1H 2014 Results Presentation

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Gian Piero Cutillo Chief Financial Officer

FINMECCANICA

1 August 2014


787

1H2014 HIGHLIGHTS

- Strong order intake
- Revenues in line with expectations
- Book to bill consistently >1 since 2013
- Specific profitability issue in A&D (DRS) to be recovered at Group level by yearend
- Below the line items under control
- Positive cash flow generation in 2Q despite cash-out for Indian helicopter contract
- FY2014 Guidance confirmed, FOCF and Net Debt now including impact of cash-out for India

80 DAYS IN THE JOB…

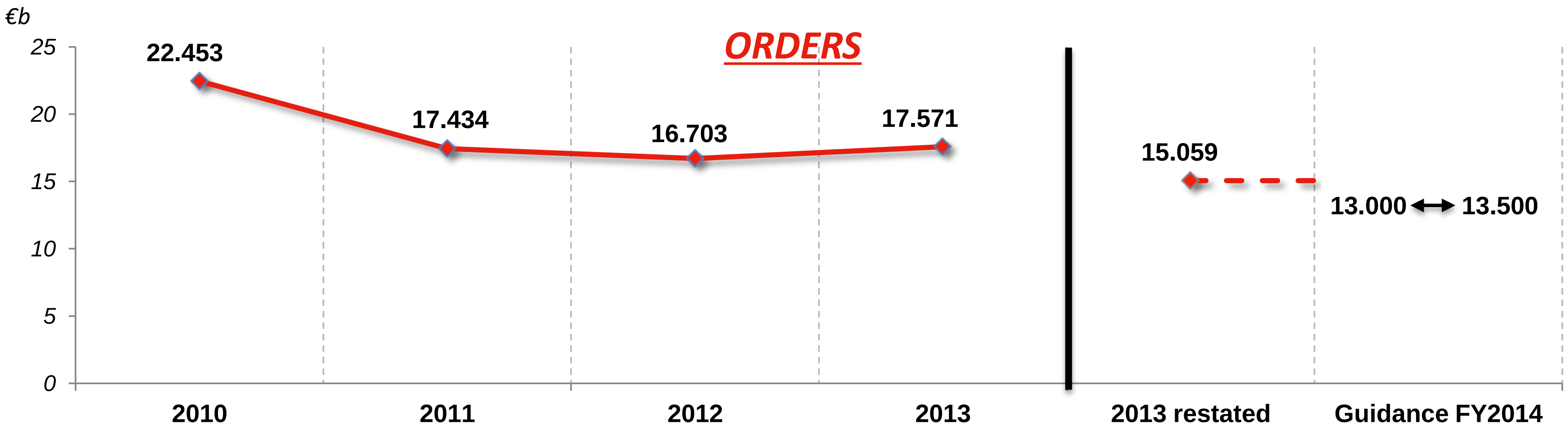
…. since appointed CEO and General Manager, with full operational powers for unified management of the Company and of the Group

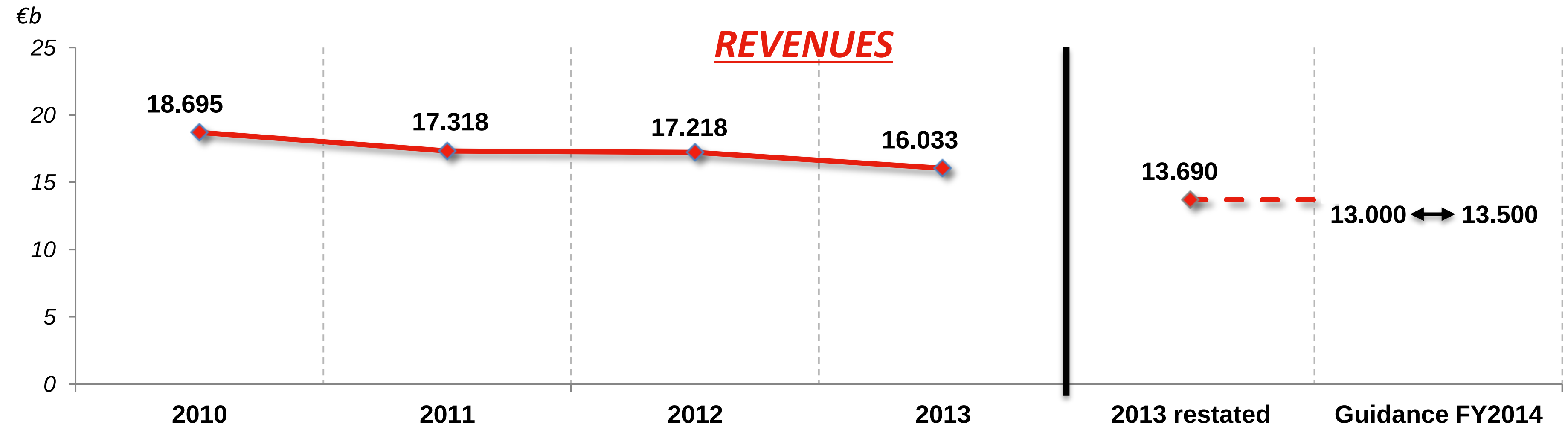
IDENTIFIED STRENGHTS

- some very good businesses with strong capabilities
- selected high quality products and valuable technologies

