FINMECCANICA

PRESS RELEASE

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Board of directors approves first-quarter results. EBIT rises 32% from EUR 76 million in 1Q05 to EUR 100 million

Orders rose by 39% from EUR 3,031 million to EUR 4,199 million, while value of production increased 27%, from EUR 2,157 million to EUR 2,748 million

Capital gain of EUR 355 million from the public share offer of Ansaldo STS booked in 1Q06

- Finmeccanica once again posted improved results in the first quarter of 2006. Organic growth made a major contribution to the results: like-for-like, value of production rose by 18% and EBIT by 20%.

- New orders rose by 39% due to Helicopters in the UK, higher ATR sales in Aeronautics and the turnkey contract for the Rizziconi plant in Energy. The order backlog rose to EUR 34.2 billion, equivalent to around three years' work.

- The group invested EUR 379 million in research and development – accounting for 14% of value of production – compared to EUR 282 million in 1Q05.

- Net profit rose from EUR 7 million to EUR 28 million, to which must be added the capital gain (EUR 355 million) from the IPO of 52,17% of Ansaldo STS.

Key 1Q06 figures
(EUR million)

	1Q06	1Q05	Change (absolute)	Change %
Revenues	2.583	2.086	497	24
Value of production	2.748	2.157	591	27
EBIT	100	76	24	32
EBIT margin	3,6%	3,5%		
Net profit	383	7	376	n.s
New orders	4.199	3.031	1.168	39
Order backlog	34.194	32.114*	2.080	
Net debt	1.481	1.100*	381	
ROI	*14,4%*	*13,6%*		

BREAKDOWN OF KEY FIGURES

New orders totalled EUR 4,199 million, vs. EUR 3,031 million in 1Q05, an increase of EUR 1,168 million (or 39%). The main orders were: the first tranche, worth EUR 640 million, of the IMOS contract for logistical support for the EH 101 fleet for the British RAF and Royal Navy, and the EUR 550 million MCSP contract to upgrade 30 EH 101 Merlin Mk1 helicopters for the Royal Navy (Helicopters); the order received by the GIE ATR consortium, which sold 18 aircraft for around EUR 200 million (Aeronautics); and the EUR 500 million order for the Rizziconi combined cycle plant (Energy).
Other orders included the agreement to provide ATC radar and systems to Malaysia's transport ministry (Defence Electronics); the supply of Exocet and Sea Wolf missiles to Chile (Defence Systems); the extension of the operation and maintenance contract for the Copenhagen metro to 2010 (Transport); and orders for the Turksat 3 and Ciel 2 satellites (Space).

The **order backlog** at 31 March 2006 was worth EUR 34,194 million, up 6% on the EUR 32,114 million recorded at 31 December. This is equivalent to around three years of production.

CONSOLIDATED PROFIT AND LOSS ACCOUNT				
EUR m	**1Q 2006**	**1Q 2005**	**% Chg. Y/Y**	**2005**
Revenues	2,583	2,086	*24%*	10,952
Value of production	2,748	2,157	*27%*	11,469
Purchasing and staff costs	(2,569)	(2,021)		(10,330)
Depreciation and amortisation	(85)	(80)		(347)
Write-downs	(3)	(3)		(18)
Restructuring costs	(6)	(6)		(32)
Other net operating revenues (costs)	15	29		(7)
EBIT	100	76	*32%*	735
EBIT margin	3.6%	3.5%		6.4%
Net financial income (expenses)	338	(46)		(149)
Income taxes	(55)	(23)		(200)
Net profit before discontinued operations	383	7	*n.s*	386
Profit of discontinued operations	-	-		10
Net profit	383	7	*n.s*	396
Attributable net profit	379	6		373
of which minorities	4	1		23

Value of production rose by 27%, from EUR 2,157 million last year to EUR 2,748 million, in line with internal targets. Of the EUR 591 million increase, around EUR 400 million came from organic growth (18%), while the rest was the result of external growth. A breakdown of organic growth by sector shows that Defence Electronics posted an increase of around 13% due to greater activity in command and control systems, while the Space business also registered growth. The 53% jump in sales in the Energy business was due to orders recently acquired.

