KEY FIGURES 2004-2005

Defence Electronics

<table>
<thead>
<tr>
<th>(£mln)</th>
<th>2004</th>
<th>2005</th>
<th>%change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>2,073</td>
<td>3,324</td>
<td>60</td>
</tr>
<tr>
<td>EBIT</td>
<td>155</td>
<td>269</td>
<td>74</td>
</tr>
<tr>
<td>Margin</td>
<td>7.5%</td>
<td>8.1%</td>
<td></td>
</tr>
<tr>
<td>Orders</td>
<td>1,931</td>
<td>4,627</td>
<td>n.s.</td>
</tr>
<tr>
<td>Backlog</td>
<td>2,857</td>
<td>6,946</td>
<td>n.s.</td>
</tr>
</tbody>
</table>

2005 Revenues

Avionics 44%
Comms 21%
Radar & C2 Systems 18%
Homeland Protection 5%
IT 12%

Defence Systems

<table>
<thead>
<tr>
<th>(£mln)</th>
<th>2004</th>
<th>2005</th>
<th>%change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>1,145</td>
<td>1,154</td>
<td>1</td>
</tr>
<tr>
<td>EBIT</td>
<td>97</td>
<td>112</td>
<td>15</td>
</tr>
<tr>
<td>Margin</td>
<td>8.5%</td>
<td>9.7%</td>
<td></td>
</tr>
<tr>
<td>Orders</td>
<td>810</td>
<td>763</td>
<td>(6)</td>
</tr>
<tr>
<td>Backlog</td>
<td>4,115</td>
<td>3,869</td>
<td>(6)</td>
</tr>
</tbody>
</table>

2005 Revenues

Underwater Systems 10%
Missile Systems 63%
Land & Naval Armaments 27%
World Defence Electronics Market 2005
Tot. 90 B€
CAGR 2005-2010 +7%

Trend Drivers

- Growth in **avionics** due to additional capability insertion on operational platforms (EFA, helicopters) and advanced, open architectures systems for last generation aircraft (JSF)
- New requirements for **self-protection**, both for military transport and for commercial aircraft
- **Network Enabled Capability** to increase operational effectiveness is requiring **Large Systems** as well as new **sensors** to deliver solutions to the customer and to optimise the **sensors to effectors** chain
- **Communication** demand, both military, institutional and professional, will be driven by a technological transformation enabling continuous needs of interoperability and security and ensuring the connectivity for the information superiority requirements
- **Homeland Protection** market will enter a consolidation process that will reward companies characterised by adequate size and technological skills

Defence Electronics will account for ever increasing share of Defence Budgets
World Markets & Trends

World Defence Systems Market 2005
Tot. 25 B€
CAGR 2005-2010 +2%

- Guided Missiles 56%
- Armaments 36%
- Underwater Systems 8%

Trend Drivers

- **New requirement for advanced Missile Systems**, mainly for extended air-defence against ballistic and cruise missiles and for precision attacks within *out of area* missions
- Wider needs for **advanced protection systems** for armoured vehicles involved in urban warfare operations and for multi-role turrets
- **Land vehicles insertion into advanced Net-centric Systems** (FCS, FRES, BIT programmes)
- New technological developments for *land combat to increase the situation awareness capability*
- New demand for **underwater harbour surveillance and protection systems**, for Vessel Traffic Control and Anti-torpedo Protection systems for surface ships

“Boots on the ground” will reaffirm the importance of Defence Systems in out of area operations
Key Data*

<table>
<thead>
<tr>
<th></th>
<th>2005 *</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>1,461</td>
</tr>
<tr>
<td>Orders</td>
<td>2,370</td>
</tr>
<tr>
<td>Backlog</td>
<td>4,040</td>
</tr>
</tbody>
</table>

Key profitability actions

- Eur 50 mln annual benefits of additional EBIT by 2008 expected from integration of Italian and UK businesses
- Cost saving & containment

*IAS New avionics activities acquired from BAE Systems consolidated starting from 1/05/05
Key Data*

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenues</th>
<th>Orders</th>
<th>Backlog</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005*</td>
<td>600</td>
<td>855</td>
<td>1,391</td>
</tr>
</tbody>
</table>

