Q1 2014 Results Presentation

Alessandro Pansa | Chief Executive Officer

Gian Piero Cutillo | Chief Financial Officer

FINMECCANICA

7 May 2014

OVERVIEW (Alessandro Pansa - CEO)

Q1 2014 RESULTS (Gian Piero Cutillo - CFO)

APPENDIX

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OVERVIEW (1/2)

- Q1 is our least significant quarter
- Group results subject to the usual seasonality and in line with plan across all the Operating Companies
- Good order momentum, softer revenues consistent with expectations, profitability maintained
- On track to achieve FY guidance

OVERVIEW (2/2)

- Good order intake and solid backlog makes us feel positive looking forward
- We remain confident in Aerospace & Defence businesses
- Good businesses becoming stronger, as you can see in the results
- Completed the settlement of the Fyra contract in the Rolling Stock business, also with the Belgian customer
- Finmeccanica made a lot of progresses in the last few years, delivering on promises
- And all this is leading Finmeccanica firmly and positively on its journey: creating a strong and sustainable, cash generative Aerospace & Defence Group

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GROUP PERFORMANCE (1/2)

€ Mln	Q1 2014	Q1 2013 Restated	% Change	FY 2013 Restated
Orders	2,896	2,613	10.8%	15,059
Backlog	36,732	36,255		36,831
Revenues	2,946	3,099	(4.9%)	13,690
EBITA	153	161	(5.0%)	878
ROS %	5.2%	5.2%	0.0 p.p.	6.4%
EBIT	111	130	(14.6%)	(16)
Net Income after minorities	(21)	0	n.m.	28
EPS (€ cents)	(0,036)	0		0.048
FOCF	(1,185)	(1,302)	9.0%	(220)
Net financial debt	5,061	5,257	(3.7%)	3,902
Headcount	56,003		(0.5%)	56,282

Q1 2013 pro-forma figures to take into account the deconsolidation of Ansaldo Energia

GROUP PERFORMANCE (2/2)

€ Mln	A&D Q1 2014	A&D Q1 2013 Restated	% Change	Transportation Q1 2014	Transportation Q1 2013 Restated	% Change	Total continuing operations Q1 2014	Total continuing operations Q1 2013 Restated	% Change
Orders	2,668	2,471	8.0%	229	145	57.9%	2,896	2,613	10.8%
Backlog	28,713	28,565*	0.5%	8,234	8,494*	(3.8%)	36,732	36,831*	(0.3%)
Revenues	2,495	2,691	(7.3%)	471	443	6.3%	2,946	3,099	(4.9%)
EBITA	147	165	(10.9%)	6	(4)	0.0%	153	161	(5.0%)
ROS %	5.9%	6,1%	(0.2)p.p.	1.3%	(0.9%)	2.2 p.p.	5.2%	5.2%	0.0 p.p.

(*) Figures at 31 December 2013

Q1 2013 pro-forma figures to take into account the deconsolidation of Ansaldo Energia

Q1 2014 OPERATING HIGHLIGHTS

ORDERS

- Good order intake driven by Helicopters in A&D (i.e. UK MoD contracts)
- Peruvian driverless metro contract leveraging core capabilities of Ansaldo STS and AnsaldoBreda; not included in Q1 results

REVENUES

- Slower start to year in Defence Electronics as expected
- Temporary delays in some programmes expected to recover over the course of the year

EBITA & PROFITABILITY

- Group RoS stable at 5.2% in line with expectation
- Restructuring plans progressing well
- Breda losses reduced as per our plan

FOCF

- FOCF and Net Debt improving YoY, despite the normal seasonality

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FY2014 OUTLOOK ASSUMPTIONS

- **ORDERS:** Solid order intake, confirming A&D book to bill above 1

- **REVENUES:** broadly flat / slightly lower

- **PROFITABILITY:** Efficiency gains/restructuring support further improvement in A&D ROS, close to 9%

- **RESTRUCTURING COSTS**
  - P&L: substantially lower in 2014 (vs €395mln in 2013)
  - Cash out in 2014 of ca. € 470mln, down from 2013

- **INVESTMENTS:** Similar level to 2013, supporting key A&D programmes (i.e. AW189, AW169, M-346, B787)

- **CASH FLOW**
  - Step up in A&D cash generation
  - Group cash flow still significantly impacted by AnsaldoBreda (in part due to large increase in Working Capital for Italian High Speed)

