Alenia Aeronautica meets Financial Community

Farnborough Air Show
July 20th 2006
Alenia Aeronautica Structure

100% →

100% →

100% →

100% →

99.9% →

60% →

100% →

100% →

100% →

65% →

Saphire Int.l Aviation & ATC Engineering Co. LTD.

50% →

50% →

21% →

15% →

50% →

GMAS GLOBAL MILITARY AIRCRAFT SYSTEMS

GLOBAL AERONAUTICA LLC

Eurofighter Typhoon

PANAVIA TORNADO

ATR

□ Controlled Companies □ Participated Companies
The Company has a century of Aeronautic industry as background ...

... and has built more than 12,000 military and civil aircraft
Industrial re-engineering of mid 1990s created centres of excellence...

- Trainer production, Integration and Testing; Nacelles Aermacchi Varese/Venegono
- A/C Integration and Testing Turin/Caselle
- Machining Large Panels Assy Large Sheet Metal Nola
- Large Structures Sub - Assemblies Pomigliano
- Sheet Metal Casoria
- Overhaul & Maintenance Officine Aeronavali Venezia Venice/Tessera
- Naples/Capodichino
- ...increasing efficiency...
- Grottaglie Composites Foggia
- Selex Composites Grottaglie
- ...lowering costs, enhancing profitability

Farnborough, July 20, 2006
Farnborough, July 20, 2006

2005 - Alenia Aeronautica results are positive ...

<table>
<thead>
<tr>
<th>Euro mln</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>1914</td>
<td>2046</td>
</tr>
<tr>
<td>EBIT</td>
<td>117</td>
<td>166</td>
</tr>
<tr>
<td>Operating cash-flow</td>
<td>89</td>
<td>135</td>
</tr>
<tr>
<td>Orders</td>
<td>3315</td>
<td>3230</td>
</tr>
<tr>
<td>Backlog</td>
<td>5375</td>
<td>6865</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>372</td>
<td>405</td>
</tr>
<tr>
<td>R&amp;D (of which charged to P/L)</td>
<td>21</td>
<td>29</td>
</tr>
<tr>
<td>Employees (units)</td>
<td>10731</td>
<td>11198</td>
</tr>
</tbody>
</table>

- Strong Cash Flow Generation
- High operating performance
- Ramp-up in civil and military production accompanied by margins in line with the competitive scenarios
- Backlog stemming from 4 to almost 7 bil (more than 3 years of equivalent revenues)

... and are growing
Highlights: Orders and Backlog becoming more global...

ORDERS 2004: EUR 3.3bn
- Italy: 85%
- Rest of World: 3%
- USA: 5%
- EU: 8%

ORDERS 2005: EUR 3.2bn
- Italy: 30%
- USA: 43%
- EU: 10%
- Rest of World: 17%

BACKLOG 2004: EUR 5.4bn
- Military: 94%
- Civil: 6%

BACKLOG 2005: EUR 6.9bn
- Civil: 30%
- Military: 70%

ORDERS 2004: EUR 3.3bn
- Military: 84%
- Civil: 16%

ORDERS 2005: EUR 3.2bn
- Military: 70%
- Civil: 30%

... and less dependent from Italian Customer
Last 12 month achievements:

- **Eurofighter**: Production ramp-up, export contract negotiation including Turkey RFI
- **JSF**: Production phase negotiation, Final Assembly and Check Out (FACO) in Italy
- **Neuron**: Contract signed on 8 February 2006
- **C-27J**: Delivering on the Greek contract, signed two additional contracts in 2006 (Bulgaria, Lithuania)
  - Competing for US JCA program (up to 207 aircrafts for Army and Air Force). Teaming agreement with L3 and Boeing. Establishing an industrial presence in US through Global Military Aircraft System (GMAS)

... on target
**Last 12 month achievements:**

- **B787**: Contract signed with Boeing ($1.2 billion) to provide the first 200 series of fuselage and tail section components. Joint Venture with Vought Aircraft Industrie for assembly plant in South Carolina fully operational by yearend 2006.

- **ATR**: Order intake of about 100 new orders in the last 12 months. Opening a tight relationship with emerging countries (e.g. India) and oil price level make us believe this trend will continue.

- **RRJ**: Alenia Aeronautica will further exploit their commercial network and customer support assets participating to RRJ with Russian Sukhoi.

- **Aermacchi**: agreement with Goodrich Aerostructures to supply structural components for Boeing 787 and future Airbus New Long Range.

... on target
A wide range of advanced technologies ...

- About 20% of company revenues devoted to R&D.

