



**FINMECCANICA**

**Finmeccanica Full Year 2010**  
Results Presentation

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London 3 March 2011

**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 programme 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; programme performance and the timing of contract payments; the timing and customer acceptance of product deliveries and launches; our ability to achieve or realise savings for our customers or ourselves through our global cost-cutting programme and other financial management programmes; 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.

2010 Highlights & 2011 Outlook  
**Pier Francesco Guarguaglini**



Financial & Business Review  
**Alessandro Pansa**

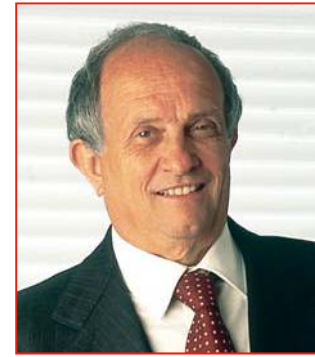
Business Strategy  
**Pier Francesco Guarguaglini**



Appendix

## 2010 Highlights & 2011 Outlook

**Pier Francesco Guarguaglini**



# 2010 Highlights: Strong Set of Results In Line or Above our Guidance



- Orders exceeded guidance despite tough pricing competition in growth markets
- FOCF guidance exceeded due to efficient working capital and investment management
- Revenues and Ebita Adj. at the high end of the guidance
- Streamlining the business
  - Driving down costs
  - Improving efficiencies
  - Rationalisation programmes in place to consolidate the Group
- Geographic footprint is now delivering
  - 40% orders coming from RoW, growing to 50% in 2011 and 2012
- Sustaining our domestic markets and proving our resilience in home markets
  - Italy (High Speed, AW101 helicopters)
  - UK (Integrated Operational Support for UK MoD helicopters, Complex weapon contract)
  - US (Electro-optics for ground vehicles, Thermal Weapon Sights and Mast Mounted Sights, C27J JCA)



**2010 Better Than Expected**

- 2011 Guidance

- Cash flow\* €400–500mln
- Revenues €18.3–19bn
- Ebita €1,530–1,600mln
- Orders 2011E >€20bn, maintaining a book to bill solidly > 1

- Reducing debt through

- Ansaldo Energia
  - Real estate
- } Debt reduction of ca. €600-650mln by end of 2011

Strategic repositioning of DRS aimed at supporting its entrance in new strategic programmes, as well as optimising business portfolio in order to better exploit opportunities in the US and international markets and to further reduce Group debt



## Focusing on Cash Generation and Reducing Debt

- Civil unrest in North Africa
- Domestic markets resilient but still tough as cuts take hold
- Security and border control requirements increasing
- Civil aircraft return to growth
- Exploiting our strong footholds in India, Turkey, Russia and Middle East



**Aiming to Deliver on Our Guidance for 2011**

## Financial & Business Review

**Alessandro Pansa**





# Full Year 2010 Results



(Euro mln)	FY 10	FY 09	Change	
Revenues	18,695	18,176	2.9%	Strong performance by three pillars
EBITA Adj	1,589	1,587	0.1%	Increase in Helicopter, D&SE and Transportation offset reduction in Aeronautics and Energy
EBITA Margin Adj	8.5%	8.7%	(0.2) p.p.	
Net Income	557	718	(22.4%)	Reduction due to restructuring charges and finance costs
Dividend (Euro)	0.41	0.41	0%	At current prices, Dividend Yield of 4.5%
FOCF	443	563	(21.3%)	2010 performance better than guidance due to improved working capital management and investments focused on pillars
Net Debt	3,133	3,070	2.1%	FX impact
New Orders	22,453	21,099	6.4%	Driven by Helicopters, Space, Energy and Transportation
Backlog	48,668	45,143	7.8%	Overall order increase and FX impact

(Euro mln)	2010	2009
EBIT	1,232	1,392
Impairment	-	-
Non recurring costs (income)	145	92
Amortisation of intangible assets acquired through a business combination	85	80
Restructuring Costs	127	23
EBITA Adjusted	1,589	1,587

## Non-recurring costs:

Writedowns and provisions for € 94m of which:

€64m in Elsag Datamat (IT & Security) due to significant reduction in backlog for networking systems and refocusing on core Security business. €30m in Ansaldo Energia for exiting costs from alternative energy fuel cell business

Costs relating to acquisition of PZL (Polish helicopter business) for €3m

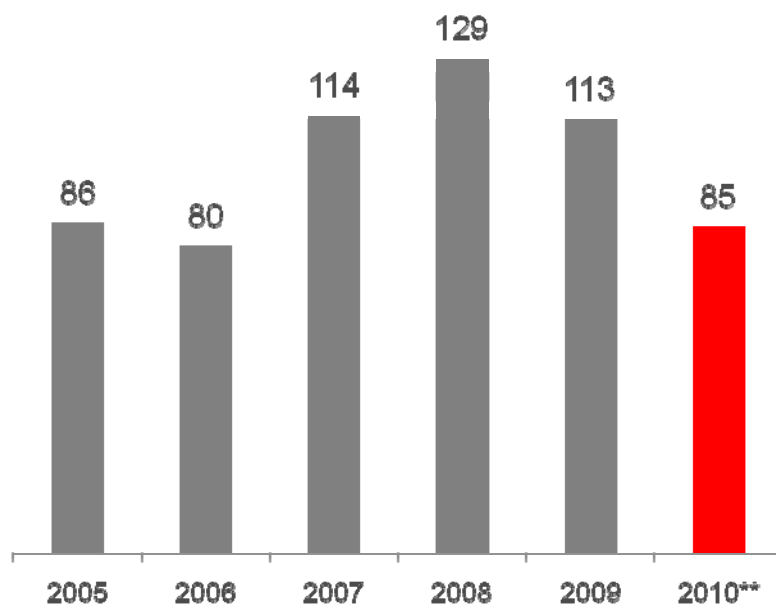
Costs in Vehicles for final reconfiguration of trains for Danish railways for €30m and writedowns and extra contractual costs for €18m caused by financial difficulties of strategic supplier

**Restructuring costs:** As anticipated at Finmeccanica's Investor Day, the implementation of a significant 4 year cost reduction programme has started with headcount reductions in Aeronautics (€62m), costs for reorganisation and right sizing of assets in Defence Electronics (€30m) and restructuring costs in Helicopters (€24m) and Transport (€8m)

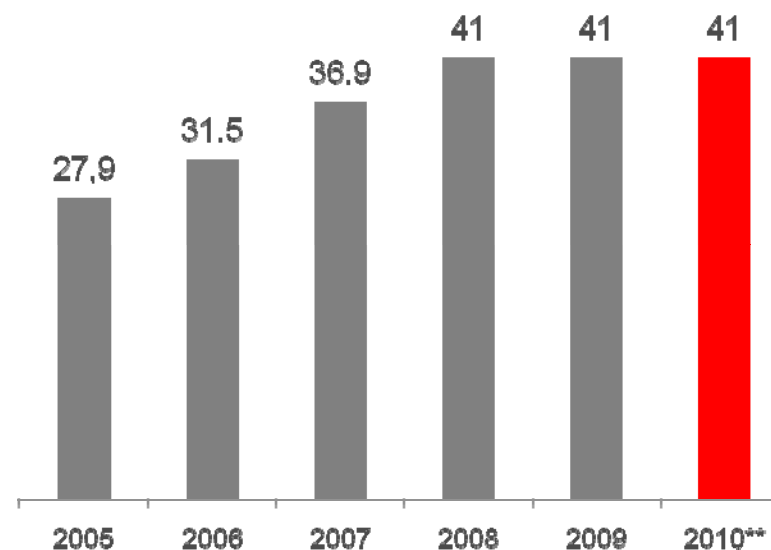
# Strong Attention to Shareholder Remuneration



**EPS\***  
in Eurocents



**Ordinary DPS**  
in Eurocents



- At current prices, proposed DPS of 41 Eurocents implies a dividend yield of 4.5%

\* EPS after minority interests calculated on average number of shares

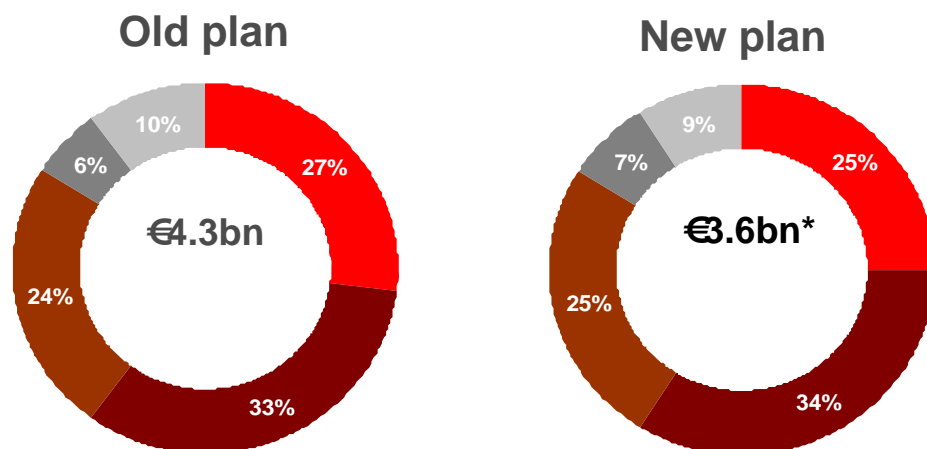
All dividends relating to FY 2005 / 2007 recalculated to take into account the impact of the Rights Issue completed on 21 November 2008.