2014 GROUP GUIDANCE UNCHANGED

		FY2013A (restated according to IFRS11)		FY2014E (according to IFRS11)	
		GROUP	A&D	GROUP	A&D
Orders	*€ bn*	15.1	13.0	13.0 – 13.5	11.5 – 12.0
Revenues	*€ bn*	13.7	11.8	13.0 – 13.5	11.0 – 11.5
EBITA	*€mln*	878	988	930 - 980	970 – 1,030

		FY2013A GROUP	FY2013A A&D	FY2014E GROUP	FY2014E A&D
FOCF	*€mln*	(220)	135	(100) - 0	250 - 300
Net Financial debt	*€ bn*	3.9		ca. 4.0	

- **2014 Group Net financial debt at year end expected to reflect cash in from Avio proceeds (ca. €260mln)**

CONCLUSIONS

- Results in line with expectations in our least significant quarter
- Good order momentum
- Benefits of restructuring maintaining profitability

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APPLICATION OF NEW IFRS 11

- New International accounting standards (IFRS 10, 11 and 12) effective from 1 January 2014
- IFRS 11 no longer allows for the accounting of Joint Ventures under the proportionate method
- Consequently, Finmeccanica no longer consolidates its Joint Ventures (primarily ATR, MBDA and the Space) and their contribution to the Group is represented only as share of equity accounted investments:
  - EBITA includes the share of Net Income of the JV’s
  - FOCF includes dividends from JV’s
- For comparative purposes 2013 figures have been restated accordingly

HELICOPTERS

€ Mln	Q1 2014	Q1 2013 Restated	Q1 %ch. YoY	FY 2013 Restated
Orders	1,514	906	67.1%	4,384
Revenues	903	948	(4.7%)	4,049
EBITA	112	112	0.0%	547
ROS %	12.4%	11.8%	0.6 p.p	13.5%

- **Orders** demonstrating continued momentum including contracts signed with UK MoD (upgrading of 25 AW101 and Apache IOS 5-year contract)
- **Revenues** impacted by some temporary delays in specific orders expected to be recovered over the course of the year
- **EBITA** in line with Q1 2013 despite lower production volumes, driven by higher profitability and favorable mix of Product Support activities
- **Good momentum, profitability remaining steadily at double digit**

AERONAUTICS

€ Mln	Q1 2014	Q1 2013 Restated	Q1 %ch. YoY	FY 2013 Restated
Orders	432	768	(43.8%)	3,422
Revenues	651	565	15.2%	2,816
EBITA	28	25	12.0%	199
ROS %	4.3%	4.4%	(0.1) p.p.	7.1%

- **Orders** in Q1 2014 compared against a very strong Q1 2013, that benefitted from 50 shipsets of B787. New military orders include 8 M346 for Poland
- **Revenues** driven by civil (mainly B787 and ATR) and military aircrafts
  - B787: 24 fuselage and 21 horizontal stabilizers delivered in Q1
- **EBITA** driven by higher volumes on military aircrafts delivering good profitability
- **Profitability expected to further improve on FY2013 supported by new efficiency measures**

EU DEFENCE ELECTRONICS AND SECURITY-Selex ES

€ Mln	Q1			FY
	2014	2013 Restated	%ch. YoY	2013 Restated
Orders	443	476	(6.9%)	3,457
Revenues	626	720	(13.1%)	3,214
EBITA	6	6	0.0%	71
ROS %	1.0%	0.8%	2 p.p.	2.2%

- **Orders** slightly down in Q1 2014 as Q1 2013 benefitted from EFA DASS and Captor order from Oman
- Lower **Revenues** in the Airborne and Space Systems business area due to delays on new orders and wind down of some key programmes (i.e. EFA)
- **EBITA** in line with Q1 2013. Benefits from restructuring plan offset by lower revenues and industrial margin due to profitability on ATC programmes revised at the end of 2013
- **Restructuring and integration plan is progressing ahead of schedule; profitability to further improve**

US DEFENCE ELECTRONICS AND SECURITY – DRS

$ Mln	Q1 2014	Q1 2013 Restated	Q1 %ch. YoY	FY 2013 Restated
Orders	395	364	8.5%	1,991
Revenues	395	524	(24.6%)	2,213
EBITA	13	27	(51.9%)	194
ROS %	3.3%	5.2%	(1.9)p.p.	8.8%

- **Orders** in line with expectations
- **Revenues** in line with expectations, with fewer deliveries of C4ISR products
- **Profitability** impacted by lower production volumes, partially offset by cost reduction initiatives
- **Expected to maintain high single digit profitability on lower volumes through further rationalization**

Avg. exchange rate €/$ @1.37 in Q1 2014
Avg. exchange rate €/$ @1.32 in Q1 2013

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SPACE

€ Mln	Q1 2014	Q1 2013 Restated	Q1 %ch. YoY	FY 2013 Restated
EBITA	7	4	75%	54
EBITA Margin	n.a.	n.a.	n.a.	n.a.

