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FINMECCANICA

PRESS RELEASE

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Board of directors approves 2006 results: revenues rise 14% to EUR 12,472 million; EBIT rises 19% to EUR 878 million

Net profit comes in at EUR 1,020 million. Dividend of 35 euro cents to be proposed to shareholders (+13% vs. 2005)

New orders rise to EUR 15,725 million, with order backlog at EUR 35,810 million (+12%), equivalent to around three years' activity

Net debt falls to EUR 858 million thanks to the listing of Ansaldo STS and to the AvioGroup deal

- Finmeccanica saw an improvement in its results in 2006, thanks especially to growth in the Aeronautics, Helicopters and Energy businesses.
- EBIT jumped by 19% vs. 2005, thanks mainly to organic growth (+17%).
- Net profit rose sharply after capital gains. Proposed the payment of a 35 euro cents dividend to shareholders (+13%).
- The debt/equity ratio was 16%, while debt/EBITDA stood at 0.63. Profitability indicators were good: ROI was 17.7%, while EVA was EUR 257 million.
- Investment in research and development increased by EUR 41 million vs. 2005, to EUR 1,783 million.

Key 2006 figures
(EUR million)

	2006	2005	Change (absolute)	Change %
Revenues	12,472	10,952	1,520	14%
EBIT	878	735	143	19%
EBIT margin	7.0%	6.7%	0.3	
Net profit	1,020	396	624	158%
New orders	15,725	15,383	342	2%
Order backlog	35,810	32,114	3,696	12%
Net debt	858	1,100	-242	-22%
ROI	*17.7%*	*17.5%*	*0.2*	
EVA®	*257*	*217*	*40*	*18%*
Research and development	1,783	1,742	41	2%
Headcount	58,059	56,603	1,456	

Pier Francesco Guarguaglini, Chairman and CEO, commented: "The results achieved in 2006 bear out our guidance to the market, while the significant organic growth confirms the healthy performances of the group's subsidiaries, both industrially and commercially. We have also taken measures to resolve problems in some areas of activity, thus taking steps towards making them profitable again. Thanks to its undisputed technological excellence, Finmeccanica is looking confidently to the future, and expects to grow further on the international markets".

BREAKDOWN OF KEY FIGURES

CONSOLIDATED PROFIT AND LOSS ACCOUNT			
EUR million	2006	2005	*% Chg. Y/Y*
Revenues	**12,472**	**10,952**	***14%***
Changes in work in progress, semi-finished and finished products	**(24)**	**517**	
Cost of goods, services and labour	(11,121)	(10,330)	
Depreciation and amortisation	(482)	(347)	
Provisions for risks and charges	(23)	(18)	
Restructuring costs	(10)	(32)	
Other operating revenues (costs)	66	(7)	
EBIT	**878**	**735**	***19%***
EBIT margin	*7.0%*	*6.7%*	
Net financial income (expenses)	394	(149)	
Income taxes	(243)	(200)	
Net profit before discontinued operations	**1,029**	**386**	***167%***
Profit of discontinued operations	(9)	10	
Net profit	**1,020**	**396**	***158%***

Revenues came in at EUR 12,472 million, up by EUR 1,520 million (14%) on the EUR 10,952 million posted in 2005. This performance was in line with the group's growth targets. Of the total growth, about EUR 824 million (+8%) came from organic growth, while the remaining EUR 696 million was due to the change in the basis of consolidation. The organic growth came mainly from 1) a 13% rise in sales in the Helicopters business, following the start-up of activity on the VH71 order for the US presidential helicopter; 2) increased civil operations in Aeronautics, especially as regards the ATR, the A380 and the B777; 3) a 28% rise in sales in the Energy business, thanks to service activities, and 4) to growth in the Transport business.

EBIT rose by EUR 143 million (+19%), from EUR 735 million in 2005 to EUR 878 million. Around EUR 126 million of this change (+17%) was due to organic growth, while the remaining EUR 17 million came from the changed basis of consolidation. The improvement was due to positive performances across the board. Helicopters (+7%) saw an increase in production volumes and successful integration of its Italian and UK operations, while Defence Electronics stepped up activity in command and control and security systems. In Aeronautics, sales in the ATR programme did well, and the Space business achieved higher production efficiency. In Energy, production volumes rose and single orders were more profitable. Transport saw increased profitability in the signalling and systems business, while the vehicles segment also improved: although the latter made an operating loss, it still posted a better result than in December 2005. The group's **EBIT margin** came in at 7%, a rise of 0.3 percentage points vs. the 6.7% posted in 2005.