Using a positive mix of **continuity and discontinuity,**
we intend to improve productivity, profitability and cash flow conversion

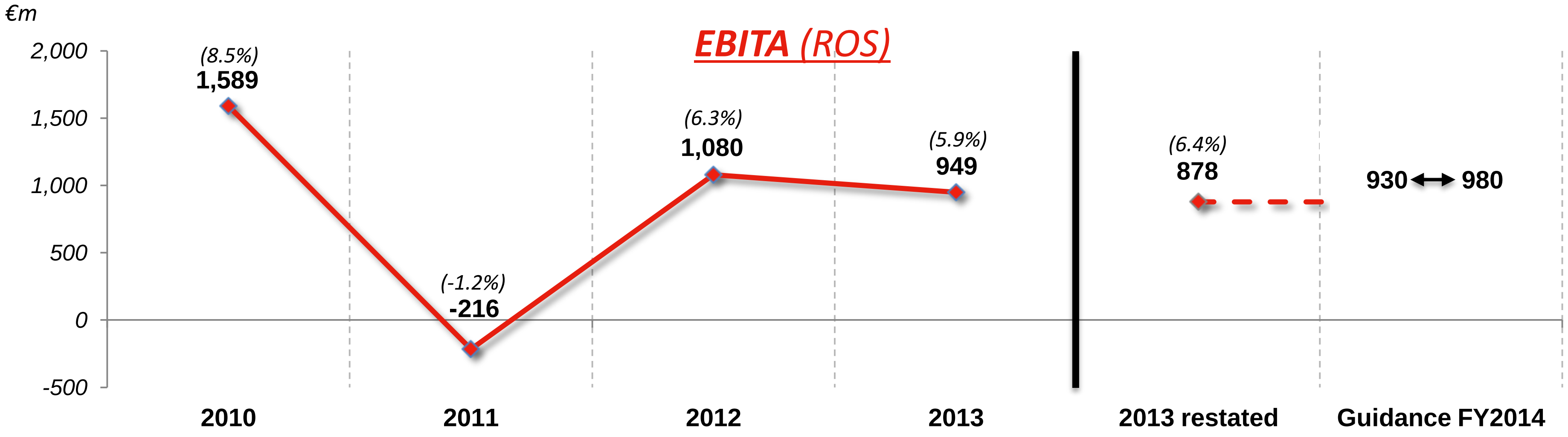
RESILIENT COMMERCIAL PERFORMANCE …

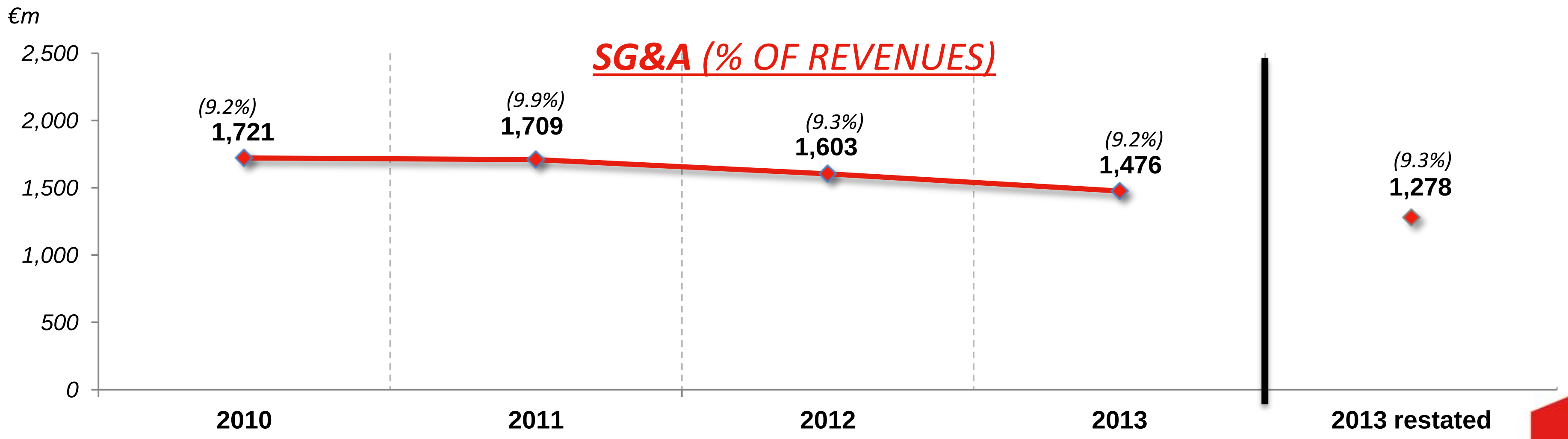




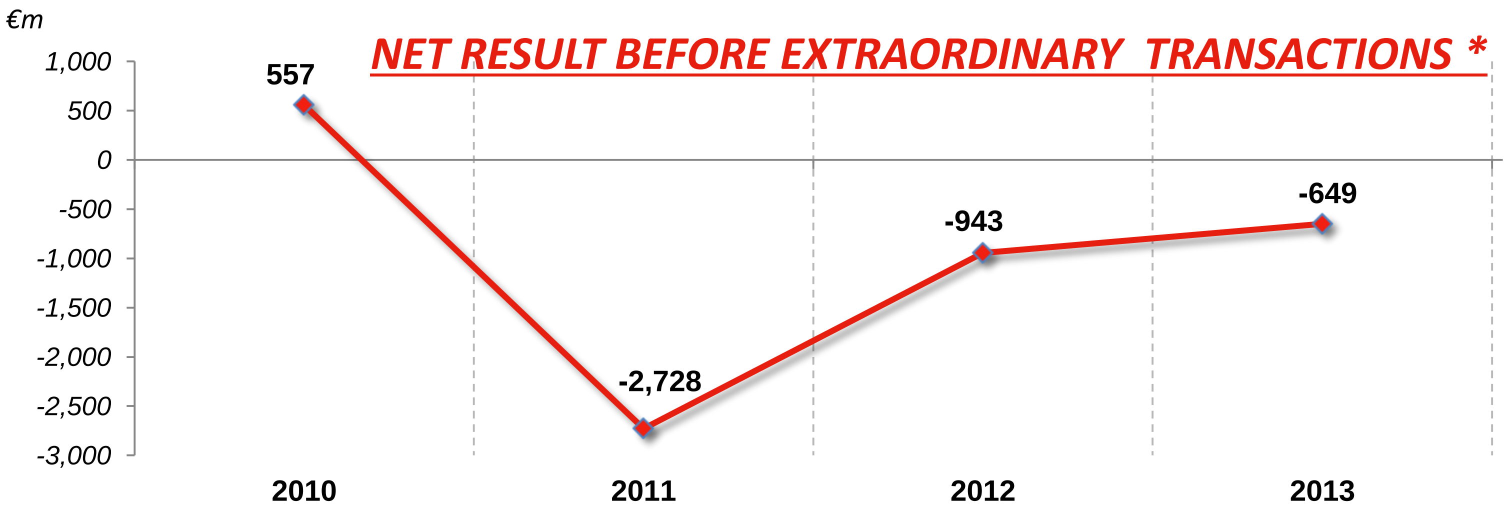
Book to Bill	*1.20*	*1.01*	*0.97*	*1.10*	*1.10*	*~ 1*

