme Secretary and Pensions Manager at:
EADS Astrium Pension Scheme Trustees Limited
Gunnels Wood Road, Stevenage, SG1 2AS
Tel: 01438 773319
E-mail: clive.bugeja@astrium.eads.net

The Department for Work and Pensions
Details or a personal quotation of your State pension can be obtained from the internet at www.thepensionservice.gov.uk or by phoning 0845 60 60 265.

Independent financial advice
The EADS Astrium pensions team, the Trustee Directors, the PCC members and the Towers Watson administration team are not authorised nor qualified to give you financial or investment advice. To obtain impartial financial advice, members are advised to contact an Independent Financial Adviser (IFA).

You can find a list of the IFAs in your postal area by contacting IFA Promotion on 0117 971 1177 or visiting www.unbiased.co.uk