



Transport & Energy

**Driving success
by executing our goals**



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Vehicles

Salvatore Bianconi
Managing Director

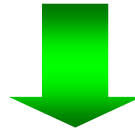
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Key achievements:



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.

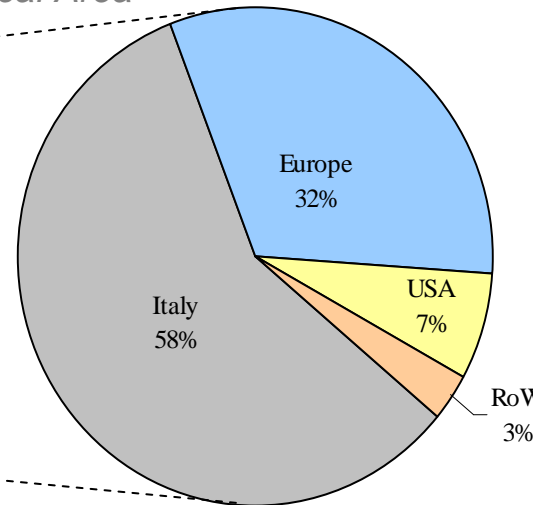
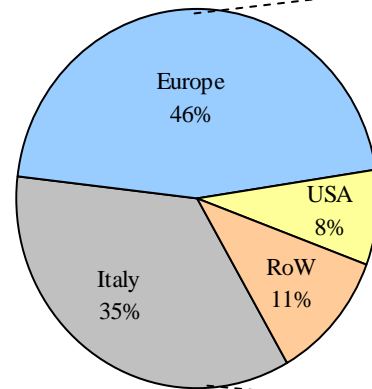
Revenues growth 2006 - 2010



2006

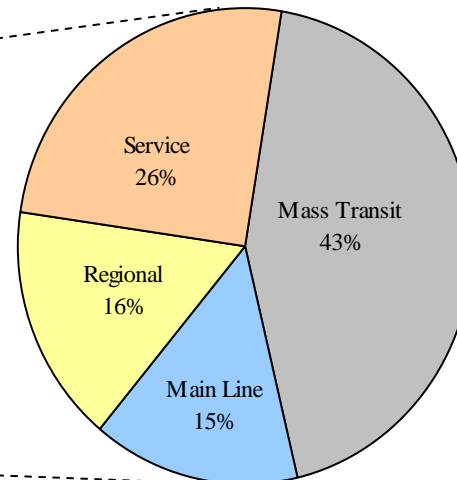
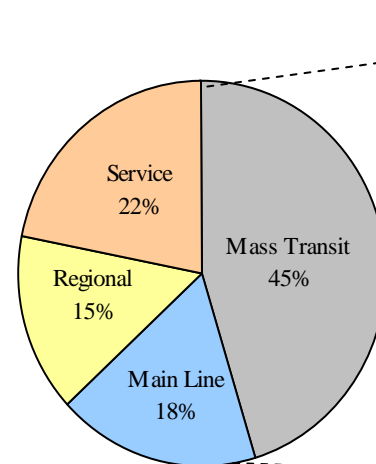
2010

Geographical Area



€460 m

€825 m



Business Area

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%

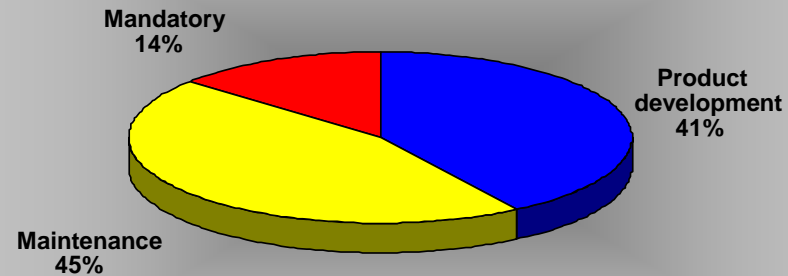
The economic profile of new orders derives from the company's restructuring process:

- ✦ 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

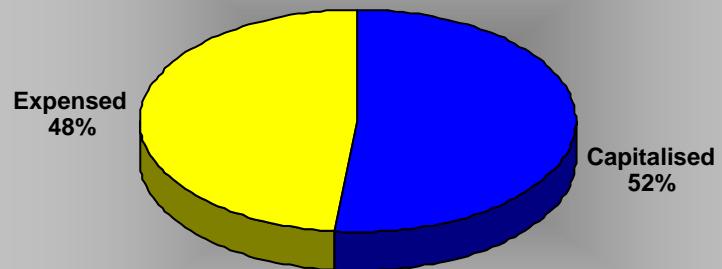
All leading to a significant improvement in total company efficiency

