

## FINMECCANICA FULL YEAR 2011 RESULTS PRESENTATION

### CORPORATE SPEAKERS

**Giuseppe Orsi** *Finmeccanica S.p.A - Chairman & CEO*

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**Giuseppe Orsi - Chairman & CEO**

#### SLIDE 4

Good morning, everybody. Thank you for attending today. A special welcome to those who are listen on the web cast, and mainly those who are on the other side of the Atlantic; I hope you have a good cup of a good Italian coffee in front of you, to keep you going.

I hope – today, I am presenting the financial result of our 2011. 2011 was a difficult year. In the past nine months I've traveled around our business. I have reviewed operations by visiting factory; I've met people. I saw our product and technology; and I can say we have a lot of them.

What I can confirm to you today, is that Finmeccanica has a clear vision. Finmeccanica has a very good, committed workforce. All of us are signed up for a two-year budget, and our MBO will link to the result of the two years.

I'm going to talk about the business later on. Let me now talk about the numbers. The numbers I'm going to present to you today are ugly. There is no other way to define it; I don't like them. I think no CEO will like them. I've never given number like this in my life; but this is what I do today. The numbers that are on the chart, the 2011 key data, provide a tough set of result, but give you a realistic assessment of our business.

#### SLIDE 5

Let's start from the EBITA. The EBITA number is minus EUR216 million. If you put, on top of this, the exceptional that are related to EBITA, we will have an EBITA of EUR878 million for the year. Still below the number of full year 2010, that were EUR1.6 billion.

Now this is what is the reason, three main factor; one is, obviously, reduced volume; the second, different mix; but the third one, our cost overrun on the ongoing programs. And that is the reason why we have launched a comprehensive efficiency plan for each of our Companies. Later on Alessandro will talk about this in detail; and all our CEOs, as well as we are committed to deliver on this efficiency plan. This will be one of the key issues for us, to confirm the number that, again, we will give you as a guidance.

The net income was minus EUR2.3 billion; finally our revenue are EUR17.3 billions.



**SLIDE 6**

And now let's see which are the exceptionals that generated this situation. The exceptionals are detailed in this slide. This is a line in the sand I want to draw, there will be not this kind of exceptional in the future.

Six months ago, when we met the first time, and I didn't give the guidance on the Aeronautics and the rolling stock; and I remember anticipated that I would have done a further analysis on the electronic for Defense and Security.

Here is the result you can see on this chart, that three of the major player responsible for this number; one is Aeronautics, by EUR1.4 billion, mainly due to the Boeing 787 issue that I have already explained last November; plus the Meltem program plus restructuring cost.

Electronics; this accounts for more than EUR1 billion; and this is mainly due to the impairment test of DRS, already mentioned, plus the impairment test on Sistemi Integrati and other exiting from some program and contract. On the Transport, this accounted for EURO.5 billion. The business re-organization and, again, exiting from some product line. The total charge is EUR3.18 billion. Again, this is a line in the sand I want to draw.

**SLIDE 7**

Now, the key point I want to make with this chart is that the cash-out profile of exceptional charges is pretty spread; little last year, around EUR50 million; but around EUR471 million this year, so that is what will make tough our cash flow for the year. But then the rest is spread on more than 10 years. What is important is that there is no new financing required to cope with this issue.

**SLIDE 8**

Now that we have cleared the deck of the number, we can look forward with confidence, and mainly with no uncertainty in the numbers. So let's go back to business.

**SLIDE 9**

In November I said that we were building a new Finmeccanica. I said we cannot afford to spread resources about everything we have. We need to make choices, tough choices, and invest where we can be more successful.

I am presenting here the same slide of November to say that all the management priorities we put there are reconfirmed today. On top of that, they can say that we did a lot of progress in these priorities. We have been working on all of them, and we are really implementing; again, Alessandro in his presentation later on will touch in detail a few of these. So we can continue to build the new Finmeccanica, as a high technology, international, global company, with the highest ethical standards.

