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aero-notes




Letter to Shareholders

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Dear Shareholder,

The end of a year is a good time to reflect on recent achievements and look ahead at developments to come. For many reasons, 2010 was a very important year for EADS.

On the commercial side, 2010 saw a return to air traffic growth after one of the steepest downturns in memory. The helicopter sector remains sluggish and, with budget constraints in our home markets, we are monitoring the institutional markets closely. Nevertheless, the commercial aircraft recovery has been confirmed by significant orders for Airbus, including 32 for the A380. We are now planning to increase production rates, both for single-aisle and long range aircraft.

In our major programmes, the year has seen some substantial progress. We have concluded negotiations with the customer nations for the A400M and expect to finalise the export levy scheme shortly. Three A400M are now flying in the test campaign which is progressing better than expected. The A350 programme is advancing, though challenging. It will enter into service in the second half of 2013.

For the A380, 2010 has been a turning point, with the ramp-up improving significantly. The plane has proved a favourite with passengers and airlines. Following the Qantas incident, Airbus is doing all it can to support engine upgrading and keep disruption to a minimum.

Our tenth anniversary year has been an opportunity to gauge the company's development. The 77 percent increase in annual revenues and 34 percent increase in workforce achieved over that time show that our future growth targets are realistic.

Clearly, despite the advances, we are aware that our profitability needs to improve in the future. Dollar weakness and programme challenges have weighed on profitability in the past. Continued deterioration of the dollar reflected in our hedge rates and an increase in R&D at Airbus, Eurocopter and Cassidian, mean that 2011 will also be demanding. Looking to 2012 and beyond, however, we see substantial improvement potential, provided we execute on new programmes according to our plan. Better pricing and volumes and continued recovery in the A380 ramp-up should significantly boost profitability in the mid term.

EADS has coped with a weakening dollar, economic crisis and the launch of a succession of highly ambitious new programmes and generated a sound cash-flow despite these challenges. Today we are prepared for further expansion with a robust net cash position, excellent credit ratings and a strong order book. The management team will strive to improve our mid-term profitability too.

Hans Peter Ring
Chief Financial Officer

The A400M flight test programme is progressing better than expected.

EADS' macro-economic and commercial environment continues to improve thanks to increasing aircraft demand. Institutional markets including helicopters, defence and public budgets have to be monitored.

"The commercial aviation sector continues its ascent which starts to be reflected in the nine-month results. Within this improving environment, the A380 production is visibly progressing and manufacturing of the A350 has begun. I want to express our gratitude to the A400M Customer Nations who have supported us in reaching an agreement," said Louis Gallois, CEO of EADS. "At the same time, budget reviews in our home countries are not yet fully completed; we therefore remain attentive to challenges which could arise for our business with government customers. Looking forward, beyond 2011 the upturn in the commercial aircraft business should drive the profitability improvement of the Group. In the mid-term, at the current exchange rates, Airbus should significantly improve its underlying profitability thanks to better volume, pricing and further economic improvement of the A380 performance."

In the first nine months, EADS' **revenues** increased to € 31.6 billion (9m 2009: € 29.7 billion). Physical deliveries remained at a high level with 380 aircraft at Airbus Commercial, 367 helicopters at Eurocopter and the 38th consecutive successful Ariane 5 launch. The percentage-of-completion methodology was resumed on the A400M programme. Until the end of September, based on the allocation of internal milestones, around € 500 million in revenues were booked on the programme. The Customer Nations and EADS have concluded negotiations on the overall A400M discussions. The FY 2009 A400M provision calculation remains valid. Government payments are more back-loaded than expected after the signature of the principle agreement in March 2010. Negotiations on the export levy facility (ELF) scheme are expected to be finalised before the end of the year. Once parliamentary approvals are obtained, the agreement will be binding. In the meantime, the A400M flight test programme is progressing better than expected with the fourth aircraft due to join the flight test campaign before year-end.

"The commercial aviation sector continues its ascent which starts to be reflected in the nine-month results."

EBIT* before one-off (adjusted EBIT*) stood at € 0.8 billion (9m 2009: € 1.7 billion). It benefited from good underlying performance of Airbus legacy programmes and core business activities in the other Divisions. As expected, A380 continues to weigh significantly on the underlying performance. Compared to the first nine months of 2009, EBIT* before one-off was mainly weighed down by the deterioration of hedge rates and higher investment in Research & Development.

EADS' **reported EBIT*** stood at € 784 million (9m 2009: € 1,089 million).

