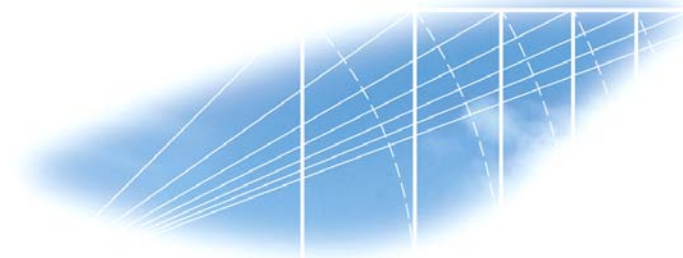


Finmeccanica Q1 2005 Results

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Conference call - 16 May 2005



Higher thinking.

FINMECCANICA

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Group overview



Group Overview

- **FY2005 targets confirmed.**
- **Helicopters:**
 - integration already started, Eur 50m Ebit improvement by end 2006 confirmed, first major rationalisation to be completed by June.
 - strong build up in UK and US orders.
- **Defence Electronics:**
 - acquired BAE activities and ready to play leading role on Eurofighter avionics in UK and Europe; updated four year business plan confirms revenue and margin targets for 2008.
 - government approval obtained for development work on new naval programme (FREMM).
- **Aeronautics:**
 - outstanding commercial success for B787 (14% of airframe) boosts outlook for civil.
 - Eurofighter and C27J support profitability in Q1.
- **EBITA Aerospace & Defence improves in Q1 by 37% y-o-y.**

Pursuing our strategic objectives

- **Defence Electronics:** on 29 April, Finmeccanica acquired BAE defence electronics activities for Eur 515m.
 - Europe's second largest avionics company formed: Selex Sensors and Airborne Systems grouping Galileo Avionica with BAE Systems Avionics Ltd.
 - Transfer to Finmeccanica of BAE Systems' military and secure communications business.
 - Return of Italian assets of AMS NV (radar, command & control) under full control of Finmeccanica.

- **Space:** on 29 April, European Commission approved creation of two new Space satellite manufacturing and services companies by Finmeccanica and Alcatel. In satellite manufacturing Alcatel Alenia Space will be majority owned by Alcatel (67%) whereas in space services Telespazio will be majority owned by Finmeccanica (67%).

Financial Highlights



Q1 2005 Financial Highlights

(Eur mln)	1Q 05	1Q 04	%change
Revenues <i>of which A&D</i>	2,159 1,694	2,000 1,482	+8 +14
EBITA <i>In % of revenues</i>	62 2.9	36 1.8	+72
of which A&D <i>In % of revenues</i>	77 4.5	44 3.0	+75
Net income	(16)	(35)	n.s.
New orders <i>of which A&D</i>	2,771 2,080	1,252 856	n.s.
	March 05	December 04	
Working Capital	571	(58)	n.s.
Net financial debt	901	371	n.s.
Debt/Equity	24%	10%	
Order Backlog <i>of which A&D</i>	26,922 20,387	21,792 16,228	+24 +26

Financial Highlights: Commentary

- Helicopters, Aeronautics and Space drive improvement in operating profit.
- Order intake more than doubles (75% A&D) with significant opportunities ahead.
- Tax rate lower thanks to fiscal consolidation (saving of Eur 15m).
- Financial charges low thanks to STM hedging benefits.
- Seasonal increase in debt and working capital. Inventory build up for key Aeronautic & Defence programmes.
- Lengthened average debt maturity from 5 to > 10 years (20 year bond issued in March).
- Commitment to conservative debt management continues well within guidelines:
 - D/E 24% < 35-40%
 - Net bank debt/EBITDA <2.0.

