

ANNUAL REVIEW 2006

Overview

In 2006, air traffic remained strong, while load factors and yields continued to increase. The current growth environment, the positive air traffic demand outlook and the replacement of older aircraft by more fuel efficient ones have contributed to another good year for the industry, the second highest in terms of orders in the history of aviation.

This positive trend also applied to Airbus, which, despite management changes and the industrial problem related to the A380, has experienced its best year ever in terms of deliveries, in line with a continued ramp up, and the second best year ever in terms of sales, leading to a record backlog, ensuring work for the next five years at very high production rates. Also, its fleet of delivered aircraft exceeds the milestone of 4,500 aircraft.

During 2006, the A380 successfully completed its flight test campaign, which led to type certification in December. This evidenced the technical soundness of the all-new double-decker. Airbus also launched its new offering in the medium capacity long range market, the A350 XWB series, an all-new design for 270 to 350 passengers that will enter service in 2013. These two aircraft will be Airbus' workhorses from the next decade.

Also in 2006 and as a consequence of the financial impact of the A380 delays as well as that of the low dollar, Airbus took this opportunity to launch a major four year competitiveness programme called Power 8 that should lead to a complete turn around of the company to make it more integrated, efficient and productive to better face the challenges ahead.

Commercial Results

On the commercial side, 2006 was Airbus' second best year ever in terms of the number of orders in its 35 year history. 824 new firm orders were taken during the year, representing 44 per cent market share which is in line with the company target of remaining in the 40 to 60 per cent band, after having a share of above 50 per cent for the past five consecutive years. They are valued at US\$75.1 billion at catalogue prices, which represents 40 per cent market share in terms of value. These results are second only to industry records set in 2005 by Airbus with 1,111 firm orders. Taking into account 34 cancellations, the net order book stands at 790 orders which represents 43 per cent market share and 38 per cent of the total market revenues. With this strong sales performance, Airbus has set another industry record, increasing its backlog to an unprecedented 2,533 aircraft, the highest level, in terms of units, ever reached by any manufacturer. This also represents an increase of 17 per cent over last year's record, giving Airbus 51 per cent of all outstanding orders.

In 2006, strong demand for Airbus widebody and single-aisle aircraft came from the vibrant and fast-growing markets of China and India. In October, Airbus signed the largest ever single transaction with the China Aviation Supplies Import and Export Group Corporation (CASGC) for 150 A320 Family aircraft and a Letter of Intent for 20 A350XWBs. Sales of Airbus aircraft to India were for both single-aisle and widebody aircraft with orders for 43 single-aisle aircraft from Indian Airlines, ten A320s from GoAir and five ultra-long-range A340-500s from Kingfisher. Airbus single-aisle aircraft continues to be successful with low-cost carriers, receiving a total of 212 orders for A320 Family aircraft during the year from this market segment. Leasing companies continue to show their confidence in the Airbus family with eight of the world's leading lessors ordering 64 single-aisle and 50 widebody aircraft.

A large part of the year's sales tally was for Airbus' highly popular Single Aisle Family with a total of 673 orders taken during the year from 47 customers, including 20 new ones. This gives Airbus a backlog of 1,966 aircraft in this category, which represents a 56 per cent share. A continuous leader, the A320 Family passed the milestone of 4,900 orders in total and has 174 customers worldwide.

Airbus' A330/A340/A350 XWB Family also had a good year with 134 firm orders received from 17 customers, including seven new ones, an increase in orders of five per cent over the previous year. The milestone of 1,000 aircraft sales in the segment was reached in December and backlog stands at a record high of 390 aircraft. The A330 Family reached the milestone of over 600 firm orders during the year which highlights the strong market endorsement of Airbus' environmentally friendly, long-range twin-engine aircraft, which is the recurrent leader in the medium to extended range category.

Strong backing was received for the A380 during the year with repeat firm orders placed by Singapore Airlines and Qantas for nine and eight aircraft, respectively. These important repeat orders from major airlines demonstrate that the market's confidence in the A380 remains strong despite the industrial issues announced during the year. At the end of the year, the total number of orders and commitments received for the A380 stood at 166 from 15 customers, with the first due to be delivered to first operator, Singapore Airlines, in October 2007.

