

# **WHITEHEAD SISTEMI SUBACQUEI S.p.A.**

## **2015 SEPARATE FINANCIAL STATEMENTS**

### *Disclaimer*

*These Financial Statements 2015 have 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 document and the English version, the Italian version shall prevail, as the Italian version constitutes the sole official document.*

CONTENTS

<b>BOARDS AND COMMITTEES</b> .....	<b>4</b>
<b>REPORT ON OPERATIONS AT 31 DECEMBER 2015</b> .....	<b>5</b>
Results and financial position .....	5
Other performance indicators .....	8
“Non-GAAP” alternative performance indicators .....	9
Related party transactions .....	10
Commercial performance .....	13
Sustainability.....	13
Governance systems.....	18
Corporate Offices.....	19
Proposal to the Shareholders’ Meeting.....	20
<b>ACCOUNTING STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015</b> .....	<b>21</b>
<b>ACCOUNTING STATEMENTS</b> .....	<b>22</b>
• Separate income statement .....	22
• Statement of comprehensive income .....	22
• Statement of financial position.....	23
• Statement of cash flows.....	24
• Statement of changes in equity.....	25
<b>NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015</b> .....	<b>26</b>
1. General information .....	26
2. Form, content and applicable accounting standards.....	26
3. Accounted policies adopted.....	27
4. Significant issues and critical estimates by management .....	38
5. Significant non-recurring events or transactions .....	39
6. Significant post balance sheet events.....	40
7. Intangible assets .....	40
8. Property, plant and equipment .....	41
9. Equity investments .....	41
10. Receivables and Other non-current assets .....	42
11. Inventories .....	42
12. Contract work in progress and progress payments and advances from customers.....	42

## Separate Financial Statements at 31 December 2015 – Whitehead Sistemi Subacquei S.p.A.

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13.	<i>Trade and financial receivables</i> .....	43
14.	<i>Other current assets</i> .....	43
15.	<i>Cash and cash equivalents</i> .....	44
16.	<i>Equity</i> .....	44
17.	<i>Loans and borrowings</i> .....	45
18.	<i>Provisions for risks and charges and contingent liabilities</i> .....	46
19.	<i>Employee benefit obligations</i> .....	46
20.	<i>Other current and non-current liabilities</i> .....	47
21.	<i>Trade payables</i> .....	47
22.	<i>Guarantees and other commitments</i> .....	48
23.	<i>Revenue</i> .....	48
24.	<i>Other operating income (expenses)</i> .....	48
25.	<i>Purchases and personnel expense</i> .....	49
26.	<i>Amortisation, depreciation and impairment losses</i> .....	50
27.	<i>Financial income and expense</i> .....	50
28.	<i>Income taxes</i> .....	51
29.	<i>Cash flows from operating activities</i> .....	52
30.	<i>Related party transactions</i> .....	52
31.	<i>Financial risk management</i> .....	55
	<b>APPENDICES</b> .....	<b>58</b>
	<b>INDEPENDENT AUDITORS' REPORT ON THE SEPARATE FINANCIAL STATEMENTS AT 31 DECEMBER 2015</b> .....	<b>67</b>
	<b>REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING</b> .....	<b>68</b>

## BOARDS AND COMMITTEES

### BOARD OF DIRECTORS

(for the three-year period 2014 – 2016)

Shareholders' Meeting held on 17/04/2014 – Board of Directors' Meeting held on 23/07/2014

Chairman	CAPONERO Cristiano
Chief Executive Officer	FRANZONI Alessandro
Directors	FONZI Francesca

### BOARD OF STATUTORY AUDITORS

(for the three-year period 2013 – 2015)

Shareholders' Meeting held on 30/04/2013

Chairman	CONFORTI Alberto
Regular Statutory Auditors	CATELLANI Claudia COEN Claudio
Alternate Statutory Auditors	TACCHINO Lucia DAMASCO Fausto

### INDEPENDENT AUDITORS

(for the three-year period 2015 – 2017)

KPMG S.p.A.

**The Board of Directors and the Board of Statutory Auditors ceased to hold office on 1 January 2016, as a result of the merger by incorporation into the parent company Finmeccanica Società per Azioni. Accordingly, these financial statements have been approved by the Corporate Bodies of Finmeccanica Società per Azioni, and the board of statutory auditors' report to the shareholders' meeting has been prepared by the Board of Statutory Auditors of Finmeccanica Società per Azioni.**

## REPORT ON OPERATIONS AT 31 DECEMBER 2015

### Results and financial position

#### Key performance indicators

<i>€mil.</i>	2015	2014	Change
New orders	124.8	73.0	71.0%
Order backlog	255.7	232.0	10.2%
Revenue	103.3	106.1	(2.6%)
EBITDA	6.8	7.7	(11.7%)
EBITDA Margin	6.6%	7.3%	(0.7) p.p.
EBITA	(5.4)	4.1	n.a.
ROS	(5.3%)	3.8%	(9.1) p.p.
EBIT	(6.2)	3.1	n.a.
Net result before extraordinary transactions	(6.0)	0.2	n.a.
Net result	(6.0)	0.2	n.a.
Net Debt	(27.0)	(28.0)	3.4%
FOCF	0.9	6.3	(85.0%)
ROI	(12.7%)	5.5%	(18.2) p.p.
ROE	(27.9%)	0.7%	(28.6) p.p.
Workforce	396	392	1.0%

WASS (hereinafter also referred to as “the Company”) was merged by incorporation into its parent company Finmeccanica Società per Azioni (hereinafter also referred to as “Finmeccanica”), with effect from 1 January 2016 and the Company was consequently extinguished in the framework of the overall process of structuring the Finmeccanica Group into Divisions in order to give it a more effective governance system and enhance its industrial efficiency. As a whole, the process has entailed the merger by incorporation of Oto Melara S.p.A. and WASS S.p.A., as well as the partial demerger of Selex ES S.p.A., Alenia Aermacchi S.p.A. and AgustaWestland S.p.A., into Finmeccanica. Specifically, WASS will form part of the Defence Systems division, one of the seven divisions into which Finmeccanica is currently structured, within the sector of Electronics, Defence and Security Systems.

The economic performance at 31 December 2015 recorded a positive statutory result from core business operations (EBITA) equal to about €mil. -5.4 (compared to €mil. 4.1 in the same period of 2014). This negative result was essentially due to the write-down of the non-recurring costs of the Black Shark heavy torpedo owing to changes in the prospects of selling the weapon in the Indian market, whose impact amounted to a total value of €mil. 10.1; otherwise, EBITA would have been equal to about €mil. 5, thus posting a higher value of about 10% compared to 2014.

In 2015 revenue came to €mil. 103.3 remaining substantially in line with the value posted in the previous year (down by €mil. 2.8 from 2014). In terms of profitability, the average margin on the sales contracts in the portfolio is well over 20%, while economy measures have resulted in sharp cuts in structural costs (down about €mil. 2.0, equal to a decrease of 15% compared to 2014).

The efforts made to improve the reliability and performance of the light torpedo product during the whole of

## Separate Financial Statements at 31 December 2015 – Whitehead Sistemi Subacquei S.p.A.

2014 and 2015 were crowned by a successful launching campaign both towards an important South American Navy and towards an important Asian Navy. The Company can therefore be more confident as it waits for business opportunities in this segment. It should also be noted that in the third quarter four launches were successfully completed in relation to the Black Shark Advanced (BSA) torpedo from submarine U212 Venuti of the Italian Navy within the scope of the SAT (Sea Acceptance Test) operations. These activities are the beginning of a testing programme which will last until the middle of 2017 and which will include 40 launches from Venuti and Romei submarines.

The financial performance recorded a FOCF (Free Operating Cash Flow) equal to €mil. +0.9. The positive result was due to a good performance of operations: however, it showed a decrease compared to €mil. +6.3 in 2014, due to a decrease in the advances received from new orders (€mil. 2.4 in 2015 against €mil. 11.5 in 2014, with a decrease of about €mil. -9.1).

At 31 December 2015 workforce included 396 people, showing an increase of 4 resources compared to 31 December 2014 (392), but below the forecast for the year. However, labour costs showed a slight decrease compared to 2014.

The commercial performance recorded the finalisation of important contracts linked to the Naval Law; at 31 December new orders came to €mil. 124.8, thus showing a sharp increase compared to €mil. 73.0 in 2014.

The following reclassified statements have been prepared in order to provide full information on the financial position, results of operations and cash flows of Whitehead Sistemi Subacquei S.p.A.. The reclassified income statement for 2015 is reported below along with comparable data for 2014:

<i>€th.</i>	<i>Note</i>	<u>2015</u>	<u>2014</u>	<u>Change</u>	<u>% Change</u>
Revenues		103,324	106,098	(2,774)	(2.6%)
Purchase and personnel expense	(*)	(96,361)	(96,789)		
Other net operating income/(expenses)	(**)	(168)	(1,616)		
<b>EBITDA</b>		<u>6,795</u>	<u>7,693</u>	<u>(898)</u>	<u>(11.7%)</u>
Amortisation, depreciation and impairment losses		(12,235)	(3,629)		
<b>EBITA</b>		<u>(5,440)</u>	<u>4,064</u>	<u>(9,504)</u>	<u>n.a.</u>
Restructuring costs		(760)	(1,013)		
<b>EBIT</b>		<u>(6,200)</u>	<u>3,051</u>	<u>(9,251)</u>	<u>n.a.</u>
Net financial income/(expense)		(599)	(1,423)		
Income taxes		813	(1,458)		
<b>Net result before extraordinary transactions</b>		<u>(5,986)</u>	<u>170</u>	<u>(6,156)</u>	<u>n.a.</u>
Net result related to discontinued operations and extraordinary transactions		-	-		
<b>Net result</b>		<u>(5,986)</u>	<u>170</u>	<u>(6,156)</u>	<u>n.a.</u>

*Notes to the reconciliation between the reclassified income statement and the statutory income statement:*

(\*) Includes "Purchases and Personnel expense" (net of restructuring costs and non-recurring costs) and "Accruals (reversals) for final losses on orders".

(\*\*) Includes the net amount of "Other operating income" and "Other operating expenses" (net of restructuring costs, non-recurring income/(expense) and accruals (reversals) for final losses on orders).

At 31 December 2015 revenue showed a slight decrease of €mil. 2.8 (-2.6%). This performance, which was lower than expected, reflects the type of orders gained in the last three financial years, with a consequent decline in volumes. Below is the breakdown of revenue by product line:

## Separate Financial Statements at 31 December 2015 – Whitehead Sistemi Subacquei S.p.A.

<i>€th.</i>	<b>2015</b>	<b>2014</b>	<b>Change</b>
Heavy Torpedo	15.5	41.1	(62.2%)
Light Torpedo	35.1	12.1	189.4%
Countermeasures	13.9	18.3	(24.0%)
Integrated Systems, Sonars and Logistics	38.8	34.6	12.2%
<b>Total</b>	<b>103.3</b>	<b>106.1</b>	<b>(2.6%)</b>

Overall sales volumes more or less corresponded to those in the previous year while revenues were distributed differently according to the progress made with individual product lines, thus recording a significant decline in the Black Shark heavy torpedo line, the orders for which are being completed. On the contrary, volumes increased in relation to the orders in the backlog for the light torpedo line, in addition to an increase in the line of Integrated Systems.

EBITDA was affected by reduced revenues, although it benefitted from average margins of 23% and a careful management of structure costs (€mil. 1.9), while EBITA showed a decrease of €mil. 9.5, as a result of the write-down of a portion of capitalised development costs on the heavy torpedo line.

The net result, which posted a negative value of €mil 6.0, reflects the abovementioned decrease in EBITA and, compared to, a lower impact of restructuring costs, financial costs and taxes, the positive value of which was attributable to the IRES (Corporate Income) tax (€mil. 0.7) proceeds that was acknowledged by the Parent Company Finmeccanica, as a result of the transfer of the tax loss for the period.

Below is the reclassified statement of cash flows at 31 December 2015, compared to 2014:

<i>€th.</i>	<b>2015</b>	<b>2014</b>	<b>Change</b>	<b>Change %</b>
<b>Funds From Operations (FFO)</b>	<b>7,230</b>	<b>7,858</b>	<b>(628)</b>	<b>(8.0%)</b>
Change in working capital	(4,165)	1,291		
Cash flows from ordinary investing activities	(2,117)	(2,826)		
<b>Free Operating Cash Flow (FOCF)</b>	<b>948</b>	<b>6,323</b>	<b>(5,375)</b>	<b>(85.0%)</b>
Net change in loans and borrowings	(897)	(6,547)		
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>51</b>	<b>(224)</b>		
Cash and cash equivalents at 1 January	32	256		
<b>Cash and cash equivalents at 31 December</b>	<b>83</b>	<b>32</b>		

At 31 December 2015 the free operating cash flow was equal to €mil. +0.9 (compared to a FOCF of €mil. +6.3 in 2014), mainly due to delays in the expected acquisition of orders and in the consequent receipts of advances.

