



# young aero-notes

## The Project

Dear shareholders,

A new element was recently introduced to the syllabus at Bavarian schools: project seminars. As part of the "P-Seminar", students are required to organise, manage and carry out special projects. These can be anything from school events to projects with large companies. As part of our "Communication and Rhetoric" project, we, a group of students at the Albert-Einstein-Gymnasium in Munich, visited EADS Headquarters and the EADS research centre, Innovation Works, spoke to company employees and took part in an information meeting for private investors. On that occasion we were able to put our questions to the CFO of EADS.

This newsletter is the result of the project. Our motto: by young people for young people.



"Communication and Rhetoric" project team, Albert-Einstein-Gymnasium, Munich: from left to right: Fabian Galler, Tobias Drews, Teresa Hofmann, Dominik Rogowski, Theresa Wölfl, Nicolas Schiller.

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The **European Aeronautic Defence and Space Company (EADS)** is Europe's leading aerospace company and one of the largest worldwide. EADS was formed in 2000 and has been able to increase its revenues substantially since its formation, from 24.2 billion euros to 45.8 billion euros in 2010.



# Interview with EADS CFO Hans Peter Ring

## What are your main tasks at EADS?

As CFO, I'm responsible for making sure EADS finances are always in good order so we can deal with our current tasks and deliver results that enable us to realise future projects. As a company listed on the stock exchange we also have responsibilities towards the financial markets, which are particularly interested in dividends and increasing share value. I am responsible for ensuring that we comply with financial reporting rules and build relationship of trust with our shareholders.

## How and why did you join EADS?

After completing my economics and business studies in Nuremberg, I joined the controlling department of MBB, a predecessor company of EADS. MBB then became Deutsche Aerospace, where I became Head of Finance at the subsidiary Dornier Luftfahrt. I've been CFO of EADS since 2002. It's always been fascinating for me to work on exciting projects for the future which bring real progress for our daily lives, and long-term security for the company.



## AIRBUS

Airbus Commercial is the global market leader for commercial aircraft with more than 100 seats. Airbus Military is responsible, amongst others, for the military transport aircraft A400M. Due to strong demand for new, eco-efficient aircraft, Airbus Commercial increased its production rates in 2011. The company expects underlying profitability to improve in the coming years due to increasing volumes, higher pricing and more efficient A380 production.

## Can you describe the daily routine at EADS? Do you have problems with the different languages?

EADS is a very diverse company with a wide range of different products, services, customers and suppliers and over 120,000 employees worldwide. Despite all the variety and complexity we each have one thing in common: the fascination for aerospace. The company language is English and we manage well with it. Apart from that it's both personally rewarding and an advantage for the company to speak different languages and be able to draw from different cultural backgrounds.

## EADS has made a massive development over the past few years. Are you confident about the future?

EADS has grown enormously since its formation in 2000 and our revenues have almost doubled in that time. At the same time, we have invested intensively in new products and programmes, including the A380 and A400M. This has demanded a lot of resources over the past years. But today I think we can be confident. With our huge order book and strong net cash position, we're in a very good state. We have stabilised the Airbus A380 and A400M programmes. We have taken lesson learnt from those programmes into the A350 programme. This is currently our largest industrial programme and therefore risk. Through the recovery in the passenger aircraft market, I expect that we will be able to increase substantially our profitability in the coming years.

**In 2011, EADS has recruited over 5000 new employees, 4500 interns and 1200 apprentices worldwide.**

## EADS in figures (in billion euros)

	2010		30 Sept. 2011
Revenues	45.8	Order intake (9-months 2011)	93.9
EBIT*	1.2	Orderbook	503
Earnings per share	€ 0.68	Net cash position	11.4
		Employees	128,038

\* Earnings before interest and taxes, pre goodwill impairment and exceptionals.

## Speaking of future, what projects are planned for the future and are they realistic?

Innovation is a decisive factor for our competitiveness. EADS is working intensively on a large number of studies and research projects, so that we can maintain our technological advance into the future. Key areas for future oriented projects include eco-efficient mobility, biofuels, network-enabled security, efficient manufacturing processes and advanced materials. To give you an example, EADS recently presented an exciting study for high-speed commercial flights with very low emissions. The concept aircraft that goes by the name ZEHST (Zero Emission High Supersonic Transport) would allow flights from Paris to Tokyo in less than 2.5 hours while meeting the target of a 75 percent reduction in CO2 emissions in commercial aviation. We're talking about a very long time frame here. Studies have to show now how technical aspects can meet the required specifications and targets.

## Do you own shares and would you buy any? If so, why would you buy them?

It's a decision each person has to take for themselves, whether or not to invest in shares. It's my role to give the clearest possible information about our company's finances, opportunities and risks, so that you as an investor can make well informed decisions. If you want to have additional advice there are professional analysts who follow us closely and who understand the financial markets well. You can usually read their recommendations in the business press or on relevant websites. For private investors it is generally recommended to invest mainly long-term in sectors or companies which you know well or which you personally believe will be successful in the future. And by the way: I personally own quite a few EADS shares.