**SLIDE 10**

Now, to do this we need to revisit our portfolio and focus on those activities with better exploitation of core competencies that we have, but mainly that can be sustainable on the long term.

So let's confirm the choice again, painful, but we needed to do choices and we had the courage -- we have the courage and will continue to do them, our disposal of energy and transport. These are dossiers that we are working on. I would have loved to have come here today and say this is done, or one at least of them, but unfortunately the time of business, is not -- or the time industry, is not the time of finance. We are working on them and I still keep that we will deliver within the year.

On the international partnership; international partnership, we are revisiting discussions with our partner on space alliance, with Thales to improve the overall benefit and the over performance on both companies. On the other, on OTO Melara and WASS we



want to continue to keep this business in Finmeccanica, but we want them as a potential, possibly with a partner that enlarges the base and makes them stronger on the international market.

#### **SLIDE 11**

Now let's go on our strategic sector. Our Helicopter business is the best in the world. We are developing new products in the concept – under the concept of a family, so we can save money in developing in R&D, and mainly we can save our customers money in operations. In Farnborough you will see the AW139, AW169, AW149, AW189 presented as a family of helicopters with a lot of commonality among them.

We are moving more and more into the commercial markets, and the commercial market is today growing, so the Helicopters business is growing into a market that is growing. We feel comfortable with that, I'm sure that will continue – this unit will continue to give us lots of support and satisfaction.

#### **SLIDE 12**

Alenia, we have a few positive things also in Aeronautics. First ATR, we have been – we are talking with EADS and now we are moving on in considering a new project for a new ATR. For many years EADS didn't – was not open to this discussion, now we start and I think within the year we can tell you where we go with this new model, that we want to develop based on the success on the 42 and 72.

On the C27, you know what's happening in the USA, but still we have a lot of chance around the world, so by the end of the year, within this year, we will make a decision what to do with this programme, based on the success of several campaigns that are ongoing in this moment.

Trainer, the success on two flagship countries, like Israel and Singapore, are confirming that our 346 is the best trainer in the world, and we have a lot of expectation from these airplanes in the world.

Aerostructures, Boeing is now satisfied with the performance of our aerostructure in the Italian project. And we believe and we hope that we can become the sole source also for this stabilizer. With Boeing the street is open for further collaboration.

#### **SLIDE 13**

Electronic for Defense; Electronic for Defense we are working very hard on the new SELEX under the leadership of Allan Cook. Why we are creating the new SELEX, for three reasons; size, profitability, future.

Size, the – our – this business, our Electronics business is already the biggest, if we consider the sector inside Finmeccanica, it's bigger than Aeronautics and Helicopters together, so if we consider this as a single entity we have the dimension to compete against our competitors.

Profitability; it's not enough to be the biggest, it has to be the most profitable. So we need really to put an efficiency, a restructuring plan in the three companies in order to have a single very efficient company.

Future; we know we have among the best technology into this field and we need to ensure our organisation is capable to extract more contracts to be more present in the market. This has to be the vanguard of the new Finmeccanica.



**SLIDE 14**

As I say, the new Finmeccanica, new Finmeccanica, high technology international company with high ethical standards. So let's talk about technology for a while.

**SLIDE 15**

Technology, I still believe -- I believe the technology is still the major discriminator between us and the new emerging countries. If we can keep a gap in technology we can't keep a gap in our market success. So we are working on technology.

But while we are working on implementing and making -- increase the performance of our current business, we are leveraging the core competencies we have within this sector of Finmeccanica, that we have in abundance, with our -- in our Aerospace Defense to become a leader in R&D center activities, such as sustainable smart solutions, security solutions. Cyber, we have just won a contract, a small one, on that but very significant. Our cyber capability has been recognized, is recognized, and we want to continue on that.