Operating performance by business division



Aeronautics



(Euro mln)	Q1 2005	Q1 2004
Revenues	355	369
Ebita	8	(3)
Orders	123	166
Backlog	5,148	3,912

**Lower volumes reflect lower Eurofighter equipment deliveries.
Increased core Eurofighter and C27J activity drive profit improvement.**

- MoU signed with Greek MoD for industrial partnership on M346 military trainer programme.
- Positive outlook for C27J:
 - 8 a/c selected by Bulgarian Air Force. Ready to compete for US DoD requirements of up to 160 a/c (RFP expected for first 33 a/c by end 05).
- Growing demand for ATRs: 30 ordered by Air Deccan (India). 10 selected for maritime patrol requirement in Turkey.
- Outstanding commercial launch success for B787 with Boeing receiving more than 240 orders; first large aerostructures order expected in next few months.
- First B767 arrives in Naples for tanker transformation (8 in backlog).

Helicopters



(Euro mln)	Q1 2005	Q1 2004
Revenues	527	266
Ebita	34	13
Orders	1,272	97
Backlog	6,051	3,007

**Revenues increase thanks to 100% consolidation AgustaWestland.
Product support activity drives improvement in profitability.
Systems capability enhanced by acquisition of BAE avionics.**

➤ **US:**

- 101 selected for Presidential helicopter replacement contract (\$1.8bn for 8 a/c).
- Strongly positioned to compete for forthcoming PRV contest (up to 200 a/c for >\$10bn).
- 20 AB139s ordered by Seacor for transportation in Gulf of Mexico offshore oil market

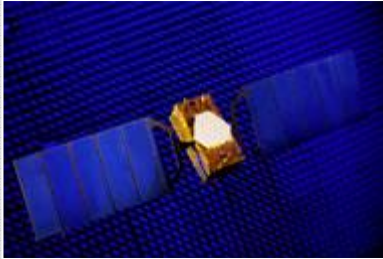
➤ **UK:**

- Awarded 5 yr contract (Eur 440m) for support of Sea King Fleet.
- 3 A109s selected by 32° Royal Squadron (April).
- Long-term partnership and preferred supplier status awarded to AW by UK MoD.
- Future Lynx selected as preferred choice for BLUH/SCMR requirement (Eur 1.5 bn).

➤ **Other export markets:**

- 8 AB139s ordered by Arab Emirate Air Force.

Space



(Euro mln)	Q1 2005	Q1 2004
Revenues	174	166
Ebita	10	4
Orders	116	88
Backlog	1,504	1,134

Revenues increase thanks to higher activity on CosmoSkymed and International Space Station programmes.

Profitability improves thanks to benefits from previous restructuring and rationalisation measures.

- Italian MoD increasing its interest in military applications: manufacturing started on SICRAL1B TLC satellite.
- Telespazio competing in Euroly consortium for Galileo concession (decision expected by end 05).
- EU and ESA identify strategic role for Space. Priorities are satellite navigation (Galileo), earth monitoring (GMES & Cosmo) and broad band comms.

Defence electronics



(Euro mln)	Q1 2005	Q1 2004
Revenues	440	422
Ebita	20	21
Orders	432	309
Backlog	3,534	3,553

IT (Elsag)



(Euro mln)	Q1 2005	Q1 2004
Revenues	82	85
Ebita	(1)	2
Orders	217	173
Backlog	593	335

Slow start to year as expected with activity expected to ramp up during rest of the year.

➤ **Good order intake:**

- Avionics: Eurofighter 2 tranche (Eur 145m); further large orders expected by end year for both Italian and UK business divisions.
- Italian govt approves funding for FREMM development.
- Military comms: integrated control panels and lighting systems for A400M (Eur 50m). First tranche TETRA expected by end 05.

➤ **UK:**

- Military comms competing for Falcon programme in UK (entire programme worth £1bn).
- Personal Role Radio wins Queen's Award.

➤ **Business perimeter to expand significantly by end 05.**

- Activities acquired from BAE Systems consolidated from 1 May 2005.
- IT (Elsag), already 100% owned by Finmeccanica, now becoming a core security business, to be consolidated under "Defence Electronics". Reorganisation of business underway.