Airbus' latest family member, the A350 XWB, the most modern medium-capacity long-range aircraft family received a strong initial boost from Singapore Airlines and the China Aviation Supplies Import and Export Group Corporation (CASCG) with commitments signed for 20 A350 XWB each. Following the industrial launch of the A350 XWB in December, Airbus received an order for two A350 XWBs from leasing company, Pegasus Aviation Finance Company. Finnair and leasing company ILFC placed orders for a total of 15 of the initial definition of the A350. The A350 XWB has now received a total of 102 firm orders and 122 commitments from 17 customers.

The corporate jetliner market was also strong with a total of 21 sales including 20 single-aisle aircraft and one A330 to 15 customers, including 13 new ones. These strong results position the Airbus Corporate Jetliner family as market leader in its category for the third year running, with 59 per cent market share.

Including the A350XWB Family, Airbus now has a total of 16 models, with 7,097 aircraft sold in total and 250 customers.

Deliveries/Business

Airbus delivered more aircraft in 2006 than ever before and maintained its lead position ahead of its competitor in terms of deliveries for the fourth consecutive year. Airbus delivered a total of 434 aircraft in 2006, which represents 52 per cent of the world's deliveries in the category of aircraft above 100 seats. As a result, Airbus' turnover reached 26 billion euros. Deliveries in 2006 set new company records, with Airbus reaching the milestone of its 4,500th aircraft delivery in November and surpassing its previous annual delivery record of 378 aircraft, achieved in 2005. Airbus deliveries in 2006, were also slightly above the original target that was set at close to 430 for the year.

Total deliveries comprised 339 aircraft from the A320 Family and 86 A340/A330 Family aircraft, both are new company delivery records. Nine A300-600F freighters were also delivered during the year.

Airbus welcomed 17 new operators this year including IndiGo of India, Italy's Air One Mexican Volaris and Egypt's Air Cairo. Five new Airbus operators, East Star Airline and Juneyao of China, Batavia Air of Indonesia and Air Via of Bulgaria and Air Astana of Kazakhstan have chosen to acquire aircraft through leasing agreements.

The widebody A330/A340 Family reached an all time company record for deliveries in 2006 with 86 aircraft in the category going to 26 operators. The first delivery of the new high gross weight A340-600 went to Qatar Airways, to be followed by deliveries to Lufthansa, Virgin Atlantic, Etihad Airways and Saad Air.

Airbus' A320 Family had another outstanding year in 2006, the best ever in the company history with 339 single-aisle aircraft delivered to 70 operators. The 4,500th Airbus aircraft delivery milestone was met on 14th November with the delivery of an A321 to Kingfisher Airlines.

The Airbus Corporate Jetliner (ACJ) family continues to increase its operator base with nine ACJ Family aircraft delivered during the year to eight operators. The first delivery of the most recent member of the ACJ Family, the A318 Elite was delivered to the Zurich-based VIP charter company Comlux, with two more yet to be delivered and making it the first to operate the type.

The A318 Elite is the newest and smallest member of the Airbus Corporate Jetliner (ACJ) Family, which also includes the Airbus ACJ and A320 Prestige.

Programme Milestones

While the A380 remained in the limelight throughout the year, concluding with the certification of the type in December, the year was also marked by a continuous and steady production ramp-up of the other Airbus aircraft families and the industrial launch of the A350 XWB.

A380

A significant milestone in the history of Airbus and the aviation industry was met when the A380 received joint European Aviation Safety Agency (EASA) and Federal Aviation Administration (FAA) Type Certification on 12th December 2006. This event confirmed the success of the A380 as a technically excellent aircraft and ratified the huge step taken in applying the most advanced 21st Century technologies to the programme. New standards for systems, structure, powerplant and cabin facilities will enable Airbus to deliver to its customers the most economic aircraft ever and one that exceeds the challenging performance and environmental targets set for it.