EBIT came in at EUR 100 million, up 32% vs. the EUR 76 million posted in 1Q05. Of the EUR 24 million increase, around EUR 15 million came from organic growth (at 22%), while the remainder was due to the changed basis of consolidation. The EBIT margin rose slightly, from 3.5% to 3.6%. The group's ROI came in at 14.4%, up from 13.6% in 2005, while ROE rose from 17.1% in 1Q05 to 17.2%.

Net profit stood at EUR 383 million, from EUR 7 million in 1Q05. This figure includes the capital gain on the sale of EUR 52.17% of Ansaldo STS SpA (around EUR 355 million net of tax consolidation effects). Without this gain, profit stood at EUR 28 million.

CONSOLIDATED BALANCE SHEET			
EUR m	31.03.2006	31.12.2005	31.03.2005
Non-current assets	7,785	7,671	5,842
Non-current liabilities	(2,044)	(2,018)	(1,925)
	5,741	5,653	3,917
Inventory	5,765	5,511	4,809
Contract work in progress	2,732	2,538	2,477
Trade receivables	3,528	3,600	3,483
Trade payables	(3,073)	(3,431)	(2,784)
Advances from clients	(4,425)	(4,389)	(2,935)
Short-term provisions for risks and liabilities	(541)	(523)	(536)
Other current net assets (liabilities)	(3,283)	(3,289)	(2,837)
Net working capital	703	17	1,677
Net invested capital	6,444	5,670	5,594
Group shareholders' equity	4,868	4,444	4,089
Minority interests	137	154	23
Shareholders' equity	5,005	4,598	4,112
Net debt	1,481	1,100	1,611
Net liabilities (assets) held for sale	(42)	(28)	(129)

FINANCIAL SITUATION			
EUR m	31.03.2006	31.12.2005	31.03.2005
Short-term debt	129	190	1,159
Medium- to long-term bank debt	1,875	1,879	1,952
Cash on hand or equivalent	(686)	(1,061)	(1,944)
BANK AND BOND DEBT	**1,318**	**1,008**	**1,167**
Government bonds	(21)	(20)	(66)
Loans to group companies	(21)	(17)	(150)
Other financial receivables	(294)	(443)	(343)
FINANCIAL RECEIVABLES AND BONDS	**(336)**	**(480)**	**(559)**
Loans from group companies	291	379	335
Other short-term debt	101	97	566
Other medium- to long-term bank debt	107	96	102
OTHER FINANCIAL PAYABLES	**499**	**572**	**1,003**
NET DEBT	**1,481**	**1,100**	**1,611**
Net debt attributable to discontinued operations	12	5	(60)

CASH FLOW		
EUR m	1Q 2006	1Q 2005
Cash and cash equivalents at 1 January	**1,061**	**2,055**
Gross cash flow from operating activities	225	164
Changes in working capital	(706)	(602)
Changes in other operating assets and liabilities	(114)	(160)
Cash flow generated (used) by operating activities	**(595)**	**(598)**
Investment in tangible and intangible assets after disposals	(81)	(60)

Other investments	-	-
Free operating cash flow	**(676)**	**(658)**
Strategic investments	302	-
Changes in other financial assets	124	75
Cash flow generated (used) by investment activities	**345**	**15**
Dividends paid	15	-
Cash flow from financing activities	(138)	468
Cash flow generated (used) by financing activities	**(123)**	**468**
Translation difference	(2)	4
Cash and cash equivalents at 31 March	**686**	**1,944**

Net debt came to EUR 1,481 million, from EUR 1,100 million at 31.12.2005. The debt/equity ratio of 30% is within the limits of a conservative financial management policy, and below the maximum limits set by the major rating agencies. Cash burn for the period totalled EUR 676 million compared to EUR 658 million at 31 March 2005. This figure must be considered in light of the typical seasonal trend of the first quarter of the year, in which trade payables tend to be higher than receipts. The net debt figure was affected by costs relating to the takeover bid for Datamat (EUR 89 million) and the total proceeds, net of IPO costs, generated by the public share offer of 52,17% Ansaldo STS (EUR 398 million).