… MORE CAN BE DONE ON OPERATING PROFITABILITY …

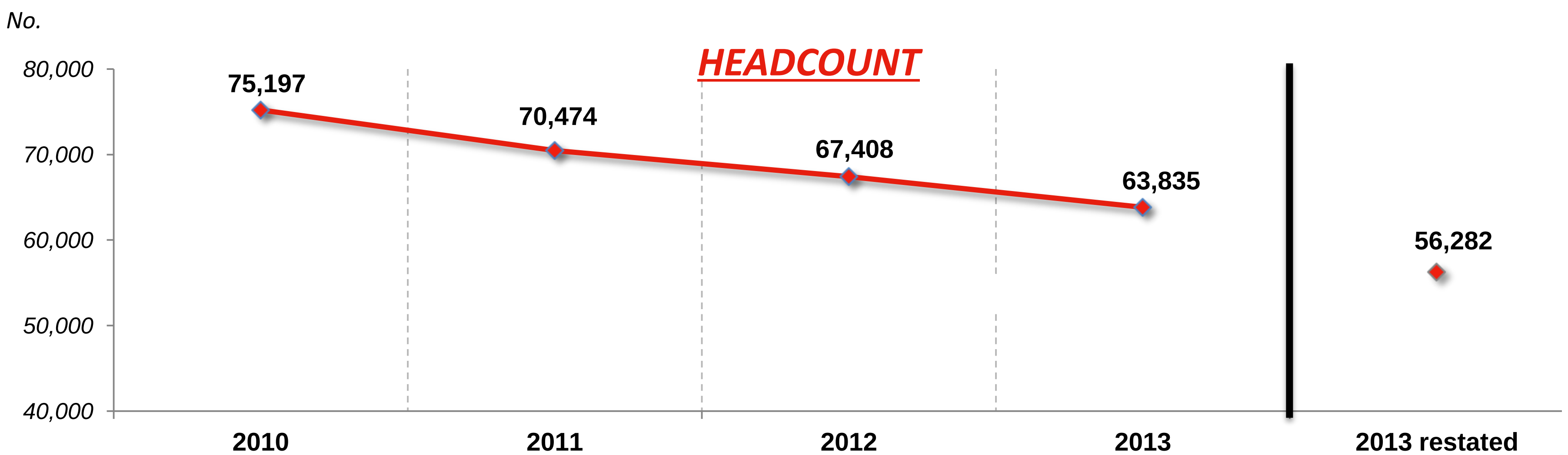




… ON IMPROVING QUALITY OF NET RESULT …



Reduce volatility of net results from operations



** Before discontinued operations and capital gain/loss from acquisitions/disposals*

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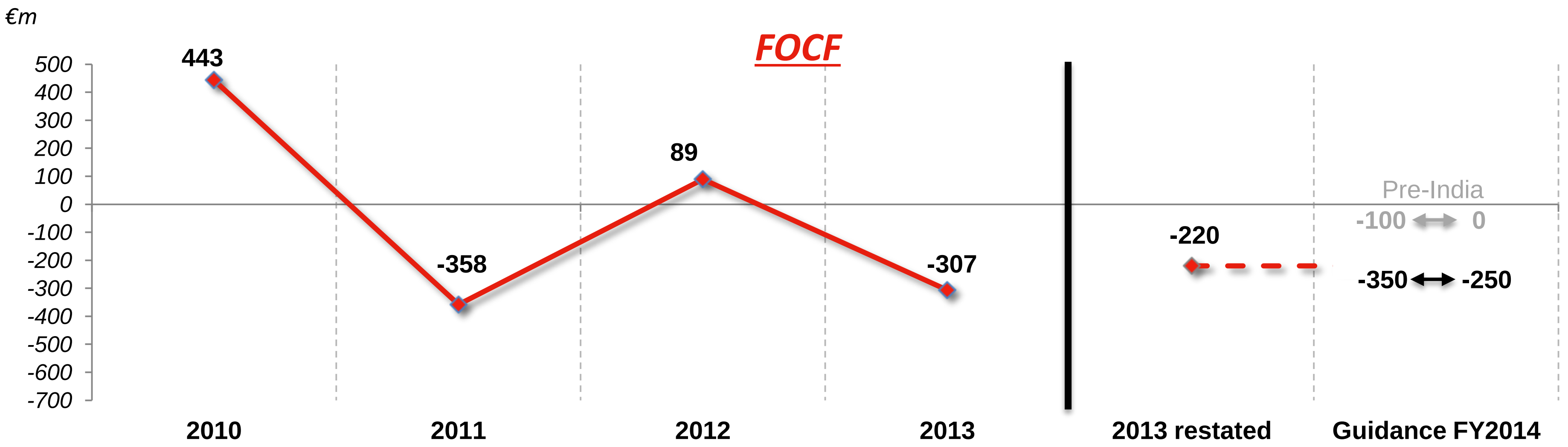
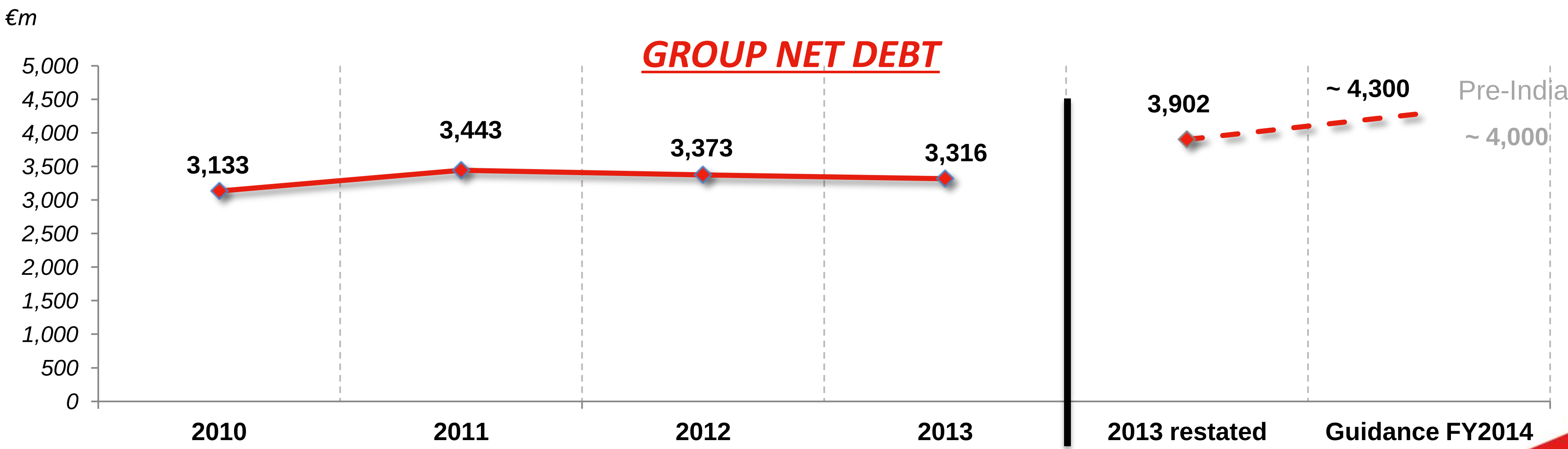
… AND ON INCREASING CASH GENERATION





REVITALISE AND REPOSITION FINMECCANICA

AREAS TO ADDRESS

- Too diversified product portfolio
- Still a number of underperforming assets
- A number of 'one-off' issues
- High level of indebtedness

IDENTIFIED PRIORITIES

- Optimise product portfolio and consequently select investments based on return
- Accelerate on cost savings
- Increase industrial and organisational efficiency
- Tighter control over businesses
- Focus on profitable and cash generative businesses
- Improve economic and financial performance
- Strengthen capital structure and financial flexibility
- Cultural step change