The table below summarises the financial position at 31 December 2015 compared to 31 December 2014:

## Separate Financial Statements at 31 December 2015 – Whitehead Sistemi Subacquei S.p.A.

<i>€th.</i>	<i>Note</i>	<u>31 December 2015</u>	<u>31 December 2014</u>	<u>Change</u>	<u>% Change</u>
Non-current assets		52,087	60,221		
Non-current liabilities		(10,688)	(9,718)		
<b>Capital assets</b>	(*)	<b>41,399</b>	<b>50,503</b>	<b>(9,104)</b>	<b>(18.0%)</b>
Inventories		15,920	19,683		
Trade receivables	(**)	79,432	76,723		
Trade payables	(***)	(82,322)	(86,982)		
<b>Working capital</b>		<b>13,030</b>	<b>9,424</b>		
Provisions for short-term risks and charges		(4,375)	(3,836)		
Other net current assets (liabilities)	(****)	(4,355)	(3,895)		
<b>Net working capital</b>		<b>4,300</b>	<b>1,693</b>	<b>2,607</b>	<b>n.a.</b>
<b>Net invested capital</b>		<b>45,699</b>	<b>52,196</b>	<b>(6,497)</b>	<b>(12.4%)</b>
<b>Equity</b>		<b>18,671</b>	<b>24,220</b>	<b>(5,549)</b>	<b>(22.9%)</b>
<b>Net debt (funds)</b>		<b>27,028</b>	<b>27,976</b>	<b>(948)</b>	<b>(3.4%)</b>
<b>Net (assets)/liabilities held for sale</b>		<b>-</b>	<b>-</b>	<b>-</b>	

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

(\*) Includes all current assets and non-current liabilities, net of “Non-current loans and borrowings”.

(\*\*) Includes “Contract work in progress”.

(\*\*\*) Includes “Progress payments and advances from customers”.

(\*\*\*\*) Includes “Income tax receivables”, “Other current assets”, net of “Income tax payables” and “Other current liabilities”.

The net invested capital showed a decrease of €mil. 6.5 as a result of a reduction of €mil. 9.1 (attributable to the write-down of development costs relating to the Black Shark programme) and of an increase of €mil. 2.6 in working capital, which was affected by the abovementioned reduction in advances from customers.

Below is the breakdown of the Net Financial Debt that reflects the cash absorption in the year:

<i>€th.</i>	<u>31 December 2015</u>	<i>of which with related parties</i>	<u>31 December 2014</u>	<i>of which with related parties</i>
Cash and cash equivalents	(83)		(32)	
<b>Net bank debt and bonds</b>	<b>(83)</b>		<b>(32)</b>	
Related-party loans and borrowings	25,691	25,691	25,592	25,592
Other loans and borrowings	1,420		2,416	
<b>Net Debt (funds)</b>	<b>27,028</b>		<b>27,976</b>	

### Other performance indicators

<i>€mil.</i>	<b>2015</b>	<b>2014</b>	<b>Change</b>
FFO	7.2	7.9	(8.0%)
Research and development expenses	8.8	11.6	(24.4%)



**“Non-GAAP” alternative performance indicators**

The Company’s Management assesses the performance 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 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 figure is the sum of the contracts signed with customers during the period that satisfy the requirements for being recorded in the order backlog.
- **Order backlog:** this figure is the difference between the orders acquired and the work invoiced for the relevant period, net of changes in contract work in progress. This difference shall be added to the backlog of the previous period.
- **EBITDA:** this is given by EBITA, as defined below, before amortisation, depreciation and impairment losses (net of those relating to goodwill or classified among “non-recurring costs”).
- **EBITDA Margin:** it is calculated as the ratio of EBITDA to revenue.
- **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 EBIT and EBITA for the two comparative periods is shown below:

<i>€th.</i>	<b>2015</b>	<b>2014</b>
<b>EBIT</b>	<b>(6,200)</b>	<b>3,051</b>
Restructuring costs	760	1,013
<b>EBITA</b>	<b>(5,440)</b>	<b>4,064</b>

- **Return on Sales (ROS):** this is calculated as the ratio of EBITA to revenue.
- **EBIT:** it is equal to the result before taxes and financial income and expense.

- **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).
- **Net Debt:** the calculation model complies with that provided in paragraph 127 of Recommendation CESR/05-054b implementing EC Regulation 809/2004. For details on its composition, reference is made to Note 24.
- **Free Operating Cash Flow (FOCF):** this is the sum of the cash flows generated by (used in) operating activities and the cash flows generated by (used in) activities of investment in, and disinvestment from, property, plant and equipment and intangible assets and equity investments, net of cash flows from the purchase or sale of equity investments that, due to their nature or significance, are considered “strategic investments”. The calculation of FOCF for the years under comparison is presented in the reclassified statement of cash flows shown in the previous paragraph.
- **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 and 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 year.
- **Funds from Operations (FFO):** this is cash flow generated by (used in) operating activities net of changes in working capital. The breakdown of the FFO for the comparative periods is shown in the reclassified statement of cash flows reported in the previous paragraph.
- **Research and Development expenditure:** it is obtained from the sum of 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).

### **Related party transactions**

In accordance with the provisions of article 2497-bis of the Italian Civil Code, it is noted that the Company is subject to the management and coordination of the Parent Company Finmeccanica S.p.A.. The highlights of the last financial statements approved by Finmeccanica S.p.A. are reported in Appendix no. 12.

For the sole purposes of the additional information to be provided in the Report on Operations pursuant to Article 5 of CONSOB Regulation adopted by resolution no. 17221 of 12 March 2010 (related party

## Separate Financial Statements at 31 December 2015 – Whitehead Sistemi Subacquei S.p.A.

transactions), reference should be expressly made, as regards the definition of related parties, to the Procedure, which is applicable to all the Group Companies and which was approved by the Board of Directors of Finmeccanica on 26 November 2010, as updated on 13 December 2011 and 22 December 2015 and published on the institutional website of Finmeccanica, as well as to the operational provisions laid down under Directive no. 19 of 13 December 2011, “Management of Related Party Transactions carried out through and by subsidiaries”.

Below is a summary of the values of related party transactions (the breakdown by Company of these relations is reported in the explanatory notes) that were effected in 2015 and 2014. In addition to the Parent Company and the companies with which Whitehead Sistemi Subacquei S.p.A. maintains direct and indirect connection relationships, the related parties also include all the related parties as defined by the International Accounting Standards.

<b>31.12.2015</b> <i>€ th.</i>	<b>Parent Companies</b>	<b>Subsidiaries</b>	<b>Associates (*)</b>	<b>Subsidiaries or companies subject to significant influence by the MEF (**)</b>	<b>Total</b>
<b>CURRENT RECEIVABLES</b>	<b>4,268</b>		<b>933</b>	<b>147</b>	<b>5,348</b>
- financial					0
- trade	427		775	147	1,349
- others and advances	3,841		158		3,999
<b>TOTAL RECEIVABLES</b>	<b>4,268</b>	<b>-</b>	<b>933</b>	<b>147</b>	<b>5,348</b>
<b>CURRENT PAYABLES</b>	<b>27,647</b>	<b>218</b>	<b>638</b>	<b>19,678</b>	<b>48,181</b>
- financial	25,691				25,691
- trade	1,956	218	538	0	2,712
- others and advances			100	19,678	19,778
<b>TOTAL PAYABLES</b>	<b>27,647</b>	<b>218</b>	<b>638</b>	<b>19,678</b>	<b>48,181</b>
<b>GUARANTEES</b>	<b>9,020</b>		<b>1,101</b>		

<b>31.12.2015</b> Values in € th.	<b>Parent Companies</b>	<b>Subsidiaries</b>	<b>Associates (*)</b>	<b>Subsidiaries or companies subject to significant influence by the MEF (**)</b>	<b>Total</b>
Revenues			2,384	6,185	8,569
Other operating income					0
Costs (net of recoveries)	1,932	525	2,904		5,361
Financial income	11				11
Financial expense	670				670

(\*): companies subject to the management and coordination of Finmeccanica S.p.A.

(\*\*): this column specifies relations with the Fintecna Group

For the definition of related parties, reference should be made to IAS 24 – Related Party Disclosures. The main counterparties are:

- Finmeccanica S.p.A: Parent Company
- Finmeccanica Global Services S.p.A.: provider of shared services
- Fata Logistic Systems S.p.A.: provider of transport services both in Italy and abroad
- Selex ES S.p.A.: provider of ICT services and partner in the FREMM (*Fregate Europee Multi-Missione*, European Multi-purpose Frigates) / Naval Law programme
- Selex Galileo Inc.: supplier of Sonar line electronic components
- Sirio Panel S.p.A.: provider of hardware component design services.

## **Separate Financial Statements at 31 December 2015 – Whitehead Sistemi Subacquei S.p.A.**

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- **EUROTORP EEIG:** a European Economic Interest Grouping (EEIG) active in the sale, promotion and marketing of light torpedoes. WASS holds a 50% interest in the Eurotorp EEIG. Thales Underwater Systems and DCNS (pass-through consortium) also hold an interest in the EEIG.
- **EUROSLAT EEIG:** a European Economic Interest Grouping (EEIG) active in the development, definition and management of anti-torpedo system programmes. WASS holds a 50% interest in the Euroslat EEIG. The other consortium members are : DCNS and Thales Underwater Systems (pass-through consortium).
- **Win Bluewater Services Ltd (subsidiary):** reference should be made to the information reported in the paragraph on the performance of investee companies.
- **Fintecna Group:** WASS carries out activities and constructs systems for Fincantieri and Orizzonte Sistemi Navali within the FREMM programmes.

With reference to the most important transactions, it should be noted that in 2006 WASS entered into a contract with the customer Orizzonte Sistemi Navali for a value of €mil. 48.6, within the FREMM programme; in detail, this supply contract was for the production of navigation sonar, torpedo surveillance and ship counter-measure systems.

Below is the position at 31 December 2015 relating to the investee companies and foreign branches of Whitehead Sistemi Subacquei S.p.A..

**WIN BLUEWATER SERVICES PRIVATE LIMITED:** at 31 December 2015 the company employed 2 people; at the same date, the Company reported an Equity of INRmil. 25.1 (about €mil. 0.3) against INRmil. 25.9 at 31 December 2014.

**EUROTORP EEIG:** the members of the EEIG are: WASS (50%); DCNS (26%); Thales Underwater Systems (24%); Eurotorp is active in the promotion, marketing, coordination of production and development of light underwater defence systems. Under the master agreement signed on 31 December 2011, the A244 model was excluded from the business perimeter of the consortium. Work continued on the MU90 programme, with developments concerning the technical and industrial operations connected thereto. At 31 December 2015 the Eurotorp EEIG held 100% of the Australian branch EUROTORP PTY. In June the Meeting of Members approved the 2014 financial statements, with a net result of €mil. +0.6 for WASS, which was accounted for in the income statement for the current 2015 financial year. The draft 2015 financial statements, which will be submitted for approval of the Board of Directors, show a net result share of about €mil. 1.3 for WASS.

**EUROSLAT EEIG:** the members of the EEIG are: WASS (50%); Thales Underwater Systems (17%); DCNS (33%). The main activities carried out by the EEIG include logistical support, onboard assistance and launches relating to the SLAT (*Système de Lutte Anti-Torpille*, Anti-torpedo System) systems (countermeasures). The EEIG is continuing its work on the SLAT (anti-torpedo) systems within the contracts signed with the Italian and French Navies.

**BRANCH SINGAPORE:** the foreign branch of WASS S.p.A. located in Singapore continued its work on the line of Countermeasures for submarines and ships, as well as its work on the service agreement with reference to the use of the headquarters and correlated services for Selex ES S.p.A. and the Eurotorp EEIG.

## Commercial performance

In 2015 new orders amounted to €mil. 125, mainly relating to Integrated Systems, Sonar and Logistics (€mil. 105) and Light Torpedo (€mil. 19). Specifically, the Company gained orders within the Naval Law programme for the first three contract tranches for the sub-supply of integrated defence systems to be installed on board the three classes of ships placed by the Italian Navy to Fincantieri (logistic support ships, landing helicopter docks and offshore patrol vessels) for a total value of €mil. 14.3.

## Sustainability

### Employees

At 31 December 2015 the workforce included 396 resources compared to 392 in the same period of 2014 (as a result of 5 new hires and 1 termination), and was broken down as follows:

	Average number			Exact number		
	31 December 2015	31 December 2014	Change	31 December 2015	31 December 2014	Change
Senior managers	15	18	(3)	15	18	(3)
Middle managers	54	54	-	54	51	3
Clerical employees	278	276	2	288	280	8
Manual labourers	40	43	(3)	39	43	(4)
	<b>387</b>	<b>391</b>	<b>(4)</b>	<b>396</b>	<b>392</b>	<b>4</b>

### Staff management and administration

During the year four demotion agreements with three senior managers (effective from 1 February 2015) and a middle manager were signed, which will come into effect on 1 February 2016.

On 3 March 2015, following the application of an early retirement scheme, an agreement was signed with Federmanager (Association of executives, top management and professionals) in Rome, pursuant to Article 4 of Law 92/2012. Up to now one senior manager meets the requirements to join the scheme.

The Company's remuneration policy is based on performance in specific management areas, the amounts paid being considerably lower than the average in previous years.

The remuneration of Middle Managers and grade 7 employees for increases in hours worked was subjected to more selective criteria, which resulted in savings. During 2015 the Human Resources function took part in conducting appraisals of some senior managers, middle managers and employees in the framework of the Group's High Potential Resources project.