Despite the regrettable industrial issue announced during the year that are related to the A380's electrical installation, this double seal of approval confirmed the technical success of the type, which is meeting its promises to bring customers guaranteed performance both in terms of fuel burn and range. An environmental champion, the A380 is also quieter than any other widebody airliner, offering substantial capacity increases at congested, noise-constrained airports, such as London Heathrow. Passengers on the new A380 will also benefit from the comfort of its state-of-the-art cabin that sets new industry standards and is also measurably the quietest cabin in the skies. During the flight test programme, the A380 also demonstrated its airport compatibility by landing at no less than 38 different airports in the most varied environments.

During the year, the flight test programme took the aircraft around the globe for extreme weather and high altitude trials, water ingestion trials, take-offs with crosswinds above 40 knots and finally an 18-day technical route proving trip, stopping at ten airports in South Africa and the Asia/Pacific region.

The A380 cabin was also tested for certification purposes, including the successful evacuation test, performed at Airbus' site in Hamburg, Germany in March where 853 passengers and 20 crew members left the aircraft in 78 seconds. This was followed by a series of four Early Long Flights that took place in September. These flights were performed on the A380 development aircraft MSN 002 and carrying a representative passenger load, allowed Airbus to assess the cabin environment and systems.

The A380 airframe has been put through extensive static and fatigue tests that are carried out on specially built test airframes. In November, the milestone was reached of 19,000 fatigue flight cycles, which is equivalent to a complete aircraft life.

Although initial testing and certification covers the Rolls-Royce Trent 900 powered version of the A380, August saw the first flight of the fifth development aircraft, MSN009, powered by Engine Alliance GP7200 engines. At the end of the year, this

A380 had carried out 224 flight hours in 62 flights with the aircraft's handling qualities in line with expectations and the GP7200 engines performing very well. MSN009 successfully carried out high altitude tests in Ethiopia and hot weather tests at Al Ain, UAE in October. Certification of the Engine Alliance powered variant is expected for the end of 2007.

A350 XWB

In early December, Airbus was given the go-ahead for the industrial launch of the A350 XWB, a new extra-wide body medium capacity long-range Family. The decision is based on strong market demand and customer backing. Entry into service of the first A350 XWB is planned for 2013.

The A350 XWB benefits from the latest innovations in terms of advanced technologies representing a step ahead over the competition. These new technologies and Airbus industry leading know-how will enable Airbus to deliver the most efficient and environmentally advanced aircraft in its category.

This followed the commercial launch of the A350 XWB that took place at the Farnborough Airshow in July where Airbus presented a revised version of the A350, and which resulted from extensive consultation and input from the airlines and the market.

The A330/A340 Family

During 2006, the programme continued doing well, maintaining a high output of 7,5 aircraft per month which will further increase to eight per month by early 2008, the highest rate envisaged for the production line at the time of its launch. The success of the A330/A340 Family was highlighted in 2006 when it reached the milestones of the 1000th order and the 700th delivery of the programme.

Airbus received certification for the latest version of the long range A340-600, the 380 tonne Maximum Take Off Weight (MTOW) variant, from the European Aviation and Safety Agency (EASA) in April. The new aircraft brings extended range, greater passenger capacity and up to 18 per cent higher productivity compared to earlier variants and travels 250nm (463km) further, up to 7,900nm (14,600km). Airbus' A340-500 saw the continued steady growth of its customer and operator base. Capable of operating the longest non-stop commercial flights, the aircraft is particularly attractive to long-haul carriers. In addition, a new higher capacity, 380 tonne MTOW variant took to the skies for the first time in October this year. Certification is expected in early 2007.

With more than 600 sales, the A330 continues to lead the medium to long-range twin-aisle market. The A330 continues to evolve with the commercial launch of the A330-200F freighter that took place at the Farnborough Airshow in July. The A330-200F is the only modern solution for the mid-size freighter market. Entry into service is planned for the end of 2009.

The A320 Family

In response to continuing strong demand for A320 Family aircraft, Airbus continues its steady production ramp-up programme from its rate of 30 aircraft per month reached at the end of 2006, to 32 in early 2007, rising to 34 in early 2008 and to

reach 36 at around the end of 2008 – the highest production rate ever for any commercial airliner.

