

# Finmeccanica Nine Months 2005 Results Presentation

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## Concentrated on the knitting...

### Current focus on:

- Improving the operating performances of our businesses.
- Integrating newly acquired Aerospace & Defence assets.
- Increasing profitability by enhancing quality of our P&L and balance sheet.
- Securing future organic growth by targeting key markets.

**...and starting to deliver the results.**

## Profitability and order intake have improved significantly in 9M05 and 3Q05

- Ebit in 9M05 rose by more than 10% vs 9M04 (like-to-like) thanks mainly to Aeronautics and Space.
- Ebit in Q305 rose by more than 50% vs Q304 (like-to-like) driven mainly by Aeronautics and Defence.
- Net income in 9M05 tripled vs 9M04, excluding contribution from STMicro, thanks to higher Ebit and lower tax rate.
- Order intake in 9M05 more than doubled vs 9M04.
- Order backlog rose by 20% vs end 2004 covering about 3 years of production.

## 9M and 3Q 2005 Highlights

(Eur mln)	9M 05	Change %	9M 04	3Q 05	Change %	3Q 04
<b>Net Profit</b>	<b>180</b>	<b>22%</b>	<b>148</b>	<b>76</b>	<b>33%</b>	<b>57</b>
<b>Value of Production</b>	<b>7,554</b>	<b>17%</b>	<b>6,460</b>	<b>2,591</b>	<b>24%</b>	<b>2,085</b>
<b>EBIT</b>	<b>406</b>	<b>51%</b>	<b>269</b>	<b>156</b>	<b>n.s.</b>	<b>73</b>
<b>EBIT %</b>	<b>5.4%</b>		<b>4.2%</b>	<b>6.0%</b>		<b>3.5%</b>
<b>Operating cash flow</b>	<b>(505)</b>	<b>22%</b>	<b>(647)</b>			

	End September 2005	End December 2004
➤ <b>Net Debt</b>	<b>2,245</b>	<b>701</b>
➤ <b>Backlog</b>	<b>31,139</b>	<b>24,315</b>

- Higher operating margins and lower tax drove increase in net profit.
- Lower absorption of operating cash flow in 9M05 vs 9M04.
- Increase in net debt due to strategic acquisitions and IFRS impact.

## Working capital under control

(Eur mln)	30/09/2005	31/12/2004	30/9/2004	30/6/2005
<b>Net fixed assets</b>	<b>5,594</b>	<b>3,643</b>	<b>2,951</b>	<b>5,389</b>
<b>Net working capital</b>	<b>1,279</b>	<b>576</b>	<b>1,458</b>	<b>1,102</b>
<b>Net invested capital</b>	<b>6,873</b>	<b>4,219</b>	<b>4,409</b>	<b>6,491</b>
<b>Shareholders' equity</b>	<b>4,638</b>	<b>3,649</b>	<b>3,221</b>	<b>4,549</b>
<b>Net debt</b>	<b>2,245</b>	<b>701</b>	<b>1,208</b>	<b>1,952</b>

- Net fixed assets increased due to goodwill from acquisition of BAE Avionics and different accounting method applied to STM stake.
- Seasonal increase in working capital; lower than end 9M04 despite acquisition of avionics business.