Finally, as a part of cost cutting policies, the Company made substantial savings on business trips.

### Organisation

Company Service Order no. 1/15 of 16 January 2015 and the subsequent arrangements regarding second-level functions, with their duties and responsibilities, brought in the organisational changes which directed WASS towards the One Company project.

During the latter part of the year special meetings among the heads of the organisational units of WASS and Oto Melara were held in order to exchange information regarding their respective manufacturing policies and look into possible areas in which efficiency could be enhanced as a result of the organisational integration of

the two former companies.

### Training and Development

The most important company training projects in 2015 were:

- the theoretical and practical *System Engineering Competence Lab* project, in which classroom teaching alternated with experimental learning. The project ended on 26 October 2015 with an official presentation to the company management of a business case prepared by the participants in order to put tools and methods learned during the classroom sessions into practice.
- *Lean Manufacturing* and *Configuration Management*, in which participants learn to set up a lean approach which analyses manufacturing, logistic and qualitative aspects of corporate processes achieving greater efficiency and continuous improvement and manage configurations in accordance with current law.
- *WASS Product Course* and “*Underwater Warfare Seminar*” sessions mainly intended for the Sales & Marketing function, which gave the personnel in this function greater knowledge of the Company’s products and provided an overall vision of underwater warfare.
- *Work in Safety 2015 (Lavorare in Sicurezza 2015)*, a training project financed by the Fondimpresa training fund which covered various safety issues for Workers, HSE Supervisors and Emergency Operators.
- *Language Training* (English) given both in the forms of in-house group lessons and individual e-learning and telephone conversation courses.

With a view to increasing integration with the Finmeccanica Group, WASS sent staff to the *International US & Our Company Module*, held entirely in English, of the training and development programme of Selex-ES “i-Gr@d (*International Graduate Recruitment and Development*)”.

In the last quarter of 2015, training activities were started at the Finmeccanica Group level, concerning *Project Management* and *Risk Management* issues and, specifically, those relating to “Excellence of Execution in Finmeccanica: Project Management e Risk Management”.

Furthermore, in 2015 the Group continued its work on the following training issues: Supply Chain, Trade Compliance and Anti-corruption.

Among the human resources development activities carried out were two Skills Development courses, one in the form of Individual Coaching and one in Workshop (Team Coaching) form.

Furthermore, activities were carried out on the 2014 Performance Appraisal: some Managers appraised their staff and gave them feedback, thus conducting a process that was as transparent and motivating as possible.

The various initiatives launched by HR & Organisation unit in 2015 had the purpose of supporting the organisational and operational change started by Finmeccanica and establish/strengthen key expertise at both Company and Group level (System Engineering, Project Management, Risk Management, knowledge of products and competitors, technical and specialist skills ...).

Furthermore, through these development courses (Individual/Team Coaching), the Company also tried to put the human resources involved in a position of greater awareness of their abilities, making them more proactive in the quest for continuous improvement.

Finally, it should be noted that in 2015, two innovative projects were carried out in order to support

technological scouting and widening networks on themes of interest to the Company: a visit to the Woods Hole Oceanographic Institution in Boston and the Community of Practice, the activities of which will be continued in 2016.

#### Industrial Relations

The work calendar for the whole of 2015 and January 2016 was finalised on 2 March 2015: under this calendar closing hours amounted to 192 hours in all and each employee therefore took 192 hours leave.

On 1 May 2015 an Agreement regarding “Time off for Medical Examinations” came into force, which had been signed with the Company’s RSU (*Rappresentanza Sindacale Unitaria*, Single Bargaining Unit) on 10 April 2015. This agreement laid down detailed standardised rules for the use of this concession. This Agreement adds to, amends and supersedes the part of the 24 May 2000 agreement regarding this matter, as well as any other provision of regulation or corporate rules governing the matter applicable as at the date of entry into force of the agreement.

In the second half of the year, negotiations started for the definition of the 2<sup>nd</sup>-level supplementary Finmeccanica agreement, which saw the participation of the Company’s HR staff both in the meetings with the social parties and in the various working groups connected thereto.

On 21 December 2015 an agreement was signed, which regulated the termination, on 31 December 2015, of the part of the agreement of 27 March 2006 (regarding the Company Performance Bonus), 29 June 2011 and 15 October 2012. The result was the cancellation of the WASS performance bonus, which will be brought into line with the regulations and rules laid down at the end of the negotiations for the 2<sup>nd</sup>- level Finmeccanica supplementary agreement.

In September negotiations began with the Company’s RSUs regarding the rules governing new working hours and flexibility on the lines of the decisions taken at Group level.

#### **Research and development**

Research costs amounted to €mil. 8.8, of which an amount of €mil. 7.4 related to capitalised costs; the most significant activities in the period are summarised below.

**V-Fides Project** (*Veicolo Filoguidato per l’Identificazione la Detenzione e l’Esplorazione Subacquea* - Wire-Guided Vehicle for Underwater Exploration and Identification). This was a programme for the creation of an underwater vehicle equipped with water pollution analysis systems. After the programme was completed in 2014, in view of the future use of V-Fides in other funded research programmes, the algorithms for guiding and sailing the vehicle in a pool were perfected and the guidance wire, recoverable for missions in full immersion, was fitted. V-Fides is being reconditioned in order to prepare it for sea trials, which shall be conducted starting from the second half of 2016 within the SWARMS research project.

**Optima Project**, through TOP-IN S.c.a.r.l. - The OPTIMA Project is the creation of a technological platform based on optoelectronic technologies intended to improve physical seawater monitoring strategy. Funding was approved on 30 December 2015 and work has started.

**Marine Hazard Project**, through ATS DTa Mar - The Marine Hazard Project is the design and construction of a sonar prototype which detects undersea hydrothermal phenomena at a distance: it was presented in September 2013 at ATS DT AMar Sicily. Funding was approved on 15 December 2015 and work has started.

**COMAS Project** (*Conservazione in situ dei manufatti archeologici sommersi, In-situ Conservation of Underwater Archaeological Artifacts*) - This Project was for the design and construction of an Underwater 3D Video Demonstrator Camera model to compose optical and acoustic images for the in-situ conservation of submerged archaeological treasures; it ended on 30 September 2015. Specifically, the work terminated consisted of research and studies into the design of the acoustic section of a three-dimensional acoustic video camera, the construction of a prototype and pool trials with the sonar fitted on board the ROV (Remotely Operated Vehicle). The final report on the project has been prepared and WASS is waiting for the financing institution to conduct an inspection, which will take place in the first two months of 2016.

**CHIS Project** (Cultural Heritage Information System), through TECHNOVA S.c.a.r.l., through DATABENC (*Distretto ad Alta tecnologia per i Beni Culturali, Cultural Heritage High-Technology District*) - WASS, through the Technova Consortium and in collaboration with the DATABENC District, takes part in the CHIS (Cultural Heritage Information System) Research Project through a design proposal for a system for monitoring and protecting submerged historical and archaeological treasures.

An order approving finance has already been published and the Universities and Research Ministry (MIUR) has signed a deed of obligation. Studies are taking place into the state of the art on the utilisation of sensors to protect submerged sites from raiders from outside. The feasibility study is also being carried out for the use of acoustic and magnetic sensors for this purpose. Information has been provided for the period from January to April 2015 and the period from May to October 2015 under the Work Progress Reports SAL 03 and SAL 04.

**ETLAT Project** (Evaluation of Thin Line Arrays) - The ETLAT project, which is co-financed by the EDA (European Defence Agency), seeks to characterise the fluid dynamic noise generated by a thin line array in order to define a numerical simulation model which would enable these sensors/systems to be designed. WASS, the project leader and coordinator of a pool of European partners, is a member of the project and is creating a simulacrum optical fibre array based on interferometric sensors. The project started on 15 July with the kick-off meeting, which was held in Pozzuoli. The Consortium Agreement and the agreement with the EDA were also signed. A report on the progress of the work was presented in the middle of November with the first invoice as provided under the contract and the facilities in which the trials are to be conducted have also been inspected.

**MISSION PLANNING Project** (*Study of algorithms for automated mission planning*) - The purpose of this project, which is co-financed by the EDA, is to lay down the basis for a common European system for planning AUV (Autonomous Underwater Vehicle) missions, including re-planning during the course of the mission. WASS takes part in studying and modelling navigation and discovery sensors, calculating the algorithms and planning and re-planning logic and is responsible for the creation of a software model for the execution of numerical simulations. The kick-off meeting was held at the beginning of September; the Consortium Agreement was already signed in 2012 and the EDA is still conducting the final verification of the contract. Although the contract has not been signed, activities have already been started for the architectural study of the software simulator.

**SWARMS Project** (*Smart and Networking Underwater Robots in Cooperation Meshes*) - In this project, which is co-financed by the European Union through JU ECSEL (ARTEMIS), started in July 2015 and WASS is to develop a system of communication between the surface and a swarm of underwater vehicles, using the



VFIDES vehicle as an information distribution platform. WASS takes part in the development of the mission planning and re-planning logic and in the sea trial and approval phase with acoustic modems and the VFIDES platform. All the contract documents have already been signed and an advance payment has already been obtained. Meetings have been held for the definition of the requirements and the system architecture is being prepared. The MF and HF acoustic modems have been selected and the first numerical results of the simulations of the performance of the communication system have been provided. The examination of the application for funding at national level is already under way.

### **The Environment**

**Sites** - In conformity to the objectives laid down in the Group's Environmental Policy, WASS takes measures specifically aimed at the continuous improvement of its environmental performance and is monitoring all environmental impact variables.

The most significant aspects of activities that are directly connected to environment are described below. All work on facilities and factories is done in compliance with current environmental protection law.

- **LIVORNO site:** the building was constructed in 1967 and is situated in a flat area in a rural/residential context about 2,500 m east of the Tyrrhenian coastline.
- **POZZUOLI site:** the building was constructed in the late 80s and is situated in a rural/residential context and covers an area of about 7,700 sq. m..
- **AULLA site (MS):** the building is situated inside the CIMA (*Centro Interforze Munizionamento Avanzato*, Interforces Advanced Munitions Centre) military base of the Italian Navy in the Gobbetti district. It is an old reconstructed building/bunker which has been operating since September 2013. In 2014 the site was registered with the Massa Carrara Chamber of Commerce, as a local unit of WASS.

**Water management** - The main sources of water supply are groundwater from a well and water from the aqueduct.

At the Livorno factory water is supplied by the municipality network and is used for the toilets and canteen; furthermore, 2 wells are used for industrial and fire prevention uses. Waste water produced by the site is disposed of according to the regulations in force. At the Pozzuoli plant water is supplied by the public network of the Municipality of Pozzuoli and is used for toilets and canteen; there is also a pool for trials holding about 385 cu. m of water which also acts as a water reservoir in case of fire. Sewage, considered as falling under the same category as domestic waste water, is conveyed to the public sewer after purification treatment. Rainwater and industrial water are disposed of as waste according to the regulation in force. At Aulla water is taken from the naval base's water network and waste goes into the base sewer. Rainwater is handled by the base.

**Waste management** – Special waste is managed according to the regulations in force . WASS has prepared an appropriate EHS (Environment, Health and Safety) 008 procedure to handle this and at Aulla the factory's special waste only consists of a few types, including the production of waste electrolyte which is collected in a 16 cu. m tank and taken away by road tanker in accordance with the regulations in force. The site manages its waste independently and according to the regulations in force.

**Energy** - Energy (electricity and gas) is supplied through the civilian network. Emissions are regulated and checked according to the regulations in force and through periodical checks through specialist and certified

firms. The emission process is regulated by the EHS 001 procedure.

**Management of hazardous substances** – The activities carried out by WASS entails the use of some chemical products and hazardous substances such as paints, solvents, adhesives, sealants and acids. All substances are stored and disposed of according to the regulations in force. Hazardous substances in the factory are intended for use in manufacturing or experiments and are always accompanied by safety data sheets which are first examined by the SSP department (*Servizio di Prevenzione e Protezione*, Prevention and Protection Unit) and the Factory Doctor, who sign them in order to authorise their use. Only the hazardous substances which most respect workers' health and the environment are allowed to enter the production cycle.

**Ozone-depleting substances** - There are ozone-depleting substances at Livorno (Freon R22-chlorodifluoromethane), which are used as refrigerants in four refrigerator units. At Pozzuoli the refrigerator units that were using R22 gas have been replaced by others which comply with the law. At the moment there are only three air-conditioners which use an extremely small quantity of R22; these have almost reached the end of their life cycle and will be replaced by others which comply with the law when they are disposed of.

**Soil and subsoil contamination** - Well water was analysed at Livorno in 2014 and a pollutant (dichloroethylene 1.1) was found in concentrations just above the legal limit; the Company therefore started the formalities involved in reporting the matter to the competent outside bodies and a subsoil characterisation survey project was initiated.

## **Governance systems**

The share capital of WASS S.p.A. is divided into ordinary shares only. Finmeccanica S.p.A. held 100% of the Company's share capital.

### **Company organisation**

The organisation of the Company, based on the traditional model, is structured as follows:

- SHAREHOLDERS' MEETING, competent to pass resolutions in ordinary and extraordinary sessions in relation to such matters as are reserved for the same by law or the By-laws;
- BOARD OF DIRECTORS, composed of three members, competent to pass resolutions as to the performance of operations, proposed investments and transactions of strategic importance.