\*\* 2010 proposal to be approved by AGM

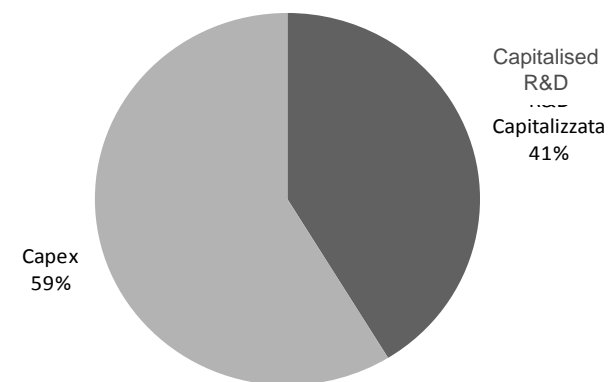
# Improving Cash-Flow Generation Through Selective Investments and Disciplined WC Management



**Cumulated Gross Investments  
2010-2012**



**Capex and Capitalised R&D  
2010-2012**



■ Helicopters  
 ■ Aeronautics  
 ■ Defence & Security Electronics  
 ■ Space & Defence Systems  
 ■ Transportation & Energy

**Working Capital Management: significantly lower cash absorption in 2010 through improved customer collection and inventory reduction**

\* Of which €1.2bn in 2010

# Sector Results



Sector	2010 Revenues Eur bn	Revenue Growth vs. 2009	2010 Ebita Margin	Margin Change vs. 2009 (bps)	2010 Orders Eur bn	Order Growth vs. 2009
Helicopters	3,644	4.7%	11.3%	70	5,982	86.6%
Defence and Security Electronics	7,137	6.2%	10.3%	(10)	6,783	(17.4%)
Aeronautics	2,809	6.4%	7.3%	(180)	2,539	(31.8%)
Space	925	1.8%	4.2%	(100)	1,912	67%
Defence Systems	1,210	1.3%	8.8%	(200)	1,111	(9.5%)
Energy	1,413	(14.5%)	10.3%	50	1,403	13.4%
Transportation	1,962	8.3%	4.9%	140	3,228	13.9%
<b>Finmeccanica</b>	<b>18,695</b>	<b>2.9%</b>	<b>8.5%</b>	<b>(20)</b>	<b>22,453</b>	<b>6.4%</b>

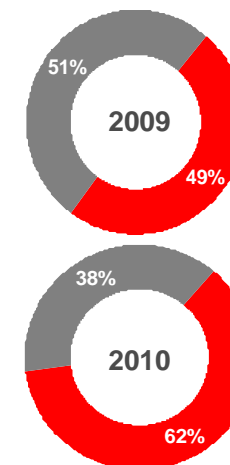
# Helicopters

## FY2010

- Order intake (+87% YoY) mainly driven by significant increase in Military-Gov orders
  - 12 AW101 for the Italian MoD
  - IMOS contract (AW101Merlin ) and upgrade of 10 Lynx MK9 with UK MoD
  - AW101 Indian contract (incl. 5 years of product support) and 9 T129Atak
- Civil-Gov orders include ca.142 helicopters worth € 1.2bn
- Revenues driven by AW139 (+9.5% YoY) and product support (+15.5% YoY), i.e. Integrated Operational Support
- EBITA increase due to revenue growth and product mix
- Backlog equal to 3 years of production

(Euro mln)	FY 10	Change	FY 09
Revenues	3,644	4.7%	3,480
EBITA Adj	413	11.3%	371
Margin	11.3%	0.7 p.p.	10,7%
Orders	5,982	86.6%	3,205
Backlog	12,162	24.3%	9,786

## Defence vs. Civil Revenues



■ Defence ■ Civil



# Helicopters: Large Robust Military Backlog Supports Future Growth



## Market Outlook

- Recovery of civil market expected by 2012
- Improvement in world economy led by emerging nations and oil producing countries
- Solid US Military market
  - New tenders expected in M/L term
- Main drivers sustaining our growth opportunities:
  - New military requirements (Short term)
  - Tilt rotor (S/M term)
  - Unmanned helicopters (M/L term)
  - Dual use helicopters for security/surveillance
  - Opportunity to expand production facilities (i.e. PZL)

## Key Programmes in 2011

- Integrated Operational Support for UK MoD rotary wing fleet (AW159)
- First order for the AW169 (unveiled in July 2010 at Farnborough Airshow). Purchase agreement signed to date for 20 a/c
- AW101, AW139, AW109/AW119 export (i.e. Japan, Spain, South Korea, Qatar, USA, Canada)
- AW149 Turkey

## Key Programmes in 2012 and Beyond

- Governmental programmes (Italy and export)
- Integrated Operational Support for UK MoD rotary wing fleet (Sea King, Apache)
- AW109/AW139 Italy and export (i.e. Middle East, SE Asia, India, Malaysia, Brazil)
- AW119 export (i.e. Brazil)

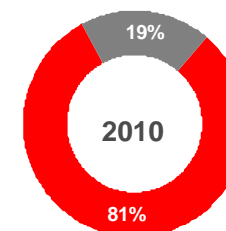
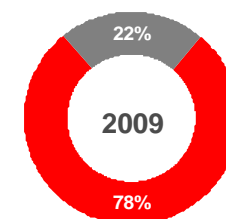


## FY2010

- Revenue growth mainly due to
  - Avionics and Electro-optics systems , DRS and value added applications for Security
- Key contributors to revenues
  - Eurofighter DASS and avionic radars
  - Large systems for defence and security (i.e Forza NEC, Civil Protection), ATC Italy and export
  - TETRA
  - Electro-optics for ground vehicles (i.e. DVE, IBAS), Movement Tracking System
- EBITA growth due to volume increase and cost reduction, mainly in C&C and communications
- Key orders include
  - Eurofighter tr.3A DASS, Captor and comms
  - Panama border control system
  - ATC systems both Italy and export
  - Thermal Weapon Sights, Mast Mounted Sights and JV-5 computer display for US Army

(Euro mln)	FY 10	Change	FY 09
Revenues	7,137	6.2%	6,718
EBITA Adj	735	5.3%	698
Margin	10.3%	(0.1 p.p.)	10,4%
Orders	6,783	(17.4%)	8,215
Backlog	11,747	(4.3%)	12,280

## Defence vs. Civil Revenues



■ Defence ■ Civil





# Defence & Security Electronics: Well Placed to Respond to Increasing Worldwide Security Needs



## Market Outlook

- The largest market for Finmeccanica (including Defence, Security, Gov and Civil systems)
- Growth opportunities in cyber security (i.e. Europe and some growing markets)
- Well positioned to address requirements:
  - Ability to become solution providers rather than systems suppliers
  - Through-life management capabilities

## Key Programmes in 2011

- Large systems for Homeland Protection in the export market (i.e. Brazil)
- Defence Information Infrastructure for Italian MoD
- Naval C&C systems for Brazil and Algeria
- Eurofighter logistics and Saudi
- Further activities on Tetra programme (Secure Comms for Italian Police)
- Mast Mounted Sights for US Army
- Air Traffic Control systems modernisation for Malaysia

## Key Programmes in 2012 and beyond

- Large systems (i.e. Saudi, Iraq, Italian Forza Nec) and cyber security
- Export opportunities for Eurofighter avionics, communication systems and logistics (i.e. Saudi, Turkey, India)
- E-scan radar & infrared Search&Track sensors for Gripen and Eurofighter
- Tactical UAV
- Naval C&C systems (i.e. Brazil, Malaysia, UAE)
- Air Traffic Control, Italy and export (i.e. Asia)
- Tetra
- Network, comms solutions & support services for “in theatre” US forces
- Electrooptic systems for ground vehicles and Thermal weapon sights for US Army
- Joint Battle Command Platform (JV5) for US Army and Marines

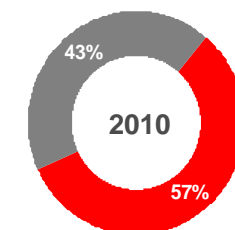
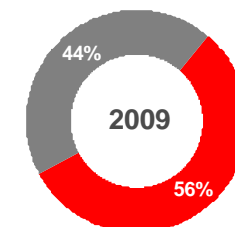


