INTERIM FINANCIAL REPORT

AT 30 SEPTEMBER 2014

Disclaimer

This Interim Financial Report at 30 September 2014 has been translated into English solely for the convenience of the international reader. In the event of conflict or inconsistency between the terms used in the Italian version of the report and the English version, the Italian version shall prevail, as the Italian version constitutes the sole official document.

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Report on operations at 30 September 2014

Group results and financial position

The 2013 figures have been restated as a result of the adoption of the new IFRS11, which resulted in the deconsolidation of the Joint Ventures in which Finmeccanica takes part (specifically, ATR in the Aeronautics sector, MBDA in the Defence Systems and the Joint Ventures of the Space sector). The activity carried out by the Group through the Joint Ventures as well as the Group shareholdings remain unchanged, as a result of the dividends received and the investments valued with the equity method (through which the Joint Ventures contribute to assets value and net result); conversely, for reporting purposes, the Group performance indicators no longer include the Joint Ventures' shareholdings (solely the operating profitability ratios include the share of results of the major Joint Ventures listed above). The effects from such change in the Group key performance indicators on the 2013 results are shown in paragraph "Non-GAAP performance indicators".

Key Performance Indicators ("KPI")

	September 2014	September 2013 (*)	Change	2013 (*)
New orders	9,353	8,109	15.3%	15,059
Order backlog	36,914	34,732	6.3%	36,831
Revenue	9,869	9,728	1.4%	13,690
EBITA	578	665	(13.1%)	878
ROS	5.9%	6.8%	(0.9) p.p.	6.4%
EBIT	384	267	43.8%	(14)
Net result before extraordinary transactions	(24)	(236)	89.8%	(649)
Net result	(24)	(136)	82.4%	74
Group Net Debt	5,349	5,582	(4.2%)	3,902
FOCF	(1,557)	(1,513)	(2.9%)	(220)
ROI	9.2%	10.9%	(1.7) p.p.	11.6%
ROE	(0.9%)	(5.1%)	4.2 p.p.	2.0%
Workforce	55,336	56,966	(2.9%)	56,282

(*) *Figures restated as a result of the adoption of new IFRS 11, which led to the deconsolidation of the Group's joint ventures.*

Please refer to the section entitled "Non-GAAP performance indicators" for definitions.

The Finmeccanica Group operates in the *Aerospace and Defence* sector (which includes the *Helicopters*, *Defence and Security Electronics*, *Aeronautics*, *Space* and *Defence Systems* segments, as well as Corporate activities), which accounts for about 85% of Group revenues, and in the *Transportation* sector (which also includes *Fata*, in addition to the companies operating in the *Transportation* sector).

The results obtained by the Group as at 30 September 2014 anticipate a better economic performance for the entire year than the estimates made at the start of 2014 with values exceeding the targets set. In particular, there was an upswing in results compared to 2013, with a marked improvement in the figures of both EBIT (+ 44%) and Net Result (+ 82%), as a result of minor impacts from non-recurring costs and, to a lesser extent, from financial expense and taxes, despite the expected decrease in operating profitability. The decreased EBITA is in line with forecasts, by virtue of the better results of the *Helicopters* and *Aeronautics* sectors and the first results from the revision of the costs at corporate level, though including costs for a programme of DRS and the effects from minor volumes owing to the expected cut in the USA Defence budget for *Defence and Security Electronics*. In comparison with the prior year, the mentioned worsening in the *Aerospace and Defence* sector was partially offset by the lower loss of the *vehicles* segment in the *Transportation* sector.

With regard to commercial performance, considerably more orders were acquired than the first nine months of 2013, both in *Aerospace and Defence* and *Transportation*.

The Group Net Debt, decreasing compared to 30 September 2013, was affected by the use of cash which is typical of the first months of the year. In particular, the FOCF value was substantially in line (- €mil. 44) with the prior year, although it was heavily impacted, compared to 2013 and to forecasts, by the enforcement of the guarantees related to the Indian contract in the *Helicopters* sector (€mil. 256). On the contrary, the overall value of Group Net Debt benefitted from the cash-in from Avio of most of the proceeds (€mil. 239) deriving from the sale by the latter of its engine business. The average value of the Group Net Debt, determined on a quarterly basis, was €mil. 4,842 in the first nine months of 2014 (€mil. 4,950 in the same period of 2013).

The Group's reorganisation. In the framework of a broader based examination of the Group's strategic positioning and operational efficiency, the new Board of Directors, which took office in May, launched a profound transformation of Finmeccanica's organisational and operating model, with a view to transforming the companies currently operating in *Aerospace and Defence* (Alenia Aermacchi, AgustaWestland, Selex ES, Oto Melara and WASS, in addition to the activities at corporate level) into divisions of a new Finmeccanica. The process excludes the companies subject to strategic review (*Transportation* sector and FATA), the Joint Ventures and DRS (which operates under a Proxy system). In accordance with the new organisational model, there will be divisions equipped to manage and develop their respective business, technical units and centralised functions capable of coordinating the divisions and supporting business. Such actions, in addition to eliminate the overlapping of structures and products, will allow to reach benefits in terms of industrial productivity, engineering activities, scale economies and a greater degree of competitiveness. Moreover, the new organisational and operating model will enable Finmeccanica to manage the operating processes, the relations with clients and the supply chain in a more integrated manner, as well as to manage investments under a more dynamic approach with enhanced technology and product transfer within the Group, focusing more on the strategic priorities.

The primary changes that marked the Group's performance compared with that of the corresponding period of the previous year are described below. In accordance with the organisational model described above, the results of the *Aerospace* and *Defence* are separately attributable to the activities falling under the scope of the divisionalisation process (together with the relevant foreign subsidiaries), to DRS and to the strategic Joint Ventures. A deeper analysis can be found in the section covering the trends in each business segment.

30 September 2014	**Aerospace and Defence**				**Transportation**	***Eliminations***	**Total Continuing Operations**
	Divisional Perimeter	*DRS*	*JV*	Total			
New orders	*6,505*	*1,038*	*n.a.*	7,543	1,832	*(22)*	9,353
Order backlog	*26,743*	*1,495*	*n.a.*	28,238	8,865	*(189)*	36,914
Revenue	*7,479*	*969*	*n.a.*	8,448	1,491	*(70)*	9,869
EBITA	*503*	*(27)*	*63*	539	39	-	578
ROS %	*6.7%*	*(2.7%)*	*n.a.*	6.4%	2.6%	n.a.	5.9%

30 September 2013 (restated)	**Aerospace and Defence**				**Transportation**	***Eliminations***	**Total Continuing Operations**
	Divisional Perimeter	*DRS*	*JV*	Total			
New orders	*5,804*	*1,033*	*n.a.*	6,837	1,285	*(13)*	8,109
Order backlog at 31 Dec. 2013	*27,239*	*1,326*	*n.a.*	28,565	8,494	*(228)*	36,831
Revenue	*7,173*	*1,207*	*n.a.*	8,380	1,411	*(63)*	9,728
EBITA	*508*	*82*	*90*	680	(15)	-	665
ROS %	*7.1%*	*6.7%*	*n.a.*	8.1%	(1.1%)	n.a.	6.8%

Change %	**Aerospace and Defence**				**Transportation**	***Eliminations***	**Total Continuing Operations**
	Divisional Perimeter	*DRS*	*JV*	**Total**			
New orders	*12.1%*	*0.5%*	*n.a.*	10.3%	42.6%	*n.a.*	15.3%
Order backlog	*(1.8%)*	*12.7%*	*n.a.*	(1.1%)	4.4%	*n.a.*	0.2%
Revenue	*4.3%*	*(19.7%)*	*n.a.*	0.8%	5.7%	*n.a.*	1.4%
EBITA	*(1.0%)*	*n.a.*	*(30.0%)*	(20.7%)	n.a	*n.a.*	(13.1%)
ROS %	*(0.4) p.p.*	*(9.4) p.p.*	*n.a.*	(1.7) p.p.	3.7 p.p.	n.a.	(0.9) p.p.

Commercial performance.

New orders in *Aerospace and Defence* were significantly higher than 2013 (+€mil. 1,244). Such increase (15%) is attributable to i) *Aerospace* and *Defence* (+€mil.706), in particular thanks to the *Helicopters* segment (+€mil. 834), largely as a result of the contracts with the British Ministry of Defence for the upgrading of the fleet of 25 AW101 Merlin helicopters, and for the five-year maintenance and support on the fleet of Apache AH Mkl helicopters and to ii) *Transportation* (+€mil. 547), substantially as a result of the acquisition by Ansaldo STS and AnsaldoBreda of orders on the project relating to the driverless metro in Lima, Peru, for an overall amount of USD 1.2 billion.

The book-to-bill improved by about 15% compared to the same period of 2013 (0.95 against 0.83).

The order backlog, considered in terms of its workability, ensures over two and a half years of production for the Group.

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Business performance.

Revenues show an increase compared to 2013 equal to €mil. 141, attributable both to Transportation, as a result of higher revenues of the *vehicles* segment, and to *Aerospace and Defence*, where the expected decrease deriving from the cuts in Defence budgets in USA, which led to a €mil. 217 reduction in revenues in *Defence and Security Electronics*, was more than offset by the increase in *Aeronautics* (€mil. 302), mainly due to growth in the production rates for the Boeing 787 programme.

The mentioned drop in revenues, and in particular the costs recognised in relation to a single contract account for a reduction in the **EBITA** of DRS compared to september 2013, which, together with the strategic Joint Ventures' worse result by €mil. 27, are behind the worsening of the EBITA of *Aerospace* and *Defence*. The comparison with 2013 also showed a significant improvement in SES – thanks to the benefits related to the restructuring plan currently underway and to the continuous improvement in profitability of some business areas that had affected the 2013 performance – and a reduction in the EBITA of *Helicopters*, attributable to the income recognised in 2013 from the closure of the VH-71 programme; excluding this factor, the *Helicopters* result has increased. *Transportation* also improved significantly as a result of lower losses in the *vehicles* line, with revenues rising and operating results that were positive overall.

EBIT showed a significant improvement (€mil. 117) compared to 2013, despite the reduction in EBITA owing to the lower incidence of non-recurring costs that significantly decreased compared to 2013 (when these costs had impacts for €mil. 225), mainly due to the provisions accrued for the *Fyra* programme in the *Transportation* sector.

The **net result**, which was negative for €mil. 24, sharply improved (€mil. 112) compared to 2013, owing to the lower incidence of non-recurring costs, and to a lesser extent, of financial costs (by virtue of the lower loss of the companies valued at equity and lower charges for commissions, largely related to assignments of receivables) and taxes. The improvement is even more evident (€mil. 212) if income from discontinued operations (Ansaldo Energia) is excluded from the comparative results and revenues deriving from the sale of part of the Avio business, recognised in the 2013 income statement.

Below is reported the income statement for the two periods under comparison:

	Note	For the nine months ended 30 September 2014	For the nine months ended 30 September 2013 (restated)	Change	% Change
(€ millions)					
Revenues		9,869	9,728	141	1.4%
Purchases and personnel expense	*(*)*	(8,921)	(8,817)		
Other net operating income/(expenses)	*(**)*	(13)	115		
Equity-accounted strategic JVs		63	90		
EBITDA		**998**	**1,116**	**(118)**	**(10.6%)**
Amortisation, depreciation and impairment losses	*(***)*	(420)	(451)		
EBITA		**578**	**665**	**(87)**	**(13.1%)**
Non-recurring income/(expenses)		(33)	(225)		
Restructuring costs		(99)	(110)		
Amortisation of intangible assets acquired as part of business combinations		(62)	(63)		
EBIT		**384**	**267**	**117**	**43.8%**
Net financial income/(expense)	*(****)*	(321)	(368)		
Income taxes		(87)	(135)		
Net result before extraordinary transactions		**(24)**	**(236)**	**212**	**89.8%**
Net result related to discontinued operations and extraordinary transactions		-	100		
Net result		**(24)**	**(136)**	**112**	**82.4%**

Notes to the reconciliation between the reclassified income statement and the statutory income statement:
(*) "Purchases and Personnel expense" net of restructuring costs and non-recurring income/(costs).
(**) Includes "Other operating income/(expenses)", net of restructuring costs and non-recurring income/(costs).
(***) Includes "Amortisation and depreciation" net of the portion referable to intangible assets acquired as part of business combinations and "Impairment"(net of that included in non-recurring income/(costs))
(****) Includes "Financial income/(expense)" and "Share of profits (losses) on equity-accounted investees" (net of the results of strategic JVs).

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Financial performance.

The 2014 cash flows were significantly influenced by the enforcement of the guarantees for the Indian contract in the Helicopters sector, for an overall amount of €mil. 256. Despite such effect, FOCF was substantially in line with 2013 (- €mil. 44). Excluding the enforcement of the guarantees on the Indian contract, the FOCF would have been higher by €mil. 212 thanks to a lower use of cash in Defence and Security Electronics (mainly at SES) and above all in Transportation, thanks to an improvement in the vehicles segment and Ansaldo STS. With reference to the development of the Indian matter, as largely described in Note 14, we note the dismissal of the case against Finmeccanica and the ruling issued by the Judge for Preliminary Investigations of the Court of Busto Arsizio against AgustaWestland SpA and AgustaWestland Ltd, as well as the ruling recently issued by the same Court that, *inter alia*, acquitted, on first instance, the persons involved for the offence of international corruption.

Finally, the Group Net Debt benefitted from the cash-in from Avio of most of the proceeds (€mil. 239) from the sale by the latter of its engine business.

The cash flow performance, which reflects the normal seasonal fluctuation in Group cash flows, with payments to suppliers being particularly higher than inflows from customers in the first half of the year, with inflows increasing in the last quarter, is shown below:

	For the nine months ended 30 September		**Change**	**% Change**
(€ millions)	**2014**	**2013 (restated)**		
Funds From Operations (FFO)	**622**	**720**	**(98)**	**(13.6%)**
Change in working capital	(1,568)	(1,620)		
Cash flows from ordinary investing activities	(611)	(613)		
Free Operating Cash Flow (FOCF)	**(1,557)**	**(1,513)**	**(44)**	**(2.9%)**
Strategic transactions	239	-		
Change in other investing activities (*)	(16)	(57)		
Net change in loans and borrowings	475	652		
Dividends paid	(19)	(18)		
Net increase (decrease) in cash and cash equivalents	**(878)**	**(936)**		
Cash and cash equivalents at 1 January	**1,455**	**1,870**		
Exchange rate differences and other changes	53	(20)		
Cash and cash equivalents at 30 September	**630**	**914**		

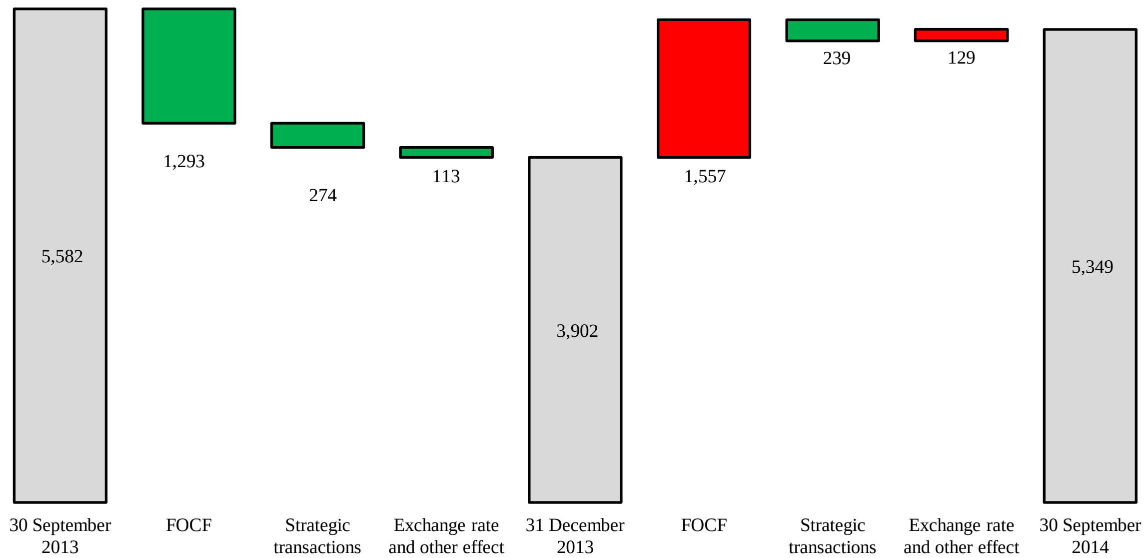
(*) Includes "Other investing activities", net of dividends received.

The strategic transactions are related to the abovementioned cash-in from Avio.

Excluding the effects related to the Indian contract, the cash flow from operations would have been the following:

(€ millions)	*For the nine months ended 30 September*		Change	% Change
	2014 (pro forma excluding India)	*2013 (restated)*		
Funds From Operations (FFO)	**622**	**720**	**(98)**	**(13.6%)**
Change in working capital	(1,312)	(1,620)		
Cash flows from ordinary investing activities	(611)	(613)		
FOCF (pro forma excluding India)	**(1,301)**	**(1,513)**	**212**	**14.0%**

The Group Net Debt has been significantly lower compared to the September 2013 figures, despite the increase deriving from exchange rate difference on payables denominated in USD and GBP, while it reflects the normal seasonal fluctuation in comparison with 31 December 2013. Changes in the comparative periods are as follows:



Net capital invested rose compared with 31 December 2013, due to the increase in net working capital as a result of the seasonal fluctuation in cash flows, as reported below:

(€ millions)	*Note*	30 September 2014	31 December 2013 (restated)	30 September 2013 (restated)
Non-current assets		12,240	12,185	12,142
Non-current liabilities		(3,223)	(3,165)	(3,866)
Capital assets	*(*)*	**9,017**	**9,020**	**8,276**
Inventories		5,081	4,754	5,067
Trade receivables	*(**)*	7,959	7,254	7,946
Trade payables	*(**)*	(11,357)	(11,524)	(10,953)
Working capital		**1,683**	**484**	**2,060**
Provisions for short-term risks and charges		(693)	(1,007)	(796)
Other net current assets (liabilities)	*(***)*	(866)	(916)	(803)
Net working capital		**124**	**(1,439)**	**461**
Net invested capital		**9,141**	**7,581**	**8,737**
Equity attributable to the Owners of the Parent		3,473	3,381	3,121
Equity attributable to non-controlling interests		319	298	312
Equity		**3,792**	**3,679**	**3,433**
Group Net Debt		**5,349**	**3,902**	**5,582**
Net (assets)/liabilities held for sale		**-**	**-**	**(278)**

Notes to the reconciliation between the reclassified and the statutory statements of financial position:

(*) Includes all current assets, net of "Fair Value of the residual stake in Ansaldo Energia", and all non-current liabilities, net of "Non-current loans and borrowings", respectively

(**) Adjusted to take into account the effects of the settlement agreement related to the Fyra contract

(***) Includes "Other current assets", net of "Other current liabilities" (excluding hedging derivatives in respect of debt items) and "Income tax payables".

Group net financial debt breaks down is as follows:

(€ millions)	30 September 2014	*of which current*	31 December 2013 (restated)	*of which current*	30 September 2013 (restated)	*of which current*
Bonds	4,735	*139*	4,305	*83*	4,457	*902*
Bank debt	1,179	*826*	544	*134*	1,550	*1,138*
Cash and cash equivalents	(630)	*(630)*	(1,455)	*(1,455)*	(914)	*(914)*
Net bank debt and bonds	**5,284**		**3,394**		**5,093**	
Fair value of the residual portion in portfolio of Ansaldo Energia	(122)		(117)		-	
Securities	-	-	-	-	(3)	-
Current loans and receivables from related parties	(206)	*(206)*	(125)	*(125)*	(129)	*(129)*
Other current loans and receivables	(55)	*(55)*	(61)	*(61)*	(72)	*(72)*
Current loans and receivables and securities	**(383)**		**(303)**		**(204)**	
Hedging derivatives in respect of debt items	(27)	*(27)*	(9)	*(9)*	(27)	*(27)*
Effect of transactions involving Fyra contract	41	*41*	86	*86*	-	-
Related-party loans and borrowings	358	*348*	629	*616*	588	*572*
Other loans and borrowings	76	*51*	105	*77*	132	*93*
Group Net Debt	**5,349**		**3,902**		**5,582**	

The reconciliation with the net financial position required by CONSOB Communication no. DEM/6064293 of 28 July 2006 is provided in Note 13 to the financial statements

The highest value of the Net Debt during the last twelve months was attained at 30 September 2013 (€mil. 5,582), while the lowest was achieved at 31 December 2013, in line with the usual seasonal performance of the Group's cash flows as described several times.

The Group during the period disposed without recourse of receivables for a total carrying value of approximately €mil. 572 (€mil. 739 in the first nine months of 2013).