In November 2006, the Airbus A318 powered by CFM International engines received approval by the European Aviation Safety Agency (EASA) for 180 minute Extended Range Twin-engine Operations (ETOPS), which is the current maximum flying time from the nearest airport permitted for twin-engined commercial aircraft operators. Comlux took delivery of the first ETOPS approved A318 Elite – the first of their three on order – and making them the first to operate the type.

Also achieved during the year was a series of successfully performed compatibility tests, including steep approaches with an A318 at London City Airport. The trials were carried out with both CFM International CFM56-5B and Pratt & Whitney PW6000A engines. Steep Approach certification with both engine variants is expected during 2007. Approval for London City Airport operations will make the A318 the only latest-generation airliner in the 100-seat class able to operate out of the airport.

Industrial Round-up

In order to remain competitive and well positioned to face the challenges and meet the needs of the fast growing global air transport market, Airbus is developing a number of industrial and research partnerships with organisations and businesses who are leaders in their field. In 2006, Airbus signed a number of agreements with China, Russia, Poland, Japan, South Africa and Turkey.

To further upgrade cooperation between Airbus and China in the field of civil aviation, on 26th October, Airbus signed the Framework Agreement with a Chinese Consortium comprising Tianjin Free Trade Zone (TJFTZ), China Aviation Industry Corporation I (AVIC I) and China Aviation Industry Corporation II (AVIC II) in Beijing on the establishment of an A320 Family Final Assembly Line in China. Under the Framework Agreement, Airbus will set up an A320 Family Final Assembly Line in Tianjin, and the corresponding joint venture is to be created between a Chinese Consortium led by TJFTZ and Airbus. The agreement, which covers all major issues related with the establishment of the Final assembly Line in China, is subject to formal approval by the Chinese government. Aircraft assembly in China is planned to begin in early 2009, with the aim of ramping up production to reach four aircraft per month by 2011.

Airbus has been working with the Russian aviation sector both at airline and industrial levels since 1991. Considering Russian industry as a strategic partner, Airbus is progressively implementing a long-term co-operation programme worth US\$900 million, in the areas of research and technology, engineering, aircraft components' manufacturing and material purchase. As part of this co-operation with Russia, Airbus signed a preliminary agreement in May 2006 with Elbe Flugzeugwerke GmbH (EFW), the EADS freighter conversion centre of expertise based in Dresden, (Germany), MIG and Irkut, leading Russian aircraft manufacturers. This agreement is for the development of a civil freighter aircraft conversion business and will focus on the conversion of Airbus single-aisle passenger aircraft into freighter aircraft. The conversions will be carried out in Russia and are scheduled to start in 2011.

In June, Airbus and major Polish applied research group, Technology Partners, signed a Memorandum of Understanding (MoU) on aeronautics research and technology projects. The cooperation will focus on different projects in the field of material sciences, particularly in surface technologies, ergonomics and environmental technologies, mathematical modelling, measurement and testing.

As more and more composite materials are used in aircraft structures, Structural Health Monitoring SHM technology will be indispensable in developing the next-generation commercial aircraft. When applied, SHM technology will immediately detect faults or abnormal transformations caused in the aircraft structure even during flight, thereby offering advantages such as improved safety and reliability or more efficient aircraft maintainability. In light of this, Japan's R & D Institute of Metal and Composites for Future Industries (RIMCOF) and Airbus have agreed to conduct a cooperative study for the development of SHM technology.

As a direct outcome of the decision made by South Africa's Department of Science & Technology (DST) to join the Airbus A400M airlifter programme as a partner last year, a partnership was signed in 2006 with South Africa. The partnership will involve cooperation in a new aerospace research and technology initiative which aims to identify and develop new advanced applications for the global aerospace industry. Pilot projects already identified in the global Airbus co-operation strategy with South Africa include research into the development and application of synthetic fuels, natural fibres and light alloys component technologies.

Airbus and PFW-HS (Pfalz-Flugzeugwerke) continue their cooperation and in 2006 launched the third phase of development of the PFW-HS industrial site in Turkey with the set-up of a new and advanced manufacturing unit dedicated to the production of bent tubes for the various Airbus aircraft programmes.

Customer Services

The objective of Airbus Customer Services is to offer the best service to its customers. A team of more than three thousand people cover all areas of support from technical and spare parts, to crew and personnel training and upgrades.