## FY2010

- Key military orders
  - First tranche of JSF Final Assembly and Check Out (FACO), Tot value €414mln
  - 12 M346 Singapore (€250mln) , first delivery expected in 2012
  - 8 a/c C27J-JCA. Total of 21 a/c ordered so far
- Key civil orders include
  - Superjet100, 15 a/c for Mexican Interjet. First delivery expected in 2012
  - 80 ATR a/c (backlog as at FY2010 159 a/c)
- Revenue growth mainly driven by military programmes (EFA, C27J, M346 and G222), including
  - Eurofighter tr.2 & logistics (9 a/c delivered to Italian AF)
  - C27J: 9 a/c delivered of which 5 JCA
  - M346 Italy tranche 1
- Civil revenues driven by B787, 24 fuselages and 17 horizontal stabilizers delivered
- Decline in EBITA mainly due to criticalities in some industrial processes. Industrial reorganisation and efficiency plan launched

(Euro mln)	FY 10	Change	FY 09
Revenues	2,809	6.4%	2,641
EBITA Adj	205	(14.9%)	241
Margin	7.3%	(1.8 p.p.)	9.1%
Orders	2,539	(31.8%)	3,725
Backlog	8,638	(2.4%)	8,850

## Defence vs. Civil Revenues



■ Defence ■ Civil



## Market Outlook

- Civil aeronautics recovery (mainly for wide-body segment)
  - Growth opportunities for B787
- Healthy market for Regional jets and Turboprop
  - Growing opportunities for both Superjet100 and ATR (green technology)
- Solid military market (i.e. combat, trainer and transport medium)
  - USA and Europe focused on EFA and JSF, and further opportunities in India, Middle East (Oman, Qatar), South America (Brazil)
  - Trainer demand addressed mainly to US requirement for advanced trainers (M346 opportunity)
  - C-27J could replace lighter aircraft (i.e. Taiwan, Malaysia) and also ageing C-130 (in countries with budget constraints)
- UCAV entry into service expected after 2020 in USA and around 2025 in Europe

## Key Programmes in 2011

- C27J USAF (8 a/c) and export (i.e. Oman 8 a/c, Nigeria 3 a/c)
- ATR MP / ASW (Italy Cost Guard 2 a/c and export 1 a/c)
- B787 (100 s/s), ATR (60 a/c) and Superjet100 (31 a/c)

## Key Programmes in 2012 and beyond

- Worldwide opportunities for M346 advanced Trainer (i.e. Italy tranche 2 (9 a/c), UAE (48 a/c), Israel (24 a/c), Poland (16 a/c), TX in US and other export)
- C27J for USA (more than 30 a/c) and export (i.e. Peru, Indonesia, South Africa, Australia, India, Panama and Middle East, for a total of approx. 40 a/c)
- B787 (240 s/s), ATR (>300 a/c) and Superjet100 (140 a/c)
- EFA export i.e. Saudi, Turkey, India for more than 100 a/c



## FY2010

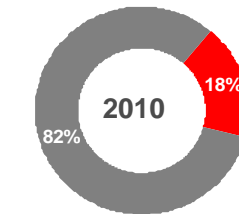
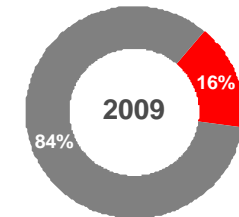
- Order increase mainly due to Earth Observation and Iridium NEXT contract (81 satellites )
- Revenue mainly due to commercial and military comms, earth observation
- Slight decrease in profitability mainly due to different mix in Services
- Services accounting for 33% of total backlog

## Key programmes in 2011 and beyond

- Meteosat 3rd generation (earth observation)
- Military & institutional comms (Sicral 2, Athena fidus, Syracuse 3)
- Cosmo Sky Med second generation
- EXOMARS (scientific programmes- ESA)

(Euro mln)	FY10	Change	FY 09
Revenues	925	1.8%	909
EBITA Adj	39	(17%)	47
Margin	4.2%	(1 p.p.)	5.2%
Orders	1,912	67%	1,145
Backlog*	2,568	59.4%	1,611

## Defence vs. Civil Revenues



■ Defence ■ Civil



## FY2010

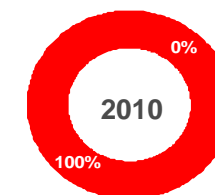
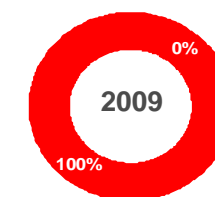
- Revenue growth mainly driven by Armored vehicles & Naval guns and Missiles, offsetting slight decrease in Underwater
- Key revenues include Missiles (Aster, Mistral, Exocet, MEADS and customer support), Land & Naval (VBM, PZH2000, Hitfist, 76/62 SR guns, FREMM) Torpedoes (Black Shark, MU90, A244, FREMM)
- EBITA slightly down mainly due to lower volumes and higher costs in Underwater, partially offset by higher volumes and profitability in Missiles and Armoured vehicles & Naval guns
- Key orders include: Missiles (Meteor France & Sweden, UK Complex weapon contract and customer support); Land & Naval (38 VBM Italy and Vulcano Programme, naval guns for Fremm, Hitfist Poland); Underwater (light torpedoes)

## Key programmes in 2011 and beyond

- Armored vehicles & Naval guns. Further opportunities in Italy (VBM, Forza Nec, Fremm) and worldwide (Naval guns for Brazil, India, Malaysia)
- Underwater: opportunities for heavy torpedoes (Italy, India, South America, Far East) and light torpedoes (India, Singapore, Australia, South Africa)
- Strategic opportunities for Missiles in UK (UK Complex weapon contract), Europe and UAE

## Defence vs. Civil Revenues

(Euro mln)	FY10	Change	FY 09
Revenues	1,210	1.3%	1,195
EBITA Adj	107	(17.7%)	130
Margin	8.8%	(2 p.p.)	10.9%
Orders	1,111	(9.5%)	1,228
Backlog*	3,797	(5.3%)	4,010



■ Defence ■ Civil

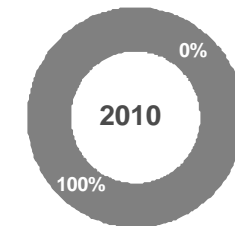
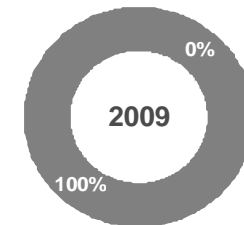


## FY2010

- Plants & components (P&C) drive key changes yoy
  - Orders Up: Key orders include P&C (i.e. Bangladesh, Finland, Middle East and North Africa), new service solutions (i.e. LTSA Ireland and Tunisia), nuclear plants and services (i.e. China, Slovakia and France) and renewable energy (solar and wind Italy)
  - Revenues down due to lower volumes in P&C: key revenues include P&C (Algeria, France, Italy), Long Term Service Agreements (Italy) nuclear activities (China, Slovakia, Argentina, France) and renewable energy (Italy)
  - Ebita Adj. affected by lower volumes, margins up due to increased efficiency in P&C
  - Service accounts for ca. 57% of order backlog
- Key programmes in 2011 and beyond
- Plants and Components in Italy, Algeria, South Africa, Syria, Egypt, Russia, Chile and other European and African countries
- Service: several Long Term Service Agreement opportunities in Italy and abroad
- Nuclear: China, Romania, Slovakia, Russia, France and Italy
- Renewable Energy in Italy

(Euro mln)	FY10	Change	FY 09
Revenues	1.413	(14.5%)	1,652
EBITA Adj	145	(10.5%)	162
Margin	10.3%	0.5 p.p.	9.8%
Orders	1,403	13.4%	1,237
Backlog	3,305	(2%)	3,374

## Defence vs. Civil Revenues



■ Defence ■ Civil



## FY2010

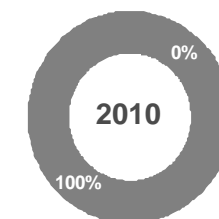
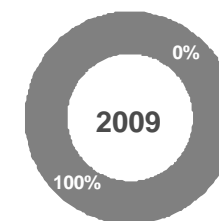
- Orders up due to Vehicles and Signalling & Systems
  - Key orders include Signalling & Systems (Copenhagen driverless metro: Cityringen +O&M, existing lines O&M, Libya, Kazakhstan, Italy: Naples and Genoa, Australia) and Vehicles (Italian High Speed, regional trains)
- Revenues up due to Signalling & Systems
  - Key revenues include Italy, Turkey, Australia, Libya, Denmark and Saudi
  - Ebita Adj. up mainly due to lower operating loss in rolling stock and increased volumes in Signalling & Systems
- Signalling & Systems currently accounts for 62% and Vehicles for 37% of order backlog