Net profit totalled EUR 1,020 million, up EUR 624 million (+158%) on the EUR 396 million recorded the previous year. The result was due partly to the capital gain of approximately EUR 404 million raised from the public share offer on 60% of Ansaldo STS SpA and the capital gain of around EUR 291 million from the sale of Finmeccanica's entire stake (about 30%) in AvioGroup SpA, the holding company of the Avio group, to BCV Investment SA, a special-purpose vehicle set up by the Cinven funds. Finmeccanica subsequently bought back 15% of AvioGroup SpA.

CONSOLIDATED BALANCE SHEET		
EUR million	31.12.2006	31.12.2005
Non-current assets	9,897	7,671
Non-current liabilities	(3,275)	(2,018)
	6,622	5,653
Inventories	3,095	5,511
Construction contracts	2,823	2,538
Receivables	3,856	3,600
Trade payables	(3,561)	(3,431)
Customer advances	(5,529)	(4,389)
Provisions for risks and charges S/T	(571)	(523)
Other current net assets (liabilities)	(547)	(3,289)
Net working capital	**(434)**	**17**
Net invested capital	**6,188**	**5,670**
Group's equity	5,276	4,444
Minority interests	81	154
Shareholders' equity	**5,357**	**4,598**
Net debt	**858**	**1,100**
Net (assets) liabilities held for sale	**(27)**	**(28)**

DEBT		
EUR million	**31.12.2006**	**31.12.2005**
Short-term financial debt	159	190
Medium- to long-term finacial debt	1,865	1,879
Cash on hand or equivalent	(2,003)	(1,061)
NET BANK DEBT	**21**	**1,008**
Government bonds and securities	(21)	(20)
Loans from subsidiary and affiliated companies	(26)	(17)
Loans to third parties	(452)	(443)
FINANCIAL LOANS and securities	**(499)**	**(480)**
Loans from subsidiary and affiliated companies	500	379
Other short-term financial debt	722	97
Other medium- to long-term bank debt	114	96
OTHER FINANCIAL DEBT	**1,336**	**572**
NET DEBT	**858**	**1,100**
Net debt of discontinued operations	6	5

CASH FLOW		
€mil.	**2006**	**2005**
Cash and cash equivalents at 1 January	**1,061**	**2,055**
Cash flow from operating activities	1,565	1,413
Changes in working capital	347	204
Changes in other operating assets and liabilities	(594)	(662)
Cash flow generated (used) by operating activities	**1,318**	**955**
Net CAPEX	(779)	(385)
Other financial investments	(33)	(69)
Free operating cash flow	**506**	**501**
Investments for acquisitions	580	(769)
Changes in other financial assets	(30)	18
Cash flow generated (used) by investment activities	**(262)**	**(1,205)**
Dividends paid	(214)	(111)
Cash flow from financing activities	102	(640)
Cash flow generated (used) by financing activities	**(112)**	**(751)**
Exchange differences on cash and equivalents	**(2)**	**7**
Cash and cash equivalents at 31 December	**2,003**	**1,061**

In light of the 2006 results the Board of Directors has proposed the payment of a dividend of 35 euro cents per share. If the shareholders' meeting approves the proposal, the dividend will be paid on 21 June 2007 (ex-date: 18 June 2007). In a change from the schedule published in the calendar of events on 26.01.2007, the ordinary shareholders' meeting is scheduled for May 29 and, if a second session is necessary, also for May 30.