Since 10 July 2000, EADS shares have been listed on the Paris and Frankfurt Stock Exchanges and on the Spanish stock exchanges in Madrid, Bilbao, Barcelona and Valencia. EADS' shares are exclusively ordinary shares with a par value of EUR1. The authorised share capital consists of 3,000,000,000 shares.

### The EADS share

Number of shares issued (31/12/2010)	816 million
Dividend per share (paid in 2011)	€ 0.22
Share price (30/09/2011)	€ 21.21
High in 2011 (25/07/11)	€ 25.04
Low in 2011 (03/01/11)	€ 17.79



### CASSIDIAN

Cassidian is the main focal point of EADS defence and security activities. Due to limited government budgets Cassidian aims to consolidate its position on the European market while expanding in growth markets such as India and Brazil. Cassidian is currently involved in a number of export campaigns for the Eurofighter "Typhoon".

### EUROCOPTER

Eurocopter is one of the world's leading companies in the market for helicopters and related services. In 2011 Eurocopter continued to invest in product development and enhancement. Through the Transformation programme SHAPE the company aims to generate 200 million euros in cost savings by the end of 2011. New product developments have been launched as part of the programme. At the Paris Air Show Eurocopter presented the X3, a demonstrator for high-speed helicopter technology, as well as other innovations in the field of advanced helicopter technology.

## Are young shareholders important for EADS?

All shareholders are important for us, of course. I'm always pleased to see young people taking an interest in our company, whether as shareholders or as potential employees. As a technology company we are strongly focused on the future and young people are our future.

## Why should young people invest in EADS?

Where to invest one's money – just like where to work – is something each individual has to decide for him or herself. But I think there are many good reasons to take an interest in EADS. EADS is a solid company, has a high level of liquidity and is well positioned to take advantage of expected growth in our sector. Just to give an example: according to our estimations global air traffic will further double in the next five years. At EADS you have the chance to participate in that growth.



# The challenge of currency risks

As well as reporting the many successes that EADS has achieved since its formation, it is equally important to inform future shareholders about challenges that EADS has to cope with.

Currency risk, in particular dollar weakness, represents one of the most important and complex challenges. The problem consists in the fact that a major part of EADS revenues is booked in US dollars, whereas costs are incurred mainly in euros because EADS is largely based in Europe. A long term movement in the exchange rate changes the relative amounts of revenues and costs and therefore impacts the company results. Long-lasting and substantial shifts in the US dollar exchange rate are therefore amongst the company's greatest challenges.

EADS deals with this risk in two different ways. Hedges are one important instrument for reducing the risk. Hedge instruments are forward contracts in which an agreed amount of US dollars are sold at an agreed date in the future at an agreed exchange rate. In this way it is possible to freeze the exchange rate. Hedge contracts can only have a limited impact, however, as the hedged exchange rate will always be close to the current exchange rate and it is usually only possible to hedge over a medium term period.

Natural hedging represents another way of reducing currency risk. Buying in US dollars reduces the risk, as revenues are balanced out by costs in the same currency. EADS therefore needs to increase substantially the volume of its dollar buying.



## ASTRIUM

Astrium is the world's third largest company for space systems. The company designs, develops and manufactures satellites and launchers and provides space services. Due to tight government budgets, Astrium has launched a transformation programme to enhance competitiveness. Working practices introduced through the AGILE programme are aimed at improving profitability. Astrium has started the initial development phase of the Ariane 5 Midlife Evolution, a launcher with an increased payload.



## “Investment in shares should always be seen as long-term”

### Founded in 1947, Deutsche Schutzvereinigung für Wertpapierbesitz e.V. (DSW)

is Germany's largest association for private investors, with more than 25,000 members. DSW supports the interests of private investors both at the political level and towards

corporations and banks. “young aeronotes” spoke to Marc Tüngler, Managing Director of DSW.

### Would you still recommend buying shares even in times of financial crisis?

An investment in shares should always be seen as long-term, so that fluctuations on the financial market should not influence one's evaluation. With an average return of 8.8% per year, shares still represent the most profitable form of investment. Unfortunately, this fact gets obscured by current market turbulence. However shares should have their place in every portfolio.

### As a young investor, should one already invest in shares?

Young investors in particular should not forget about shares as a form of investment. A simple rule says that the quota of shares in a portfolio should be calculated according to the formula:  $100 - \text{Age} = \text{share quota}$ . This simple formula is derived from the fact that young investors have the time to pass through the weaker market phases and wait for higher prices. This also means that the older one becomes the smaller the portion shares should represent in one's investment portfolio.

### Do you own shares? Maybe even EADS shares?

I too own shares. I take a long-term approach and see shares as an important building block for my private retirement plan. And yes EADS too plays a part in that. My decision to buy EADS shares came a few years ago and was based on a wide range of information. I was able to get to know EADS at various private investor meetings organised by DSW. EADS' continuously active information policy and Investor Relations activities, which are well adapted to the private investor, were what persuaded me and they gave me the sense of being well informed.

Visit [www.jobs.eads.com](http://www.jobs.eads.com) and find more information about career opportunities within EADS and its four divisions - Airbus, Astrium, Cassidian and Eurocopter.

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With the support of EADS Investor Relations and Financial  
Communication

Photos: EADS

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