3Q/9M 2014 Results Presentation

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FINMECCANICA

6 November 2014

GROUP OVERVIEW *(CEO and General Manager)*

SECTOR RESULTS AND OUTLOOK *(CFO)*

APPENDIX

MAKING PROGRESS

- Solid commercial performance across the Group
- Nine months results in line with expectations
- Good visibility on Q4
- Raising FY Orders, Revenues and EBITA Guidance

Taking actions to revitalise and reposition Finmeccanica – much further to go

TAKING ACTIONS TO DELIVER CHANGE – POSITIVE DISCONTINUITY

- **Organisation:** plan progressing as expected
  - “One HQ”, fewer divisional board members and additional reporting disclosure towards a divisionalised model
- **Cost reduction:** heavy corporate cost reduction already effective
- **Portfolio rationalisation**:
  - Transportation: constructive process progressing with shortlisted potential buyers, intense due diligence still on going
  - Agreement reached on busses
- **Industrial Plan:** 2015-2019 plan complete by yearend and to be shared with market in new year

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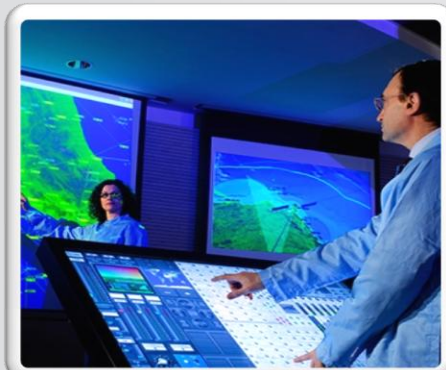

OVERALL ON TRACK: 9M RESULTS

- Solid order intake
- Revenues well on track
- Recovering profitability
  - Successful cost actions on going across the group
- Less “below the line” volatility
- FOCF in line with last year, despite the payment for the Indian helicopter contract (€256mln paid in 2Q2014)
- Raise our guidance on orders, revenues and EBITA for the Group
  - DRS shortfall offset by better performances in Helicopters, Aeronautics, Selex ES, Corporate costs reduction and Transportation

GROUP PERFORMANCE (1/2)

€ Mln	3Q 2014	3Q 2013 Restated	3Q % Change	9M 2014	9M 2013 Restated	9M % Change	FY 2013 Restated
New Orders	2,169	3,069	(29.3%)	9,353	8,109	15.3%	15,059
Backlog				36,914	34,732	6.3%	36,831
Revenues	3,312	3,098	6.9%	9,869	9,728	1.4%	13,690
EBITA	227	239	(5.0%)	578	665	(13.1%)	878
ROS %	6.9%	7.7%	(0.8 p.p.)	5.9%	6.8%	(0.9 p.p.)	6.4%
EBIT	164	26	n.m.	384	267	43.8%	(14)
Net result before extraordinary transactions	15	(166)	n.m.	(24)	(236)	89.8%	(649)
Net result after minorities	5	(86)	n.m.	(57)	(165)	65.5%	28
EPS (€ cents)	(0.0082)	(0.1482)	n.m.	(0.099)	(0.285)	65.3%	0.048
FOCF	(400)	(317)	(26.2%)	(1,557)	(1,513)	(2.9%)	(220)
Group Net Debt				5,349	5,582	(4.2%)	3,902
Headcount				55,336	56,966	(2.9%)	56,282

Q3 and 9M 2013 pro-forma figures to take into account the deconsolidation of Ansaldo Energia
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.

GROUP PERFORMANCE (2/2)

9M 2014

€ Mln	A&D Divisional Perimeter	A&D DRS	A&D JV	Total A&D	Transportation	Total continuing operations
Orders	6.505	1.038	n.a.	7.543	1.832	9.353
Backlog	26.743	1.495	n.a.	28.238	8.865	36.914
Revenues	7.479	969	n.a.	8.448	1.491	9.869
EBITA	503	(27)	63	539	39	578
ROS %	6,7%	(2,7%)	n.a.	6,4%	2,6%	5,9%

9M 2013

€ Mln	A&D Divisional Perimeter	A&D DRS	A&D JV	Total A&D	Transportation	Total continuing operations
Orders	5.804	1.033	n.a.	6.837	1.285	8.109
Backlog*	27.239	1.326	n.a.	28.565	8.494	36.831
Revenues	7.173	1.207	n.a.	8.380	1.411	9.728
EBITA	508	82	90	680	(15)	665
ROS %	7,1%	6,7%	n.a.	8,1%	(1,1%)	6,8%

