

TRANSFORMATION.

IT'S ABOUT MOVING

We are working hard to renew our industrial processes and to capitalise on the excellence of our products, technology, workforce and suppliers. These are the foundations that will propel EADS back to a path of profitable growth.

ON.

WE ARE CURRENTLY FACING NEW CHALLENGES. THROUGH OUR UNITED EFFORTS WE WILL OVERCOME THEM.

Fundamental changes are being made. We are accelerating the integration of our Divisions; improving our industrial processes; sharpening the focus of our technology innovation; and continuing to build our international presence.

INTEGRATION will reach far deeper than before, creating a **common purpose across the Group**. We have taken concrete and radical steps. Airbus is now wholly owned by EADS. Functions such as Finance, Human Resources, Research & Technology and Sourcing are being integrated, enabling new efficiencies and faster reactions. Last year's shocks have prompted a renewed focus on how integration can make the Group stronger.

IMPROVEMENT of our industrial model is a matter of urgency. Every Division has initiatives to reduce costs, improve industrial efficiency and ensure delivery on-quality, on-specification, on-cost and on-time. The most important and visible is the Airbus Power8 reorganisation programme that will speed up development times, maximise cash and cut costs.

INNOVATION enables us to set the technology standard that others must follow. We have a record of doing this, as we did through "fly-by-wire" aircraft controls or "all-weather" helicopters, to name a few examples. By centralising responsibility for the entire EADS Research & Technology budget, we are putting greater resources behind developing new technologies aligned with the Group's strategic growth areas, aiming for higher returns on investment at the end of the innovation pipeline.

INTERNATIONALISATION remains important to our long-term growth. Through our Global Industrial Development function, EADS is actively seeking to become an integral part of the leading aerospace and defence growth markets worldwide. Being active in these markets will also give EADS access to the best technology and specialist know-how available.



HARD



WORK



CLEAR



FOCUS



EADS is more than just Airbus and Airbus is more than just the A380. At year-end 2006, every Division was a market leader in its sector, with a strong product portfolio. The commercial appeal and technical excellence of the A380 is undisputed, as recent repeat orders from the major long-haul airlines have shown. They have no doubt of this plane's importance to their future profitability. In defence, Eurofighter is one of the most technically advanced fighter planes. In helicopters, Eurocopter consistently captures the greatest market share worldwide.

LOOK AT ALL SIDES OF THE STORY.

And Astrium is one of the leading space organisations globally. Behind all of this is the EADS workforce. Employees across Europe and elsewhere represent a unique and invaluable complementary collection of aerospace and defence industry skills. They are committed and dependable, the heart and soul of the Group. And our customers are loyal. Increasingly, they view EADS as a partner for success. They tell us what products and services they will need in the future, and together we develop them. Finally, EADS is financially strong, planning ahead to maintain its conservative balance sheet structure.

CONTINUE
TO ASK
QUES-
TIONS...

WHERE DO OUR STRENGTHS LIE?



"Our customers benefit from the quality of our helicopters, the unmatched mission capabilities we offer to them, our international presence and our determination to lead the field for innovation. That's why we are the market leader."

Lutz Bertling, Head of Eurocopter

WHERE CAN WE IMPROVE?

"We have to make our research and technical culture highly disciplined and focused to become the pace-setter in innovative customer solutions."



*Jean Botti,
Chief Technical Officer*

After the difficulties of 2006, EADS has a clear set of objectives. Firstly, to resolve the challenges that crystallised during the year. Secondly, we aim to achieve renewed growth. The issues are clear. Difficulties surrounding industrialisation of the A380 double-decker weighed heavily on EBIT for 2006, and created a weighty financial burden that is likely to affect the Group for many years to come. Added to this, a large proportion of our revenues – almost 90% in the case of Airbus – are booked in US dollar, a currency which has lost 40% of its value since the launch of the A380 programme. This gives us a distinct competitive disadvantage, both now and in the future. Finally, it became clear that we would have to speed up aircraft development times in order to bring the new A350XWB next-generation, medium-capacity aircraft into production sufficiently swiftly. While these issues centre on Airbus, all five Divisions are taking action to solve them.

Action

We have moved swiftly to restructure and integrate Airbus. The Power8 restructuring has been designed and launched. Between now and 2010, it aims to save €5 billion in cash, and from 2010 onwards, to achieve annual cost savings of €2 billion. This will restore Airbus's competitiveness. It will do so by maximising cash, speeding up new aircraft development, sustaining technological progress at the rate and level that is now necessary, cutting costs and improving our efficiency. In particular, Power8 will help to finance the A350XWB product development programme. But improvement measures are not limited to Airbus. Across the wider Group, we are redoubling our efforts to increase integration. The functions of Finance, Research & Technology, Sourcing and Human Resources are being centralised, creating greater control, coordination and economies of scale. We have frozen all management salaries and will cut staffing levels at Group headquarters by 10% by the end of 2007. These economies will not be popular, but they are essential. Above all, EADS now has a singular purpose that reaches across all of its Divisions. From now on, our motto will be "no surprises, no hiding, no dreaming". We need to break down outdated thinking habits, streamline the organisation, and combat the national issues that once were taboo. We are going to shape EADS into a truly integrated enterprise. With the help of Power8 and integration, we will strengthen EADS' leading role in international markets. Stated more succinctly, we are steering the right course.



...AND
ANTICIPATE
TOMORROW'S
NEEDS.