## Key Programmes in 2011 and beyond

- Key opportunities in signalling (Italian metro, USA, Australia and Far East) and vehicles (regional trains, metros and service Italy, international opportunities in metro and High Speed trains)

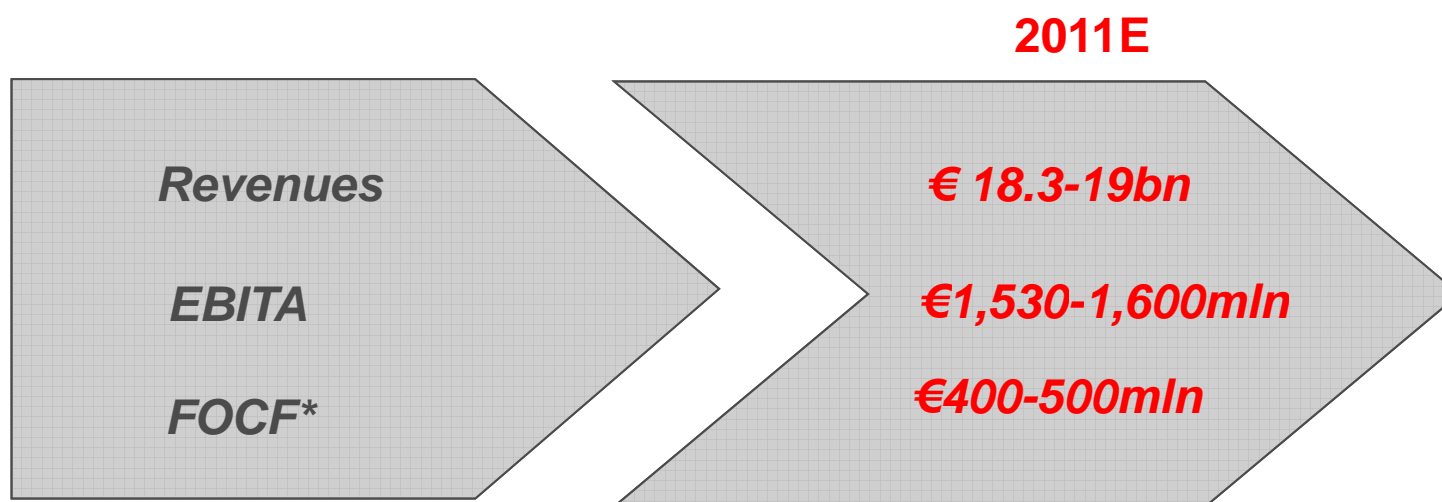
(Euro mln)	FY10	Change	FY 09
Revenues	1,962	8.3%	1,811
EBITA Adj	97	49.2%	65
Margin	4.9%	1.4 p.p.	3,6%
Orders	3,228	13.9%	2,834
Backlog*	7,303	22.7%	5,954

## Defence vs. Civil Revenues



■ Defence ■ Civil





*\*Free Operating Cash Flow: Operating Cash after investments, net financial charges and taxes*



# Committed to Achieving the Cost Reductions at Group Level



- As presented during our latest Investor Day in November 2010, we are carrying out a set of efficiency measures for a total amount of ca. €290mln of costs over 2010-2013, of which ca.€130mln accounted for in 2010
- All efficiency plans are on track
- Worldwide expected headcount reductions increased from ca. 3,000 cumulated over 2010-2013 to approx. 3,600 over the same period, of which more than 2,000 finalised in 2010, mainly in Poland and USA

**Due to a more aggressive competitive environment and increased international presence, cost reduction benefits will be shared with our customers in order to further strengthen our overall competitiveness**

## Internal Drivers

- **Elimination** of existing overlaps
- **Improvement** of **competitiveness** (product portfolio) and **synergies** (R&D investments)
- Definition of a **business organisation closer to the market**
- Exploitation of **technological complementarities**

During 2010 we completed the 1<sup>st</sup> phase of re-organisation process of D&SE

... 2<sup>nd</sup> phase started at the beginning of 2011....

## External Drivers

- **Convergence** of IT and TLC
- Market approach oriented to “**turn key solutions**”
- Challenging **Net-Centric** and **Cyber Security** requirements
- **Dual use** approach

### **Aeronautics short/medium term actions include savings for ca. €125mIn by 2013**

- Full integration of Aeronautics Sector organisational structure and responsibilities completed.
- 1° Wave of integrated SAP (Alenia and Aermacchi) system completed.
- 2° Wave (business controlling model) to be completed by end of 2011.
- Headcount reduction, approx. 1,000 over two years. Agreements already achieved for over 600 people (including 30 senior managers).
- Reduction of Fixed Operating Cost of €15mIn in 2011 vs 2010: target deployed to individual budgets for function/production site, on track.
- Engineering, industrial and supply chain rationalisation: savings of €110mIn by 2013 confirmed. Action plan, metrics and responsibilities deployed, on track.
  - Integration of Engineering confirmed (savings €10mIn) with offload of non core activities.
  - Closure of two sites completed (Brindisi and “Centro Bonifacio” –Naples).
  - Closure of one out of two Turin sites undergoing.
  - Rationalisation of industrial base defined: industrial plan to be launched soon (savings €20mIn).
  - Aeronautics Sector Supplier Conference to be held on the 10<sup>th</sup> of March to share targets of cost savings (€80mIn) and first tier supplier reduction (30%)

### Space:

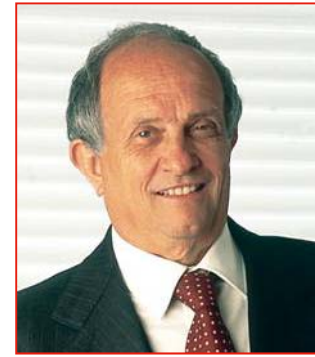
- New Telespazio, reorganisation of Space sector effective as of January 2011
  - Restructuring of operations (including portfolio rationalisation), optimised management of satellite capacity, focused Operation Centres, reduction of controllable costs and reduced number of legal entities
  - Telespazio (Space Services) now operates the space-related activities previously managed by Elsag Datamat and Selex SI (Vega)

### Rolling Stock:

- Restructuring/reengineering process in progress, both internally and externally (concerning specific critical customers)

## **Business Strategy**

**Pier Francesco Guarguaglini**



# Our Current Strategic Guidance

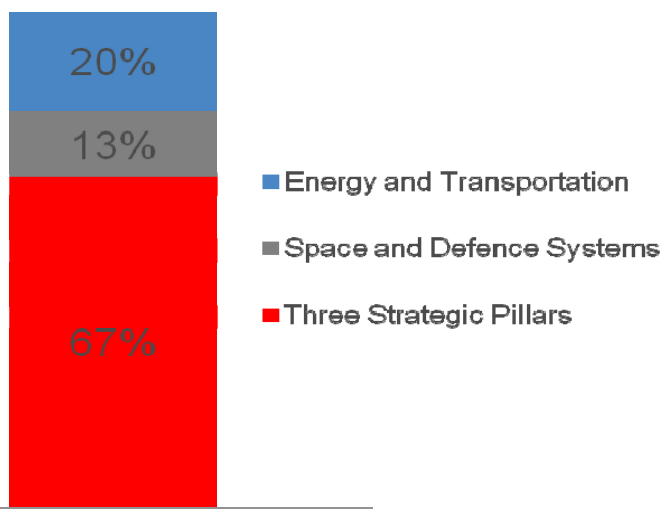
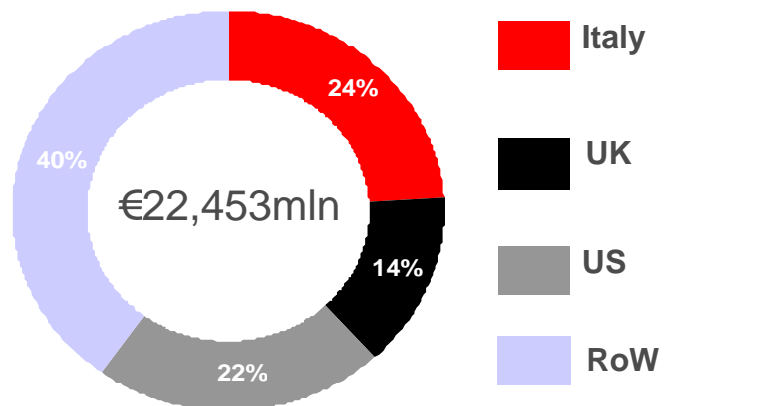