- Main innovative research areas are:
  - Aeromechanical disciplines
  - Materials, Structures and Manufacturing process
  - Unmanned aircraft related technologies
  - Low observability technologies
  - Virtual prototyping / Synthetic environment
  - Environmental electromagnetic effects modelling, simulation & testing

- Research is carried out also through a well-established, strong network of collaboration with main national and international players (research centres, universities, industries).

...enabling the Company to held a competitive worldwide position
Demand today is about 75% less than twenty years ago. In the near future a recovery is expected. In the next twenty years new aircraft deliveries are expected to be aligned in units compared to past 20 years, but with higher total value. Over 40% of the demand will come from the United States, 29% from Europe and Canada, 16% from Australasia and the rest from other geographical areas.
Eurofighter Typhoon

- In full production to four partner countries: Germany, Italy, Spain, UK.
- The four countries have committed to 620 aircraft and ordered the first batch of 148 units (1998) and the second one of 236 units (2004).
- Austria has ordered 18 units in 2003; contract negotiation is under way with a foreign customer for up to 72 aircraft (the final contract should be signed soon); RFI answer (for 120 a/c) sent to Turkey on January.

Norway MoD signed an industrial participation agreement (23.2 million investment) with Eurofighter GmbH involving Norwegian industry in the further development of the aircraft.

Studies and analyses are in progress for future enhancement.

Our share in Eurofighter GmbH is 21%.

Typhoon’s competitors include: F-16, F-15, F-22, F/A-18, F-35, Rafale, Gripen, Su-30

Source: Alenia Aeronautica / Market Study & Analysis
We are the prime contractor for Italy. More than 100 aircraft could be required by Italian Air Force and Navy;

Our involvement in the production phase is under negotiation: we will supply wing box for half of the F-35 and could manage the final assembly line for Italian Armed Forces, Royal Netherlands Air Force and other European customers.

By the end 2006 the final agreement and the launch of Production Sustainment and Follow-on Development Phase is expected.
Neuron - Europe’s UCAV Technology Demonstrator

- A French MoD initiative launched at Le Bourget 2003
- Unveiled at Le Bourget 2005
- First flight planned: 2011
- Total Development cost ~ 400M
- Main Contract signed on 8 February 2006
- Objectives:
  - Mastery of UCAV technologies
  - Sustainment of European competencies & key technologies
  - Preparation of future European Combat Aircraft.

Executive Agency: DGA
Prime Contractor: Dassault Aviation

46%

Workshare:
9% 4% 21% 19% 1%
Alenia Aeronautica has officially entered this very promising business with the technological demonstrator roll-out carried out in Turin-Caselle on 30th of May 2003.

First flight of modified demonstrator carried out on 29th of May 2005 at Vidsel in Sweden.

In Italy Alenia Aeronautica will drive joint activities with Universities and Research Centres and other Companies as well.

Alenia Aeronautica will exploit competences and technologies from other important programmes (Tornado, Eurofighter) to become a leader in Europe and to play a significant role in European and international markets.

Alenia Aeronautica works in closed cooperation with National Armed Forces to meet their needs and maintain on the same time a dialogue also with other potential producers and customers.

... the first European UAV weighting more than 1000 kg flying
C-27J adds to the excellent performance and handling quality of the G222 new engines, propellers, avionic system and cockpit from the C-130J, assuring an high commonality with the Hercules and interoperability with heavier airlifters.

Program launched: June 1996  
First Flight: September 1999  
Civil/Military Certification: June/December 2001  
First delivery: September 2005  
Current Orders:  
Italy (12 a/c)  
Greece (12 a/c + 3 options)  
Bulgaria (5 a/c +3 options)  
Lithuania (3 a/c)  
Current Market Opportunities:  
USA (up to 207 a/c),  
Europe (22-30 a/c)

Aircraft Features:  
- New Medium Tactical Airlifter with twin turboprop engines  
- Total operative autonomy in remote areas and unpaved fields  
- Wide body with rear ramp  
- High payload and Long range

Aircraft Roles:  
- Intra-theater Military Transport  
- Troop and Cargo Transport  
- Airdrop Operations  
- Medical Evacuation  
- Humanitarian Missions  
- Special Missions (VIP, SAR, etc.)
C-27J - Recent Success (Lithuania) and NATO Interoperability

Contract Awarded (~US$ 1.2 billion)

New NATO members expected orders in 2006-07 (expected value ~US$ 0.85 billion)

**Outlook 2006-07 (NATO members)**

- Strong short-term market opportunity in Europe driven by new NATO state members: Czech Rep. and Hungary (NATO member since 1999), Slovakia, Romania, and Slovenia (NATO member since 2004)
- The need for interoperability is driving the new NATO state members to select the C-27J that can ensure full interoperability with existing NATO airlifts.
- Total expected 2006-07 orders from NATO states are 22-30 aircraft
JCA (Joint Cargo Aircraft)

- The major contenders are the C-27J offered by Alenia/ L3/ Boeing, the EADS/Raytheon CN235 and C-295. Lockheed Martin is also offering the C-130J.

