



Press Release

Avio: Board Approves 2010 Results

Francesco Caio to become new Chief Executive Officer

Rivalta di Torino (TO), Italy, 30 March 2011 – The Board of Directors of Avio, international aerospace group headquartered in Italy, leader in propulsion systems, today approved its 2010 results.

The Board today also appointed as board member Francesco Caio, who will become Chief Executive Officer with effect from 2 May 2011.

2010 RESULTS

Main consolidated indicators (Euro millions):

	2010	2009	Change
Average US\$/Euro exchange rate	1.33	1.39	
Revenues	1,753.0	1,702.1	+3.0%
- AeroEngine	1,422.1	1,373.8	+3.5%
- Space	285.7	290.2	-1.6%
- Civil MRO (AvioService)	45.2	38.1	+18.6%
Adjusted Ebitda⁽¹⁾	339.1	310.6	+9.1%
- % of Revenues	19.3%	18.3%	
Net debt at nominal value	1,480.8	1,543.6	-4.1%

During the 2010 Financial Year, the Group recorded **consolidated revenues** of Euro **1,753 million**, a growth of 3% at current exchange rates (substantially flat at constant exchange rates) in a year that was still difficult for the aeronautical sector, even though characterised by evident signs of recovery.

Adjusted EBITDA⁽¹⁾ rose to **Euro 339.1 million**, increasing by 9.1% against the 310.6 million in 2009, **corresponding to 19.3% of revenues** (18.3% in 2009), thanks to even greater attention to costs and process efficiency.

The **orderbook** reached **Euro 6 billion**, with an increase of about 1% against 31 December 2009, marking a new record in the Group's history.

¹ Adjusted EBITDA is considered as the appropriate indicator of the Group's financial performance (before tax) excluding non-recurring or exceptional items, thus providing a normalized trend of results over time

“2010 closed with encouraging results. In a macroeconomic scenario which is still unstable, we were able to improve profitability, reinforce the Group’s financial structure and lay the foundations for future growth,” said Mr. Alan Bowkett, Chairman of Avio Group. *“Also in 2011, we intend to invest in the development of distinctive technologies, new products and in the expansion of our international presence, exploiting our know-how and competitive skills”* he concluded.

Trend of activities

AeroEngine Division (including civil, military, aero-derivative and electronic products)

AeroEngine Division posted revenues of Euro 1,422.1 million, an increase of 3.5% against 2009. This result was achieved thanks to the civil sector, driven by the revaluation of the US dollar against the Euro and the first deliveries relative to the GEnx programme (the engine that will power the Boeing B787 Dreamliner and B747-8 aircraft), which offset a slight decrease of other programme sales due to market weakness. The military segment was stable, despite the financial difficulties of many governments struggling with growth in public debt, due to the excellent positioning of the Avio Group in the main international programmes (such as the EJ200 for the Eurofighter and the T700 for helicopter applications) and to the consolidated relations with customers, among which those with the Italian Armed Forces stand out. However, there was a fall in revenues relative to the aeroderivative gas turbine segment, which has already been showing interesting signs of recovery in the first months of 2011.

Space Division

The contribution of the Space Division, active in solid- and liquid-propellant space propulsion systems, satellite launch vehicles, and tactical propulsion, was again important for the Group in 2010, both in terms of profitability and stability, with revenues of Euro 285.7 million (-1.6%). While the Ariane 5 launcher (the programme to which Avio participates with a 14% share) confirmed its leadership worldwide, putting into orbit 12 out of the 20 commercial geostationary telecommunications satellites launched globally in 2010, development activities continued for the new Vega launch vehicle (Avio is systems integrator and *prime contractor* through the ELV subsidiary), for which a contract was signed in September for the first five missions. Vega will launch low orbit (1,000km) non-geostationary satellites.

AvioService Division

In 2010, the MRO activities for civil aeroengines and aeronautical modules and components, generated revenues of Euro 45.2 million, increasing by +18.6% thanks to the business consolidation and expansion strategy pursued by Avio, above all with regard to the maintenance of the PW100 commercial engine family.

Cash flow and financial position

In light of the positive trend of sales and the more than proportional improvement in profitability, the Group was able to sustain investments for over Euro 100 million and at the same time to continue to reduce the level of financial debt.

At 31 December 2010, Avio **net debt** excluding shareholder loans (calculated at nominal value) decreased to **Euro 1,480.8 million** from 1,543.6 million at 31 December 2009, with a reduction – excluding revaluation of US dollar denominated debt – of Euro 107.1 million. This result allowed further improvement of the leverage ratio (net debt/adjusted EBITDA), which passed from the 6.6x of December 2006 to the 4.4x at year-end 2010.

Outlook

In 2011, Avio anticipates a promising growth in revenues, to be achieved thanks to both the recovery in the aeronautical market, especially the civil segment, and the starting of the regular running of production for the GEnx programme, which will significantly contribute to sales. At the same time, during the year, deliveries will start up linked to the TP400 military programme (the engine for the Airbus A400M aircraft) as well as the activities of the satellite launcher Vega, whose maiden flight is foreseen in the last quarter of the year.

In 2011, Avio aims at continuing, with determination, along the path of international development, including the start-up of the Chinese joint ventures and new initiatives in India and Brazil, thus taking on the features of a growing international global Group.

NEW CHIEF EXECUTIVE OFFICER

The Board of Directors of Avio today appointed Francesco Caio to the Board of the company. Francesco Caio, 53, has vast international experience and is currently Vice Chairman of Investment Banking Europe at Nomura and Non-Executive Director of Invensys, Indesit and Il Sole 24 Ore.

Caio will become Avio's Chief Executive Officer with effect from 2 May 2011.

In his career he has held senior management positions in groups operating in the telecommunications, technology and consumer durables industries, such as Cable & Wireless, Merloni Elettrodomestici (now Indesit Company), Olivetti and Omnitel (the first private mobile operator in Italy, now Vodafone Italy).

In his new role as CEO, Francesco Caio will take over from Alan Bowkett, Chairman of Avio Group, who has been leading the company since the sudden death of Company's then CEO Orazio Ragni in October 2010. Bowkett will remain as the Group's Non-Executive Chairman.

Mr. Bowkett welcomed the new Chief Executive Officer, stating: *“Francesco's exceptional management profile and international experience will be a great asset to Avio, which has clients throughout the world. We look forward to his leadership and vision to drive the company in the future”*.

Francesco Caio said: *“I am genuinely thrilled by this unique opportunity. Avio is a leading Italian technology powerhouse in a global industry. With Alan, the team and Cinven's help we will continue to drive growth and keep creating value for all of our stakeholders”*.

Roberto Italia, partner at Cinven and Avio board member, declared: *“Francesco Caio is an extraordinarily talented executive. Avio is a technology champion with a great market position and a superb management team. We are eager to help the team consolidate the Group's leadership throughout the world and warmly welcome Francesco on board”*.

About Avio

Avio is an international group, leader in the aerospace sector, located in Turin (Italy); founded in 1908, it is present on four continents with commercial offices and 9 industrial production sites. It has over 5,000 employees, of which about 4,500 work in Italy. Company revenues in 2010 were Euro 1.7 billion. The Group is active in the field of technological R&D through a network of laboratories located on Italian University campuses, and collaborates with 24 Italian and international universities and research centres.

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