The group invested EUR 379 million in **research and development**, an increase of 34% on the EUR 282 million spent last year. This accounts for about 14% of value of production. Finmeccanica therefore continues to invest in technology in order to maintain the highest standards in the industry. The main activities related to: the development of technologies for the new A149 helicopter and multi-role versions of the BA 609 tiltrotor for national security purposes (Helicopters); development of the Eurofighter programme, fine-tuning of prototypes of the UAV Falco system, development of naval and ground command and control and radar systems for air traffic control, and completion of the TETRA network (Defence Electronics); development of the B787, A380, C27J, Eurofighter and M436 aircraft (Aeronautics); the main satellite programmes and future testing on board the International Space Station (Space); Meteor and Black Shark (Defence Systems); continuing work on technological autonomy in the field of steam and gas turbines (Energy); and work on bringing the group's products into line with emerging demands in the rail and mass transit sectors (Transport).

The group's **headcount** stood at 56,970 at 31 March, an increase of 367 on the figure at 31 December 2005. The group has around 15,500 employees abroad, including over 9,100 in the UK.

SHARE DATA

	1Q 2006	**1Q 2005**	*% Chg. Y/Y*
Average number of shares in period (thousand)	423.392	421.636	*0.4%*
Net profit including discontinued operations (EUR m)	379	7	
Profit of continuing operations (EUR m)	379	7	
BASIC EPS (EUR)	**0.896**	**0.015**	*n.s*
BASIC EPS of continuing operations (EUR)	**0.896**	**0.015**	*n.s*
Average number of diluted shares in period	425.629	425.629	-
Adjusted profit (EUR m)	379	7	
Adjusted profit of continuing operations (EUR m)	379	7	
DILUTED EPS (EUR)	**0.891**	**0.015**	*n.s*
DILUTED EPS of continuing operations (EUR)	**0.891**	**0.015**	*n.s*

For ease of comparison, EPS has been calculated (also in comparison data) taking account of the effects of the reverse stock split carried out by the parent company on 18 July 2005.

FIRST-QUARTER HIGHLIGHTS

On **4 January 2006,** the group completed the offer (launched in November 2005) for the remaining Datamat shares outstanding, paying around EUR 89 million. Finmeccanica therefore now holds around 89% of the share capital, including own shares held by the company itself. On **1 March 2006**, Finmeccanica's board of directors voted to delist Datamat by launching a bid for the remainder of the shares pursuant to art. 108 of legislative decree 58/1998. At the same time, it began evaluating possible opportunities arising from the merger of Datamat with Elsag, which will begin after the delisting. The acquisition of Datamat is part of a plan to create a centre of excellence in the sector of protection and security. This process began with the reorganisation of Elsag, via the repositioning of its IT activities within the Defence Electronics business, and the transfer of Selex Communications' secure communications division to Elsag. On **26 January 2006**, the board of directors gave the go-ahead to start the process of establishing a joint management structure for Elsag and Datamat.

On **19 January 2006** Aermacchi SpA and Hellenic Aerospace Industry (HAI) signed a Memorandum of Understanding setting out the terms of an industrial partnership for the development of the M346. HAI is the prime contractor for the programme (with a share of around 10%), and is responsible for the design, manufacturing and assembly of several important parts of the aircraft. It will also oversee the work of other Greek subcontractors. The agreement is an important step forward for Aermacchi in its strategy of expanding the M346 programme internationally via partnerships.

