



FINMECCANICA

Resilience and Opportunities in Domestic Markets

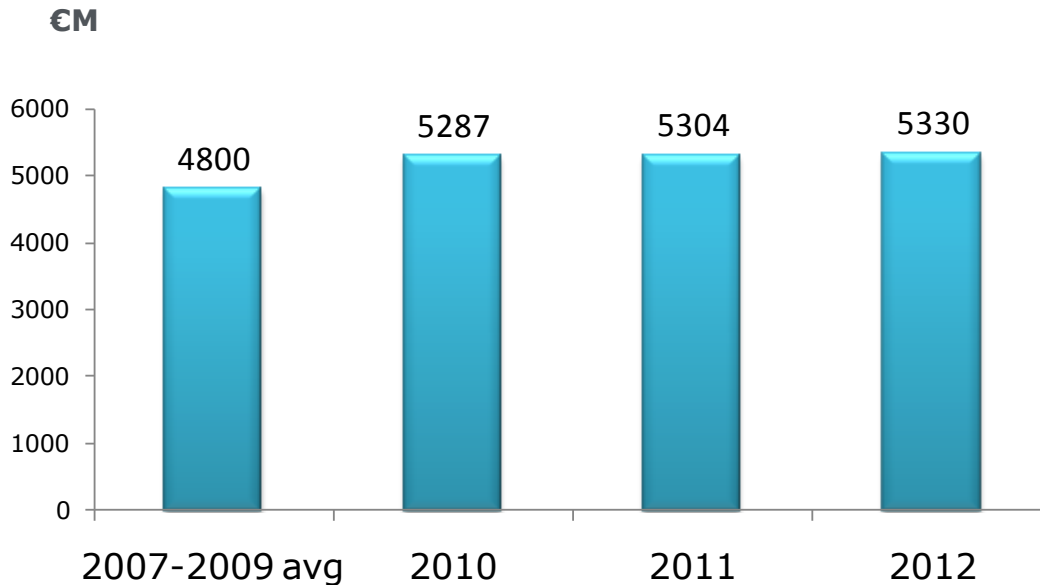
Italy

Giovanni Soccodato
SVP Strategy

Defence Budget Overview

- ❑ Between 2008 and 2009 the global financial crisis has impacted all world Economies
- ❑ Major impact on Defence Budgets foreseen
- ❑ Decline in investments in the defence sector mainly in industrialised countries
- ❑ Cuts in the procurement element of defence budgets were lower than expected
- ❑ Italy is not unaffected by the crisis, Defence spending has however maintained a trend of substantial stability in comparison to the recent past

Defence Investments: MoD + MoI (Ministry of Industry)



The total investments in the defence (funded by MoD and Ministry of Industry) from 2010 to 2012 remain stable, ensuring continuity of ongoing programmes in particular in international cooperation

MoI funds increase the baseline investment by an additional 30-35% (R&D, Industrialisation and Production). The main programmes that are funded with these funds are:

- EUROFIGHTER
- FREMM
- VBM "Freccia" 8x8
- FORZA NEC

Main Consolidated Programmes



EUROFIGHTER (funded By Ministry of Defence and Ministry of Industry)

- EFA Tranche3A - production of 21 A/C for AMI. The value of the 2009 contract for Finmeccanica is €1,165M
- EFA Support Service for AMI aircrafts, granted by NETMA agency (~€600M – Nov 2009)
- Export opportunities in Saudi Arabia, Oman, India



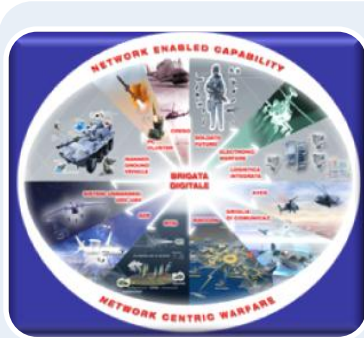
FREMM (funded by Ministry of Defence and Ministry of Industry)

- European Multimission Frigates developed together with France
- The new ships will replace the units "MAESTRALE" and "LUPO" for the Navy
- Export opportunities in Brazil and Algeria



VBM FRECCIA (funded by Ministry of Defence and Ministry of Industry)

- Medium multi-role armoured vehicle "Freccia" for tactical support, protection and security of the Italian Army
- Overall program, for FNM, expects to reach ~€500M
- Export opportunities for VBM "Freccia" armament system in Spain, Peru, Canada and Malaysia



FORZA NEC (funded by Ministry of Defence and Ministry of Industry)