To meet the financing needs for ordinary Group activities, Finmeccanica obtained a revolving credit facility with a pool of Italian and international banks in September 2010 for €mil. 2,400 (final maturity in September 2015). Finmeccanica, taking advantage of the favourable financial market situation in terms of liquidity and applicable rates, refinanced its credit facility ahead of schedule on 9 July, and, at the same time, paid off the previous loan, reducing the amount of the credit facility to €bil. 2.2 and extending its expiry date to 9 July 2019. The new agreement was signed with a pool of Italian and international banks on the following conditions:

- period of interest: 1, 2, 3 or 6 months at the borrower's choice;
- interest rate: Euribor plus 180 bps spread. This spread could be reduced to a minimum of 75 bps. if Finmeccanica recovers an investment grade rating or could be increased to a maximum of 270 bps. if Finmeccanica's debt were given a rating under BB, or if it were given no credit rating at all;
- utilisation fees: 15 bps, 30 bps and 60 bps according the percentage utilisation, respectively from zero to 33%, up to 66% and over 66%;
- commitment fees: 35% of the margin on the portion utilisable at any given time;
- upfront fees: 90 bps, 75 bps and 60 bps for the members of the pool on the basis of the amounts of the commitments they have subscribed.

Under the new Revolving Credit Facility, Finmeccanica must comply with two Covenants (Group net debt excluding payables to the joint ventures MBDA and Thales Alenia Space/EBITDA not higher than 3.75 and EBITDA/Net interest not lower than 3.25) tested annually on the consolidated data at the end of the year. Based on the forecasts for financial year 2014 already disclosed to the market, no critical issues are expected in relation to the compliance with the abovementioned Covenants.

At 30 September 2014 the credit line was used for a total of €mil. 650 (€mil. 950 at 30 September 2013), while this facility was unused at 31 December 2013, at 31 March 2014 (€mil. 810 in 2013) and at 30 June 2014 (€mil. 630 in 2013).

Finmeccanica also has additional unconfirmed short-term lines of credit of €mil. 645, which were used in the amount of €mil. 69 at 30 September 2014, as well as unconfirmed, unsecured lines of credit of approximately €mil. 2,677.

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The key performance indicators for the *Aerospace and Defence* sector are shown below (2013 figures have been restated following the adoption of IFRS 11):

September 2014	**New orders**	**Order backlog**	**Revenues**	**EBITA**	**ROS %**
Helicopters	3,083	12,197	3,036	379	12.5%
Defence and Security Electronics	2,987	8,456	3,230	36	1.1%
- of which: DRS	*1,038*	*1,495*	*969*	*(27)*	*(2.7%)*
- of which: SES	*1,951*	*6,981*	*2,267*	*63*	*2.8%*
Aeronautics	1,529	7,139	2,135	148	6.9%
Space	-	-	-	26	n.a.
Defence Systems	150	1,139	326	28	8.6%
Eliminations/Other	*(206)*	*(693)*	*(279)*	*(78)*	*n.a.*
Total Aerospace and Defence	**7,543**	**28,238**	**8,448**	**539**	**6.4%**
September 2013	**New orders**	**Order backlog at 31.12.2013**	**Revenues**	**EBITA**	**ROS %**
Helicopters	2,249	11,834	2,998	402	13.4%
Defence and Security Electronics	2,851	8,485	3,447	102	3.0%
- of which: DRS	*1,033*	*1,326*	*1,207*	*82*	*6.7%*
- of which: SES	*1,823*	*7,182*	*2,244*	*20*	*0.9%*
Aeronautics	1,635	7,716	1,833	161	8.8%
Space	-	-	-	36	n.a.
Defence Systems	304	1,320	351	63	17.9%
Eliminations/Other	*(202)*	*(790)*	*(249)*	*(84)*	*n.a.*
Total Aerospace and Defence	**6,837**	**28,565**	**8,380**	**680**	**8.1%**
Change %	**New orders**	**Order backlog**	**Revenues**	**EBITA**	**ROS %**
Helicopters	37.1%	3.1%	1.3%	(5.7%)	(0.9) p.p.
Defence and Security Electronics	4.8%	(0.3%)	(6.3%)	(64.7%)	(1.9) p.p.
- of which: DRS	*0.5%*	*12.7%*	*(19.7%)*	*n.a*	*(9.4) p.p.*
- of which: SES	*7.0%*	*(2.8%)*	*1.0%*	*n.a*	*1.9 p.p.*
Aeronautics	(6.5%)	(7.5%)	16.5%	(8.1%)	(1.9) p.p.
Space	n.a.	n.a.	n.a.	(27.8%)	n.a.
Defence Systems	(50.7%)	(13.7%)	(7.1%)	(55.6%)	(9.3) p.p.
Eliminations/Other	*(2.0%)*	*12.3%*	*(12.0%)*	*7.1%*	*n.a.*
Total Aerospace and Defence	**10.3%**	**(1.1%)**	**0.8%**	**(20.7%)**	**(1.7) p.p.**

Helicopters

The performance as at September 2014 shows orders higher than those of the same period of the prior year (+37%) as a result of the two important contracts signed with the UK Ministry of Defence in the first half-year: the contract to upgrade the fleet of 25 AW101 Merlin helicopters under the Merlin Life Sustainment Programme (MLSP) and the contract to provide maintenance and support for the fleet of Apache AH Mk1 helicopters for five years. Revenues are substantially in line with those recorded in 2013, and profits were excellent once again.

New orders. The increase at September 2014 compared to the same period of 2013 was mainly due to the two new contracts mentioned above, signed in the first half-year. Other acquisitions included the contract for the upgrading of 8 Lynx Mk21A helicopters of the naval Aviation of the Brazilian Navy, the contract to include the Future Anti-Surface Guided Weapon (FASGW) missile on the 28 AW159 helicopters of the Royal Navy and various orders for AW139 helicopters, for a total of 54 aircraft.

Revenues. These were substantially in line with the same period of 2013; the growth continues in the activities involving the new AW189 aircraft, in relation to which the first five deliveries were made in the period, and offset the expected drop in revenues on the AW139 line.

EBITA. The reduction was attributable to proceeds arising from the closure of the VH-71 programme in the first half of 2013; while excluding this item, the result of the nine months showed a significant increase in particular as a result of a better profitability of some lines of product.

Defence and Security Electronics

The sector performance is discussed separately in relation to SES and DRS.

SES - The performance of the third quarter confirmed the continuous improvement of profitability compared to 2013, as already noted in the first half of the year, fostered by the prosecution of the initiatives related to the restructuring and integration plan launched last year. With regard to this, we highlight the positive progress of the plan, which saw the continuation in 2014 of the efficiency and enhancement initiatives begun in 2013 in relation to the closure of the sites and the staff rationalisation, in addition to the containment of operating costs. These measures, which came with social shock absorbers and solidarity agreements, entailed a downsizing of resources to 16,623 from the 17,014 units at the start of the year.

New orders. These showed volumes of acquisitions that were higher than those reported in the same period of 2013, as a result of the good results recorded in the first half of the year when important contracts were signed in domestic and export markets, in particular in the Airborne and Space Systems business. These contracts included the renewal of the contract for the Avionics Maintenance Centre (Centro di Manutenzione Avionica, CMA) for the Typhoon aircraft of the Italian Air Force and the supply of avionic radars for 60 Gripen aircraft of the Swedish Air Force.

During the third quarter, there was the acquisition of the contract for the Belgian operator Bpost for the supply of a parcel sorting system called Multisorting Parcel Handling System (MPHS) for the new logistic hub of Brussels.

Revenues. These were substantially in line with 2013. The increased activities in the sectors of Airborne and Space Systems and Land and Naval Systems, which benefitted from the start of major programmes acquired at the end of 2013, offset the slowdown recorded in the Security & Smart Systems division, in particular in relation to the activities for the customer Russian Post Offices.

EBITA. This item showed a sensible improvement as a result of the benefits associated with the ongoing restructuring plan and of lower R&D activities developed in the period. The performance reported in the nine months also confirmed the gradual recovery of margins in some specific business areas, the result of which had been penalised by the review of the estimates of some programmes (in particular ATC) in the same period of 2013.

DRS – to facilitate the understanding of the changes, KPIs are reported below in USD:

	New orders	Revenues	EBITA	ROS %
DRS ($mil.) September 2014	1,407	1,313	(36)	(2.7%)
DRS ($mil.) September 2013	1,361	1,589	107	6.7%

The performance in the first nine months has been affected by some technical issues arising in the first half-year from a programme of the *Training, Control, Avionics & Irregular Warfare* business line in relation to the development and production of a cargo handling and transport system for aircraft. This has entailed a review of the assumptions for the recoverability of some investments made in terms of non-recurring developments and activities, as well as an increase in the estimated costs for the production of the systems in question, which were entirely reflected in the results of the first nine months of 2014.

The costs reported on this programme, together with the expected decline in the volumes of revenues, have entailed a marked decline in the result of operations compared to 2013.

New orders. These were essentially in line with 2013, but with a book-to-bill higher than 1 (1.07 against 0.86 in 2013). The most significant acquisitions included a supply contract with the US Army relating to ground and satellite telecommunication services in support of the armed forces engaged in operational areas and, in the third quarter, a contract for a logistic and maintenance support of a transport system for the US Air Force.

Revenues. There was a decrease, which was attributable to the expected cut in the USA Defence budget, and mainly to fewer deliveries of products in the Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance business line.

EBITA. In spite of the significant savings arising from the efficiency-improvement and streamlining actions in progress, the result that was affected by the effect of the costs associated with the abovementioned programme and also by lower revenues, was largely negative.

Aeronautics

The third quarter of 2014 was in line with the first half-year, confirming a good performance in terms of production in particular as regards B787, ATR and M346 programmes, for which the first three trainer aircraft were delivered to Israel. This allowed to have a significant increase in revenues at 30 September 2014, exceeding both forecasts and the figure reported in the same period of 2013, spurred in particular by the rise in production rates for the B787 programmes, for which deliveries equivalent to 82 fuselage sections and 62 horizontal stabilisers (51 fuselages and 56 stabilisers were delivered at 30 September 2013) were made. Furthermore, work continued for improving efficiency and strengthening the production rates achieved so as to meet the 120 deliveries expected in 2014.

New orders. The drop is mainly due to fewer new orders for defence and transport aircraft which was offset by the order for the supply of 8 M346 aircraft and logistical support to the Polish Ministry of Defence.

Revenues. These were up mainly due to higher revenues in the civil segment generated by the increase in activity for the B787 and the ATR programmes, with deliveries of 67 fuselages compared with 51 at 30 September 2013. The increase in revenues for defence aircraft and trainers in the military segment widely offset the decline in activity on special versions of aircraft.

EBITA. The reduction is attributable to the benefit, recorded in the third quarter of 2013, deriving from the release of provisions in excess for the ATR programme; excluding such item the result shows an improvement which was due to higher margins in the military segment, in particular for defence aircraft.

Space

Excluding the revenues generated by the launch of the *Athena Fidus* satellite in the first quarter and and the subsequent telemetry operations and tests for checking the correct operation of on-board equipment, the production volumes developed in the first nine months are slightly lower in comparison with those recorded in 2013, due to lower sales of satellite capacity and to a slowdown in some programmes of the manufacturing segment. The result of operations recorded a decline due to the minor volumes mentioned above but above all to costs associated with the restructuring plan launched by Thales Alenia Space at the beginning of 2014.

Defence Systems

In line with what reported in the first half-year, the third quarter of 2014 reported a general decline compared with the same period of 2013, due to fewer new orders and lower revenues, in addition to the expected deterioration in profitability, largely reflecting the completion of major, profitable programmes in the *missile systems* segment, which had brough benefits in the first nine months of 2013.

<u>New orders</u>. The decrease affected the *land, sea and air weapons systems* segment and the *underwater systems* segment. The main new orders during the period included a contract for light torpedoes from a Navy in the Mediterranean area, three orders from a Navy in the Far East relating to integration activities for heavy torpedoes and to systems of countermeasures and a stabilized base for heavy torpedoes, the sale of four 76/62 SR guns to Egypt through DCNS, the ammunition and logistics contracts from various countries.

<u>Revenues</u>. A decrease was recorded in particular in the *land, sea and air weapons systems* associated with the gradual completion of some job orders.

<u>EBITA</u>. There was a decrease attributable to the segment of *missile systems* and *underwater systems*, which were affected by lower volumes of revenues and charges relating to the settlement of a dispute.

With regard to *missile systems*, in line with expectations, the performance of the period recorded a significant decrease in revenues and result of operations in comparison with 2013, due to the completion of deliveries for an important, profitable programme in the Middle East, which had positive effects on the first nine months of 2013.

The key performance indicators for the *Transportation* sector are shown below (2013 figures have been restated following the adoption of IFRS 11):

September 2014	New orders	Order backlog	Revenues	EBITA	ROS %
Transportation	1,805	8,679	1,366	38	2.8%
Eliminations/Other	*27*	*186*	*125*	*1*	*n.a.*
Total Transportation	**1,832**	**8,865**	**1,491**	**39**	**2.6%**
September 2013	**New orders**	**Order backlog at 31.12.2013**	**Revenues**	**EBITA**	**ROS %**
Transportation	1,111	8,213	1,272	(16)	(1.3%)
Eliminations/Other	*174*	*281*	*139*	*1*	*n.a.*
Total Transportation	**1,285**	**8,494**	**1,411**	**(15)**	**(1.1%)**
Change %	**New orders**	**Order backlog**	**Revenues**	**EBITA**	**ROS %**
Transportation	62.5%	5.7%	7.4%	n.a	4.1 p.p.
Eliminations/Other	*(84.5%)*	*(33.8%)*	*(10.1%)*	*n.a.*	*n.a.*
Total Transportation	**42.6%**	**4.4%**	**5.7%**	**n.a**	**3.7 p.p.**

Transportation

The performance as at September 2014 confirms what reported in the first six months of the year, showing an improvement compared to the same period in 2013, which was attributable in particular to AnsaldoBreda that showed clear signs of recovery, even with still negative results.

New orders. These increased by 62% compared to the same period of 2013, in particular as a result of the acquisition in the first half-year of the project for the driverless metro in Lima, in Peru, on the part of Ansaldo STS and AnsaldoBreda. The commercial performance in the third quarter, decreasing in comparison to the third quarter of the prior year when the important order for the Riyadh metro was acquired by Ansaldo STS, was characterised by the acquisition by the same Ansaldo STS of contracts for a new transport system in Aarhus, Denmark, and for the new metro in Navi Mumbai in India.

Revenues. These showed an increase which was mainly attributable to AnsaldoBreda and in particular to the metro programmes Milan Expo, ETR1000 for Trenitalia and TSR for Ferrovie Nord Milano.

EBITA. There was an increase which was mainly attributable to AnsaldoBreda, the result of which, in addition to enjoying higher revenues and the improved productive efficiency, had been particularly penalized, in the same period of 2013, by additional costs and contract charges on some programmes. Ansaldo STS also reported better results while difficulties continued to heighten in the buses segment.

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Outlook

The results achieved in the first nine months of 2014 and the expectations for the last quarter, lead Finmeccanica to believe that the Group will deliver full year **revenues** and **EBITA** higher than expected at the date of adoption of 2013 financial statements, notwithstanding the losses incurred by DRS. FOCF will be in line with the previous guidances, as updated at half-year following the payments due as a consequence of the call of the bank guarantees provided under the Indian contract of Helicopters, awarded in 2010.

Please find below the updated guidances, compared to the previous ones, relating to the full perimeter of the Group (*Aerospace & Defence* and *Transportation*):

	Initial estimates (*)	Updated estimates
Revenues (€billions)	13.0 – 13.5	13.5 – 14.0
EBITA (€millions)	930 – 980	980 – 1,030
FOCF (€millions)	(350) – (250)	(350) – (250)

(*) *With respect to FOCF, estimates were initially set within the range 0 - negative €mil. 100 and assumed no negative changes regarding the Indian contract.*

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Other performance indicators

	September 2014	September 2013 (*)	Change	2013 (*)
FFO	622	720	(13.6%)	925
EBITDA	998	1,116	(10.6%)	1,495
Research and development expenses	1,004	1,034	(2.9%)	1,545
Net Interest	(235)	(254)	7.5%	(284)

(*) *Figures restated following the adoption of IFRS11.*

Reference should be made to the section entitled "Non-GAAP performance indicators" for definitions thereof.

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"Non-GAAP" performance indicators

Finmeccanica's Management assesses the Group's performance and that of its business segments based on a number of indicators that are not envisaged by the IFRSs. Specifically, EBITA is used as the primary indicator of profitability, since it allows us to analyse the Group's marginality by eliminating the impacts of the volatility associated with non-recurring items or items unrelated to ordinary operations.

As required by CESR/05-178b Recommendation, below is a description of the components of each of these indicators:

- **New orders**: this includes contracts signed with customers during the period that satisfy the contractual requirements for being recorded in the order book.
- **Order backlog**: this figure is the sum of the order backlog for the preceding period and new orders, less revenues (excluding change in work in progress) during the reference period.
- **EBITA**: it is arrived at by eliminating from EBIT, as defined below, the following items:
  - any impairment in goodwill;
  - amortisation and impairment, if any, of the portion of the purchase price allocated to intangible assets as part of business combinations, as required by IFRS 3;
  - restructuring costs that are a part of defined and significant plans. This item includes personnel costs as well as any and all other costs deriving from the reorganisation (e.g. impairment of assets, costs for the closure of sites, relocation costs, etc.);
  - other exceptional costs or income, i.e. connected to particularly significant events that are not related to the ordinary performance of the business.

  EBITA is then used to calculate return on sales (ROS) and return on investment (ROI).

  A reconciliation of Income before tax and financial expense, EBIT and EBITA is shown below (the reconciliation by segment is reported in Note 6):

(€ millions)	**For the nine months ended 30 September**	
	2014	**2013**
Income before tax and financial expenses	**321**	**177**
Equity-accounted strategic JVs	63	90
EBIT	**384**	**267**
Amortisation of intangible assets acquired as part of business combinations	62	63
Restructuring costs	99	110
Non-recurring (income) expense	33	225
EBITA	**578**	**665**

  Non-recurring expenses are related to criticalities in respect of orders in *Helicopters* and *Defence and Security Electronics*. Restructuring costs refer to ongoing proceedings chiefly relating to *Defence and Security Electronics* and *Aeronautics*

- ***Return on Sales (ROS)***: this is calculated as the ratio of EBITA to revenue.

- **EBIT**: this is obtained by adding to EBIT (defined as earnings before “financial income and expense”, “share of profit (loss) of equity-accounted investees”, “income taxes” and “result from discontinued operations”) the Group’s share of profit in the results of its strategic Joint

Ventures (ATR, MBDA, Thales Alenia Space and Telespazio), reported in the "share of profits (losses) of equity-accounted investees".

- ***Net result before extraordinary transactions***: this is the Net Result before the result from discontinued operations and the effects of the extraordinary transactions (acquisitions and disposals). Below is the reconciliation:

(€ millions)	**For the nine months ended 30 September**	
	2014	**2013**
Net result	**(24)**	**(136)**
Net result of Discontinued Operations	-	(9)
Effect on extraordinary transactions	-	(91)
Net result before extraordinary transactions	**(24)**	**(236)**

- ***Group Net Debt***: this includes cash, financial receivables and current securities, net of (current and non-current) loans and borrowings and of the fair value of derivatives covering financial debt items. Moreover, this item includes the measurement of the residual interest in Ansaldo Energia, which is classified under non-current assets in consideration – and assuming the exercise as well as in light of the creditworthiness of the other party – of the put&call rights based on which this amount will be paid by Fondo Strategico Italiano to Finmeccanica. Another factor which worsens the net debt is the effect of the settlement agreement regarding AnsaldoBreda's Fyra contract with the Dutch railways. The reconciliation with the net financial position required by the Consob communication no. DEM/6064293 of 28 July 2006 is reported in Note 13.

- ***Free Operating Cash-Flow (FOCF***): this is the sum of the cash flows generated by (used in) operating activities (excluding changes in the Group Net Debt items), the cash flows generated by (used in) ordinary investment activity (property, plant and equipment and intangible assets) and dividends.

- ***Return on Investments (ROI):*** this is calculated as the ratio of EBITA to the average net capital invested in the two comparative periods.

- ***Return on Equity (ROE):*** this is calculated as the ratio of the net result for the financial period to the average value of equity in the two comparative periods.

- ***Workforce:*** the number of employees recorded in the register on the last day of the period.

- ***Funds From Operations (FFO)***: this is cash flow generated by (used in) operating activities net of changes in working capital. The FFO also includes dividends received.

- ***EBITDA***: this is given by EBITA before amortisation, depreciation and impairment losses (net of those relating to goodwill or classified among "*non-recurring costs*").
- ***Research and Development expenditure:*** the Group classifies under R&D all internal and external costs incurred relating to projects aimed at obtaining or employing new technologies, knowledge, materials, products and processes. The item includes:
  - development costs capitalised even if covered by grants;
  - research costs, whose activity is at a stage at which it cannot be demonstrated that the activity will generate future economic benefits, or development costs for which the accounting requirements for capitalisation do not obtain, are expensed as incurred;
  - research and development costs reimbursed by the customer as part of existing contracts (which fall under the scope of work in progress from an accounting viewpoint).
- ***Net interest:*** this is calculated as the sum of the items "Interest" and "Loan fees".

