Chairman's Statement

This year continues to see an improving funding position for the Scheme against difficult investment market conditions. Following the reported results of the Scheme’s formal actuarial valuation last year the funding level has increased again to 94%; largely due to higher Company contributions. Investment returns on the Scheme’s assets have been very mixed reflecting the problems in developed economies struggling to deal with government debt. The Scheme has benefited from its diversified investment approach.

As we welcome another participating employer in Surrey Satellites Technology Limited, membership of the Scheme (since year end) has grown to more than 5,000.

The Trustee Board works closely with its advisers to keep abreast of best practice and to comply with legislative requirements. We report on a number of matters in this newsletter. In particular, legislation has led to a change in the way deferred pensions are increased: measured by reference to the consumer price inflation rather than the retail price inflation.

We are pleased that members have been using the on-line facilities; our website to find out more about the Scheme and ePA to look at individual records and run quotations.

We also use the Scheme website to share topical information. Under “News & Information” for example there is currently an explanation about the timing of the Pensions Newsletter given that it reports mainly on events that occurred in April. I encourage you to make full use of this helpful resource.

Inside this issue:

Trustee report
Information on membership and the Scheme finances.

Funding
Annual update shows funding has improved to 94%.

Investment strategy
New asset allocation now fully met and returns hold up well in difficult investment markets.

Defined contribution investments
Returns for each of the funds available with Standard Life are shown.

Governance
Legal issues and relationships with providers in the spotlight and Imass merge with Infoterra.

Reduced tax limits
Government reduces the threshold on tax free pensions, but few members affected.

Throughout this summary report all figures and values are effective as at 5th April 2011 unless stated otherwise.

Connect with your pension and visit the Scheme’s website:
www.eadsastriumpensions.eads.com
Overall membership numbers have continued to increase, up 17% on last year. This increase includes a good take up of membership offered to employees of Surrey Satellites Technology Limited.

### Membership by type
- **Total membership**: 4,782
  - **Active members**: 4,000 (2010: 3,484)
    - Schedule 1: 2,776 (2010: 2,191)
    - Schedule 2: 807 (2010: 852)
    - Schedule 3: 417 (2010: 441)
  - **Deferred pensioners**: 565 (2010: 450)
  - **Pensioners**: 217 (2010: 168)

### Key changes this year
- 807 new joiners to Schedule 1
- 72 members leaving and taking a refund of contributions
- 36 retirements from active membership
- 3 deaths in service

### Scheme finances
**Total income to the fund**: £54.2m (2010: £78.8m)

**Total assets**: £335.2m (2010: £275.6m)

**Outgoings from the fund**: £6.5m (2010: £5.4m)

**Assets of the Defined Benefit section of the Scheme**: £312.7m (2010: £247.2m)
- **UK Equities**: £58.8m (2010: £51.9m)
- **Overseas Equities**: £54.0m (2010: £50.2m)
- **UK Index Linked Gilt**: £106.4m (2010: £69.8m)
- **UK Corporate Bonds**: £17.1m (2010: £45.5m)
- **UK Property**: £45.0m (2010: Nil)
- **Cash and other assets**: £8.3m (2010: £5.8m)

**Assets of the Defined Contribution section of the Scheme**: £22.4m (2010: £19.3m)
- **Standard Life policies**:
  - **Pension Protection levy**
  - **Assurance premiums**: £0.25m (2010: £0.25m)
  - **Life Insurance**: £0.45m (2010: £0.92m)
  - **Pensions & annuity purchase**: £1.8m (2010: £1.4m)

**Benefits**: £1.8m (2010: £1.1m)

**Contributions**: £33.9m (2010: £49.8m)

**Investment returns**: £18.9m (2010: £49.8m)

**Outgoings**:
- **Administrative expenses**: £7.5m (2010: £5.4m)
- **Other payments**: £10.1m (2010: £9.2m)
- **Payments to leavers**: £2.1m (2010: £1.6m)
- **Refunds of contributions and transfer out**: £0.1m (2010: £0.25m)
Summary Funding Statement as at 5th April 2011

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 5th April 2010. The results (together with those of the previous valuation) can be summarised as follows:

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

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 September 2016. The rates of Recovery Plan employer contributions are 7.6% of contributory earnings for Schedule 2 members and 6.8% of contributory earnings for Schedule 3 members.

Up to date information

The latest annual report by the Scheme Actuary showed that on 5th April 2011 the funding level of the Scheme was estimated to be 94%. The position has improved from the 91% reported in the last summary funding statement, which was included in the December 2010 Pensions News. The reason is largely because of the deficit reduction contributions paid by the employers and the change in deferred pension increases paid from RPI to CPI.

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 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 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 they become due, although further benefits would not accrue.

The worst that could happen is that the employer becomes insolvent whilst a scheme has a shortfall and there were not sufficient proceeds from the insolvency to meet the cost of 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.
INVESTMENTS

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.

With the help of a £20 million prepayment of company contributions by Astrium Limited the Scheme was able to meet its asset allocation targets, including its full exposure to the Aviva property fund.

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.

Recovery from the global economic crisis has lost momentum against a backdrop of government debt in Europe and the US. This was not helped with political unrest in some Arab states and the Japanese earthquake. UK property returns levelled out, but the Scheme’s performance was affected by the initial costs of establishing the property investment.

The charts below show how the investments were split between asset classes and the investment performance for the year to 5th April 2011. The performance was slightly below the target index against which the investment manager is measured as the asset allocations were not fully met throughout the year. The overall yearly rate of return of 7.2% since the Scheme was set up is above the long term investment target assumed in the actuarial valuation indicated by the red line.