Net debt fell by EUR 242 million (-22%) to EUR 858 million, from EUR 1.1 billion in 2005. The figure follows the typical cash flows trend, whereby payments are concentrated in the first nine months of the year, and receipts in the last quarter. The debt/equity ratio of 16% is within the limits of a conservative financial management policy, and below the maximum limits set by the major ratings agencies. The group's financial structure at 31 December 2006 was particularly sound, since the average remaining life of its debt is still high, at nine years, from ten years in December 2005. Costs are minimised too: the average interest rate paid since 31 December 2005 is 3.7% (IAS/IRFS demands 4.8%). The debt figure was affected by a number of transactions: 1) the payment of EUR 89 million as part of the takeover bid for the remaining 33% of Datamat; 2) the payment of ordinary dividends totalling EUR 131 million and extraordinary dividends of EUR 80 million following the listing of Ansaldo STS; 3) a EUR 47 million payment due to the French company Alcatel SA as part of joint venture agreements signed in 2005; 4) the payment by Ansaldo Energia of EUR 20 million for the purchase of shareholdings; 5) the payment by MBDA of EUR 260 million for the acquisition of LFK GmbH (EUR 237 million of this was offset by the acquisition of the latter company's cash); 6) Alenia Aeronautica's payment of an initial EUR 10 million to the Russian company Sukhoi as part of the "SuperJet 100" regional jet programme; 7) the receipt of approximately EUR 458 million from the sale of 52.17% of Ansaldo STS, and for the subsequent greenshoe option exercised by the banks that organised the sale. Ansaldo STS was not deconsolidated after its listing, and therefore Finmeccanica's net debt at 31 December 2006 includes the debts of this company; 8) the receipt of EUR 432 million from the sale of the group's entire 30% stake in AvioGroup SpA, followed by the payment of EUR 130 million (302 to repurchase 15% of the same company.

New orders totalled EUR 15,725 million, a rise of EUR 342 million (+2%) vs. the EUR 15,383 million posted in 2005. The proportion of military orders was 56%, a higher percentage than in 2005. The main orders were: 1) Helicopters: the first tranche of the 70 Future Lynx helicopters for the UK armed forces; the first part of the IMOS and MCSP contracts; and the supply of 34 NH90 rotorcraft to the Australian armed forces; 2) Defence Electronics: command, control and communication systems for FREMM frigates; the second tranche of avionics systems for the Eurofighter; the SMART contract in Turkey for air traffic control systems; the order from Telecom Italia for a secure Italian mail network; and the "hybrid mail" agreement in Russia; 3)

Aeronautics: the Boeing order for the B787 (worth around EUR 570 million), the supply of 10 ATR72 ASW to the Turkish navy; and the order for 54 aircraft by the GIE ATR consortium; 4) Energy: increased services provision (up from EUR 390 to EUR 462 million).

The **order backlog** stood at EUR 35,810 million, up EUR 3,696 million (+12%) vs. the EUR 32,114 million posted at 31 December 2005. This is equivalent to about three years' production.

The group invested EUR 1,783 million in **research and development**, an increase of EUR 41 million (+2%) on the EUR 1,742 million spent in 2005. The figure is equivalent to about 14% of revenues. The main programmes related to 1) Defence Electronics: development of the Eurofighter programme; fine-tuning of the prototypes of the Falco UAV system; development of the modular naval combat system and the new Kronos 3D naval surveillance radar; start-up of activity on a new family of products including ad hoc networks, WiMax, software radio and switch to IP; the Future Soldier programme and completion of the TETRA network; 2) Aeronautics: development of civil (B787 and A380) and military (C27J, Eurofighter and M346) programmes; 3) Defence Systems: development of the Meteor missile and Black Shark torpedo; 4) Energy: continuing work on technological autonomy in the field of gas and steam turbines; and development of new services technologies.

Finmeccanica's **headcount** stood at 58,059 at the end of the year, an increase of 1,456 (+3%) vs. the 56,603 staff on the payroll at 31 December 2005. The rise was due to the consolidation of LFK GmbH into the group's Defence Systems business and the acquisition by the Energy business of Thomassen Turbine Systems and Energy Services Group. The remainder was due to new hiring.

2006 HIGHLIGHTS AND SIGNIFICANT EVENTS SINCE THE END OF THE PERIOD

In **January 2006**, Finmeccanica completed the public purchase offer for the remaining shares in Datamat. This followed the initial acquisition of a 52.7% stake in 2005, and increased Finmeccanica's stake in Datamat to around 89%. On 1 March 2006 Finmeccanica's board of directors voted to delist Datamat by buying up the rest of the shares once the necessary threshold had been reached (over 90%) in accordance with the law. On 12 June 2006 the group acquired a further 0.959% in Datamat, thereby gaining the 90% of the share capital necessary to launch a bid for the remaining shares. Following the purchase offer on the remainder of the shares, which was concluded on 8 January 2007, Finmeccanica's shareholding in the company rose to 98.6%. Finmeccanica will therefore exercise its squeeze-out rights on the remaining Datamat shares, a procedure that should be complete by May 2007. In the meantime, Finmeccanica has begun the process of integrating Elsag and Datamat.

