Driving success by executing our goals
Vehicles
Salvatore Bianconi
Managing Director

Driving success by executing our goals
Key achievements:

2006 Investor day: Revenues 2010E: €810 m

2007 Investor day: Revenues 2010E: €825 m, Ebit 2010E: 2%;

Ansaldobreda is following an intensive and deep industrial restructuring plan, which affect entirely the industrial structure.

**Achievements:**

- Strengthen engineering capabilities
  - Key know-how and tools now available and consistent with needs;
  - IC4, EMU72, E403 programmes critical issues recovered;
- Enhance methodologies for risk assessment and mitigation
  - Structured approach implemented already in tender phase;
- Successful completion of the “Crash Programme”
  (basic process strengthening mainly in factory logistics)
Actions in process

Ongoing activities:

❖ “Process Programme”:
  ❑ extensive process which implement all in-process improvement actions, performing a general re-engineering of the value chain main processes, acting on organisation, structures and operation behaviour;
  ❑ main areas involved: Product and Process Engineering, Materials, Logistic and Purchase Management, Production;

❖ Production sites specialisation:
  ❑ configuration of a specific “mission” for each production site, characterised by an industrial structure “tailored” for a specific product;
  ❑ targets: industrial reorganisation with optimisation of logistics processes, production efficiency and effectiveness;

❖ Human Resources Optimisation:
  ❑ from 2007 Ansaldobreda is developing a strong action of rationalisation and improvement on personnel mix.
Revenues growth: Drivers

- Orders backlog: €2.1 bn (at 30/09/2007)
- 2008-2010 Orders Forecast:
  - Total: €2.5 bn
  - Annual Average: €0.8 bn
  - Annual growth rate: 12%
- Tenders forecast: €10 bn
- Coverage rate (orders / tenders): 25% (as per 2003-2007 results)
- Main projects:
  - High Speed Train Trenitalia (Trenitalia investment plan €1.1 bn)
  - TSR / EMUs DD (Trenitalia / Regional operators & European countries)
  - EMUs (electrical multiple unit) Russia
  - HRVs (heavy rail vehicle)/MLA (automatic rail vehicle) Italy (Rome, Milan, Naples)
  - HRVs/MLA Europe (Madrid, Athens, …) and China
  - Sirio Europe & Turkey (Gothenburg, Kayseri …)
  - Global Service (Madrid, Norway…).
Profitability growth: Drivers

2006-2010 orders profile average margin = 13%

New orders economic global profile: Margin 13%; R&D 1.5%; G&A 7.5%; Ebit 4%

The economic profile of new orders derives from the company’s restructuring process:

- cost reduction through process plan implementation
  improvement, leaning, integration, traceability of industrial process
- sites restructuring/reorganisation
  higher efficiency and lower logistics costs
- resource optimisation
  300 heads out /180 in, with same throughput
  higher direct/indirect ratio

All leading to a significant improvement in total company efficiency
Investments: R&D and CAPEX

CAPEX IN 2007-2010: €78 m
- Product development: 41%
- Maintenance: 45%
- Mandatory: 14%
- Total Gross R&D Investments 2007-2010: €59 m
  - Expensed: 48%
  - Capitalised: 52%
- Capitalised R&D 2007-2010: €30 m
  - Urban: 41%
  - Regional: 36%
  - Main Line: 23%
Investments: R&D and CAPEX

🎉 **R&D**: Priority given to significant-transversal technology improvements and innovation, to assure fallout on all AnsaldoBreda products being developed/upgraded (Main Line-Mass Transit- Regional-Urban), such as:

- Enhanced SW solutions and development environment
- Improved integrated traction systems
- Smart diagnostics/prognostics systems
- Innovative command and control solutions

Overall spent (2007-2010): approx. €59 m

🎉 **Capital Expenditure**: Targets of the plan being implemented:

- Improve and specialise the mission of the 4 plants (“product driven mission”)
- Implement state of the art capabilities for key manufacturing process
- Improve the plants layout to efficiently manage the final assembly and functional test

Overall spent (2007-2010) : approx. €78 m
Investments: overview
Energy

Giuseppe Zampini
CEO

Driving success by executing our goals
Finmeccanica Investor Day ’07 vs. ‘06

**Last year’s target:**
- Group Revenues @ €1.4bn
- ROS @ 9%

**Today’s target:**
- Group Revenues @ €1.7bn
- ROS @ 9+%  

**2010 Target Change**

- Stronger & sustainable market
- Higher profitability & market share on New Units
- Very solid backlog, higher than expected

**Main Achievement ‘06**

**New Units**
- Strengthened sales & marketing organisation
- Developed low emission burners (<15 ppm) for V94.3A4

**Service**
- Acquisition of Thomassen Turbine System (NL) & Energy Service Group (CH)
- Double digit organic growth (+20%)
Extend market reach and service share

Service contribution to EBIT from approx 35% in 2006 to approx 60% in 2010
New units business: €1bn of revenues by 2010

**Target Regions**
- Increase production capacity (€40m+ workshop investments in 2008-10)…and preserving flexibility
- Global supply chain
- Decrease G&A by 1 pt % (on revenues)

**Power Generation Market**

**Scenario**
- World Wide + 70% Gas Turbine Orders
- Target Regions: +100% GT orders
- Market Trend very strong until 2010 and positive thereafter

**Effects**
- Doubled order intake and increased GT market share 2007 (5.7% vs 4%, YTD Sept 30)
- Higher profitability in a sellers market

**Roadmap towards €1 bn revenues**

- Increase production capacity (€40m+ workshop investments in 2008-10)…and preserving flexibility
- Global supply chain
- Decrease G&A by 1 pt % (on revenues)

Source: International Energy Outlook 2007- EIA
Service business: €560 m of revenues by 2010

**Power Generation Service Market**

- OEM service market on own installed fleet expected to grow at 10% CAGR in next ten years
- Enhancing service portfolio and increase playground as OSP™ (*)

Growing towards €560 m revenues

- OEM Installed fleet: LTSA & Flow
- Increase profitability: In-source critical processes
- Improve value proposition
- OSP™ strategy: increase product portfolio also by acquisitions and technology
- Thomassen Turbine Systems turnaround: + 50% vs. ’06 orders

(*) Original Service Provider, e.g. combining the Technology Excellence gained as an OEM with the entrepreneurialship and the flexibility matured as an Independent Service Provider
Technology: Building the future

- **New Units**
  - Focus on Gas Turbines: performance improvements with retrofitable upgrades
    - Large Size V94.3A(5): 450MW 58% Eff. in Combined Cycle
    - Medium Size V94.2(7): 270MW @ 53.5% Eff. in Combined Cycle
  - CC operational flexibility
  - Ultra supercritical development for Steam Turbines
  - Extend air cooled generators up to 400MVA

- **Service OEM**
  - V94.2 Life Extension
  - V94.3A Extend Maintenance Intervals
  - Field service improvements

- **Service OSP™**
  - GE…extend portfolio and solutions
  - Other technologies on GTs

- **Renewable**
  - Fuel Cells: 1MW by 2012
**Investments: R&D and CAPEX**

**Total Capex (Accumulated 2007-2010)**
- Product development focused on GT upgrades and OSP portfolio extension
- Maintenance includes workshop capacity enhancement
- Minimum acceptable IRR for CAPEX and R&D @ 15%

**Total R&D (Accumulated 2007-2010)**
- Total Gross R&D 2007-2010: ~€125 m
- Expensed 70%
- Capitalised 30%
- Capitalised R&D 2007-2010: ~€37 m
- OEM TurboGas 76%
- OSP 24%