The 2013 key performance indicators have been restated as a consequence of the adoption of IFRS 11 as follows:

	September 2013 reported	**Deconsol. JV (-)**	**Share of results/ dividends from JV (+)**	**Septem ber 2013 restated**	**2013 reported**	**Deconsol. JV (-)**	**Share of results/ dividends from JV (+)**	**2013 restated**
New orders	9,440	(1,331)	-	8,109	17,571	(2,512)	-	15,059
Order backlog	40,233	(5,501)	-	34,732	42,697	(5,866)	-	36,831
Revenue	11,343	(1,615)	-	9,728	16,033	(2,343)	-	13,690
EBITA	697	(122)	90	665	949	(242)	171	878
EBIT	293	(116)	90	267	46	(231)	171	(14)
Group Net Debt	5,153	429	-	5,582	3,316	586	-	3,902
FOCF	(1,740)	122	105	(1,513)	(307)	(21)	108	(220)

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Effects of the adoption of IFRS 11 on reclassified statements

Below are the effects deriving from the adoption of IFRS 11 on the reclassified income statement, reclassified statement of financial position and reclasssified statement of cash flows with reference to 30 September 2013 and 31 December 2013:

(€ millions)	**For the nine months ended 30 September 2013**	**IFRS 11 effect**	**For the nine months ended 30 September 2013 restated**	**2013**	**IFRS 11 effect**	**2013 restated**
Revenues	11,343	(1,615)	9,728	16,033	(2,343)	13,690
Purchases and personnel expense	(10,260)	1,443	(8,817)	(14,506)	2,026	(12,480)
Other net operating income/(expenses)	125	(10)	115	121	(7)	114
Equity-accounted strategic JVs		90	90		171	171
EBITDA	**1,208**	**(92)**	**1,116**	**1,648**	**(153)**	**1,495**
Amortisation, depreciation and impairment losses	(511)	60	(451)	(699)	82	(617)
EBITA	**697**	**(32)**	**665**	**949**	**(71)**	**878**
Non-recurring income/(expenses)	(225)	-	(225)	(423)	-	(423)
Restructuring costs	(113)	3	(110)	(394)	8	(386)
Amortisation of intangible assets acquired as part of business combinations	(66)	3	(63)	(86)	3	(83)
EBIT	**293**	**(26)**	**267**	**46**	**(60)**	**(14)**
Net financial income/(expense)	(368)	-	(368)	(505)	10	(495)
Income taxes	(161)	26	(135)	(190)	50	(140)
Net result before extraordinary transactions	**(236)**	**-**	**(236)**	**(649)**	**-**	**(649)**
Net result related to discontinued operations and extraordinary transactions	100	-	100	723	-	723
Net result	**(136)**	**-**	**(136)**	**74**	**-**	**74**

(€ millions)	**30.09.2013**	**IFRS 11 effect**	**30.09.2013 restated**	**31.12.2013**	**IFRS 11 effect**	**31.12.2013 restated**
Non-current assets	12,525	(383)	12,142	12,501	(316)	12,185
Non-current liabilities	(3,602)	(264)	(3,866)	(3,529)	364	(3,165)
Capital assets	**8,923**	**(647)**	**8,276**	**8,972**	**48**	**9,020**
Inventories	5,409	(342)	5,067	5,128	(374)	4,754
Trade receivables	8,828	(882)	7,946	8,072	(818)	7,254
Trade payables	(12,665)	1,712	(10,953)	(13,298)	1,774	(11,524)
Working capital	**1,572**	**488**	**2,060**	**(98)**	**582**	**484**
Provisions for short-term risks and charges	(897)	101	(796)	(1,072)	65	(1,007)
Other net current assets (liabilities)	(665)	(138)	(803)	(807)	(109)	(916)
Net working capital	**10**	**451**	**461**	**(1,977)**	**538**	**(1,439)**
Net invested capital	**8,933**	**(196)**	**8,737**	**6,995**	**586**	**7,581**
Equity attributable to the Owners of the Parent	3,121	-	3,121	3,381	-	3,381
Equity attributable to non-controlling interests	312	-	312	298	-	298
Equity	**3,433**	**-**	**3,433**	**3,679**	**-**	**3,679**
Group Net Debt	**5,153**	**429**	**5,582**	**3,316**	**586**	**3,902**
Net (assets)/liabilities held for sale	**347**	**(625)**	**(278)**	**-**	**-**	**-**

(€ millions)	For the nine months ended 30 September 2013	IFRS 11 effect	For the nine months ended 30 September 2013 restated	2013	IFRS 11 effect	2013 restated
Funds From Operations (FFO)	**693**	**27**	**720**	**1,001**	**(76)**	**925**
Change in working capital	(1,794)	174	(1,620)	(441)	102	(339)
Cash flows from ordinary investing activities	(639)	26	(613)	(867)	61	(806)
Free Operating Cash Flow (FOCF)	**(1,740)**	**227**	**(1,513)**	**(307)**	**87**	**(220)**
Strategic transactions		-	-	274	-	274
Change in other investing activities	(19)	(38)	(57)	(30)	(44)	(74)
Net change in loans and borrowings	836	(184)	652	(298)	(42)	(340)
Dividends paid	(18)	-	(18)	(18)	-	(18)
Net increase (decrease) in cash and cash equivalents	**(941)**	**5**	**(936)**	**(379)**	**1**	**(378)**
Cash and cash equivalents at the beginning of the period	**2,137**	**(267)**	**1,870**	**2,137**	**(267)**	**1,870**
Cash and cash equivalents at 1 January of discontinued operations	(186)	186	-	(194)	194	-
Exchange rate differences and other changes	(21)	1	(20)	(37)	-	(37)
Cash and cash equivalents at the end of the period	**989**	**(75)**	**914**	**1,527**	**(72)**	**1,455**

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The results of the third quarter

Condensed consolidated income statement

(€ millions)	For the three months ended 30 September	
	2014	2013 (restated*)
Revenues	3,312	3,098
Purchases and personnel expense	(2,998)	(2,833)
Other net operating income/(expenses)	12	85
Equity-accounted strategic JVs	26	31
EBITDA	**352**	**381**
Amortisation, depreciation and impairment losses	(125)	(142)
EBITA	**227**	**239**
Impairment	-	-
Non-recurring income/(expenses)	(5)	(146)
Restructuring costs	(37)	(46)
Amortisation of intangible assets acquired as part of business combinations	(21)	(21)
EBIT	**164**	**26**
Net financial income/(expense)	(112)	(123)
Income taxes	(37)	(69)
Net result before extraordinary transactions	**15**	**(166)**
Net result related to discontinued operations and extraordinary transactions	-	92
Net result	**15**	**(74)**

(*) Comparative data has been restated following the adoption of IFRS11 (see Note 4)

The key performance indicators of the third quarter broken down by segment are shown below:

Third quarter 2014	New orders	Revenues	EBITA	ROS %
Helicopters	398	995	116	11.7%
Defence and Security Electronics	894	1,076	36	3.3%
- of which: DRS	*344*	*365*	*20*	*5.5%*
- of which: SES	*552*	*713*	*16*	*2.2%*
Aeronautics	525	756	74	9.8%
Space	-	-	9	n.a.
Defence Systems	72	96	2	2.1%
Eliminations/Other	*(101)*	*(84)*	*(23)*	*n.a.*
Total Aerospace and Defence	**1,788**	**2,839**	**214**	**7.5%**
Third quarter 2013	New orders	Revenues	EBITA	ROS %
Helicopters	813	957	120	12.5%
Defence and Security Electronics	1,027	1,104	30	2.7%
- of which: DRS	*385*	*407*	*36*	*8.8%*
- of which: SES	*643*	*698*	*(6)*	*(0.9%)*
Aeronautics	363	577	92	15.9%
Space	-	-	12	n.a.
Defence Systems	118	102	13	12.7%
Eliminations/Other	*(64)*	*(99)*	*(29)*	*n.a.*
Total Aerospace and Defence	**2,257**	**2,641**	**238**	**9.0%**
% Change	New orders	Revenues	EBITA	ROS %
Helicopters	(51.0%)	4.0%	(3.3%)	(0.8) p.p.
Defence and Security Electronics	(13.0%)	(2.5%)	20.0%	0.6 p.p.
- of which: DRS	*(10.6%)*	*(10.3%)*	*(44.4%)*	*(3.3) p.p.*
- of which: SES	*(14.2%)*	*2.1%*	*n.a.*	*3.1 p.p.*
Aeronautics	44.6%	31.0%	(19.6%)	(6.1) p.p.
Space	n.a.	n.a.	(25.0%)	n.a.
Defence Systems	(39.0%)	(5.9%)	(84.6%)	(10.6) p.p.
Eliminations/Other	*(57.8%)*	*15.2%*	*20.7%*	*n.a.*
Total Aerospace and Defence	**(20.8%)**	**7.5%**	**(10.1%)**	**(1.5) p.p.**

Third quarter 2014	New orders	Revenues	EBITA	ROS %
Transportation	379	445	13	2.9%
Eliminations/Other	*6*	*46*	*-*	*n.a.*
Total Transportation	**385**	**491**	**13**	**2.6%**
Third quarter 2013	New orders	Revenues	EBITA	ROS %
Transportation	652	422	1	0.2%
Eliminations/Other	*166*	*52*	*-*	*n.a.*
Total Transportation	**818**	**474**	**1**	**0.2%**
% Change	New orders	Revenues	EBITA	ROS %
Transportation	(41.9%)	5.5%	n.a.	2.7 p.p.
Eliminations/Other	*(96.4%)*	*(11.5%)*	*n.a.*	*n.a.*
Total Transportation	**(52.9%)**	**3.6%**	**n.a.**	**2.4 p.p.**

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Industrial and financial transactions

Industrial transactions. The following documents were signed at the Italy-China Business Forum in Beijing on 11 June 2014:

- a Memorandum of Understanding between AgustaWestland and Beijing Automotive Industrial Corporation ("BAIC"), with a view to potential industrial collaboration in marketing, servicing and training for public service helicopters;
- an arrangement between Ansaldo STS and United Mechanical and Electrical Co. Ltd regarding the execution of four projects involving the supply of CBTC (Communication Based Train Control) technology-based signalling systems. Ansaldo STS has also signed a Memorandum of Understanding according to which United Mechanical and Electrical Co. Ltd has undertaken to negotiate the contracts relating to other two initiatives.

In the *Transportation* sector, on 24 June 2014 BredaMenarinibus and Enel Distribuzione signed a Memorandum of Understanding having the purpose of starting joint research and study and technological cooperation for the development of solutions and services for the diffusion of electrical transport in the Italian public sector. Specifically, the object of the arrangement is the technological integration of BredaMenarinibus's electric buses and Enel Distribuzione's charging facilities.

On 9 October 2014, Finmeccanica and Fincantieri signed a collaboration agreement in the military shipbuilding sector, with the aim of increasing competitiveness on the national and international markets, through a more effective and efficient offer integrating the two companies' products. In particular, their collaboration will develop by leveraging the technical and commercial synergies between the "Naval Vessels" business of Fincantieri and the Finmeccanica Group companies (the subsidiaries Selex ES, Oto Melara and WASS as well as the joint venture MBDA Italia) which have core competencies in combat systems, electronics and sea and underwater weapon systems.

Rationalisation of the corporate portfolio. As reported during Finmeccanica's Board of Directors Meeting of 27 October 2014, with regard to the process for the enhancement of the Group's Railway Transport Sector, we note that certain considerations are currently under discussion with potential buyers (who were requested last September to provide their binding offer for AnsaldoBreda). Following the potential buyers' request to finalise the ongoing due diligence process in order for them to provide their best offer, they were granted an extension of a few weeks to submit their offerings.

Financial transactions. In January 2014, the subsidiary Finmeccanica Finance SA seized a favourable opportunity in the capital market to place an additional €mil. 250 on the €mil. 700 bond issue carried out in December 2013. The new bonds, placed solely with Italian and international institutional investors, carry the same conditions as those placed in December 2013. The issue price was equal to 99.564%, higher than that of the 2013 December issue.

Furthermore, as largely described in the section relating to the Group Net Financial Debt, on 9 July Finmeccanica refinanced its revolving credit facility ahead of schedule up to 2019

All the bond issues of Finmeccanica Finance and Meccanica Holdings are irrevocably and unconditionally secured by Finmeccanica, and are given a medium/long-term financial credit rating by the three international rating agencies: Moody’s Investors Service (Moody’s), Standard and Poor's and Fitch. At the date of presentation of this report, Finmeccanica’s credit ratings, compared to those preceding the last change, were as follows:

Agency	**Last update**	**Updated**		**Previous**	
		Credit Rating	*Outlook*	*Credit Rating*	*Outlook*
Moody's	September 2013	Ba1	negative	Ba1	negative
Standard&Poor's	October 2014	BB+	negative	BB+	stable
Fitch	July 2013	BB+	negative	BB+	negative

Regarding the impact of the increase/decrease in the credit ratings assigned to Finmeccanica, as recently recalled in the Half-Year Report at 30 June 2014, we note that there are no default clauses linked to the credit ratings. The only possible effects deriving from further changes, if any, to the credit ratings refer to higher or lower finance costs on certain payables of the Group, especially with reference to the Revolving Credit Facility. The interest rates applied to the uses of such credit line are based on the performance of the applicable Euribor rates increased by a margin of 180 bps. Such margin might be reduced to a minimum of 75 bps, in the event Finmeccanica’s credit rating is upgraded again to the investment grade, or be increased to a maximum of 270 bps, in the event Finmeccanica’s debt is assigned a rating below BB or if no credit rating is assigned. Furthermore, it should be noted that the Funding Agreement between MBDA and its shareholders provides, *inter alia*, that the possible downgrade of the rating assigned to the shareholders results in a gradual increase in margins. Additionally, under a pre-set limit of the rating, for at least two out of three rating agencies (BB- from Standards & Poor's, BB- from Fitch and Ba3 from Moody’s) MBDA is entitled to determine each time the applicable margin. Finally, the agreement provides for rating limits the achievement of which allows MBDA to request its shareholders the issue of a bank guarantee of its own liking, without which MBDA can suspend granting subsequent funds.

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Other information

Corporate governance

Having acknowledged the order for the dismissal of the proceedings issued by the Public Prosecutor's Office of Busto Arsizio (see updates in Note 14 below), Finmeccanica deemed it appropriate to implement a series of actions designed to consolidate the existing corporate controls and on 23 September 2014 issued, among other things, the Group Anti-corruption Directive and the Directive on the adoption, implementation and update of the Organisational, Management and Control Model pursuant to Legislative Decree 231/2001. Furthermore, following the Board of Directors' resolution of 19 June 2014, in order to implement the first and second recommendation of the Flick Committee, a Work Team was set up to prepare the "Integrity and Anti-Corruption Code of the Finmeccanica Group" which includes, in addition to executives and top managers of the Company, renowned academics, as well as a "Coordination and Consulting Board for the prevention of corruption", made up of the Chairmen of the Board of Directors, of the Control and Risks Committee, of the Board of Statutory Auditors and of the Surveillance Body pursuant to Legislative Decree 231/01. AgustaWestland SpA and AgustaWestland Ltd also took steps to enhance their own compliance systems: the former adopted a new Code of Ethics, a new "Organisational, Management and Control Model pursuant to Legislative Decree 231/2001" and forty new "231 protocols" (some of which entirely redrafted), while the latter adopted an Anti-Corruption Compliance Programme, an Anti-Corruption Policy, a Revised Code of Ethics & Training Plan together with anti-corruption policies and procedures (some of which entirely redrafted).

During 2014 the analyses described in the Report on Corporate Governance at 31 December 2013 were performed on certain Group companies' contracts related to "intangible" services for the three-year period 2010-2012. Such analysis conducted with the support of *Deloitte Financial Advisory* is nearing completion, which is expected within the coming months.

New organisational model

As pointed out at the beginning of this Interim Report on Operations, on 19 June 2014 the Board of Directors approved a new organisational and operating model for the Group consisting in the transformation of the companies currently operating in *Aerospace and Defence* into divisions of the new Finmeccanica, excluding the companies subject to strategic review (*Transportation* sector and

FATA), the Joint Ventures and DRS (which operates under a Proxy system). The aim of this reorganisation is reported in the introduction. The implementation of this new organisational model was started at the beginning of last October when Finmeccanica's first level structure and responsibilities were defined (and the supporting functions identified accordingly) with the aim of completing the process within December 2015.

Activities and initiatives started by the Board of Statutory Auditors

The Board of Statutory Auditors report as follows.

After the appointment of the new Board of Directors, during May 2014, as communicated to the market, the Finmeccanica Group embarked on a profound reorganisation targeting on a divisional model and on the enhancement of the corporate functions, also by shortening the reporting lines to the Chief Executive Officer and General Manager. As far as its competence was concerned, the Finmeccanica Board of Statutory Auditors closely monitored and monitors the implementing phases of this reorganisation and has urged to make the necessary changes to the internal structure of procedures and regulations in an orderly and timely manner.

More specifically, in respect of the main events which involved the Group during the period, the Board acknowledges that within this Report at 30 September 2014 the Group has:

1. adequately updated the information regarding the Group's new organisational and operating model, which is expected to be completed within the end of 2015, and in relation to the new business plan due by the first months of 2015. Vis-à-vis the new organisational and operating model of the Group, the Board of Statutory Auditors acknowledges that as of today corporate functions have been defined and the relevant persons in charge of almost all these functions appointed. The Board also acknowledges that the Chief Executive Officer and General Manager reports to each BoD meeting on the state of progress and implementation of the new model;
2. reported deeply on the evolution of the Indian matter in relation to both the criminal and financial-economic implications; the Board acknowledged the evolution of the matter, which presents positive aspects;
3. appropriately illustrated the implementation of the recommendations of the "Flick Committee". In this regard, the Board appreciates the establishment of the work team in charge of preparing the "*Integrity and Anti-Corruption Code of the Finmeccanica Group*" and of the advisory committee named "*Coordination and Consulting Board for the*

prevention of corruption" in which the Chairman of the Board of Statutory Auditor participates;

4. updated information regarding the restructuring of Selex ES, which is proceeding on schedule and the Board will also monitor it also through planned and regular meetings with the Board of Statutory Auditors of the subsidiary;

5. reported that the next months will see the conclusion of the analysis performed with the assistance of *Deloitte Financial Advisory* on the contracts related to the provision of "intangible" services, the result of which, when available, will be taken into consideration by the Board of Statutory Auditors.

The Board has been adequately taken abreast of the ongoing disposals of the non-core activities and acknowledges that the Group (i) provides timely information to the market about the ongoing disposals and (ii) regularly monitors that the existence of the requirements underlying the application of the related parties procedure is verified.

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Information pursuant to Articles 70 and 71 of the Consob Issuers' Regulation

With a Board of Directors resolution of 23 January 2013, the Company adopted the simplification regime under Articles 70/8 and 71/1-*bis* of the Issuers' Regulation adopted with Consob Resolution no. 11971/1999, as subsequently amended. By this resolution, the Company chose to opt out of the obligation to issue the documents required by law when significant transactions (such as mergers, spin-offs, capital increases by means of contribution in kind, acquisitions or disposals) occur.