Key profitability actions

- Efficiency projects to improve management of tender offer processes (technological database, management projects of LCM & PC, CMMI)
- Efficiency programmes to improve management of tender offer processes (supply chain, risk management)
- Cost saving (IT, power)

* Pro-forma 12 months Selex Sistemi Integrati
Key Data*

<table>
<thead>
<tr>
<th></th>
<th>2005*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>684</td>
</tr>
<tr>
<td>Orders</td>
<td>790</td>
</tr>
<tr>
<td>Backlog</td>
<td>868</td>
</tr>
</tbody>
</table>

**Key profitability actions**

- Restructuring plan under consideration (downsizing of industrial & corporate structure, reorganisation of production processes, launch of efficiency activities, externalisation of non core activities)
- Contain G&A costs

*IAS New comms asset activities acquired from BAE, consolidated starting from 01/05/05
Key profitability actions

• Target of Eur 25 mln of additional EBIT by 2008 from the industrial plan guidelines for the integration of Datamat and Elsag.

• Cost savings (reduce number of legal entities, procurement, G&A)

*IAS Includes 100% of Elsag and Datamat, consolidated starting from 04/10/05
Key Data*

<table>
<thead>
<tr>
<th></th>
<th>2005*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>117</td>
</tr>
<tr>
<td>Orders</td>
<td>128</td>
</tr>
<tr>
<td>Backlog</td>
<td>342</td>
</tr>
</tbody>
</table>

Key profitability actions

- Reduce production costs for heavy torpedoes
- Improve mix leveraging commercial opportunities for NH 90
Key Data*

<table>
<thead>
<tr>
<th></th>
<th>2005*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>314</td>
</tr>
<tr>
<td>Orders</td>
<td>109</td>
</tr>
<tr>
<td>Backlog</td>
<td>972</td>
</tr>
</tbody>
</table>

Key profitability actions

- Production costs reduction (naval guns)
- Restructuring/optimisation (outsourcing non core activities, reduction in headcount, site rationalisation)

* Italian GAAP
** IAS
**Key Data**

2005*

- Revenues: 724
- Orders: 528
- Backlog: 2,579

**Key profitability actions**

- Restructuring Plan (Sites Re-organisation, Redundancy Programmes)
- Procurement cost reduction plan
- Synergies from MBDA Germany acquisition

**Eurofighter**

**FREMM**

**PAMS**

**Maritime Superiority**

(Aster 15 & 30/PAAMS, VL Mica, Exocet)

**Ground Based Air Defence**

(Aster 30, Mistral, Rapier)

**Battelfield Engagement**

(Brimstone, Milan)

**Strike**

(Storm Shadow/Scalp, Taurus KEPD 350)

**Airborne Air Defence**

(Meteor, Mica)

*IAS
Finmeccanica
Investor Day 2006

Marina Grossi
CEO
Selex Sistemi Integrati
Selex Sistemi Integrati: Business Lines

• Large Systems for Homeland Protection and Defence & Surveillance Solutions:
  – Border/Territory Control & Surveillance System (including Vessel Traffic System)
  – Major Events Protection System
  – Critical National Infrastructures Protection System

• Naval Radar & Systems:
  – Integrated Combat Systems
  – Surveillance/Multi-functional & Coastal Radar
  – Fire Control Systems

• Land based Radar & Systems:
  – Air Defence Radar
  – C2 & C4I Centres

• Air Traffic Management & Airport Systems:
  – Primary & Secondary Radar
  – Integrated Air Traffic Control Centres
  – Navaids & Meteo Systems
Selex Sistemi Integrati: Key Drivers (1/2)

1. Large Systems

- System Architect
- Integrator
- Prime Contractor

Key Products and Capabilities in FINMECCANICA group

Use of Systems already in Portfolio

- Homeland Protection
- Surveillance
- Defence

KEY ASPECTS
Radar and Command & Control Systems

2

State of the Art Products & Technologies

Land and Naval – Civil & Defence

Air Traffic Control

Already established competitive position worldwide

KEY ASPECTS
Large Systems - How

Systems already in Portfolio
Vessel Traffic System, Border Control

INTEGRATION of Finmeccanica and third Parties Systems

FINMECCANICA key markets
Domestic: ITA, UK
Priority: USA
Major Opportunities: Russia, Turkey, UAE, Libya, Malaysia, China