- Forza NEC enables the creation of network-centric armed forces capable of exchanging information, knowing the exact position of allied forces and identifying potential threats as they arise
- The adoption of Forza NEC will allow the Italian Armed Forces to increase their operational capacity
- Overall program, for FNM, expects to reach ~€700M until 2015 (€300M has been already assigned to FNM)



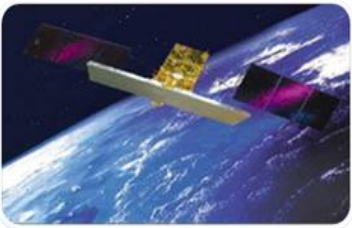
JOINT STRIKE FIGHTER (funded by Ministry of Defence)

- Italian Government participates in the development and production phase for the acquisition of 131 aircraft with an investment valued €1400M
- A further investment of €12.4b is expected for the final assembly (FACO) and the Logistics Support / Operating of the Italian fleet). In 2010 FNM has obtain a contract of the value of €414M
- For 2011 MoD allocated €472M for JSF program



DEFENCE INFORMATION INFRASTRUCTURE (DII) (funded by Ministry of Defence)

- It is a program in the field of C4ISTAR (Joint and Armed Forces), which aims to manage the modernization process of the whole information system of defence at net-centric level
- The first phase includes the launch of a Pilot Project with a duration of three years (2010 – 2012). For 2011 MoD allocated €51M



COSMO SKYMED (funded by Italian Space Agency/Ministry of Defence)

- First global Earth Observation satellite for civil and military applications
- ASI has approved €532M budget for the II° generation satellite development. By the end of December ASI will assign a first tranche of the contract to THAS and Telespazio (€73M)



SICRAL 2 (funded by Ministry of Defence and Ministry of Industry)

- Joint Italian-French program based on a geostationary military comms satellite
- In May 2010 Thales Alenia Space Italia and Telespazio signed a contract, valued €295M, for the development of the satellite and ground segment



SECURITY PROGRAMS (funded by Department of Civil Protection)

- **CIVIL PROTECTION Program** – Contract already awarded for the construction of an Integrated National System for Civil Protection. Overall program, for FNM, expects to reach ~€200M
- **ELECTRONIC IDENTITY CARD** – Program to convert the present “paper” ID document into an electronic version in order to improve security level and to provide value added service to the Citizen



SECURE TRACKING PROGRAM (funded by Ministry of Environment)

- **SISTRI Program** – Contract already awarded from the Environment Ministry for the creation of an Integrated System for Waste Management Tracking and Security
- Overall program, for FNM, expects to reach ~€300M



TRANSPORTATION (funded by Ministry of Transport)

- High Speed – AnsaldoBreda and Bombardier signed a contract for the assembling of 50 high speed trains for a total amount of € 1.540 M, of which 60% awarded by AnsaldoBreda (€ 900 M)



AIR TRAFFIC CONTROL (funded by National Air Traffic Central Agency - ENAV)

- In 2010 FNM has acquired new ENAV contracts for: upgrade of radar systems, 4Flight development program, SATCAS program etc. for a total value of about €120M

New €10B plan for infrastructure development in Southern Regions



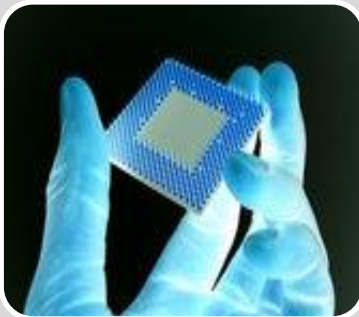
SECURITY PROJECTS

- TETRA SYSTEMS – new opportunities for TETRA extension in the Southern Italy, valued about €400M
- New opportunities related to technology projects for the surveillance and control of urban areas



TRANSPORT

- Transportation – refurbishment and extension of three railway lines in Southern Italy
- The foreseen investment is valued several billion Euro in 2010/2015



RESEARCH AND TECHNOLOGIES

- Research and Competitiveness National Program (PON), specifically devoted to civil and dual technologies: €7B allocated of which 90% still to be assigned

NUCLEAR POWER PROGRAM (funded by Ministry of Industry)



- Agreements signed by Ansaldo Energia with Enel/Edf and with Areva identify the areas of Ansaldo's involvement for their EPR projects in Italy, as well as the potential cooperation in other EPR projects abroad
- Strategic partnership with Nuclear Vendor Westinghouse
- The above is in compliance with the indication of Italian Government, which requires Finmeccanica to be involved in both the foreseen technologies to be used in the Italian market
- Parliamentary approval of the Development Law followed by Government Decree February 2010
- Italian Government plans to start construction of new nuclear units by 2013 in order to provide 25% of perspective generating capability as base-load by 2030

