



## June 2009 Half Year Interim Report

### **Key Points**

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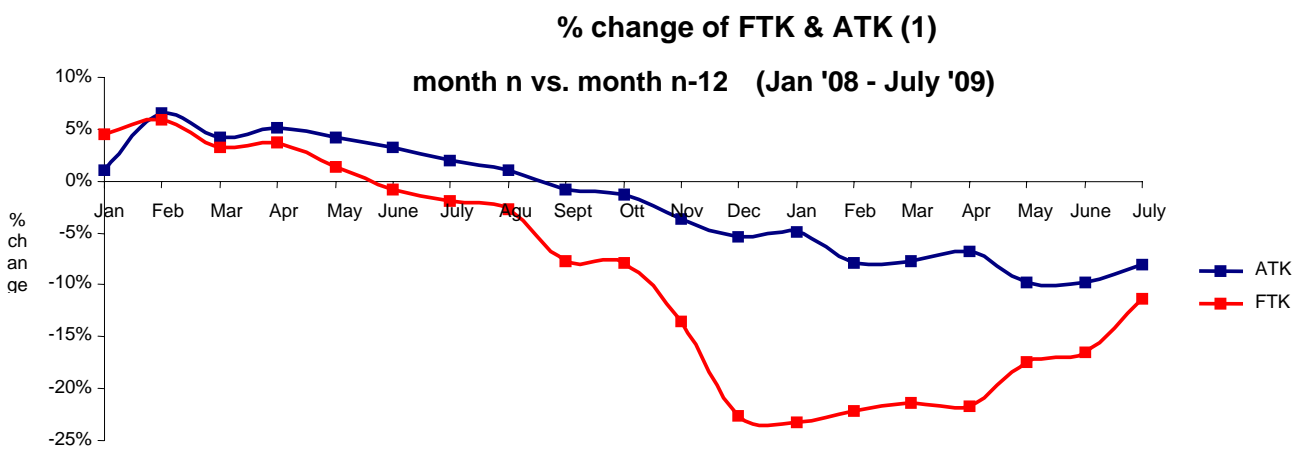
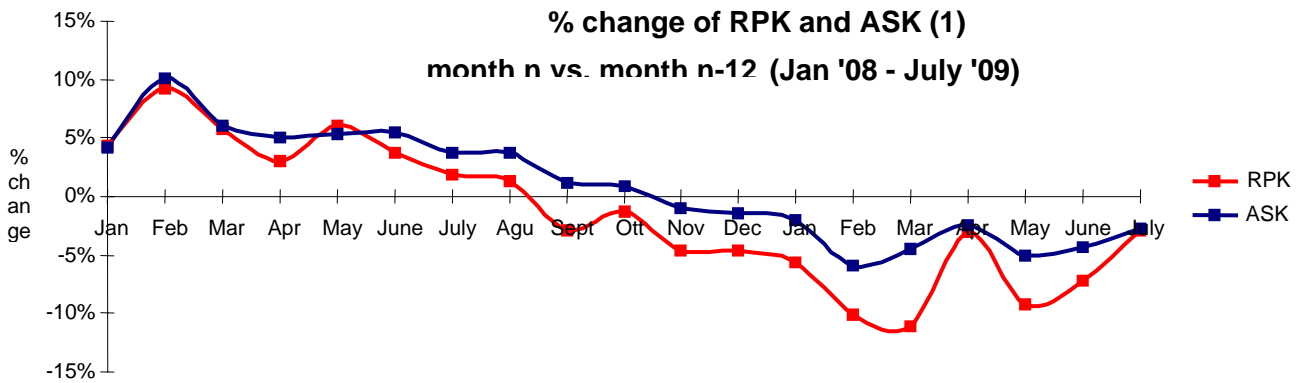
#### **Managing the downturn and preparing for the next growth cycle**

- ⇒ ***Good performance in 2009 despite the market downturn***
- ⇒ ***Civil aviation weak, first signs of recovery perhaps already visible***
- ⇒ ***Mid to long-term aerospace outlook still positive and Avio's business model remains solid***
- ⇒ ***Avio is well positioned for next growth cycle***

### **Air traffic trends in 2009 (July update)**

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- Passenger traffic declined 2.9% compared to the same month in 2008. This was relative improvement compared to the 7.2% drop in June and the 6.8% decline recorded in the first seven months of 2009. International passenger load factors stood at 80.3%, up from 79.9% recorded in July 2008:
  - Asia Pacific carriers are experiencing the extremes of this recession. The 7.6% fall in passenger demand compared to July 2008, was the largest decline of any region, but better than June data (-14.5%). Economic growth returned during the second quarter in a number of Asian economies and this was likely the driver behind July's better performance.
  - European and North America carriers saw declines of 3.1% and 3.2% respectively. Passengers have been trading down to cheaper seats in the face of recession pressures. July improvement was therefore more the result of deep discounting than stronger incomes or greater economic confidence.
  - Middle East carriers were the only to grow in July. 13.2% July growth was slightly better than 12.9% recorded in June. Growth was fueled by increased capacity and greater traffic market share between Europe and Asia.
- Cargo demand declined 11.3% with a relative improvement over the -16.5% recorded in June and the -19.3% average for the seven months 2008. Despite this improvement, the July freight load factor of 47.6% was lower than the 49% recorded in July 2008