We are also working on implementing our activity on securing critical infrastructure, smart city, infomobility, all of that, are becoming part of our day-to-day business; so again, technology, to continue on the traditional area but also to explore it and to move towards new areas.

**SLIDE 16**

Market, we are moving a bit aggressively from a domestic centered, and we consider here domestic as you know, into UK and the USA, to a world outside other Rest of the World. We have indicated here North Africa. Libya has been a major problem for us.

Last year we hope we became again a major opportunity this year or next year; Turkey, Algeria. We are moving faster in Saudi and in the Gulf countries. We are reopening the Gulf for all our activity. And that is a market that is very promising for us. Brazil and South America is very important for our Naval Systems, and for Aeronautical and Helicopter Systems. South Australia and South East Asia, we have a lot of campaigns in that area, mainly on the BRICs. If we consider Russia, India, China, there is where we are really moving very strongly.

Helicopter division, and our defense system, are leading and opening the way for other Finmeccanica participants. Just the other day we did a ground breaker for a new factory in India. In a few weeks we will open our factory in Russia.

These are countries where we are going to be, and where we really want to be, present with longer strong effort. We are moving from a 60/40, 65/35, between share between our domestic and our Rest of the World, to move toward a 50/50. But to do that we know that we need to be more competitive; hence, again, the importance of our efficiency plan. So, as you can see, the results of the efficiency plan is very pivotal on all our activities in the future.

**SLIDE 17**

Now let's talk about the new approach in the USA. We needed to have a more consolidated approach to the USA. For the time being, on this slide, you see how we have now joined DRS Technology, and DRS Defense, into a single organization, single company, that is giving us from one side better results in terms of reduction costs efficiency. But, on the other side, we face the US Government with a full company, with all our capability that can have access to every single program of the US, including those we describe later.

There is no more excuse not to involve the Company in many single contracts, in many single programs, that the US DOD may have. But we want to further aggregate our capacity in the States. So, by beginning of next year, we'll have Finmeccanica Defense in the US, where all the activities of AgustaWestland, Alenia, Galileo, throughout the US DOD will be concentrated.



So that is another step ahead, another way to approach the market. You know that Mr. William Linn, former Deputy Secretary of Defense, is today the CEO of DRS. And he will lead all these efforts of Finmeccanica in the USA.

#### **SLIDE 18**

Now let me go to the conclusion. Finmeccanica is a business with a clear vision. We have strong technologies. We have a leading market position. We have good products. And we have a very good and committed people. We have started, let me allow with courage, a major restructuring plan. It's painful. I said decisions are very painful to take, but we are here to do that. I am here to do that. And we are consistent with our decision.

We need to take Finmeccanica where it deserves to be. The numbers I am giving you -- I gave you -- I'm giving you this morning, as I said, are ugly numbers. I have not delivered these numbers in my career before. I will not deliver these numbers any more. Finmeccanica will not deliver these numbers any more under my tenure.

Thank you. I pass now to Alessandro.

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#### **Alessandro Pansa - COO & CFO**

#### **SLIDE 20**

Good morning, everybody. Thank you for being here. Well, the strategic evolution of the Finmeccanica Group, which has been right now explained by Giuseppe, finds its possibility to be implemented in a plan which is basically composed of two specific elements.

One is an operating plan with a number of initiatives, which are aimed to improve the efficacy and the efficiency both of the development and investment activity of the Group, and the production processes which are implemented by us, with the aim to get significant cost reduction with objective to get a higher profitability, higher cash flow generation.

All these initiatives are implied and contained in the 2012/2013 budget of the Group, which is approved by the Board of Directors of Finmeccanica, and which is a 2-year budget with the characteristics that I explain you in a while.

The second element is a process of restructuring of the portfolio of Finmeccanica, which gives our Group the possibility to have a portfolio of assets, which is with higher ratio between return and risk. And which is more homogeneous, more performing, more integrated, in terms of technology, product, and commercial policies.