In 2006, Airbus brought together its full range of services into one comprehensive portfolio named Air+ by Airbus from which operators can pick and choose as per their individual needs. Airbus recognizes the diversity of airline models and organisations and in response to this, Air+ by Airbus is designed so that each customer can tailor its Air+ by Airbus solution in accordance with its own outsourcing policy. Air+ by Airbus covers all aspects of an airline's technical operations when combined with Airbus' powerful Network of MRO partners and suppliers and aims to bring value to customers' technical operations through increased aircraft availability, reduced operating costs and the enhanced quality of operations.

Customised Spares Logistics (CSL) is one of the innovative Air+ by Airbus services, and in 2006, an agreement was signed with Lufthansa Technik in September which became the 25th customer for this service. Under such an agreement, Airbus takes responsibility for the transportation of spares and the entire supply chain with full transparency from order receipt until the part is received at its destination.

On the Maintenance and Engineering support side, Airbus undertook the expansion of its Maintenance, Repair and Overhaul Network which now totals 15 members. The

new arrivals in 2006 were Haeco, Lufthansa Technik AG and Gameco. The Airbus MRO Network was launched in 2005 and since then, Airbus has worked with its partners to establish performance benchmarks for maintenance efficiency and customer satisfaction. Also new in 2006 was the launch of fully engineered Service Bulletins which allow airlines to drastically reduce the time required to prepare engineering orders and work instructions. The A330/A340 maintenance programme was further improved with the escalation of checks approved by the authorities and which brings significant cost savings to airlines.

Airbus has further developed its on-line services with the enhancement of the Airbus|World, Airbus' customer portal, that provides additional services and even better response times. A milestone was reached in 2006 with the 100th item added to Airbus' Upgrade Services e-catalogue which is available to customers on Airbus|World. The e-Catalogue covers A320, A330/340 and A300/310 families, and proposes pre-packaged modifications for all parts of the aircraft. Also new in 2006 was the deployment of FAIR (Forum with Airlines for Interactive resolution), an interactive on-line forum that enables airlines to share feedback and ideas.

In terms of training, in early November, Airbus received approval from the French Aviation Authority (DGAC) for a new maintenance training course, Airbus Active learning and Competence focused Training (AACT) for A330 aircraft equipped with Rolls-Royce Trent 700 engines. Additional AACT courses will be available in 2007 for A330s equipped with General Electric and Pratt & Whitney engines, A340s equipped with CFM International engines and the A380. The course is based on the AACT philosophy that was launched on A320 Family aircraft in September 2005 and for which a new "mobile classroom" concept was also launched in 2006.

Environment

Airbus is totally committed to the protection of the environment, one of the major challenges of the 21st Century. A world leading manufacturer of aircraft, Airbus aims to ensure the minimisation of the impact of its products and activities on the environment, through non-stop innovation and the dedication of its entire personnel.

In 2004, Airbus started the ambitious implementation of a company-wide Environmental Management System (EMS) based on the ISO 14001 standard. The system is designed to enable Airbus to continually monitor and minimize the environmental impact of its production processes and products throughout their life-cycle. In 2006, the ISO 14001 certification of the final two Airbus sites of Toulouse and Hamburg, was achieved. This meant that by the end of the year, all 16 Airbus European sites were compliant, a major step towards Airbus' ISO 14001 corporate certification that is expected in early 2007.

Airbus' Environmental Management System is helping in a new approach, to reduce the environmental impact of products and processes. On the production side, for example, Airbus is pioneering the use of a chemical free milling process for fuselage panels. The only by-product is 100 per cent recyclable. New greener and cleaner painting processes are also being developed. The Environmental Management System is implemented throughout the entire aircraft life-cycle from design, to procurement, manufacturing, transport, in service operations including maintenance, and finally to aircraft end-of-life and recycling. The experience gained in dismantling and recycling will be fed back into new aircraft design to help make future aircraft even easier to recycle.