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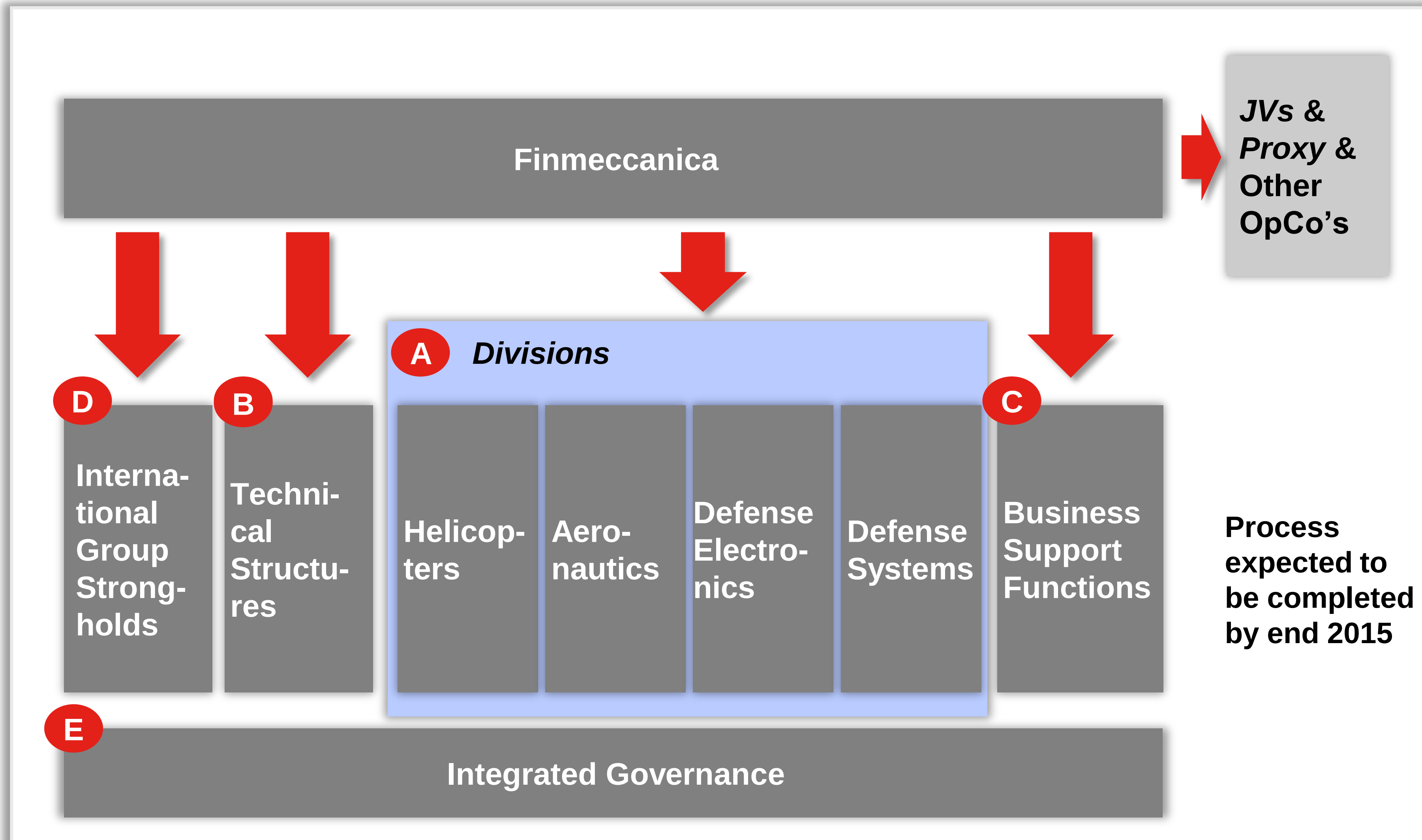
GOING 'FASTER AND FURTHER' ON GROUP GOVERNANCE



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POSITIVE DISCONTINUITY: RELENTLESS OPTIMISATION OF THE COST BASE

Reducing aggressively

- Overheads/staff costs
- Operating costs

ICT will be managed through a single systems for all divisionalised companies, thus

- Reducing costs
- Strengthening control over processes/businesses
- Increasing efficiencies

As part of a deep cultural change

driven by values of essentiality and simplicity

GROUP OVERVIEW *(CEO and General Manager)*

SECTOR RESULTS AND OUTLOOK *(CFO)*

CONCLUSIONS *(CEO and General Manager)*

APPENDIX

GROUP PERFORMANCE (1/2)

€ Mln	Q2 2014	Q2 2013 Restated	Q2 % Change	1H 2014	1H 2013 Restated	1H % Change	FY 2013 Restated
New Orders	4,288	2,427	76.7%	7,184	5,040	42.5%	15,059
Backlog				37,653	34,805	8.2%	36,831
Revenues	3,611	3,531	2.3%	6,557	6,630	(1.1%)	13,690
EBITA	198	265	(25.3%)	351	426	(17.6%)	878
ROS %	5.5%	7.5%	(2 p.p.)	5.4%	6.4%	(1.0 p.p.)	6.4%
EBIT	109	111	(1.8%)	220	241	(8.7%)	(14)
Net result before extraordinary transactions	(27)	(72)	62.5%	(39)	(70)	44.3%	(649)
Net result after minorities	(41)	(79)	48.1%	(62)	(79)	21.5%	28
EPS (€ cents)	(0.071)	(0.137)	48.2%	(0.107)	(0.137)	21.9%	0.048
FOCF	28	106	(73.6%)	(1,157)	(1,196)	3.3%	(220)
Net financial debt				4,840	5,241	(7.7%)	3,902
Headcount				55,690	57,529	(3.2%)	56,282