This portfolio can be restructured both through an enhancing of the present technologies and products that we have, and will constitute our major endowment; and the disposals of some assets, which might not be consistent any more with the vision, which might, by the way, provide some cash to the Group, but not necessarily is the cash needs which are driving the choice of the company we intend to dismiss.

Let's move to the first item, therefore, the operational plan. As I said a second ago, we have prepared one single budget for the 2012 and 2013. This implies the fact that either the management compensation is based on the success of the 24-months results, and not on a single-year basis.

This plan is providing a great focus on the recovery of the sustainable, long-term profitability and cash flow generation. Leveraging, not on growth, but on the capability of Finmeccanica Group to improve production processes, rationalize investments, reduce costs, and managing better the working capital.



Profitability recovers mainly thanks a number of actuals that I'm going to describe which implies competitors, efficiency, investment restructuring and a number of initiatives, which have already been lodged and which are progressing according to the schedule and are strictly monitored by Finmeccanica on a – sometimes on a monthly basis, in some specific cases twice a month, in meetings and discussions between companies, operational companies and the holding.

Cash flow generation recovery is basically based on the tighter control of operational working capital, on the much more selective investment policies that I'm going to discuss with you in a while.

#### **SLIDE 21**

As I told you, we are working in a very difficult moment for the commercial viewpoint, and Mr. Orsi told it. You have seen that there has been a significant shift of the defense investments for the North Atlantic area to select a number of emerging countries. We have seen a significant reduction in the budget of our main three domestic markets where we're at; Italy, UK and US.

And, at the same time the countries where we are assisting to the increasing demand are characterized by significant improve -- increases in the pressure on prices and contractual terms; pressure brought by the competitors, which are crowding that market in this period.

Finmeccanica is working hard to not only maintain but also to improve its commercial position, leveraging on the three domestic markets which remain -- notwithstanding, this recent change significantly strong, remain the largest and most important year of investment defense. But, at the same time, trying to position ourselves in the priority strategic countries like Brazil, Russia, India, Persian Gulf and Northern Africa where, in the moment, we have commercial campaigns for more than EUR10 billion that we hope will bring us a significant amount of contract awards.

This notwithstanding the orders that we expect for 2012, which are EUR17.5 billion, our orders connected which can be characterized at [inaudible] no growth or orders intake. And this, I think, is a very important point on the line, because we do not give to our commercial effort the commitment to help us to improve our economic performance and financial performance. But we are basing on our growth or our financial performance simply on our effort and on our capability.

And we are very confident about this order intake guidance that I'm going to specify later on, but we take into account that our restructuring plan is not based on that.

#### **SLIDE 22**

This is instead based on the number of actions which may be summarized as production processes initiatives, procurement initiatives, engineering, headcount reductions, controllable cost, SG&A.

For the total amount of actions, for a total amount of benefits, which might be counted as EUR440 million for the 2012/2013 altogether, around 55% of them should find a proper manifestation in 2012 and the rest in 2013, having cleared that this number is a global number, EUR440 million, for the two years' as we have.

#### **SLIDE 23**

In order to implement these initiatives we have set up a number of actions that you might see here. There are at the moment a huge number of projects, which are more than 300, 50 of which already implemented actions and which have already brought EUR140 million of benefit on EBITA for 2013, but the action has already been physically implemented, and the benefits have already been physically achieved.



Around 110 actions are ongoing and they should bring another EUR210 million. In the next month, I would say by the end of the summer, another 40 actions will be implemented, and we expect that all of them will move – will bring the EUR440 million in that time.

You might ask me where we are, I would like to say that it's very difficult to see in a few number of just weeks or months the financial benefits of industrial initiatives. But what I can say is that we are pretty satisfied about the physical improvement of the efficiency plan we are delivering.

