The new Finmeccanica objectives

2014 Results of the Group and of Finmeccanica SpA

Sector results and outlook

Guidance 2015 and medium term outlook

The new Industrial Plan

The new Management Incentive Plan

Shareholding and share performance

Sustainability Report 2014
The new Finmeccanica objectives

1. Improve Profitability: ROS around 2 digits by end 2016, no P&L volatility and material net income increase
2. Increase Cash flow conversion rate at adequate levels
3. Reduce Operating Net Invested Capital, lowering working capital and investments
4. Reduce Gross and Net Debt, resulting in a better capital structure

What we’ve done in less than one year

- 2014 results above expectations
- Five years Industrials Plan finalized
- Disposal of Transportation sector (Railway and buses) completed, for a total consideration in excess of €800mln
- Leading management team set up
- New Group governance launched, with new identity as a pure Aerospace, Defence and Security (A,D&S) company
The new Finmeccanica objectives

Industrial strategy
- Improve the key industrial processes (Engineering, Supply Chain, Manufacturing) of our operating business, to reach an adequate level of efficiency and effectiveness
- Re-design the group commercial foot print domestically and internationally
- Improve operating performance
- Identify, address and solve criticalities in some business areas

Financial strategy remains focused on debt reduction through:
- Increased cash flow generation resulting from the turnaround of Group’s operations
- Gross debt reduction over the coming years

After this two years of consolidation of the capital structure and performance we could move into a new phase of our development strategy, targeting growth opportunities
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Sustainability Report 2014
2014 Group performance

<table>
<thead>
<tr>
<th></th>
<th>FY</th>
<th>2014</th>
<th>2013 Restated</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Orders</td>
<td>€ Mln</td>
<td>15,619</td>
<td>15,059</td>
<td>3.7%</td>
</tr>
<tr>
<td>Backlog</td>
<td>€ Mln</td>
<td>38,234</td>
<td>36,831</td>
<td>3.8%</td>
</tr>
<tr>
<td>Revenues</td>
<td>€ Mln</td>
<td>14,663</td>
<td>13,690</td>
<td>7.1%</td>
</tr>
<tr>
<td>EBITA</td>
<td>€ Mln</td>
<td>1,080</td>
<td>878</td>
<td>23.0%</td>
</tr>
<tr>
<td>ROS %</td>
<td></td>
<td>7.4%</td>
<td>6.4%</td>
<td>1.0 p.p.</td>
</tr>
<tr>
<td>EBIT</td>
<td>€ Mln</td>
<td>692</td>
<td>(14)</td>
<td>n.a.</td>
</tr>
<tr>
<td>Net result before extraordinary transactions</td>
<td>€ Mln</td>
<td>70</td>
<td>(649)</td>
<td>n.a.</td>
</tr>
<tr>
<td>Net result after minorities</td>
<td>€ Mln</td>
<td>(31)</td>
<td>28</td>
<td>n.a.</td>
</tr>
<tr>
<td>EPS (€ cents)</td>
<td></td>
<td>(0.054)</td>
<td>0.048</td>
<td>n.a.</td>
</tr>
<tr>
<td>FOCF</td>
<td></td>
<td>(137)</td>
<td>(220)</td>
<td>37.7%</td>
</tr>
<tr>
<td>Group Net Debt</td>
<td></td>
<td>3,962</td>
<td>3,902</td>
<td>1.5%</td>
</tr>
<tr>
<td>Headcount</td>
<td></td>
<td>54,380</td>
<td>56,282</td>
<td>(3.4%)</td>
</tr>
</tbody>
</table>

2013 figures restated according to the new IFRS11 accounting principle

Free Operating Cash-Flow (FOCF): this is the sum of the cash flows generated by (used in) operating activities (which includes interests and income taxes paid) and the cash flows generated by (used in) ordinary investment activity (property, plant and equipment and intangible assets) and dividends received.
FY2014 Results ahead of expectations

Robust commercial performance: orders at >€15bn (+4% YoY), book to bill >1

- Good A,D&S order acquisition driven by
  - Helicopters (+4% YoY), thanks to UK MoD orders (AW101 and Apache Customer Support)
  - DRS stable after some years of declines due to US sequestration, Selex ES over 4% YoY
- Strong growth in Transportation

Revenues close to €14.7bn

- Solid performance in A,D&S mainly driven by
  - Helicopters: AW189, CH47 for the Italian Army, product support and AW101 production increased
  - Selex ES: production of important programmes started
  - Aeronautics: B787 production rates increased
FY2014 Results ahead of expectations