In this context, Airbus led PAMELA experimental recycling project received the first aircraft, an Airbus A300-B2 in March 2006 at the site of Tarbes airport in southwest France. The project's objectives are to determine a set of best practices for the environmentally-friendly industrial process of decommissioning and dismantling of aircraft at the end of their service life. The aim of PAMELA is to demonstrate that around 90 per cent of aircraft parts and materials can be safely recycled or reused. The project was set up in 2005 and this first experimental phase is expected to be finished at the end of 2007.

Airbus also has a leading role in the "Clean Sky" Joint Technology initiative which groups nine major European aerospace manufacturers. Its purpose is to demonstrate and validate the technological breakthroughs that are necessary to reach the environmental goals, that form the Vision 2020, set by the Advisory Council for Aeronautics Research (ACARE) in Europe. These goals, through drastic reduction of fuel consumption, are to halve CO2 emissions, reduce NOx emissions by 80 per cent and perceived external noise levels by 50 per cent by 2020. "Clean Sky" also aims for green product life cycle design, including manufacturing, maintenance and disposal. This research project will run over a seven year period with a total budget estimated at around 1,7 billion euros and in 2006, the partners signed a Memorandum of Understanding. It is expected that the European Commission will assess the "Clean Sky" positively and present a proposal to be voted at the European Council in 2007.

Airbus' position on environmental, social and economic issues are presented in a new extended version of Airbus' Biennial Environmental Report. Published in December, the first Airbus Environmental, Social and Economic report aims to provide a platform for encouraging open dialogue between Airbus and its stakeholders. This report can be downloaded at:

<http://www.airbus.com/en/corporate/ethics/environment/index.html>

Corporate Issues and Personalities

In order to better face the impact of the persistently weak dollar, as well as the financial repercussions of the A380 delay, Airbus launched Power8 in October, a major company-wide restructuring and recovery programme designed to enable the company to regain its competitive edge. The overall objective of Power8 is to develop new products faster, maximise cash and cut costs.

Following the initial announcement of delays to the A380 production schedule in June, Airbus President and CEO, Gustav Humbert gave his resignation in July, after leading the company since July 2005. He was replaced by Christian Streiff, who in term was replaced by Louis Gallois in early October, who remains Co-CEO of EADS, a position he has held since July 2006. Mr Gallois joined Airbus with a vast experience in the aviation business, having been head of SNECMA (now Safran) and Aerospatiale (now part of EADS) in the late 80ies and 90ies. Louis Gallois confirmed his full support of the Power8 Programme, with its implementation and the integration of Airbus among his top priorities.

In November, Fabrice Brégier was appointed Airbus Chief Operation Officer (COO) while remaining a member of the EADS Executive Committee. Airbus CEO Louis Gallois and Fabrice Brégier formed the "Airbus President's Office", with Mr Brégier acting as deputy to Mr Gallois. Prior to his new position at Airbus, Mr Brégier was

Head of EADS' Eurocopter Division from June 2005, as well as President and CEO of the Eurocopter Group since 2003.

Hans Peter Ring was appointed new Airbus Chief Financial Officer (CFO), effective 1st January 2007, while remaining CFO of EADS. Mr Ring replaces Andreas Sperl who will move to another operational function within the EADS Group.

Alain Garcia, Airbus Head of Engineering since January 2001, was appointed member of Airbus' Executive Committee by the EADS Board of Directors in December. Harald Wilhelm, was simultaneously made a member of the Executive Committee and appointed Airbus Chief Controlling Officer as well as deputy to the Chief Financial Officer of Airbus. Prior to his new role, Mr Wilhelm was Head of Airbus' Financial Control, a position he held since March 2003. These new appointments bring further support to the Power8 Programme with both new Executive Committee members key contributors to the successful implementation of the recovery plan.

Outlook

2007 will be a challenging year for Airbus. The implementation of Power8 will lead to a complete reorganisation of the company and be key to its future success. Meanwhile Airbus will continue to ensure the production ramp-ups on both the single-aisle and widebody long-range programmes. 2007 will also be the year in which the first A380 will be delivered to first operator Singapore Airlines. The A380 recovery programme will also have to be fully implemented and bear fruits. Having successfully launched the A350 XWB Family, a top priority for Airbus during the year will be to ensure its successful development and industrialisation. Overall Airbus will strive to restoring confidence, delivering on quality and on its promises.