Net Income amounted to € 198 million (9m 2009: € 291 million), or earnings per share of € 0.24 (earnings per share 9m 2009: € 0.36).

Self-financed Research & Development (R&D) expenses reached € 2,038 million (9m 2009: € 1,834 million). Going forward R&D expenses should increase at Airbus, Eurocopter and Cassidian.

Free Cash Flow before customer financing of € 882 million (9m 2009: € -892 million) has benefited from good commercial order intake, a high volume of commercial deliveries including 14 A380 as well as favourable phasing. Receipts from governments for development programmes roughly compensate payment delays. At Airbus, inventories remained stable in the first nine months of 2010. In the first nine months, the net customer financing outflow was lower than expected at around € -90 million. Free Cash Flow after customer financing amounted to € 791 million (9m 2009: € -1,182 million).

EADS' **Net Cash position** amounted to € 10.3 billion (year-end 2009: € 9.8 billion) after a € 300 million contribution to pension fund assets. It continues to provide a solid foundation for the Group's operational needs as well as future growth.

The **order intake** of EADS significantly increased to € 57.7 billion compared to one year ago (9m 2009: € 24.6 billion). By the end of September 2010, EADS' **order book** stood at a robust € 426.4 billion (year-end 2009: € 389.1 billion), mainly reflecting increases at Airbus and Astrium. The Airbus Commercial order book benefited from a positive revaluation impact of around € 18 billion due to the closing spot rate of the U.S. dollar that has significantly strengthened since year-end. The defence order book stood at € 56.4 billion (year-end 2009: € 57.3 billion).

** EADS uses EBIT pre goodwill impairment and exceptionals as a key indicator of its economic performance.*

The full EADS press release is available at

→ **www.eads.com**

Outlook

In 2010, Airbus gross orders should be up to 500 thanks to the commercial aircraft upturn and Airbus deliveries should be slightly more than 500.

EADS' guidance is based on an assumption of €1 = $1.35 for the Q4 2010 average rate and year-end closing spot rate.

EADS revenues should be more than € 44 billion.

At slightly more than 500 deliveries, EADS confirms its EBIT* before one-off guidance at around € 1.2 billion.

Going forward the EBIT* performance of EADS will be dependent on the Group's ability to execute on the A400M, A380 and A350XWB programmes, in line with the commitments made to its customers.

Using the above exchange rate assumptions, EADS increases its EBIT* guidance to at least € 1.1 billion.

EADS is also increasing its Free Cash Flow guidance. Provided a sustainable year-end cash inflow of institutional and government business, the Free Cash Flow before customer financing should be around € 1 billion and Free Cash Flow after customer financing should be above € 800 million compared to the previously expected free cash outflow of around € -600 million.

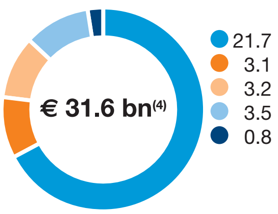
EADS Group (in € millions)

	9m 2010	9m 2009	Change
Revenues	**31,554**	29,723	+6%
thereof defence	**7,884**	6,982	+13%
EBIT*	**784**	1,089	–28%
Self-financed Research and Development	**2,038**	1,834	+11%
Net Income[1]	**198**	291	–32%
Earnings Per Share (EPS)[1]	**€ 0.24**	€ 0.36	€ –0.12
Free Cash Flow (FCF)	**791**	–1,182	–
Net cash position	**10,326**	9,797	+5%
Order Intake[2]	**57,722**	24,556	+135%
Order Book[2]	**426,350**	389,067	+10%

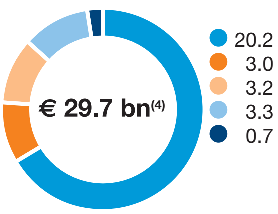
1) EADS continues to use the term Net Income. It is identical with Profit for the period attributable to equity owners of the parent as defined by IFRS Rules.
2) Contributions from commercial aircraft activities to EADS Order Intake and Order Book based on list prices.