## Delivering on strategy

**1 July** → New Finmeccanica-Alcatel space manufacturing and service companies become operational.

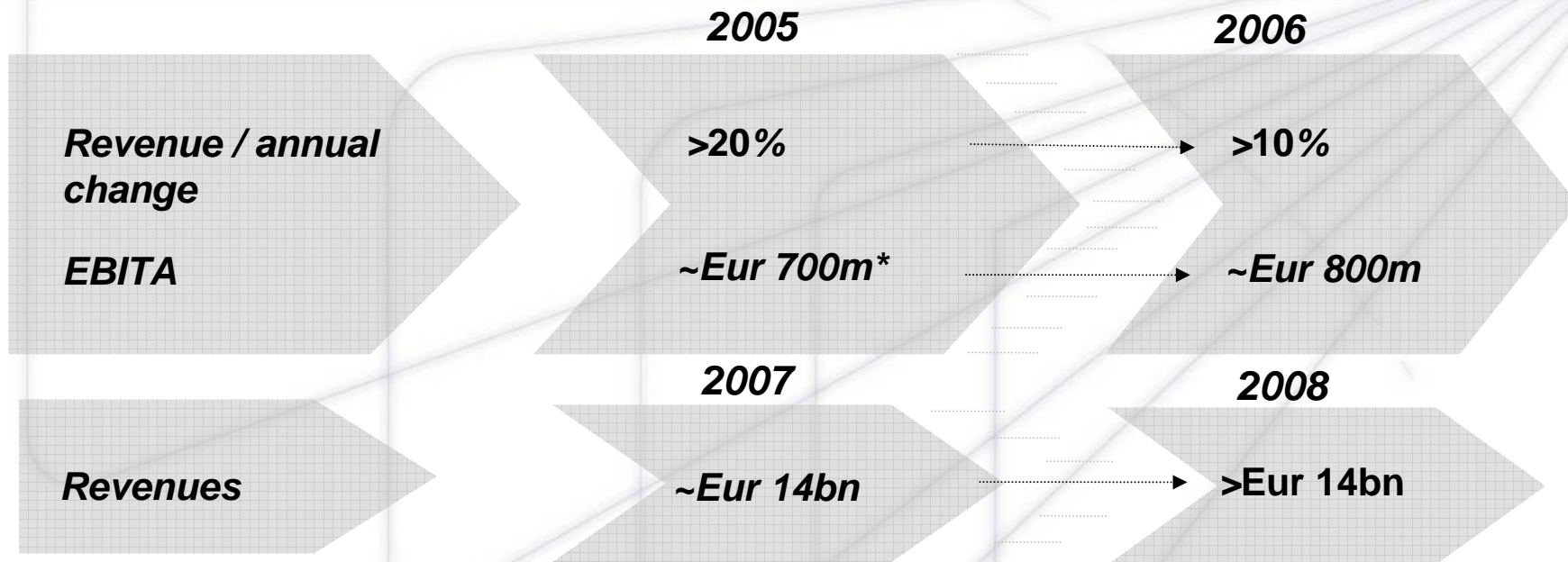
**18 August** → MoU signed with Sukhoi for collaboration on Russian regional jet.

**29 September** → Board approves flotation of Transport companies Ansaldo Signal and Ansaldo Systems on Italian stock market by end 1H06.

**5 October** → Acquired majority stake (52.7%) of Datamat, IT company specialised in providing integrated solutions to Defence sector.

**Q305** → Elsig now focussed on defence and security markets together with Datamat. Three of Elsig's non-core civil IT businesses sold.

## Guidance confirmed



\*Including Aw 100%, consolidation of acquired UK Defence Electronics assets from 1 May and Space (Alcatel) operation from 1 July 2005.

- Cumulative Free Operating Cash Flow of >Eur 600m in next 3 years (2005-07).
- Dividend policy: increase together with profits.
- Optimal capital structure: Net debt/Equity <35- 40%.
- Net bank debt/EBITDA <2.0X.



## Operating performance by business



## Helicopters: improving outlook driven by.....



(Euro mln)	9M 05	Change %	9M 04	Q3 05	Change %	Q3 04
Value of Production	1,721	93%	890	551	77%	311
EBIT	174	79%	97	48	92%	25
EBIT Margin	10.1%		10,9%	8.7%		8.0%
Orders	2,892	n.s.	400	472	n.s.	129

- Integration benefits offset weaker domestic/export mix.
- Production activity ramping up for AB139 supported by strong order flow (15 deliveries and 44 orders in 9M05).
- Ready to compete for major US orders in 06 (CSAR & LUH).
- Well placed to win large UK orders over next 12 months (Future Lynx and Merlin EH101 support & upgrade contracts).

**...strong order intake in military and civil.**

## Defence Electronics: exciting growth prospects.



(Euro mln)	9M 05	Change %	9M 04	Q3 05	Change %	Q3 04
Value of Production	1,932	17%	1,657	712	39%	511
EBIT	114	9%	105	33	83%	18
EBIT Margin	5.9%		6.3%	4.6%		3.5%
Orders	3,367	n.s.	1,283	518	n.s.	205

New Defence Electronics activities acquired from BAE consolidated from 1 May 2005

- Value of production slightly below expectations due to delay on TETRA but first order expected by end 2005. Avionics performing well.
- Significant opportunities for synergy savings through integrating UK and Italian avionics business.
- Wide range of skills now available to provide Integrated System solutions for Defence and Homeland Security requirements. Good opportunities for Vessel Tracking Systems.
- Growth driven by Eurofighter (> Eur 2bn backlog for TR2) and other avionics, naval radar command & control, ATM, TETRA and security.
- Datamat joining Elsag in providing IT solutions to Defence Sector.