Condensed consolidated interim financial statements at 30 September 2014

Condensed consolidated income statement

(€ millions)	*Note*	For the nine months ended 30 September **2014**	*of which with related parties*	**2013 (restated*)**	*of which with related parties*
Revenue	*18*	9,869	*1,751*	9,728	*1,725*
Purchase and personnel expense	*20*	(9,128)	*(105)*	(8,915)	*(149)*
Amortisation, depreciation and impairment losses	*21*	(482)		(516)	
Other net operating income/(expenses)	*19*	62	*3*	(120)	*3*
Income before tax and financial expenses		**321**		**177**	
Financial income/(expense)	*22*	(313)	*(2)*	(239)	-
Share of profits/(losses) of equity-accounted investees	*23*	55		52	
Operating profit (loss) before income taxes and discontinued operations		**63**		**(10)**	
Income taxes	*24*	(87)		(135)	
Profit (loss) from discontinued operations		-		9	
Net profit/(loss) for the period attributable to:		**(24)**		**(136)**	
- owners of the parent		*(57)*		*(165)*	
- non-controlling interests		*33*		*29*	
Earnings/(losses) per share	*25*	***(0.099)***		***(0.285)***	
- basic and diluted from continuing operations		*(0.099)*		*(0.301)*	
- basic and diluted from discontinued operations		*n.a*		*0.016*	

(*) Comparative figures restated following the adoption of IFRS 11 (See Note 4)

Condensed consolidated statement of comprehensive income

(€ millions)	*Note*		**For the nine months ended 30 September 2014**		**2013 (restated*)**
Profit (loss) for the period			**(24)**		**(136)**
Other comprehensive income (expense):					
Comprehensive income/expense which will not be subsequently reclassified within the profit (loss) for the period:					
- Measurement of defined-benefit plans:	*12*		(42)		(31)
- revaluation		(35)		(32)	
- exchange rate gains (losses)		(7)		1	
- Tax effect	*12*		2		5
			(40)		(26)
Comprehensive income/expense which will or might be subsequently reclassified within the profit (loss) for the period:					
- Changes in cash flow hedges:	*12*		(55)		7
- change generated in the period		(95)		7	
- transferred to the profit (loss) for the period		39		-	
- exchange rate gains (losses)		1		-	
- Translation differences	*12*		271		(89)
- change generated in the period		271		(89)	
- transferred to the profit (loss) for the period		-		-	
- Tax effect	*12*		14		(3)
			230		(85)
Current portion of "Other comprehensive income (expense)", equity-accounted investees			(34)		(9)
Total other comprehensive income (expense), net of tax:			**156**		**(120)**
Total comprehensive income (expense), attributable to:			**132**		**(256)**
- Owners of the parent			92		(282)
- Non-controlling interests			40		26
Total comprehensive income (expense), attributable to Owners of the parent			**92**		**(282)**
- from continuing operations			92		(294)
- from discontinued operations			-		12

(*) Comparative figures restated following the adoption of IFRS 11 (See Note 4)

Condensed consolidated statement of financial position

(€ millions)	*Note*	**30 September 2014**	*of which with related parties*	**31 December 2013 (restated*)**	*of which with related parties*
Intangible assets	*7*	6,673		6,292	
Property, plant and equipment	*8*	2,939		2,945	
Deferred tax assets		1,082		1,094	
Other non current assets	*9*	1,668	*22*	1,971	*292*
Non-current assets		**12,362**		**12,302**	
Inventories		5,081		4,754	
Trade receivables, including contract work in progress	*10*	7,918	*952*	7,168	*921*
Loans and receivables	*13*	261	*206*	186	*125*
Other assets	*11*	1,261	*5*	838	*11*
Cash and cash equivalents	*13*	630		1,455	
Current assets		**15,151**		**14,401**	
Total assets		**27,513**		**26,703**	
Share capital	*12*	2,525		2,525	
Other reserves		948		856	
Equity attributable to the owners of the parent		**3,473**		**3,381**	
Equity attributable to non-controlling interests		319		298	
Total equity		**3,792**		**3,679**	
Loans and borrowings (non current)	*13*	4,984	*10*	4,673	*13*
Employee benefits	*15*	710		703	
Provisions for risks and charges	*14*	1,298		1,288	
Deferred tax liabilities		266		291	
Other non-current liabilities	*16*	949	-	883	-
Non-current liabilities		**8,207**		**7,838**	
Trade payables, including progress payments and advances from customers	*17*	11,357	*155*	11,524	*190*
Loans and borrowings (current)	*13*	1,364	*348*	910	*616*
Income tax payables		60		77	
Provisions for short-term risks and charges	*14*	693		1,007	
Other current liabilities	*16*	2,040	*128*	1,668	*107*
Current liabilities		**15,514**		**15,186**	
Total liabilities		**23,721**		**23,024**	
Total liabilities and equity		**27,513**		**26,703**	

(*) Comparative figures restated following the adoption of IFRS 11 (See Note 4)

Condensed consolidated statement of cash flows

(€ millions)	*Note*	For the nine months ended 30 September **2014**	*of which with related parties*	**2013 (restated*)**	*of which with related parties*
Gross cash flows from operating activities	*26*	953		1,075	
Change in working capital	*26*	(1,613)	*(47)*	(1,620)	*(11)*
Change in other operating assets and liabilities, provisions for risks and charges, interests and taxes paid		(580)	*19*	(472)	*9*
Cash flows used in operating activities		**(1,240)**		**(1,017)**	
Investments in property, plant and equipment and intangible assets		(615)		(629)	
Sales of property, plant and equipment and intangible assets		4		16	
Cash in from Avio		239		-	
Other investing activities		233	-	60	-
Cash flows used in investing activities		**(139)**		**(553)**	
Dividends paid		(19)		(18)	
Bond issue		250		-	
Net change in other loans and borrowings		270	*(347)*	652	*(223)*
Cash flows generated from financing activities		**501**		**634**	
Cash and cash equivalents at 1 January		**1,455**		**1,870**	
Net increase (decrease) in cash and cash equivalents		(878)		(936)	
Exchange rate differences and other changes		53		(20)	
Cash and cash equivalents at 30 September		**630**		**914**	

(*) Comparative figures restated following the adoption of IFRS 11 (See Note 4)

Condensed consolidated statement of changes in equity

(€ millions)	Share capital	Retained earnings	Cash flow hedge reserve	Revaluation reserve of defined-benefit plans	Translation reserve	Equity attributable to owners of the parent	Non-controlling interests	Total equity
1 January 2013	**2,525**	**1,474**	**18**	**(218)**	**(401)**	**3,398**	**305**	**3,703**
Application of IAS19 revised		(6)		14		8		8
1 January 2013 restated	**2,525**	**1,468**	**18**	**(204)**	**(401)**	**3,406**	**305**	**3,711**
Profit (loss) for the period		(165)				(165)	29	(136)
Other comprehensive income (expense)			10	(43)	(84)	(117)	(3)	(120)
Total comprehensive income (expense)	**-**	**(165)**	**10**	**(43)**	**(84)**	**(282)**	**26**	**(256)**
Dividends resolved						-	(18)	(18)
Total transactions with owners of the parent, recognised directly in equity	-	-	-	-	-	-	**(18)**	**(18)**
Other changes		(2)	1	(1)	(1)	(3)	(1)	(4)
30 September 2013	**2,525**	**1,301**	**29**	**(248)**	**(486)**	**3,121**	**312**	**3,433**
1 January 2014	**2,525**	**1,502**	**47**	**(181)**	**(512)**	**3,381**	**298**	**3,679**
Profit (loss) for the period		(57)				(57)	33	(24)
Other comprehensive income (expense)			(61)	(52)	262	149	7	156
Total comprehensive income (expense)	**-**	**(57)**	**(61)**	**(52)**	**262**	**92**	**40**	**132**
Dividends resolved						-	(19)	(19)
Total transactions with owners of the parent, recognised directly in equity	-	-	-	-	-	-	**(19)**	**(19)**
Other changes	-	-	-	-	-	-	-	-
30 September 2014	**2,525**	**1,445**	**(14)**	**(233)**	**(250)**	**3,473**	**319**	**3,792**

Explanatory notes

1. GENERAL INFORMATION

Finmeccanica is a company limited by shares based in Rome (Italy), at Piazza Monte Grappa 4, and is listed on the Italian Stock Exchange (FTSE MIB).

The Finmeccanica Group is a major Italian high technology organisation. Finmeccanica Spa, the holding company responsible for guiding and controlling industrial and strategic operations, coordinates its subsidiaries (the Finmeccanica Group or, simply, the Group), which are especially concentrated in the fields of Helicopters, Defence and Security Electronics, Aeronautics, Space, Defence Systems and Transportation.

2. FORM, CONTENT AND APPLICABLE ACCOUNTING STANDARDS

The interim financial report of the Finmeccanica Group at 30 September 2014 was prepared in accordance with Article 154-ter, paragraph 5 of Legislative Decree 58/98 (Consolidated Law on Financial Intermediation), as subsequently amended.

These notes are presented in condensed form and do not include all disclosures required for annual financial statements, as they refer only to those items that are essential to understand the Group's financial position, results of operations and cash flows given their amount, breakdown or changes therein. This interim financial report should, therefore, be read in conjunction with the 2013 annual consolidated financial statements.

The statement of financial position and income statement are likewise presented in a condensed format compared to the annual financial statements. The notes to the items combined in the consolidated interim financial statements schedules include a reconciliation with annual consolidated financial statements schedules.

The accounting policies used for this interim financial report are unchanged from those of the 2013 annual consolidated financial statements (except for those specifically applicable to interim financial reports) and the interim financial report at 30 September 2013, with the exceptions reported in Note 4. The new standards applicable from 1 January 2014 did not materially impact this interim financial report, except for IFRS 11; the effects of the application of IFRS 11 on the comparative information are reported in Note 4.

The exchange rates for the major currencies used in preparing these condensed interim financial statements are shown below:

	30 September 2014		31 December 2013	30 September 2013	
	average	final	final	average	final
US dollar	1.3554	1.2583	1.3791	1.3172	1.3505
Pound sterling	0.8122	0.7773	0.8337	0.8522	0.8361

The interim financial statements at 30 September 2014 of the Finmeccanica Group were approved by the Board of Directors on 5 November 2014 and published on the same day.

Amounts are shown in millions of euros unless stated otherwise.

This interim financial report was not subject to any statutory review.

3. BUSINESS SEASONALITY

Cash flows relating to operations

The Group's key business segments feature a high concentration of cash flows from customers in the last few months of the year. This has an impact on interim cash flows and the variability of the Group's debt over the various interim periods, which improves substantially in the last few months of the calendar years.

4. EFFECTS OF CHANGES IN ACCOUNTING POLICIES ADOPTED

Starting from 1 January 2014 the Group has adopted the following new accounting standards:

- IAS 27 Revised (Separate financial statements): the standard has been revised, with the approval of IFRS 10, which limits the scope of its application to the separate financial statements;
- IAS 28 Revised (Investments in Associates and Joint Ventures) : the standard has been revised and outlines how to apply, with certain limited exceptions, the equity method;
- IAS 32 Amendment (Financial Instruments - Presentation): the standard provides guidance on when financial assets and liabilities can be offset;
- IFRS 10 (Consolidated financial statements): this standard provides guidance on whether or not to include an entity in the consolidated financial statements, clarifying the concept of control and its application in case of actual control, potential voting rights, complex investment structures, etc..;
- IFRS 11 (Joint Arrangements): the standard has eliminated the possibility of consolidating the joint arrangements classified as joint ventures under the proportionate method and made it mandatory to use the equity method. Vice versa the consolidated financial

statements include the joint operator's relevant share of costs, revenue, assets and liabilities in the joint operations;

- IFRS 12 (Disclosure of Interests in Other Entities): the standard requires a wide range of disclosures in the explanatory notes regarding any interests an entity may hold in other entities, including associates, joint ventures, special purpose vehicles, and other unconsolidated structured entities;
- IAS 36 (Recoverable Amount Disclosures for Non-Financial Assets): the standard requires disclosures in the explanatory notes about the recoverable amount of impaired assets, in the event that the same has been determined based on fair value less sales costs and costs of disposal.

The separate income statement and the statement of comprehensive income at 30 September 2013, the statement of financial position at 31 December 2013 and the statement of cash flows at 30 September 2013 have been restated following the application of IFRS 11.

Specifically, the main joint ventures, in respect of which the Group has modified the consolidation method starting from 1 January 2014 and has applied the equity method instead of the proportional consolidation, are entities belonging to the Space Alliance (Telespazio and Thales Alenia Space), MBDA and the GIE-ATR Consortium. A breakdown of all the joint ventures is provided in the scope of consolidation.

The effects of these changes are summarized in the tables below:

Condensed separate consolidated income statement (€mil.)	**For the nine months ended 30 September 2013**	**IFRS 11 effect**	**For the nine months ended 30 September 2013 restated**
Revenue	11,343	(1,615)	9,728
Purchase and personnel expense	(10,362)	1,447	(8,915)
Amortisation, depreciation and impairment losses	(579)	63	(516)
Other net operating income/(expenses)	(109)	(11)	(120)
Income before tax and financial expenses	**293**	**(116)**	**177**
Financial income/(expense)	(245)	6	(239)
Share of profits/(losses) of equity-accounted investees	(32)	84	52
Operating profit (loss) before income taxes and discontinued operations	**16**	**(26)**	**(10)**
Income taxes	(161)	26	(135)
Profit (loss) from discontinued operations	9	-	9
Net profit (loss)	**(136)**	**-**	**(136)**

Condensed consolidated statement of comprehensive income (€mil.)	**For the nine months ended 30 September 2013**	**IFRS 11 effect**	**For the nine months ended 30 September 2013 restated**
Profit (loss) for the period	**(136)**	**-**	**(136)**
Other comprehensive income (expense):			
Comprehensive income/expense which will not be subsequently reclassified within the profit (loss) for the period:			
- Measurement of defined-benefit plans:	(52)	21	(31)
- *revaluation*	*(55)*	*23*	*(32)*
- *exchange rate gains (losses)*	*3*	*(2)*	*1*
- Tax effect	10	(5)	5
	(42)	**16**	**(26)**
Comprehensive income/expense which will or might be subsequently reclassified within the profit (loss) for the period:			
- Changes in cash flow hedges:	16	(9)	7
- *change generated in the period*	*16*	*(9)*	*7*
- *transferred to the profit (loss) for the period*	-	-	-
- Translation differences	(89)	-	(89)
- *change generated in the period*	*(89)*	-	*(89)*
- Tax effect	(5)	2	(3)
	(78)	**(7)**	**(85)**
Current portion of "Other comprehensive income (expense)", equity-accounted investees		(9)	(9)
Total other comprehensive income (expense), net of tax:	**(120)**	**-**	**(120)**
Total comprehensive income (expense)	**(256)**	**-**	**(256)**

Condensed consolidated statement of financial position (€mil.)	***31.12.2013***	***IFRS 11 effect***	***31.12.2013 restated***
Intangible assets	7,154	(862)	6,292
Property, plant and equipment	3,259	(314)	2,945
Deferred tax assets	1,207	(113)	1,094
Other non current assets	998	973	1,971
Non-current assets	**12,618**	**(316)**	**12,302**
Inventories	5,128	(374)	4,754
Trade receivables, including contract work in progress	7,986	(818)	7,168
Loans and receivables	617	(431)	186
Other assets	1,158	(320)	838
Cash and cash equivalents	1,527	(72)	1,455
Current assets	**16,416**	**(2,015)**	**14,401**
Total assets	**29,034**	**(2,331)**	**26,703**
Total equity	**3,679**	**-**	**3,679**
Loans and borrowings (non current)	4,704	(31)	4,673
Employee benefits	957	(254)	703
Provisions for risks and charges	1,350	(62)	1,288
Deferred tax liabilities	316	(25)	291
Other non-current liabilities	906	(23)	883
Non-current liabilities	**8,233**	**(395)**	**7,838**
Trade payables, including progress payments and advances from customers	13,298	(1,774)	11,524
Loans and borrowings (current)	796	114	910
Income tax payables	86	(9)	77
Provisions for short-term risks and charges	1,072	(65)	1,007
Other current liabilities	1,870	(202)	1,668
Current liabilities	**17,122**	**(1,936)**	**15,186**
Total liabilities	**25,355**	**(2,331)**	**23,024**
Total liabilities and equity	**29,034**	**(2,331)**	**26,703**

Condensed consolidated statement of cash flows (€mil.)	For the nine months ended 30 September 2013	IFRS 11 effect	For the nine months ended 30 September 2013 restated
Gross cash flows from operating activities	1,248	(173)	1,075
Change in working capital	(1,794)	174	(1,620)
Change in other operating assets and liabilities, provisions for risks and charges, interests and taxes paid	(555)	83	(472)
Cash flows used in operating activities	**(1,101)**	**84**	**(1,017)**
Investments in property, plant and equipment and intangible assets	(678)	49	(629)
Sales of property, plant and equipment and intangible assets	24	(8)	16
Other investing activities	(4)	64	60
Cash flows used in investing activities	**(658)**	**105**	**(553)**
Dividends paid	(18)	-	(18)
Net change in other loans and borrowings	836	(184)	652
Cash flows generated from financing activities	**818**	**(184)**	**634**
Cash and cash equivalents at 1 January	**2,137**	**(267)**	**1,870**
Net increase (decrease) in cash and cash equivalents	(941)	5	(936)
Exchange rate differences and other changes	(21)	1	(20)
Cash and cash equivalents at 1 January of discontinued operations	(186)	186	-
Cash and cash equivalents at 30 September	**989**	**(75)**	**914**

5. SIGNIFICANT EVENTS OCCURRED AFTER THE PERIOD-END

We report no significant events occurred after the end of the period.

6. SEGMENT REPORTING

In accordance with the compliance model followed, management has adopted operating segments that correspond to the business sectors in which the Group operates: Helicopters, Defence and Security Electronics, Aeronautics, Space, Defence Systems, Transportation and Other Activities.

For a more detailed analysis of the main programmes, outlooks and operating indicators for each segment, see the Report on Operations.

The Group assesses the performance of its operating segments and the allocation of its financial resources on the basis of revenue and EBITA (see also the section "Non-GAAP performance indicators" in the Report on Operations).

For the purpose of a correct interpretation of the information provided we note that the results of the strategic Joint Ventures have been included within the EBITA of the sectors to which these JVs belong; conversely, these sectors do not reflect the relevant share of revenue of the JVs no longer consolidated on a proportional basis.

The results for each segment at 30 September 2014, as compared with those of the same period of the previous year (restated following the adoption of IFRS 11), are as follows:

For the nine months ended 30 September 2014	Helicopters	Defence and Security Electronics	Aeronautics	Space	Defence Systems	Transportation	Other Activities	Elimin-ations	Total
Revenues	3,036	3,230	2,135	-	326	1,366	215	(439)	**9,869**
Inter-segment revenue (*)	(2)	(298)	(4)	-	(8)	(1)	(126)	439	-
Third party revenue	**3,034**	**2,932**	**2,131**	**-**	**318**	**1,365**	**89**	**-**	**9,869**
EBITA	**379**	**36**	**148**	**26**	**28**	**38**	**(77)**	**-**	**578**
Investments	187	101	210	-	6	14	36	-	**554**

For the nine months ended 30 September 2013 restated	Helicopters	Defence and Security Electronics	Aeronautics	Space	Defence Systems	Transportation	Other Activities	Elimin-ations	Total
Revenues	2,998	3,447	1,833	-	351	1,272	242	(415)	**9,728**
Inter-segment revenue (*)	(1)	(278)	(3)	-	(8)	-	(125)	415	-
Third party revenue	**2,997**	**3,169**	**1,830**	**-**	**343**	**1,272**	**117**	**-**	**9,728**
EBITA	**402**	**102**	**161**	**36**	**63**	**(16)**	**(83)**	**-**	**665**
Investments	190	118	245	-	8	12	25	-	**598**

(*)Inter-segment revenue includes revenues among Group consolidated undertakings belonging to various business sectors

The reconciliation between EBITA, EBIT and Profit before taxes and interest for the periods compared is as follows:

For the nine months ended 30 September 2014	Helicopters	Defence and Security Electronics	Aeronautics	Space	Defence Systems	Transportation	Other Activities	Total
EBITA	**379**	**36**	**148**	**26**	**28**	**38**	**(77)**	**578**
Amortisation of intangible assets acquired as part of business combinations	(6)	(56)	-	-	-	-	-	**(62)**
Restructuring costs	8	(53)	(34)	-	-	(5)	(15)	**(99)**
Non-recurring income/expense	(28)	(6)	-	-	-	1	-	**(33)**
EBIT	**353**	**(79)**	**114**	**26**	**28**	**34**	**(92)**	**384**
Equity-accounted strategic JVs	-	-	(32)	(26)	(5)	-	-	**(63)**
Income before tax and financial expenses	**353**	**(79)**	**82**	**-**	**23**	**34**	**(92)**	**321**

For the nine months ended 30 September 2013 restated	Helicopters	Defence and Security Electronics	Aeronautics	Space	Defence Systems	Transportation	Other Activities	Total
EBITA	**402**	**102**	**161**	**36**	**63**	**(16)**	**(83)**	**665**
Amortisation of intangible assets acquired as part of business combinations	(6)	(57)	-	-	-	-	-	**(63)**
Restructuring costs	(2)	(85)	(19)	-	-	(2)	(2)	**(110)**
Non-recurring income/expense	-	-	-	-	-	(225)	-	**(225)**
EBIT	**394**	**(40)**	**142**	**36**	**63**	**(243)**	**(85)**	**267**
Equity-accounted strategic JVs	-	-	(22)	(36)	(32)	-	-	**(90)**
Income before tax and financial expenses	**394**	**(40)**	**120**	**-**	**31**	**(243)**	**(85)**	**177**

7. INTANGIBLE ASSETS

Key changes were related to amortisation (Note 21) of €mil. 201 and investments of €mil. 313. Below is a breakdown:

	Balance		Investments for the nine months at	
	30 September 2014	**31 December 2013**	**30 September 2014**	**30 September 2013**
Goodwill	3,756	3,556	-	-
Development costs	478	430	71	77
Non-recurring costs	1,326	1,167	210	168
Concessions, licences and trademarks	297	291	1	2
Acquired through business combinations	654	675	-	-
Other intangible assets	162	173	31	35
	6,673	**6,292**	**313**	**282**

Commitments are in place for the purchase of intangible assets for €mil. 15 (€mil. 16 at 31 December 2013).

Goodwill increased as a result of exchange rate differences on the items denominated in US dollar and in GBP. In respect of goodwill allocated to the Defence and Security Electronics (€mil. 2,348), which was subject to impairment in 2011 and 2012, we note that, on the basis of the results of the tests at 31 December, this sector, due to its dimension, is the one for which the headroom (i.e. the positive margin calculated upon the impairment test) is lower than the other cash generating units (“CGUs”). Regarding the performance of the CGUs within this sector, it is noted that, vis-à-vis the good performance of SES (whose results in 2013 were adversely affected by non-recurring criticalities in the air traffic control and whose improvement in 2014 is evidence that the restructuring plan launched in 2013 is progressing better than expectations), DRS posted lower operating profitability than excepted, which was entirely due to the criticalities connected with the execution of a specific programme. Excluding this, DRS results would have been in line with forecasts; bearing this in mind and taking into account a commercial and financial performance of the company in line with forecasts, it is deemed that no changes are to be considered in comparison with the assumptions adopted during the impairment test as at 31 December 2013. The new impairment tests will be carried out on the basis of the financial and business plans for the 2015 – 2019 period, which are currently being prepared in the context of the Group business plan due by the first months of 2015. In order to verify the existence of possible impairment indicators, the performance of the CGUs is analysed considering both internal and external factors. To this end, the analyses are directed to the developments in the reference markets and in the parameters used in order to determine the discounting rates and to the economic and financial ratios which reflect the degree of risk perceived by the market in relation to the Group's assets (stock exchange quotations, the performance of credit default swaps, changes in ratings, etc.). These analyses did not show any impairment indicators.