Also in **January 2006**, MBDA completed the acquisition of LFK GmbH, a key German producer of missile systems.

On **19 January 2006** Aermacchi (now Alenia Aermacchi) and Hellenic Aerospace Industry (HAI) signed a memorandum of understanding setting out the terms of a joint development programme for the M346 trainer aircraft.

On **19 January 2006** Galileo Industries (which includes Finmeccanica, EADS Astrium, Thales SA and Galileos Sistemas y Servicios) and the European Space Agency (ESA) signed a contract worth around EUR 1 billion in Berlin for the development and construction of the first four satellites of the Galileo European satellite navigation programme, as well as the related ground infrastructure. Italy has also been chosen as the location for one of the two Constellation and Mission Control Stations and the Performance Assessment Centre.

On **28 February 2006** AgustaWestland signed an agreement with UK company Sloane Helicopters Ltd to distribute helicopters for civil use destined for the UK and Irish markets.

24 March 2006 saw the completion of the sale of 52.17% of Ansaldo STS, head of a group of companies that includes Ansaldo Trasporti Sistemi Ferroviari and Ansaldo Signal. Following the exercise of a greenshoe option by the banks, the size of the stake sold rose to 60%. The new Ansaldo STS will benefit from the complementary know-how of these two companies, by combining the sales network and international dimension of Ansaldo Signal with Ansaldo Trasporti Sistemi Ferroviari's expertise in project and systems management.

On **27 April 2006** Alenia Aeronautica and L-3 Communications signed a memorandum of understanding with Boeing Integrated Defense Systems, under which the latter will join the Global Military Aircraft Systems (GMAS) joint venture. GMAS was set up to work on the C-27J aircraft as part of the Joint Cargo Aircraft (JCA) programme for the US air force and army.

On **22 June 2006** the UK Ministry of Defence signed an agreement worth GBP 1 billion (EUR 1.4 billion) with AgustaWestland for the supply of 70 Future Lynx helicopters to the British armed forces. The first contract, for the development phase, is worth GBP 380 million (EUR 550 million).

In **July 2006**, Ansaldo Energia acquired full control of the Swiss company Energy Services Group (ESG), which provides on-site plant **maintenance** and repair services. In **September 2006**, it bought 100% of the Dutch gas turbine services company Thomassen Turbine Systems from the US group Calpine European Finance. The two transactions will strengthen Ansaldo Energia’s competitiveness, both in achieving technological autonomy in gas turbines and in its service activities for power generation plants. The company may also expand its service operations from Siemens to GE technology, in place in most of the turbines installed worldwide.

On **6 August 2006** Finmeccanica signed agreements modifying its stake in AvioGroup SpA, the holding company of the Avio group (which includes Avio SpA), a developer and manufacturer of large engines and major components for the aeronautics and space sectors. As a result of the agreements, signed on **14 December 2006**, Finmeccanica sold its 30% in AvioGroup to the Cinven investment funds for EUR 432 million. Finmeccanica’s partner, the Carlyle group, also sold its own 70% stake in AvioGroup. At the same time, Aeromeccanica SA, controlled by Finmeccanica, bought back a 15% stake in the Avio group for around EUR 130 million (with a net benefit of Eur 302m). The difference between the sum received from the sale and that paid for the reinvestment, net of transaction costs, was used to reduce Finmeccanica's net debt. Finmeccanica also agreed an option to purchase the space business of Avio SpA for approximately EUR 6 million.

In **September 2006**, Telespazio, Telecom Italia, Hughes and Intelsat announced the creation of a new satellite platform called Marco Polo, which will provide value-added broadband services to businesses and institutions in eastern Europe and North Africa. Telespazio will operate the platform from the Fucino Space Centre.

On 18 October 2006 Finmeccanica signed a memorandum of understanding with Russian railways to work jointly in production, sale and technical assistance for rolling stock and rail infrastructure. Against a wider backdrop of the group's co-operation with Russian companies, this agreement lays the foundations for a series of industrial partnerships.