## Aeronautics: military continues to drive performance...

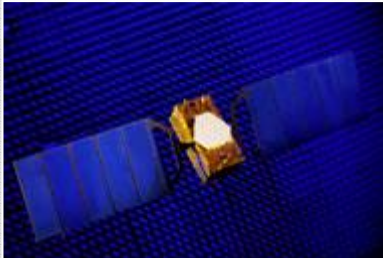


(Euro mln)	9M 05	Change %	9M 04	Q3 05	Change %	Q3 04
Value of Production	1,405	5%	1,332	469	5%	448
EBIT	99	77%	56	51	113%	24
EBIT Margin	7.0%		4.2%	10.9%		5.4%
Orders	2,116	n.s.	723	1,049	n.s.	123

- Q3: profitability boosted by compensation for closure of B757 line.
- Consolidation of ATR and increased C27J activity push revenues higher.
- Orders building up for B787 and ATR.

**...but large civil orders are starting to arrive.**

## Space: Alcatel-Finmeccanica new Space companies start operations



(Euro mln)	9M 05	Change %	9M 04	Q3 05	Change %	Q3 04
Value of Production	547	5%	519	176	(5%)	185
EBIT	24	n.s	2	5	n.s	12
EBIT Margin	4.4%		0.4%	2.8%		6.5%
Orders	330	(7%)	353	63	(40%)	105

- Lower than expected production activity impacts Q3.
- Benefits of expected upturn in commercial TLC satellites still to come.
- Saving targets for new companies currently being identified.
- Better balanced portfolio between commercial and institutional following tie-up with Alcatel.

## Defence Systems: better than expected Q3 thanks to improved programme mix in MBDA.



(Euro mln)	9M 05	Change %	9M 04	3Q 05	Change %	3Q 04
Value of Production	706	(6%)	750	236	3%	229
EBIT	42	14%	37	22	n.s	4
EBIT Margin	5.9%		4.9%	9.3%		1.7%
Orders	403	5%	382	71	(28%)	99

Including 25% of MBDA and 100% of Oto Melara and WASS

- Missiles: profitability in Q3 improves thanks to anticipated activity on some contracts in MBDA and to other programmes now entering production phase (Storm Shadow, Scalp and Brimstone).
- Land & Naval armaments: weaker programme mix impacts s-t profitability.
- Underwater systems: still very profitable but weaker than before due to heavy torpedo development activity.

## Non-core: Signalling & Systems strong, Vehicles weak



### Transportation

(Euro mln)	9M 05	Change % 9M 04	3Q 05	Change % 3Q 04
Value of Production	899	(8%)	313	13%
EBIT	5	(85%)	18	n.s.
EBIT Margin	0.6%		5.8%	2.9%
Orders	1,394	5%	558	n.s.



### Energy

(Euro mln)	9M 05	Change % 9M 04	3Q 05	Change % 3Q 04
Value of Production	519	1%	181	5%
EBIT	20	43%	7	(22%)
EBIT Margin	3.9%		3.9%	5.2%
Orders	557	n.s.	121	n.s.

**Energy performing well.**

## Safe Harbor Statement

NOTE: Some of the statements included in this document are not historical facts but rather statements of future expectations, also related to future economic and financial performance, to be considered forward-looking statements. These forward-looking statements are based on Company's views and assumptions as of the date of the statements and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Given these uncertainties, you should not rely on forward-looking statements.

The following factors could affect our forward-looking statements: the ability to obtain or the timing of obtaining future government awards; the availability of government funding and customer requirements both domestically and internationally; changes in government or customer priorities due to program reviews or revisions to strategic objectives (including changes in priorities to respond to terrorist threats or to improve homeland security); difficulties in developing and producing operationally advanced technology systems; the competitive environment; economic business and political conditions domestically and internationally; program performance and the timing of contract payments; the timing and customer acceptance of product deliveries and launches; our ability to achieve or realize savings for our customers or ourselves through our global cost-cutting program and other financial management programs; and the outcome of contingencies (including completion of any acquisitions and divestitures, litigation and environmental remediation efforts).

These are only some of the numerous factors that may affect the forward-looking statements contained in this document.

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