#### SLIDE 24

If we move from the P&L to the cash flow, what I can say is that we expect that 2012 will be a transitional year, where most of the cash inflow will come from Defense Electronics & Security and Helicopters. But what is important for me to say is that the expectation we have from a slightly positive free operating cash flow in 2012 comes from – comes after that. We will have sustained a burden of EUR471 million of monetary effects of the write-offs that have been a few minutes ago shown by Giuseppe Orsi in his presentation.

So I'd like you to appreciate what is the significant effort we are making, because we move from EUR358 million negative free operating cash flow for 2011 to a slightly better than zero 2012 cash flow, once we have paid the EUR471 million of financial effect of that.

We expect that 2013 will be much better than 2012, we have material improvement in generation of cash due to a couple of things. The first is that the positive consequence of the initiative we have listed here will be translated in cash at the end of the day. And, therefore, we hope that the cash conversion, or our economic benefits, will increase significantly.

We will also expect significant improvement of our operating working capital due to a better procurement processes, and see that on procurement we expect 39% of the total benefit we have listed here. At the same time we expect that a significant reduction in the cash out for provisions, which has been significantly higher this year – also in the last year. But the most durable and structural initiatives connected with the cash flow improvement is investment rationalization.

I will go through this point later on when I will take about Defense and Electronics, but I'd like to just summarize what we have in mind. We will continue to have a significant amount of new investment per year, both at R&D and capital expenditure level.

But we are significantly reducing the number of items and projects on which we intend to invest in order to get rid of those projects, which do not foresee a monetary expression in a compatible span of time, and to concentrate the investments we are going to undertake on a much more limited number of projects, which have commercial – which have significantly a realistic commercial opportunity, which bring to a standardized product, and will have – which will provide an acceptable return with a decent risk in an acceptable span of time.

Therefore, as you might see here, we have started the process of segregation of investments among those on one side, in which we need to preserve, to grow, or to maintain a certain investment for the protection of core business, and though from which it's much better to get out and to exit. Here is with the rationalize that it's a little bit emphatic for this new point, or euphemistic, in order to get more focused on critical mass and on the products which might bring more strength.

Last but not least, we believe that together with the technology portfolio optimisation, we also believe that there are significant opportunities coming from the rationalization process we are undertaking now for site rationalization, and the four-fold disposals from real estate assets.



**SLIDE 25**

Let's move now to the single sectors for a few seconds, so let's move to Aeronautics. Aeronautics has generated a negative EBITA over EUR103 million in 2011, which has been obtained – basically, it's due to the revenue decrease and higher cost required for the completion of some orders. We expect that Aeronautics will provide – will enjoy among the other company, one of the larger benefits from efficiency measures and restructuring action we have undertaken, both in aerostructures, and in other areas.

More specifically, as you know, we are in the middle of the execution of the restructuring plan about which we have negotiated with agreement an excess – a number of workforce for about 1,800 people, 800 of which are already out of the Group.

**SLIDE 26**

There are some significant initiatives in terms of the mergers between Alenia Aeronautica and AerMacchi, staff rationalization, centralizing headquarters, but the most important things are those connected with one, site rationalization with the closures of Casoria, which we undertake in 2013; Venice at the beginning of the next year; and Rome, which will be completed by the end of this year.

It is – we have undertaken a massive process of reassessment, restructuring, and relaunching of industrial processes; this is exactly what is the core initiative we have undertaken in this Company. As you may see we have some important targets, 12% improvement in operational cost by 2014, of which 4% is a target that we expect we have already achieved by the end of 2012; a significant improvement in manufacturing efficiency, particularly in the 787 project from 65% to 72% by the end of the year. And we expect some other improvement in 2013.

Procurement is also one area where we have already implemented the action necessary to confirm the achievement of the 2012 objectives in terms of supply chain. And we are negotiating with suppliers for further improvement connected with 2013.