On **28 November 2006** (following a preliminary agreement signed in June 2006) Finmeccanica and Sukhoi Aviation Holding, and their respective subsidiaries Alenia Aeronautica and Sukhoi Civil Aircraft Company (SCAC), signed an agreement establishing a strategic partnership as regards production, sale and after-sales care for the “SuperJet 100” family of regional jets. As part of the contract, Alenia Aeronautica will acquire a 25% stake plus one share in SCAC for operations on Russia’s domestic market. It will also form a joint venture with Sukhoi (51% Alenia and 49% Sukhoi) that will carry out marketing, sales and delivery operations on the western market, and will provide after-sales assistance all over the world.

On **9 February 2007** Russian railways, the Italian rail operator Ferrovie dello Stato and Finmeccanica signed a memorandum of understanding relating to joint international projects, notably in the area of high-speed rail travel. The first initiative under the partnership is the EUR 6 billion project to build a high-speed rail link between Jeddah, Mecca and Medina in Saudi Arabia. In March Finmeccanica signed a further industrial partnership agreement with Russian railways, which sets out timescales and procedures for priority projects such as the development of a new regional train, safety and security systems, and a satellite system for Earth observation.

FINANCIAL OPERATIONS

In 2006 Finmeccanica carried out no capital market transactions, and as a result there was no substantial change in its bond debt. At end-December, the total figure stood at about EUR 1,748 million (according to IAS/IFRS), and the debt had an average duration of approximately nine years.

OUTLOOK

In 2006 the Finmeccanica group continued with its strategic refocus via selective acquisitions, an increasingly international outlook and increased strategic autonomy that led to significant growth in both sales volumes and profitability.

The new direction has been strengthened by the specific targets that Finmeccanica has assigned to its subsidiaries: to increase profitability, reduce industrial costs and overheads, curb operating working capital and self-finance their product investments.

In 2007, revenues are expected to register organic growth, rising to between EUR 13.1 billion and EUR 13.7 billion, while EBIT is expected to increase to between EUR 950 million and EUR 1 billion.

Free operating cash flow (FOCF) is expected to stand at around break-even, after significant investment in the development and marketing of products – especially in the Aeronautics, Helicopters and Defence Electronics businesses – which is necessary to sustain the group's growth.

RESULTS BY SECTOR OF ACTIVITY
(figures in EUR million)

Helicopters
Companies: **AgustaWestland**

Revenues: EUR 2,727 million (+13%); EBIT: EUR 290 million (+7%)

Revenues came in at EUR 2,727 million, an increase of EUR 314 million (+13%) on the EUR 2,413 million recorded in 2005. The improvement was due to the launch of manufacturing activities on the US101 order, known as VH71, for the US President, a step-up in production activity on the AW139 and an increase in support activities, mainly in the UK. In addition, orders for 170 helicopters were received in 2006, and increase of 28% on the previous year.

EBIT was EUR 290 million, up from EUR 272 million in 2005, an increase of EUR 18 million (+7%). This improvement was due to higher support activities and the impact of measures implemented as part of the integration process. The **EBIT margin** was 10.6%. **ROI** stood at 13.9%, slightly ahead of the 2005 figure (+13.4%).

New orders totalled EUR 4,088 million, up 10% on the 2005 figure of EUR 3,712 million, thanks to the EUR 1,394 million programme to supply 70 Future Lynx helicopters to the UK armed forces (the first tranche of the development phase is worth EUR 557 million), and contracts to supply AW139 (62 units) and A109 helicopters (108 units).

The **order backlog** was EUR 8,572 million, up from EUR 7,397 million in 2005, an increase of EUR 1,175 million (+16%). At 31 December 2006, helicopters represented 68% of the order backlog, support activities 27% and engineering services 5%.

The **headcount** stood at 8,899, an increase of 368 (+4%) on the 8,531 staff on the payroll in 2005.

Research and development spending totalled EUR 356 million (EUR 436 million in 2005).

Defence electronics
Companies: **SELEX Sensors and Airborne Systems, SELEX Communications, SELEX Sistemi Integrati, SELEX Service Management, Elsag, Datamat**

The basis of consolidation in the defence electronics business has changed significantly following the agreement signed with BAE Systems (BAE) and the acquisition of Datamat SpA in 2005.

