

EADS raises outlook despite drop in Q2 profit

Manufacturing.net

EADS NV, the parent company of plane-maker Airbus, on Friday raised its outlook for 2010 - despite a 61 percent drop in second quarter earnings - as a resurgence in commercial aviation boosted hopes that a painful two-year downturn is over.

"We feel more comfortable for the full year now," Chief Financial Officer Hans Peter Ring said in a conference call with journalists.

Airbus said it hopes to capture more than 400 gross orders this year - that's 100 more than its previous forecast.

To keep up, it plans to increase production of its main money-earner, the single-aisle A320. By 2012, it plans to be manufacturing 40 planes per month, up from 34 today.

Louis Gallois, the CEO of Paris-based European Aeronautic Defence & Space Co., said in a statement that a recent flurry of orders "reflect an improvement in the commercial aviation market."

EADS also raised its expectation for revenue this year, saying it should increase to more than euro44 billion, from euro42.82 billion last year. Previously, EADS had said it expected revenue to remain roughly stable this year.

The news boosted the shares, which were up 4.6 percent at euro18.39 in Paris morning trade.

The company blamed a deterioration in its hedging position - contracts designed to lock in currency rates and protect the company from negative effects of foreign exchange fluctuations - for the drop in profit in the three months to June, a result that was in line with analyst expectations.

EADS said net profit in the quarter fell to euro82 million (\$107 million) from euro208 million. Revenue fell 3 percent in the period to euro11.36 billion.

Although Airbus benefits from a stronger dollar, which boosts the revenue in euros it gets for planes, EADS is locked into hedging contracts that were made when the dollar was weaker.

The impact of currency fluctuations cost EADS euro550 million in the first half, the company said.

The results do not include firm orders for 133 aircraft worth more than \$13 billion taken at the Farnborough International airshow, seen as a bellwether for the industry.

EADS raises outlook despite drop in Q2 profit

Published on Chem.Info (<http://www.chem.info>)

In the quarter, Airbus reported a 6 percent fall in revenue to euro7.59 billion and a 77 percent drop in EBIT, or earnings before interest and tax, to euro97 million.

EADS' defense unit saw a 2 percent increase in revenue to euro1.26 billion and a 22 percent decline in EBIT to euro89 million.

Archrival Boeing Co., by comparison, on Thursday reported a 21 percent decline in second-quarter profit to \$787 million and said layoffs are likely in its defense business.

Like Boeing, EADS is pessimistic about future defense contracts as governments rein in budgets.

"The institutional outlook is more challenging as public budgets in our domestic markets are under tight review," Gallois said.

The tight environment raises the stakes for a massive Air Force tanker competition, worth \$35 billion to build 179 planes, over which Boeing and EADS are scrapping.

CFO Ring vowed that EADS will "fight to win" the contract.

Priorities for the year include improving efficiency of its superjumbo A380 program, which is weighing on profits, and finalizing the re-negotiated contract for the troubled A400M military transport program with customer nations, Gallois said.

EADS called its net cash position of euro8.9 billion "a key asset," allowing it to make acquisitions.

[SOURCE](#) [1]

Source URL (retrieved on 05/24/2015 - 5:14pm):

<http://www.chem.info/news/2010/07/eads-raises-outlook-despite-drop-q2-profit>

Links:

[1] <http://www.manufacturing.net/News/FeedsAP/2010/07/mnet-market-sectors-aerospace-eads-raises-outlook-despite-drop-in-q2-profit/>