What I may say is not only the fact that I'd like to confirm the net benefits of EUR170 million by 2013, and EUR270 million from 2015 onwards, but I'd like to say that physically, and this is I think the most important thing, the initiatives that we are undertaking in Aeronautics are on track.

**SLIDE 27**

DRS, Giuseppe has already discussed what is our strategy in the United States. I would say that DRS is still maintaining a good profitability in 2011 [inaudible]. They have done EUR399 million in term of EBITA in 2011. We expect EUR295 in 2012 due to the total reduction in orders and revenues connected with the reduction of the defense budget in the United States.

**SLIDE 28**

In any case, we believe that the initiatives – the restructuring initiative, which have been described by Giuseppe, which basically can be for the operational viewpoint, simplifies in headquarter optimization, in the Group actions connected with the elimination of redundancy functions, and the company reductions including integration and consolidation of business, should bring more orders, more revenues, less cost, once that restructuring cost, which are foreseen for 2012, will be paid.

Therefore, we expect that the inclusion in the proxy statement of entire DRS, re-organization of company will bring some significantly better financial performance with respect to the plans – Company plan. I would like just to remind you that the benefits connected with this improvement are not factorized in 2012/2013 plan that I'm presenting to you.

**SLIDE 29**





Defense Electronics has a core result of EUR185 million in 2011, and we expect EUR260 million in 2012. In this, EUR75 million, they are not benefit connected with the integration of the Defense Electronics companies; which, as well as I have told you for DRS, are not included in the benefit of the 2012/2013 margin that I'm presenting you for now, but this benefit we expect to be very, very significant and important.

### SLIDE 30

There are many initiatives that are connected with this program. This program is expected to be fully implemented by January 1 2013, in order to make the single Company be operational at the beginning of 2013.

There are many fields in which the working group, which is headed by Mr. Cook is working; business development, organization, return on capital, site rationalization. There are many, but there is one which is procurement. There is one which, from my viewpoint, is more important than any others.

We have processed the technologies which are at the basis of our Defense Electronics activity, in order to make an assessment of what technology to keep, where to invest and what not to keep. We have taken an assessment of 40 key technology for each company contributing to the overall position of the Company; an analysis of 12 common technology platform and areas, in order to achieve or to strengthen critical mass and economies of scale. And we have made an assessment of 150 laboratories, which are related to the identified technology platform and areas.

If -- this, should bring us to reduce significantly the total amount of investments in R&D and capital expenditures in Defense Electronics, without jeopardizing, but much better enhancing the technological endowment of this Group, and the capability of the single defense electronic and security company to stay on the market.

Also, thanks not only on the identification of the key countries that you might see here, Brazil, India and Saudi Arabia, United Emirates are the most important. But thanks to a very single commercial proposition, single commercial initiatives, avoiding overlaps and confusion, which might derive from the fact that they are more than one single company.

### SLIDE 31

Now let's go to the AnsaldoBreda, which we understand is one of the most important items we should discuss. EUR155 million was a loss at the EBITA level for 2011, between EUR50 million and EUR30 million the loss that we expected for this year into this Company.

This loss comes from basically two things which are addressed in the restructuring plan, which is now under execution. On one side, an efficacy, which might be called cost of quality, for how much more you have to work in order to reach the same quality, given that we are not able to do the wide span of timing with right amount of hours. And the inefficiency in the form that how much more you have to spend in order to achieve what you have to achieve with a certain degree on that system.

The results of 2012 – 2011 are still affected by basically two groups of cultures. One the Danish one, IC4, IC2; and the second is V250, the high speed train contract for the Belgium and Holland railways companies.

Believe it or not, we expect that the Danish contracts will be completed by beginning of 2013 and, therefore, involve this legacy contract with a very negative legacy, should not provide any significant negative effect in the next year.

### SLIDE 32



Exactly on the concept of quality and the foreign efficacy, and the quantities for inefficiency is based on the restructuring plan we are implementing now. The today news is the fact that yesterday, basically the day before of yesterday, the Company signed with the Italian major trades unions, an agreement for the reorganization and reassessment of the AnsaldoBreda, connected with the restructuring plan which is now a new cost.