Revenues: EUR 3,747 million (+18%); EBIT: EUR 300 million *(+12%).*

Revenues were EUR 3,747 million, up EUR 583 million (+18%) on the 2005 figure of EUR 3,164 million. The increase was largely due to the change in the basis of consolidation, notably the acquisition of the UK avionics activities and Datamat.

EBIT was EUR 300 million, up EUR 31 million (+12%) on the EUR 269 posted in 2005. Aside from the change in the basis of consolidation, the increase was also due to the improvement in the command and control systems business and IT and security sectors, which are benefiting from a jump in industrial profitability following the strategic repositioning of Elsag. The **EBIT margin** narrowed year-on-year by half a percentage point, to 8%. **ROI** dropped from 12.5% to 10.8%.

New orders totalled EUR 4,197 million (EUR 4,627 million in 2005). The decrease mainly related to the contract signed in June 2005, when the division received a substantial boost (of around EUR 1.2 billion) from an order for the DASS system (Defensive Aids Sub System) for all of the second-tranche Eurofighter Typhoon aircraft. However, a contract was signed with the Interior Ministry only last December for the start-up of the programme to provide the TETRA network of secure digital communications systems for joint national forces, which will be completed in around six years, gradually covering the entire country. Other new orders include upgrade of Tornado avionics for Saudi Arabia and for the UK defence ministry, for the IRST (Infrared Search and Track) of EFA second tranche, per command and control and communication systems for FREMM ad fro communication systems in the UK and particular for FALCON.

The **order backlog** was EUR 7,676 million, up EUR 730 million on the figure at 31 December 2005 (EUR 6,946 million). Half of the increase was due to avionics activities, while the communications business, and radar and command and control systems, contributed around 20% each.

The **headcount** stood at 19,185 (19,786 at end-2005).

Research and development spending was EUR 541 million, versus EUR 501 million in 2005.

Aeronautics
Companies: **Alenia Aeronautica, Alenia Aeronavali, Alenia Aermacchi, GIE ATR, Alenia SIA**

Revenues: EUR 1,908 million (+7%); EBIT: EUR 203 million (+22%)

Revenues came in at EUR 1,908 million, an increase of EUR 119 million (+7%) on the EUR 1,789 million recorded in 2005. As forecast, growth came from civil activities, with the increase in sales and production of the ATR, activities relating to the A380, B777 and Falcon aircraft and the start-up of B787 production at the end of the year. Alenia Aermacchi and Alenia Aeronavali production fell slightly, mainly due to reduced activity on Italian air force aircraft with regard to the completion of MB 339 and SF60 orders, and revisions of the B707 Tanker and inspections of the Brequet Atlantic.

EBIT was EUR 203 million, a rise of EUR 166 million on the previous year (+22%). The **EBIT margin** was 10.6%, compared with 9.3% at end-2005.

New orders totalled EUR 2,634 million, down from EUR 3,230 million in 2005. The decline was due to the lower contribution from the civil sector, which was boosted the previous year by a large order for the B787 (200 shipset). Other new orders include the contracts signed for the ATR, the C-27J (five aircraft plus an option for three for Bulgaria and three for Lithuania), the Eurofighter, the JSF and the Tornado.

The order backlog was EUR 7,538 million, with a significant portion relating to the Eurofighter (46%), B787 (23%), C27J (5%) and AMX (4%) programmes. The increase versus end-2005 (EUR 6,865 million) was EUR 673 million, and the backlog is expected to expand further in the medium/long term.

The headcount was 12,135, an increase of 937 on the figure at 31 December 2005 (11,198).

Research and development spending was EUR 486 million, versus EUR 405 million in 2005.

Space
Companies: **Alcatel Alenia Space, Telespazio (*)**

Revenues: EUR 764 million (%); EBIT: EUR 44 million (%)

The 2005 figures include the first six months of activity of fully-consolidated companies Alenia Spazio and Telespazio, and the following six months of activity relating to the two new joint ventures, Alcatel Alenia Space and Telespazio Holding, consolidated using the proportional method at 33% and 67% respectively. The 2006 figures refer to the two new joint ventures, consolidated using the proportional method. Figures for the period under review are therefore not comparable with those for 2005.

Revenues were EUR 764 million, up EUR 29 million from EUR 735 million in 2005 (+4%), owing to an expansion of manufacturing activities.