On **19 January 2006**, Galileo Industries (of which Finmeccanica is a member) and the European Space Agency signed a EUR 1 billion contract in Berlin for the development and production of the first four satellites of the Galileo satellite navigation system and the related ground infrastructure. Alcatel Alenia Space is involved in the manufacturing activities for the programme, while Telespazio will provide all services relating to the launch into orbit of the satellites and the management of the subsequent operational phase. This is a major opportunity for Finmeccanica, as it gives the group a leading role in a project with global and strategic resonance in the area of new value-added applications (public regulated services, mobile information and security). Moreover, one of the two Constellation Mission Control Stations and the Performance Assessment Centre for the system will be located in Italy.

On **28 February 2006** AgustaWestland signed an agreement with the UK company Sloane Helicopters for the distribution of helicopters for civil use. The agreement will cement AgustaWestland's position in the UK market for light twin-engine helicopters for VIP and corporate use, and will generate further growth in the area of air ambulances and police operation helicopters.

On **1 March 2006**, MBDA completed the acquisition of LFK GmbH, a leading German manufacturer of missile systems. The transaction enabled MBDA to strengthen its global leadership in guided missiles, while at the same time participating in the rationalisation of supply within the sector at European level. The merger between the two companies will help widen international co-operation in European and Transatlantic programmes.

On **24 March 2006** the group sold 52.17% (52,174,000 shares) of Ansaldo STS to institutional and retail investors, at a price of EUR 7.80 per share. In April, the joint global co-ordinators of the sale exercised a greenshoe option to purchase a further 7,826,000 shares (7.83% of the share capital) at a price of EUR 7.80 per share. This raised further proceeds of EUR 60 million for the group with 60% of the company in total now floated. The shares are listed on the STAR index of the Italian stock market. The new company will benefit from the complementary know-how of the two firms that comprise it: Ansaldo Trasporti Sistemi Ferroviari will increase its penetration of the international markets thanks to the sales network of Ansaldo Signal, world leader in rail signalling, while Ansaldo Signal will improve its ability to compete in the area of integrated systems thanks to ATSF's design and systems expertise. As a result of the capital gain from the listing of Ansaldo STS, at the shareholders' meeting to approve the 2005 results on 28 March 2006 Finmeccanica's board of directors proposed the distribution of an extraordinary dividend of EUR 0.19 per share, up to a maximum total of EUR 81 million.

Finmeccanica carried out no transactions on the capital markets in 1Q06; as a result, its medium- and long-term debt structure did not change significantly.

OUTLOOK

In 2006 the group expects to generate revenues of between EUR 12.7 and EUR 13 billion, and EBIT of EUR 840-860 million. This year will see the consolidation of acquisitions made in 2005 for the whole of the year, particularly the defence electronics operations acquired from BAE Systems and consolidated from 01/05/2005, and Datamat, which was consolidated fully from 05/10/2005, when Finmeccanica acquired 52.7% of the company.
In 2007 the group expects to generate revenues of between EUR 13.6 and EUR 14 billion, and EBIT of EUR 960 million-EUR 1 billion.
Finmeccanica also expects to generate average free operating cash flows of around EUR 300 million per year in 2006, 2007 and 2008.
These forecasts are based on the size of the order backlog, which covers 85% of production in 2006, and on the higher contribution (in terms of value of production and profitability) expected from the Defence Electronics and Aeronautics businesses. An improved performance is also expected from Energy, while the Vehicles business is expected to show a significant recovery.
Integrating the new acquisitions—particularly those in the avionics and space sectors—will entail costs that must be incurred to allow the expected synergies to be achieved.

Results by sector of activity
(figures in EUR million)

Helicopters (100% AW)
(AgustaWestland)

Value of production: EUR 603 million (+10 %); EBIT: EUR 44 million (+7%)

The helicopter market confirmed its growth trend, driven by the need of certain countries with high budgets to renew their fleets (including the US and the UK), new security and civil defence requirements, and the trend towards the acquisition of solutions and services rather than operating platforms alone. The first quarter confirmed that AgustaWestland's offer was sound, and the company also recorded numerous successes in the civil sector.