EADS by Division

Revenues (by Division in € bn)

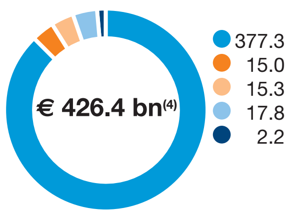


9m 2010

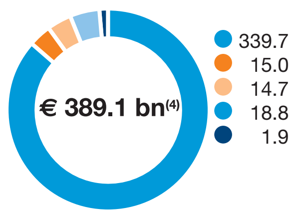


9m 2009

Order Book[2] (by Division in € bn)



30 September 2010



31 December 2009

- Airbus[3]
- Eurocopter
- Astrium
- Cassidian
- Other businesses

3) Following integration of Airbus Military into Airbus, Airbus is now reporting in two segments: Airbus Commercial and Airbus Military. The Airbus Commercial perimeter includes EFW and the completed aerostructures reorganisation but now excludes the A400M. Airbus Military includes the former Military Transport Aircraft Division as well as A400M Airbus operations. Eliminations are treated at the Division level. Airbus Commercial figures for the nine months and the third quarter of 2009 are now shown in detail and Airbus Military's EBIT* for the nine months and the third quarter of 2009 have been restated to reflect the changes.
4) Total figure includes Headquarters Consolidation.

AIRBUS

Airbus' consolidated revenues of € 21,740 million increased by 8 percent compared to the same period last year. The Airbus consolidated EBIT* amounted to € 296 million (9m 2009: € 523 million).

Airbus Commercial revenues amounted to € 20,446 million (9m 2009: € 18,949 million). Deliveries increased to 380 commercial aircraft, of which 376 accounted for revenue recognition (9m 2009: 358 aircraft). Compared to one year ago, Airbus Commercial revenues reflect a favourable volume and mix effect which includes a higher number of A380 deliveries. The negative impact from foreign exchange is around € 0.6 billion. Due to the uplift in commercial aircraft momentum, Airbus is increasing Long Range production rates to 9 aircraft per month in Q1 2012. Airbus Commercial EBIT* decreased to € 328 million compared to € 743 million in the first nine months of 2009. The reduction is driven by the negative impact of foreign exchange effects of around € -0.5 billion. The favourable impact from higher volumes, favourable mix, price improvement and cost savings was reduced by higher R&D driven by a ramp-up in investment on the A350XWB programme and higher non-series costs including a less favourable phasing effect compared to 2009. As expected, the A380 continues to weigh significantly on the underlying performance.

Airbus Military revenues amounted to € 1,540 million (9m 2009: € 1,637 million), benefiting from higher A400M revenue recognition of around € 100 million but offset by lower revenues in Tankers and Medium & Light (M&L). Deliveries amounted to 13 M&L aircraft (9m 2009: 10 aircraft). Airbus Military EBIT* amounted to € -35 million.

Signalling a clear upturn in the aviation industry, Airbus had received 379 gross commercial orders (9m 2009: 149) until 30 September – including 32 additional A380 and 53 A350XWB. Airbus Military booked orders for 11 aircraft for the nine months.

Airbus has received orders for 32 additional A380.

Production on the A350XWB programme is moving forward. The development of the programme is still challenging. EADS is now considering Entry-into-Service in H2 2013 and, at this stage, would expect to manage this without significant financial impact.

At Airbus Military, the A400M test programme continues to deliver better than expected results; the fleet of three aircraft had accumulated 765 flight-hours in 230 flights by early November. The A330 Multi Role Tanker Transport (MRTT) has obtained military certification from Spanish authorities, paving the way for the first delivery to the Royal Australian Air Force. A successful first flight for the Future Strategic Tanker Aircraft (FSTA) for the British Royal Air Force was conducted in September.

As of 30 September 2010, Airbus' consolidated order book was valued at € 377.3 billion. Airbus Commercial accounted for € 358.1 billion which equals 3,436 units. The Airbus Military order book remained stable at € 20.6 billion.

X3 technology demonstrator

EUROCOPTER

In the first nine months of 2010, revenues for Eurocopter amounted to € 3,085 million (9m 2009: € 3,039 million). Revenues reflect higher NH90 activity, a favourable mix due to milestone progress on the Korean Utility Helicopter (KUH) but are weighed down by lower deliveries of commercial helicopters. The Division's EBIT* decreased to € 121 million, driven by a charge and margin adjustment on the NH90 programme and a restructuring charge as well as higher product investment.

Eurocopter successfully performed the first flight of its X3 technology demonstrator in September, opening new long-term perspectives to customers looking for long-range and high-speed.

Over the first nine months, Eurocopter has seen the start of a positive trend of bookings with 230 net orders registered compared to 179 during the same period last year. Recovery in the civil market is slow, in particular due to a high number of second hand helicopters in the market. Eurocopter has proactively started to adapt to this challenge by launching its SHAPE programme in April. Good progress has been made on the reduction of temporary workforce and overheads. Deliveries in the first nine months totalled 367 helicopters including 19 NH90 and seven Tigers. Eurocopter's order book stood stable at € 15.0 billion with 1,166 helicopters.

