

PENSIONS News

EADS Astrium Pension Scheme
OCTOBER 2009

SUMMARY REPORT FOR THE YEAR ENDED 5 APRIL 2009

Chairman's Statement



Bill Newman
Chairman of the Trustees

You are probably feeling concerned about the effect of the global economic crisis on the pension scheme and the investment of your pension contributions. The most important point to remember is that most of your pension benefits are linked to your final salary and service and are not therefore directly affected by investment markets. Members of Schedule 1 and those of you who invest in Additional Voluntary Contributions (AVCs) will be partially affected by recent falls in the value of your pension investments, but you should remember that it is the long term nature of these investments that matter. There are further details on these investments inside.

The funding of the Scheme depends on the member and employer contributions and the investment returns on them. Whilst the investments held have fallen significantly in value over the short term due to the 'credit crunch' the impact was limited by our cautious investment strategy. We also benefitted from holding new contributions in cash throughout most of the year. The funding position of the Scheme, which compares projections of the value of the assets to the cost of the benefits, has only fallen by 3%.

The Trustee regularly keeps its investment strategy under review. The Trustee Board also commissioned an independent review of the financial strength of the

principal employer, Astrium Limited, as part of the Trustees overall governance on funding.

Standard Life introduced a new Managed Cash fund which has been made available to members following concerns over the possible impact on the Standard Life Sterling fund of the "banking crisis".

Membership of the Scheme has almost doubled since it was set up in 2003. The number of EADS employees in the UK who participate in the Scheme has risen to 9 with all new future Defence & Security UK Limited employees joining from April 2009 and with the purchase of Imass Limited.

New regulations affecting the increases to deferred pension benefits between a member leaving the company and their retirement date mean that these increases will now be capped at the greater of retail price inflation and 2.5% for benefits built up after April 2009 (down from 5%). The Trustee has also introduced a limit on the amount of temporary pension that a member may take on early retirement until normal pension age – called the Stepped Pension.

Information about the Pension Scheme will soon be easier to access through the launch of a dedicated section hosted on the EADS external web site.

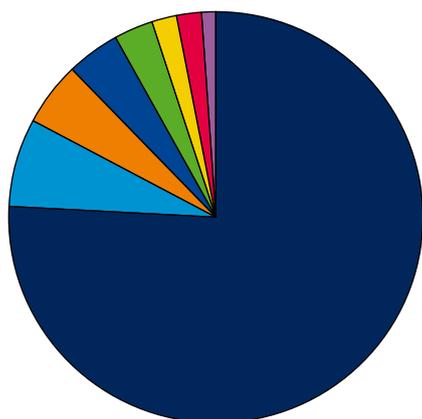


Throughout this summary report all figures and values are effective as at 5 April 2009 unless stated otherwise.

This newsletter announces some changes to the pension scheme that may affect you. It is therefore important that you read the contents carefully and if you are unsure about any matter, please contact the Pensions Manager at clive.bugeja@astrium.eads.net

Scheme membership

Contributions by employer

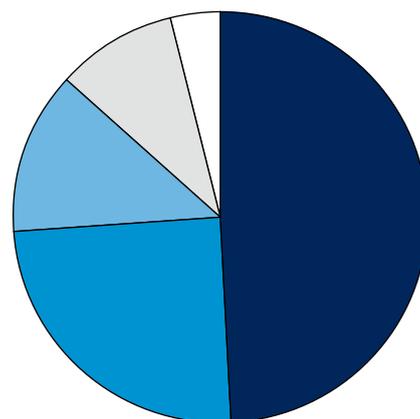


- Astrium 76%
- Paradigm Services 7%
- Airbus 5%
- Infoterra 4%
- Paradigm Secure Communications 3%
- Eurocopter 2%
- Imass 2%
- EADS UK 1%

Membership size has almost doubled since the Scheme was established in November 2003. Schedule 1 now makes up half the membership, whilst (from no members at inception) reflecting the fact that this is the open section of the Scheme. The total participating EADS employers was brought to nine this year when two further EADS businesses were added, whilst Infoterra acquired Imass Ltd with their employees being invited to join Schedule 1 from January 2009. New employees of Defence & Security UK (DS UK) Limited are now eligible to join Schedule 1 and existing DS UK employees were also given the opportunity to switch from their current scheme on 1 June 2009 but with no transfer-in of benefits from other schemes.

The number of pensioners is still low but growing, which means that there is still a positive cash flow into the Scheme (ie contributions received versus benefits paid out).

