DynexCorp

Dynamic Currency Debt Management

3rd Quarter 2009 Report — 5 October2009

Forecasting is difficult, especially about the future

(Woody Allen)

At the end of 2Q2009 we recommended a mixed portfolio as follows:

50% in USD (at 1.3935 USD per EUR) → today's rate: 1.4300
25% in GBP (at 0.8800 GBP per EUR) → today's rate: 0.9140
25% In JPY (at 132.60 JPY per EUR) → today's rate: 132.25

	currency result	interest result	total result	at the end of 3Q2009
50%	+1.30%	+0.17%	+1.47%	
25%	+0.96%	+0.04%	+1.00%	
25%	-0.06%	+0.09%	+0.03%	
		total benefit 2Q2009	+2.50%	+10.0% annualised

Our portfolio adjustments at the end of 2Q2009 did indeed work out quite well. At the start of 3Q2009, we chose to re-adjust the portfolio as follows: increase in USD borrowing to 50%, decrease in GBP borrowing by 25% (to 25%) and adding JPY borrowing for the porfolio remainder of 25%, rendering the overall portfolio fully hedged. We are now in an area of sentiment extremes in all three curreny pairs and choose to step aside, moving all borrowings back into EUR. We see currently few opportunities other than borrowing in USD, yet sentiment indicators suggest the USD may be poised for a rally which would work against USD borrowings (vs. EUR).

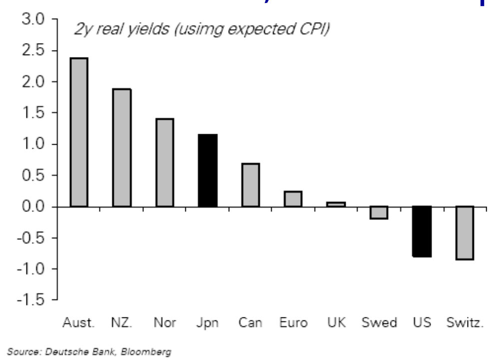
2009-to-date has yielded a sizeable profit of 3.15% which have resulted for the borrower not only in ZERO borrowing cost but also in an additional net gain of 2.4%. Debt management has paid of well in 2009!

USD: 0% (down from 50%)

GBP: 0% (down from 25%)

JPY: 0% (down from 25%)

to hot to handle:USD, CHF not an option



Current EUR-based loan portfolio

0% USD → current rate: 1.4300
0% GBP → current rate: 0.9140
0% JPY → current rate: 132.25
100% in EUR

Borrowing can become an advan-tageous business if loan balances can be reduced through a) interest rate reduction and/or b) dynamic switch-ing to weaker currencies. Interest rates for different currencies vary greatly. Switching loan balances into low interest rate currencies can reduce the interest burden. Switching loan balances into currencies that fall against the original loan currency can also reduce the loan burden. DynexCorp uses a combination of both to achieve benefits for the borrower.

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