### **Code of Ethics**

The Company has adopted a Code of Ethics, in compliance with the Group's policies.

The Code lays down the commitments and ethical responsibilities in the conduct of the Company's business and activities which Whitehead Sistemi Subacquei S.p.A.'s workers undertake, whether they are employees, collaborators on any basis or directors.

The third review of the Code of Ethics was approved by the Board of Directors of WASS S.p.A. at the meeting held on 27 January 2012.

**Corporate Offices**

The Company's business is conducted at the Rome Registered Office, at the Plants located in Livorno and Pozzuoli and at the Singapore offices. Below is the situation at 31 December 2015:

Rome	Piazza Monte Grappa no. 4	Registered Office
Livorno	Via di Levante no. 48	Sub-office
Pozzuoli	Via di Monterusciello	Sub-office
Singapore	8 Ubi Road 2 #07-02 Zervex Building	Foreign branch

**Proposal to the Shareholders' Meeting**

**Financial Statements at 31 December 2015; Report of the Board of Directors, Report of the Board of Statutory Auditors and Independent Auditors' Report. Resolutions related thereto. Presentation of the Financial Statements at 31 December 2015.**

Dear Shareholders,

the 2015 financial statements, which we submit for your approval, close with a loss of Euro 5,986,527.

In light of the foregoing, and in consideration of the merger by incorporation into Finmeccanica Società per Azioni with effect from 1 January 2016, we submit the following proposed resolution for your approval:

“The ordinary Shareholders' meeting

- considering the Report of the Board of Directors;
- considering the Report of the Board of Statutory Auditors;
- having examined the financial statements at 31 December 2015;
- having acknowledged the report of KPMG S.p.A..

RESOLVES

to approve the Directors' report on operations and the financial statements at 31 December 2015”

Rome, 16 March 2016

For the Board of Directors of  
Finmeccanica Società per Azioni  
The Chairman

(Giovanni De Gennaro)

**ACCOUNTING STATEMENTS AND NOTES TO THE FINANCIAL  
STATEMENTS AT 31 DECEMBER 2015**

## ACCOUNTING STATEMENTS

### Separate income statement

<i>Values in €</i>	<i>Note</i>	<u>2015</u>	<i>of which with related parties</i>	<u>2014</u>	<i>of which with related parties</i>
Revenue	23	103,324,435	8,569,064	106,098,104	6,788,681
Other operating income	24	1,664,930		7,682,924	59,282
Purchase and personnel expense	25	(97,120,866)	(4,836,009)	(97,801,501)	(4,986,426)
Amortisation, depreciation and impairment losses	26	(12,234,603)		(3,629,319)	
Other operating expenses	24	(1,834,043)		(9,299,591)	
<b>Income before tax and financial expenses</b>		<b>(6,200,147)</b>		<b>3,050,617</b>	
Financial income	27	1,732,646	10,913	2,322,330	17,047
Financial expense	27	(2,332,450)	(670,820)	(3,744,453)	(711,973)
<b>Operating profit (loss) before income taxes and discontinued operations</b>		<b>(6,799,951)</b>		<b>1,628,494</b>	
Income taxes	28	813,424		(1,458,097)	
Profit (loss) from discontinued operations					
<b>Net profit/(loss)</b>		<b>(5,986,527)</b>		<b>170,397</b>	

### Statement of comprehensive income

<i>Values in € thousands</i>	<u>2015</u>	<u>2014</u>
<b>Profit (loss) for the period</b>	<b>(5,986)</b>	<b>170</b>
<b>Other comprehensive income (expense):</b>		
<u>Comprehensive income/expense which will not be subsequently reclassified within the profit (loss) for the period:</u>		
- Measurement of defined-benefit plans:		
. revaluation	241	(653)
- Tax effect	97	90
	<u>338</u>	<u>(563)</u>
<u>Comprehensive income/expense which will or might be subsequently reclassified within the profit (loss) for the period:</u>		
- Changes in cash flow hedges:		
. change generated in the period	(407)	1,307
. transferred to the profit (loss) for the period	454	(495)
- Tax effect	13	(153)
	<u>60</u>	<u>659</u>
<b>Total other comprehensive income (expense), net of tax:</b>	<b>398</b>	<b>96</b>
<b>Total comprehensive income (expense)</b>	<b>(5,588)</b>	<b>266</b>

Statement of financial position

<i>values in €</i>	<i>Note</i>	<b>31 December 2015</b>	<i>of which with related parties</i>	<b>31 December 2014</b>	<i>of which with related parties</i>
Intangible assets	7	37,475,239		46,710,295	
Property, plant and equipment	8	3,647,065		3,771,064	
Equity investments	9	305,578		305,578	
Receivables	10	1,206,523		1,189,845	
Deferred tax assets	28	9,453,678		8,243,908	
<i>Non-current assets</i>		<b>52,088,083</b>		<b>60,220,690</b>	
Inventories	11	15,919,877		19,683,077	
Contract work in progress	12	50,235,911		37,379,886	
Trade receivables	13	29,195,766	1,349,138	39,342,592	1,789,756
Income tax receivables		258,203		916,410	
Other current assets	14	7,955,379	3,999,157	9,753,928	6,274,975
Cash and cash equivalents	15	82,657		31,397	
<i>Current assets</i>		<b>103,647,793</b>		<b>107,107,290</b>	
<b>Total assets</b>		<b>155,735,876</b>		<b>167,327,980</b>	
Share capital	16	21,346,000		21,346,000	
Other reserves		(2,675,457)		2,873,844	
<i>Equity</i>		<b>18,670,543</b>		<b>24,219,844</b>	
Loans and borrowings (non-current)	17	1,419,866		2,415,743	
Employee benefits	19	4,903,831		5,250,116	
Provisions for risks and charges	18	1,534,256		949,257	
Deferred tax liabilities	28	1,103,751		423,354	
Other non-current liabilities	20	3,146,922		3,096,317	
<i>Non-current liabilities</i>		<b>12,108,626</b>		<b>12,134,787</b>	
Progress payments and advances from customers	12	41,795,348	19,778,325	46,572,786	25,017,782
Trade payables	21	40,526,828	2,711,902	40,408,910	909,594
Loans and borrowings (current)	17	25,690,842	25,690,842	25,591,960	25,591,960
Income tax payables		-		167,645	
Provisions for short-term risks and charges	18	4,374,019		3,835,445	
Other current liabilities	20	12,569,671		14,396,603	
<i>Current liabilities</i>		<b>124,956,708</b>		<b>130,973,349</b>	
<b>Total liabilities</b>		<b>137,065,334</b>		<b>143,108,136</b>	
<b>Total liabilities and equity</b>		<b>155,735,876</b>		<b>167,327,980</b>	

## Separate Financial Statements at 31 December 2015 – Whitehead Sistemi Subacquei S.p.A.

### Statement of cash flows

<i>Values in € thousands</i>	<i>Note</i>	<b>2015</b>	<i>of which with related parties</i>	<b>2014</b>	<i>of which with related parties</i>
Gross cash flows from operating activities		7,849		3,956	
Change in trade receivables/payables, work in progress/progress payments and inventories		(4,165)	(1,143)	1,291	(318)
Change in other operating assets and liabilities and provisions for risks and charges		(3,594)	(1,043)	3,888	(581)
Interest paid		(989)	(659)	(827)	(695)
Income taxes paid		3,964		841	
<b>Cash flows generated from (used in) operating activities</b>		<b>3,065</b>		<b>9,149</b>	
Investments in property, plant and equipment and intangible assets		(2,117)		(2,826)	
<b>Cash flows generated from (used in) investing activities</b>		<b>(2,117)</b>		<b>(2,826)</b>	
Net change in other loans and borrowings		(897)		(6,547)	
<b>Cash flows generated from (used in) financing activities</b>		<b>(897)</b>		<b>(6,547)</b>	
Net increase (decrease) in cash and cash equivalents		51		(224)	
Cash and cash equivalents at 1 January		32		256	
<b>Cash and cash equivalents at 31 December</b>		<b>83</b>		<b>32</b>	



Statement of changes in equity

Values in €thousands	Share capital	Retained earnings	Cash flow hedge reserve	Revaluation reserve of defined-benefit plans	Reserve for stock option / grant plans	Total equity
<b>1 January 2014</b>	<b>21,346</b>	<b>2,656</b>	<b>(668)</b>	<b>620</b>	<b>-</b>	<b>23,954</b>
Profit (loss) for the period	-	170	-	-	-	170
Other comprehensive income (expense)	-	-	659	(563)	-	96
<b>Total comprehensive income (expense)</b>	<b>-</b>	<b>170</b>	<b>659</b>	<b>(563)</b>	<b>-</b>	<b>266</b>
Other changes	-	-	-	-	-	-
<b>31 December 2014</b>	<b>21,346</b>	<b>2,826</b>	<b>(9)</b>	<b>57</b>	<b>-</b>	<b>24,220</b>
Profit (loss) for the period	-	(5,986)	-	-	-	(5,986)
Other comprehensive income (expense)	-	-	60	338	-	398
<b>Total comprehensive income (expense)</b>	<b>-</b>	<b>(5,986)</b>	<b>60</b>	<b>338</b>	<b>-</b>	<b>(5,588)</b>
Stock option / grant plans	-	-	-	-	39	39
<b>Total transactions with owners of the parent, recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>39</b>	<b>39</b>
Other changes	-	-	-	-	-	-
<b>31 December 2015</b>	<b>21,346</b>	<b>(3,160)</b>	<b>51</b>	<b>395</b>	<b>39</b>	<b>18,671</b>

## **NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015**

### **1. GENERAL INFORMATION**

Whitehead Sistemi Subacquei S.p.A. is a Finmeccanica Group company based in Rome. The Company makes use of the right granted to the subgroups, pursuant to Article 27, paragraph 3, of Legislative Decree no. 127 of 1991, to not prepare the Consolidated Financial Statements, as they are prepared and published by the Parent Company Finmeccanica S.p.A..

The Company was merged into its parent company Finmeccanica Spa with effect from 1 January 2016.

The Company was registered with the Rome Register of Companies under no. 03064480100 and was active in the study, development, manufacturing and supply of:

- Integrated underwater defence systems for surface ships and submarines;
- Underwater surveillance, classification and identification systems for surface ships and submarines, aircraft, helicopters and fixed systems;
- Underwater countermeasure systems;
- Acoustic detection and analysis systems;
- Mine search, detection and neutralisation systems;
- Underwater systems for sea navigation and sea traffic assistance;
- Underwater systems and equipment for environmental surveillance and control;
- Logistical support relating to the above activities.

### **2. FORM, CONTENT AND APPLICABLE ACCOUNTING STANDARDS**

In application of EC Regulation 1606/2002 of 19 July 2002, the financial statements at 31 December 2015 were prepared in accordance with the international accounting standards (IFRS) endorsed by the European Commission, supplemented by the relevant interpretations (Standing Interpretations Committee - SIC and International Financial Reporting Interpretations Committee - IFRIC) issued by the International Accounting Standard Board (IASB) and in force at the year-end.

The general principle used in preparing these financial statements is the historical cost method, except for those items that, in accordance with IFRS, are obligatory recognised at fair value, as indicated in the valuation criteria of each item.

The financial statements at 31 December 2015 have been prepared on a going concern basis and are composed of the income statement, the statement of comprehensive income, the consolidated statement of financial position, the statement of changes in equity, the statement of cash flows and the notes to the financial statements.

Among the options permitted by IAS 1, the Company has chosen to present its balance sheet by separating current and non-current items and its income statement by the nature of its items. Instead, the statement of cash flows was prepared using the indirect method.

The International Financial Reporting Standards (IFRS) used for preparing these financial statements are the same that were used in the preparation of the consolidated financial statements at 31 December 2014.

All figures are shown in thousands of Euros unless otherwise indicated. The Company makes use of estimates, which

prove to be of key importance in the preparation of financial statements, with respect to estimation of final work in progress based on which revenue assigned to the progress of works is determined.

Preparation of the financial statements required management to make certain estimates. The main areas affected by estimates or assumptions of particular importance or that have significant effects on the balances shown are described in Note 4.

The Board of Directors on 16 March 2016 resolved to submit to the shareholders the draft financial statements at 31 December 2015.

The financial statements, which were prepared according to IFRS standards, and are subject to a statutory audit by KPMG S.p.A..

### **3. ACCOUNTED POLICIES ADOPTED**

#### ***3.1. Currency translation***

##### ***3.1.1. Identification of the functional currency***

These financial statements have been prepared in euros, which is the functional currency of Whitehead Sistemi Subacquei S.p.A..

##### ***3.1.2. Translation of items denominated in a foreign currency***

Items expressed in a currency other than the functional currency, whether monetary (cash and cash equivalents, receivables or payables due in pre-set or measurable amounts, etc.) or non-monetary (advances to suppliers of goods and services, intangible assets, etc.), are initially recognised at the exchange rate prevailing at the date on which the transaction takes place. Subsequently, the monetary items are translated into the functional currency based on the exchange rate at the reporting date, and any differences resulting from this conversion are recognised in the income statement. Non-monetary items continue to be carried at the exchange rate on the date of the transaction, except in situations where there is a persistent unfavourable trend in the exchange rate concerned. If this is the case, exchange differences are recognised in the income statement.