Investment performance

Asset allocation

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):

Lifestyle Fund Profile

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).

The return on both the With Profits Fund and the With Profits 2006 Fund for the year to 31 December 2010, which is reflected in the Unit Price for these funds, was 13%. The underlying Bonus Growth rate declared by Standard Life for these two With Profits funds was 2%.
Rule changes

Scheme apportionment arrangement

The Trustee Board has approved a rule change which allows one participating employer to take over the responsibility for the liabilities of another participating employer. This was introduced so that Infoterra Limited could become responsible for the employees of Lass Limited whose employees transferred across with effect from 31st December 2010.

Reduced tax limits

The Annual Allowance (“the AA limit”) is the tax-free limit on the amount of pension that you can build up during each tax year in a pension scheme. If the total contributions paid to any defined contribution pension scheme, together with the calculated value of the benefits built up in any defined benefit pension scheme, add up to more than the AA limit in any tax year, the excess amount will be taxed. From 6 April 2011, the AA limit became £50,000, a significant reduction to the previous allowance of £255,000. From April 2011, if you exceed the AA limit due to one-off spikes in pension built up (for example because of a significant pay rise due to promotion or payment of a large Additional Voluntary Contribution) you will be able to offset such excess contributions against your unused AA limit from up to three previous tax years.

The Lifetime Allowance (“the LTA limit”) is the total amount of pension benefits which you can have as tax privileged savings. Any pension savings above the LTA limit would attract an additional tax charge. From 6th April 2012, a reduced LTA limit of £1.5 million (down from £1.8 million) will take effect. Transitional protection is available for those whose pension value on 5th April 2012 exceeds the new LTA limit. The new limits for both allowances will be fixed until at least 2015/16, after which the Government will consider options for changing them.

The Trustee Board has approved a new rule which will give you the right to exercise an option to cap your benefits so they do not exceed the AA or LTA limits. Alternatively, you will also be able to ask the Trustee to pay any tax due on benefits in excess of the AA limit, provided the tax due is at least £2,000, and the Trustee would make an appropriate adjustment to your benefits.

Most people will not be affected. We will include information with future annual benefit statements so that you can see how your own benefits compare to the AA and LTA limits each year. If you do think that the new levels will impact on you, you may wish to seek independent financial advice. For more information on this matter please contact the Pensions Manager.

Information when you want it

Scheme Website

Statistics have shown us that many of you have accessed our online pension website www.eadsatriumpensions.eads.com your feedback has been positive and all comments have been appreciated. The website is on the internet therefore you can access this at any time to find general pension scheme information.

Electronic Pension Administration System (ePA)

You can also access your own personal pension record through a secure on-line system where you will be able to run leaver and retirement quotes. To ensure that your record is secure, you must register with the pension administrators, Towers Watson who will send you a Userid and a unique Password; it could not be easier. All you have to do is send an email to: eadspensions@towerswatson.com quoting your full name, date of birth and National Insurance number, and the information will be sent to you.

What happens if you have already done this, and may have accessed the system before but are now experiencing problems getting onto ePA. Perhaps you have forgotten your password.

Here’s what to do. Go on-line to: https://epa.watsonwyatt.com/doc/AST/login.htm

You will see a screen where you enter your login Userid and Password sent to you by Towers Watson (formally Watson Wyatt) when you joined the Pension Scheme. If you have forgotten your Userid or Password please contact Towers Watson by email at eadspensions@towerswatson.com quoting your name, NI number and your email address and new login details will be sent to you.

And there’s more ………

Standard Life

If you are a Schedule 1 scheme member or you pay additional voluntary contributions (AVCs) or additional basic contribution you will also have a policy with Standard Life.

You can access your personal investment record with Standard Life on-line by logging onto:


Pension increases

The annual increase to pensions in payment (above the guaranteed minimum pension) from 1st April 2011 was 4.6% for pension built up before 5th April 2006 and 2.5% for pension built up since 5th April 2006. These rates were based on the increase to the Retail Prices Index (RPI) for the 12 months to the previous September in accordance with the Scheme rules.

Overriding legislation has led to a change to the way in which deferred pensions are increased after 5th April 2011. The Government has changed the index from the retail prices index to the consumer prices index for the calculation of statutory increases for deferred pensions. The Scheme rules apply statutory increases for deferred pensioners who have left pensionable service of the Scheme.

The rates of statutory deferred pension increases declared in April 2011 were 3.1% for deferred pension benefits built up before 6th April 2009 and 2.5% for deferred pension benefits built up after 5th April 2009.
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).

Paul McAllister, Steve Chafer and Steve Parker were re-elected as PCC members and also Steve Parker was re-elected as a Member Nominated Trustee Director.

There are currently vacancies for PCC members at Airbus-Filton, Cassidian-Newport and Eurocopter-Oxford.

If you are interested in applying for one of these posts please contact your HR team.

## USEFUL 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:

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

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### 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

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### PCC members

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<thead>
<tr>
<th>Name</th>
<th>Constituency</th>
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<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>Bill Mullin</td>
<td>Airbus, Broughton</td>
<td>PCC member</td>
</tr>
<tr>
<td>Steve Parker</td>
<td>Astrium, Portsmouth</td>
<td>Trustee</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>
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<tr>
<td>Ian Westall</td>
<td>Pensioners</td>
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<tr>
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<td>PCC member</td>
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**... your voice on pensions**

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