Membership by type



Active members – 3125 (2008 – 2529)

- Schedule 1: 1770 (2008 – 1108)
- Schedule 2: 892 (2008 – 931)
- Schedule 3: 463 (2008 – 490)

Deferred pensioners

- 342 (2008 – 264)

Pensioners

- 131 (2008 – 106)

Key changes this year

- 775 new joiners to Schedule 1
- 58 members leaving and taking a refund of contributions
- 17 retirements from active membership
- 2 deaths in service

Governance

The Trustee Board has reviewed its Risk Register and a number of the risks were re-rated and actions updated, but with no significant issues identified. The appointments of Ernst & Young as auditors and Sacker & Partners LLP as legal advisors were reviewed by the Trustee Board and their services retained.

As Principal Employer and share holder for the Trustee Company (Astrium Limited) passed a resolution to enable directors of the Trustee Company to deal with conflicts of interest. A register of potential conflicts of interest of each director has been established.

The Trustee Board recognises the importance for the sponsoring employers' support to the Scheme and in particular their ability to make good the shortfall in funding over time. As part of their ongoing monitoring of the employers the Trustee Board commissioned an independent report by Baker Tilley on the financial strength of Astrium Limited whose employees cover a significant proportion of the liabilities of the Scheme.

The handover phase to the new administration service provider, Watson Wyatt, has been concluded. Outstanding data and process issues are monitored by the Pensions Manager and reported to the Trustee Board.

Rule changes

As reported in last year's Trustee Report, the Deed of Variation was executed to deal with the rule changes to implement SMART Pensions.

Members who leave the Scheme (for example when leaving employment) with more than two years of membership defer their pension in the Scheme until they retire. Increases on their deferred pension follow (updated) Government regulations, with increases being linked to the Retail Price Index but subject to not being higher than a cap. The cap was 5% for deferred pensions built up before 6 April 2009, but has been reduced to 2.5% for the deferred pension based on service after 5 April 2009.

The rules give members of Schedules 2 or 3 who retire early, subject to Trustee consent, an option to receive a temporary allowance between the date of early retirement and state pension age. The pension then reduces from state pension age – called a Stepped Pension. The Trustee Board has decided to introduce a policy that restricts the amount of the Stepped Pension to no more than 20% of the member's early retirement pension.

No early retirement before age 55

Government regulations passed in 2006 come into force from 6 April 2010 meaning that employees cannot draw a pension before age 55. This restriction does not affect retirement on grounds of ill-health. Remember that voluntary early retirement (in good health) requires company approval. If you are thinking of retiring before April 2010 you should consult your line manager as soon as possible.

Strategy

The Trustee Board has continued to keep its investment strategy under review to meet its long term objective of seeking extra return but without adding risk, particularly through greater diversification of asset classes. However, extremely volatile market conditions have influenced the proposed changes to the allocation of assets.

The Trustee Board has built up cash from new contributions throughout most of the year, split between Sterling and Euro denominated liquidity funds, in readiness for an intended investment in property. In the final quarter of the year, after taking investment advice and consulting with the Principal Employer, the Trustee Board re-allocated the cash into Corporate Bonds to take account of attractive pricing. The additional allocation to Corporate Bonds was invested in a passive All Stocks fund.

Furthermore, in July the Trustee Board decided to switch 50% of the Overseas Equities into a currency hedged overseas equity fund to reduce the effects of movements in currencies.

The investment allocation throughout the year is summarised below:

Asset Class	Allocation at start of year	Allocation at end of year	Implementation by
UK Equities	25%	20%	
Overseas Equities	25%	20% (50% of which hedged)	July 2009
UK Gilts	10%	10%	
UK Index Linked Gilts	30%	30%	
UK Corporate Bonds (over 15 years)	10%	10%	
UK Corporate Bonds (all stocks)	0%	10%	January – March 2009
Sterling liquidity	0% - 5%	0%	
Euro liquidity	0% - 5%	0%	

Notes:

Up to 5% allocation to both Sterling liquidity and Euro liquidity, making up to 10% in total, was also accumulated throughout the year but disposed of by year end.

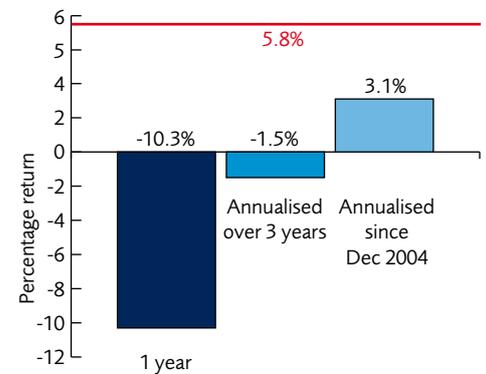
Full details of the Trustee Board's investment strategy are set out in the Statement of Investment Principles ("the SIP") a copy of which can be obtained from the Pensions Manager.