8. PROPERTY, PLANT AND EQUIPMENT

The key changes regarded depreciation of €mil. 273 (Note 21) and investments of €mil. 241, as broken down below:

	Balance		**Investments for the nine months at**	
	30 September 2014	**31 December 2013**	**30 September 2014**	**30 September 2013**
Land and buildings	1,105	1,104	3	25
Plant and machinery	462	433	11	11
Equipment	803	827	63	81
Other tangible assets	569	581	164	199
	2,939	**2,945**	**241**	**316**

There are also commitments to purchase property, plant and equipment for €mil. 140 (€mil. 145 at 31 December 2013).

9. OTHER NON-CURRENT ASSETS

	30 September 2014	31 December 2013
Financing to third parties	35	30
Deferred grants under Law no. 808/85	37	41
Defined benefit plan assets, net	131	120
Related party receivables (Note 27)	22	292
Other non-current receivables	91	33
Non-current receivables	**316**	**516**
Prepayments - non current portion	20	7
Equity investments	1,012	1,173
Non-recurring costs pending under Law no. 808/1985	198	158
Fair value of the residual portion in portfolio of Ansaldo Energia	122	117
Non-current assets	**1,352**	**1,455**
	1,668	**1,971**

The decrease compared with 31 December 2013 is mainly the result of the cash-in of €mil. 239 from BVC Investment and Avio SpA, as part of the process of disposal by the latter of the engine business, which resulted in the liquidation of BCV (the holding company which held Avio's shares), the termination of the participating instruments previously in place (classified at 31 December 2013 under receivables from related parties) and the transfer of Avio's shares directly to its shareholders.

Equity investments (€mil. 969 of which related to shareholdings valued at equity) mainly include investments in the Group's joint ventures (€mil. 791), accounted for using the equity method starting from 2014 following the adoption of the new IFRS 11. The decrease is due to dividends distributed in the period.

The other non-current assets include the fair value of 15% of the share capital of Ansaldo Energia (classified at fair value through profit or loss), which will be transferred upon the exercise by the parties of the put&call options (as indicated below) at a pre-set price of €mil. 117 in respect of which capitalised interest accrues at a yearly 6% rate. In particular, Finmeccanica can exercise its put option between 30 June and 31 December 2017, while the call option of FSI is exercisable in the same period or before if some conditions occur.

The table below shows the fair value hierarchy of the Group financial assets and liabilities measured at fair value. The fair value of derivative instruments (classified under other current assets and liabilities) and current securities is determined on the basis of measurement techniques which consider directly observable market inputs (so-called "Level 2"), in particular, the foreign exchange rate and the interest rate (spot and forward rates). Vice versa, the fair value of the payable to Bell Helicopter (classified under other current and non-current liabilities) is determined on the basis of measurement techniques which do not consider directly observable market inputs (the so-called "Level 3"). At 31 December 2013 non-current financial assets measured at "Level 3" fair value also included the hybrid financial instruments in BCV Investments SCA subsequently terminated.

	30 September 2014			31 December 2013		
	Level 2	**Level 3**	**Total**	**Level 2**	**Level 3**	**Total**
Non-current assets	-	122	122	-	389	389
Current assets	393	-	393	111	-	111
Non-current liabilities	-	195	195	-	168	168
Current liabilities	370	-	370	52	24	76

10. TRADE RECEIVABLES, INCLUDING CONTRACT WORK IN PROGRESS

	30 September 2014	*31 December 2013*
Trade receivables	3,411	3,459
Related party trade receivables (Note 27)	952	921
	4,363	**4,380**
Contract work in progress	3,555	2,788
	7,918	**7,168**

The primary credit risks related to the Group's business are described in Note 37 to the consolidated financial statements at 31 December 2013.

11. OTHER CURRENT ASSETS

	30 September 2014		*31 December 2013*	
Income tax receivables		156		157
Derivatives		393		111
Other current assets:		712		570
Prepaid expenses - current portion	*109*		*97*	
Receivables for grants	*108*		*92*	
Receivables from employees and social security	*97*		*68*	
Indirect tax receivables	*252*		*143*	
Deferred receivables under Law no. 808/85	*4*		*5*	
Other related party receivables (Note 27)	*5*		*11*	
Other assets	*137*		*154*	
		1,261		**838**

12. EQUITY

Share capital	Number of ordinary shares	Par value	Treasury shares	Costs incurred (net of tax effect)	Total
Outstanding shares	578,150,395	2,544	-	(19)	2,525
Treasury shares	(32,450)	-	-	-	-
31 December 2013	**578,117,945**	**2,544**	**-**	**(19)**	**2,525**
Outstanding shares	578,150,395	2,544	-	(19)	2,525
Treasury shares	(32,450)	-	-	-	-
30 September 2014	**578,117,945**	**2,544**	**-**	**(19)**	**2,525**

At 30 September 2014 the Ministry of Economy and Finance owned 30.204% of the share capital, while Deutsche Bank Trust Company Americas and Libyan Investment Authority owned 3.600% and 2.010% of the shares, respectively. Moreover, Fmr LLC owned around 2.113% of the shares on a discretionary fund management basis.

The statement of changes in other reserves and equity attributable to non-controlling interests is presented in the accounting statements section. Below is a breakdown of the tax effects on the gain and loss items recognised in equity of the Group, as well as the other comprehensive income/expense relating to investments valued at equity and the related effects:

	Group - consolidated entities			**Group - equity accounted investments**		
	Amount before taxes	Tax effect	**Net amount**	Amount before taxes	Tax effect	**Net amount**
For the nine months ended 30 September 2014						
Revaluation of defined-benefit plans	(41)	2	**(39)**	(16)	3	**(13)**
Changes in cash-flow hedges	(57)	15	**(42)**	(28)	9	**(19)**
Foreign currency translation difference	264	-	**264**	(2)	-	**(2)**
Total	**166**	**17**	**183**	**(46)**	**12**	**(34)**
For the nine months ended 30 September 2013						
Revaluation of defined-benefit plans	(32)	5	**(27)**	(21)	5	**(16)**
Changes in cash-flow hedges	6	(3)	**3**	9	(2)	**7**
Foreign currency translation difference	(84)	-	**(84)**	-	-	**-**
Total	**(110)**	**2**	**(108)**	**(12)**	**3**	**(9)**

Below is a breakdown of the effects relating to the profits/losses recognised in equity attributable to non-controlling interests:

	Non-controlling interest		
	Amount before taxes	Tax effect	Net amount
For the nine months ended 30 September 2014			
Revaluation of defined-benefit plans	(1)	-	(1)
Changes in cash-flow hedges	2	(1)	1
Foreign currency translation difference	7	-	7
Total	**8**	**(1)**	**7**
For the nine months ended 30 September 2013			
Revaluation of defined-benefit plans	1	-	1
Changes in cash-flow hedges	1	-	1
Foreign currency translation difference	(5)	-	(5)
Total	**(3)**	-	**(3)**

13. LOANS AND BORROWINGS

	30 September 2014		31 December 2013	
	Non current	Current	Non current	Current
Bonds	4,596	139	4,222	83
Bank loans and borrowings	353	826	410	134
Related party loans and borrowings (Note 27)	10	348	13	616
Other loans and borrowings	25	51	28	77
	4,984	**1,364**	**4,673**	**910**

The increase in bonds is due to the placement of an additional €mil. 250 on the €mil. 700 bond issued in December 2013 that was executed in January 2014, as well as to exchange rate differences on the issues denominated in US Dollar and in Pound Sterling (€mil. 122).

The increase in bank loans and borrowings is attributable to the utilization of the revolving credit facility in the amount of €mil. 650 (unused at 31 December 2013) in line with the usual seasonal performance of the Group’s cash flows.

The decrease in related party loans and borrowings is due to the distribution by way of dividends of a part of the available funds of the joint ventures that were previously paid to shareholders as financing.

Below is the financial information required under Consob communication DEM/6064293 of 28 July 2006:

	30 September 2014	*of which with related parties*	31 December 2013	*of which with related parties*
Liquidity	**(630)**		**(1,455)**	
Current loans and receivables	**(261)**	*(206)*	**(186)**	*(125)*
Current bank loans and borrowings	826		134	
Current portion of non-current loans and borrowings	139		83	
Other current loans and borrowings	399	*348*	693	*616*
Current financial debt	**1,364**		**910**	
Net current financial debt (funds)	**473**		**(731)**	
Non-current bank loans and borrowings	353		410	
Bonds issued	4,596		4,222	
Other non-current loans and borrowings	35	*10*	41	*13*
Non-current financial debt	**4,984**		**4,673**	
Net financial debt	**5,457**		**3,942**	

The reconciliation between Net financial debt and Group Net Debt, used as KPI, is as follows:

	Note	30 September 2014	31 December 2013
Net financial debt com. CONSOB n. DEM/6064293		5,457	3,942
Fair value of the residual portion in portfolio of Ansaldo Energia	*9*	(122)	(117)
Hedging derivatives in respect of debt items		(27)	(9)
Effect of transactions involving Fyra contract		41	86
Group net debt (KPI)		**5,349**	**3,902**

14. PROVISIONS FOR RISKS AND CONTINGENT LIABILITIES

	30 September 2014		31 December 2013	
	Non current	Current	Non current	Current
Guarantees given	125	16	112	16
Restructuring	97	110	73	171
Penalties	340	31	322	30
Product guarantees	100	85	104	102
Other	636	451	677	688
	1,298	**693**	**1,288**	**1,007**

The current portion of the provisions decreased as a result of the uses of employee provisions and for the reclassification of the accruals set aside in relation to the Fyra matter (as commented on below), in consequence of the adjustment to the inventory of the 19 V-250 trains, which returned in the hands of AnsaldoBreda.

With regard to the provisions for disputes, it should be noted that the Finmeccanica Group companies' operations regard industries and markets where many disputes, which are brought as both plaintiff and defendant, are settled only after a considerable period of time, especially in cases where the customer is a government entity. Pursuant to the accounting standards, provisions have only been made for risks that are probable and for which the amount can be determined. Likewise, based on current knowledge, no specific provisions have been set aside for certain disputes in which the Group is a defendant as these disputes are reasonably expected to be resolved satisfactorily and without significantly impacting the results. Herein we provide updates to the information already provided in the 2013 consolidated financial statements, to which the reader is referred for more details:

- with regard to the dispute initiated by Selex Sistemi Integrati SpA challenging the 2007 IRES and IRAP tax assessment reports issued by the Lazio Regional tax office, in March 2014 the Rome Provincial Tax Commission issued its decision fully accepting the party's claims.

  The assessment reports were issued at the conclusion of a general audit on that year, during which the deductibility of certain costs that allegedly did not meet the requirements of Article 110.11 of the Consolidated Tax Act was disallowed, and relate to a specific situation in which the tax authority itself approved a specific request for a private letter ruling (*istanza di interpello*) submitted by the Company in 2004.

  Through the tax assessment reports in question, the tax office had refused to acknowledge costs of about €mil. 5, whose treatment, according to the arguments put forth by the tax authority, should have led to an increase in taxes of approximately €mil. 1.7 (excluding interest), plus penalties of an equal amount;
- with regard to the lawsuit against GMR pending before the Court of Santa Maria Capua Vetere, at the hearing held on 22 April this year, the opposing party inferred that another lawsuit had been initiated by Firema Trasporti under receivership before the Court of Naples against the directors, statutory auditors and independent auditors of Firema Trasporti S.p.A. requesting the Court to rule liability and obtain a judgment for the financial difficulties that each, on the basis of the accusations against them, had caused the company and to order them to pay damage in the amount of about €mil 51. Within the context on these proceedings, by the writs of summons served in April, two former directors Giorgio and Gianfranco Fiore started, in their turn, a legal action against AnsaldoBreda and Finmeccanica, accusing of unlawful performance of the activities of management and coordination relying upon the arguments already stated by GMR in the proceedings pending before the Court of Santa Maria Capua Vetere. Owing to this, GMR asked for the two cases to be combined. AnsaldoBreda and Finmeccanica opposed this request, also repeating their submission for the objection of the lack of jurisdiction that had already been raised to be sustained. The hearing for specifying conclusions was held on 15 July 2014 and the Court adjourned the case for a decision.

Within the proceedings pending before the Court of Naples, the first hearing was held on 16 September 2014 and a decision was adjourned in respect of the preliminary and interlocutory issues;

- with regard to the lawsuit initiated before the Court of Rome by Mr Pio Maria Deiana, on his own account and in his capacity as Director of Janua Dei S.r.l. and of Società Progetto Cina S.r.l., a minority shareholder of Società Progetto Cina Srl and a minority shareholder of Società Janua Dei Italia Srl intervened in the case, respectively, at the hearings of 14 May 2014 and 25 September 2014. Next hearing has been scheduled for 22 January 2015;

- with regard to the dispute concerning the contract signed in August 2010 between Zarubezhstroytechnology (ZST), which had been awarded the contract to build the Sirth - Benghazi railway line in Libya, and the joint venture comprised of Ansaldo STS and Selex ES, following the conclusion of the interim proceedings, ZST instituted arbitration proceedings at the Vienna International Arbitral Centre against Ansaldo STS and Selex ES to obtain reimbursement of the entire amount paid. The arbitration board has been appointed and the companies have made their appearance within the time limits prescribed by law;

- the award was handed down on 6 May 2014 in the arbitration proceedings between French company DCNS and Wass, with regard to the 2008 contract for the development of the F21 heavy torpedo for the French Navy Ministry. The award ordered Wass to pay DCNS about €mil. 6;

- after Simmi S.p.A. under receivership became bankrupt and the case between it and AnsaldoBreda was declared to have been broken off at the hearing of 4 March 2014, the proceedings were quashed because the trustee in bankruptcy had not resumed the action within the three-month deadline;

- as regards the arbitration proceedings brought by Officine Ferroviarie Veronesi S.p.A. against AnsaldoBreda S.p.A., while the board of arbitration was being formed, the Court of Verona ruled the opening of Officine Ferroviarie Veronesi S.p.A.'s extraordinary management procedure and, accordingly, took steps to appoint the Judge in charge of the Proceedings (*Giudice Delegato*) and the Receiver (*Commissario Giudiziale*).

* * * * * * * *

Furthermore, it should be noted that the Explanatory Notes accompanying the consolidated financial statements at 31 December 2013 provide information on investigations carried out by the Judicial Authority that involve Group companies for different reasons. With respect to the information reported in the abovementioned financial statements, to which the reader is referred for more details, the following update is provided on events that occurred subsequently:

- with regard to the criminal proceedings conducted by the Public Prosecutor's Office at the Court of Rome in relation to the "contract for the supply of a centralised consolidation and management system for the video-surveillance systems at the CEN in Naples", on 26 March 2014 the Judge for Preliminary Investigations (GIP, *Giudice delle Indagini Preliminari*) of the Court of Rome dismissed the case against all the persons under investigation;
- with regard to the criminal proceedings being conducted by the Public Prosecutor's Office of Milan, concerning public financing requested by Selex Galileo SpA (now Selex ES SpA) under the integrated package of concessions for innovation ("P.I.A. Innovazione"), on 7 April 2014 the GIP of the Court of Milan dismissed the case against all the persons under investigation;
- with regard to the criminal proceedings pending before the Public Prosecutor's Office of Rome regarding the supply of 45 trolleybuses by BredaMenarinibus SpA in the competitive tender launched by Roma Metropolitane SpA and awarded to a Temporary Business Partnership (ATI) made up of companies that do not belong to the Finmeccanica Group, on 2 July 2014 the Public Prosecutor dismissed the case against BredaMenarinibus SpA. Following the motion for committal for trial lodged by the Public Prosecutor against the former Chief Executive Officer and the former Deputy Chairman of the company for offences under articles 110 and 646 of the Italian Criminal Code and article 8 of Legislative Decree 74/2000 and against the former Chief Financial Officer for offences under article 110 of the Italian Criminal Code and article 8 of Legislative Decree 74/2000, the Judge for Preliminary Investigations set the preliminary hearing at 23 October 2014. At this hearing the Judge for Preliminary Hearings granted Bredamenarinibus SpA to appear before the Court as an aggrieved party in criminal proceedings for offences under articles 110 and 646 of the Italian Criminal Code and committed the defendants for trial, after ordering the separation of the proceedings against the former CEO and handing back the records of the case to the Public Prosecutor for the insufficiency of service of process to one of the former CEO's defence counsels. The first hearing of oral arguments has been set for 3 February 2016 before the Court of Rome;
- in the immediate trial (*giudizio immediato*) before the Court of Busto Arsizio regarding AgustaWestland International Ltd's supply of 12 helicopters to the Indian Government, in which the former Chairman and Chief Executive Officer of Finmeccanica Spa and the former Chief Executive Officer of AgustaWestland SpA are facing charges, after the

committal proceedings (*istruzione dibattimentale*) had come to a conclusion, the Public Prosecutor stated his closing arguments at the hearings of 1 and 3 July 2014. The defence arguments were then set out at the hearings held on 30 September, 1 and 2 October 2014. On 9 October 2014, the Court sentenced the former Chairman and Chief Executive Officer of Finmeccanica Spa and the former Chief Executive Officer of AgustaWestland SpA to two-years' imprisonment for the offence under art. 2 of Legislative Decree 74/2000 (fraudulent return from the use of invoices or other documents relating to non-existent transactions) - solely in respect of the tax period May 2009 - June 2010 - and ordered the seizure from AgustaWestland SpA of an amount equal to the evaded tax (in relation to a taxable base of €mil. 3.4). By the same decision the Court acquitted the accused persons for the crimes referred to in articles 110, 112 no. 1, 319, 321 and 322 bis, par. 2, no. 2 of the Criminal Code (corruption of foreign public officials), as no offence was committed. The effects on the consolidated financial statements that might stem from the aforesaid ruling are immaterial, considering the negligeable amount of the tax allegedly evaded by AgustaWestland SpA;

- with regard to the criminal proceedings in the phase of preliminary investigations before the Court of Busto Arsizio – against Finmeccanica Spa, AgustaWestland SpA and AgustaWestland Ltd pursuant to article 25 of Legislative Decree no. 231/01 (corruption) in relation to the offence referred to in articles 110, 112 no. 1, 319, 321 and 322-*bis*, paragraph 2, of the Italian Criminal Code (corruption of foreign public officials), which the defendants in the immediate trial referred to above are charged with, and against other individuals -, on 25 July 2014, in accordance with article 58 of Legislative Decree 231/01, the Public Prosecutor discontinued the proceedings against Finmeccanica holding groundless, in consequence of the conclusion of investigations, the Company's involvement from both a factual and legal point of view. The Prosecutor also acknowledged that since 2003 the Company has adopted, practically implemented and regularly updated an Organisational, Management and Audit Model that is conceptually suitable to prevent offences like those in question and is focused on compliance processes as to guarantee adequate standards of fairness and ethical conduct.

In relation to this lawsuit, on the same day AgustaWestland Spa and AgustaWestland Ltd, together with the Prosecutor, requested for them the application of penalties pursuant to article 63 of Legislative Decree 231/01 and article 444 et seqq. of the Italian Code of Criminal Procedure. On 28 August 2014, with an order issued pursuant to article 444 of the Code of Criminal Procedure, the Judge for Preliminary Investigations of the Court of Busto Arsizio – acknowledging the requests put forward by the companies - applied

AgustaWestland SpA a penalty of €80,000 and to AgustaWestland Ltd a penalty of €300,000, and ordered the seizure of an amount of €7.5 million recognised in the consolidated income statement at 30 September 2014.