Network Centric Operation Technologies
Middleware, Service Oriented Architectures,
Data fusion, Modeling & Simulation, Distributed Networks
Large Systems - Why

Market growth
New requirements & funding for Nation Wide
NCO Security and Defence
Large Systems
5 to 7 Bl €/yr accessible worldwide by 2010
Annual Growth Rate > 10%

Commonality between Defence and Security
Experience and Investments in Systems Integration
Radar & C2 Systems - How

Radar and Command & Control Systems

Strong positioning in Land, Naval & ATC Radar enhancing positioning through Innovative Technologies & Price Competitiveness

Leverage export market with updated Products supported by focused R&D:
- Tactical Multifunctional Radar (Kronos)
- Naval Combat Management Systems
- Large Air Traffic Control Centres

Consolidated Market Position in key export Countries
Expected export Market Growth: new programmes in Naval, Air Defence & Air Traffic Management

Large Domestic & Multinational
PROGRAMMES:
FREMM, HORIZON, MEADS, Single European Sky, Assets for Large Systems (Integrated Army Brigade)

Consolidated use of KEY Technologies:
Active Arrays
Signal Processing
Wide Band modules
Evolution of the Business & R&D support

Large Systems driving **growth** in the next 5 years, shifting focus from Italy to Export market

**Revenues**

- **2005**
  - 600 M€
  - RoS > 7%

- **2010**
  - >1300 M€
  - RoS >10%

**Over 20% of revenues invested in R&D**
Main Strategic Goals

The three pillars of Finmeccanica Strategy are achieved through Large Systems for Homeland Protection, Defence & Surveillance and Radar & C2 Systems for Civil and Defence applications.
**Products & Programmes**

**Product Lines**

<table>
<thead>
<tr>
<th>Airborne Radar</th>
<th>Defensive Aids</th>
<th>Situational Awareness</th>
<th>E/O</th>
</tr>
</thead>
<tbody>
<tr>
<td>Captor ENR 90</td>
<td>DASS DIRCM</td>
<td>ATOS Falco UAV</td>
<td>E/O Sensors Air</td>
</tr>
<tr>
<td>Grifo</td>
<td>HIDAS</td>
<td>IRST</td>
<td>Land</td>
</tr>
</tbody>
</table>

**Main Programmes**

<table>
<thead>
<tr>
<th></th>
<th>Estimated revenues for Selex S&amp;AS 2006 - 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Typhoon</td>
<td>2,400 mln€</td>
</tr>
<tr>
<td>NH 90</td>
<td>120 mln€</td>
</tr>
<tr>
<td>Special Mission</td>
<td>400 mln€  manned Aircraft incl. NATO AGS</td>
</tr>
<tr>
<td>Future Lynx</td>
<td>150 mln€</td>
</tr>
<tr>
<td>UAV Situation</td>
<td>180 mln€</td>
</tr>
<tr>
<td>Land Systems</td>
<td>400 mln€</td>
</tr>
<tr>
<td>incl. FRES</td>
<td></td>
</tr>
</tbody>
</table>
Airborne Radar

Radar today account for 28% of 2005 revenues

- Established position as prime supplier of Combat and Surveillance Radar for national and export Customers
- Present in main European Transnational Programmes
- Radar upgrade programmes for combat and Surveillance applications
Airborne Radar - Response to Market Drivers

• **Drivers**
  • Extended operation of aircraft through mid life upgrades – less platforms
  • Demand for increased performance and functions from radar

• **Response: affordability through technological innovation**
  • From Mechanical to Electronically Scanned (E-Scan) Radar
  • High Speed Computer Processing for sophisticated Radar Modes
Airborne Radar

- Combined UK & IT world class Centers of Excellence – ownership of enabling technologies
  - Affordability of E-Scan modules
  - Experience in radar modes gained in operations
- Presence on most European platforms – upgrades
- Selex Airborne Radar CAGR 2005 - 2010 growth rate (8%) exceeds average military radar growth rate (5.2%)
Airborne Radar