We think that is a very important step which gives a further boost to the restructuring process, and makes this process much more realistic, given that we have trades unions' workers on our side.

As I told you, we have a very important target here. One is to improve the cost of operation by 18% by 2014, on the baseline 2011; of which 5% should already be achieved in 2012. And we expect, at the same time, to have significant benefits for about EUR40 million in 2012, and EUR90 million by 2014, which are connected both to the efficiency problem and the cost of quality problems.

This – the plan we are undertaking now also implies a significant reorganization of the industrial facilities; an important internalization or insourcing of activity which were outsourced before; and a total reshaping of the engineering and the structure, and on the production structure which – AnsaldoBreda – which has created the problems of the AnsaldoBreda from the past.

As Giuseppe also said, this does not imply the fact that AnsaldoBreda can live on a standalone basis, because we are still sure that the Company needs some important partners in order to enhance its capabilities well into the future. But we believe that this plan is of paramount importance, in order to secure a more successful future for this Group, together with some important partners that – with whom we have discussed.

### **SLIDE 33**

I would like to go very quickly on helicopters, which will implement its EBITA from EUR417 million to EUR425 million in 2012. The investing in key programs will sustain the growth, but the cost of actual activities will take place also in helicopters in AgustaWestland.

And notwithstanding the fact that it is not the Company is not the best one in the Finmeccanica Group, 2013 and 2012, we confirm that AgustaWestland will strengthen its role of a cash flow generator, together with Defense Electronics and Securities, I told you before.

### **SLIDE 34**

Space is – has completed some industrial restructuring process. Telespazio is one, the Finmeccanica controlled Company, has his own industrial restructuring process, as well as any company of the Finmeccanica Group, and the total of which initiatives are as we discussed in the slides I presented to you before.

We expect an improvement of profitability, due to the higher volumes, and also a better profitability in manufacturing, thanks to a certain restructuring undertaken by Thales Aerospace.

The same is for the Defense Systems, which is moving forward EUR117 million to EUR140 million in 2013.

### **SLIDE 35**

Ansaldo STS, I would like not to discuss, because all of you have already been able to get this from bits of information on this Company directly, given that the Company is listed on the Stock Exchange.



Energia, which is still performing well, will have a reduced profitability in 2012, due basically to certain decreased revenues and to lower production activities. But we expect that this will be only a transition period, because the business plans for the Company are showing future growth, with a significant improvement in profitability, starting from 2013.

### SLIDE 36

What is this plan bringing us? This plan is taking us to a significant improvement in the return on investments that, starting from 2012, will be significantly higher with respect to the cost with a large cost of capital. And, therefore, Finmeccanica should be back on the value creation territory with respect to what has happened in 2011.

The fact that we are able to work in a more efficient way, on a more homogeneous product portfolio, operational activity, strategic initiatives, is something which should give us the possibility to implement or improve of about 50% in three years the return on invested capital.

The same is for productivity, in terms of the EUR1,000 of EBITA per employee we have calculated in this way, but there are many other indicators which can be used for that.

Also, in this case, we expect that, in a couple of years, there should be an improvement of almost 50% in the productivity of our employees. And this is something which I think is a – are the most important results of that the present plan intend to achieve.

I would like to remind you that this – that upside for the DRS optimization and unified SELEX do not – are not included in the budget. But I would like to say that this achievement do contribute to enhance an already stable financial situation, allowing to our company to remain investment grade. And to achieve, to maintain and to deliver a sustainable debt repayment plan.

When we talk about debt, I will – already talking about debt, I would like to say that all of this is possible thanks to a stable financial situation, which is already sufficient for strong and sustainable today and which will be much better in the future, according to what I'm going to say right now.