Strong profitability improvement: EBITA at €1,08 bn (+23% YoY), RoS at 7.4%
- Strong underlying improvement in Helicopters, excluding one-off benefit of US Presidential Helicopter in 2013
- Step change in Corporate costs (>€25 mln of savings) and efficiencies more than offset impact from losses on Air Cargo contract at DRS
- Significant improvement of Selex ES due to higher volumes and benefits from restructuring
- Transportation returned to profitability, benefiting from reduced losses at AnsaldoBreda

Strong reduction in “below the line” costs led to a significant increase in EBIT (from negative €14 mln to positive €692 mln)

Positive A,D&S FOCF, excluding payment on the Indian Helicopter contract
- FOCF before extraordinary cash-out on the Indian contract (-€256 mln) would have been positive for around €120mln (+€340mln YoY), driven by higher cash generation in A,D&S and better performance of Transportation
- Benefited from extraordinary dividend distribution from JVs for approx. €100 mln
Net Result before extraordinary transactions ahead of expectations
“Back in the black”

Positive Net Result before extraordinary transactions (€70mln), for the first time since 2010

- +23% in EBITA driven by increasing revenues and improved efficiencies
- Financial expenses almost flat
- Slight increase in income taxes due to higher operating results
### Results of Finmeccanica SpA

<table>
<thead>
<tr>
<th></th>
<th>€ Mln</th>
<th>2014</th>
<th>2013</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td>64</td>
<td>67</td>
<td>-4.5%</td>
</tr>
<tr>
<td><strong>Purchase and personnel expense</strong></td>
<td></td>
<td>-127</td>
<td>-153</td>
<td>-</td>
</tr>
<tr>
<td><strong>Other net operating income/(expenses)</strong></td>
<td></td>
<td>-1</td>
<td>79</td>
<td>-</td>
</tr>
<tr>
<td><strong>Amortisation, depreciation and impairment losses</strong></td>
<td></td>
<td>-11</td>
<td>-16</td>
<td>-</td>
</tr>
<tr>
<td><strong>EBITA</strong></td>
<td></td>
<td>-75</td>
<td>-23</td>
<td>n.s.</td>
</tr>
<tr>
<td><strong>Restructuring costs</strong></td>
<td></td>
<td>-26</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td></td>
<td>-101</td>
<td>-23</td>
<td>n.s.</td>
</tr>
<tr>
<td><strong>Net financial income/(expense)</strong></td>
<td></td>
<td>-43</td>
<td>-355</td>
<td>-</td>
</tr>
<tr>
<td><strong>Income taxes</strong></td>
<td></td>
<td>3</td>
<td>23</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net Result before extraordinary transactions</strong></td>
<td></td>
<td>-141</td>
<td>-355</td>
<td>60.3%</td>
</tr>
<tr>
<td><strong>Net Result</strong></td>
<td></td>
<td>-141</td>
<td>-355</td>
<td>60.3%</td>
</tr>
</tbody>
</table>
The new Finmeccanica objectives

2014 Results of the Group and of Finmeccanica SpA

**Sector results and outlook**

Guidance 2015 and medium term outlook

The new Industrial Plan

The new Management Incentive Plan

Shareholding and share performance

Sustainability Report 2014
## Helicopters

<table>
<thead>
<tr>
<th>€ Mln</th>
<th>FY</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
<td>2013 Restated</td>
</tr>
<tr>
<td>Orders</td>
<td>4,556</td>
<td>4,386</td>
</tr>
<tr>
<td>Revenues</td>
<td>4,376</td>
<td>4,049</td>
</tr>
<tr>
<td>EBITA</td>
<td>543</td>
<td>547</td>
</tr>
<tr>
<td>ROS %</td>
<td>12.4%</td>
<td>13.5%</td>
</tr>
</tbody>
</table>

- **Strong performance in 2014**

- **Activities on new products progressing well:**
  - AW189 AESA certification in Q1 and 10 units delivered in 2014, underpinning YoY revenue growth; FAA validation achieved in Q1 2015
  - AW169 certification expected in 2015

- **Growing EBITA YoY**, excluding the effect of the €50mln one-off related to the final closing of US Presidential Helicopter programme (1H2013), with strong double digit profitability

- **Continue to expect solid performance**, with revenues in line and profitability steadily at double digit. Growing commercial success of AW169, AW189 and customer support
2014 recorded a significant step up in results
   - strong improvement in EBITA driven by higher volumes, recovery in profitability in specific areas, as well as restructuring and integration plan progressing well

Profitability expected to further improve in 2015

Additional benefits coming from the initiatives launched in engineering and production included in the new industrial plan
US Defence Electronics and Security – DRS

<table>
<thead>
<tr>
<th>$ Mln</th>
<th>FY</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
<td>2013 Restated</td>
</tr>
<tr>
<td>Orders</td>
<td>1,945</td>
<td>1,991</td>
</tr>
<tr>
<td>Revenues</td>
<td>1,877</td>
<td>2,213</td>
</tr>
<tr>
<td>EBITA</td>
<td>31</td>
<td>194</td>
</tr>
<tr>
<td>ROS %</td>
<td>1.7%</td>
<td>8.8%</td>
</tr>
</tbody>
</table>