✓ **DEFENCE - Stable better than expected**

- ❑ New multi-year programmes still approved embedded in future planned projects

✓ **SECURITY- Growing range of opportunities allowing to access diversified sources of funding**

- ❑ Waste Management – Secure Tracking
- ❑ Local Funding for Critical Infrastructures

✓ **Additional opportunities underpinned by Public funds**

- ❑ Nuclear Power
- ❑ Transportation (High Speed, Regional Trains, Signaling)



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Resilience and Opportunities in Domestic Markets

USA

Mark Newman

CEO DRS Technologies

- Increased emphasis on counter-insurgency (COIN), counter-terrorism (CT) and stability operations
 - *Increased demand for ISR capabilities*
- Reduced emphasis on conventional warfare
 - *“Good enough” as an acquisition objective*
 - *Need for investment in maintenance and modernization*
 - *Increased emphasis on Cybersecurity*
- Increased use of diplomacy and security cooperation - “Smart Power”
- Increased energy efficiency, use of alternative energy, and minimization of environmental impacts
- Homeland Defence

- Politics, affordability, and budget realities
 - How are DoD needs met within this climate?
- Secretary of Defence Gates' Guidance
 - Generally, need 2% to 3% annual real growth to maintain force structure and modernization
 - Targeting \$100 billion of “efficiencies” over five years beginning in FY12
 - SecDef has already identified areas to reduce costs