Value of production came in at EUR 603 million (+10%), compared to EUR 548 million in 1Q05. The increase is mainly due to the start of production on the US101 presidential helicopter and the increase in activities relating to the AW 139. Production was also focused on: the completion of the first batch of EH101 for the Italian navy, and delivery to the Danish, Portuguese and Japanese governments; the SuperLynx 300 for the armed forces of Oman, South Africa and Thailand; the A109 Power (with 4 units delivered to the civil-government market); the Grand; the upgrading of the A129 for the Italian army; the AB412; and delivery of a further six units of the A109E Power to the armed forces of Sweden and South Africa.

EBIT came in at EUR 44 million (+7%), compared to EUR 41 million in 1Q05. This increase was due partly to volume growth and partly to the efficiency measures launched last year as part of the process to integrate Italian and UK activities. **The EBIT margin** came in at 7.3%, in line with 2005 (7.5%).

New orders totalled EUR 1,836 million, a sharp rise (44%) on the EUR 1,274 million recorded in 2005. This was mainly due to the contract to upgrade 30 helicopters with an option for another eight with the Royal Navy.

The order backlog was EUR 8,536 million, a significant increase (15%) on the figure of EUR 7,397 million recorded at 31 December 2005.

The headcount was 8,599, an increase of 68 on the figure of 8,531 at 31 December 2005.

Defence electronics
(Selex Sensors and Airborne Systems, Selex Communications, Selex Sistemi Integrati, Elsag, Sistemi Navali Internazionali, Seicos)

Value of production: EUR 778 million (+75%); EBIT: EUR 42 million (+100%)

The agreements signed at the end of April 2005 with BAE Systems radically changed the structure of the Defence electronics business, completing Finmeccanica's avionics portfolio and strengthening the company's presence in military communications. Moreover, the company has now regained 100% control of the command and control systems business. Furthermore, from 4Q05, the Defence electronics business also includes Datamat, which designs and produces Information & Communication Technology solutions, particularly in the defence, space and public administration markets. In January 2006 Finmeccanica acquired a further 26.3% of Datamat SpA, taking its total stake to 89.48%. The defence electronics market is worth around 20% of global demand in the aerospace, defence and security sector (valued at around EUR 300 billion) with a projected growth rate of around 6% a year until 2009. Against this backdrop, the strategic decisions made by Finmeccanica guarantee excellent prospects in the most advanced markets (the US and UK) from its participation in important military programmes and those relating to homeland security.

Value of production rose by 75% from EUR 445 million in 1Q05 to EUR 778 million, mainly due to the acquisition of the UK avionics operations and Datamat, as well as growth in command and control systems. The most profitable activities were in avionics, production relating to the Typhoon, NH90, Grifo radar and PAR, and in command & control systems, and work on contracts with the Italian Navy. Work also proceeded on the FSAF and Horizon international contracts and the development of the TETRA network.

EBIT came in at EUR 42 million, a 100% increase on the EUR 21 million recorded in 1Q05. The result was boosted by the change in the basis of consolidation, and an improvement in the profitability of the command and control systems business. **The EBIT margin** rose from 4.7% in 1Q05 to 5.4%.

New orders were EUR 629 million, a slight improvement on the EUR 627 million recorded in 1Q05. One of the main contributors was the order for Selex Sensors and Airborne Systems Ltd for the production of DASS (*Defensive Aids Sub System*) for the second tranche of the Eurofighter programme. Orders in land and naval command and control systems included work on the new Italian-French multi-mission FREMM frigates, and air traffic control systems in Malaysia.

The order backlog was EUR 7,530 million, up EUR 584 million (8%) compared with 31 December 2005.