- Tornado & Typhoon Upgrades
- Lightweight E-Scan and M-Scan Radar for UAVs
- E-Scan Radar for Maritime Patrol (Future Lynx, C130 USCG)
- SOSTAR and TCAR Wide Area Surveillance Radar
Situation Awareness within Selex SAS includes: manned and unmanned surveillance systems, Identification Surveillance and Reconnaissance sensors (radar, E-O)

Airborne Situation Awareness Sensors and Systems

Sensors for land based systems

Situation Awareness Sensors & Systems today account for 14% of 2005 revenues
Situation Awareness

- Homeland Security drives Situation Awareness and draws on Military solutions

- Low cost / risk surveillance using UAVs

- Shift to land solutions - upgrades & new programmes

- **In-house Innovation for new sensors**
  - Focal Plane Arrays in IR
  - 3D E/O Imaging
  - Hyperspectral
  - Sensor Fusion
Situational Awareness

- Tactical Air Surveillance Systems on board Unmanned Aircraft

- Airborne Surveillance on board Fixed & Rotary Wing Platforms

- Situational Awareness for Land Operations (FRES)

- Situational Awareness for Urban Applications in Homeland Security Systems
Situation Awareness

• Selex S&AS CAGR 2005 - 2010 growth for Situation Awareness Sensors & Systems (20%) exceeds average military surveillance systems growth (7.0%) and defence electronics growth (5.7%) for same period

• Vertical integration of in-house sensors and equipment

• Fine relationship with major US players for access to US & RoW

• Common Product Portfolio allows quicker time to market

• Prime contractor capability and affordability
Note: “other business sectors” mainly include: Avionics & Displays, EW, Space, Logistics.

<table>
<thead>
<tr>
<th>Business</th>
<th>CAGR 2005 -2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airborne Radar</td>
<td>8 %</td>
</tr>
<tr>
<td>Situation Awareness</td>
<td>20%</td>
</tr>
</tbody>
</table>

Internationalisation

Radar & Situation awareness revenues 2005

- US 3%
- RoW 22%
- Domestic & Collaborative Programmes 75%

Radar & Situation awareness revenues 2010

- US 11%
- RoW 34%
- Domestic & Collaborative Programmes 55%
• Asymmetry of modern warfare offers Radar and Situational Awareness business higher growth rates

• Sustainable growth from extra spend on sensor functions rather than platforms, offering profitable through life capability upgrades.

• Growth in US through partnerships with US primes and sales of E-scan Seaspray radar (e.g. US Coast Guard)

• Growth in RoW will be from combat radar (retrofit), ATOS surveillance system (South America and Far East), and FALCO Tactical UAV (Europe and Asia).
**Business Lines**

<table>
<thead>
<tr>
<th>Market Segment</th>
<th>Products lines / Systems</th>
</tr>
</thead>
</table>
| **AVIONICS**   | - Communication, Navigation and Identification Systems (including LOAM, IFF and Software Defined Radio)  
                 - New Generation Cockpit Displays, Panels & Lighting.  
                 - Communications Systems for Air Traffic Management and UAVs. |
| **PROFESSIONAL** | - TETRA, DMR (Digital Mobile Radio) & WiMax based systems  
                    - Railway communications systems (GSM-R)  
                    - IP based networks |
| **MILITARY & SPACE** | - Single Channel Tactical Radios and mobile nodes (based on PRR, SDR & WiMax)  
                         - Tactical and Strategic IP based networks  
                         - Satellite communication systems  
                         - Ad Hoc Networks |
Key drivers

**CNI (Communication, Navigation and Identification)**

- Products suitable for installation on flying platforms providing **clear and secure communication connectivity** for data and voice, en-route radio navigation, landing aids and identification (both for military and civil use)

**TETRA (Terrestrial Trunked Radio)**

- The worldwide (outside North America) *de facto open standard* for professional **digital mobile communications**, is used by governmental organisations, agencies and companies that require **secure, reliable and immediate communications**.