Q2 and 1H 2013 pro-forma figures to take into account the deconsolidation of Ansaldo Energia
2013 figures restated according to the new IFRS11 accounting principle

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GROUP PERFORMANCE (2/2)

€ Mln	A&D			Transportation			Total continuing operations		
	1H 2014	1H 2013 Restated	*% Change*	1H 2014	1H 2013 Restated	*% Change*	1H 2014	1H 2013 Restated	*% Change*
Orders	5,755	4,580	25.7%	1,447	467	n.m.	7,184	5,040	42.5%
Backlog	28,927	28,565*	1.3%	8,925	8,494*	5.1%	37,653	36,831*	2.2%
Revenues	5,609	5,739	(2.3%)	1,000	937	6.7%	6,557	6,630	(1.1%)
EBITA	325	442	(26.5%)	26	(16)	n.m.	351	426	(17.6%)
ROS %	5.8%	7.7%	(1.9 p.p.)	2.6%	(1.7%)	4.3 p.p.	5.4%	6.4%	(1.0 p.p.)

(*) Figures at 31 December 2013

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HELICOPTERS

€ Mln	Q2 2014	Q2 2013 Restated	Q2 % Change	1H 2014	1H 2013 Restated	1H % Change	FY 2013 Restated
Orders	1,171	530	n.m.	2,685	1,436	87.0%	4,386
Revenues	1,138	1,093	4.1%	2,041	2,041	0.0%	4,049
EBITA	151	170	(11.2%)	263	282	(6.7%)	547
ROS %	13.3%	15.6%	(2.3 p.p.)	12.9%	13.8%	(0.9 p.p.)	13.5%

- **Orders** demonstrating continued momentum, Q2 key orders include various AW139 (29 a/c, +18 vs Q2 2013), Lynx upgrading from Brasil and the integration of missile systems onto Royal Navy AW159 Wildcat helicopters from UK MoD
  - 1H 2014 orders also include key contracts signed in Q1 with UK MoD (upgrading of 25 AW101 and Apache IOS 5-year contract)
- Q2 **Revenues** recovered some Q1 temporary delays on specific programs
  - First 2 AW189 delivered in Q2 2014 following recent EASA certification
- **EBITA** Q2 2013 benefitted from a € 50 mln one-off related to the final closing of US Presidential Helicopter programme. Q2 2014 underlying performance well above Q2 2013 driven by volumes and higher profitability
- **Good momentum confirmed, profitability steadily at double digit**

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AERONAUTICS

€ Mln	Q2 2014	Q2 2013 Restated	Q2 % Change	1H 2014	1H 2013 Restated	1H % Change	FY 2013 Restated
Orders	572	504	13.5%	1,004	1,272	(21.1%)	3,422
Revenues	728	691	5.4%	1,379	1,256	9.8%	2,816
EBITA	46	44	4.5%	74	69	7.2%	199
ROS %	6.3%	6.4%	(0.1 p.p.)	5.4%	5.5%	(0.1 p.p.)	7.1%

- **Orders** up in Q2 driven by civil (B787 and ATR); 1H 2014 compared against a very strong 2013, which benefitted from 50 shipsets of B787

- **Revenues** driven by increasing production rates in civil (mainly B787 and ATR)
  - B787: 32 fuselages delivered in Q2 (18 in Q2 2013)
  - ATR: 25 fuselages delivered in Q2 (20 in Q2 2013)

- **EBITA** solid Q2, 1H up driven by higher volumes on military aircrafts delivering good profitability

- **Profitability confirmed to improve on FY2013 supported by programs performance and new efficiency measures**

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EU DEFENCE ELECTRONICS AND SECURITY-Selex ES

€ Mln	Q2			1H			FY
	2014	**2013 Restated**	***% Change***	**2014**	**2013 Restated**	***% Change***	**2013 Restated**
Orders	956	704	35.8%	1,399	1,180	18.6%	3,457
Revenues	928	826	12.3%	1,554	1,546	0.5%	3,214
EBITA	41	20	n.m.	47	26	80.8%	71
ROS %	4.4%	2.4%	2 p.p.	3.0%	1.7%	1.3 p.p.	2.2%

- **Orders** up in Q2 2014 driven by the recently announced contract for new generation fire-control radars to be installed on Saab's Gripen aircraft as well as additional support&maintenance activities for Italian Typhoon fleet
- **Revenues** Q2 recovery of some delays (mainly in the Airborne and Space Systems business area) leading to 1H back in line with 2013
- **EBITA** strong improvement in Q2 driven by volumes and recovery in profitability (as Q2 2013 was impacted by worse industrial margin in specific areas, mainly ATC). 1H also benefitting from restructuring and integration plan progressing ahead of schedule.
- **Profitability expected to further improve as Restructuring and integration plan is delivering benefits and recovery of industrial margin on troubled areas is on track**

FINMECCANICA

US DEFENCE ELECTRONICS AND SECURITY – DRS

$ Mln	Q2 2014	Q2 2013 Restated	Q2 % Change	1H 2014	1H 2013 Restated	1H % Change	FY 2013 Restated
Orders	556	487	14.0%	951	851	11.8%	1,991
Revenues	432	527	(18.2%)	827	1,051	(21.3%)	2,213
EBITA	(77)	33	n.m.	(64)	60	n.m.	194
ROS %	(17.8%)	6.3%	(24.1 p.p.)	(7.7%)	5.7%	(13.4 p.p.)	8.8%