As part of the same proceedings, on 10 July 2014 the Public Prosecutor submitted a request for the dismissal of the case against some individuals involved (an executive and a former executive of AgustaWestland SpA, as well as the former Manager responsible for the Finmeccanica office in India), as he considered that the causal contribution from the latter persons was poor with respect to the cases of offence they were charged with. The actions taken by Finmeccanica and by the companies concerned are illustrated in the "Corporate Governance" section of the Interim Report on Operations;

- in the investigations put in hand by the Indian judicial authorities (CBI) - involving thirteen persons and six companies, including Finmeccanica and AgustaWestland - in connection with AgustaWestland International Ltd's supply of 12 helicopters to the Indian Government -, on 29 April 2014 the Indian Central Bureau of Investigation asked the Deputy at Finmeccanica's office in New Delhi to provide the documents regarding the contract under scrutiny. The request was met on 7 July 2014;
- with regard to the two criminal proceedings pending before the Court of Naples, involving ordinary and immediate trials respectively, concerning the contracts awarded to the then Elsag Datamat (now Selex ES SpA) and to Electron Italia for the construction of the integrated traffic monitoring system of the city of Naples and of the video-surveillance systems for some municipalities in the province of Naples, respectively, at the hearings held on 22 May 2014 the Court ordered the proceedings to be combined. The case in its combined form continues in open court;
- on 27 May 2014 the Turin Public Prosecutor's Office officially informed some Finmeccanica directors (who had served from 1994 to 1998) and some AgustaWestland directors (who had served from 1999 to 2011) that they were under investigation for a criminal offence under Article 449 of the Italian Criminal Code in that they broke the rules regarding the use of asbestos in connection with AgustaWestland's supply of helicopters to the Armed Forces, the Police and other State corps;
- in the criminal proceedings before the Turin Public Prosecutor's Office regarding the revelation of designs and technical specifications that were the property of a competitor of FATA SpA, on 30 May 2014 the company was informed of the termination of the preliminary investigations for the unlawful act referred to in articles 5 and 25-*bis1* of Legislative Decree 231/01. This notice was also served on the former Chairman and on an executive, for the offence referred to in articles 110 and 513 of the Italian Criminal Code,

and on the Operations Manager, for the offences referred to in articles 81, 110, 615-*ter* and 623 of the Italian Criminal Code;

- with regard to the criminal proceedings before the Rome Public Prosecutor's Office, concerning the informal tender launched by the Presidency of the Council of Ministers in 2010 for an ICT contract for operational services and the management of contracts and acquisitions and awarded to a Temporary Business Combine (RTI, *Raggruppamento Temporaneo di Imprese*) established by Selex Service Management and by a company not belonging to the Finmeccanica Group, on 8 July 2014 the company was served a notice of conclusion of preliminary investigations into administrative violations pursuant to Art. 25 of Legislative Decree no. 231/01, in relation to articles 110 and 321 of the Italian Criminal Code.

  Selex Service Management's former Operations Manager, Finmeccanica's former Chairman and Chief Executive Officer and former External Relations Manager are also under investigation in these proceedings for offences under Articles 81, second paragraph, 110, 326 and 353, paragraphs 1 and 2, of the Italian Criminal Code, as well as is Selex Service Management's former Chief Executive Officer for offences under Articles 110, 319 and 321 of the Italian Criminal Code and Articles 81, second paragraph, 110, 326, 353, paragraphs 1 and 2, of the Italian Criminal Code;
- with regard to the criminal proceedings initiated by the Naples Public Prosecutor's Office, regarding the award of the contract for the construction and operation of the System for Waste Tracking (SISTRI), on 15 July 2014 Selex Service Management was served with an order for the termination of the *in rem* precautionary measure issued by the General Public Prosecutor's Office of the Supreme Court following the judgment handed down by the Third criminal division of the same Court. While granting the appeal submitted by the company, this judgment set aside the Court of Review's order confirming the ruling on preventive attachment issued by the GIP of the Court of Naples on 15 April 2013. Said ruling provided for a precautionary attachment involving the company's accounts to an amount equivalent to € 6,955,791, a sum that had allegedly been subtracted from the tax office or unlawfully collected for illegal reimbursements through the commission of the tax offences which the company's former Chief Executive Officer had been charged with in the proceedings referred to below;
- with regard to the summary trial before the Court of Naples, regarding the award of the contract for the construction and operation of the System for Waste Tracking (SISTRI), on 18 July 2014 the Court read out the operative part of the judgment and sentenced the former Chief Executive Officer of Selex Service Management to 2 years and 6 months in

prison, as well as ordered him to compensate for damage in favour of Selex Service Management that had appeared as an aggrieved party in the proceedings;

- on 13 December 2013 the Rome Public Prosecutor's Office served the Chief Executive Officer of the then Selex Systems Integration Gmbh (now Selex ES Gmbh) with a notice of conclusion of preliminary investigations and, at the same time, with a notice of indictment, as to the offences referred to in articles 110 of the Italian Criminal Code, 223, paragraph 2, no. 2, with reference to articles 216 and 219, paragraphs 1 and 2, no. 1, of Royal Decree 267/42, in relation to the bankruptcy of a supplier company. On 26 February 2014 a notice was served which set the preliminary hearing, while on 18 July 2014 the Judge for Preliminary Hearings (GUP, *Giudice dell'Udienza Preliminare*) of the Court of Rome ordered the former Chief Executive Officer of the then Selex Systems Integration Gmbh to be committed for trial. The first hearing for discussion was set at 5 November 2014;
- with regard to the criminal proceedings before the Public Prosecutor's Office of Florence regarding the construction of the technological communication network named "Tetra" in Syria, on 16 July 2014 the Prosecutor requested the dismissal of the case against all the persons under investigation;
- on 8 October 2014, the Court of Naples granted the requests of Finmeccanica Spa and Selex Service Management SpA to appear before the Court as an aggrieved party in the immediate trial regarding the award of the contract for the construction and operation of the System for Waste Tracking (SISTRI) against the former External Relations Manager of Finmeccanica, the former Operations Director and of a supplier of Selex Service Management for offences under Article 416, paragraphs 1, 2 and 5 of the Italian Criminal Code and Articles 81, second paragraph, 110, 319, 320 and 321 of the Italian Criminal Code;
- with regard to the criminal proceedings pending before the Court of Genoa concerning the overflow of the Chiaravagna river which took place in Genoa on 5 October 2010, of which a former employee of the then-Elsag Datamat SpA (now Selex ES SpA) is accused for offences under Articles 426 and 449 of the Italian Criminal Code, at the hearing of 30 October 2014 Selex ES SpA entered an appearance after service of the summons from the person civilly liable issued by the Court upon request of the aggrieved parties;
- criminal proceedings are pending and at a preliminary investigation stage before the Court of Pistoia against the Pistoia Plant Manager of AnsaldoBreda SpA in relation to the offence under article 256, para. 1 letter b of Legislative Decree 152/2006;
- with regard to the criminal proceedings being conducted by the Public Prosecutor's Office of Naples concerning the collapse of a building that occurred in Naples on 4 March 2013 in

the context of the works for the construction of Line 6 of the Metro, on 24 October 2014 the former Chief Executive Officer and two employees of Ansaldo STS were served the notice of conclusion of the preliminary investigations for the offence under articles 113 and 449 of the Italian Criminal Code in relation to article 434, paragraphs 1 and 2 of the Italian Criminal Code and the offence under articles 113 and 676, paragraphs 1 and 2 of the Italian Criminal Code.

* * * * * * * *

Given their complexity, their cutting-edge technological content and the nature of the customers, the Group's long-term contracts are sometimes affected by disputes with customers in relation to the compliance of works with customer specifications and product performances. The Group adjusts the estimated contract costs for foreseeable issues, also taking into account possible developments in the relevant disputes. The following is the latest information regarding contracts in progress affected by uncertainties and problematic issues, in addition to what is already reported in the 2013 consolidated financial statements:

- with regard to the Sistri contract, signed between the Ministry for the Environment, Land and Sea and Selex Service Management in December 2009 in relation to the design, management and maintenance of the System for Waste Tracking, currently under investigation by the Public Prosecutor's Office of Naples, on 8 May 2014 the Italian Public Contracts Regulator (*Autorità di Vigilanza dei Contratti Pubblici*) concluded the procedure that it had opened in July 2012 by filing Resolution no. 10. By this resolution, the Regulator ruled that the award of the Sistri contract did not comply with Article 17 of the Italian Code of Public Contracts in the matter of contracts subject to a secrecy classification and ordered the papers of the case to be sent to the Ministry and to the Court of Auditors, as well as to the DDA (*Direzione Distrettuale Antimafia*) organised crime unit at the Naples Public Prosecutor's office. The company appealed against this Resolution before the Lazio Regional Administrative Court, challenging its lawfulness under various aspects. We would add that, in the course of the previous financial years, the performance of the contract was affected by a number of legislative acts aimed at postponing the time at which it was to come into force, at making changes to the categories of persons under an obligation to adopt the system, as well at introducing simplification measures. On 21 July 2014 Selex Service Management informed the Ministry that it was not its intention to continue with the management of the system beyond the time-limit of 30 November 2014 set in the contract, forewarning that it will take steps to protect its interests before any court and in any jurisdiction in order to recoup the capital invested and obtain compensation for damages. Afterwards, Law no. 116 of 11 August 2014 as amended which converted Law Decree no. 91 of 24 June 2014, by introducing certain significant changes to the wording of article 11 of law decree no. 101 of 31 August 2013, extended the effective date for the contract with Selex Service Management to 31 December 2015. The Lawmaker also acknowledged the concessionaire’s right to be compensated for the production costs calculated up until 31 December 2015, subject to the fairness assessment by the Agency for Digital Italy (*Agenzia per l'Italia digitale*), to the maximum extent of the fees paid by the operators at the aforementioned date.

Finally, said Law provided that within 30 June 2015 the Ministry for the Environment, Land and Sea shall commence the procedures for the award of the service under concession in accordance with the provisions and methods set out in the Italian Code for Public Contracts.

In light of the regulatory changes recently introduced, the Company is performing the necessary evaluations to safeguard its position;

- with regard to the contracts between AnsaldoBreda and the Belgian Railways Nationale Maatschappj der Belgische Spoorwegen N.V. (“NMBS”) for the supply of 3 trains and with the Dutch Railways NS Financial Services Company N.V. (“NS Financial Services”) for 16 V-250 trains, the disputes that arose during 2013 have been finally settled as a result of the settlement agreements reached with the two customers.

  Specifically, on 17 March 2014 AnsaldoBreda and Finmeccanica, on the one part, and NS Financial Services, on the other part, reached a mutual agreement providing for the termination of the contract and the redelivery of all the V250 trains to AnsaldoBreda against the return of €mil. 125 million to NS Financial Services. In this manner, AnsaldoBreda may take steps to sell the trains to other customers. At the time of the resale, NS Financial Services will receive from AnsaldoBreda a share of the proceeds relating to each train sold, up to an overall maximum amount of € 21 million.

  On 30 April 2014 a settlement agreement was also signed with the Belgian customer NMBS. The agreement provides for the mutual termination of the contract, the waiver of any additional claim arising therefrom and the abandonment of case against the repayment of €2.5 million to NMBS. The agreement will allow AnsaldoBreda to freely exploit the possibility of selling trains to other customers.

  The effects of said agreements had already been reported in the financial statements at 31 December 2013;

- with regard to the contract for the supply of the 12 AW 101 VVIP/VIP helicopters to the Indian Ministry of Defence, on 7 August 2014, in the framework of the arbitration proceedings initiated on 4 October 2013 by AgustaWestland International Ltd against the Indian Ministry of Defence, the International Chamber of Commerce of Paris appointed William W. Park, Professor of Law at the Boston University, to act as the umpire in the controversy. This marked the end of the formation of the arbitration panel, which is composed, in addition to the aforementioned arbitrator as Chairman, of B. N. Srikrishna a former Judge of the Supreme Court of India appointed by AgustaWestland International Ltd. and of B. P. Jeevan Reddy, who is also a former Judge of the Supreme Court of India designated by the Indian Ministry of Defence.

On 28 October 2014, the Indian Ministry of Defence filed a defence brief through which it rose some preliminary objections. The company, in addition to charge to the objections risen by the counterparty, will confirm the fundamental validity of its claims, also in light of the ruling of the Court of Busto Arsizio issued on 9 October 2014 in the context of the immediate trial against the former Chairman and Chief Executive Officer of Finmeccanica Spa and against the former Chief Executive Officer of AgustaWestland SpA.

It should be recalled that, on 23 May 2014, in the framework of the proceedings pursuant to Article 700 of the Italian Code of Civil Procedure brought by AgustaWestland SpA and AgustaWestland International Ltd to prevent the enforcement of the guarantees, the Court of Milan partially revoked the order it had previously handed down in partial acceptance of the complaint submitted by the Indian Ministry of Defence on 27 March 2014. Specifically, the Court revoked its injunction with regard to the whole amount of the Performance bond equal to about €mil. 28 and up to an amount of about €mil. 200 as regards the Advance Bank Guarantees. Therefore, as only about €mil. 50 of the guarantees cannot be enforced (corresponding to the reduction that, according to the contract, was to be made from the Advance Bank Guarantees after the customer accepted three of the helicopters), the remaining sum of about €mil. 228 was paid.

The inventories relating to the programme may be potentially allocated to other contracts. In relation to the portion of supply already made (3 helicopters have already been delivered, in addition to spare and support materials), which is only partially covered by the advances received and not being enforced, the recoverability of the net assets recognised (€mil. 110) in the Group’s accounts (as well as the recognition of any possible indemnities to be paid by or to the Group and the recovery of performance and warrant bonds) is conditional on the outcome of the proceedings in progress.

15. EMPLOYEE BENEFITS

	30 September 2014			31 December 2013		
	Liabilities	**Assets**	**Net**	**Liabilities**	**Assets**	**Net**
Severance pay provision	446	-	446	427	-	427
Defined-benefit plans	247	131	116	251	120	131
Defined contribution plans	17	-	17	25	-	25
	710	**131**	**579**	**703**	**120**	**583**

The amount recognised in the income statement for defined-benefit plans was calculated as follows:

	For the nine months ended 30 September	
	2014	**2013**
Current service costs	50	45
Costs booked as “personnel expenses ”	50	45
Net interest costs	11	13
Costs booked as “financial expenses ”	11	13
	61	**58**

16. OTHER CURRENT AND NON-CURRENT LIABILITIES

	30 September 2014		*31 December 2013*	
	Non current	**Current**	**Non current**	**Current**
Employee obligations	54	426	48	400
Deferred income	88	87	90	75
Amounts due to social security institutions	5	178	5	201
Payables to MED (Law no. 808/85)	274	60	272	60
Payables to MED for royalties (Law no. 808/85)	151	30	118	30
Other liabilities (Law no. 808/85)	165	-	169	-
Indirect tax liabilities	-	107	-	122
Derivatives	-	370	-	52
Other liabilities	212	654	181	621
Other payables to related parties (Note 27)	-	128	-	107
	949	**2,040**	**883**	**1,668**

“Other payables” include, in particular, the payable due to Bell Helicopter of €mil. 195 (€mil. 191 at 31 December 2013), deriving from the acquisition of 100% of the AW609 programme, whereas the residual payable deriving from the acquisition of 100% of the manufacturing and marketing rights for the AW139 helicopter (€mil. 17 at 31 December 2013) was fully repaid.

17. TRADE PAYABLES, INCLUDING PROGRESS PAYMENTS AND ADVANCES FROM CUSTOMERS

	30 September 2014	31 December 2013
Suppliers	3,871	3,680
Trade payables to related parties (Note 27)	155	190
	4,026	**3,870**
Progress payments and advances from customers	7,331	7,654
	11,357	**11,524**

18. REVENUE

	For the nine months ended 30 September	
	2014	2013
Revenue from sales	5,631	6,295
Revenue from services	1,808	1,278
Change in work in progress	679	430
Revenue from related parties (Note 27)	1,751	1,725
	9,869	**9,728**

The trends in revenue by business segment are fully described in the Report on Operations.

19. OTHER OPERATING INCOME (EXPENSES)

	For the nine months ended 30 September					
	2014			2013		
	Income	Expenses	Net	Income	Expenses	Net
Grants for research and development costs	45	-	45	35	-	35
Exchange rate differences on operating items	78	(91)	(13)	48	(47)	1
Indirect taxes	-	(33)	(33)	-	(28)	(28)
Restructuring costs	-	(17)	(17)	-	(18)	(18)
Reversal of (accruals to) provisions and contract losses	277	(168)	109	265	(439)	(174)
Other	40	(72)	(32)	132	(71)	61
Other from/to related parties (Note 27)	4	(1)	3	5	(2)	3
	444	**(382)**	**62**	**485**	**(605)**	**(120)**

20. PURCHASES AND PERSONNEL EXPENSE

	For the nine months ended 30 September	
	2014	2013
Purchases	3,438	3,370
Services	3,258	3,171
Costs to related parties (Note 27)	105	149
Personnel expense	2,754	2,845
Wages, salaries and contributions	*2,475*	*2,549*
Defined-benefit plans costs	*50*	*45*
Defined contribution plans costs	*95*	*98*
Net restructuring costs	*66*	*78*
Other personnel expenses	*68*	*75*
Change in finished goods, work in progress and semi-finished products	(117)	(283)
Work performed by the Group and capitalised	(310)	(337)
	9,128	**8,915**

The decrease of €mil. 91 in personnel expense is mainly due to the lower average workforce (see table below) and, to a lesser extent, to lower restructuring costs (€mil. 12). The significant decrease in the average workforce mainly refers to the reorganisation processes in the *Defence and Security Electronics* (944 average resources abroad at DRS and 714 resources at SES, of which 576 in Italy), in the *Transportation* segment (189 resources, of which 123 in Italy) and in the *Helicopters* segment (160 resources) and in the *Defence Systems* (37 resources) vis-à-vis the growth in the *Aeronautics* and *Other Activities* segments (an increase of 270 and 99 average units, respectively, compared with September 2013) . The decrease was due to the aforementioned restructuring processes.

	Average Workforce			Total Workforce		
	30 September 2014	30 September 2013	Change	30 September 2014	31 December 2013	Change
Senior managers (*)	1,595	1,709	(114)	1,569	1,653	(84)
Middle managers	5,995	6,105	(110)	6,068	6,129	(61)
Clerical employees	31,818	33,030	(1,212)	32,351	32,935	(584)
Manual labourers (**)	15,236	15,475	(239)	15,348	15,565	(217)
	54,644	**56,319**	**(1,675)**	**55,336**	**56,282**	**(946)**

(*) *include pilots*
(**) *include senior manual labourers*

The breakdown of workforce by segment is as follows:

	30 September 2014	31 December 2013
Helicopters	12,918	13,121
Defence and Security Electronics	22,264	22,851
Aeronautics	11,146	11,157
Defence Systems	1,497	1,531
Transportation	6,367	6,540
Other	1,144	1,082
	55,336	**56,282**

21. AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES

	For the nine months ended 30 September			
	2014		2013	
Amortisation of intangible assets		201		213
Development costs	*47*		*60*	
Non-recurring costs	*34*		*32*	
Acquired through business combinations	*62*		*63*	
Concessions, licences and trademarks	*17*		*12*	
Other intangible assets	*41*		*46*	
Depreciation of property, plant and equipment		273		244
Impairment of operating receivables		6		17
Impairment of other assets		2		42
		482		**516**

22. FINANCIAL INCOME AND EXPENSE

	For the nine months ended 30 September					
	2014			2013		
	Income	**Expenses**	**Net**	**Income**	**Expenses**	**Net**
Interest	3	(223)	(220)	15	(258)	(243)
Loan fees	-	(15)	(15)	-	(11)	(11)
Other commissions	-	(5)	(5)	-	(35)	(35)
Fair value gains (losses) through profit or loss	14	(19)	(5)	33	(12)	21
Premiums (paid) received on forwards	3	(7)	(4)	7	(9)	(2)
Exchange rate differences	162	(157)	5	134	(145)	(11)
Net interest cost on defined-benefit plans	-	(11)	(11)	-	(13)	(13)
Financial income (expense) - related parties (Note 27)	4	(6)	(2)	4	(4)	-
Gain on Avio sale	-	-	-	91	-	91
Other financial income and expense	6	(62)	(56)	7	(43)	(36)
	192	**(505)**	**(313)**	**291**	**(530)**	**(239)**

23. SHARE OF PROFITS (LOSSES) OF EQUITY ACCOUNTED INVESTEES

	For the nine months ended 30 September	
	2014	2013
Space Alliance	26	36
MBDA	5	22
GIE ATR	32	32
Strategic joint ventures	**63**	**90**
Other	(8)	(38)
	55	**52**

24. INCOME TAXES

	For the nine months ended 30 September	
	2014	**2013**
IRAP (reg. tax on production)	(44)	(56)
Other income taxes	(54)	(76)
Provisions for tax disputes	(4)	(12)
Deferred tax - net	15	9
	(87)	**(135)**

25. EARNINGS PER SHARE

	For the nine months ended 30 September	
	2014	**2013**
Average shares outstanding during the reporting period (in thousands)	578,118	578,118
Earnings for the period (excluding non-controlling interests) (€ millions)	(57)	(165)
Earnings from continuing operations (excluding non-controlling interests) (€ millions)	(57)	(174)
Earnings from discontinued operations (excluding non-controlling interests) (€ millions)	-	9
Basic and Diluted EPS (€)	**(0.099)**	**(0.285)**
Basic and Diluted EPS from continuing operations (€)	*(0.099)*	*(0.301)*
Basic and Diluted EPS from discontinued operations (€)	*n.a*	*0.016*

At 30 September 2014 basic EPS, like that for the corresponding period of 2013, is equal to the diluted EPS, inasmuch as there are no dilutive elements.

26. CASH FLOW FROM OPERATING ACTIVITIES

	For the nine months ended 30 September	
	2014	**2013**
Net result	(24)	(136)
Amortisation, depreciation and impairment losses	482	516
Share of profits/(losses) of equity-accounted investees	(55)	(52)
Income taxes	87	135
Costs for defined-benefit plans	50	45
Net financial expense /(income)	313	239
Net allocations to the provisions for risks and inventory write-downs	79	338
Profit from Discontinued Operations	-	(9)
Other non-monetary items	21	(1)
	953	**1,075**

The changes in working capital, net of the effects of the acquisition and sale of consolidated companies and foreign currency translation differences, are as follows:

	For the nine months ended 30 September	
	2014	2013
Inventories	(208)	(420)
Contract work in progress and progress payments and advances from customers	(1,397)	(804)
Trade receivables and payables	(8)	(396)
	(1,613)	**(1,620)**

27. RELATED PARTY TRANSACTIONS

Related party transactions are carried out at arm's length, as is settlement of the interest-bearing receivables and payables when not governed by specific contractual conditions. The relevant financial statements amounts are shown below. The statement of cash flows presents the impact of related party transactions on cash flows.