EBIT came in at EUR 44 million, up by EUR 18 million (+69%) on the EUR 26 million posted in 2005. The **EBIT margin** improved from 3.5% in 2005 to 5.8%. **ROI** rose from 8.4% in 2005 to 13.8%.

New orders totalled EUR 851 million, versus EUR 599 million in 2005, a rise of EUR 252 million (+42%), thanks to an increase in orders in the commercial satellites segment and a positive trend in satellite services.

The order backlog was EUR 1,264 million, up EUR 110 million (+10%) on the EUR 1,154 posted in 2005. Manufacturing accounted for 64%, and satellite services for 36%. This is sufficient to cover 70% of production in 2007.

The **headcount** was 3,221, compared with 3,194 at end-2005.

Research and development spending was EUR 64 million, versus EUR 79 million in 2005.

Defence systems
Companies: **OTO Melara, WASS, MBDA**

2006 results include the contribution of LFK GmbH, acquired by MBDA in February 2006 and consolidated from 1 March 2006.

Revenues: EUR 1,127 million (-1%); EBIT: EUR 91 million (-19%)

Revenues came in at EUR 1,127 million (EUR 1,143 million in 2005) following the consolidation of the German missiles business, which offset the slight dip in activity in underwater systems, and the completion, in 2005, of major missiles programmes, relating in particular to the Mica and Jernas systems.

EBIT was EUR 91 million, versus EUR 112 million in 2005. The **EBIT margin** narrowed from 9.8% to 8.1%.

New orders stood at EUR 1,111 million, up EUR 348 million (+46%) on the EUR 763 million posted in 2005. The increase in orders came from contracts signed in the third quarter for missile systems on the FREMM programme, Mistral anti-air defence missiles for the French government, Taurus long-range air-to-surface missiles and the contract won by MBDA's newly-acquired German arm for the TRIGAT anti-tank missile system for Germany's helicopter fleet. Also noteworthy was the contract to supply armoured combat vehicles to the Italian army via IVECO FIAT - OTO Melara Scrl.

The order backlog stood at EUR 4,252 million, up EUR 383 million (+10%) vs. the figure of EUR 3,869 million at 31 December 2005.

The headcount was 4,275, from 4,104 at 31 December 2005. The increase was due chiefly to the acquisition of LFK GmbH.

Research and development spending was EUR 279 million, versus EUR 268 million in 2005.

Energy
Companies: **Ansaldo Energia**

Revenues: EUR 978 million (+28%); EBIT: EUR 63 million (+62%)

Revenues stood at EUR 978 million, a rise of EUR 214 million (+28%) compared with EUR 764 million in 2005. The increase was largely due to work carried out on orders related to plants and to the steady growth in services. The contribution of each area of the business to revenues was plants, 74%; services, 21%; nuclear, 5%.

EBIT was 63 million, an increase of EUR 24 million (+62%) on the 2005 figure of EUR 39 million 2005, due to a rise in volumes and improved profitability on individual orders, and despite higher research and development costs recorded during the period. The **EBIT margin** rose to 6.4% up from 5.1% in 2005.

New orders stood at EUR 1,050 million, up EUR 18 million (+2%) vs. the EUR 1,032 million recorded in 2005. Italy accounted for 65% of new orders, the rest of Europe for 13% and the rest of the world for 22%. 52% of the orders related to plants and components, 44% were for services (which continue to grow strongly) and 4% for nuclear processing.

The order backlog came in at EUR 2,468 million, an increase of EUR 139 million (+6%) on the EUR 2,329 million posted at 31 December 2005. This is equivalent to around two years' production.

The headcount was 2,856, an increase of 327 on the figure at 31 December 2005 (2,529), owing to normal staff turnover.

Research and development spending was EUR 17 million, versus EUR 13 million in 2005.

Transport
Companies: **Ansaldo STS * (Ansaldo Signal and ATSF), AnsaldoBreda**

Revenues: EUR 1,368 million (+12%); EBIT: EUR 15 million

** On 24 February 2006 Finmeccanica SpA sold its stakes in Ansaldo Trasporti - Sistemi Ferroviari SpA (systems) and Ansaldo Signal NV (signalling) to Ansaldo STS SpA. In April 2006 Finmeccanica completed a public share offer on 60% of Ansaldo STS. On 29 March 2006 the company's shares were listed on the STAR index of the Italian stock market.*

Revenues stood at EUR 1,368 million, up EUR 142 million (+12%) vs. the EUR 1,226 million posted in 2005. This was due to increased activity in the signalling business, and to an improvement in the vehicles business following the difficulties experienced in 2005.