#### ***3.2. Intangible assets***

Intangible assets are non-monetary items without physical form, but which can be clearly identified and generate future economic benefits for the company. They are carried at purchase and/or production cost, including directly related expenses allocated to them when preparing the asset for operations and net of accumulated amortisation (except for assets with indefinite useful lives) and any impairments of value. Amortisation begins when the asset is available for use and is recognised systematically over its remaining useful life. In the period in which the intangible asset is recognised for the first time, the amortisation rate applied takes into account the period of actual use of the asset.

##### ***3.2.1. Development costs***

This account includes costs related to the application of the results of research or other knowledge in a plan or a project

for the production of materials, devices, processes, systems or services that are new or significantly advanced, prior to the start of commercial production or use, for which the generation of future economic benefits can be demonstrated. These costs are amortised according to the units-of-production method, over the period in which the future earnings are expected to be realised for the project itself, and in any case in a period no longer than 10 years. If such costs fall within the scope of costs defined as “non-recurring costs”, they are recognised in the specific item under intangible assets (Note 4.1).

Research costs, on the other hand, are expensed in the period in which they are incurred.

### ***3.2.2. Industrial patent and intellectual property rights***

Patents and intellectual property rights are carried at acquisition cost net of amortisation and accumulated impairment losses. Amortisation begins in the period in which the rights acquired are available for use and is calculated based on the shorter of the period of expected use and that of ownership of the rights. The useful life is 20 years, in relation to the long life and development cycle of underwater products.

### ***3.2.3. Concessions, licence and trademarks***

This category includes: concessions, i.e. government measures that grant private parties the right to exclusive use of public assets or to manage public services under regulated conditions; licences that grant the right to use patents or other intangible assets for a determinate or determinable period of time; trademarks that establish the origin of the products of a given company; and licences for the know-how or software owned by others. The costs, including the direct and indirect costs incurred to obtain such rights, can be capitalised after receiving title to the rights themselves and are amortised systematically over the shorter of the period of expected use and that of ownership of the rights. The range of the useful life is between 3 and 10 years.

## ***3.3. Property, plant and equipment***

Property, plant and equipment is measured at purchase or production cost net of accumulated depreciation and any impairment losses. The cost includes all direct costs incurred to prepare the assets for use, as well as any charges for dismantlement and disposal that will be incurred to return the site to its original condition.

Charges incurred for routine and/or cyclical maintenance and repairs are expensed in full in the period in which they are incurred.

Costs related to the expansion, modernisation or improvement of owned or leased structural assets are only capitalised to the extent that such costs meet the requirements for being classified separately as an asset or part of an asset. Any public capital grants related to property, plant and equipment are recognised as a direct deduction from the asset to which they refer.

The value of an asset is adjusted by systematic depreciation calculated based on the residual useful life of the asset itself. In the period in which the asset is recognised for the first time, the depreciation rate applied takes into account the date in which the asset is ready for use. The estimated useful lives adopted by the Company for the various asset classes are as follows:

Land	indefinite useful life
Buildings	10 – 33
Plant and machinery	5 – 10
Equipment	3 – 4
Other assets	4 - 8

The estimated useful life and the residual value are revised at least annually.

Depreciation ends when the asset is sold or reclassified as asset held for sale.

In the event the asset to be depreciated is composed of distinct elements with useful lives that are significantly different from those of the other constituent parts, each individual part that makes up the asset is depreciated separately, in application of the component approach to depreciation.

This item also includes “equipment intended for specific production” for job orders, which cannot be used otherwise.

Depreciation is made on the basis of the expected disposal plans.

The gains and losses from the sale of assets or groups of assets are calculated by comparing the sales price with the related net book value.

#### ***3.4. Impairment of intangible assets and property, plant and equipment***

There are no assets with indefinite useful lives.

For assets that are depreciated or amortised, an assessment is made to determine whether there is any internal or external indication of a loss in value. If so, the recoverable value of the asset is estimated, with any excess being recognised in the income statement.

The recoverable value of an asset is the higher of its fair value less costs to sell and its value in use calculated on the basis of a model of discounted cash flows. The discount rate encompasses the risks peculiar to the asset which have not been considered in the expected cash flows.

Assets which do not generate independent cash flows are tested as Cash Generating Units.

If the reasons for such write-downs should cease to obtain, the asset’s book value is restored within the limits of the book value that would have resulted if no loss was recognised due to previous years’ loss of value. The write-back is also taken to the income statement.

#### ***3.5. Equity investments***

The Company classifies its equity investments in:

- ✓ “subsidiary companies” which are controlled by the investing company through the power to govern the financial and operating policies of an entity and obtain the related benefits;
- ✓ “associated companies” over which the investing company exercises a significant influence (which is assumed to exist when at least 20% of votes can be exercised during the ordinary Shareholders’ Meeting). The item also includes the case of companies subject to joint control (joint ventures);
- ✓ “controlling companies” as the investee company owns shares of its own controlling company;
- ✓ “other companies” that do not fall under any of the categories above.

Investments available for sale, like those acquired with the sole purpose of being disposed within the subsequent twelve months, are classified separately within “Assets held for sale”.

The subsidiary companies (including those subject to joint control), associated companies and other companies, except for those classified as “assets held for sale”, are measured at the cost of purchase or start-up. This cost is maintained in subsequent financial statements except in the event of a loss of value, or any write-back, following a change in its economic use or capital transactions. Investments available for sale are valued at the lower of the cost and the fair value, net of selling costs.

The appendix to these explanatory notes provides a summary of investees. Figures for subsidiaries are taken from the respective draft financial statements at 31 December 2015 approved by the Board of Directors; for associates and other companies, the carrying amounts of the equity investments were matched against the equities of the investees, as shown in the latest available financial statements approved.

The “Provision for losses related to shares” includes the possible loss of value exceeding the carrying amount. In the event that the requirements for impairment are no longer met, the value of equity investments is reinstated within the limits of the original cost.

### **3.6. Inventories**

Inventories are recorded at the lower of cost, calculated with reference to the weighted average cost, and net realisable value. They do not include financial costs and overheads. The net realisable value is the sales price in the course of normal operations net of estimated costs to finish the goods and those needed to make the sale.

### **3.7. Contract work in progress**

Work in progress is recognised on the basis of progress (or percentage of completion), whereby costs, revenues and margins are recognised based on the progress of production. The state of completion is determined on the basis of the ratio between costs incurred at the measurement date and the total expected costs for the programme or based on the productions units delivered.

The valuation reflects the best estimate of the schedules prepared at the balance-sheet date. The assumptions upon which the estimates are made are periodically updated. Any impact on profit or loss is recognised in the period in which the updates are made.

In the event the completion of a contract is expected to result in a loss at the gross margin level, the loss is recognised in its entirety in the period in which it becomes reasonably foreseeable under operating expenses. Vice versa, the reversal of such allocations is recognised under other operating income, if relating to internal costs. The component relating to external costs represents a direct use of the provision for final losses

Contract work in progress is recorded net of any write-downs of the losses to complete on orders, as well as pre-payments and advances related to the contract being performed.

This analysis is carried out contract by contract: in the event of positive differences (where the value of work in progress is greater than total pre-payments), the difference is recorded as an asset; negative differences, on the other hand, are recorded as a liability under “Advances from customers”. If it has not been collected at the date of preparation of the annual or interim accounts, the amount recorded among advance payments will have a directly contra-item in trade receivables.

Contracts with payments in a currency other than the functional currency (the euro for the Company) are measured by converting the portion of payments due, calculated using the percentage-of-completion method, at the exchange rate prevailing at the close of the period in question. However, the Company's policy for exchange-rate risk calls for all contracts in which cash inflows and outflows are significantly exposed to exchange rate fluctuations to be hedged specifically. In such cases, the recognition methods described in Note 4.2 below are applied.

### **3.8. *Receivables and Financial Assets***

The Company classifies its financial assets into the following categories:

- ✓ financial assets at fair value through profit or loss;
- ✓ loans and receivables;
- ✓ financial assets held to maturity;
- ✓ financial assets available for sale.

Management classifies assets at the time they are first recognised.

#### **3.8.1. *Financial assets at fair value through profit or loss***

This category includes financial assets acquired for the purpose of short-term trading transactions, as well as derivatives, which are discussed in the next section. The fair value of these instruments is determined with reference to their end-of-period bid price. For unlisted instruments, the fair value is calculated using commonly adopted valuation techniques. Changes in the fair value of instruments in this category are recognised immediately in the income statement.

The classification of assets as current or non-current reflects management expectations regarding their trading. Current assets include those that are planned to be sold within 12 months or those designated as held for trading purposes.

#### **3.8.2. *Loans and receivables***

This category includes non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are initially measured at fair value and subsequently at their amortised cost using the effective interest method. Should objective evidence of impairment emerge, the value of the asset is reduced to the value obtained by discounting the expected cash flows from the asset: the impairment losses calculated through impairment test are recognised in the income statement. If the reasons for the write-down should cease to obtain in future periods, the value of the asset is restored up to the amortised cost value it would have if no impairment had been recognised. Loans and receivables are posted under current assets except for the portion falling due beyond 12 months, which is carried under non-current assets.

#### **3.8.3. *Financial assets held to maturity***

These are non-derivative assets, with fixed maturities, that the Company has the intention and ability to hold to maturity. Those maturing within 12 months are carried under current assets. Should objective evidence of impairment emerge, the value of the asset is reduced to the value obtained by discounting the expected cash flows from the asset: the impairment losses, calculated through impairment test, are recognised in the income statement. If the reasons for the

write-down should cease to obtain in future periods, the value of the asset is restored up to the amortised cost value it would have if no impairment had been recognised.

### **3.8.4. Financial assets available for sale**

This category encompasses non-derivative financial assets specifically designated as available for sale or not classified in any of the previous items. They are recognised at fair value, which is calculated with reference to their market price at the reporting date or using financial valuation techniques and models. Changes in value are recognised in a specific equity item (“Reserve for assets available for sale”). The reserve is taken to the income statement only when the financial asset is effectively sold or, in cases of a loss of value, when it becomes evident that the impairment in value already recognised in equity is unrecoverable. Classification as current or non-current depends on the intentions of management and the effective marketability of the security itself. Assets that are expected to be sold within 12 months are carried under current assets.

Should objective evidence of impairment emerge, the value of the asset is reduced to the value obtained by discounting the expected cash flows from the asset; reductions in value previously recognised in equity are reversed to profit or loss. If the reasons for the write-down should cease to obtain, the value of the asset is restored, applicable only to debt instruments.

### **3.9. Derivatives**

Derivatives are still regarded as assets held for trading and stated at fair value through profit or loss unless they are deemed effective instruments for specific risk in respect of underlying assets, liabilities or commitments undertaken by the Company.

In particular, the Company uses derivatives as part of its hedging strategies to offset the risk of changes in the fair value of financial assets or liabilities on its balance sheet or arising from the risk associated with contractual commitments (fair-value hedges) and the risk of changes in expected cash flows in contractually defined or highly probable operations (cash-flow hedges). For details regarding the methodology for recognising hedges of the exchange rate risk on long-term contracts, see Note **Errore. L'origine riferimento non è stata trovata.**

The effectiveness of hedges is documented and tested both at the start and periodically and measured by comparing changes in the fair value of the hedging instrument against changes in the hedged item (“dollar offset ratio”). For more complex instruments, the measurement involves statistical analysis based on the variation of the risk.

Changes in the fair value of derivatives that have been designated and qualify as cash-flow hedges are recognised – with reference to the “effective” component of the hedge only – in the statement of comprehensive income through a specific equity reserve (“Cash-flow hedge reserve”), which is subsequently recognised in the income statement when the underlying transaction affects profit or loss. Changes in fair value attributable to the non-effective component are immediately recognised in the income statement for the period. If the occurrence of the underlying operation ceases to be highly probable, the relevant portion of the cash-flow hedge reserve is immediately recognised in the income statement. If the derivative is sold, expires or ceases to function as an effective hedge against the risk for which it was originated, the relevant portion of the “Cash-flow hedge reserve” is kept recognised until the underlying contract shows its effect. The recognition of the cash-flow hedge is discontinued prospectively.

The fair value of instruments quoted on public markets is determined with reference to the bid price for the instrument in question at the reference date. The fair value of unquoted instruments is determined with financial valuation



techniques. Specifically, the fair value of interest-rate swaps is measured by discounting the expected cash flows, while the fair value of foreign exchange forwards is determined on the basis of the market exchange rate at the reference date and the rate differentials among the currencies involved.

Financial assets and liabilities valued at fair value are classified in the three hierarchical levels described below, on the basis of the materiality of inputs used in the fair value measurement. In particular:

- Level 1: financial assets and liabilities whose fair value is determined on the basis of the unadjusted quoted prices in an active market for identical assets and liabilities that the Company can access at the measurement date;
- Level 2: financial assets and liabilities whose fair value is determined on the basis of inputs other than the quoted prices as in Level 1, that are directly or indirectly observable;
- Level 3: financial assets and liabilities whose fair value is determined on the basis of unobservable inputs.