ASTRIUM

Astrium revenues in the first nine months remained stable at € 3,226 million. They reflect positive volume effects across core businesses driven by a strong delivery pattern. EBIT* improved by two percent to € 158 million, thanks to growth and productivity in institutional activities and military telecommunication services reduced by lower activity in navigation satellites and Earth observation services.

During the third quarter, Astrium achieved the 38th consecutive successful Ariane 5 launch as well as the launch of the ALSAT-2A Earth observation satellite built by Astrium for the Algerian Space Agency. Over the summer, the M51 Acceptance Launch was successfully carried out.

Astrium's order intake reached € 3.8 billion in the first nine months of 2010, demonstrating continued order momentum despite increasing competition across all business segments. New orders booked in the quarter include the M51.2 evolution contract award from the French Defence Procurement Agency (DGA). At the end of September 2010, the order book for Astrium increased to € 15.3 billion.

The TanDEM-X radar satellite designed and built by Astrium was launched in June 2010.

Barracuda technology demonstrator

CASSIDIAN

In the first nine months of 2010, Cassidian's revenues of € 3,470 million increased by five percent compared to the previous year. EBIT* amounted to € 204 million (9m 2009: € 220 million), reflecting margin growth in mature programmes that is more than outweighed by significant growth in self-funded R&D. The investment is focused mainly on Unmanned Aerial Systems (UAS) and secure communications. EADS continues to investigate requirements and funding solutions for the Talarion UAS with customers. Looking beyond 2010, there should be limited short-term pressure on Cassidian EBIT* resulting from higher R&D expenses, a less favourable business mix and government budget constraints.

Cassidian acquired UK-based Regency IT Consulting, thereby strengthening its capabilities in the cyber-security market. In its missile business, the MEADS final system Critical Design Review has been completed. At the end of September 2010, the Division's order book stood at a solid € 17.8 billion. Order intake for the first nine months of 2010 amounted to € 2.6 billion.

Headquarters and Other Businesses (not belonging to any Division)

Revenues of Other Businesses increased by 11 percent to € 805 million. EBIT* of Other Businesses amounted to € -6 million (9m 2009: € 3 million) as the positive contribution from Sogerma was offset by a negative foreign exchange impact at ATR.

At ATR, the market and financing environments are improving: ATR delivered 35 aircraft in the first nine months (9m 2009: 30 aircraft) and received 63 firm orders (9m 2009: 33 orders). At the end of September 2010, ATR's order book stood at 161 aircraft.

The ramp-up on the LUH programme continues to progress well with 36 helicopters delivered by the end of September. On 30 September 2010, the order book of Other Businesses stood at € 2.2 billion (year-end 2009: € 2.0 billion).

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In July 2009, the Eurofighter nations placed an order for a third production batch, consisting of 112 aircraft.

Protecting hands

EADS' former Defence & Security Division adopted the name Cassidian in September 2010 to market its large portfolio of security systems more effectively in the global market place.

`The name Cassidian comes from the Latin terms "cassida", meaning helmet and "meridian", an imaginary line joining the north and south poles. It symbolises worldwide protection and security. The logo represents a globe with hands surrounding and protecting it, symbolising the company's commitment to support those protecting the world.

Cassidian is seeking to support EADS' Vision 2020 plan by growing defence and security revenues as a balance to Group commercial aircraft activities, improving profitability above benchmark level, increasing its services business, and transforming itself into a truly global Division. Emerging markets are particularly important given current budgetary constraints in Europe and the US. Key future growth areas for Cassidian include the UAV market and the global security market. Recent contract awards in the Middle East make the division a world leader in nationwide security solutions.

"Defending world security"

Cassidian is a worldwide leader in global security solutions and systems, providing lead system integration and value-added products and services to civil and military customers around the globe. In 2009, Cassidian – with around 28,000 employees – achieved revenues of € 5.4 billion.

A Division of EADS, it consists of the Business Units Cassidian Systems, Cassidian Electronics and Cassidian Air Systems as well as missile activities within the MBDA joint venture (37.5% EADS).

Cassidian Systems offers comprehensive tailored solutions, capable of linking a wide range of individual platforms and subsystems into a single effective network. Systems integration has become increasingly important for border control and coastal surveillance, as well as for homeland security. Cassidian maintained its leading position in nationwide security systems by winning in 2009 the contract to secure the full borders of Saudi Arabia.