RECEIVABLES at 30 September 2014	**Non-current loans and receivables**	**Other non-current receivables**	**Current loans and receivables**	**Trade receivables**	**Other current receivables**	**Total**
Unconsolidated subsidiaries						
Other with unit amount lower than €mil. 10			11	4		15
Associates						
Eurofighter Jagdflugzeug GmbH				147		147
NH Industries SAS				154		154
Iveco - Oto Melara Scarl				40		40
Orizzonte - Sistemi Navali SpA				13		13
Metro 5 SpA		16	4	24		44
Abruzzo Engineering Scpa (in liq.)				21		21
Società di Progetto Consortile per Azioni M4			21			21
Macchi Hurel Dubois SAS				14		14
Agustawestland Aviation Services LLC				18		18
Other with unit amount lower than €mil. 10		1	4	39	1	45
Joint Venture						
GIE ATR				101		101
Closed Joint Stock Company Helivert				55		55
MBDA SAS				40		40
Superjet International SpA			110	29	3	142
Thales Alenia Space SAS			4	24	1	29
Telespazio SpA	5		46	4		55
Rotorsim Srl				16		16
Balfour Beatty Ansaldo Systems JV SDN BHD				10		10
Other with unit amount lower than €mil. 10			1	1		2
Consortiums						
Other with unit amount lower than €mil. 10			3	33		36
Companies subject to the control or considerable influence of the MEF						
Ferrovie dello Stato			1	89		90
Other with unit amount lower than €mil. 10			1	76		77
Total	**5**	**17**	**206**	**952**	**5**	**1,185**
% against total for the period	*12.5%*	*11.7%*	*78.9%*	*21.8%*	*0.8%*	

RECEIVABLES at 31 December 2013	Non-current loans and receivables	Other non-current receivables	Current loans and receivables	Trade receivables	Other current receivables	Total
Unconsolidated subsidiaries						
Other with unit amount lower than €mil. 10			8	4	1	13
Associates						
Eurofighter Jagdflugzeug GmbH				187		187
NH Industries SAS				111		111
BCV Investment SCA	272			1		273
Iveco - Oto Melara Scarl				51		51
Metro 5 SpA		10	3	26		39
Abruzzo Engineering Scpa (in liq.)				22		22
Macchi Hurel Dubois SAS				11		11
Other with unit amount lower than €mil. 10		2	9	55	1	67
Joint Venture						
Superjet International S.p.A.			90	10	2	102
GIE ATR				54		54
Closed Joint Stock Company Helivert				53		53
MBDA SAS				30		30
Thales Alenia Space SAS			4	28	1	33
Rotorsim Srl				14		14
Other with unit amount lower than €mil. 10	8		9	13	4	34
Consortiums						
Ferroviario Vesuviano				14		14
Other with unit amount lower than €mil. 10			2	31	2	35
Companies subject to the control or considerable influence of the MEF						
Ferrovie dello Stato				114		114
Other with unit amount lower than €mil. 10				92		92
Total	**280**	**12**	**125**	**921**	**11**	**1,349**
% against total for the period	***90.3%***	***14.0%***	***67.2%***	***21.0%***	***2.3%***	

PAYABLES at 30 September 2014	Non-current loans and borrowings	Other non-current borrowings	Current loans and borrowings	Trade payables	Other current payables	Total	Guarantees
Unconsolidated subsidiaries							
Other with unit amount lower than €mil. 10			5	14	1	20	
Associates							
Eurofighter Jagdflugzeug GmbH			52	12		64	
Consorzio Start SpA				15		15	
Iveco Fiat/Oto Melara S.c.a.r.l.				10	6	16	
Other with unit amount lower than €mil. 10			**1**	**22**		23	
Joint Venture							
MBDA SAS			282	18	1	301	62
GIE ATR				2	93	95	
Rotorsim Srl				17		17	
Thales Alenia Space SAS				2		2	1
Telespazio SpA				2	6	8	226
Superjet International SpA				1	13	14	
Other with unit amount lower than €mil. 10				5		5	
Consortiums							
Other with unit amount lower than €mil. 10				1	2	3	
Companies subject to the control or considerable influence of the MEF							
Ferrovie dello Stato				23		23	
Other with unit amount lower than €mil. 10	10		8	11	6	35	
Total	**10**	**-**	**348**	**155**	**128**	**641**	**289**
% against total for the period	***0.2%***	***0.0%***	***25.5%***	***3.8%***	***8.1%***		

PAYABLES at 31 December 2013	Non-current loans and borrowings	Other non-current borrowings	Current loans and borrowings	Trade payables	Other current payables	Total	Guarantees
Unconsolidated subsidiaries							
Other with unit amount lower than €mil. 10			6	13	2	21	
Associates							
Eurofighter Jagdflugzeug GmbH			69	13		82	
Consorzio Start SpA				26		26	
Other with unit amount lower than €mil. 10			2	31	6	39	
Joint Venture							
MBDA S.A.S.			363	15	1	379	62
Thales Alenia Space SAS			160	3		163	1
GIE ATR				22	73	95	
Rotorsim Srl				14		14	
Telespazio SpA				1	4	5	218
Superjet International SpA				2	14	16	
Other with unit amount lower than €mil. 10				8		8	
Consortiums							
Other with unit amount lower than €mil. 10				6	1	7	
Companies subject to the control or considerable influence of the MEF							
Ferrovie dello Stato				24		24	
Other with unit amount lower than €mil. 10	13		16	12	6	47	
Total	**13**	**-**	**616**	**190**	**107**	**926**	**281**
% against total for the period	*0.3%*	*0.0%*	*67.7%*	*4.9%*	*6.9%*		

(*) Consortiums over which the Group exercises considerable influence or which are subject to joint control

Trade receivables are commented on later, along with revenue from related parties.

Current loans and receivables from related parties mainly refer to receivables from joint ventures.

Non-current loans and receivables from related parties at 31 December 2013 chiefly consisted of financial instruments issued by the investee BCV Investments SA measured at fair value as a result of the early repayment clauses and the forced conversion to which these securities are subject.
Trade payables to related parties mainly refer to payables to joint ventures and to the Start Consortium for the supply of software for defence and space systems.

Borrowings from related parties include in particular the amount of €mil. 282 (€mil. 523 at 31 December 2013) due by Group companies to the joint venture MBDA (at 31 December 2013 the payable related to the joint ventures MBDA and Thales Alenia Space), and payables of €mil. 52 (€mil. 69 at 31 December 2013) to Eurofighter, of which Alenia Aeronautica owns 21%. As regards the latter, under a cash pooling agreement its surplus cash and cash equivalents were distributed among the partners at 31 March 2014.

For the nine months ended 30 September 2014	**Revenue**	**Other operating income**	**Costs**	**Other operating costs**	**Financial income**	**Financial expenses**
Unconsolidated subsidiaries						
Other with unit amount lower than €mil. 10			15			
Associates						
Eurofighter Jagdflugzeug GmbH	457					
NH Industries SAS	267					
Orizzonte - Sistemi Navali SpA	129					
Iveco-Oto Melara Scarl	82		5	1		3
Macchi Hurel Dubois SAS	34					
Metro 5 SpA	12					
Consorzio Start SpA			10			
Other with unit amount lower than €mil. 10	26	1	10		1	
Joint Venture						
GIE ATR	218					
MBDA SAS	60		3			3
Thales Alenia Space SAS	29		1			
Telespazio SpA			13			
Superjet International SpA	15				2	
Closed Joint Stock Company Helivert	10		1			
Balfour Beatty Ansaldo SY. JV SDN BHD	11					
Rotorsim Srl		1	14			
Other with unit amount lower than €mil. 10	2	1	5			
Consortiums						
Saturno	11					
Other with unit amount lower than €mil. 10	12	1	3			
Companies subject to the control or considerable influence of the MEF						
Ferrovie dello Stato	305		7			
Other with unit amount lower than €mil. 10	71		18		1	
Total	**1,751**	**4**	**105**	**1**	**4**	**6**
% against total for the period	***17.7%***	***0.9%***	***1.2%***	***0.3%***	***2.1%***	***1.2%***

For the nine months ended 30 September 2013	**Revenue**	**Other operating income**	**Costs**	**Other operating costs**	**Financial income**	**Financial expenses**
Unconsolidated subsidiaries						
Other with unit amount lower than €mil. 10			15			
Associates						
Eurofighter Jagdflugzeug GmbH	578					
NH Industries SAS	166					
Orizzonte - Sistemi Navali S.p.A.	141					
Iveco-Oto Melara S.c.a.r.l.	76		2	**1**		2
Joint Stock Company Sukhoi Civil Aircraft	22					
Macchi Hurel Dubois S.a.S.	21					
Metro 5 SPA	19					
Advanced Air Traffic Syst. SDH BHD	10					
Balfour Beatty Ansaldo Syst. JV SDN BHD	10					
Consorzio START S.p.A.	1		11			
Other with unit amount lower than €mil. 10	19		17	1		
Joint Venture						
GIE ATR	169		44			
MBDA SAS	58					2
Thales Alenia Space S.a.S.	26		1			
Telespazio SpA	2		18		1	
Rotorsim S.r.l	1	4	15			
Other with unit amount lower than €mil. 10	5	1	7		**1**	
Consortiums						
Other with unit amount lower than €mil. 10	9		3			
Companies subject to the control or considerable influence of the MEF						
Ferrovie dello Stato	295		3			
Other with unit amount lower than €mil. 10	97	-	13		2	
Total	**1,725**	**5**	**149**	**2**	**4**	**4**
% against total for the period	***17.7%***	***1.0%***	***1.7%***	***0.3%***	***1.4%***	***0.8%***

(*) Consortiums over which the Group exercises considerable influence or which are subject to joint control

The most significant trade receivables and revenues, in addition to those from joint ventures, are related to:

- Eurofighter in the scope of the EFA aeronautical programme;
- the Iveco - Oto Melara consortium for production and post-sales assistance on defence and security ground vehicles (VBM Freccia and PZH2000 self-propelled vehicle for the Italian Army);
- NH Industries in the scope of the NH90 helicopter programme;
- Orizzonte - Sistemi Navali for the FREMM programme;
- the Ferrovie dello Stato Italiane group for the supply of trains and systems.

For the Board of Directors

The Chairman

Giovanni De Gennaro

Appendix: scope of consolidation

List of companies consolidated on a line-by-line basis (amounts in foreign currency)

Company name	*Registered office*	*Currency*	*Share capital*	*% Group ownership* Direct	Indirect	*% Group shareholding*
8841845 CANADA INC.	Toronto (Canada)	CAD	1		100	100
3083683 NOVA SCOTIA LIMITED	Halifax, Nova Scotia (Canada)	CAD	-		100	100
AGUSTA AEROSPACE SERVICES AAS SA	Grace Hollogne (Belgium)	EUR	500,000		100	100
AGUSTAWESTLAND AUSTRALIA PTY LTD	Melbourne (Australia)	AUD	400,000		100	100
AGUSTAWESTLAND DO BRASIL LTDA	Sao Paulo (Brazil)	BRL	11,817,172		100	100
AGUSTAWESTLAND ESPANA SL	Madrid (Spain)	EUR	3,300		100	100
AGUSTAWESTLAND HOLDINGS LTD	Yeovil, Somerset (UK)	GBP	40,000		100	100
AGUSTAWESTLAND INDIA PRIVATE LTD	New Delhi(India)	INR	11,519,450		100	100
AGUSTAWESTLAND INTERNATIONAL LTD	Yeovil, Somerset (UK)	GBP	511,000		100	100
AGUSTAWESTLAND LTD	Yeovil, Somerset (UK)	GBP	1,520,304		100	100
AGUSTAWESTLAND MALAYSIA SDN BHD	Kuala Lumpur (Malaysia)	MYR	2,500,000		100	100
AGUSTAWESTLAND NORTH AMERICA INC	Wilmington, Delaware (USA)	USD	1		100	100
AGUSTAWESTLAND PHILADELPHIA CO	Wilmington, Delaware (USA)	USD	20,000,000		100	100
AGUSTAWESTLAND POLITECNICO ADVANCED ROTORCRAFT CENTER SC A RL	Milan	EUR	400,000		80.00	80.00
AGUSTAWESTLAND PORTUGAL SA	Lisbon (Portugal)	EUR	100,000		100	100
AGUSTAWESTLAND PROPERTIES LTD	Yeovil, Somerset (UK)	GBP	100		100	100
AGUSTAWESTLAND SPA	Rome	EUR	702,537,000	100		100
AGUSTAWESTLAND TILT-ROTOR COMPANY INC.	Wilmington, Delaware (USA)	USD	-		100	100
ALENIA AERMACCHI SPA	Rome	EUR	250,000,000	100		100
ALENIA AERMACCHI NORTH AMERICA INC	Wilmington, Delaware (USA)	USD	44		100	100
ANSALDO RAILWAY SYSTEM TRADING (BEIJING) LTD	Beijing (China)	USD	1,500,000		100	40.07
ANSALDO STS AUSTRALIA PTY LTD	Birsbane (Australia)	AUD	5,025,885		100	40.07
ANSALDO STS BEIJING LTD	Beijing (China)	EUR	836,945		80.00	32.05
ANSALDO STS CANADA INC	Kingstone, Ontario (Canada)	CAD	-		100	40.07
ANSALDO STS DEUTSCHLAND GMBH	Munich (Germany)	EUR	26,000		100	40.07
ANSALDO STS DO BRASIL SISTEMAS DE TRANSPORTE FERROVIARIO E METROPOLITANO LTDA	Fortaleza (Brazil)	BRL	1,000,000		99.99	40.06
ANSALDO STS ESPANA SAU	Madrid (Spain)	EUR	1,500,000		100	40.07
ANSALDO STS FRANCE SAS	Les Ulis (France)	EUR	5,000,000		100	40.07
ANSALDO STS HONG KONG LTD	Kowloon Bay (China)	HKD	100,000		100	40.07
ANSALDO STS IRELAND LTD	Co Kerry (Ireland)	EUR	100,309		100	40.07
ANSALDO STS MALAYSIA SDN BHD	Kuala Lumpur (Malaysia)	MYR	3,000,000		100	40.07
ANSALDO STS SOUTHERN AFRICA (PTY) LTD	Gaborone (Botswana)	BWP	100		100	40.07
ANSALDO STS SWEDEN AB	Solna (Sweden)	SEK	4,000,000		100	40.07
ANSALDO STS TRANSPORTATION SYSTEMS INDIA PRIVATE LTD	Bangalore (India)	INR	3,612,915,050		100	40.07
ANSALDO STS UK LTD	Barbican (UK)	GBP	1,000,000		100	40.07
ANSALDO STS SPA	Genoa	EUR	80,000,000	40.07		40.07
ANSALDO STS USA INC	Wilmington, Delaware (USA)	USD	1		100	40.07
ANSALDO STS USA INTERNATIONAL CO	Wilmington, Delaware (USA)	USD	1,000		100	40.07
ANSALDO STS USA INTERNATIONAL PROJECTS CO	Wilmington, Delaware (USA)	USD	25,000		100	40.07
ANSALDOBREDA ESPANA SLU	Madrid (Spain)	EUR	3,010		100	100
ANSALDOBREDA INC	Pittsburg, California (USA)	USD	5		100	100
ANSALDOBREDA SPA	Naples	EUR	55,839,139	100		100
AUTOMATISMES CONTROLES ET ETUDES ELECTRONIQUES SAS (ACELEC)	Les Ulis (France)	EUR	167,694		100	40.07
BREDAMENARINIBUS SPA	Bologna	EUR	1,300,000	100		100
CISDEG SPA	Rome	EUR	120,000		87.50	87.50
DRS C3 & AVIATION COMPANY	Wilmington, Delaware (USA)	USD	1		100	100
DRS CONSOLIDATED CONTROLS INC	Wilmington, Delaware (USA)	USD	1		100	100
DRS DEFENSE SOLUTIONS LLC	Wilmington, Delaware (USA)	USD	-		100	100
DRS ENVIRONMENTAL SYSTEMS INC	Wilmington, Delaware (USA)	USD	2		100	100
DRS HOMELAND SECURITY SOLUTIONS INC	Wilmington, Delaware (USA)	USD	1		100	100
DRS ICAS LLC	Wilmington, Delaware (USA)	USD	-		100	100
DRS INTERNATIONAL INC	Wilmington, Delaware (USA)	USD	1		100	100
DRS NETWORK & IMAGING SYSTEMS LLC ex DRS RSTA INC.	Wilmington, Delaware (USA)	USD	1		100	100
DRS POWER & CONTROL TECHNOLOGIES INC	Wilmington, Delaware (USA)	USD	1		100	100
DRS POWER TECHNOLOGY INC	Wilmington, Delaware (USA)	USD	1		100	100
DRS RADAR SYSTEMS LLC	Wilmington, Delaware (USA)	USD	-		100	100
DRS SENSORS & TARGETING SYSTEMS INC	Wilmington, Delaware (USA)	USD	1		100	100
DRS SIGNAL SOLUTIONS INC	Wilmington, Delaware (USA)	USD	10		100	100
DRS SURVEILLANCE SUPPORT SYSTEMS INC	Wilmington, Delaware (USA)	USD	1		100	100
DRS SUSTAINMENT SYSTEMS INC	Wilmington, Delaware (USA)	USD	1,000		100	100
DRS SYSTEMS MANAGEMENT LLC	Wilmington, Delaware (USA)	USD	1		100	100
DRS SYSTEMS INC	Wilmington, Delaware (USA)	USD	1		100	100
DRS TACTICAL SYSTEMS LIMITED	Farnham, Surrey (UK)	GBP	1,000		100	100
DRS TECHNICAL SERVICES GMBH & CO KG	Baden-Wurttemberg (Germany)	EUR	-		100	100
DRS TECHNICAL SERVICES INC	Baltimore, Maryland (USA)	USD	50		100	100
DRS TECHNOLOGIES CANADA INC	Wilmington, Delaware (USA)	USD	1		100	100
DRS TECHNOLOGIES CANADA LTD	Kanata, Ontario (Canada)	CAD	100		100	100
DRS TECHNOLOGIES SAUDI ARABIA LLC	Riyadh (Saudi Arabia)	SAR	2,000,000		49.00	49.00
DRS TECHNOLOGIES UK LIMITED	Farnham, Surrey (UK)	GBP	14,676,000		100	100
DRS TECHNOLOGIES VERWALTUNGS GMBH	Baden-Wurttemberg (Germany)	EUR	25,000		100	100
DRS TECHNOLOGIES INC	Wilmington, Delaware (USA)	USD	1		100	100
DRS TRAINING & CONTROL SYSTEMS LLC	Plantation, Florida (USA)	USD	510		100	100
DRS TSI INTERNATIONAL LLC	Wilmington, Delaware (USA)	USD	-		100	100
DRS UNMANNED TECHNOLOGIES INC	Wilmington, Delaware (USA)	USD	1		100	100
ED CONTACT SRL	Rome	EUR	600,000		100	100
ELECTRON ITALIA SRL	Rome	EUR	206,582		100	100
ENGINEERED COIL COMPANY	Clayton, Missouri (USA)	USD	1,000		100	100
ENGINEERED SUPPORT SYSTEMS INC	Clayton, Missouri (USA)	USD	1		100	100
E - SECURITY SRL	Montesilvano (Pescara)	EUR	128,000		100	100
ESSI RESOURCES LLC	Louisville, Kentucky (USA)	USD	-		100	100
FATA ENGINEERING SPA	Pianezza (Turin)	EUR	1,092,000		100	100
FATA GULF CO WLL	Doha (Qatar)	QAR	200,000		49.00	97.00
FATA HUNTER INC	Riverside, California (USA)	USD	5,800,000		100	100
FATA LOGISTIC SYSTEMS SPA	Pianezza (Turin)	EUR	100,000		100	100
FATA SPA	Pianezza (Turin)	EUR	20,000,000	100		100
FINMECCANICA FINANCE SA	Luxembourg (Luxembourg)	EUR	12,371,940	100		100
FINMECCANICA GLOBAL SERVICES SPA	Rome	EUR	49,945,983	100		100
LARIMART SPA	Rome	EUR	2,500,000		60.00	60.00
LASERTEL INC	Tucson, Arizona (USA)	USD	10		100	100
LAUREL TECHNOLOGIES PARTNERSHIP	Wilmington, Delaware (USA)	USD	-		100	100
MECCANICA HOLDINGS USA INC	Wilmington, Delaware (USA)	USD	10	100		100
MECCANICA REINSURANCE SA	Luxembourg (Luxembourg)	EUR	4,000,000		100	100

List of companies consolidated on a line-by-line basis (amounts in foreign currency)