Investments: R&D and CAPEX

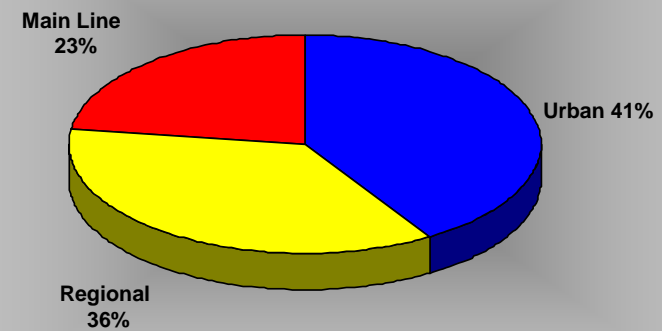
CAPEX IN 2007-2010:
€78 m



Total Gross R&D Investments 2007-2010:
€59 m



Capitalised R&D 2007-2010:
€30 m



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



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Energy

Giuseppe Zampini
CEO

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2010 Target Change

Last year's target:

- Group Revenues @ €1.4bn
- ROS @ 9%

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

Today's target:

- Group Revenues @ €1.7bn
- ROS @ 9+%

Main Achievement '06



New Units

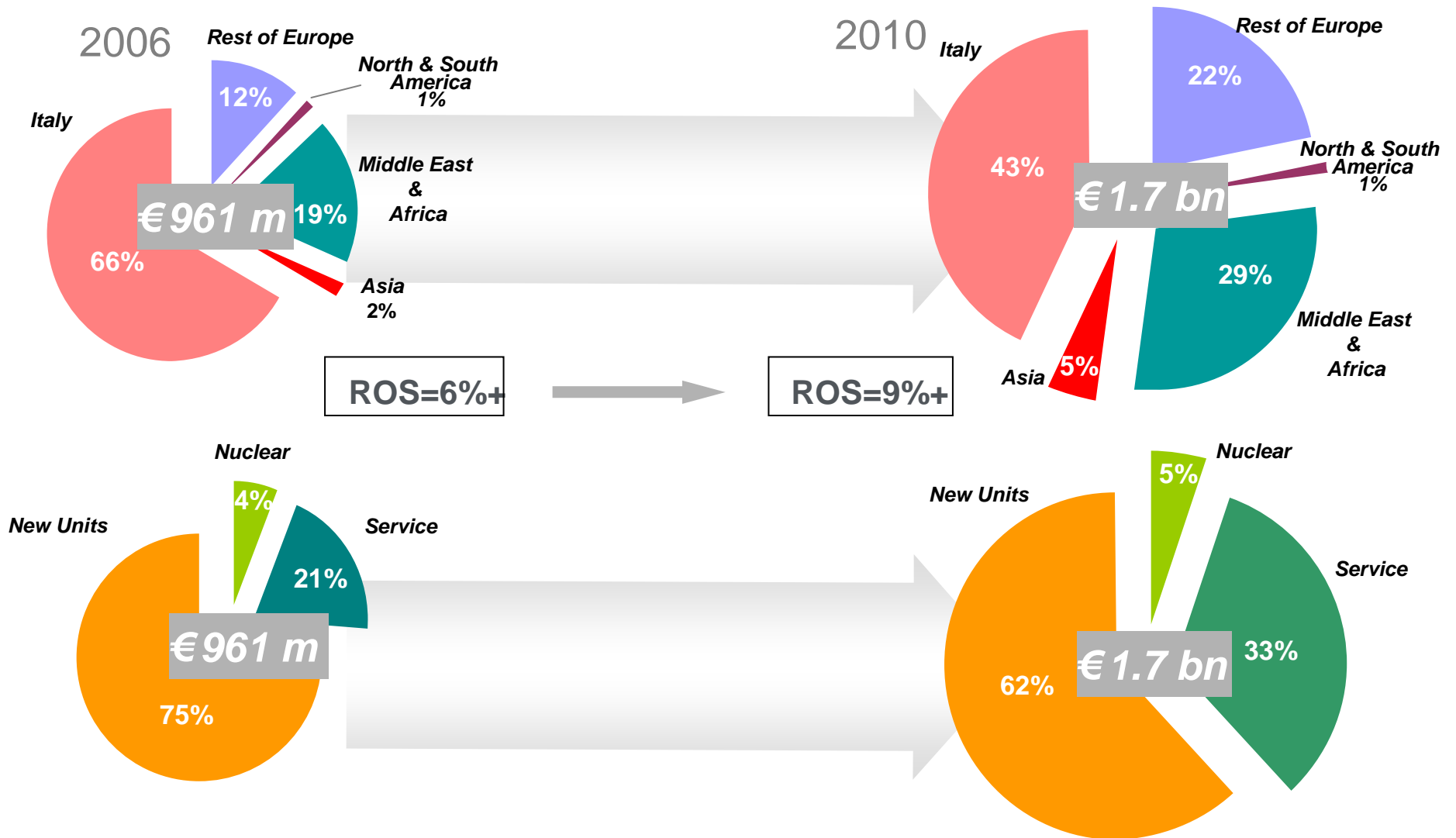
- Strengthened sales & marketing organisation
- Developed low emission burners (<15 ppm) for V94.3A4