- Athena Fidus satellite launched in Q1 2014; underlying performance broadly in line with the figures reported in 2013
- **EBITA** affected by some exchange rate losses
- **Profitability expected to remain at high single digit**

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DEFENCE SYSTEMS

€ Mln	Q1 2014	Q1 2013 Restated	Q1 %ch. YoY	FY 2013 Restated
Orders	33	85	(61.2%)	582
Revenues	103	124	(16.9%)	512
EBITA	3	21	(85.7%)	112
ROS %	2.9%	16.9%	(14) p.p	21.8%

- **Orders** and **Revenues** in line with expectations, driven by some contracts winding down. New orders include a navy contract for light torpedoes
- **EBITA** decrease mainly due to lower profitability in Missiles
- **Solid performance confirmed**

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TRANSPORTATION

ANSALDO STS

€ Mln	Q1 2014	Q1 2013 Restated	Q1 %ch. YoY	FY 2013 Restated
Orders	147	120	22.7%	1,484
Revenues	263	248	6.2%	1,230
EBIT	22	20	5.7%	117
EBIT/Revenues%	8.2%	8.2%	0 p.p.	9.5%

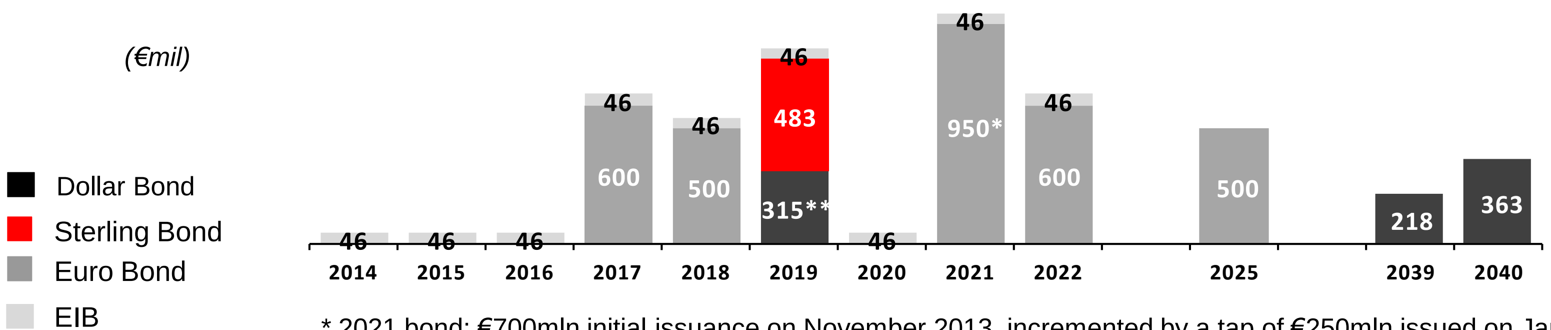
ANSALDOBREDA

€ Mln	Q1 2014	Q1 2013 Restated	Q1 %ch. YoY	FY 2013 Restated
Orders	75	12	525%	384
Revenues	160	144	11.1%	521
EBITA	(14)	(24)	(41.7%)	(227)
ROS %	(8.7%)	(16.7%)	8 p.p.	(43.5%)

- **Order** increase driven by additional regional trains by Ferrovie Nord Milano and equipments for Sirio tram in China. Metro Lima contract, worth $1.2 bn (including ASTS), not included in Q1 2014
- **Revenues** driven by High Speed and regional trains Italy
- **Profitability** improving with a reduction in the loss versus Q1 2013

ROBUST FINANCIAL POSITION (as of end of March 2014)

- No refinancing needs before end 2017
- Strong liquidity position
- Bonds have neither financial covenants nor rating pricing grids
- Revolving credit facility has no financial covenants
- Average life ≈ 8.5 years
- The €2.4 bn RCF will expire in September 2015