- Market leadership in 3 robust strategic pillars (Helicopters, Aeronautics, Defence & Security Electronics)
- Resilience and opportunities in domestic markets despite pressure on defence budgets; reinforcing our positioning, mainly in the UK and in the US, by enlarging our offering and moving up the value chain
- Rich opportunities in our target growth market by leveraging on our industrial and commercial footprint
- Wide range of decisive actions creating platform for performance improvement
- Profitable and selective investments in technology and products to support organic growth
- Building the future: new frontiers provide dynamic growth opportunities

# Outstanding Order Intake Boosts Visibility of Our Future Performance



## 2010 Orders



2010 Orders

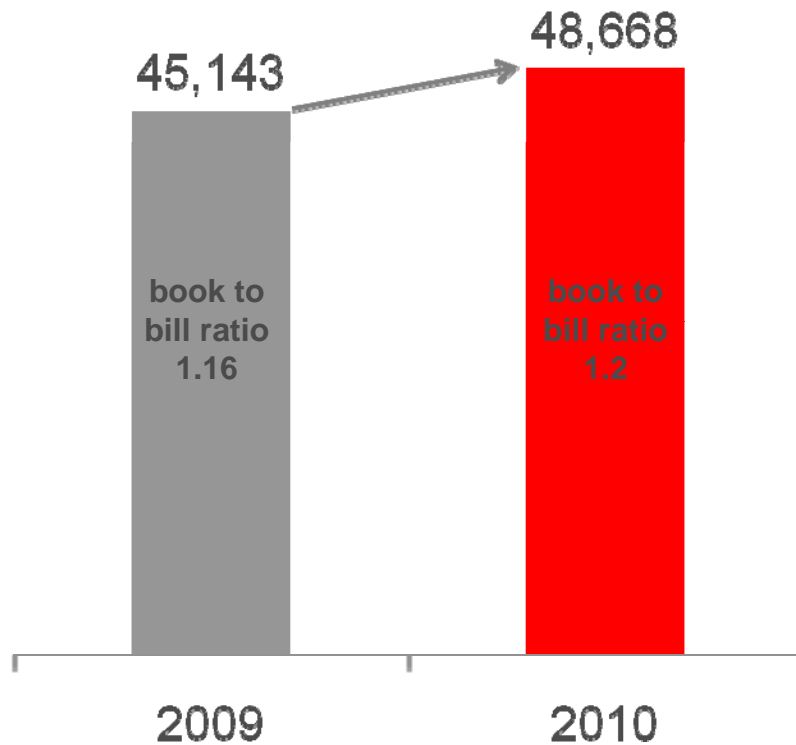
## 2010 Key Orders

Programme	Value	Sector
Product support	€2.2bn	Helicopters
AW101	€1.6bn	Helicopters
Eurofighter tr. 3A and customer support	€1.4bn	Defence & Security Electronics
Civ/Gov Helos	€1.2bn	Helicopters
High speed Italy	€0.9bn	Transport
ATR	€0.7bn	Aeronautics
New Units	€0.6bn	Energy
Service	€0.6bn	Energy
Iridium	€0.5bn	Space
JSF	€0.4bn	Aeronautics

# Solid Backlog Sustained By Strong Commercial Performance



## Year End Backlog (€mln)



**Limited Exposure to North African Countries**

## Major programmes in backlog

Programme	Sector
Eurofighter	Aeronautics/Defence & Security Electronics/Defence Systems
C27J	Aeronautics
AW101	Helicopters
ATR	Aeronautics
B787	Aeronautics
AW139	Helicopters
Large Systems	Defence & Security Electronics
FREMM	Defence & Security Electronics/Defence Systems
ATC	Defence & Security Electronics
High Speed	Transport

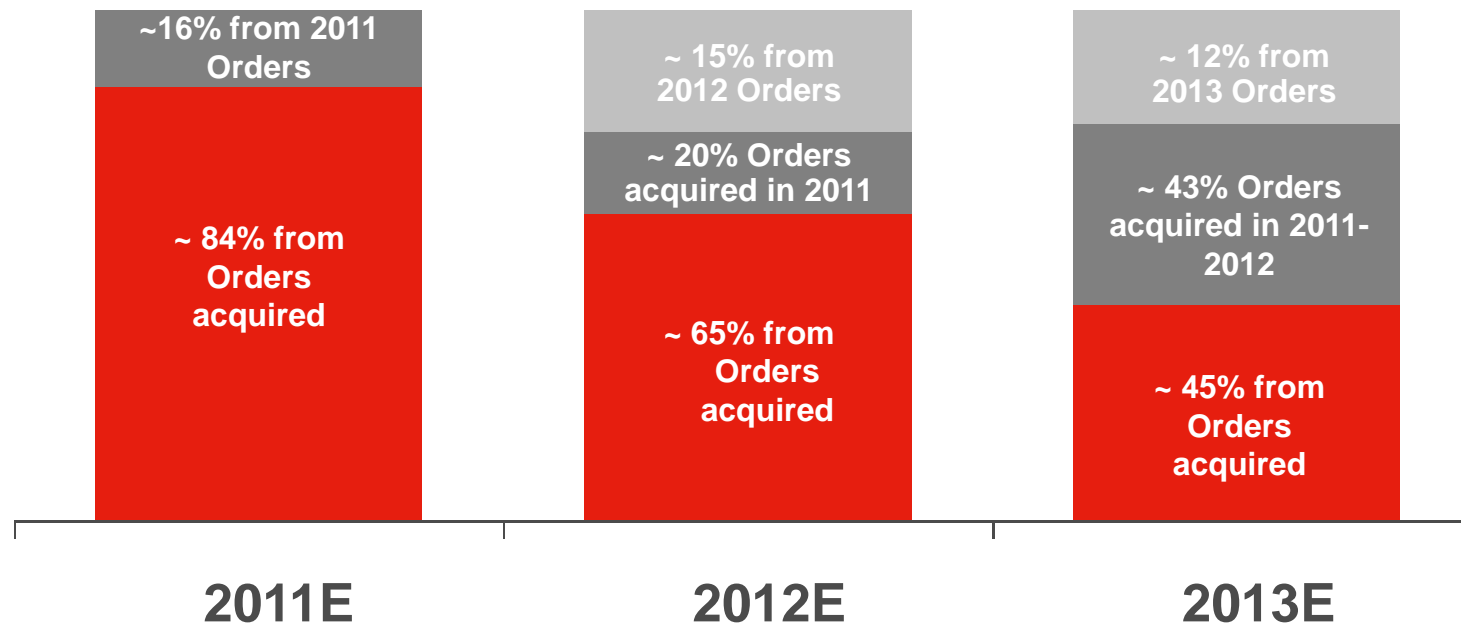


# Current Backlog Establishes a Strong Platform for Further Growth



## Revenues

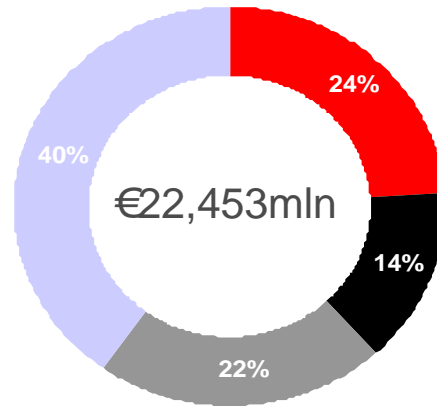
€18.3-19bn



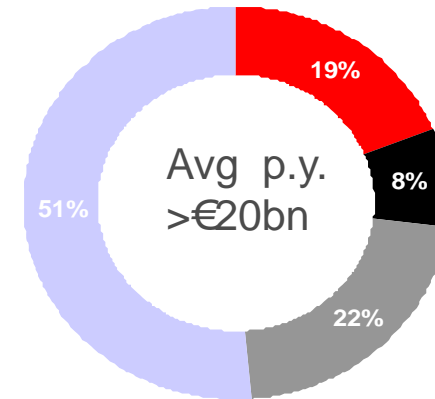
# Orders and Revenues: Geographical Footprint Enables Us to be Resilient



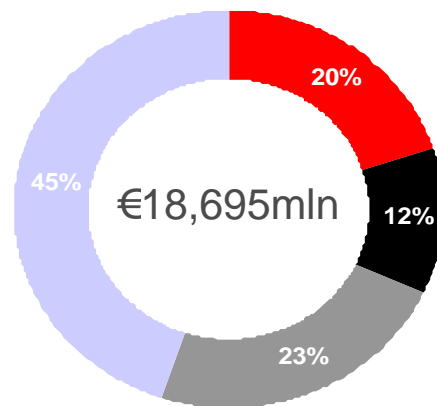
**2010 Orders**



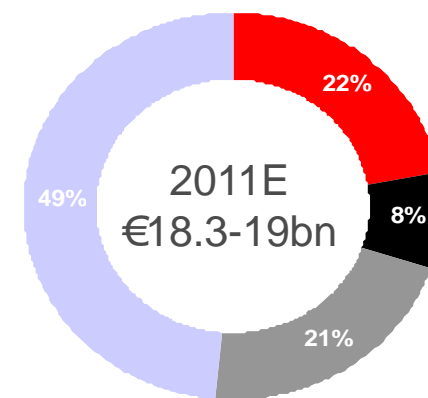
**2011 – 2012 Orders**



**2010 Revenues**



**2011 – 2012 Revenues**



**Maintaining a Book to Bill Firmly Above 1**



**Fewer cuts than anticipated, mainly driven by increased efficiencies. Proposed spending is up in our programmes (helos, cargo airplanes, tanker, ships, UAV and cybersecurity).**