(*) figures at 31 December 2013

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HELICOPTERS

€ Mln	3Q 2014	3Q 2013 Restated	3Q % Change	9M 2014	9M 2013 Restated	9M % Change	FY 2013 Restated
Orders	398	813	(51.0%)	3,083	2,249	37.1%	4,386
Revenues	995	957	4.0%	3,036	2,998	1.3%	4,049
EBITA	116	120	(3.3%)	379	402	(5.7%)	547
ROS %	11.7%	12.5%	(0.8 p.p.)	12.5%	13.4%	(0.9 p.p.)	13.5%

- **Orders** up 37% in 9M driven by key contracts signed in 1H 2014 with UK MoD. Q3 orders include additional 9 a/c AW139
- Q3 **Revenues** broadly in line with last year, increasing activities on AW189 offsetting the expected winding down of AW139
  - 3 AW189 delivered in Q3 (2 in Q2) following recent EASA certification
  - 700th AW139 delivered in Q3
- Q3 **EBITA** slightly down due to revenue mix; 9M underlying profitability well above 2013, excluding the effect of the €50mln one-off related to the final closing of US Presidential Helicopter programme (1H2013)
- **Continue to expect solid FY performance, profitability steadily at double digit**

AERONAUTICS

€ Mln	3Q 2014	3Q 2013 Restated	3Q % Change	9M 2014	9M 2013 Restated	9M % Change	FY 2013 Restated
Orders	525	363	44.6%	1,529	1,635	(6.5%)	3,422
Revenues	756	577	31.0%	2,135	1,833	16.5%	2,816
EBITA	74	92	(19.6%)	148	161	(8.1%)	199
ROS %	9.8%	15.9%	(6.1 p.p.)	6.9%	8.8%	(1.9 p.p.)	7.1%

- **Orders** up in Q3 driven by civil (mainly B787)
- **Revenues** up driven by increasing production rates in civil (B787 and ATR) and military a/c
  - B787: 26 fuselages delivered in Q3 (19 in Q3 2013)
  - ATR: 22 fuselages delivered in Q3 (16 in Q3 2013)
  - M346: first 3 a/c delivered to Israeli Air Force
- 3Q2013 **EBITA** benefitted from the release of provisions from the ATR programme. Q3 2014 underlying performance above Q3 2013, driven by higher volumes on military a/c delivering good profitability
- **Underlying profitability expected to be on improvement on FY2013, supported by programs performance and new efficiency measures**

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EU DEFENCE ELECTRONICS AND SECURITY-Selex ES

	3Q			9M			FY
€ Mln	2014	2013 Restated	*% Change*	2014	2013 Restated	*% Change*	2013 Restated
Orders	552	643	(14.2%)	1,951	1,823	7.0%	3,457
Revenues	713	698	2.2%	2,267	2,244	1.0%	3,214
EBITA	16	(6)	n.m.	63	20	n.m.	71
ROS %	2.2%	(0,9%)	3.1 p.p.	2.8%	0.9%	1.9 p.p.	2.2%

- **Orders** up in 9M driven by strong 1H order intake *(new generation fire-control radars to be installed on Saab's Gripen aircraft as well as additional support&maintenance activities for Italian Typhoon fleet)*.
- **EBITA** Q3 confirming strong improvement on 2013 driven by restructuring and integration plan progressing ahead of schedule, as well as the recovery in profitability in specific areas
- **Visible benefits of our restructuring and integration plan expected to further improve profitability**

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US DEFENCE ELECTRONICS AND SECURITY – DRS

$ Mln	3Q 2014	3Q 2013 Restated	3Q % Change	9M 2014	9M 2013 Restated	9M % Change	FY 2013 Restated
Orders	456	510	(10.6%)	1,407	1,361	3.4%	1,991
Revenues	486	538	(9.7%)	1,313	1,589	(17.4%)	2,213
EBITA	28	47	(40.4%)	(36)	107	n.m.	194
ROS %	5.8%	8.7%	(2.9 p.p.)	(2.7%)	6.7%	(9.4 p.p.)	8.8%