The headcount was 19,660, a fall of 126 mainly due to the sale and consequent withdrawal from the basis of consolidation of Elsag STI SpA and Elsag Business Process Srl.

Aeronautics
(Alenia Aeronautica, Aermacchi)

Value of production: EUR 463 million (+15 %); EBIT: EUR 15 million (+50 %)

Demand in the military market is increasingly geared towards multi-purpose aircraft and advanced trainers. Interest is also growing in unmanned aircraft. Against this backdrop, Alenia Aeronautica has secured some important contracts, including the supply of the C-27J to Bulgaria and the ATR72 ASW to Turkey. The company is also promoting the C-27J on the US market through the joint venture GMAS (note that Boeing has recently joined the consortium), while further promotional activities are under way in Canada, Finland and the Czech Republic. In the field of unmanned aircraft, the company signed a contract with Dassault to take part in the Neuron programme. In the civil market, Finmeccanica is playing an important role in the new Boeing and Airbus programmes, particularly those relating to the B787 and A380, and the group plans to strengthen its presence in Europe through new agreements with Russian partners in the fields of regional aircraft, aircraft design, trainer aircraft and UCAV technology.

Value of production was EUR 463 million, up by EUR 61 million (+15%) versus the same period last year (EUR 402 million). The rise was due to increased activity on the C-27J for the Italian air force and Greece, as well as the significant increase in ATR sales and production.

EBIT rose to EUR 15 million (+50%), from EUR 10 million last year. The increase was mainly due to higher ATR sales, and to bigger contributions from the AMX, Eurofighter and C-27J military programmes. This is reflected in an increase in the EBIT margin, which climbed to 3.2%, from 2.5% at 31 March 2005.
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New orders totalled EUR 431 million, up EUR 98 million (29%) on the figure of EUR 333 million for 1Q05. The increase is due to the orders acquired by Alenia Aeronautica in the military segment for logistics for the AMX, as well as the JSF, Eurofighter and Tornado programmes, and in the civil market, the programmes of the GIE-ATR consortium (which achieved sales for 18 aircraft), the B777, the A380 Falcon and engine nacelles.

The order backlog was EUR 6,935 million up 1% on 31 December 2005 (EUR 6,865 million), with significant proportions going to the Eurofighter (53%), B787 (17%), C-27J (5%) and AMX (5%) programmes.

The headcount was 11,364, an increase of 166 on the headcount at 31 December 2005 (11,198).

Space
(Alcatel Alenia Space, Telespazio)

Value of production: EUR 140 million (-18%); EBIT: EUR 9 million (-25 %)

Note that results to 31 March 2005 relate to Alenia Spazio and Telespazio, consolidated at 100%, while the results to 31 March 2006 refer to two new joint ventures (Alcatel Alenia Spase Sas and Telespazio Holding Srl, consolidated proportionally at 33% and 67% respectively. Figures for this year are therefore not comparable with those of the previous year).

On 1 July 2005, two companies created by Finmeccanica and Alcatel to merge their respective space activities became operational, namely Alcatel Alenia Space for space systems and Telespazio for satellite services. The agreement significantly changes the group's prospects in the sector, where it is now a European leader, while the commercial market has started to show signs of recovery, particularly in broadband systems and in services. Institutional demand is likely to represent a source of strength in the coming years for industrial space activities through programmes such as Galileo for satellite navigation and GMES for defence and land surveillance, and those in broadband communications. Under this new structure, Finmeccanica will be able to exploit synergies between companies, and capitalise on the opportunities presented by the European space market.

Value of production was EUR 140 million, a fall compared to 1Q05 (EUR 170 million). Production mainly concerned activities relating to the Terra (Cosmo-SkyMed) and Pleiades earth observation programmes, satellites for civil and scientific (Herschel/Plank and Goce) use, the International Space Station (Node 3 and the ATV vehicle), satellites for military telecommunications (Syracuse and Sicral 1B) and the Galileo and EGNOS programmes.