- Order intake in line with last year, for the first time after some years of decreasing trend
- Air Cargo contract issue in Q2 that impacted FY profitability fully addressed and provisioned in 2014 - no impact going forward
- DRS expected to recover profitability in 2015 based on execution of efficiency programmes and streamlining efforts under way
- Orders and revenues expected to remain at the same levels as 2014 (excluding the effect of the disposals of two specific LoBs, which account for ca. €200mln Revenues p.y.), envisaging the conclusion of the gradual decline that affected DRS in recent years

Avg. exchange rate €/$ @1.33 in 2014
Avg. exchange rate €/$ @1.33 in 2013
Aeronautics

<table>
<thead>
<tr>
<th>€ Mln</th>
<th>FY</th>
<th>2014</th>
<th>2013 Restated</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orders</td>
<td></td>
<td>3,113</td>
<td>3,422</td>
<td>(9.0%)</td>
</tr>
<tr>
<td>Revenues</td>
<td></td>
<td>3,144</td>
<td>2,816</td>
<td>11.6%</td>
</tr>
<tr>
<td>EBITA</td>
<td></td>
<td>237</td>
<td>199</td>
<td>19.1%</td>
</tr>
<tr>
<td>ROS %</td>
<td></td>
<td>7.5%</td>
<td>7.1%</td>
<td>0.4 p.p.</td>
</tr>
</tbody>
</table>

- Good production performance, mainly B787, ATR as well as M346 and EFA
  - M346: 8 a/c delivered to Israel
  - B787 rise in production rates (113 fuselage and 82 horizontal stabilisers in 2014)

- 2015 profitability expected in line with 2014, driven by additional efficiency-improvement and cost reduction actions, that will offset the lower contribution of high-margin programmes

- 2015 Revenues impacted by pass through activities to be given back to Boeing under agreements for the B787 programme (ca. €300mln of revenues in 2014)
Space

<table>
<thead>
<tr>
<th>FY</th>
<th>2014</th>
<th>2013 Restated</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITA</td>
<td>52</td>
<td>55</td>
<td>(5.5%)</td>
</tr>
</tbody>
</table>

- Revenues expected to grow, mainly thanks to manufacturing and launch operations services
- Business performance expected to improve, despite a decline in industrial profitability (unfavorable mix and growing pressure on prices)

Defence Systems

<table>
<thead>
<tr>
<th>FY</th>
<th>2014</th>
<th>2013 Restated</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orders</td>
<td>209</td>
<td>583</td>
<td>(64.2%)</td>
</tr>
<tr>
<td>Revenues</td>
<td>495</td>
<td>515</td>
<td>(3.9%)</td>
</tr>
<tr>
<td>EBITA</td>
<td>89</td>
<td>111</td>
<td>(19.8%)</td>
</tr>
<tr>
<td>ROS %</td>
<td>18.0%</td>
<td>21.6%</td>
<td>(3.6) p.p.</td>
</tr>
</tbody>
</table>

- Partial recovery expected in FY2015; performance moderately better than 2014, thanks to major deliveries of missile systems and rising production volumes for new orders in land, naval and underwater systems
## Transportation

### Ansaldo STS

<table>
<thead>
<tr>
<th></th>
<th>FY</th>
<th>2014</th>
<th>2013 Restated</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orders (€ Mln)</td>
<td></td>
<td>1,825</td>
<td>1,484</td>
<td>23.0%</td>
</tr>
<tr>
<td>Revenues (€ Mln)</td>
<td></td>
<td>1,304</td>
<td>1,230</td>
<td>6.0%</td>
</tr>
<tr>
<td>EBIT (€ Mln)</td>
<td></td>
<td>125</td>
<td>117</td>
<td>6.8%</td>
</tr>
<tr>
<td>ROS (EBIT/Revenues)</td>
<td>%</td>
<td>9.6%</td>
<td>9.5%</td>
<td>0.1 p.p.</td>
</tr>
</tbody>
</table>

### AnsaldoBreda

<table>
<thead>
<tr>
<th></th>
<th>FY</th>
<th>2014</th>
<th>2013 Restated</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orders (€ Mln)</td>
<td></td>
<td>1,186</td>
<td>384</td>
<td>n.a.</td>
</tr>
<tr>
<td>Revenues (€ Mln)</td>
<td></td>
<td>728</td>
<td>521</td>
<td>39.7%</td>
</tr>
<tr>
<td>EBITA (€ Mln)</td>
<td></td>
<td>(42)</td>
<td>(227)</td>
<td>81.5%</td>
</tr>
<tr>
<td>ROS %</td>
<td></td>
<td>(5.8%)</td>
<td>(43.5%)</td>
<td>37.7 p.p.</td>
</tr>
</tbody>
</table>
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The forecasts for the next financial years no longer include operations in the Transportation sector. This follows the agreement reached at the end of February, which provides for the sale to the Hitachi group of the Finmeccanica’s businesses in the sector (excluding some minor operations).