Service

- Acquisition of Thomassen Turbine System (NL) & Energy Service Group (CH)
- Double digit organic growth (+20%)

Extend market reach and service share

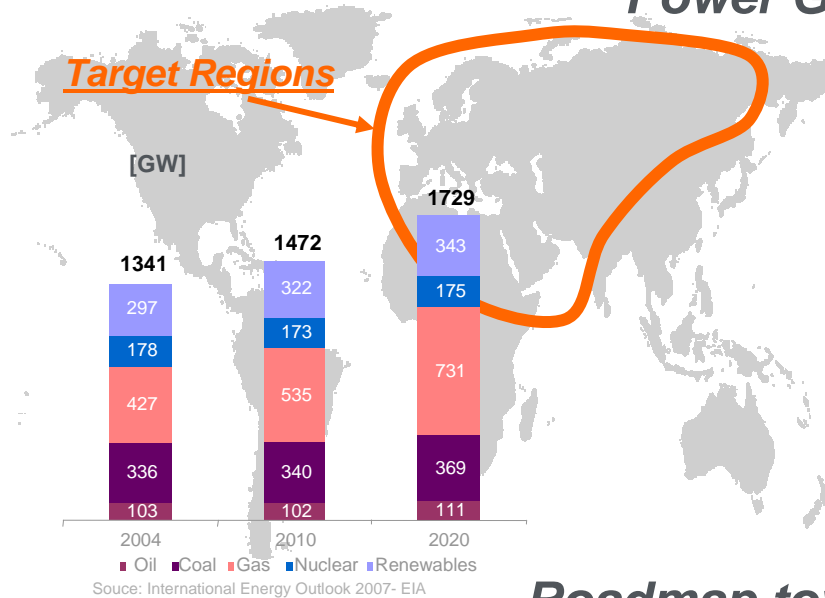


Service contribution to EBIT from approx 35% in 2006 to approx 60% in 2010

New units business: €1bn of revenues by 2010



Power Generation Market



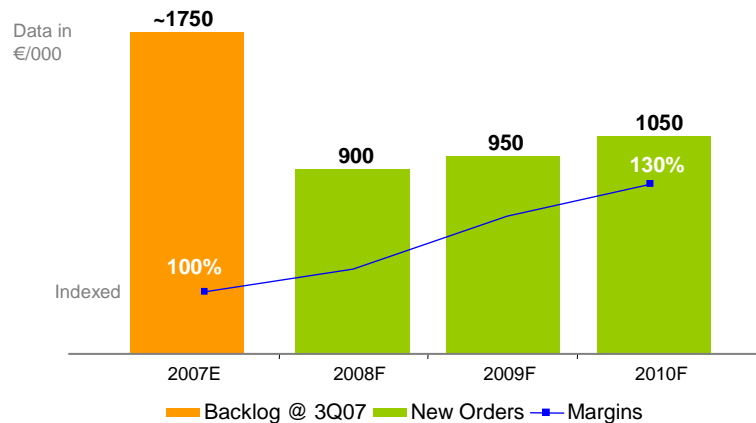
Scenario

- 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)

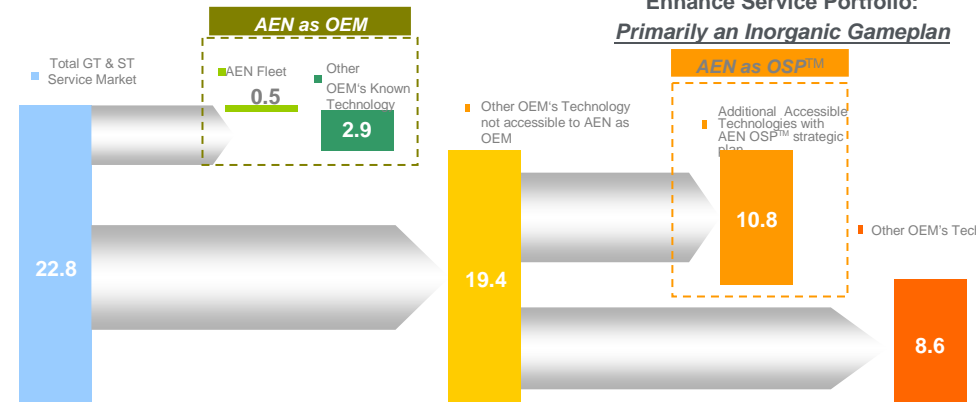
Service business: €560 m of revenues by 2010