EBIT came in at EUR 9 million, down EUR 3 million compared to 1Q05 (EUR 12 million). The figure was affected by the higher cost structure and R&D costs, despite an improvement in industrial profitability. The EBIT margin fell from 7.1% in 1Q05 to 6.4%.

New orders jumped 98% to EUR 218 million, from EUR 110 million in 1Q05, mainly thanks to an increase in commercial satellite orders. The most significant orders included: telecommunications satellites Turksat 3 and Ciel 2, further work on the Herschel/Plant scientific satellite, the Galileo satellite navigation programme and EGNOS.

The order backlog was EUR 1,237 million, up 7% versus EUR 1,154 million at 31 December 2005.

The headcount was 3,214, an increase of 20 on the figure of 3,194 at 31 December 2005.

Defence Systems (OTO Melara, WASS, MBDA)

Value of production: EUR 225 million (+15 %); EBIT: EUR 7 million (+250 %)

Worldwide demand for missile systems confirms a broadly positive short- to medium-term trend. Specifically, air defence systems will represent the largest segment over the next few years (around 40% of worldwide demand), with the continuation of major international programmes. Against the backdrop of the consolidation of the European missile industry, in February MBDA completed the acquisition of German operator LFK GmbH, which was consolidated proportionally from 1 March 2006.

Value of production was EUR 225 million, a rise of EUR 29 million (15%) versus 1Q05 (EUR 196 million). The main contributors to revenues were: Storm Shadow and SCALP EG missile systems for the UK and French defence ministries, Black Shaheen for export, and MICA air-to-air missiles.

EBIT was EUR 7 million, up by EUR 5 million compared to the same period of 2005, thanks to more profitable activities and higher revenues. **The EBIT margin** improved to 3.1%, from 1.0% in 1Q05.

New orders totalled EUR 89 million, a drop compared to 1Q05 (EUR 138 million), which benefited from significant demand for torpedoes in Portugal and for countermeasure systems from India. This breaks down as: the supply of anti-ship Exocet SM39 missile systems and Sea Wolf air defence and anti-missile systems, for submarines and Chilean frigates respectively, and the first phase of activity relating to FREMM for the underwater systems segment.

The order backlog was EUR 3,731 million, compared to EUR 4,121 million in 1Q05. Two thirds of this figure related to missile systems activities.

The headcount was 4,334, 230 higher than at 31 December 2005.

Energy
(Ansaldo Energia)

Value of production: EUR 202 million (+53%); EBIT: EUR 7 million (+17%)

Value of production was EUR 202 million in 1Q06, up 53% on the figure of EUR 132 million in 1Q05, due to the recent acquisition of orders, mainly relating to plant, for the facilities in Sparanise, Rosignano, Vado Ligure, Escatron and Rizziconi. Work continued for Enipower in Italy and the Iranian client Mapna.

EBIT came in at EUR 7 million in 1Q06, an increase of 17% from EUR 6 million in 1Q05, due to higher volumes. **The EBIT margin** fell from 4.5% to 3.5%, as 1Q05 benefited from a reimbursement of the registration tax and lower R&D costs.

New orders totalled EUR 576 million in 1Q06, compared to EUR 228 million in 2005 (+153%). The rise is due to the turnkey contract for the Rizziconi combined-cycle plant and related maintenance work and other service contracts for the maintenance of the Ferrara and Teverola plants. With continuous growth in the service segment, Ansaldo has consolidated its position as one of the main *Service Providers* on the market.

The order backlog was EUR 2,709 million at 31 March 2006, compared to EUR 2,329 million at 31 December 2005 (+16%).

The headcount was 2,525 at 31 March 2006, broadly in line with the figure of 2,529 at 31 December 2005.