**Binding agreements signed with Hitachi include:**

- Sale of the current business of AnsaldoBreda, with the exclusion of some revamping activities and certain residual contracts
- Sale of Finmeccanica’s entire interest in Ansaldo STS (equal to 40% of the share capital)

The simultaneous closing of the transactions is expected later this year and is subject to certain customary conditions, such as regulatory and antitrust approvals.

- Transactions will lead to significant reduction in Net debt (**ca. 600 € mln**) by end 2015, with a net capital gain of approx. €250 mln
- Hitachi selected as the best industrial partner after a competitive process
  - to ensure a successful long term repositioning of the transportation business
  - to secure the best possible future for the Ansaldo STS and AnsaldoBreda businesses and their employees
**FY2015 Guidance**

**Key Assumptions**

- **Orders and Revenues:** moderate growth, taking into account the changes in perimeter (B787 pass-through and DRS)

- **Profitability:** meaningful step up of 10%

- **Below EBITA line:** much lower volatility, with material improvement in the bottom line

- **Restructuring costs:** further decrease, continuing the path already visible in 2014

- **FOCF:** improving cash from operations, lower impact of Transportation, normalized JV contribution and slightly higher net investments

- **Group Net Debt:** ca. €3.4bn*, after transportation disposal (ca. €600 mln reduction)

---

(*) Assuming €/$ exchange rate at 1.27 and €/£ at 0.8
**FY2015 Guidance**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Reported</td>
<td>Pro forma</td>
<td>GROUP (incl. Transport.)</td>
</tr>
<tr>
<td>New orders</td>
<td>€ bn</td>
<td>15.6</td>
<td>12.6</td>
</tr>
<tr>
<td>Revenues</td>
<td>€ bn</td>
<td>14.7</td>
<td>12.7</td>
</tr>
<tr>
<td>EBITA</td>
<td>€ mln</td>
<td>1,080</td>
<td>980</td>
</tr>
<tr>
<td>FOCF</td>
<td>€ mln</td>
<td>(137)</td>
<td>65</td>
</tr>
<tr>
<td>Group Net Debt</td>
<td>€ bn</td>
<td>4.0</td>
<td></td>
</tr>
</tbody>
</table>

(*) Assuming €/$ exchange rate at 1.27 and €/£ at 0.8
Delivering on Industrial Plan

Medium Term Objectives

- **EBITA +20%** and **RoS +150b.p.** from 2014 to 2016

- **SG&A reduction > 10%** from 2013 to 2015

- **CAPEX and capitalized R&D rationalization > 20%** from 2013 to 2017, rebalancing depreciation/investments ratio, significantly improving self-financing capacity

- **Operating working capital reduction**, > 15% by 2017, net of reducing customers advances

- **FOCF** expected to **increase over time** and **Group Net Debt** expected to **reduce below €3 bn** by end 2017, thus improving Debt/EBITDA and Debt/Equity
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Aerospace, Defence and Security Market
*Expected to grow in the long term*

**Worldwide market: evolution by macro-business sector (2014-2023) - € Bln**

### Analysis – Main Trends

**Aeronautics**
- Continuing growth in the commercial segment (worth approx 70%) and military segment, driven by deliveries of main programs (EFA, F-35, A-400M, etc.)

**Systems / Defence Electronics**
- Stable in traditional markets (*i.e.* USA, UK) while growing in the emerging countries

**Security**
- Increasing demand due to the growth of the asymmetric threats, now also extended to the cyber domain

**Space**
- Growing with an evolution of the institutional demand (more and more requiring end-to-end solutions in bundle with service activities)

**Helicopters**
- Moderate growth in civil/commercial but material shrinking in military, due to the completion of the current productions and the lack of new big programs

---

Source: Finmeccanica elaboration on IHS Jane’s, 2014
Aerospace, Defence and Security Market

Major spenders not expected to change dramatically…

 PROCUREMENT AND RDT&E* – TOP SPENDER EVOLUTION (% OF GLOBAL BUDGET)

Source: IHS Jane’s - 2014  (*): Research, Development, Test and Evaluation

... but there is strong growth in some markets
**Aerospace, Defence and Security Market**