### ***3.10. Cash and cash equivalents***

The item includes cash, deposits with banks or other institutions providing current account services, post office accounts and other cash equivalents, as well as investments maturing in less than three months from the date of acquisition. Cash and cash equivalents are recognised at their fair value, which normally coincides with their nominal value.

### ***3.11. Share capital***

Share capital consists of the capital subscribed and paid up. Costs directly associated with the issue of shares are recognised as a decrease in share capital when they are directly attributable to capital operations, net of the deferred tax effect.

### ***3.12. Payables and other liabilities***

Payables and other liabilities, are initially recognised in the financial statements at fair value net of transaction costs. They are subsequently valued at their amortised cost using the effective interest-rate method. Payables and other liabilities are defined as current liabilities unless the Company has the contractual right to settle its debts at least 12 months after the date of the annual or interim financial statements.

### ***3.13. Taxation***

The company has joined the Group's taxation scheme (the so-called national tax consolidation) for the purposes of the application of IRES (Corporate Income) tax.

The company's tax burden is made up of current and deferred taxes. If these taxes are related to income and expense recognised in equity in the statement of comprehensive income, a balancing entry is recorded under the same item.

Current taxes are calculated in accordance with the existing fiscal legislation applicable to those countries in which the company operates and in force at the balance-sheet date. Any risks connected with a different interpretation of the positive and negative components of income, together with ongoing disputes with the tax authorities are regularly assessed, at least on a quarterly basis, in order to adjust the provisions made.

Deferred tax assets and liabilities are calculated based on temporary differences arising between the carrying amounts

of assets and liabilities included in the company's accounting position and the value for tax purposes. Deferred tax assets and liabilities are calculated by applying the tax rate that is expected to be in force at the time the temporary differences will be reversed. The estimation is made based on tax laws in effect or substantially in effect at the reporting date. Deferred tax assets are recognised to the extent that it is probable the Company will post taxable income at least equal to the temporary differences in the financial periods in which such assets will be reversed.

### ***3.14. Employee benefits***

#### **Post-employment benefit plans**

The Company use several types of pension and supplementary benefit plans, which can be classified as follows:

- *defined-contribution plans* in which the company pays fixed amounts to a distinct entity (e.g. a fund) but has no legal or constructive obligation to make further payments if the fund does not have sufficient assets to pay the benefits accrued by employees during their period of employment with the company. The company recognises the contributions to the plan only when employees rendered their services to the company specifically in exchange for these contributions;
- *defined-benefit plans* in which the company undertakes to provide agreed benefits for current and former employees and incur the actuarial and investment risks associated with the plan. The cost of the plan is therefore not determined by the amount of the contributions payable in the financial period but, rather, is redetermined with reference to demographic and statistical assumptions and wage trends. The methodology used is the projected unit credit method. Accordingly, the Company recognises a liability for the same amount arising from the actuarial estimation, and recognises actuarial gains and losses in the period in which they occur in the statement of comprehensive income through a special equity reserve (in the "revaluation reserve of defined benefit plans").

#### **Other long-term benefits and post-employment benefits**

The Company grants employees with other benefits (such as seniority bonuses after a given period of service with the company) that, in some cases, continue to be provided after retirement (for example, medical care). These receive the same accounting treatment as defined-benefit plans, using the projected unit credit method. However for "Other long-term benefits" net actuarial gains and losses are both recognised to profit or loss immediately and in full as they occur.

#### **Benefits payable for the termination of employment and incentive plans**

Termination benefits are recognised as liabilities and expenses when the enterprise is demonstrably committed to terminating the employment of an employee or group of employees before the normal retirement date or to providing termination benefits as a result of an offer made in order to encourage voluntary redundancy. The benefits payable to employees for the termination of employment do not bring any future economic benefit to the enterprise and are therefore recognised immediately as expenses.

#### **Equity compensation benefits**

In case the Company also uses stock-option and stock-grant plans to compensate the Top Management, the theoretical benefit attributable to the recipients is charged to the income statement in the financial periods for which the plan is operative with a contra-item in an equity reserve. The benefit is quantified by measuring the fair value of the assigned instrument, using financial valuation techniques that take account of market conditions and, at the date of each annual

report, an updated estimate of the number of instruments expected to be distributed.

### ***3.15. Provisions for risks and charges***

Provisions for risks and charges are recognised when, at the reporting date, the entity has a present obligation (legal or constructive) to other parties as a result of a past event, and it is probable that, in order to settle the obligation, whose amount can be reliably estimated, an outflow of resources will be required.

The amount reflects the best current estimate of the cost of fulfilling the obligation. The interest rate used to determine the present value of the liability reflects current market rates and includes the additional effects relating to the specific risk associated with each liability. Changes in the estimates are recognised in the income statement of the year in which the change occurs. With regard to some disputes, the information required by IAS 37 Provisions, contingent liabilities and contingent assets is not reported, in order to not jeopardize the Company position in the context of such disputes or negotiations.

Risks for which the emergence of a liability is merely a possibility are reported in the section in the notes on commitments and risks and no provision is recognised.

### ***3.16. Leasing***

#### ***3.16.1. The Company as lessees in a finance lease***

At the date on which a lease is first recognized, the Company records a non-current tangible asset and a financial liability at the lower of the fair value of the asset and the present value of the minimum lease payments at the date of the inception of the lease, using the implicit interest rate in the lease or the incremental borrowing rate. Subsequently, an amount equal to the depreciation expense for the asset and the finance charge separated from principal component of the lease payment made in the period is recognised in the income statement. Depreciation periods are indicated in Note 3.3.

#### ***3.16.2. The Company as lessors in a finance lease***

At the date on which a lease is first recognised, the value of the leased asset is eliminated from the balance sheet and a receivable equal to the net investment in the lease is recognised. The net investment is the sum of the minimum payments plus the residual unguaranteed value discounted at the interest rate implicit in the lease contract. Subsequently, financial income is recognised in the income statement for the duration of the contract in an amount providing a constant periodic rate of return on the lessor's net investment.

The unsecured residual value is reviewed periodically for possible impairment.

#### ***3.16.3. Operating leases***

Receipts and payments in respect of contracts qualifying as operating leases are recognised in the income statement over the duration of the contract.

### ***3.17. Revenue***

Revenue is recognised at the fair value of the amount received and receivable, inclusive of volume discounts and

reductions.

Revenue also includes changes in work in process, the accounting policies for which were described in Note 3.7. The change in work in progress is the portion of work performed for which there are not yet the conditions to recognise it as revenue.

For a description of the estimates related to the evaluation process of the long-term contracts, reference should be made to Note 4.3.

Revenue generated from the sale of goods is recognised when the enterprise has transferred to the buyer substantially all of the significant risks and rewards of ownership of the goods, which, in many cases, will coincide with the transfer of title or possession to the buyer; and when the value of the revenues can be reliably determined.

Revenues from services are recognised on a percentage-of-completion method when they can be reliably estimated.

### ***3.18. Government grants***

Once formal authorisation for their assignment has been issued, grants are recognised on an accruals basis in direct correlation with the costs incurred. Specifically, set-up grants are taken to the income statement in direct relation to the depreciation of the relevant goods or projects, and are recognised as a direct reduction in the value of the depreciation expense. In balance sheet, grants are recognised as a direct reduction of the related assets, for the amount not yet recognised to profit or loss.

For the analysis of the aspects related to grants under Law 808/1985, reference should be made to Note 4.1.

### ***3.19. Costs***

Costs are recorded in compliance with the accrual principle.

### ***3.20. Financial income and expenses***

Interest is recognised on an accruals basis using the effective interest-rate method, i.e. the interest rate that results in the financial equivalence of all inflows and outflows (including any premiums, discounts, commissions, etc.) that make up a given operation.

Financial expenses attributable to the acquisition, construction or production of certain assets taking a substantial period of time to get ready for their intended use or sale (qualifying assets) are capitalised together with the related asset.

### ***3.21. Dividends***

Dividends are recognised as soon as shareholders obtain the right to receive payment, which is normally when the shareholders' meeting approves the distribution of dividends. Dividends distributed to WASS shareholders are reported as a change in the shareholders' equity and are recognised as liabilities for the period in which their distribution is approved by the Shareholders' Meeting.

### ***3.22. Emission rights***

The Company recognises only the economic and financial effects arising from the purchase and/or sale of emission rights for the coverage of the possible differences between the portions assigned and the emissions that were actually made.

**3.23. Related party transactions**

Related party transactions are carried out at arm's length.

**3.24. New IFRS and IFRIC interpretations**

At the date of preparation of this report, the European Commission has endorsed certain standards and interpretations that are not compulsory which will be applied by the Company in the following financial periods. The main amendments and potential effects are summarised below:

IFRS – IFRIC interpretation		Effects for the Company
<ul style="list-style-type: none"> <li>• IFRS 2</li> <li>• IFRS 3</li> <li>• IFRS 8</li> <li>• IAS 16</li> <li>• IAS 24</li> <li>• IAS 38</li> <li>• IFRS 5</li> <li>• IFRS 7</li> <li>• IAS 19</li> <li>• IAS 34</li> </ul>	<ul style="list-style-type: none"> <li>• Share-based payment</li> <li>• Business Combinations</li> <li>• Operating Segments</li> <li>• Property, Plant and Equipment</li> <li>• Related Party Disclosures</li> <li>• Intangible Assets</li> <li>• Non-current Assets held for Sale and Discontinued Operations</li> <li>• Financial Instruments: Disclosures</li> <li>• Employee Benefits</li> <li>• Interim Financial Reporting</li> </ul>	<p>The 2010-2012 and 2012-2014 improvement processes have provided for some amendments to the mentioned standards.</p> <p>No significant effects are expected for the Company.</p>
IAS 16 <i>amendment</i> and IAS 38 <i>amendment</i>	Property, Plant and Equipment and Intangible Assets	<p>The amendments clarify that the use of revenue-based methods is not appropriate to calculate the depreciation of an asset.</p> <p>The effect on the Company deriving from the application of such standard is currently being defined</p>
IAS 1 <i>amendment</i>	Disclosure Initiative	<p>The amendments made to the standard are mainly aimed at providing for a clearer recognition of the items attributable to other comprehensive income, facilitating the breakdown into comprehensive income components and the amount of other comprehensive income pertaining to associates and joint ventures accounted for at equity.</p>
IAS 27	Separate Financial Statements	<p>The standard provides for the possibility of measuring, in separate financial statements, investments in subsidiaries, joint ventures and associates according to the equity method.</p>
IFRS 9	Financial instruments	<p>The standard significantly amends the accounting treatment of financial instruments and in its final version, will replace IAS 39. At present, the IASB has modified the requirements for the classification and measurement of financial assets that are currently in the scope of IAS 39. Furthermore, the IASB has published a document on the principles for the measurement of financial instruments at amortised cost and for recognising impairment, if any. The new overall approach to financial instruments is currently under discussion by the various competent bodies and for the time being the date of adoption is not foreseeable.</p> <p>The effect on the Company deriving from the application of such standard is currently under analysis.</p>
IFRS 15	Revenue from contracts with customers	<p>The standard redefines how to account for revenue, which shall be recognised when the control of goods and services is transferred to customers, and envisages additional disclosures to be provided.</p>

		The effect on the Company deriving from the application of such standard is currently under analysis.
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There are a number of standards or amendments to existing principles issued by the IASB or new interpretations of the International Financial Reporting Interpretations Committee (IFRIC) for which the revision and approval project is still under way. Specifically, reference is made to IFRS 16 “Leases”, which includes significant amendments to the methods to account for leases in the accounts of both lessors and lessees.

#### **4. SIGNIFICANT ISSUES AND CRITICAL ESTIMATES BY MANAGEMENT**

##### ***4.1. Non-recurring costs***

The Company separately discloses as intangible assets the costs incurred in designing, prototyping and upgrading to the technical and functional specifications of clearly identified potential clients, if they are financed under Law 808/1985 governing State aids to support the competitiveness of entities operating in the Aeronautics and Defence segments. These costs are shown excluding the benefits collected or to be collected under Law 808/1985 for programmes qualified as functional to national security and similar. The aid under Law 808/1985 is deducted from capitalised costs, and the royalties to be given to the grantor are recognised as the requirements are met (sale of products embedding the technology for which the Law permits aids).

For the programmes other than national “Security programmes”, the funds received are recognised as “Other liabilities”, making a distinction between the current portion and the non-current portion, based on the date of repayment. In both cases, non-recurring costs are recognised under intangible assets and are amortised on the units-of-production method. These costs are tested for impairment at least once a year until development is complete; after that, as soon as contract prospects change, when some expected orders are no longer made or delayed. The impairment test is conducted on assumed sales plans, which in general are made for a period greater than 5 years, in light of the particularly long life of products under development. In the case of programmes that benefit from the provisions of Law 808/1985 and that are classified as functional to “National security”, the portion of non-recurring costs capitalised, for which the Ministry has not yet issued the related granting decree, is shown separately, pending the fulfilment of the legal requirements for the recognition of the amount receivable from the Ministry. The figure shown under “other non-current assets” is calculated based on an estimate made by management that reflects the reasonable probability that funds are received and the effects of time value in the case of deferment over more than one year of the granting of funds.