Power Generation Service Market

Increase Service Entitlement & Customer Penetration:

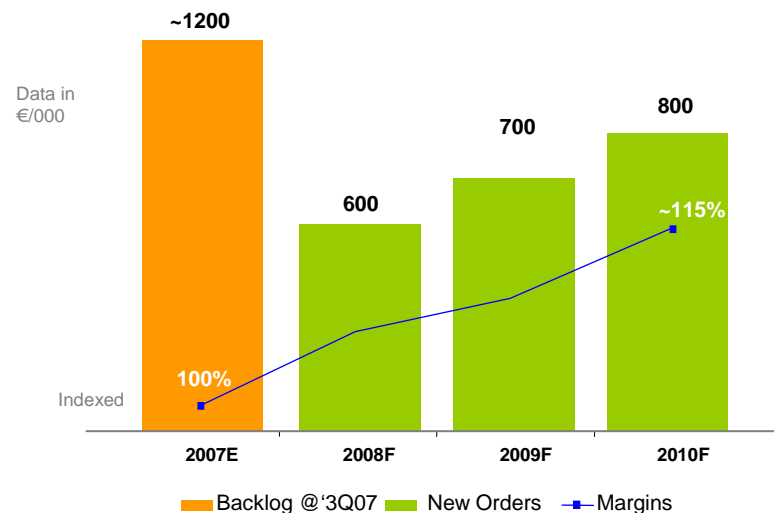
Primarily an Organic Gameplan



AEN 2006 Evaluation
Data in B€/year

- 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



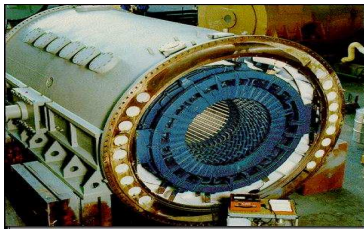
- OEM Installed fleet: LTSA & Flow
- Increase profitability: In-source critical processes
- Improve value proposition
- OSP™ strategy: increase product portfolio also by acquisitions and technology
- Thomassen Turbine Systems turnaround: + 50% vs. '06 orders

(*) *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

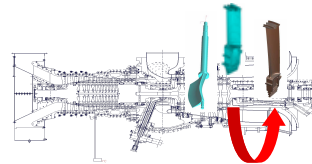


- New Units



- 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



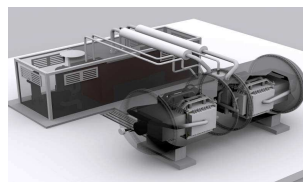
- V94.2 Life Extension
- V94.3A Extend Maintenance Intervals
- Field service improvements

- Service OSP™



- GE...extend portfolio and solutions
- Other technologies on GTs

- Renewable

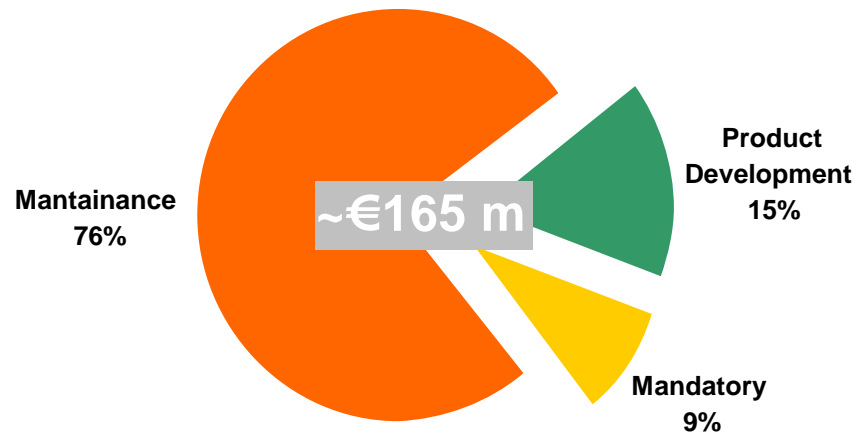


- Fuel Cells: 1MW by 2012

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



Capitalised R&D 2007-2010