- Advanced Trainer Replacement programme (TX tender - M346), C27J (9 additional a/c funded) and US Tanker (DRS and Alenia teaming with Boeing)
- Presidential Helicopter VXX (AW and Boeing agreement signed), Air Force Common Vertical Lift Support Platform, Air Force HH-60 Recapitalization, Army Armed Aerial Scout, Coast Guard fleet Recapitalization (Dept. of Homeland Security Budget)
- Procurement and research in military communications, electronics, telecommunications, and intelligence technologies, Joint Tactical Radio System, 3rd generation Rapid Response requirements, Electro-optic systems for US Army and Navy, on-board ship electronics systems



## UK Budget remains constrained, however...

- Merlin IOS awarded (ca.£570M); AW159 programme on budget and on time (4 completed, 3 flying), SAR-H termination extends life of AW Sea Kings
- Typhoon enhancement plan in development, Afghanistan operations receiving £4B funding
- Developing solutions for the Global Combat Ship programme (T26); Strong government support to exports (Saudi, Oman, Denmark, Korea, Spain, India, Japan); Group exports from UK increased to £500M in 2010

## Expanding the horizon:

- Launching Finmeccanica Cyber Solutions
- Establishing our footprint in Space solutions (i.e. from CosmoSkyMed)
- Securing qualification for new security solutions



## Italy: A Solid Platform on which to build

- Military programmes (and NATO) relying on multiple funding sources (i.e. Ministry of Industry for Eurofighter, FREMM, VBM, Forza Nec);
- Growing C4ISR sector
- Growing funding opportunities for Security (i.e. Waste Transport Management)
- Defence Information Infrastructure programme to provide integrated network comms to Armed Forces. Funded by MoD, RFI to be issued shortly
- Additional opportunities underpinned by Public funds (i.e. Nuclear Power and Transportation - Metro, Regional Trains, Signaling)

**India is a priority market for Finmeccanica**  
**Democracy, sustainable economical growth, large industrial base, well-educated people and competitive costs encourage long-term investments**

## Order Intake

- 2005-2009 €250mln average/year
- 2010 exceeding €750mln (incl 12 VVIP AW101 €560mln)
- 2011- 2015 expected €500mln average/year

## Key Drivers

- Improving competitive position
- Facilitating G to G Agreements
- Exploiting R&D collaborations
- Enlarging industrial presence

**\$11bn expected accessible defence budget in 2011**

**Current Finmeccanica offers > €8.5bn**

## Key Campaigns

- **Helicopters** (MRH/NH90, Sea King and Kamov upgrds, NUH/AW109, CG/AW139 and commercial)
- **Aircrafts** (MMRCA/Eurofighter, Military Transport/C 27J, MRMPA/ATR 72MP, UAV, regional civil transport)
- **Naval & Maritime** (Naval Guns, HWT and Countermeasures, Radar, Coastal Surv.)
- **Land** (Arm. Veh., Guided Ammo, BMS, TCS)
- **Security** (Border Control, Mass Transport, Airports & Seaports, Police Modernisation)
- **Energy and Transportation**

## **Huge Defence & Security and infrastructure Investments**

**Italy and Brazil have a G-to-G agreement in place**

**Italian Parliament ratified the agreement in February 2011**

**Potential opportunities ca. €11bn**

- Short-term opportunities ca. €7bn, including FREMM Frigates (Finmeccanica share approx. €2.5bn), Border Control, Land Defence Systems
- Other opportunities: Security for major events (Olympic Games and World Cup), Trainers, satellites and radars, battlespace management systems and High Speed Rail (Rio – Sao Paolo)

## Turkey

- Partnerships and JVs (i.e. ATAK Programme between AgustaWestland and two important Turkish Aerospace Groups (TAI and Aselsan) for the production of T129 helicopter)
- Additional opportunities
  - Helicopters (AW149 TUHP)
  - Defence & Security Electronics (IBM Integrated Border Management System, Coastal Border Surveillance System, Software Defined Radio, Tetra)
  - Aeronautics (Eurofighter)
  - Infrastructure projects (Istanbul and Ankara metro, High Speed rail, power project)



## Russia

- Partnerships and JVs
  - AgustaWestland and Russian Helicopters jointly established a new site to produce and assemble the civil version of AW139
  - Alenia Aeronautics and Russian Sukhoi have jointly developed Superjet100 through SCAC: Russian certification already obtained, European certification expected by end 2011. 170 a/c ordered so far, first delivery expected in Q2 2011
  - Ansaldo STS signed MoU with Russian Railways; the agreement covers the creation of a JV that will operate in the high-tech rail transport sector. Combined value up to €1.5bn over the next 10 years, starting from 2011
- Additional opportunities
  - Defence & Security Electronics (Postal Automation, Security)
  - Aeronautics (SuperJet100)
  - Energy (gas turbines, decommissioning)
  - Infrastructural projects (including signalling MOU)

## GROUP'S EFFICIENCY ACTIONS

*We are pursuing selected actions to increase our efficiency and effectiveness, in line with the Group strategy*

• Defence and Security Electronics segment optimisation process



• Restructuring of Aeronautics, Rolling Stock and Space segments



• Focus enhancement in core segments of US assets portfolio



✓ : launched

🕒 : starting

# Defence & Security Electronics Segment Optimisation



2010

2011



- “**Integrated Systems**”:  
concentration within **SELEX SI**,  
of all key competencies in large  
systems, ATMS, CS and Surface  
Radar



- All “**Space services and Operations**” capabilities within  
Telespazio, enlarging its  
positioning on the European  
Institutional market through  
widespread presence in UK,  
France, Germany and Spain



- “**Avionics and Electro Optics**” in  
**SELEX Galileo**, with selected  
competencies in Avionics,  
Electronic Warfare and Electro  
Optics



+



- Establishment of fully  
integrated “**ICT & Security**”  
capability through the merger  
of **Elsag Datamat** and  
**SELEX Comms**, with  
selected competencies in  
Cyber Security, ICT and  
Automation



## Focus Enhancement in Core Segments of US Asset Portfolio (1/2)



**Two years after DRS' acquisition, we have completed an in depth business assessment of all the acquired US assets, most of all in terms of growth and profitability prospects**

- As a result, we now aim to strategically reposition our US assets, specifically in the System Integration arena
- In particular we support DRS' strategy aimed at entering new programmes in attractive growth areas through selective acquisitions and divestments
- To initiate this process we have already identified potential candidates for divestment of certain businesses including those operating in:
  - Non-core segments for the Group
  - Markets with limited growth opportunities in the near future
  - Markets where DRS lacks scale

**We are currently initiating the process to  
implement this portfolio optimisation by 2011**

# Focus Enhancement in Core Segments of US Asset Portfolio (2/2)



- The proceeds accruing from the successful completion of the divestment plan will be **partially** used for debt reimbursement and **partially** reinvested to support DRS' growth and repositioning
- Already identified potential targets characterised by:
  - Small / Medium size
  - Control of enabling technologies
  - Ease of integration within Group products
  - Positioning in key DoD programs of interest for the Group that can be effectively integrated within DRS and foster growth in strategic areas



## The combined effect of:

1. **divestment of non-core businesses and,**
2. **selected investments in growth areas, will allow us to progressively reposition our US assets in more strategic growth areas**

# Summary

## Strong Value Proposition for Finmeccanica



- Continue to streamline and consolidate the Group
- Well positioned to exploit fast growing security demand leveraging our market-leading technologies and strong capabilities
- Building on established industrial footholds in emerging growth markets
- Sustainable 9% EBITA margin by 2013
- Increase cash flow operationally and through disposals to reduce debt and enhance shareholder remuneration



