

## **ABSTRACT**

The adoption of floating foreign exchange rate regime in the 1990s and international trade have led to increased exposure of Kenyan firms to foreign exchange risk. Foreign exchange risk can affect a firm's expected cash flows, and by extension, its financial performance. This paper examines the effects of foreign exchange risk hedging techniques on the financial performance of publicly listed firms in Kenya. The target population constituted all the 54 firms that were continuously listed on the Nairobi Securities Exchange during the study period, from 2011 to 2016. The study used panel data research design. Secondary data was obtained from financial statements of the listed firms. The data was coded and analysed using descriptive and inferential statistics—correlation and regression—with the aid of STATA software. The feasible generalised least square model was used to test the hypotheses. The results show currency hedging has a positive effect on financial performance. This implies that when hedging strategies and hedging tools are implemented appropriately, they help firms achieve their financial objectives, increasing financial performance, hence creating value for shareholders.