Defence Systems



(Euro mln)	Q1 2005	Q1 2004
Revenues	198	259
Ebita	5	9
Orders	137	196
Backlog	4,150	4,622

**Fall in revenues reflects reduced missile activity.
Reduced profitability due to less profitable mix in underwater with more focus on heavy torpedo development and one-off items in Q104 for armaments.
MBDA benefits from ongoing rationalisation.**

- Missiles: export markets remain difficult.
- Land & naval armaments: land vehicle upgrades and electronics integration expected to increase in m-term.
- Underwater: new European naval programmes should drive demand for underwater systems.

Non-core activities

Transportation



(Euro mln)	Q1 2005	Q1 2004
Revenues	301	305
Ebita	8	9
Orders	293	238
Backlog	3,732	3,430

Energy



(Euro mln)	Q1 2005	Q1 2004
Revenues	132	152
Ebita	5	2
Orders	228	52
Backlog	2,172	1,706

➤ Transportation

- Vehicles: profitability lower due to different contract mix and some technical delays. European demand broadly strong.
- Signalling: profitability in line, good order intake (traffic mgt systems and high speed Madrid). Highest investments in Europe coming from Italian Railways.
- Systems: improved profitability thanks also to write-back of provisions. Small delays for some important European infrastructure programmes.

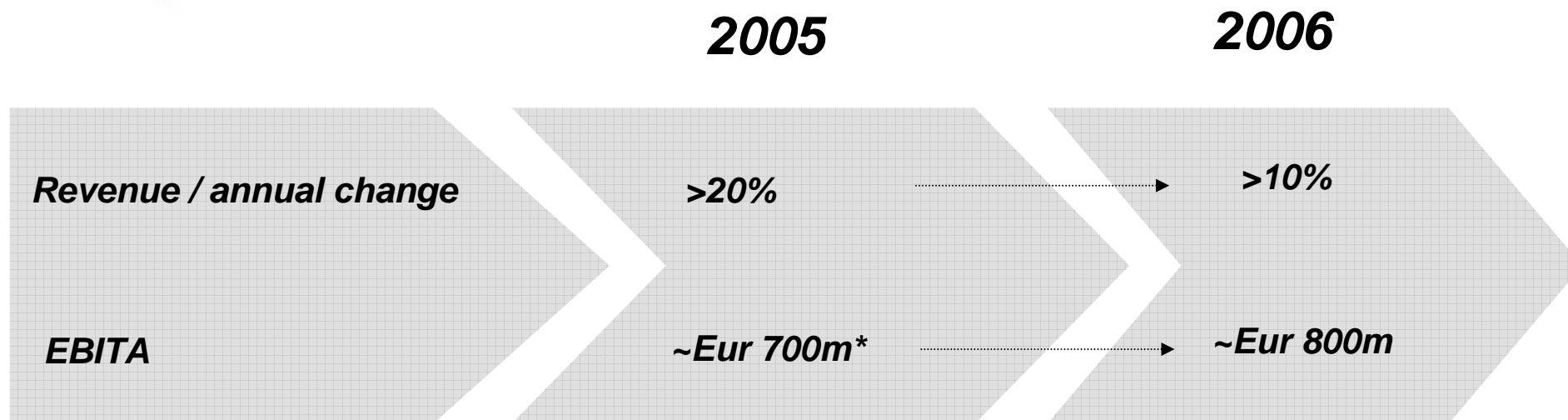
➤ Energy

- Lower revenues due to reduced activity on Iranian contracts. Service activity increasing. Profitability rises thanks to better activity mix, higher service contribution and ongoing improvement in efficiency and productivity.
- Demand weak in Europe and Mediterranean area but Middle East strengthening.
- Italian market improving.

2005/2006 Guidance



Guidance



Cumulative Free Operating Cash Flow of > Eur 600 mln in next 3 years (2005-07).

Dividend policy: increase together with profits.

Optimal capital structure: Net debt/Equity < 35-40%.

Net bank debt/EBITDA <2.0.

* Including consolidation of AW 100% for 12 months 2005 and consolidation of Defence Electronics activities acquired from BAE Systems from 1 May 2005. Under assumption that Space activities forming part of the joint venture with France's Alcatel will be consolidated from 1 July 2005.

Safe Harbour Statement

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

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