Investment performance

This year has seen unprecedented events in the banking sector and elsewhere following the global credit crisis. A global recession, near zero inflation and rising unemployment led to aggressive interest rate cuts and government bail outs to stimulate recovery. Most investment asset classes were disappointing with significant falls in equity values, although markets appeared to rally at the end of the year with a shift in sentiment. The Scheme benefitted from a high bond allocation (relative to its liability profile) and from holding some cash through part of the year.

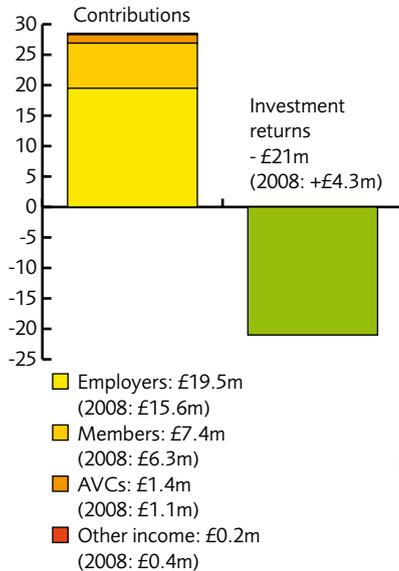
The chart below shows the investment performance of the Scheme's assets to 5 April 2009. The Scheme was able to track its benchmark returns over the year, with the poor performance being wholly related to investment market conditions.

The red line shows the long term investment target assumed in the actuarial valuation.

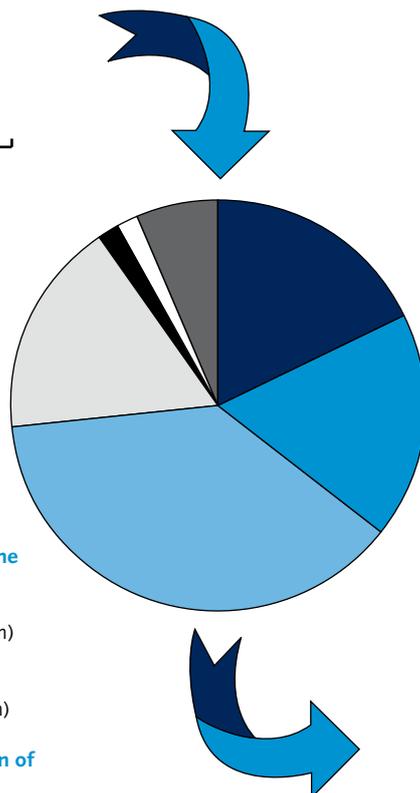


Scheme finances

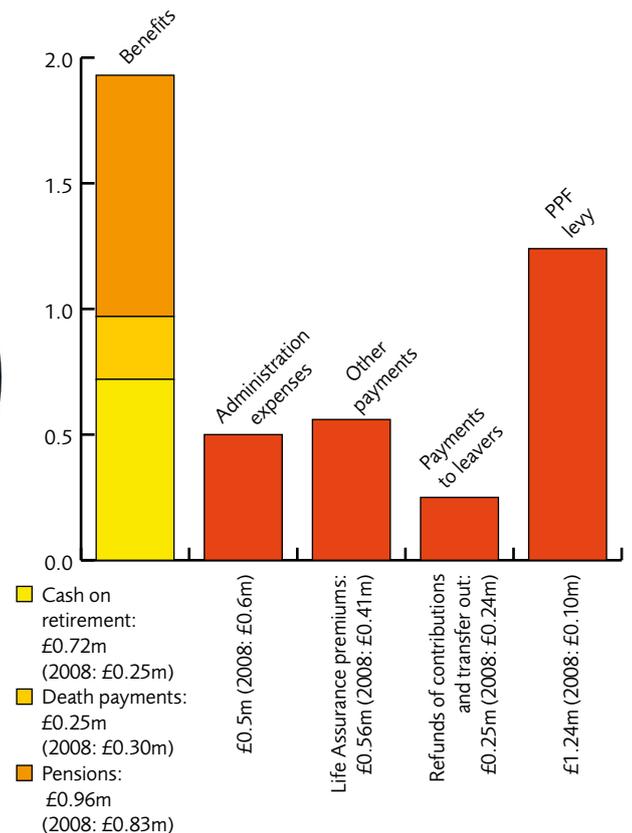
Total increase to the fund: £7.6m (2008: £27.9m)