(1) Source: IATA global International

RPK: Number of revenue-paying passengers aboard a vehicle multiplied by the distance travelled measured in km  
 ASK: Aircraft km flown multiplied by the number of seats available for revenue passenger use  
 ATK: Tons of freight carrying capacity multiplied by km travelled  
 FTK: Tons of freight transported multiplied by km travelled

## H1 2009 Financial Highlights



### **Satisfactory earnings trend in a weakened market**

- Revenues higher versus 2008 (+6.6%)
- EBITDA higher versus 2008 (+ 4.6%)
- PPP (Profit Protection Plan) in place and being implemented proactively
- Cash flow generated before debt reimbursement higher than expectations. Excess available cash fully used to prepay financial debt (€71 million)
- Full compliance with covenants for financing purposes, with satisfactory headroom

## ⇒ Challenges

- Civil spares volume impacted by the decrease of the air transportation traffic
- Civil engines delivery levels lower than expectations (CF6-80, GE90, PW308)
- Decline of raw material prices not entirely flown into the P&L due to previous hedging at higher prices (nickel) as well as time lag due to products flowing through inventory
- Avioservice revenues and receivables impacted by airlines customers difficulties as a result of financial crisis

## ⇒ Main Financial Data

<i>(amounts in millions of Euro)</i>	H1 2009	H1 2008
ORDERS BACKLOG	5,804.0	4,816.0
REVENUES	835.2	783.9
EBITDA adjusted	150.2	143.5
OPERATING CASH FLOW	128.1	52.1

### Backlog

Group's backlog as of June 30, 2009, evaluated using a US dollar exchange rate of 1.40, was €5,804 million, with a variation of +11.7% compared with the 2008 year-end amount of €5,194 million based on the same exchange rate.

The Aeroengine Division in the period decreased only for approx 2%, notwithstanding the financial issues affecting the civil market. As a matter of fact the Civil engines line recorded a 5% increase, as new orders and ordered engines prices escalation more than offset the revenues booked and the so far limited amount of order cancellations.

Instead the negative change was driven by the Military and Energy & Industrial business lines. The Energy & Industrial business decreased €48 million mainly as a consequence of the cancellation of 10 LMS100 orders and recorded sales were not offset by an equal value of new orders. The Military engines backlog decreased by 9.9% compared to the beginning of the year as a consequence of the normal process of the multi-year contracts being converted in revenues.

Space Division recorded the biggest part of the increase (+124%) thanks to the signature of the Ariane 5 PB contract between EADS and Europropulsion, a JV between SNECMA and Avio, which is responsible for the assembly and sales of the boosters. This order has a consolidated value of approximately €800 million for the Avio Group.

Avioservice Division backlog was 7.8% higher than 2008 year-end thanks to the signature of a 5 years contract with LOT (Poland) for the PW120 engine MRO.

## Revenues

Compared to the same period in 2008, total revenues of the Group in the first six months of 2009 were €51.3 million higher, an increase of 6.6%. This improvement was due to all divisions: Aeroengine +6.5%, Space +6.9% and Avioservice +5.7% (based on current exchange rate).

On a constant exchange rate the Aeroengine division recorded revenues 1.3% lower than in the same period of 2008. This change was due to the Civil engine line that, as expected, recorded revenues 12.3% lower than in the same period of 2008. A better result of the Military and E&I business lines, which improved by 9.9% and 35.6%, respectively, on a constant dollar exchange rate, and the stronger dollar value more than offset the negative effect of the Civil engines.

Civil engines line was mainly affected by the CF6 and CFM56 engines delivery reduction. Military improvement was determined by higher deliveries for EJ200 and T700 engines and increased MRO activity, partly offset by the planned decline of the RB199 engine sales and by lower sales for TP400 and Naval propulsion programs.

Improved revenues of the Space division were due to the Ariane 5 and Vega programs.

The Avioservice division recorded revenues slightly higher than in the same period of 2008, mainly thanks to the new CRO activity, while the PW120 engine "Time and Materials" shop visits were lower than during the first half of 2008.

## EBITDA

The Adjusted EBITDA for the period ending June 30, 2009, which excludes certain unusual and non-recurring costs, was €150.2 million,

Compared to the same period in 2008, EBITDA was €6.7 million higher. The positive change was mainly due to the improved gross margin and to the lower G&A expenses.

## Operating Cash Flow

In the first six months of 2009, the operating cash flow was €128.1 million.

After the payments of financial expenses, taxes and the voluntary prepayment of €70.7 million of debt, the change in available cash was positive for €1.4 million.

As a result of the positive cash flow and the debt prepayment, total net debt decreased, on a constant exchange rate, by €64.7 million, from the 2008 year-end amount of €1,598.2 million to €1,533.5 million as of June 30, 2009.

The first contractually mandatory payment of long-term financing under the Senior Facilities is due in December 2013 for an amount of \$10 million.