Document Details Insider Trading Claims at Airbus
Nicola Clark

An 18-page document, which was obtained Tuesday by a French online news service, Mediapart, provided details of a regulator's insider-trading accusations against executives at Airbus and its parent, the European Aeronautic Defense and Space Company.
According to the document, the French stock market watchdog accuses more than a dozen executives of Airbus and the parent company, commonly referred to as EADS, of having known as early as June 2005 that profit was likely to decline, largely as a result of development costs and production delays at Airbus.

That inside information should have prevented them from selling EADS shares, according to the document of the regulator, the Autorité des Marchés Financiers, which was published on the Mediapart Web site.

The executives were also aware of the likelihood of significant delays in the introduction of at least two planes, the two-deck A380 superjumbo jet and the midsize A350, before they exercised stock options in March 2006, the document said, a couple of months before the information became public and sent the share price tumbling,

The accusations form the core of the French regulator's case against 17 people who, the document said, made a total of 20 million euros (now $31.44 million) while having access to insider information.

The document also takes aim at EADS's two largest corporate shareholders, the conglomerate Lagardère of France and the automotive giant Daimler, for selling 7.5 percent stakes in April 2006, when managers of those companies had access to the same privileged information.

The French regulator declined Tuesday to confirm the authenticity of the document, but a spokeswoman for EADS said it appeared to be genuine. The document is a summary of a 94-page report that was presented to the authority's board on April 1 and has been sent to French prosecutors.

In a statement, EADS said it was shocked by the disclosure of the confidential report, which it said had yet to be delivered to the company or to the managers accused of insider dealings. EADS said the leak, coming after the disclosure of a preliminary report on the case in October, was "contrary to legal procedures" and ignored the rights of the accused to a presumption of innocence.

As previously reported, the individuals named include current top executives of Airbus and EADS — among them Thomas O. Enders, now the head of Airbus; his second-in-command, Fabrice Brégier; John Leahy, Airbus's head of sales; and Ralph D. Crosby Jr., head of EADS North America.

Noël Forgeard, a former co-chief executive of EADS who was ousted in July 2006 in the A380 delays, is listed as having gained the most from his share options, reaping more than 4.3 million euros.

In its summary, the French regulator said that in June 2005 — shortly after the announcement of a record number of new aircraft orders at the Paris air show had given a sharp boost to EADS shares — "the main managers and controlling shareholders became aware" of a possible decline "in the medium and long term of the expected profitability of Airbus and the group."

At a board meeting on June 7, 2005, to discuss the group's three-year budget plan, Airbus executives predicted that operating profit would probably be no higher than 1.7 billion euros in 2007, down from an internal forecast of 2.6 billion euros, the report said. Executives cited rising research and development costs for the A350, as well as penalty payments for an initial six-month delay in A380 deliveries announced at the Paris air show, the report said. Operating

profit margins were expected to drop to about 6.5 percent from an earlier estimate of 9.9 percent.

The regulator's report called this evidence "crucial" because it demonstrated the disparity in the information available to EADS and Airbus management, and what was known to the public, at the time executives began exercising share options in November 2005.

The other evidence cited relates to the delays in the development of the A380 and the A350.

The French authority said that senior EADS and Airbus managers were aware "at the latest" by March 1, 2006, that "for the second consecutive year and for identical reasons," deliveries of crucial components of the A380 to the final assembly line in Toulouse, France, had been disrupted.

It added that by March 7, 2006, the EADS executive committee was informed that development costs for the A350 had increased by around 30 percent and that expectations of its market share against the rival Boeing 787 had declined.

The report said this "has all the characteristics of privileged information."

EADS has consistently maintained that share trading by its executives was in line with company regulations and that it was done with the approval of its compliance department and the chief financial officer, Hans Peter Ring.

Disponível em: <http://www.nytimes.com>. Acesso em 10/4/2008.