Transport
(Ansaldo STS, AnsaldoBreda)

Value of production: EUR 343 million (+15 %); EBIT: EUR 16 million (+60%)

In 1Q06 the Transport division recorded a positive financial performance, with strong sales in signalling and profitability in line with 1Q05 in systems. The EBIT margin for vehicles was affected by the restructuring process undertaken in the previous year, which led to extra costs on certain contracts.

Value of production was EUR 343 million in 1Q06, versus EUR 298 million in 1Q05, an increase of 15%, mainly due to greater activity in signalling. Specifically, production included: in signalling, high-speed orders in Italy and France, train control systems, phase 2 of the Channel Tunnel Rail Link, production of components; in systems, work on the Naples and Copenhagen metro systems and new orders for high-speed rail networks in Italy; in vehicles, DMU trains for Danish rail, trains for the Madrid metro, new locomotives for Trenitalia, high-frequency trains for Morocco, Sirio trams for various municipal authorities, and S*ervice* activities.

EBIT was EUR 16 million in 1Q06, compared to EUR 10 million in 2005 (+60%). **The EBIT margin** was 4.7%, compared to 3.4% in 2005.

New orders totalled EUR 484 million in 1Q06, compared to EUR 293 million in 2005 (+65%). Orders included: in signalling, train control and onboard systems for Rete Ferroviaria Italiana and Trenitalia, and the order for the Ghaziabad-Kampur section in India; in vehicles, Sirio trams for Kayseri in Turkey, and the option for line 1 of the Milan metro system.

The order backlog totalled EUR 4,090 million at 31 March 2006, compared to EUR 3,956 million at 31 December 2005 (+3%).

The headcount was 6,409 at 31 March 2006, compared with 6,321 at 31 December 2005. This increase is mainly due to the increase in headcount in the signalling segment.

FINMECCANICA

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1Q06 (EUR million)	Helicopters	Defence electronics*	Aeronautics	Space**	Defence systems	Energy	Transport	Other activities	Eliminations	TOTAL
Value of production	603	778	463	140	225	202	343	61	(67)	**2,748**
EBIT	44	42	15	9	7	7	16	(40)		**100**
EBIT margin (%)	7.3%	5.4%	3.2%	6.4%	3.1%	3.5%	4.7%	-65.6%		3,6%
Depreciation and amortisation	14	22	27	6	6	3	5	3		**85**
Investment in non-current assets	15	72	66	4	70***	3	5	2		**167**
Research and development costs	97	117	103	9	40	3	10	0		**379**
New orders	1,836	629	431	218	89	576	484	19	(83)	**4,199**
Order backlog	8,536	7,530	6,935	1,237	3,731	2,709	4,090	419	(993)	**34,194**
Headcount	8,599	19,660	11,364	3,214	4,334	2,525	6,409	865		**56,970**
1Q05 (EUR million)	**Helicopters**	**Defence electronics**	**Aeronautics**	**Space**	**Defence systems**	**Energy**	**Transport**	**Other activities**		**TOTAL**
Value of production	548	445	402	170	196	132	298	33	(67)	**2,157**
EBIT	41	21	10	12	2	6	10	(26)		**76**
EBIT margin (%)	7.5%	4.7%	2.5%	7.1%	1.0%	4.5%	3.4%	-78.8%		3.5%
Depreciation and amortisation	15	14	27	7	6	3	5	3		**80**
Investment in non-current assets	9	10	24	3	7	1	5	1		**60**
Research and development costs	51	76	88	20	37	2	8	0		**282**
New orders	1,274	627	333	110	138	228	293	77	(49)	**3,031**
Order backlog	6,449	3,303	5,374	1,385	4,121	2,172	3,662	68	(495)	**26,039**
Headcount	8,951	12,369	10,805	3,223	4,138	2,537	6,076	1,088		**49,187**

* Consolidation of 100% of UK defence electronics assets and of Datamat

** Proportional consolidation of two JVs in space sector from 1 July 2005

*** Includes goodwill from LFK acquisition