##### ***4.2. Hedging long-term contracts against foreign exchange risk***

In order to hedge exposure to changes in flows of receipts and payments associated with long-term construction contracts denominated in currencies other than the functional currency, the Company enters into specific hedges for the expected individual cash flows in respect of the contracts. The hedges are entered into at the moment the commercial contracts are finalised, except where the award of the contracts is felt to be highly likely as a result of existing framework contracts. Exchange-rate risk is normally hedged with plain vanilla instruments (forward contracts); in some cases, however, in order to protect the Company against the persistent adverse trend in the US dollar, we have entered into more highly structured operations that, while substantively hedging the positions, do not qualify for hedge

accounting under IAS 39. In these cases, as in all cases where hedges prove to be ineffective, changes in the fair value of such instruments are taken immediately to the income statement as financial items, while the underlying is valued as if it were exposed to exchange rate variations. The effects of this recognition policy are reported in Note 27. Hedges in the former case are reported as cash-flow hedges, considering as ineffective the part relating to the premium or discount in the case of forwards or the time value in the case of options, which is recognised under financial items.

#### ***4.3. Estimate of revenue and final costs of long-term contracts***

The Company operates in sectors and with contractual arrangements that are especially complex. They are recognised on a percentage-of-completion basis. Margins recognised in the income statement are a function of both the state of progress on contracts and the margins that are expected to be recognised for the completed contract. Accordingly, correct recognition of work in progress and margins on contracts that have not yet been completed requires management to make a careful estimate of the final costs and expected increases as well as delays, extra costs and penalties that could reduce the expected margin. In order to enhance support for this activity, the Company has adopted contract management and risk analysis tools designed to identify, monitor and quantify the risks associated with such contracts. The amounts posted in the financial statements represent management's best estimate at the reporting date.

#### ***4.4. Impairment of assets***

Company assets are tested for impairment at least annually if their lives are indefinite, or more often if there are indications of impairment. Similarly, impairment tests are conducted on all the assets showing signs of impairment, even if the amortisation already commenced.

Impairment tests are generally conducted using the discounted cash-flow method: however, this method is highly sensitive to the assumptions contained in the estimate of future cash flows and interest rates applied.

For these valuations, the Company uses plans that have been approved by corporate bodies and financial parameters that are in line with those resulting from the current performance of reference markets.

#### ***4.5. Disputes***

The Company's operations regard sectors and markets where many disputes are settled only after a considerable period of time, especially in cases where the customer is a government entity. In case management deems it probable that following the litigation an outflow of resources, whose amount can be reliably estimated, will be required, this amount that has been discounted in order to consider the timeline for the disbursement, is included in the risk provision. The estimate for the developments of these disputes is particularly complex and requires significant estimates by the management. Disputes where a liability is deemed possible but not probable are shown in the relevant informative section on commitments and risks; against such disputes no allocation is made.

## **5. SIGNIFICANT NON-RECURRING EVENTS OR TRANSACTIONS**

We report no significant non-recurring events or transactions, which occurred during the period under examination.

## 6. SIGNIFICANT POST BALANCE SHEET EVENTS

With effect from 1 January 2016 WASS was merged by incorporation into the parent company Finmeccanica Società per Azioni (hereinafter also referred to as “Finmeccanica”), with the consequent dissolution of the company, within a larger process of structuring the Finmeccanica Group into divisions, aimed at providing it with an increasingly effective governance system and improved industrial efficiency. As a whole, the process has entailed the merger by incorporation of Oto Melara S.p.A. and WASS S.p.A., as well as the partial demerger of Selex ES S.p.A., Alenia Aermacchi S.p.A. and AgustaWestland S.p.A., into Finmeccanica. Specifically, WASS will form part of the Defence Systems division, one of the seven divisions into which Finmeccanica is currently structured, within the sector of Electronics, Defence and Security Systems.

## 7. INTANGIBLE ASSETS

	Development costs	Patent rights and similar rights	Concessions, licences and trademarks	Intangible assets in progress	Total
<b>1 January 2014</b>					
Cost	68,347	2,543	1,964	153	<b>73,007</b>
Amortisation and impairment losses	(23,784)	(693)	(959)		<b>(25,436)</b>
<b>Carrying amount</b>	<b>44,563</b>	<b>1,850</b>	<b>1,005</b>	<b>153</b>	<b>47,571</b>
Investments	848			603	<b>1,451</b>
Amortisation	(1,629)	(127)	(551)		<b>(2,307)</b>
Other changes			346	(351)	<b>(5)</b>
<b>31 December 2014</b>	<b>43,782</b>	<b>1,723</b>	<b>800</b>	<b>405</b>	<b>46,710</b>
broken down as follows:					
Cost	66,777	2,543	1,351	405	<b>71,076</b>
Amortisation and impairment losses	(22,995)	(820)	(551)	-	<b>(24,366)</b>
<b>Carrying amount</b>	<b>43,782</b>	<b>1,723</b>	<b>800</b>	<b>405</b>	<b>46,710</b>
Investments				936	<b>936</b>
Amortisation	(479)	(127)	(580)		<b>(1,186)</b>
Impairment losses	(8,972)				<b>(8,972)</b>
Other changes			1,194	(1,207)	<b>(13)</b>
<b>31 December 2015</b>	<b>34,331</b>	<b>1,596</b>	<b>1,414</b>	<b>134</b>	<b>37,475</b>
broken down as follows:					
Cost	55,387	2,543	1,994	134	<b>60,058</b>
Amortisation and impairment losses	(21,056)	(947)	(580)	-	<b>(22,583)</b>
<b>Carrying amount</b>	<b>34,331</b>	<b>1,596</b>	<b>1,414</b>	<b>134</b>	<b>37,475</b>

Intangible assets are lower owing to the write-down of Black Shark programme development costs after the review of the Indian Navy purchases programme in a scenario of objective difficulty in forecasting the outcome; the write-down was partly set off by the increases in the value of software.



## 8. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery	Equipment	Other tangible assets	Total
<b>1 January 2014</b>				
Cost	9,818	8,917	8,868	<b>27,603</b>
Amortisation, depreciation and impairment losses	(8,678)	(8,116)	(7,096)	<b>(23,890)</b>
<b>Carrying amount</b>	<b>1,140</b>	<b>801</b>	<b>1,772</b>	<b>3,713</b>
Investments	-	-	1,375	<b>1,375</b>
Depreciation	(510)	(393)	(419)	<b>(1,322)</b>
Other changes	558	598	(1,151)	<b>5</b>
<b>31 December 2014</b>	<b>1,188</b>	<b>1,006</b>	<b>1,577</b>	<b>3,771</b>
broken down as follows:				
Cost	10,367	9,390	8,842	<b>28,599</b>
Amortisation, depreciation and impairment losses	(9,179)	(8,384)	(7,265)	<b>(24,828)</b>
<b>Carrying amount</b>	<b>1,188</b>	<b>1,006</b>	<b>1,577</b>	<b>3,771</b>
Investments	-	-	1,181	<b>1,181</b>
Depreciation	(435)	(466)	(417)	<b>(1,318)</b>
Other changes	283	380	(650)	<b>13</b>
<b>31 December 2015</b>	<b>1,036</b>	<b>920</b>	<b>1,691</b>	<b>3,647</b>
broken down as follows:				
Cost	10,650	9,666	9,370	<b>29,686</b>
Amortisation, depreciation and impairment losses	(9,614)	(8,746)	(7,679)	<b>(26,039)</b>
<b>Carrying amount</b>	<b>1,036</b>	<b>920</b>	<b>1,691</b>	<b>3,647</b>

The change recorded in the year was due to depreciation for the period amounting to €mil. 1.3 and investments of €mil. 1.2, relating to the necessary formalities for compliance with the current regulations governing environment and safety at work at the various plants, as well as to the maintenance and upgrading of general systems and of the real estate assets of the various production plants.

## 9. EQUITY INVESTMENTS

	31 December 2015	31 December 2014
<b>Opening balance</b>	306	286
Acquisitions/subscriptions and capital increases	-	20
<b>Closing balance</b>	<b>306</b>	<b>306</b>

The item mainly relates to subsidiary Win Blue Water Services Limited. Any information on this company's business is provided in the report on operations.

Company name	% ownership	Investment value	Total Assets	Total Liabilities
<u>Subsidiaries and associates</u>				
Win Blue Water Service PVT Ltd	99.99%	269,000	442,100	442,100
<u>Other equity investments and consortia</u>				
Tecnologie optoelettroniche per l'industria s.c.a.r.l. (TOP IN)	11.43%	8,000	n.a.	n.a.
Technova consorzio politecnico per l'innovazione s.c.a.r.l.	13.85%	9,000	n.a.	n.a.
Distretto ligure delle tecnologie marine s.c.a.r.l. (DLTM)	1.82%	20,000	n.a.	n.a.

## 10. RECEIVABLES AND OTHER NON-CURRENT ASSETS

	<u>31 December 2015</u>	<u>31 December 2014</u>
Guarantee deposits	1,200	1,184
Other non-current receivables	7	6
<b>Non-current receivables</b>	<b>1,207</b>	<b>1,190</b>

Guarantee deposits remained substantially unchanged compared to 31 December 2014 and are mainly made up of the deposit for the leased property used by the Company for the Pozzuoli office (Naples).

## 11. INVENTORIES

	<u>31 December 2015</u>	<u>31 December 2014</u>
Raw materials, supplies and consumables	13,611	11,843
Work in progress and semi-finished goods	53	1,021
Finished goods and merchandise	-	-
Advances to suppliers	2,256	6,819
	<b>15,920</b>	<b>19,683</b>

The item showed a decrease of €mil. 3.8 as a result of a decrease of €mil. 4.6 in advances to suppliers, which was partially offset by an increase in raw materials, supplies and consumables, as a result of the buy-back of a lot of A244 mod.1 torpedoes from a customer, which may be reused in ongoing projects after the necessary upgrading. Write-downs for the period amounted to €mil. 1.3, including an amount of about €mil. 1.0 relating to liabilities for costs arising from a specific production activity involving the heavy torpedo programme, which was subject to impairment and an amount of €mil. 0.3 relating to the analysis of slow-moving materials.

## 12. CONTRACT WORK IN PROGRESS AND PROGRESS PAYMENTS AND ADVANCES FROM CUSTOMERS

	<u>31 December 2015</u>	<u>31 December 2014</u>
Contract work in progress (gross)	111,274	114,988
Final losses (positive wip)	(4,769)	(5,888)
Progress payments and advances from customers	(56,269)	(71,720)
<b>Contract work in progress (net)</b>	<b>50,236</b>	<b>37,380</b>
Progress payments and advances from customers (gross)	115,376	125,879
Contract work in progress	(73,581)	(79,306)
Final losses (negative wip)	-	-
<b>Progress payments and advances from customers (net)</b>	<b>41,795</b>	<b>46,573</b>
<b>Net value</b>	<b>8,441</b>	<b>(9,193)</b>

Contract work in progress are stated net of advances, advance payments relating to contracts being performed and the provision for final losses on programmes. Work in progress is recognised under current assets when, based on an analysis carried out on a contract by contract basis, the gross amount of work in progress exceeds advances and advance payments from customers; in the event that from the analysis carried out it emerges that the amount of advances and advance payments exceeds the value of work in progress, the resulting value is recognized under “advances from customers” under current liabilities. Below is a breakdown of the net balance of contract work in progress and progress payments and advances from customers:

## Separate Financial Statements at 31 December 2015 – Whitehead Sistemi Subacquei S.p.A.

	<u>31 December 2015</u>	<u>31 December 2014</u>
Cost incurred and margins recognised, net of losses	180,086	188,406
Progress billings	<u>(171,645)</u>	<u>(197,599)</u>
<b>Net value</b>	<b><u>8,441</u></b>	<b><u>(9,193)</u></b>

Net work in progress increased by €mil. 12.8 following the development of some important orders for which the invoicing milestones have not yet been achieved.

With reference to the various business lines, below is the breakdown of work in progress, including advances and final losses by business line, compared to 2014:

	<u>heavy torpedo</u>	<u>light torpedo</u>	<u>countermeasures</u>	<u>integrated systems and logistics</u>	<u>total</u>
at 31 December 2014	32,469	64,576	17,065	80,184	194,294
at 31 December 2015	29,108	61,987	14,520	79,240	184,855

Below are the advances by business line for 2015 and 2014.

	<u>heavy torpedo</u>	<u>light torpedo</u>	<u>countermeasures</u>	<u>integrated systems and logistics</u>	<u>total</u>
at 31 December 2014	21,592	76,549	26,159	73,299	197,599
at 31 December 2015	25,956	50,529	25,502	69,658	171,645

### 13. TRADE AND FINANCIAL RECEIVABLES

	<u>31 December 2015</u>	<u>31 December 2014</u>
Receivables	28,864	37,813
(Impairments)	(1,017)	(260)
Related party current receivables (Note 30)	<u>1,349</u>	<u>1,790</u>
	<b><u>29,196</u></b>	<b><u>39,343</u></b>

At 31 December 2015 trade receivables amounted to €mil. 29.2, while the related provision for bad debts amounted to €mil. 1.0. Compared to 31 December 2014, trade receivables showed a decrease of €mil. 10.1 as a result of the receipts collected during the financial year. The change in the provision for bad debts is due to an increase of €mil. 0.7 in the provision after a potential loss on some price review invoices whose amounts are being checked with the customer.