Total assets



Outgoings from the fund: £4.5m (2008: £2.8m)



Assets of the Defined Benefit section of the Scheme: £173.1m (2008: £169.7m)

- UK Equities: £33.6m (2008: £41.4m)
- Overseas Equities: £33.5m (2008: £37.1m)
- UK Gilts: £71.1m (2008: £89.2m)
- UK Corporate Bonds: £32m (2008: Nil)
- Cash and other assets: £2.9m (2008: £2m)

Assets of the Defined Contribution section of the Scheme: £14.1m (2008: £14.4m)

Standard Life policies:

- Retirement account: £3.1m (2008: £2.6m)
- AVCs: £11m (2008: £11.8m)

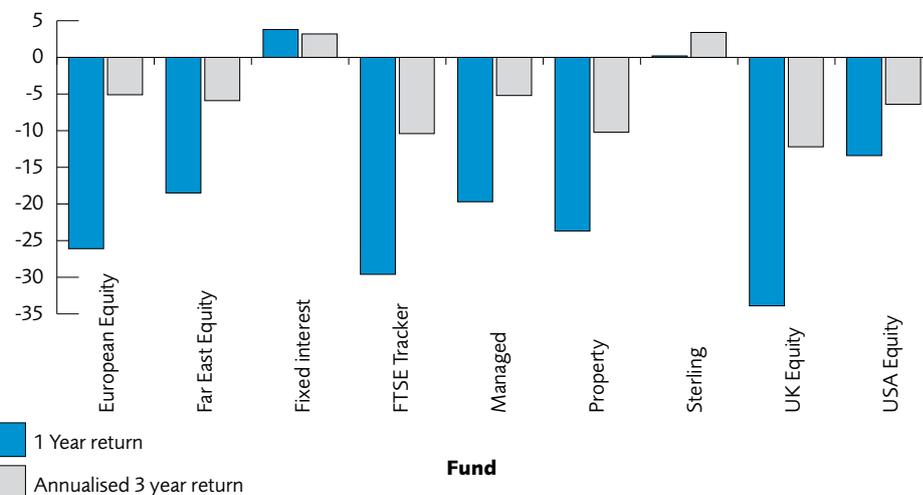
Defined contribution investments

In May 2009, after taking investment advice, the Trustee Board closed the Standard Life Sterling fund to new contributors and made available the Standard Life Managed Cash fund instead and also replaced the Sterling fund with the Managed Cash fund as the ultimate fund allocation under the Lifestyle fund.

The Trustee Board offers a range of funds with Standard Life in which members can invest their Additional Voluntary Contributions (AVC) or Retirement account contributions. The Trustee Board monitors the performance of the Standard Life funds. The return on each fund during the year and over the last three years are shown in the table to the right. The return on the With Profits funds for the year to 31 December 2008 was -12.9% with the underlying bonus rate at 2%.

It is important that you keep your defined contribution investment under review. Whilst there may be falls in values (or gains) over a short period, it is the long term value of your investment to retirement that matters. You can switch between investment funds if you wish – please use the Standard Life on-line facility or contact Watson Wyatt to make arrangements which are normally free of charge.

The Trustee Board monitors the relative performance of the investment manager for defined contributions and has the power to switch investments to another manager. The Trustee Board is satisfied with continuing to offer the current range of funds with Standard Life.



Summary funding statement

This summary funding statement provides you with information about the financial security of the Scheme.

How is the financial security of the Scheme measured?

It is important to remember that the Scheme's aim is to honour the employer's 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 employer spread over your working life. These contributions are held in a Trust Fund held separately from the Employer. 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 full valuation of the Scheme is carried out by the Scheme's 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, ie 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 surplus can be paid back to the employers, but this has never been done under this Scheme.

What is the current funding position?

The most recent formal valuation of the Scheme took place as at 5 April 2007. The results (together with those of the previous valuation) can be summarised as follows:

	2007	2004
Value of assets	£158.9 million	£71.93 million
Amount needed to provide Scheme benefits	£192.40 million	£102.48 million
Shortfall	£33.42 million	£30.55 million
Funding level	83%	70%

Note that these two sets of results were calculated on slightly differing bases so it is not possible to make a direct comparison.