### SLIDE 37

Our guidance, the guidance for 2012 do expect EUR17.5 billion in terms of orders; revenues between EUR16.9 billion and EUR17.3 billion; and EBITA which will be around EUR1.1 billion; and a free operating cash flow which is expected to be slightly above zero. Net financial debt, before the disposal, not before there is a printing error; we should be around EUR3.4 billion.

We will like to provide you a trend for 2013, given that we have a two-year budget and, of course, will be not accurate and it's actually honest not to tell you about that. We expect the book to bill for 2013 measured at 1.

Revenues with a very limited growth, low single-digit growth in order to confirm the fact that our plan doesn't imply it is not affected by — or to a certain extent jeopardized by a unsustainable growth. And EBITA which will be higher than 7% and the free operating cash flow, this will – is supposed to material growth with respect to the previous year. The net financial of debt will move accordingly to the cash which might come from the disposal of assets.

### SLIDE 38

Disposal of assets which, once again, I would like to underline doesn't come necessarily from the – our immediate intention to deleverage the Company which, in any case, is a good thing to do. But the most important reasons for undertaking some disposals is our aim to achieve, as I told you, a more homogeneous, a more performing strategic asset portfolio..



Therefore, as a part of the strategy, we reconfirm the commitment to dispose some less strategical assets of our Group. And we are, definitely, not unhappy that this disposal will support that reduction and strengthen our balance sheet as we believe it is important to do.

But our balance sheet and our debt structure will also be enhanced by the generation of cash flow that our operational plan will be able to achieve in the next – in these two years.

For us what is important is to have – is to increase sustainability of the business portfolio which is, of course, accompanied by a structurally lower debt and a more robust balance sheet.

We had, as you know, a list of potential disposable assets which is higher than EUR2 million. We have identified what we intend to do. We confirm the target of EUR1 billion of cash coming from disposals. And we can say that we are now undertaking processes on the Transport and Energy sector and on some other minority shareholding asset that we have on our assets.

This is all what we can say about disposal. Please apologize us if we – Giuseppe and I would not like to entertain a lot of the details of these initiatives, but you know very well that M&A activities is something that to be undertaken certain, let's say, discrete and a reserved environment.

#### **SLIDE 39**

The consequences of this disposal of our debt are quite evident, EUR1 billion is EUR1 billion. I would like just to reconfirm that in any case, we are still living in a quite safe situation. And December 2013 is our first maturity.

By the way, we are only bits and pieces buying some bonds of the market to the standard. We see the prices are quite convenient and we believe that this is a good way to invest the liquidity that we have and, therefore, we have likely reduced some of these outstanding issues.

The second maturity is 2018 and therefore you see that at the moment, we do not expect any significant burden from this viewpoint. We have a solid liquidity profile. We have no covenant on our credit lines, on our bonding – on our bonds connected with the investment grade profile of Finmeccanica Group.

#### **SLIDE 40**

And, notwithstanding the fact that we will fight and we will struggle in order to maintain our investment main profile, we are not - our balance sheet is not jeopardized by any default – potential default connected to this – to the event of the downgrading of our Group. That, by the way, we do not expect.

Our liquidity position is quite stable. We have a EUR2.4 billion five full years' committed line. We have a residual maturity of our debt of 9.8 years and we do not expect any significant important cash disbursement in the next futures.

#### **SLIDE 41**

For that reason, I would like to reconfirm you that, A, we intend to acquire the contracts which are necessary to deliver our plans and to maintain our order guidance. B, to deliver our 2012/2013 operational plan, which I discussed and we illustrated quite in detail to you. And, 3, to execute our portfolio restructuring in order to have a better risk return profile of the entire amount of Finmeccanica assets.

**I THANK YOU FOR YOUR ATTENTION AND, OF COURSE, WE ARE WAITING TO ANSWER ANY QUESTION YOU MIGHT HAVE. THANKS A LOT.**