**Different dynamics in our major markets**

### ITALIAN MoD and MoED Budget - € BLN

- **CAGR** -3.9%

<table>
<thead>
<tr>
<th>Year</th>
<th>MoD “Investments”</th>
<th>MiSE</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>4.7</td>
<td></td>
<td>65%</td>
</tr>
<tr>
<td>2014</td>
<td>4.5</td>
<td></td>
<td>61%</td>
</tr>
<tr>
<td>2017</td>
<td>4.0</td>
<td></td>
<td>48%</td>
</tr>
</tbody>
</table>

*Source: IHS Jane’s - 2014*

- GDP decreased over 2008-2014
- Continuous shrinking of MoD «Investments»
- Defence spending reduction offset by MoED allocations until 2013
- Stability Law Bill foresees further reductions 2015 – 2017

### UK Defence Budget - € BLN

- **CAGR** +1.2%

<table>
<thead>
<tr>
<th>Year</th>
<th>Procurement</th>
<th>RDT&amp;E</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>12</td>
<td>20%</td>
</tr>
<tr>
<td>2014</td>
<td>10</td>
<td>20%</td>
</tr>
<tr>
<td>2018</td>
<td>11</td>
<td>17%</td>
</tr>
</tbody>
</table>

*Source: IHS Jane’s - 2014*

- Main European Defence spender together with France (approx. 3% of the global total in 2018)
- Comprehensive Spending Review post Elections (May 2015)

### US Defence Budget - € BLN

- **CAGR** +2.2%

<table>
<thead>
<tr>
<th>Year</th>
<th>Procurement</th>
<th>RDT&amp;E</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>150</td>
<td>33%</td>
</tr>
<tr>
<td>2014</td>
<td>121</td>
<td>49%</td>
</tr>
<tr>
<td>2018</td>
<td>132</td>
<td>44%</td>
</tr>
</tbody>
</table>

*Source: IHS Jane’s - 2014*

- 2015 represents the turnaround, ca. € 75–80 Bln per year
- Overall Defence budget stabilizing at 2002 levels
- Funds for the Overseas Contingency Operations ca. € 40 Bln till 2017, led by the anti-terrorism activities
- New sequestration in 2016 still possible
Group Competitive positioning

Improving the international footprint

**National vs International 2013 Revenues**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Average</th>
<th>«National»</th>
<th>«International»</th>
</tr>
</thead>
<tbody>
<tr>
<td>«National»</td>
<td>57%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>«International»</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SAFRAN (EUROPE)</td>
<td>78%</td>
<td>22%</td>
<td>10%</td>
</tr>
<tr>
<td>THALES (FRANCE)</td>
<td>71%</td>
<td>29%</td>
<td>11%</td>
</tr>
<tr>
<td>AIRBUS (EUROPE)</td>
<td>65%</td>
<td>35%</td>
<td>15%</td>
</tr>
<tr>
<td>BAE SYSTEMS (UK-USA)</td>
<td>59%</td>
<td>41%</td>
<td>18%</td>
</tr>
<tr>
<td>REAYTHEON (USA)</td>
<td>57%</td>
<td>43%</td>
<td>22%</td>
</tr>
<tr>
<td>L-3 COMM (USA)</td>
<td>40%</td>
<td>60%</td>
<td>20%</td>
</tr>
<tr>
<td>GENERAL DYNAMICS (USA)</td>
<td>27%</td>
<td>73%</td>
<td>14%</td>
</tr>
<tr>
<td>LOCKHEED MARTIN (USA)</td>
<td>22%</td>
<td>76%</td>
<td>72%*</td>
</tr>
<tr>
<td>NORTROP GRUMMAN (USA)</td>
<td>20%</td>
<td>80%</td>
<td>74%**</td>
</tr>
</tbody>
</table>

Companies with a strong positioning in the civil segment have historically an higher international footprint.

Following the Defense budget reduction, specifically in western countries, many A,D&S players have adopted internationalization strategy.

Increased competitive pressure in the export markets have stressed the importance of governmental support to export, above all from USA (by FMS/FMF), UK (by DESO) and France (by specific agreements G-2-G).

Ensuring local involvement by means of technology transfer and partnership with local players is a key factor in export competition.