Recovery plan

Additional contributions are being paid by the employers with the objective of clearing the shortfall by February 2017. The rates payable from 1 July 2008 are 7.4% of contributory earnings for Schedule 2 members and 8.1% of contributory earnings for Schedule 3 members.

Up to date information

The latest annual report by the Scheme Actuary showed that on 5 April 2009 the funding level of the Scheme was estimated to be 75%. The position has worsened from the 78% reported in the last summary funding statement, which was included in the October 2008 Pensions News, largely as a result of low investment markets, although this has been partially offset by a slightly more optimistic economic outlook and the deficit contributions paid by the employers.

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 were invested throughout the past year in a range of assets, as follows:

Assets class	% of Scheme's Fund
UK Equities	20%
Overseas Equities	20%
UK Government Bonds	40%
UK Corporate Bonds	20%

The Trustee has appointed an investment manager to manage the assets by tracking appropriate indices and an investment adviser to give professional advice on its

investment policy. Details about the Trustee's investment policy are shown in a Statement of Investment Principles.

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 EADS Astrium Scheme had wound up and insurance policies purchased in 2007 the assets would have met 59% 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 could 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 conditions. Details can be found at: 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. A copy of the full Trustee report and a copy of the Statement of Investment Principles can also be obtained.

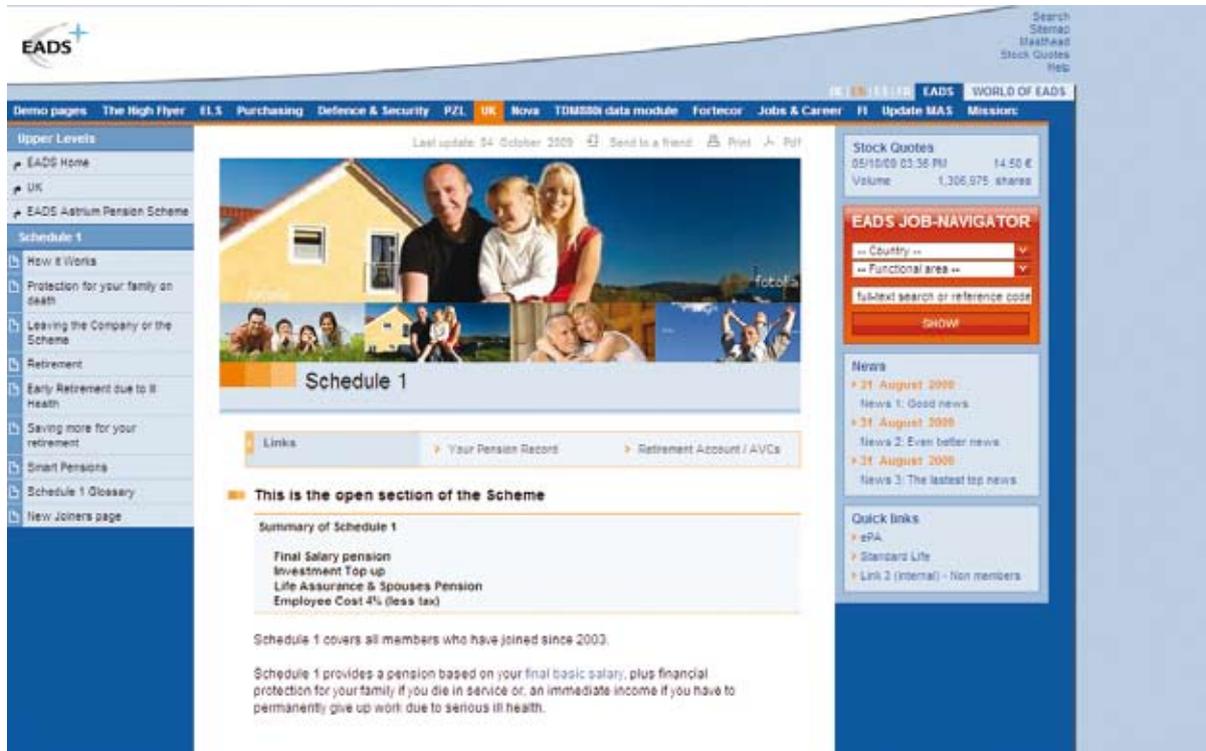
Scheme web site on-line soon

You will shortly be able to get all sorts of information about the Scheme on our new web site. This will be hosted on the external EADS site enabling you to access the site from your home PC as well as from work.

The web site will have sections dedicated to each of the three Schedules and will include downloads of forms, booklets and factsheets and link to other useful sites including the

secure administration site, ePA, and the dedicated Standard Life site. You will therefore be only a few clicks of a mouse away from all your EADS pension information.