**Single Channel Tactical Radios**

- This line of products is suitable for assuring **enhanced connectivity** from/among individual soldiers, vehicles, naval platform and command posts to strategic networks to enable NEC/NCW
• The market is characterised by products with long development cycles to meet international standards

• **Selex Communications** actively participates in international bodies charged with defining interoperability standards

• **Selex Communications** is participating in many important international programs (e.g. EFA, NH 90, AWACS, C130J)
• We intend to evolve from an equipment supplier to a CNI sub-systems integrator with a partner role

• We will extend our position by addressing other international markets (civil and non-NATO countries)

• Total world market is estimated at 13 €b over the period 2006-2010

• Selex Communications share will be in the range 10-12 %
• **Selex Communications** is one of the 3 “Tier 1” global systems suppliers (Motorola, EADS-Nokia).

• The most important project is to provide a BOT (Build-Operate-Transfer) reliable and secure mobile communication service for the Italian police forces (“Interpolizie program”)

• The network, which will be implemented in several steps over the period **2007-2011**, will use Selex Communications Tetra technology and serve **350,000 users**. (e.g. Turin Winter Olympic Games in 2006)
• **Selex Communications** is actively promoting TETRA solutions into other markets (e.g. Russia, Turkey, Romania, Brazil)

• Strategy is based on local presence and international long term partnerships, in order to address high growth markets such as China and India

• **Selex Communication** has installed local systems in more than **30 countries** worldwide

  • **9 €b** is the forecast cumulative market over the period **2006-2010** for TETRA networks and user terminals

  • **Selex Communications’** goal is to reach **20% share** of the total TETRA market (Italian and International)
• Selex Communications’ products include: Personal Role Radio (PRR), Software Defined Radio (SDR) and Broadband Wireless Access Systems (“Military WiMax”)

• Products are designed and manufactured autonomously by Selex Communications based on a long standing capability and heritage in the segment of Tactical Radio

• In the nearer future, broadband tactical communication needs will be met by WiMax technology re-engineered by Selex Communications for the military environment.
Over many years Selex Communications has sold conventional VHF and UHF equipments to customers worldwide; over time, SDR will replace these products

- **Total accessible market** (US excluded) is estimated at 11-12 b€ in the period 2007-2020

- **Selex Communications’** Personal Role Radio (PRR) is currently leading the world market with more than 50% share (USA included)

- **Selex Communications**, dominant in the Italian market, aims to achieve share about 20% of the total market for such products
Expected revenue growth

2005 Revenues by Business Segment (€ML)

Avionics: 390
Professional: 166
Military & Space: 225

2010 Revenues by Business Segment (€ML)

Avionics: 415
Professional: 398
Military & Space: 299

Growth
Revenues from 781 M€ (2005) to 1,112 M€ (2010)

Internationalisation

Profitability
ROS from 8% (2005) to 12% (2010)
Finmeccanica
Investor Day 2006

Carlo Gualdaroni

CEO

Elsag Datamat
Main products and capabilities

**Automation**
- Postal automation and ICT systems
- Products for Services to Citizens
  *Worldwide market 2005: 3 B€  CAGR 05-09: 11%*

**ICT**
- ERP and industry specific ICT solutions
- Design and operation of IT infrastructures, assets, processes
  *Italian market 2005: 6 B€  CAGR 05-09: 2.7%*

**Security**
- Security operation solutions and products for infrastructure protection
- Managed security operations services
- Transportation management and control systems
  *Worldwide market 2005: 100 B€  CAGR 05-09: 12%*

**Defence and Space**
- Combat management and mission planning systems
- Defence Logistic information systems
  *Non USA market 2005: 6 B€  CAGR 05-09: 6%*
Key competences for growth

**ICT**
- Command & Control
- Mission planning
- Info-logistics
- Secure networking

... using proprietary technologies

**Automation**
- Postal & baggage handling
- Traffic management & control
- Mobile car plate readers
- Optical and biometric recognition
“Security is a process, not a product” (B. Schneier)

The ICT & Automation competences make Elsag-Datamat the Finmeccanica Security Provider of integrated and customised security solutions and services according to the most diversified customers’ needs.