DoD Budget Projections

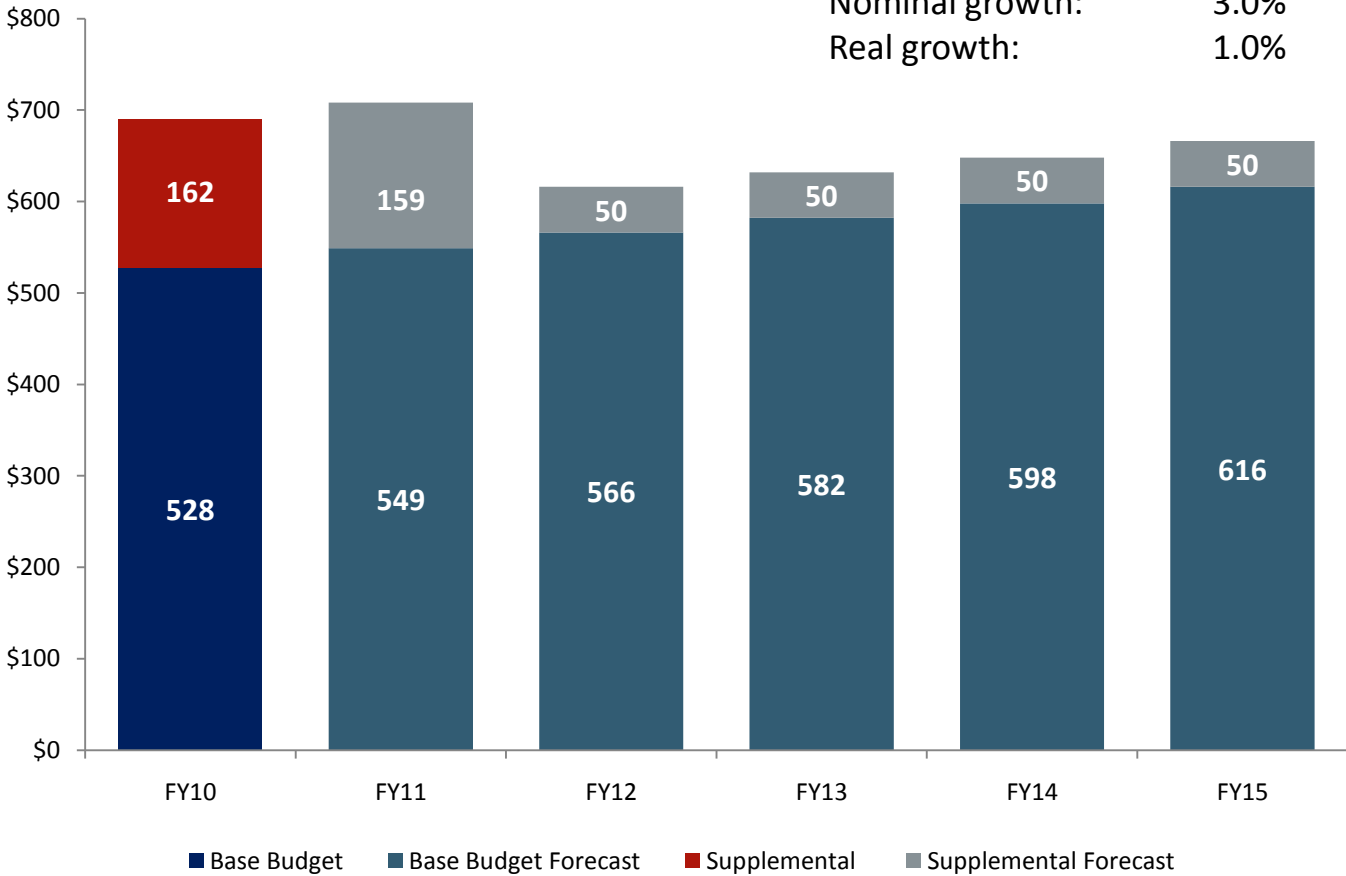
\$US billions



FY 2010 – FY 2015 Base Growth

Nominal growth: 3.0%

Real growth: 1.0%



Note: FY 2011-2015 reflect levels included in President's FY 2011 Budget Proposal

Source: Department of Defence Appropriation Acts FY 2001- FY 2010, FY 2011 President's Budget documents and OMB Historical Tables, February 2010, and final FY 2010 Supplemental

Areas of Opportunity Within the U.S. Defence Market



- Intelligence, Surveillance and Reconnaissance (ISR)
- Tactical Networking
- Unmanned Vehicle Systems
- Modernization and Reset
- Aeronautics and Helicopters
- U.S. FMF/FMS Programs
 - SELEX Communications and Sistemi Integrati products in the Middle East
 - AgustaWestland AW139 helicopters
 - Alenia G222 and C27J aircraft

**Finmeccanica and DRS are well-positioned
within these areas of DoD spending priorities**

DRS's Position Within the Changing Environment Remains Strong



- Highly diversified set of core programs
- Strategic initiatives are aligned with DoD priorities
- Selective acquisition strategy remains intact
- Aligning business development efforts with other Finmeccanica Group companies to expand in the U.S. defence and security markets
- International market presence



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Resilience and Opportunities in Domestic Markets

The UK – Where now?

Alberto de Benedictis

CEO Finmeccanica UK

- Still one of the largest defence budgets in the world
- Still the most open market in the world
- Still the most competitive defence market in the world
- An excellent springboard for exports
- A major security market
- The powerhouse of European Research and Development and of Defence R&T
- Finmeccanica is MOD's second largest supplier



- **Policy**

- Flat cash through 2015 and real growth thereafter
- Adaptability
- Partnering with European Allies
- Exports
- Next review in 5 years
- Cyber

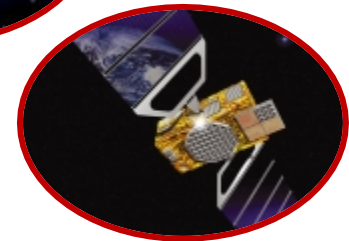
- **Equipment**

- Afghanistan focus through 2015
- CVF, T45, T26, Submarines
- Typhoon, Tornado, JSF
- Merlin, Apache, Wildcat, Chinook
- Enhancement and support
- Streamlined acquisition and delivery

- **Typhoon**
 - Support
 - Exports
 - E-scan radar
- **Helicopters**
 - Support
 - Wildcat full rate production
 - AW101/Merlin
 - AW 169 funding
 - A factory not a garage
- **Battlespace solutions**
 - Architectures & integration
 - Next Generation Thermal imaging



- **UK Military Flying Training System**
 - Alenia Aermacchi M-311 and SF 260TP
 - AgustaWestland
- **Naval Systems**
 - Guns and guided munitions
 - Integrated communications systems
 - Defensive aids and weapons handling
- **Space**
 - SELEX Space Centre Harwell
 - E-Geos Imagery
- **UAVs**
 - European Alliance
 - MALE to UCAS



Bidding over £2B with UK MoD in next 12 months

- UK and Export opportunities in:
 - Cyber – Information Assurance
 - Blue light aircraft and helicopters
 - Command and Control
 - Integrated communications
 - Training systems and services
 - Rail Infrastructure & Systems

Bidding over £300M in next 12 months



Having the quality **skills** to....

....be accepted as a **trusted** partner....

....delivering **cost effective** solutions.....

....through our world-class **centres of excellence**