# Appendix

# FY 2010 Results – Profit & Loss



<b>CONSOLIDATED PROFIT AND LOSS ACCOUNT</b>				
	<i>€mil.</i>	<b>2010</b>	<b>2009</b>	<b>Change % YoY</b>
<b>Revenues</b>		<b>18,695</b>	<b>18,176</b>	2.9%
Costs for purchases and personnel		(16,381)	(16,125)	
Depreciation and amortisation		(578)	(575)	
Other net operating revenues (costs)		(147)	111	
<b>Adj EBITA (*)</b>		<b>1,589</b>	<b>1,587</b>	0.1%
	<i>Adj EBITA (*) margin</i>	8.5%	8.7%	
Non-recurring revenues (costs)		(169)	(92)	
Restructuring costs		(103)	(23)	
Impairment		-	-	
PPA amortisation		(85)	(80)	
<b>EBIT</b>		<b>1,232</b>	<b>1,392</b>	-11.5%
	<i>EBIT margin</i>	6.6%	7.7%	
Net finance income (costs)		(366)	(297)	
Income taxes		(309)	(377)	
<b>Net profit before discontinued operations</b>		<b>557</b>	<b>718</b>	-22.4%
Profit of discontinued operations				
<b>Net profit</b>		<b>557</b>	<b>718</b>	-22.4%
	<i>Group</i>	493	654	
	<i>Minorities</i>	64	64	
<b>EPS (EUR)</b>				
	<i>Basic</i>	0.854	1.134	
	<i>Diluted</i>	0.853	1.133	
<b>EPS of continuing operations (EUR)</b>				
	<i>Basic</i>	0.854	1.134	
	<i>Diluted</i>	0.853	1.133	

(\*) Operating result before:

- any impairment in goodwill;
- amortisations of intangibles acquired under business combination;
- reorganization costs that are a part of significant, defined plans;
- other exceptional costs or income, i.e. connected to particularly significant events that are not related to the ordinary performance of the business.



# Balance Sheet



<b>BALANCE SHEET</b>		
<i>€mil.</i>	<b>31.12.2010</b>	<b>31.12.2009</b>
Non-current assets	13,641	12,956
Non-current liabilities	(2,583)	(2,639)
	<b>11,058</b>	<b>10,317</b>
Inventories	4,426	4,662
Trade receivables	9,242	8,481
Trade payables	(12,996)	(12,400)
<b>Working capital</b>	<b>672</b>	<b>743</b>
Provisions for short-term risks and charges	(762)	(595)
Other current net assets (liabilities)	(738)	(853)
<b>Net working capital</b>	<b>(828)</b>	<b>(705)</b>
<b>Net invested capital</b>	<b>10,230</b>	<b>9,612</b>
Capital and reserves attributable to equity holders of the Company	6,814	6,351
Minority interests	284	198
<b>Shareholders' equity</b>	<b>7,098</b>	<b>6,549</b>
<b>Net debt (cash)</b>	<b>3,133</b>	<b>3,070</b>
<b>(assets)/liabilities held for sale</b>	<b>(1)</b>	<b>(7)</b>

<b>CASH FLOW</b>		
	<i>€mil.</i>	
	<b>2010</b>	<b>2009</b>
<b>Cash and cash equivalents at 1 January</b>	<b>2,630</b>	<b>2,297</b>
Gross cash flow from operating activities	2,361	2,222
Financial charges paid	(258)	(180)
Income taxes paid	(335)	(392)
Changes in other operating assets and liabilities and provisions for risks and charges	(355)	(134)
<b>Funds From Operations (FFO)</b>	<b>1,413</b>	<b>1,516</b>
Changes in working capital	(117)	(488)
<b>Cash flow generated from (used in) operating activities</b>	<b>1,296</b>	<b>1,028</b>
Investment in tangible and intangible assets after disposals	(853)	(465)
<b>Free operating cash flow (FOCF)</b>	<b>443</b>	<b>563</b>
Strategic operations	(138)	(10)
Change in other investment activities	30	(3)
<b>Cash flow generated (used) by investment activities</b>	<b>(961)</b>	<b>(478)</b>
Share capital increase	-	-
Cash flow from financing activities	(884)	66
Dividends paid	(257)	(256)
<b>Cash flow generated (used) by financing activities</b>	<b>(1,141)</b>	<b>(190)</b>
Exchange gains/losses	30	(27)
<b>Cash and cash equivalents at 31 December</b>	<b>1,854</b>	<b>2,630</b>

# Divisions



2010 (€mIn)	Helicopters	Defence and Security Electronics	Aeronautics	Space	Defence Systems	Energy	Transport	Other Activities and Corporate	Eliminations	Total
Revenues	3,644	7,137	2,809	925	1,210	1,413	1,962	243	(648)	18,695
<b>Adj EBITA (*)</b>	<b>413</b>	<b>735</b>	<b>205</b>	<b>39</b>	<b>107</b>	<b>145</b>	<b>97</b>	<b>(152)</b>		<b>1,589</b>
Adj EBITA (*) margin	11.3%	10.3%	7.3%	4.2%	8.8%	10.3%	4.9%	n.a.		8.5%
Depreciation and amortisation	136	230	154	29	43	26	25	20		663
Investment in non-current assets	175	258	327	45	40	37	53	24		959
Research and development costs	409	810	369	68	260	38	69	7		2,030
New orders	5,982	6,783	2,539	1,912	1,111	1,403	3,228	105	(610)	22,453
Order backlog	12,162	11,747	8,638	2,568	3,797	3,305	7,303	113	(965)	48,668
Headcount	13,573	29,840	12,604	3,651	4,112	3,418	7,093	906		75,197

2009 (€mIn)	Helicopters	Defence and Security Electronics	Aeronautics	Space	Defence Systems	Energy	Transport	Other Activities and Corporate	Eliminations	Total
Revenues	3,480	6,718	2,641	909	1,195	1,652	1,811	410	(640)	18,176
<b>Adj EBITA (*)</b>	<b>371</b>	<b>698</b>	<b>241</b>	<b>47</b>	<b>130</b>	<b>162</b>	<b>65</b>	<b>(127)</b>		<b>1,587</b>
Adj EBITA (*) margin	10.7%	10.4%	9.1%	5.2%	10.9%	9.8%	3.6%	n.a.		8.7%
Depreciation and amortisation	130	240	152	27	42	24	24	16		655
Investment in non-current assets	125	209	335	66	43	60	87	14		939
Research and development costs	328	711	474	87	235	36	110	1		1,982
New orders	3,205	8,215	3,725	1,145	1,228	1,237	2,834	113	(603)	21,099
Order backlog	9,786	12,280	8,850	1,611	4,010	3,374	5,954	172	(894)	45,143
Headcount	10,343	30,236	13,146	3,662	4,098	3,477	7,295	799		73,056

(\*) Operating result before:

- any impairment in goodwill;
- amortisations of intangibles acquired under business combination;
- reorganization costs that are a part of significant, defined plans;
- other exceptional costs or income, i.e. connected to particularly significant events that are not related to the ordinary performance of the business.

# Exchange Rates Adopted / Employee Obligations / Share Data



Exchange rates adopted At 31 December 2010			At 31 December 2009	
	average exchange rate for the year	exact	average exchange rate for the year	exact
US dollar	1.32572	1.3362	1.39478	1.4441
Pound Sterling	0.85784	0.86075	0.89094	0.88810

	At 31 December 2010			At 31 December 2009		
	Liabilities	Assets	Net	Liabilities	Assets	Net
Severance obligations	610	0	610	640	0	640
Defined-benefit retirement plans	341	32	309	382	11	371
Share of MBDA joint-venture pension obligation	64	0	64	88	0	88
Short Term defined contribution obligations	26	0	26	26	0	26
	1,041	32	1,009	1,136	11	1,125

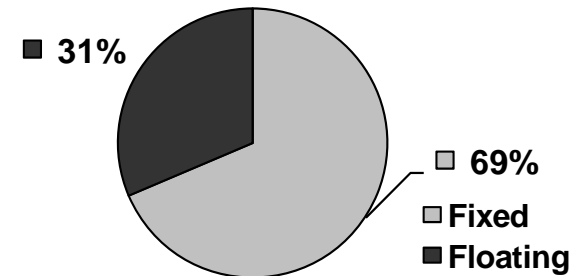
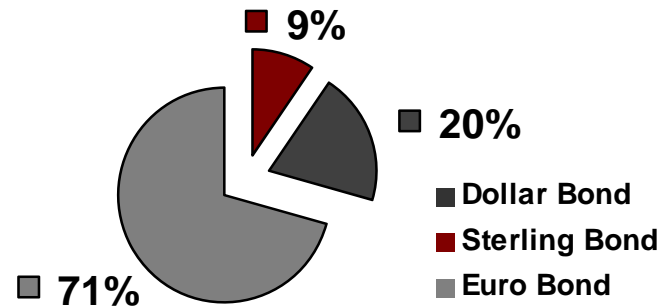
SHARE DATA			
	2010	2009	Var. %
Average number of shares in period (thousands)	577,026	576,914	0.0%
Net result (not including minority interests) (€mil.)	493	654	
Result of continuing operations (not including minority interests) (€mil.)	493	654	
<b>BASIC EPS (EUR)</b>	<b>0.854</b>	<b>1.134</b>	<b>-24.7%</b>
Average number of shares for the period (in thousands)	577,685	577,573	0.0%
Result adjusted (not including minority interests) (€mil.)	493	654	
Adjusted result of continuing operations (not including minority interests) (€mil.)	493	654	
<b>DILUTED EPS (EUR)</b>	<b>0.853</b>	<b>1.133</b>	<b>-24.7%</b>