- **Orders** overall trend in line with expectations
- **Revenues** down due to the expected US Defence Budget cuts mainly affecting deliveries of C4ISR(*) products
- **EBITA** 3Q 2014 decrease due to lower volumes and some high margin contracts winding down; 9M result 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**

(*) *Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance*

Avg. exchange rate €/$ @1.36 in 9M 2014
Avg. exchange rate €/$ @1.32 in 9M 2013

SPACE

€ Mln	3Q 2014	3Q 2013 Restated	3Q % Change	9M 2014	9M 2013 Restated	9M % Change	FY 2013 Restated
EBITA	9	12	(25%)	26	36	(27.8%)	55

- **EBITA** mainly affected by restructuring costs related to a redundancy plan launched early 2014; Q3 down driven by lower volumes

DEFENCE SYSTEMS

€ Mln	3Q 2014	3Q 2013 Restated	3Q % Change	9M 2014	9M 2013 Restated	9M % Change	FY 2013 Restated
Orders	72	118	(39.0%)	150	304	(50.7%)	583
Revenues	96	102	(5.9%)	326	351	(7.1%)	515
EBITA	2	13	(84.6%)	28	63	(55.6%)	111
ROS %	2.1%	12.7%	(10.6 p.p.)	8.6%	17.9%	(9.3 p.p.)	21.6%

- **Orders** affected by continuing slippages, with **revenues** down driven by some contracts winding down
- **EBITA** decrease mainly due to lower profitability in Missiles as expected
- **Solid performance confirmed**

TRANSPORTATION

ANSALDO STS

€ Mln	3Q 2014	3Q 2013 Restated	3Q % Change	9M 2014	9M 2013 Restated	9M % Change	FY 2013 Restated
Orders	350	624	(44.0%)	1,239	1,014	22.2%	1,484
Revenues	289	277	4.5%	870	849	2.6%	1,230
EBIT	29	26	11.8%	81	78	3.9%	117
ROS (EBIT/Revenues) %	9.9%	9.3%	0.6 p.p.	9.3%	9.1%	0.2 p.p.	9.5%

ANSALDOBREDA

€ Mln	3Q 2014	3Q 2013 Restated	3Q % Change	9M 2014	9M 2013 Restated	9M % Change	FY 2013 Restated
Orders	21	20	5%	558	63	n.m.	384
Revenues	153	138	10.9%	484	402	20.4%	521
EBITA	(11)	(26)	57.7%	(34)	(94)	63.8%	(227)
ROS %	(7.2%)	(18.8%)	11.6 p.p.	(7.0%)	(23.4%)	16.4 p.p.	(43.5%)

- Significant growth in 9M **orders** driven by key contracts booked in 1H 2014 (Metro Lima and regional trains for Ferrovie Nord Milano)
- **Revenue** growth driven by metro for Milan Expo, regional trains and High Speed Italy
- Q3 confirming **profitability** recovery, with reduced losses vs. 2013
- **FY profitability expected to further improve on FY2013 as we continue to benefit from the actions we have taken to reduce losses**

FY2014 UPGRADED GUIDANCE ASSUMPTIONS

- **ORDERS:** Group orders trading ahead, FY book to bill remains ca.1

- **REVENUES:** expected to be broadly flat/slightly higher vs. 2013 at Group level

- **PROFITABILITY:** expected to further improve driven by better performance in Helicopters, Aeronautics, Selex ES, Corporate costs reduction and Vehicles

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

- **INVESTMENTS CONFIRMED** at similar level to 2013, supporting key A&D programmes

- **FOCF AND NET DEBT GUIDANCE CONFIRMED**

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2014 GUIDANCE UPGRADED

		PREVIOUS FY2014E GROUP	NEW FY2014E GROUP
Orders	*€ bn*	13.0 – 13.5	13.5 – 14.0
Revenues	*€ bn*	13.0 – 13.5	13.5 – 14.0
EBITA	*€mln*	930 - 980	980 – 1,030
FOCF	*€mln*	(350) - (250)	(350) - (250)
Group Net Debt	*€ bn*	ca. 4.3	ca. 4.3

- FY 2014E FOCF and Group Net Debt factor in the unexpected cash out for the Indian helicopters contract (€256mln) paid in Q2