Company name	Registered office	Currency	Share capital	% Group ownership Direct	% Group ownership Indirect	% Group shareholding
OTO MELARA IBERICA SAU	Loriguilla, Valencia (Spain)	EUR	120,000		100	100
OTO MELARA NORTH AMERICA LLC ex OTO MELARA NORTH AMERICA LLC INC.	Dover, Delaware (USA)	USD	10,000		100	100
OTO MELARA SPA	Rome	EUR	92,307,722	100		100
PCA ELECTRONIC TEST LTD	Grantham, Lincolnshire (UK)	GBP	1		100	100
PIVOTAL POWER INC	Halifax, Nova Scotia (Canada)	CAD	-		100	100
REGIONALNY PARK PRZEMYSLOWY SWIDNIK SP Z OO	Mechaniczna 13 - U1, Swidnik (Poland)	PLN	7,072,000		73.88	72.75
SELEX ELSAG LTD	Chelmsford, Essex (UK)	GBP	25,800,100		100	100
SELEX ES DO BRASIL LTDA	Rio de Janeiro (Brazil)	BRL	3,621,000		100	100
SELEX ES GMBH	Backnang (Germany)	EUR	2,500,000		100	100
SELEX ES INTERNATIONAL LTD	Chelmsford (UK)	GBP	60,000,000		100	100
SELEX ES LTD	Essex (UK)	GBP	270,000,100		100	100
SELEX ES MUAS SPA	Rome	EUR	150,000		100	100
SELEX GALILEO INC	Wilmington, Delaware (USA)	USD	17,750,000		100	100
SELEX GALILEO SAUDI ARABIA COMPANY LTD	Riyadh (Saudi Arabia)	SAR	500,000		100	100
SELEX ES ELKTRONIK TURKEY AS	Golbasi (Turkey)	TRY	5,501,808		100	100
SELEX ES INC ex SELEX SYSTEMS INTEGRATION INC	Delaware (USA)	USD	1		100	100
SELEX ES INDIA PRIVATE LTD	New Delhi(India)	INR	30,100,000		100	100
SELEX ES ROMANIA SRL	Bucharest (Romania)	RON	42,370		100	100
SELEX ES SPA	Rome	EUR	1,000,000	100		100
SELEX SERVICE MANAGEMENT SPA	Rome	EUR	3,600,000	100		100
SELEX SISTEMI INTEGRATI SPA (IN LIQ.)	Rome	EUR	143,110,986		100	100
SELEX SYSTEMS INTEGRATION LTD	Portsmouth, Hampshire (UK)	GBP	71,500,001		100	100
SC ELETTRA COMMUNICATIONS SA	Ploiesti (Romania)	RON	10,847,960		50.50	50.50
SIRIO PANEL SPA	Montevarchi (Arezzo)	EUR	447,228		100	100
SO.GE.PA. - SOCIETA` GENERALE DI PARTECIPAZIONI SPA	Genoa	EUR	1,000,000	100		100
SISTEMI SOFTWARE INTEGRATI SPA	Taranto	EUR	1,664,000		100	100
T - S HOLDING CORPORATION	Dallas, Texas (USA)	USD	280,000		100	100
TECH-SYM LLC	Reno, Nevada (USA)	USD	10		100	100
UNION SWITCH & SIGNAL INC	Wilmington, Delaware (USA)	USD	1,000		100	40.07
VEGA CONSULTING SERVICES LTD	Hertfordshire (UK)	GBP	1,098,839		100	100
VEGA DEUTSCHLAND GMBH	Cologne (Germany)	EUR	25,700		100	100
WESTLAND SUPPORT SERVICES LTD	Yeovil, Somerset (UK)	GBP	5,000		100	100
WESTLAND TRANSMISSIONS LTD	Yeovil, Somerset (UK)	GBP	1,000,100		100	100
WHITEHEAD SISTEMI SUBACQUEI SPA	Rome	EUR	21,346,000	100		100
WING NED BV	Rotterdam (the Netherlands)	EUR	18,000		100	100
WORLD'S WING SA	Geneva (Switzerland)	CHF	120,100,000		94.94	94.94
WYTWORNIA SPRZETU KOMUNIKACYJNEGO ``PZL-SWIDNIK`` SPOLKA AKCYJNA	Aleja Lotnikow, Swidnik (Poland)	PLN	86,006,050		98.46	98.46
ZAKLAD OBROBKI PLASTYCZNEJ SP Z OO	Kuznicza 13 - U1, Swidnik (Poland)	PLN	3,800,000		100	98.46

List of subsidiaries and associates valued at cost (amounts in foreign currency)

Company name	Registered office	Currency	Share capital	% Group ownership Direct	% Group ownership Indirect	% Group shareholding
ADVANCED MALE AIRCRAFT LLC	Al Ain, Muwaiji (United Arab Emirates)	AED	200,000		49.00	49.00
AGUSTAWESTLAND UK PENSION SCHEME (TRUSTEE) LTD	Yeovil, Somerset (UK)	GBP	1		100	100
ANSALDOBREDA FRANCE SAS (IN LIQ)	Marseille (France)	EUR	200,000		100	100
CCRT SISTEMI SPA (IN FALL)	Milan	EUR	697,217		30.34	30.34
CHONGQING CHUANYI ANSALDOBREDA RAILWAY TRANSPORT.EQUIP.CO.LTD	Chongqing (China)	CNY	50,000,000		50.00	50.00
ELSACOM - UKRAINE JOINT STOCK COMPANY	Kiev (Ukraine)	UAH	7,945,000		49.00	49.00
EUROPEAN SATELLITE NAVIGATION INDUSTRIES GMBH (IN LIQ)	Ottobrunn (Germany)	EUR	264,000	18.94	18.94	25.19
EUROPEAN SATELLITE NAVIGATION INDUSTRIES SA (IN LIQ)	Brussels (Belgium)	EUR	264,000	18.94	18.94	25.19
INDUSTRIE AERONAUTICHE E MECCANICHE RINALDO PIAGGIO SPA (AMMSTR)	Genoa	EUR	103,567	30.98		30.98
INMOVE ITALIA SPA	Naples	EUR	120,000		100	100
SAITECH SPA (IN FALL)	Passignano sul Trasimeno (Perugia)	EUR	2,582,284		40.00	40.00
SEL PROC SRL (IN LIQ.)	Rome	EUR	300,000		100	100
SESM - SOLUZIONI EVOLUTE PER LA SISTEMISTICA E I MODELLI - SC A RL	Naples	EUR	323,440		100	100

List of companies consolidated using the equity method (amounts in foreign currency)

Company name	*Registered office*	*Currency*	*Share capital*	*% Group ownership*		*% Group shareholding*
				Direct	*Indirect*	
A4ESSOR SAS	Neuilly Sur Seine (France)	EUR	100,000		21.00	21.00
ABRUZZO ENGINEERING SCPA (IN LIQ)	L'Aquila	EUR	1,100,000		30.00	30.00
ABU DHABI SYSTEMS INTEGRATION LLC	Abu Dhabi (United Arab Emirates)	AED	1,150,000		43.04	43.04
ADVANCED ACOUSTIC CONCEPTS LLC	Wilmington, Delaware (USA)	USD	-		51.00	51.00
ADVANCED AIR TRAFFIC SYSTEMS SDN BHD	Darul Ehsan (Malaysia)	MYR	5,000,000		30.00	30.00
AGUSTAWESTLAND AVIATION SERVICES LLC	Abu Dhabi (United Arab Emirates)	AED	10,000		30.00	30.00
ALENIA NORTH AMERICA-CANADA CO	Halifax, Nova Scotia (Canada)	CAD	1		100	100
ALIFANA DUE SCRL	Naples	EUR	25,500		53.34	21.37
ALIFANA SCRL	Naples	EUR	25,500		65.85	26.38
AMSH BV	Amsterdam (the Netherlands)	EUR	36,296,316	50.00		50.00
ANSALDO-EMIT SCRL (IN LIQ)	Genoa	EUR	10,200		50.00	50.00
AVIO SPA	Turin	EUR	40,000,000	14.32		14.32
CONSORZIO ATR GIE e SPE	Toulouse (France)	USD	-		50.00	50.00
AUTOMATION INTEGRATED SOLUTIONS SPA	Pianezza (Turin)	EUR	100,000		40.00	40.00
AVIATION TRAINING INTERNATIONAL LTD	Dorset (UK)	GBP	550,000		50.00	50.00
BALFOUR BEATTY ANSALDO SYSTEMS JV SDN BHD	Ampang (Malaysia)	MYR	6,000,000		40.00	16.03
BRITISH HELICOPTERS LTD	Yeovil, Somerset (UK)	GBP	6		100	100
CARDPRIZE TWO LIMITED	Basildon, Essex (UK)	GBP	1		100	100
CLOSED JOINT STOCK COMPANY HELIVERT	Moscow (Russia)	RUR	10,000		50.00	50.00
COMLENIA SENDIRIAN BERHAD	Selangor Darul Ehsan (Malaysia)	MYR	1,500,000		30.00	30.00
CONSORZIO START SPA	Rome	EUR	100,000		43.96	43.96
DATTILO - DISTRETTO ALTA TECNOLOGIA TRASPORTI E LOGISTICA S.C. A R.L.	Naples	EUR	100,000		24.00	15.61
DEVELOPMENT & INNOVATION IN TRANSPORT SYSTEMS SRL	Rome	EUR	40,000		24.00	16.81
DISTRETTO TECNOLOGICO AEROSPAZIALE SC A RL	Brindisi	EUR	150,000		24.00	24.00
E - GEOS SPA	Matera	EUR	5,000,000		80.00	53.60
ECOSEN CA	Caracas (Venezuela)	VEF	1,310,000		50.50	20.23
ELETTRONICA SPA	Rome	EUR	9,000,000	31.33		31.33
ELSACOM NV (IN LIQ.)	Amsterdam (the Netherlands)	EUR	4,537,802		100	100
ELSACOM SPA (IN LIQ)	Rome	EUR	3,731,644		100	100
EURISS NV	Leiden (The Netherlands)	EUR	500,000		25.00	8.25
EUROFIGHTER AIRCRAFT MANAGEMENT GMBH	Hallbergmoos (Germany)	EUR	127,823		21.00	21.00
EUROFIGHTER INTERNATIONAL LTD	London (UK)	GBP	2,000,000		21.00	21.00
EUROFIGHTER JAGDFLUGZEUG GMBH	Hallbergmoos (Germany)	EUR	2,556,459		21.00	21.00
EUROFIGHTER SIMULATION SYSTEMS GMBH	Unterhaching (Germany)	EUR	260,000		24.00	24.00
EUROMIDS SAS	Paris (France)	EUR	40,500		25.00	25.00
EUROSATELLITE FRANCE SA	France	EUR	40,000		100	33.00
EUROSYSNAV SAS	Paris (France)	EUR	40,000	50.00		50.00
EUROTECH SPA	Amaro (Udine)	EUR	8,878,946	11.08		11.08
FATA HUNTER INDIA PVT LTD	New Delhi(India)	INR	500,000		100	100
FATA (SHANGHAI) ENGINEERING EQUIPMENT CO. LTD	Shanghai (China)	CNY	100,000		100	100
FINMECCANICA DO BRASIL LTDA	Brasilia (Brazil)	BRL	1,203,200	100		100
FINMECCANICA NORTH AMERICA INC	Dover, Delaware (USA)	USD	1,000	100		100
FINMECCANICA UK LTD	London (UK)	GBP	1,000	100		100
GAF AG	Munich (Germany)	EUR	256,000		100	53.60
GRUPO AURENSIS SA DE CV (IN LIQ.)	Bosque de Duraznos (Mexico)	MXN	50,000		100	67.00
IAMCO - INTERNATIONAL AEROSPACE MANAGEMENT COMPANY SCRL	Venice	EUR	208,000		25.00	25.00
ICARUS SCPA	Turin	EUR	10,268,400		49.00	49.00
IMMOBILIARE CASCINA SRL	Gallarate (Varese)	EUR	46,800		100	100
INDIAN ROTORCRAFT LTD	Andhta Pradesh (India)	INR	429,337,830		26.00	26.00
INTERNATIONAL METRO SERVICE SRL	Milan	EUR	700,000		49.00	19.63
IM INTERMETRO SPA (IN LIQ)	Rome	EUR	2,461,320		33.33	23.34
IVECO - OTO MELARA SC A RL	Rome	EUR	40,000		50.00	50.00
JIANGXI CHANGHE AGUSTA HELICOPTER CO LTD	Zone Jiangxi Province (China)	USD	6,000,000		40.00	40.00
JOINT STOCK COMPANY SUKHOI CIVIL AIRCRAFT	Moscow (Russia)	RUB	3,065,725,000		25.00	25.00
KAZAKHSTAN TZ-ANSALDOSTS ITALY LLP	Astana (Kazakhstan)	KZT	22,000,000		49.00	19.63
LIBYAN ITALIAN ADVANCED TECHNOLOGY CO	Tripoli (Libya)	EUR	8,000,000	25.00	25.00	50.00
LMATTS LLC	Georgia (USA)	USD	100		100	100
MACCHI HUREL DUBOIS SAS	Plaisir (France)	EUR	100,000		50.00	50.00
MBDA SAS	Paris (France)	EUR	53,824,000		50.00	25.00
METRO 5 SPA	Milan	EUR	50,000,000		31.90	17.16
METRO BRESCIA SRL	Brescia	EUR	1,020,408		24.50	12.64
METRO DE LIMA LINEA 2 SA	Lima (Peru)	PEN	166,200,000		28.50	18.37
MUSINET ENGINEERING SPA	Turin	EUR	520,000		49.00	49.00
N2 IMAGING SYSTEMS LLC	Wilmington, Delaware (USA)	USD	-		30.00	30.00
NHINDUSTRIES (SAS)	Aix en Provence (France)	EUR	306,000		32.00	32.00
NGL PRIME SPA	Turin	EUR	120,000	30.00		30.00
ORIZZONTE - SISTEMI NAVALI SPA	Genoa	EUR	20,000,000		49.00	49.00
OTO MELARA DO BRASIL LTDA	Rio de Janeiro (Brazil)	BRL	1,500,000		100	100
PEGASO SCRL (IN LIQ.)	Rome	EUR	260,000		46.87	18.78
RARTEL SA	Bucharest (Romania)	RON	468,500		61.06	40.91
ROTORSIM SRL	Sesto Calende (Varese)	EUR	9,800,000		50.00	50.00
ROTORSIM USA LLC	Wilmington, Delaware (USA)	USD	12.607.452		50.00	50.00
ROXEL SAS	Le Plessis Robinson (France)	EUR	52,595,100		50.00	12.50
SAPHIRE INTERNATIONAL AVIATION & ATC ENGINEERING CO LTD	Beijing (China)	USD	800,000		65.00	65.00
SELEX ES AUSTRALIA PTY LTD	Canberra (Australia)	AUD	2		100	100
SELEX ES ELECTRO OPTICS (OVERSEAS) LTD	Basildon, Essex (UK)	GBP	15,000		100	100
SELEX ES INFRARED LTD	Basildon, Essex (UK)	GBP	2		100	100
SELEX ES (PROJECTS) LTD	Basildon, Essex (UK)	GBP	100		100	100
SELEX PENSION SCHEME (TRUSTEE) LTD	Basildon, Essex (UK)	GBP	100		100	100
SERVICIOS TECNICOS Y ESPECIALIZADOS Y DE INFORMACION SA DE CV (IN LIQ.)	Bosque de Duraznos (Mexico)	MXN	50,000		100	67.00
SEVERNYJ AVTOBUS ZAO	Saint Petersburg (Russia)	RUB	84,000		35.00	35.00
SIRIO PANEL INC	Dover, Delaware (USA)	USD	10,000		100	100
SISTEMI DINAMICI SPA	S. Piero a Grado (Pisa)	EUR	200,000		40.00	40.00
SOCIETA' DI PROGETTO CONSORTILE PER AZIONI M4	Milan	EUR	120,000		34.20	24.07
SPACEOPAL GMBH	Munich (Germany)	EUR	500,000		50.00	33.50
SUPERJET INTERNATIONAL SPA	Tessera (Venice)	EUR	6,424,411		51.00	51.00
CONSORZIO TELAER	Rome	EUR	103,291		100	67.52
CONSORZIO TELAER - SISTEMI DI TELERILEVAMENTO AEREO	Rome	EUR	120,000		62.00	47.15
TELESPAZIO ARGENTINA SA	Buenos Aires (Argentina)	ARS	9,900,000		100	66.96
TELESPAZIO BRASIL SA	Rio de Janeiro (Brazil)	BRL	58,724,000		98.77	66.18
TELESPAZIO FRANCE SAS	Toulouse (France)	EUR	33,670,000		100	67.00
TELESPAZIO HUNGARY SATELLITE TELECOMMUNICATIONS LTD	Budapest (Hungary)	EUR	100,000		100	67.00
TELESPAZIO IBERICA SL	Barcelona (Spain)	EUR	2,230,262		100	67.00

List of companies consolidated using the equity method (amounts in foreign currency)

Company name	Registered office	Currency	Share capital	% Group ownership Direct	Indirect	% Group shareholding
TELESPAZIO NORTH AMERICA INC	Dover, Delaware (USA)	USD	10		100	67.00
TELESPAZIO SPA	Rome	EUR	50,000,000		100	67.00
TELESPAZIO VEGA DEUTSCHLAND GMBH	Darmstadt (Germany)	EUR	44,150		100	67.00
TELESPAZIO VEGA UK LTD	Welwyn Garden City, Herts (UK)	GBP	30,000,100		100	67.00
TELESPAZIO VEGA UK SL	Madrid (Spain)	EUR	3,100		100	67.00
THALES ALENIA SPACE SAS	Cannes La Bocca (France)	EUR	979,240,000	33.00		33.00
WIN BLUEWATER SERVICES PRIVATE LIMITED	New Delhi(India)	INR	12,000,000		99.99	99.99
XAIT SRL (IN LIQ.)	Ariccia (Rome)	EUR	50,000		100	100
ZAO ARTETRA	Moscow (Russia)	RUB	353,000		51.00	51.00

Below are the main changes in the scope of consolidation at 30 September 2014 in comparison with 30 September 2013:

COMPANY’	EVENT	MONTHS
Companies which entered the scope of consolidation:		
Oto Melara Do Brasil LTDA	newly established	November 2013
Indian Rotorcraft Ltd	newly established	December 2013
Ansaldo STS Do Brasil Sistemas De Transporte Ferroviari	newly established	February 2014
Metro De Lima Linea 2 SA	newly established	April 2014
8841845 Canada Inc.	newly established	August 2014
Companies which left the scope of consolidation:		
Immobiliare Fonteverde (in liq.)	deconsolidated	October 2013
AgustaWestland America LLC	deconsolidated	November 2013
Quadrics Ltd (in liq.)	deconsolidated	December 2013
Telespazio Nederland BV Iin liq.)	deconsolidated	December 2013
Ansaldo Energia Group	sold	December 2013
SELEX Sistemi Integrati De Venezuela SA (in liq.)	deconsolidated	January 2014
Net Service Srl	sold	April 2014
Elsacom Hungaria KFT (in liq.)	deconsolidated	June 2014
Ansaldo STS Sinosa Rail Solutions South Africa (PTY) Ltd	became a minority interest	August 2014
Merged companies:		
Finmeccanica Group Services Spa	Finmeccanica Group Real Estate Spa	October 2013
SELEX Systems Integration GmbH	Selex Communications GmbH	October 2013
AgustaWestland Inc.	AgustaWestland North America Inc.	December 2013
AgustaWestland N.V.	AgustaWestland Spa	January 2014
Elsag North America LLC	Selex ES Inc.	January 2014
Selex Communications Inc.	Selex ES Inc.	January 2014
Orangee Srl	Selex ES Spa	January 2014
Cyberlabs Srl	Selex ES Spa	January 2014

Companies which changed their name:

Old name	New name	Month
Selex Communications GmbH	Selex ES GmbH	October 2013
Finmeccanica Group Real Estate Spa	Finmeccanica Global Services Spa	October 2013
Selex Systems Integration Inc.	Selex ES Inc.	January 2014
SELEX Sistemi Integrati Spa	SELEX Sistemi Integrati Spa (in liq.)	March 2014
Elsacom NV	Elsacom NV (in liq.)	June 2014
Oto Melara North America Inc.	Oto Melara North America LLC	April 2014

Companies that, as a result of the adoption of the new IFRS 11, changed their consolidation method from the proportionate to the equity one:

Gruppo Telespazio
Gruppo THALES Alenia Space SAS
AMSH BV
Gruppo MBDA SAS
Aviation Training International Ltd
Rotorsim Srl
Rotorsim USA LLC
Closed Joint Stock Company Helivert
Consorzio ATR GIE e SPE
Superjet International Spa
Balfour Beatty Ansaldo Systems JV SDN BHD
Kazakhstan TZ-Ansaldo STS Italy LLP
Advanced Acoustic Concepts LLC

Declaration of the officer in charge of financial reporting on the interim financial report at 30 September 2014 pursuant to article 154-bis, paragraph 2 of Legislative Decree no. 58/98 and subsequent amendments and integrations

In accordance with the provisions of article 154-bis, paragraph 2 of Legislative Decree no. 58/1998 and subsequent amendments and integrations, the undersigned, Gian Piero Cutillo, the C.F.O. and officer in charge of financial reporting of Finmeccanica Spa, certifies that the Interim Financial Report at 30 September 2014 corresponds to the related accounting records, books and supporting documentation.

Rome, 5 November 2014

Officer in charge of Financial Reporting

Gian Piero Cutillo