- **Orders** up due to some timing effects, overall trend in line with expectations
- **Revenues** in line with expectations, with fewer deliveries of C4ISR products
- **EBITA** heavily impacted by losses recorded in Q2 on a specific development program in *Training, Control, Avionics & Irregular Warfare* line of business
- **FY results affected by Q2 losses, profitability expected to be only slightly positive despite further rationalization benefits**

Avg. exchange rate €/$ @1.37 in 1H 2014
Avg. exchange rate €/$ @1.31 in 1H 2013

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SPACE

€ Mln	Q2 2014	Q2 2013 Restated	Q2 % Change	1H 2014	1H 2013 Restated	1H % Change	FY 2013 Restated
EBITA	10	20	(50%)	17	24	(29.2%)	55

- **EBITA** affected by restructuring costs related to a redundancy plan launched early 2014

DEFENCE SYSTEMS

€ Mln	Q2 2014	Q2 2013 Restated	Q2 % Change	1H 2014	1H 2013 Restated	1H % Change	FY 2013 Restated
Orders	45	101	(55.4%)	78	186	(58.1%)	583
Revenues	127	125	1.6%	230	249	(7.6%)	515
EBITA	23	29	(20.7%)	26	50	(48.0%)	111
ROS %	18.1%	23.2%	(5.1 p.p.)	11.3%	20.1%	(8.8 p.p.)	21.6%

- **Orders** and **revenues** in line with expectations, driven by some contracts winding down
- **EBITA** decrease mainly due to lower profitability in Missiles
- **Solid performance confirmed**

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TRANSPORTATION

ANSALDO STS

€ Mln	Q2 2014	Q2 2013 Restated	Q2 % Change	1H 2014	1H 2013 Restated	1H % Change	FY 2013 Restated
Orders	743	270	n.m.	890	390	n.m.	1,484
Revenues	318	324	(1.9%)	581	572	1.6%	1,230
EBIT	30	32	(3.8%)	52	52	0.0%	117
ROS (EBIT/Revenues) %	9.6%	9.8%	(0.2 p.p.)	8.9%	9.1%	(0.2 p.p.)	9.5%

ANSALDOBREDA

€ Mln	Q2 2014	Q2 2013 Restated	Q2 % Change	1H 2014	1H 2013 Restated	1H % Change	FY 2013 Restated
Orders	462	31	n.m.	537	43	n.m.	384
Revenues	171	120	42.5%	331	264	25.4%	521
EBITA	(9)	(44)	79.5%	(23)	(68)	66.2%	(227)
ROS %	(5.3%)	(36.7%)	31.4 p.p.	(6.9%)	(25.8%)	18.8 p.p.	(43.5%)

- Q2 2014 **order** increase driven by Metro Lima contract, worth $1.2 bn (including ASTS), and additional regional trains by Ferrovie Nord Milano
- **Revenues** increase mainly driven by High Speed and regional trains Italy as well as metro for Milan Expo
- **Profitability** improving in Q2 and 1H 2014 supported by higher volumes, with reduced losses vs. 2013
- **Performance expected to further improve as recovery in profitability progressing well**

ONGOING COST SAVINGS PLAN IN A&D 2014-2015

In order to continue to improve industrial performance and go ahead with restructuring initiatives, Finmeccanica has launched additional initiatives in A&D

Helicopters	- *Headcount rightsizing*
Aeronautics	- *Centralizing Procurement*
European Defence Electronics & Security – SES	- *Cost Reduction*
US Defence Electronics & Security – DRS	- *Operational Efficiency*
	- *Focus on Modularity*

Cumulative €300mln of cost savings expected in 2014/2015 (2013 baseline)

FOCF AND LIQUIDITY UPDATES

- Half year FOCF improved compared to last year, despite the Indian payment
- Good dividends inflow from JVs and operating cash flow
- Avio proceeds helped to reduce Group net debt
- Revolving Credit Facility renewed
- No refinancing needs before end 2017

2014 GUIDANCE

		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
FOCF	*€mln*	(220)	135	(350) - (250)	0 – 50
Net Financial Debt	*€ bn*	3.9		ca. 4.3	

- FY 2014E FOCF and Net Financial Debt adjusted in order to factor in the unexpected cash out for the Indian helicopters contract (€256mln)

GROUP OVERVIEW *(CEO and General Manager)*

SECTOR RESULTS AND OUTLOOK *(CFO)*

CONCLUSIONS *(CEO and General Manager)*

APPENDIX

ROADMAP- CONCLUSIONS

- Finmeccanica has some good businesses and strong capabilities that we can leverage on
- Clear challenges have to be addressed
  - using a positive mix of continuity and discontinuity
  - engineering a deep cultural change driven by values of essentiality and simplicity
  - adopting a relentless and vigorous approach to optimising the cost base
  - driving returns from our investments
- I am serious and determined to tackle these challenges
- We are working actively on the new industrial plan, that I look forward to sharing with you