# Finance Income and Costs



## Finance Income and Costs (€mln)

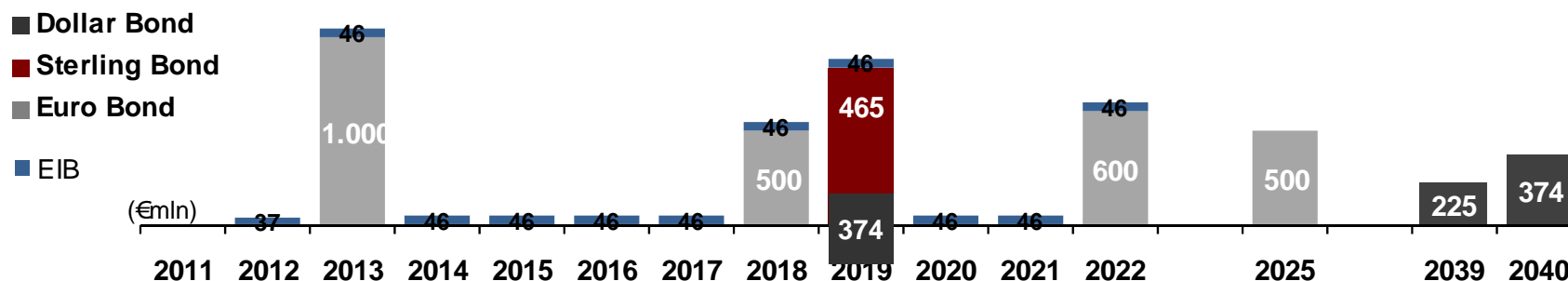
	At 31 December 2010			At 31 December 2009		
	Income	Costs	Net	Income	Costs	Net
Capital gain on sale of STM	0	0	0	18	0	18
Dividends	3	0	3	6	0	6
Gains on investments and securities	4	0	4	37	0	37
Discounting of receivables, payables and provisions	5	-4	1	6	-12	-6
Interests(*)	26	-330	-304	30	-301	-271
Premiums (paid) received on IRS	77	-35	42	66	-52	14
Commissions (including commissions and other non-recourse items)	8	-59	-51	2	-87	-85
Fair value adjustments through profit or loss	60	-83	-23	98	-44	54
Premiums (paid) received on forwards	7	-4	3	14	-8	6
Exchange-rate differences	636	-618	18	721	-723	-2
Value adjustments to equity investments	2	-10	-8	0	-1	-1
Interest cost on defined-benefit plans (less expected returns on plan assets)	0	-32	-32	0	-36	-36
Finance income/costs-related parties	1	-7	-6	6	-7	-1
Other finance income and costs	21	-20	1	3	-50	-47
	850	-1202	-352	1007	-1321	-314
*of which finance costs arising from the application of the effective (not liquidated) interest rate on bonds in the amount of €mil 48 (€mil 36 at 31 December 2009).						



- Average Debt Life > **10 years**
- Average cost of debt approximately **5.6%**
- Currently approx. **70-30%** fixed vs. floating interest cost
- Rating: Fitch = **BBB+** Stable Outlook  
Moody's = **A3** Stable Outlook  
S&P = **BBB** Negative Outlook<sup>(1)</sup>

(1) On 6 December 2010 S&P downgraded Finmeccanica (FNC) rating from BBB with a Stable Outlook to BBB with a Negative Outlook

# Long Term Debt Maturity Profile



- No refinancing needs until end of 2013
- 12-year amortizing EIB Loan drawn in August
- Liquidity bank lines consolidated into a new €2.4bn 5-year Revolving Credit Facility signed in September 2010

⇒ **No short term refinancing needs and adequate liquidity support**

# Long Term Debt Maturity Profile

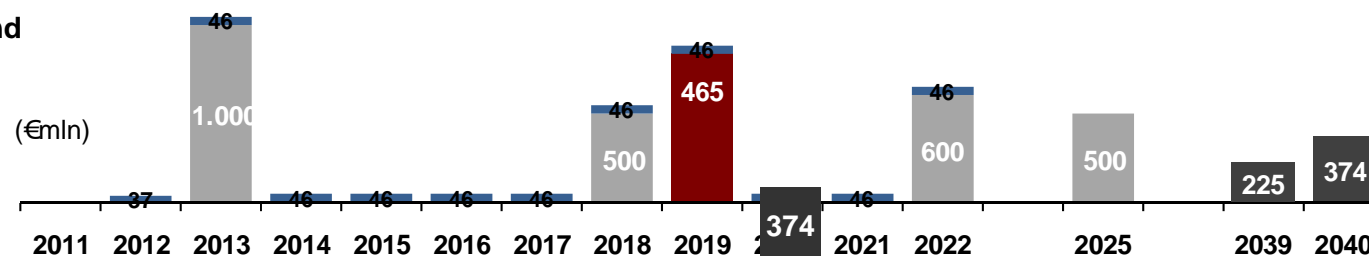


■ Dollar Bond

■ Sterling Bond

■ Euro Bond

■ EIB



Bond				
Issuer	Issue Date	Expiry Date	Notional Amount (€m)	Coupon
Finm. Finance - EMTN	2008-2009	Dec-2013	1000	8,125%
Finm. Finance - EMTN	2003	Dec-2018	500	5,75%
Meccanica Holdings USA	2009	July-2019	374	6,25%
Finm. Finance - EMTN	2009	Dec-2019	465	8,0%
Finm. Finance - EMTN	2009	Jan-2022	600	5,25%
Finmeccanica SpA - EMTN	2005	March-2025	500	4,875%
Meccanica Holdings USA	2009	July-2039	225	7,375%
Meccanica Holdings USA	2009	Jan-2040	374	6,25%
Totale			4038	

Available Credit Lines				
Cash Credit Lines	Size	Oustanding December 2010	Tenor	Margin (bps)
Revolving Credit Facility	2400	0	Set 2015	75 <sup>(1)</sup>
Confirmed Credit Lines	50	0	18 months*	120*
Unconfirmed Credit Lines	672	0	18 months*	50-100*
<b>Total</b>	<b>3122</b>	<b>0</b>		
Bank Bonding Lines				
<b>Total</b>	<b>2717</b>			

Loan			
	Size	Tenor	Margin
EIB	500	12 - year amortizing <sup>(3)</sup>	79,4bps on 6M Euribor / 3,45% <sup>(2)</sup>

\*Average. Expected to be renewed at maturity.

(1) Based on actual rating

(2) Drawn in August 2010 for €200mil at floating rate and €300mil at fixed rate

(3) Of which two years grace period

(4) On 6 December 2010 S&P downgraded FNC rating from BBB with a Stable Outlook to BBB with a Negative Outlook  
The amount in GBP and USD are calculated using the exchange rate of 31 December 2010



# Total R&D Expenditure in 2010



€ mln	FY 2010		FY 2009	
	Value	% of Revenues	Value	% of Revenues
R&D Total Expenditure	2,030	11%	1,982	11.0%
of which:				
Customer Funded	1,056		930	
Government Funded	292		432	
Group Expenditure	682		620	

€ mln	FY 2010		FY 2009	
	Value	% of Revenues	Value	% of Revenues
Group expenditure	682	3.6%	620	3.4%
of which:				
R&D Costs Charged to P&L	362	1.9%	341	1.9%
Gross R&D Capitalised	320		279	

# Development Costs Capitalised as Intangible Assets at 31 December 2010



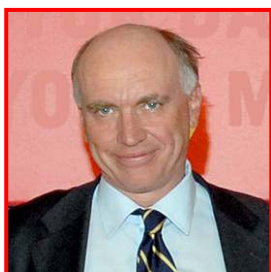
€ mln	Self Funded National Security	Self Funded Other	Total
1 Jan 2010 Opening balance	545	624	1,169
<b>Gross R&amp;D Capitalised</b>	155	165	<b>320</b>
Depreciation and write offs	(34)	(121)	(155)
Other Changes	44	5	49
<b><u>Net R&amp;D Capitalised</u></b>	165	49	<b><u>214</u></b>
31 Dec 2010	710	673	1,383

<b>Date</b>	<b>Event</b>
2 March 2011	2010 Full Year Results
29 April and 4 May 2011	Ordinary shareholders' meeting (first and second call)
29 April – 3 and 4 May 2011	Extraordinary shareholders' meeting (first, second and third call)
28 April 2011	First Quarter 2011 Results
27 July 2011	First Half 2011 Results
3 November 2011	Third Quarter 2011 Results

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