FX Risk Hedging at EADs

THANK YOU

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AT CROSSROAD
OPTIONS
FORWARD CONTRACTS
NATURAL HEDGING
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ISSUES ?

In early May 2008, Jean- Baptiste Pons, Head of Corporate Finance and Treasury at European Aeronautic Defense and Space Company N.V (EADS), a global aerospace and defense company, was preparing for the next week's meeting with the company's senior executives.

Over the last 3 years, Airbus EADS 's commercial jet division and its primary source of revenue, had reported record order intakes, exceeding the company's turnover at that time by 3 factors:

- Since 2006, the U.S. Dollar ($) had depreciated substantially against the euro (€)
- Airbus billed customers in dollars, while the costs and reported its financial statements in euros
- EADS hedged future revenues with FX forward contract
- EADS considered to choose FX options to hedge its foreign exchange exposures

BACKGROUND

2000

- EADS was establish
- Dual Headquarters located in Paris - France and Munich - Germany

2007

- Grown its workforce:
- Employ 116,500 people in 19 countries
- Increased its annual revenues from €24.2 billion to €39.1 billion
- Booked €550 billion of orders, which more then doubled its order backlog to €339.5 billion
- Had become a major global player and generated more than half of its revenues and sealed around two-thirds of its orders outside Europe
- Generated €25.2 billion in revenues of airbus as a core business

2008

Airbus' order book of 3,540 aircraft represented roughly 83% of the group's €351.4 billion backlog at list prices

Exhibit 2

BACKGROUND

(€ billions except percentages) 2007

Region	Revenues	% of Revenues	Sourcing	% of Sourcing	Order Intake	% of Order Intake
Europe	€ 17.4	45%	€ 25.3	76%	€ 42.9	31%
North America	€ 7.9	20%	€ 7.3	22%	€ 15.5	11%
Asia-Pasific	€ 8.8	23%	€ 0.4	1%	€ 30.2	22%
Middle East	€ 2.5	6%	€ -	0%	€ 44.2	32%
Rest of the World	€ 2.5	6%	€ 0.1	0%	€ 4.0	3%
TOTAL	**€ 39.1**	**100%**	**€ 33.1**	**100%**	**€ 136.8**	**100%**

Division	FY 2007 Results Sales	EBIT	Backlog	Description
Airbus	€ 25.126	€ (881)	€ 283.829	A leading producer of commercial aircrafts of more than 100 seats with a presence across all airliner segments: from the A320 single-aisle jet to the A380 super jumbo for 600 passengers
Eurocopter	€ 4.172	€ 211	€ 13.455	The world's biggest civil and military helicopter manufacturer with products like the Tiger military combat helicopter
Defence & Security	€ 5.465	€ 340	€ 17.886	A global leader in security solutions for armed forces and civil security. It also made EADS the major partner in the Eurofighter combat aircraft consortium and a stakeholder in a leading missile systems provider MBDA
Military Transport Aicraft	€ 1.140	€ (155)	€ 19.932	Utilized existing Airbus platforms to manufacture special mission planes for military purposes such as in-flight refueling, coastal surveillance, or military equipment transportation
Astrium	€ 3.550	€ 174	€ 12.895	The global leader in launcher systems and a producer of satellites and orbital infrastructure for public and defense markets
Other Businesses	€ 1.269	€ 94	€ 2.444	Included: regional turboprop manufacturer ATR; Aerostructures, Systems, and Services division; and Maintenance businesses
Total	**€ 39.123**	**€ (446)**	**€ 339.532**	**N/A**

Exhibit 3

(€ millions) 2007