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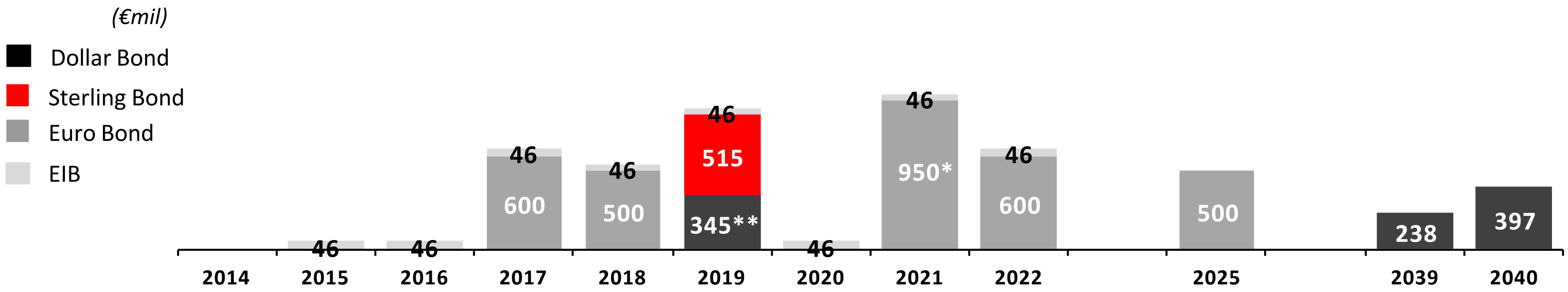
FINANCIAL POSITION
(as of end of September 2014)

- No refinancing needs before end 2017
- Strong liquidity position
- Bonds have neither financial covenants nor rating pricing grids
- Average life ≈ 8.2 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 September 2014)

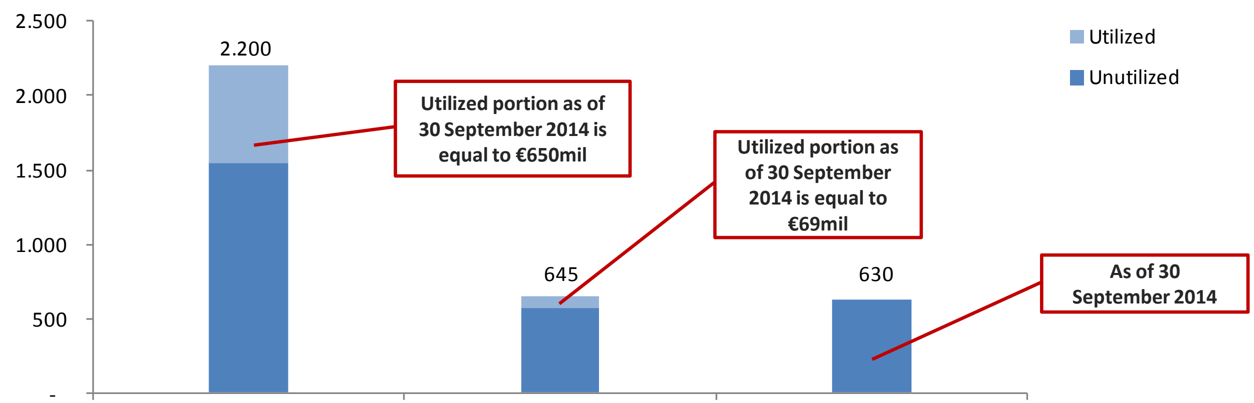
Availability of adequate committed liquidity lines

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

- 30 September cash balance of €0.63 Billion
- Credit lines worth €2.8 Billion (confirmed and unconfirmed), utilized for €719mil at 30 September 2014
  - The €2.2 Billion Revolving Credit Facility, which refinanced the €2.4billion RCF[(1)], was signed on 9 July 2014 with a pool of leading Italian and foreign banks and will expire on July 2019
- Bank Bonding lines of roughly €2.3 Billion to support the execution of bidding and orders' activities

(1) Expiring in September 2015

(€mln)



	REVOLVING CREDIT FACILITY	UNCONFIRMED CREDIT LINES	CASH IN HAND
Tenor	July 2019	18 months	
Margin	180 bps[(2)]	120-180 bps[(3)]	

(2) Based on rating as of 30/09/2014

(3) 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.