**Source:** FNM estimates based and company reported data

(*): North America revenues are approx. 23% of the total 2013 Revenues (€ 16,033 Mln)

(**): North America revenues are approx. 25% of the total 2013 A,D&S Revenues (€ 14,093 Mln)
Group Competitive positioning

Leveraging on dual use to develop our business model

**KEY COMPETITORS: MILITARY VS CIVIL 2013 REVENUES**

<table>
<thead>
<tr>
<th>Company</th>
<th>Military</th>
<th>Civil</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safran</td>
<td>20%</td>
<td>80%</td>
</tr>
<tr>
<td>Airbus</td>
<td>23%</td>
<td>77%</td>
</tr>
<tr>
<td>Boeing</td>
<td>36%</td>
<td>64%</td>
</tr>
<tr>
<td>Honeywell</td>
<td>48%</td>
<td>52%</td>
</tr>
<tr>
<td>Rockwell Collins</td>
<td>56%</td>
<td>44%</td>
</tr>
<tr>
<td>Finmeccanica A,D&amp;S</td>
<td>70%</td>
<td>30%</td>
</tr>
<tr>
<td>Finmeccanica</td>
<td>60%</td>
<td>40%</td>
</tr>
<tr>
<td>Thales</td>
<td>64%</td>
<td>36%</td>
</tr>
<tr>
<td>Lockheed Martin</td>
<td>78%</td>
<td>22%</td>
</tr>
<tr>
<td>Raytheon</td>
<td>81%</td>
<td>19%</td>
</tr>
<tr>
<td>Bae Systems</td>
<td>89%</td>
<td>11%</td>
</tr>
</tbody>
</table>

**Sector Average**
- Military: 56%
- Civil: 44%

Finmeccanica still needs to do more to rebalance its portfolio mix towards civil, leveraging on dual use applications.

*Source: FNM estimates based and company reported data*
### A&D&S Key Players

<table>
<thead>
<tr>
<th>Category</th>
<th>Military</th>
<th>Civil</th>
<th>Defence</th>
<th>Security</th>
<th>Missiles</th>
<th>Torpedos</th>
<th>Ammunitions</th>
<th>Space</th>
<th>Transportation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Helicopters</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td></td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>Aeronautics</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td></td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>Defence Electronics and Security</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
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<td>✔️</td>
<td>✔️</td>
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<tr>
<td>Defence Systems</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
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<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
</tbody>
</table>

**Group Competitive Positioning**

*Our business portfolio is too diversified*

- Presence: ✔️
- MBDA: ☐
Group Competitive positioning  
*A diversified portfolio is not an advantage*

<table>
<thead>
<tr>
<th>FNM Sectors</th>
<th>Main Lines of Business</th>
<th>FNM</th>
<th>Peer 1</th>
<th>Peer 2</th>
<th>Peer 3</th>
<th>Peer 4</th>
<th>Peer 5</th>
<th>Peer 6</th>
<th>Peer 7</th>
<th>Peer 8</th>
<th>Peer 9</th>
<th>Peer 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Helicopters</td>
<td>Civil Helicopters</td>
<td>L</td>
<td></td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Military Helicopters</td>
<td>KP</td>
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<tr>
<td>Aeronautics</td>
<td>TP regional aircraft</td>
<td>L</td>
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<tr>
<td></td>
<td>Military aircraft</td>
<td>F</td>
<td>L</td>
<td>L</td>
<td>F</td>
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<td>UAS</td>
<td>F</td>
<td>KP</td>
<td>F</td>
<td>L</td>
<td>W</td>
<td>F</td>
<td>F</td>
<td>KP</td>
<td>W</td>
<td>L</td>
<td></td>
</tr>
<tr>
<td>Defence Electronics and</td>
<td>Avionics systems</td>
<td>KP</td>
<td>F</td>
<td>L</td>
<td>F</td>
<td>L</td>
<td>L</td>
<td>W</td>
<td>F</td>
<td>F</td>
<td>KP</td>
<td></td>
</tr>
<tr>
<td>Security</td>
<td>Land and Naval systems</td>
<td>KP</td>
<td>F</td>
<td>L</td>
<td>L</td>
<td>L</td>
<td>KP</td>
<td>L</td>
<td>F</td>
<td>F</td>
<td>F</td>
<td></td>
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<tr>
<td>Defence Systems</td>
<td>Land armaments</td>
<td>KP</td>
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<td>KP</td>
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<td></td>
<td>Naval armaments</td>
<td>L</td>
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<td></td>
<td></td>
<td>L</td>
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<tr>
<td></td>
<td>Underwater - Torpedos</td>
<td>F</td>
<td></td>
<td>L</td>
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<td></td>
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<td></td>
<td>F</td>
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<tr>
<td>Space</td>
<td>Space (Services)</td>
<td>KP</td>
<td></td>
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<td>L</td>
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<tr>
<td></td>
<td>Space (manufacturing)</td>
<td>F</td>
<td>KP</td>
<td>L</td>
<td>F</td>
<td>F</td>
<td>F</td>
<td>F</td>
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<tr>
<td>Other sectors</td>
<td>Aerostructures</td>
<td>KP</td>
<td></td>
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<td>F</td>
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<tr>
<td></td>
<td>Jet regional aircraft</td>
<td>F</td>
<td></td>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td>F</td>
</tr>
<tr>
<td></td>
<td>Missiles</td>
<td>L</td>
<td>F</td>
<td>KP</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>KP</td>
<td>W</td>
<td>L</td>
<td>W</td>
</tr>
<tr>
<td></td>
<td>Rolling stock</td>
<td>W</td>
<td></td>
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<tr>
<td></td>
<td>Signalling</td>
<td>KP</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>F</td>
</tr>
</tbody>
</table>