EBIT was EUR 15 million, versus EUR -48 million in 2005, a rise of EUR 63 million, largely thanks to an improvement in the signalling business. Although the vehicles segment posted an operating loss, it made a EUR 51 million improvement on its 2005 performance. The **EBIT margin** improved as a consequence, to 1.1% from -3.9% in 2005. **ROI** also rose, to 4.8%.

New orders were EUR 2,127 million, versus EUR 1,615 million in 2005, a rise of EUR 512 million (+32%), thanks to an increase in orders in the systems and vehicles segments.

The order backlog was EUR 4,703 million, up from EUR 3,956 million at 31 December 2005, an increase of EUR 747 million (+19%).

The headcount totalled 6,677, versus 6,321 at 31 December 2005. Most of the 356 additional employees joined the signalling business.

Research and development spending was EUR 40 million, versus EUR 40 million in 2005.

SHARE DATA			
	2006	**2005**	*% chg. Y/Y*
Average number of shares issued (thousand)	423,323	421,941	*0.3%*
Net profit including discontinued operations (EUR m)	988	373	
Profit of continuing operations (EUR m)	997	363	
BASIC EPS (EUR)	**2.333**	**0.883**	***164%***
BASIC EPS of continuing operations (EUR)	**2.353**	**0.861**	***173%***
Average number of diluted shares (thousand)	425,094	424,994	*0.0%*
Rettified profit (EUR m)	988	373	
Rettified profit of continuing operations (EUR m)	997	363	
DILUTED EPS (EUR)	**2.323**	**0.877**	***165%***
DILUTED EPS of continuing operations (EUR)	**2.344**	**0.854**	***174%***

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.

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PRESS RELEASE

2006 (in EUR million)	Helicopters	Defence electronics*	Aeronautics	Space	Defence systems	Energy	Transport	Other activities	Eliminations	TOTAL
Revenues	2,727	3,747	1,908	764	1,127	978	1,368	229	(376)	**12,472**
EBIT	290	300	203	44	91	63	15	(128)		**878**
EBIT margin (%)	10.6%	8.0%	10.6%	5.8%	8.1%	6.4%	1.1%	n.m.		7.0%
Depreciation and amortisation	131	117	136	25	29	13	20	11		**482**
Investment in fixed assets	89	150	554	16	51	15	22	17		**914**
R&D costs	356	541	486	64	279	17	40	0		**1,783**
New orders	4,088	4,197	2,634	851	1,111	1,050	2,127	99	(432)	**15,725**
Order backlog	8,572	7,676	7,538	1,264	4,252	2,468	4,703	346	(1,009)	**35,810**
Headcount	8,899	19,185	12,135	3,221	4,275	2,856	6,677	811		**58,059**

2005 (in EUR million)	Helicopters	Defence electronics	Aeronautics	Space**	Defence systems	Energy	Transport	Other activities	Eliminations	TOTAL
Revenues	2,413	3,164	1,789	735	1,143	764	1,226	175	(457)	**10,952**
EBIT	272	269	166	26	112	39	(48)	(101)		**735**
EBIT margin (%)	11.3%	8.5%	9.3%	3.5%	9.8%	5.1%	-3.9%	n.m.		6.7%
Depreciation and amortisation	53	79	106	34	30	12	19	13		**346**
Investment in fixed assets	142	1020***	165	41	45	14	26	12		**1,465**
R&D costs	436	501	405	79	268	13	40	0		**1,742**
New orders	3,712	4,627	3,230	599	763	1,032	1,615	465	(660)	**15,383**
Order backlog	7,397	6,946	6,865	1,154	3,869	2,329	3,956	487	(889)	**32,114**
Headcount	8,531	19,786	11,198	3,194	4,104	2,529	6,321	940		**56,603**

* Consolidation of 100% of UK defence electronics assets and of Datamat
** Proportional consolidation of two joint ventures in space sector from 1 July 2005
*** Includes the goodwill arising from the acquisition of assets in the defence electronics sector