Cassidian Electronics provides mission-critical elements for data gathering, data processing and distribution. It supplies electronic self-protection systems for aircraft, ships and armoured vehicles. It is also a principal partner in the development of airborne radars. Cassidian Air Systems specialises in the field of combat air systems. Its main activities include development and production of the Eurofighter (46% owned by EADS) and mission air systems, including unmanned aerial vehicles (UAVs). It also offers product support, maintenance, repair and overhaul.

Cassidian's missile activities are gathered within MBDA, a joint venture with BAE Systems and Finmeccanica. MBDA covers the whole range of missile solutions for air superiority, land control and sea power. In 2009 the Eurofighter partner nations awarded the Tranche 3a contract for 112 aircraft.

CASSIDIAN

9m 2010	EUR bn
Revenues	3.5
EBIT*	0.2
Order Intake	2.6
Order Book	17.8

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Programmes and Products

Security threats often call for multiple responses from different services. The need to coordinate action has driven demand for **integrated security solutions**. Cassidian delivers integrated systems for border security, maritime security, crisis and emergency response, as well as for protection of infrastructure and populations.

< Through its Sofrelog subsidiary, Cassidian provides integrated mission critical real-time systems for maritime application, typically vessel traffic services and coastal surveillance.

In the field of **Unmanned Aerial Vehicles (UAVs)**, Cassidian is seeking to develop a leading position based on its experience and projects to date. These include the Harfang Medium Altitude Long Endurance (MALE) UAV system developed for the French Air Force and operated in Afghanistan. Cassidian is also developing in cooperation with Northrop Grumman the Euro Hawk high-altitude unmanned aerial system for signal intelligence.

The German air force plans to start operational flying with the Euro Hawk FSD (First System Demonstrator) by 2011. >

Eurofighter is the most modern multi-role combat aircraft currently in production. Optimised for complex air-to-surface operations, it is network enabled and extremely agile. It has a strong order book in Europe and is competing in major export campaigns. Deliveries passed the 200 mark in 2009.

< Further export opportunities for the Eurofighter are believed to exist in Europe, Asia and the Far East.

Cassidian Electronics is heavily involved in the technological development and application of next generation active electronically scanning (AESA) **radars** for air, naval and ground applications. In the area of air defence, Cassidian Electronics produces mid-range radars for ship (TRS-3D) and land (TRML-3D) applications.

The TRS-3D is particularly suited for the early detection of small, fast moving objects, such as speed boats. >

Cassidian **Professional Mobile Radio (PMR)** solutions enable security organisations to communicate effectively, reliably and securely.

< Cassidian PMR solutions are used by professional organisations in various areas - such as public safety, civil defence, transport and industry.

Your views

EADS encourages shareholders to share their views about the company and to discuss candidly the Group's strategy, performance and policies. Please don't hesitate to email your comments and questions to us at ir@eads.com. We will answer them as best we can. Your letters may be published in forthcoming issues of Aeronotes.

In addition, EADS regularly offers information meetings and site visits for retail investors. If you would like to take part or find out more, please visit our website: www.eads.com under Investor Relations > Private Shareholders, write to ir@eads.com or phone the shareholder information number as indicated on this page.

Visit to Astrium site in Bremen

Shareholder calendar

9 MARCH 2011:
EADS Annual Results 2010

20-26 JUNE 2011:
Le Bourget - Paris Airshow

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Your EADS shares

Stock price evolution

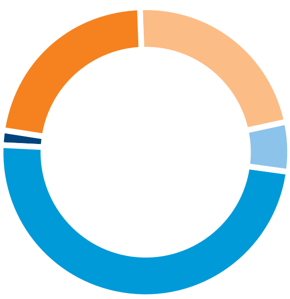
On 6 December 2010

Profile

ISIN Code	NL0000235190
Number of issued shares as of 31 December 2009	816 150 511
High in 2010 on Paris Stock Market	€ 19.60 on 21 September
Low in 2010 on Paris Stock Market	€ 13.55 on 15 February
Earnings Per Share (EPS) 2009	€ –0,94

Capital structure

As of 30 September 2010



- 22.46% **Sogeade** Lagardère and Sogepa (French state holding Company)
- 22.46% **Daimler***
- 5.47% **SEPI** (Spanish state holding Company)
- 49.22% **Institutional, retail and employee ownership** + Shares held out of the contractual partnership by the French state
- 0.39% **Treasury Shares** (Shares without economic or voting rights)

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