Business driver:
Agility to understand and adapt solutions to the changing threats in a rapidly growing market  (Worldwide market 2005: 100 B€  CAGR 05-09: 12%)
Key asset: Advanced solutions for Security

Consulting
Elsag-Datamat consulting services provide risk analysis and identification of countermeasures.

Products
A comprehensive offering covering most of security needs.

System Integration
Long lasting experience in providing solutions that integrate third-party’s products.

Managed Services
The main Italian Managed Security Operator.

Certification
Support to assess compliance with international standards and/or national regulations.

The SECURBUSINESS® value chain

- More than 400 completed projects
- More than 80,000 secure routers in service
- More than 4,000 operational mobile car plate recognition systems
- More than 3,500 operational biometric security systems
- Several Baggage Handling & Security control systems
- Several Traffic Management & Control systems
- Turin 2006 Winter Olympics Security
- 12 National Security Operations Centres (SOC) all over Italy
Exceptional growth

Advanced solutions for Security – Pro-forma Revenues

2004: 53 M€
- Solutions: 49%
- Products: 48%
- Managed Services: 0%
- Consulting: 3%

2006: 190 M€
- Solutions: 45%
- Products: 31%
- Managed Services: 21%
- Consulting: 2%
- Certification: 1%

2010: 327 M€
- Solutions: 36%
- Products: 33%
- Managed Services: 26%
- Consulting: 4%
- Certification: 1%
A success case: mobile car plate reader in US

80%+ Market Share

108 Police Organisations as Customers
Summary

• An agile company

• Core competences, continuous innovation and cutting edge solutions delivering growth

• A strong track record
Oto Melara business and products

Naval Systems
- Large, medium and small caliber guns and 76mm ammunitions
- Missile launchers

Sales 43%

Land Systems
- Small, medium and large caliber turrets
- Tracked vehicles (IFV, MBT, APC, SPH)
- Missile launcher
- BMS

Sales 52%

Airborne Systems
- Aircraft guns and helicopter turrets and guns
- Airborne bombs guidance kits

Sales 5%
Current Market Position

• World leader in naval guns

• Strong position in domestic market, all products and services

• Highly competitive in turrets for armoured vehicle

• Unique 8x8 armoured gun vehicle

• Portfolio of orders cover approx. next 3 years of production

• > 50% of sales outside Italy
Focus on Technologically Advanced Products to:

- Provide strong barriers against competitors
- Increase attractivity of current and future products
- Achieve revenues organic growth > 30% (2009+)
- Maintain steady EBIT margin over 10% (2009+)

Key Technology: Guided ammunitions
**KEY DRIVERS FOR GROWTH**

**Uniqueness Of Guided Ammunitions**

- Gun launched projectiles with performance similar to missiles but less expensive and with minor complexity and cost

**Challenge**
- The survivability of the on board electronic and mechanical devices to the “gun environment” with shock between 20,000 and 40,000 “g”

**Advantages**
- Immediate maximum speed, reducing time to target (speed over mach 3)
- No warm up operations before launch
76 Naval gun: Strales System Guided Ammunition
AIR DEFENCE – SURFACE FIRING
Current Developments

127mm Naval AND 155mm Field Artillery:

VULCANO: Long Range Autonomous Ammunition Family

Naval Fire Support - Surface Firing

Artillery Precise Firing
**KEY DRIVERS FOR GROWTH**

Current Developments And Key Features

**VULCANO**

- Development
  - Started in 2003, funded by Italian MoD
  - 2003, Dutch MoD joining It MoD (127)
  - 2006, Spanish MoD joining It MoD (155)

- In Service by
  - 2008 ER (Unguided)
  - 2011 LR (Guided)

15 Countries have 127 Naval Gun (200 Guns) in Service

- Significant Market for Retrofit
- Unique Advantage on Competitors
- Increase Sales of Naval Systems
- New and Significant Market of Ammunitions

Many Countries have 155mm Artillery in Service, (>10,000 GUNS)
**KEY DRIVERS FOR GROWTH**

Revenues Growth Driven by Guided Munitions Technology

- **2005 - 315 Mln €**
- **2010 - 420 Mln € (estimate)**

![Pie charts showing revenue distribution by category: Ammunition, Air Systems, Naval, Land.](image-url)