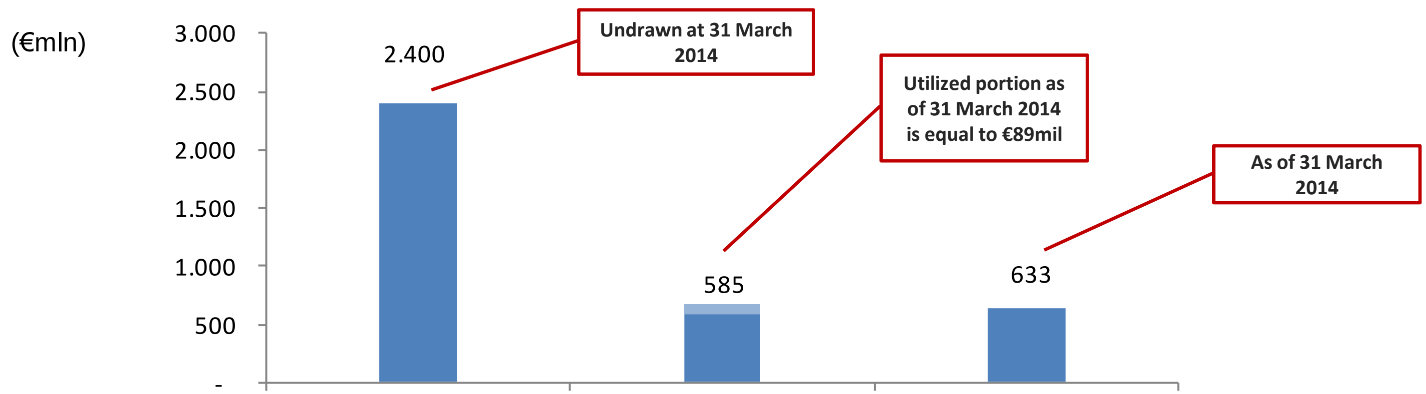
* 2021 bond: €700mln initial issuance on November 2013, incremented by a tap of €250mln issued on January 2014
** Finmeccanica early repaid $66mln of the 2019 USD bond

LIQUIDITY POSITION (as of end of March 2014)

Availability of adequate committed liquidity lines

In order to cope with possible volatilities in financial needs, Finmeccanica can leverage:

- 31 March cash balance of €0.6 bn
- Credit lines worth €3.0 bn (confirmed and unconfirmed), utilized for €89 mln at 31 March 2014
  - A revolving credit facility was signed on September 2010 with a pool of leading Italian and foreign banks for a total of €2.4 bn with maturity in September 2015
- Bank Bonding lines of roughly €1.7 bn to support the execution of bidding and orders' activities



	Revolving Credit Facility	Unconfirmed Credit Lines	Cash in Hand
Tenor	Sept 2015	18 months	
Margin	180 bps(1)	150-200 bps(2)	

(1) Based on rating as of 30/09/2013.

(2) Average. Expected to be renewed at maturity

SAFE HARBOR STATEMENT

NOTE: Some of the statements included in this document are not historical facts but rather statements of future expectations, also related to future economic and financial performance, to be considered forward-looking statements. These forward-looking statements are based on Company's views and assumptions as of the date of the statements and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Given these uncertainties, you should not rely on forward-looking statements.

The following factors could affect our forward-looking statements: the ability to obtain or the timing of obtaining future government awards; the availability of government funding and customer requirements both domestically and internationally; changes in government or customer priorities due to programme reviews or revisions to strategic objectives (including changes in priorities to respond to terrorist threats or to improve homeland security); difficulties in developing and producing operationally advanced technology systems; the competitive environment; economic business and political conditions domestically and internationally; programme performance and the timing of contract payments; the timing and customer acceptance of product deliveries and launches; our ability to achieve or realise savings for our customers or ourselves through our global cost-cutting programme and other financial management programmes; and the outcome of contingencies (including completion of any acquisitions and divestitures, litigation and environmental remediation efforts).

These are only some of the numerous factors that may affect the forward-looking statements contained in this document.

The Company undertakes no obligation to revise or update forward-looking statements as a result of new information since these statements may no longer be accurate or timely.

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2013 Annual Results

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ANNUAL REPORT 2013

PRESS RELEASE

AUDIO-WEBCAST

Sustainability

We do business in a sustainable manner, with a continued commitment to economic and social development and the protection of public health and the environment.