Major Milestones

- Decision date: February 2007
- First aircraft delivery: March 2008
Today Aermacchi’s most important programme.

Key Design Targets are:

- Wide flight envelope
- Safety (two engine, fly-by-wire FCS)
- High energy, superior manoeuvrability
- Excellent flying qualities
- New generation fighter-like (MMI)
- Low life-cycle cost to optimise training effectiveness

Roll out on June 7th 2003 and the first prototype flight July 15th 2004 accomplished.

Second prototype flight: May 17th 2005,

MoU with Hellenic Aerospace Industry signed on 19th January 2006.

A light attack version is under study.

M-346 competitors include: T-50, Hawk Mk.128, T-45, Yak-130, L-159B, MiG AT

... fully satisfies Eurotrainer requirements
Next 20 years: 27000 new commercial aircrafts and more than 18000 business jets, for a total value of 1400 billions of Euro.

Market demand +64% in terms of units and +75% in terms of value.

Narrow body will take the largest share of commercial aircraft deliveries, but wide bodies will represent the highest market value.
Aerostructures is a primary business ...

In 2005 Alenia Aeronautica ranked 4th among worldwide aerostructure suppliers for main aircraft manufacturers.

Alenia intends to:
- participate in new programmes
- enter into new strategic industrial alliances
- diversify / differentiate its business
- climb the value chain: from small prime to pre-integrator.

... and we intend to strengthen our strategic positioning
Alenia Aeronautica, has been selected as Small Prime with a share of about 14% of airframe (26% together with Vought).

On December 2004 Alenia North America and Vought Aircraft Industries built “Global Aeronautica” joint venture based in Charleston to integrate dressed sections (JV is responsible for over 60% of the whole fuselage).

Through this program Alenia Aeronautica enters the small group of “pre-integrator”.

The investments for new facilities in Grottaglie (Italy) - the largest composite materials manufacturing center in Europe - and Charleston (USA) will enable Alenia to strengthen the future collaboration with Boeing (new narrow body family).

The Charleston joint-venture plant will employ some 250 workers and will produce at peak production around 10 completed fuselages a month.

Backlog at year end 2008 is expected to climb to 350 units.

Programme target:
- Program launch: April 2004
- Production start: 2006
- First flight and certification: before 2007
- First delivery: before 2008
- Alenia Aeronautica become partner in the programme on December 2001 with a share of 4% of the airframe

- Current program delay won’t impact severely our financial result in the 2006-2008 period.

- **Programme target:**
  - Program launch: December 2000
  - Production start: 2003
  - First flight and certification: 2005
  - First delivery to airline: 2007

- **Alenia Aeronautica Work share:**
  - Centre fuselage upper units
  - Centre-forward lower unit
  - Side panels (central doors)
  - Middle-Upper Floor Grid
  - First delivery: 2004
ATR today

- N°1 Turboprop plane maker in the world
- N°2 civil aircraft manufacturer in Europe
- Over 850 orders and Options since launch
- 565 Million passengers carried
- About 130 operators in over 70 countries

Every 20 seconds, somewhere in the world an ATR takes-off!
90 New ATRs ordered in 2005 (17 ATR 42-500 & 73 ATR 72-500)

... and 47 more* already ordered in the first 6 months 2006.

(*) Including 31 Undisclosed
RRJ potential market for the next 20 years is 5,450 A/C. Delivery forecast is estimated in 1,100 aircrafts, 54% of the Russian and CIS market and 16% of western market.

Additional version of 109 seats could drive RRJ potential market up to 6,800 (+1,360 units)
We have a leading position in the modifications and maintenance field through Aeronavali.

Aeronavali provides the entire range of aeronautical activities to meet all the customer’s requirements in aircraft modification, maintenance and upgrading.

Aeronavali is leader in civil aircraft cargo conversion market performing activities licensed by aircraft prime manufacturer.

In the next 20 years cargo conversion market demand is forecast to increase at 5% annual rate, for a total of about 2200 units, and Aeronavali is ready to consolidate its position in the business.

Overhaul & Modification

Main Programs

- DC-10
- MD11
- 767 Tanker
- Atlantique
- G222
- 707 Awacs
- ATR MP
- ATR Cargo

Source: Aeronavali
Alenia Aeronautica major strategic objectives

- Maintain the leadership in selected industrial processes and competences exploiting existing know-how and growth opportunities offered by on-going projects

- Reinforce positioning as “small prime” in aerostructure

- Leverage on growing Finmeccanica presence in US and on tighter cooperation with Group companies in key markets

- Improve the supply chain and production to increase margins and revenues

... to continue growth and performances