We are looking forward to launching this new service to help you keep in touch with the valuable benefits that the Scheme provides and which we are so proud of at EADS.



Don't let your life assurance go to the wrong person

Most members want the reassurance that in the event of their death the Trustee is able to swiftly pay the lump sum benefit directly to the persons most dear to them. But have you told the Trustee your wishes or kept your nomination up to date?

The Trustee has discretion to decide who receives the lump sum payments on death. The rules give them some direction as to who could be your beneficiary, such as a person named in your will or family members. But the rules also allow the Trustee to follow your Expression of Wish, although they are not bound by it as your circumstances could change. If you complete an Expression of Wish nomination it would often enable the Trustee to make a swift payment direct to the persons you want to look after. Remember the payment would not be part of your Estate and would therefore not give rise to any Inheritance Tax.

Even if your personal circumstances are straightforward, eg married with two children, you may wish to tell the Trustee about your wishes. For example, you may wish the Trustee to pay 50% to your partner and 25% to each of your grown up children. There are some family circumstances which could require careful investigation before the Trustee can decide on who receives payment, for example:

- you are living with a partner (without a nomination the Trustee would need to ask for evidence of the relationship and living arrangements);
- you could be divorced but have children living with your ex-partner;

- the person you nominated has passed away;
- you may be a single parent with young children (and you want to nominate a guardian);
- you may be single with no parents or siblings.

These are just a few common situations but there are many very complicated relationships that deserve your advice to the Trustee (in confidence). We are sure that you would like to spare your beneficiaries the inconvenience and upset of having to provide evidence or answer personal questions at a time when they should be coming to terms with their loss.

Please update your Expression of Wish now to avoid such complications.

The Trustee has made it easy for you to make your nomination, securely and in confidence, by visiting the ePA administration site on-line (site address is on the back page under 'Contacts').

Even if you have previously completed a nomination you can update or replace this on-line. If you cannot see your previous nomination on-line this may be because the original nomination is kept in a sealed envelope by the administrator on the Trustee's behalf and we cannot open these. The easiest thing to do is simply nominate again - on-line.



PENSIONS CONSULTATIVE COMMITTEE

USEFUL CONTACTS

... your voice on pensions

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).

In March 2009 William Mullin was the sole nominee as the PCC representative for Airbus in Broughton. In June 2009 Peter Cheney and Dave Sutton, both based at Astrium Stevenage, were re-elected unopposed as PCC representatives for another term of office.

Current members of the PCC		
Name	Constituency	Status
Steve Chafer	Infoterra, Leicester	PCC member
Peter Cheney	Astrium, Stevenage	Trustee
Paul McAllister	Astrium, Portsmouth	Chairman of the PCC
Steve Parker	Astrium, Portsmouth	Trustee
Ian Westall	Pensioners	Trustee
Dave Sutton	Astrium, Stevenage	PCC member
Carol Tiplady	Astrium, Poynton	PCC member
Phil Wadey	Paradigm (Corsham/Hawthorn/Oakhanger)	PCC member
Bill Mullin	Airbus, Broughton	PCC member

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	Watson Wyatt Limited
Administrator	Watson Wyatt Limited
Auditors	Ernst & Young LLP
Banker	HSBC Bank
Investment Consultant	Lane Clark & Peacock LLP
Investment Manager	State Street Global Advisors Limited
AVC/Retirement Account Provider	Standard Life plc
Solicitors and Legal Adviser	Sacker & Partners LLP

Scheme contacts

The on-line administration site address, ePA, can be found at:

<https://epa.watsonwyatt.com/doc/AST/login.htm>

This site also gives you access to your pension record in a secure way where you can view the information held about you, change your investments and run benefit estimates.

The Standard Life site address can be found at:

<http://www.mypensioninfo.com/viewer/login.do?username=ASTRIUM>

This site provides you with information about the investment choices available for your Schedule 1 – Retirement Account contributions, or AVCs. The site also gives you access to your pension record in a secure way where you can view the information held about you and run benefit estimates

Contact Watson Wyatt to raise queries about your pension or to obtain forms, booklets etc using the following postal address:

EADS Astrium Pensions Scheme
Watson Wyatt Limited, PO Box 545, Redhill, RH1 1YX

Tel: 01707 607618

E-mail: eadspensions@watsonwyatt.com

If you wish to contact the Trustee Board, 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.thepensionerservice.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 Watson Wyatt 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

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