- **L** = Leader (Top 3 players)
- **KP** = Key Player (Top 5 players)
- **F** = Follower
- **W** = Weak

N.B.: the *benchmark* is based on a qualitative/quantitative evaluation of: (i) revenue by Line of Business, (ii) product/technology portfolio (iii) market positioning (iv) competitiveness of the offer.
Restructuring and development

*Key objectives*

**Increase the efficiency through the cost reduction in:**
- Staff
- Engineering
- Supply chain

*New Organisational and Operating Model*

**Improve the effectiveness of the industrial processes:**
- Engineering profitability
- Supply Chain optimisation
- Manufacturing efficiency

**Restore adequate return on investment and value creation:**
- Definition of a sustainable business portfolio
- Selective investments
- Working Capital reduction
- Increase of cash generation from production
- Debt reduction

**Improve the “quality” of the offers:**
- Satisfactory profitability
- New business models (*i.e.* Service, etc.)
- Management of the contingencies
- Risk management

- No waste
- Cut inefficient operating cost
- Eliminate unprofitable capex
- Focus of R&D on core activities, increasing effectiveness and efficiency to achieve adequate levels of return on investments
Restructuring and development

_Five key pillars_

1. **Fewer businesses – focus on «A,D&S»**
   - Disposals
     - Rolling Stock
     - Bus business
     - Industrial plants
     - Other minor activities
   - “Should Cost/Design to Value” approach applied to main owned products
   - Leverage on Customer Support and Integrated Logistic Solutions

2. **Fewer products in core «A,D&S»**
   - Reduction of products number
   - LoBs requalification

3. **Affordability di Prodotti e Servizi Integrati**
   - New Customer focused business models based on:
     - Dual use
     - R&D effectiveness – Standardisation and Modularity

4. **Development of the core businesses**

5. **New Governance and New Organisational and Operating Model**
   - Divisional Model with integrated governance
   - More efficient engineering, manufacturing and supply chain
   - Industrial Re-engineering
Focus on the New Group Organisational and Operating Model

*One single company*

- The new structure will provide the following benefits:
  - **Shorter and simpler chain of command** with quicker decision making, higher flexibility and operational responsiveness
  - Clearer **accountabilities** on business results
  - **Efficiency** through the unification and centralization of all the Staff and Support functions
  - **Effectiveness** thanks to the **reorganization of the key industrial processes** with a different mix of Centralization (i.e. Supply Chain to maximise commonalities and scale economies) and Decentralization (i.e. Engineering to leverage on technological peculiarities)

The process will be **completed by 2015** and all the activities are progressing **in line with plan**
The new Finmeccanica objectives

2014 Results of the Group and of Finmeccanica SpA

Sector results and outlook

Guidance 2015 and medium term outlook

The new Industrial Plan

The new Management Incentive Plan

Shareholding and share performance

Sustainability Report 2014
The New Short and Medium-Long Term Incentive Plan

One of the key enablers of Finmeccanica transformation is the new Incentive Plan, that includes a Long-Term Incentive Plan and a Co-investment Plan of the annual bonus earned.

The new incentive Plan aims at ensuring the achievement of the medium and long term targets set out in the Group Industrial Plan and at aligning Management remuneration to shareholder value creation.

Long-Term Incentive Plan

The Long-Term Incentive Plan provides for the assignment of incentives structured into a monetary component and an equity-based component, in different proportion between cash and shares according to the managerial positions involved as shown in the table below:

<table>
<thead>
<tr>
<th>Position</th>
<th>Shares (%)</th>
<th>Cash (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executives with Strategic Responsibilities</td>
<td>100%</td>
<td>-</td>
</tr>
<tr>
<td>Senior Managers</td>
<td>70%</td>
<td>30%</td>
</tr>
<tr>
<td>Other Participants</td>
<td>30%</td>
<td>70%</td>
</tr>
</tbody>
</table>

The payment of incentives is conditional on the achievement of three-year targets linked to the following performance indicators:

- **Relative Finmeccanica Total Shareholder Return (TSR)** – 50% of the maximum number of shares that can be assigned
- **Return on Sales (ROS)** – 25% of the maximum number of shares that can be assigned
- **Net Financial Position (NFP)** – 25% of the maximum number of shares that can be assigned
The Co-investment Plan

- The new Co-Investment Plan for the conversion of the annual bonus into shares consists in voluntarily deferring the payment of a portion of the annual bonus earned from a minimum of 25% up to a maximum percentage of 100%.