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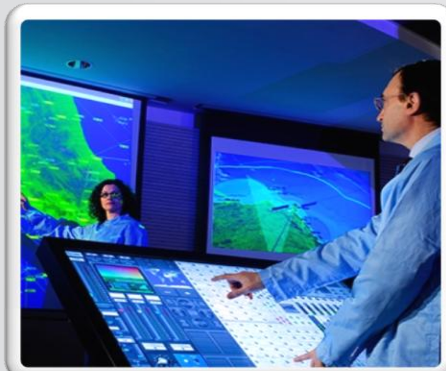
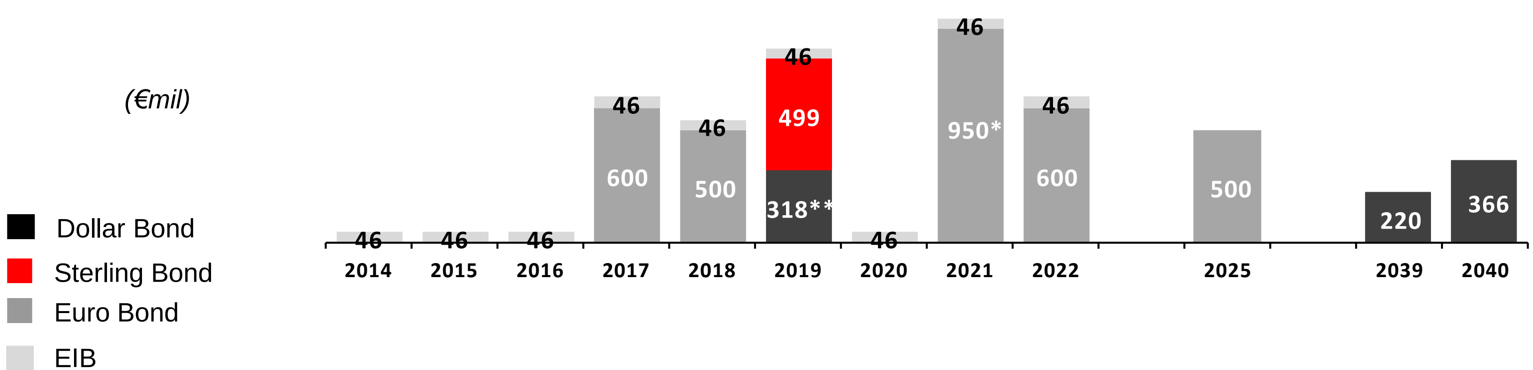


FINANCIAL POSITION
(as of end of June 2014)

- No refinancing needs before end 2017
- Strong liquidity position
- Bonds have neither financial covenants nor rating pricing grids
- Average life ≈ 8.3 years



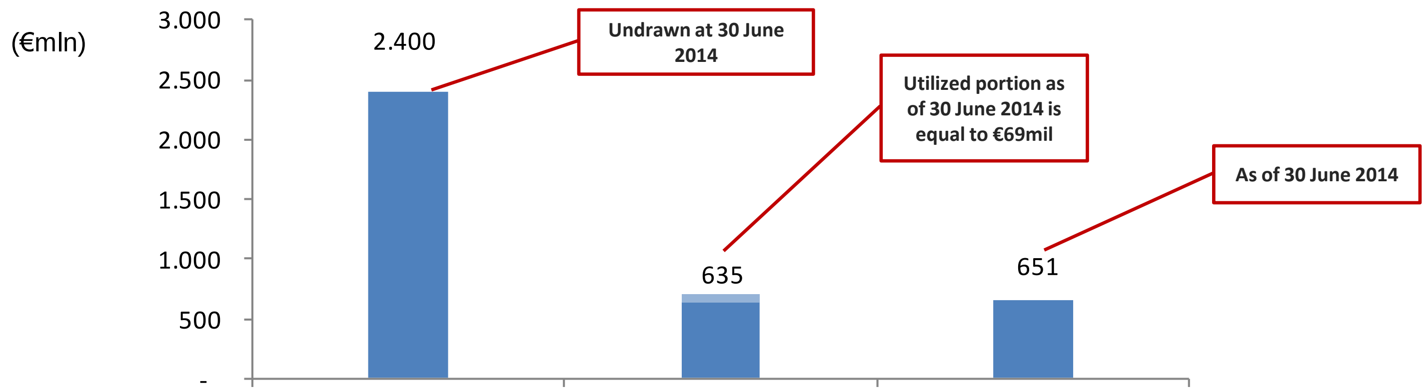
* €700mil initial issuance on November 2013, incremented by a tap of €250mil issued on January 2014
** Finmeccanica early repaid $66mil

LIQUIDITY POSITION (as of end of June 2014)

Availability of adequate committed liquidity lines

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

- 30 June cash balance of €0.65 Billion
- Credit lines worth €3.0 Billion (confirmed and unconfirmed), utilized for €69mil at 30 June 2014
  - The € 2.4 Billion RCF, expected to naturally expire in Sept. 2015, was refinanced on 9 July 2014 with a pool of leading Italian and foreign banks. The new credit line of € 2.2Billion, which will have a duration of five years, extend the period of availability of credit to July 2019 (for additional details see dedicated slide)
- Bank Bonding lines of roughly €2.6 Billion 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 30/06/2014.

(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.