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Airbus, Pernod, Daimler Earnings Swell on Euro Drop (Update1)  
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(Adds details on retailers in 15th paragraph.)

By Andreas Cremer

May 21 (Bloomberg) -- Airbus SAS, Pernod Ricard SA and Daimler AG are watching profits swell with every step of the euro's decline.

Each 10 cent drop in the currency adds 1 billion euros (\$1.26 billion) to operating profit at Airbus, according to Chief Operating Officer John Leahy. Pernod increases earnings before interest and tax by 12 million euros with each 1 percent fall, Finance Director Gilles Bogaert said in an interview.

As Greece's fiscal crisis leaves politicians scrambling to halt the slump in confidence in the euro, European executives are totting up the gains. Two years ago, the currency shot to an all-time high of \$1.60 as the U.S. economy sank into recession, squeezing margins on European goods sold overseas.

"Because of massive growth in markets like the U.S. and China, we have a strongly growing currency exposure," Daimler Chief Executive Officer Dieter Zetsche said in an interview in Stuttgart, Germany. "The fall of the euro is a benefit."

The 16-nation currency has dropped 13 percent since the start of the year and traded close to a four-year low of \$1.2509 in New York yesterday. A 10 percent decline in the euro boosts profit at companies in the region by an average of 3 percentage points, estimates Stefan Hofrichter, chief economist at Allianz Global Investor's RCM unit in Frankfurt.

#### Cognac to China

Toulouse, France-based Airbus, which sells commercial aircraft in dollars, is hoping to snare extra orders after the surge in the euro in 2008 handed U.S. rival Boeing Co. a pricing advantage. Chicago-based Boeing pays virtually all its costs in dollars, while Airbus has half its costs in euros.

At Pernod, the maker of Absolut vodka and Chivas Regal whiskey, the value of sales from the U.S. and China is increasing as the euro declines, helping raise overall profit.

"A strong dollar and weak euro are good news for us," Boegaert said in an interview on Bendor Island, one of two Mediterranean islands in France owned by the Ricard family. "We export more from Europe than we import, such as cognac to China and champagne."

Bayerische Motoren Werke AG, which gets almost a quarter of its revenue in North America, anticipates a "double-digit" million-euro gain in operating profit as the fall against the dollar more than offsets other currency shifts, spokesman Marc Hassinger said.

"My concern is that the benefits will at most compensate for the headwind stemming from fiscal tightening, a more restrictive Chinese

monetary policy and weakening growth momentum," said Allianz's Hofrichter.

#### Hampered by Hedging

Caught by surprise at the extent of Greece's fiscal woes and ensuing slump in the euro, many European companies are still locked into unfavorable hedging contracts and won't feel the full benefits of the recent decrease until 2011 or 2012.

PPR SA, owner of the Gucci luxury brand and Conforama furniture stores, will be negatively affected by its hedging policy, which runs through May 2011, Chief Executive Officer Francois-Henri Pinault said at the company's annual meeting in Paris on Wednesday.

Even so, the decline in the value of the euro will be "more than" compensated by earnings in other currencies in 2010, Pinault said.

That's not true for all industries. For steelmakers, the rising dollar poses "a problem" by making raw materials more expensive, said Gisbert Ruehl, CEO of Duisburg, Germany-based steel trader Kloeckner & Co. SE.

#### New 'Normal'

Sporting-goods maker Puma AG pays in dollars for about 95 percent of its soccer shoes and jerseys, meaning buying costs rise when the euro weakens, spokeswoman Kerstin Neuber said. The same goes for retailer Hennes & Mauritz AB, which buys the majority of merchandise in dollars from suppliers in Asia.

The euro has fallen as low as \$0.8272 and risen as high as \$1.6038 since it was introduced 10 years ago. The currency's value is still higher than the weekly average rate of \$1.1833 over the decade.

That makes the current level "normal," say executives at companies including Airbus, Daimler and Royal Philips Electronics NV, the Dutch maker of patient-monitoring systems.

"Everybody is talking about the weak euro," said Philips CEO Gerard Kleisterlee. "A level of \$1.20 is the level we had three years ago. So from that perspective, I don't see the big deal."

#### Greater Protection

Given the swings in the common currency, European companies are seeking ways to give greater protection than hedging. Daimler decided last December to shift some production of its Mercedes-Benz C-Class to the U.S., Zetsche said.

BMW, the world's largest luxury carmaker, wants to reduce about 6 billion euros in foreign currency exposure by pursuing contracts with suppliers that allow the manufacturer to pay for components in different currencies, Herbert Diess, BMW's purchasing chief, said in an interview.

The practice, unusual in the auto industry where supplies are typically paid for in a single currency, was adopted by BMW in late 2009.

"We will continue with the multi-currency orders because we're looking at the long term," Diess said. "The euro could be down today, but it could also be up again tomorrow."

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