- The deferred portion of bonus is converted into ordinary Finmeccanica shares that will remain restricted for a term of 3 years.

- At the end of the vesting period, provided that the performance threshold set in the short-term variable remuneration scheme has been constantly achieved (so called “performance gate”) (*), bonus shares (“matching shares”) are to be assigned in the proportion of 1 bonus share for each 3 shares held.

(*) The short-term variable incentive is subject to overall business profitability ratios (“performance gate”), the failure to achieve which entails the zeroing of the entire portion of bonus linked to financial/management objectives.
The new Finmeccanica objectives

2014 Results of the Group and of Finmeccanica SpA

Sector results and outlook

Guidance 2015 and medium term outlook

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Shareholding and share performance

Sustainability Report 2014
Shareholding evolution

*Growth of institutional investors*

Over the last 10 years, the shareholder base of Finmeccanica went from being mainly domestic to being mainly international, pursuant to the internationalisation strategy followed by the Company.

❖ Since 2002 *institutional shareholders have more than quadrupled, representing ca. 50% of the share capital*

❖ Over the same period retail component (exclusively domestic) has more than halved (ca. 20% of the share capital)
Shareholder distribution in Q1 2015

- **49.8%** Institutional Investors
- **30.2%** Ministry of Economy and Finance
- **20%** Retail Investors (domestic)

50% of the total share capital is held by institutional investors

**GEOGRAPHIC DISTRIBUTION OF THE FREE FLOAT**

- **34%** North America
- **22%** UK/Ireland
- **10%** Rest of the World
- **8%** Italy
- **26%** Rest of Europe

Over 90% of the institutional float is held by foreign funds
Finmeccanica share performance
May 2014 – May 2015

Finmeccanica +98%  FTSE MIB +14%  S&P600 +18%

Market capitalization almost doubled

€3,3 bn (May 2014)  →  €6,5 bn (May 2015)
The new Finmeccanica objectives

2014 Results of the Group and of Finmeccanica SpA

Sector results and outlook

Guidance 2015 and medium term outlook

The new Industrial Plan

The new Management Incentive Plan

Shareholding and share performance

Sustainability Report 2014
Sustainability in Finmeccanica

Finmeccanica has been engaged on the reporting of the extra-financial Group performance, mainly through:

- The delivery of a certified Sustainability Report since 2011
- The annual participation to the Dow Jones Sustainability Indices (DJSI) World and Europe, where has been admitted since 2010

Key elements of the Sustainability Report 2014

- Confirmed A+, the highest level of application of the Global Reporting Initiative (GRI, version 3.1), the most recognized guidelines for the sustainability reporting worldwide
- Characterized by a tight integration with the contents of the Financial Report with the aim of providing a cohesive public reference for all the stakeholders
- Audited by KPMG, who issued the “Limited Assurance”
Engagement with responsible stakeholders

The information on sustainability performance is the main tool of engagement with a wide variety of stakeholders which analyze and assess the Group on the basis of Environmental, Social and Governance (ESG) criteria. Among them:

- **Sustainable and responsible investors and brokers** e.g. Norwegian Sovereign Fund (shareholder with 1.76% of the share capital) and Amundi (shareholder with 1.99% of the share capital)

- **ESG Rating Agencies** (Eiris, GES, MSCI, Oekom, RobecoSAM, Sustainalytics, Vigeo, etc.)

- **Social stakeholder and NGOs** (United Nations Global Compact, Carbon Disclosure Project, Transparency International, etc.)

*$ 45 trillion managed by responsible investors* in 2014, up from $4 trillion in 2006

*Assets under management by PRI (Principles for Responsible Investment) signatories

Source: UN Principles for Responsible Investment website
Main changes on the process

- Reporting activity centralized

- Structured **materiality analysis** to identify the most significant issues for the Group and its stakeholders

- The new materiality matrix, reported in the chapter “Sustainability at Finmeccanica”, is based on:
  
  1. **External analysis**: media analysis, sector documents, benchmark analysis of a competitors’ panel and comparables companies
  
  2. **Interviews with the Top Management of Finmeccanica SpA and FGS**

- Structured reporting of AgustaWestland PZL-Swidnik sustainability performance

Greater disclosure and traceability of the reported information
Main changes on the content

- New chapters: “The New Strategy” and “Business conduct”
- New topics:
  - Materiality
  - Anti-corruption prevention
  - “Wisemen Committee” and whistleblowing
  - Security Management
  - Risk Management
  - Tax Strategy
  - Conflict Minerals
- More inclusive description of aspects and activities related to the business conduct (Selex ES procedure on Institutional Relations, markets, supply chain)
- Publication of sustainability improvement targets and mapping of the dialogue tools with the stakeholders

More visibility to the material issues
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.