The changes during the year and the composition of assets by maturity, currency and geographical area are shown in Appendices nos. 3, 4, 5 and 6 to these Notes.

### 14. OTHER CURRENT ASSETS

	<u>31 December 2015</u>	<u>31 December 2014</u>
Prepaid expenses - current portion	644	294
Receivables for grants	2,139	1,966
Indirect tax receivables	984	1,066
Deferred receivables under Law no. 808/85		
Other related party receivables (Note 30)	3,999	6,275
Other assets	<u>189</u>	<u>153</u>
	<b><u>7,955</u></b>	<b><u>9,754</u></b>

Prepaid expenses, which showed an increase of about €mil. 0.3 compared to 31 December 2014, are the portion of insurance policy costs pending and charges for commissions on sureties.

Receivables for grants consist of the amount claimed from the Universities and Research Ministry (MIUR) for the Italian Operational Programme for “Scientific Research, Technological Development and Higher Education” (PON3).

## Separate Financial Statements at 31 December 2015 – Whitehead Sistemi Subacquei S.p.A.

The increase in the period is due to grants allowed on the basis of reports on Research and Development V-Fides and Comas projects submitted during the year.

### 15. CASH AND CASH EQUIVALENTS

The change for the period is shown in the statement of cash flows. The balances are the liquid assets consisting of deposits with major Italian and foreign banks, which have been subsequently transferred to the parent company within the Group's cash pooling system. The liquid assets also include cash held in the Company's various offices.

### 16. EQUITY

The breakdown of equity with reference to availability and distributability is reported in appendix no.7 attached hereto.

#### Share capital

	Number of ordinary shares	Par value (€)	Treasury shares	Total (€)
Outstanding shares	41,050,000	0,52		21,346,000
Treasury shares				-
<b>31 December 2014</b>	41,050,000	0,52	-	21,346,000
Shares subscribed in the period				-
Repurchase of treasury shares, net of the portion sold				-
<b>31 December 2015</b>	41,050,000	0,52	-	21,346,000
<i>broken down as follows:</i>				
Outstanding shares	41,050,000	0,52		21,346,000
Treasury shares	-	-	-	-

The share capital, fully subscribed and paid-up, was divided into 41,050,000 shares with a par value of € 0.52 each. The share capital was fully held by the Parent Company Finmeccanica S.p.A..

#### Reserve for actuarial gains (losses) in equity

The reserve includes the recognition of actuarial gains and losses relating to defined benefit plans. According to the equity method, required by IAS 19, the liability value entered in the accounts is in line with that resulting from the actuarial measurement of the same, with the recognition of gains or losses, in the period when they arise, and against a direct entry under a specific equity reserve. At 31 December 2015 the balance was equal to €mil. +0.2.

#### Tax effects on the gain and loss items recognised in equity

	31 December 2015			31 December 2014		
	Amount before taxes	Tax effect	Net amount	Amount before taxes	Tax effect	Net amount
<b>2015</b>						
Revaluation of defined-benefit plans	241	97	338	(653)	90	(563)
Changes in cash-flow hedges	47	13	60	812	(153)	659
<b>Total</b>	<b>288</b>	<b>110</b>	<b>398</b>	<b>159</b>	<b>(63)</b>	<b>96</b>

## 17. LOANS AND BORROWINGS

	31 December 2015			31 December 2014		
	Non-current	Current	Total	Non-current	Current	Total
Related party loans and borrowings (Note 30)	-	25,691	25,691	-	25,592	25,592
Other loans and borrowings	1,420	-	1,420	2,416	-	2,416
	<b>1,420</b>	<b>25,691</b>	<b>27,111</b>	<b>2,416</b>	<b>25,592</b>	<b>28,008</b>

Related party loans and borrowings, arising from the centralisation of the Group’s treasury in Finmeccanica S.p.A., are in line with the figure for the previous period. Other loans and borrowings showed a decrease of €mil. 1.0 as a result of the repayments envisaged in the loans in question (MIUR soft loans, linked to Research and Development projects under the PON 3 programme). The remaining balance relates to research projects financed by the MIUR (the Universities and Research Ministry) pursuant to Law 2797/1999 and article 5 of Ministerial Decree 593/2000, which were developed in collaboration with “Federico II” University in Naples and ENEA (Italian Agency for new technology, sustainable energy and development). Changes in loans and borrowings are as follows:

	1 January 2015	New borrowings	Repayments	Other changes	31 December 2015
Related-party loans and borrowings (Note 30)	25,592	99	-	-	<b>25,691</b>
Other loans and borrowings	2,416	-	(996)	-	<b>1,420</b>
	<b>28,008</b>	<b>99</b>	<b>(996)</b>	-	<b>27,111</b>

  

	1 January 2014	New borrowings	Repayments	Other changes	31 December 2014
Related-party loans and borrowings (Note 30)	31,615	-	(6,023)	-	<b>25,592</b>
Other loans and borrowings	2,940	-	(524)	-	<b>2,416</b>
	<b>34,555</b>	-	<b>(6,547)</b>	-	<b>28,008</b>

The Company’s financial liabilities show the following repayment plans and exposures to the change in interest rates:

	Related party loans and borrowings		Other loans and borrowings		Total	
	floating	fixed	floating	fixed	floating	fixed
<b>31 December 2015</b>						
Within 1 year	25,691	-	-	-	<b>25,691</b>	-
2 to 5 years	-	-	1,420	-	<b>1,420</b>	-
<b>Total</b>	<b>25,691</b>	-	<b>1,420</b>	-	<b>27,111</b>	-

  

	Related party loans and borrowings		Other loans and borrowings		Total	
	Floating	Fixed	Floating	Fixed	Floating	Fixed
<b>31 December 2014</b>						
Within 1 year	25,592	-	-	-	<b>25,592</b>	-
2 to 5 years	-	-	2,416	-	<b>2,416</b>	-
<b>Total</b>	<b>25,592</b>	-	<b>2,416</b>	-	<b>28,008</b>	-

## 18. PROVISIONS FOR RISKS AND CHARGES AND CONTINGENT LIABILITIES

	Reorganisation	Penalties	Product guarantees	Other provisions	Total
<b>1 January 2014</b>					
Current	-	1,650	1,743	-	<b>3,393</b>
Non-current	-	910	-	5,000	<b>5,910</b>
	-	<b>2,560</b>	<b>1,743</b>	<b>5,000</b>	<b>9,303</b>
Allocations	-	14	797	380	<b>1,191</b>
Uses	-	(478)	(7)	-	<b>(485)</b>
Reversals	-	(485)	(240)	(3,190)	<b>(3,915)</b>
Other changes	-	(68)	-	(1,241)	<b>(1,309)</b>
<b>31 December 2014</b>	-	<b>1,543</b>	<b>2,293</b>	<b>949</b>	<b>4,785</b>
<i>Broken down as follows:</i>					
Current	-	1,543	2,292	-	<b>3,835</b>
Non-current	-	-	-	949	<b>949</b>
	-	<b>1,543</b>	<b>2,292</b>	<b>949</b>	<b>4,784</b>
Allocations	585	842	100	-	<b>1,527</b>
Uses	-	(267)	(137)	-	<b>(404)</b>
<b>31 December 2015</b>	<b>585</b>	<b>2,118</b>	<b>2,255</b>	<b>949</b>	<b>5,907</b>
<i>Broken down as follows:</i>					
Current	-	2,118	2,256	-	<b>4,374</b>
Non-current	585	-	-	949	<b>1,534</b>
	<b>585</b>	<b>2,118</b>	<b>2,256</b>	<b>949</b>	<b>5,908</b>

In the application of IAS 37, provisions are made for risks which are probable and whose amount is quantifiable in the case referred to above; specifically, “other provisions” include the provision for disputes with staff, for a potential labour litigation case due to a claim for damage submitted by a former employee, and the provision for legal risks, which relate to a dispute pending with a supplier.

## 19. EMPLOYEE BENEFIT OBLIGATIONS

	31 December 2015	31 December 2014
Severance pay provision	4,657	5,012
Defined contribution plans	247	238
	<b>4,904</b>	<b>5,250</b>

The Severance Pay provision (TFR) is typical of the Italian legislation and provides for the payment of all the amounts accrued for the benefit of the employee up to the day when he/she leaves the company, as determined based on the provisions of article 2120 of the Italian Civil Code, by applying a divisor of 13.5 on the fixed element of the salary. Law no. 296 of 27 December 2006, and the subsequent Decrees and Regulations issued in early 2007, within the supplementary pension scheme reform, significantly changed this institution, providing for the transfer of the TFR accrued subsequent to the date of the reform of supplementary pension schemes or to the Treasury account managed at INPS [*Istituto Nazionale della Previdenza Sociale*, National Social Security Institute].

Below are the changes recorded in the severance pay provision:

## Separate Financial Statements at 31 December 2015 – Whitehead Sistemi Subacquei S.p.A.

	<u>31 December 2015</u>	<u>31 December 2014</u>
<b>Opening balance</b>	5,012	4,850
Net interest expense	64	102
Remeasurement	(241)	653
- Actuarial losses (gains) through equity - demographic assumption	-	-
- Actuarial losses (gains) through equity - financial assumptions	-	-
- Actuarial losses (gains) through equity resulting from adjustments based on the experience	(241)	653
Benefits paid	(170)	(577)
Other changes	(8)	(16)
<b>Closing balance</b>	<u><b>4,657</b></u>	<u><b>5,012</b></u>

The main actuarial assumptions by title used in the valuation of defined-benefit plans and of the portion of Severance Pay provision are as follows:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Discount rate (annual)	1.5%	1.26%
Inflation rate	1.9%	1.7%

The sensitivity analysis for each significant actuarial assumption, which shows the effects on the Severance Pay liability in absolute value, is as follows:

	<u>31 December 2015</u>		<u>31 December 2014</u>	
	<u>-0.25%</u>	<u>+0.25%</u>	<u>-0.25%</u>	<u>+0.25%</u>
Discount rate (annual)	95	(91)	(117)	111
Inflation rate	(66)	68	(76)	77

## 20. OTHER CURRENT AND NON-CURRENT LIABILITIES

	<u>31 December 2015</u>		<u>31 December 2014</u>	
	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>	<u>Current</u>
Employee obligations	1,556	3,902	1,487	4,624
Deferred income	-	2	-	2
Amounts due to social security institutions	-	842	-	678
Indirect tax liabilities	-	1,674	-	20
Other liabilities	1,591	6,150	1,609	9,073
	<u><b>3,147</b></u>	<u><b>12,570</b></u>	<u><b>3,096</b></u>	<u><b>14,397</b></u>

The non-current portion of Employee obligations is the value of severance benefits calculated in accordance with IAS 19, while the current portion consists of fees earned and not yet paid.

## 21. TRADE PAYABLES

	<u>31 December 2015</u>	<u>31 December 2014</u>
Suppliers	37,815	39,499
Trade payables to related parties (Note 30)	2,712	910
	<u><b>40,527</b></u>	<u><b>40,409</b></u>

The breakdown of liabilities by maturity, currency and geographical area is reported in appendices nos. 9 and 10 attached to these Notes to the Financial Statements.

## 22. GUARANTEES AND OTHER COMMITMENTS

At 31 December 2015, the Company had the following outstanding guarantees:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Guarantees in favour of related parties	8,296	8,187
Other personal securities provided to third parties to secure the performance of contracts	114,647	103,252
<b>Unsecured guarantees given</b>	<b>122,943</b>	<b>111,439</b>

Personal guarantees provided include an amount of €mil. 122.9 relating to guarantees given to customers against orders received; the change, equal to about €mil. +11.5, is due to the acquisitions made in 2014.

## 23. REVENUE

	<u>2015</u>	<u>2014</u>
Revenue from sales	83,322	102,227
Revenue from services	12,997	19,053
Change in work in progress	(1,564)	(21,971)
Revenue from related parties (Note 30)	8,569	6,789
	<b>103,324</b>	<b>106,098</b>

At 31 December 2015 revenues amounted to €mil. 103.3 (compared to €mil. 106.1 at 31 December 2014), showing a decline of €mil. 2.8 (-2.6%) compared to the same period in the previous year, as a result of lower acquisitions made in 2014. The value of production for the period, as detailed in the report on operations, reflects the work on the backlog orders, with specific reference to the line of light torpedo, integrated systems and logistics.

## 24. OTHER OPERATING INCOME (EXPENSES)

	<u>2015</u>			<u>2014</u>		
	Income	Expenses	Net	Income	Expenses	Net
Grants for research and development costs	355	-	355	822	-	822
Reversals (accruals) to provisions for risks and final losses on orders and reversal of impairment of receivables	-	(942)	(942)	3,780	(991)	2,789
Insurance reimbursements	494	-	494	496	-	496
Indirect taxes	-	(50)	(50)	-	(100)	(100)
Other operating income (expenses) from/to related parties (Note 30)	-	-	-	59	-	59
Other operating income (expenses)	816	(842)	(26)	2,526	(8,209)	(5,683)
	<b>1,665</b>	<b>(1,834)</b>	<b>(169)</b>	<b>7,683</b>	<b>(9,300)</b>	<b>(1,617)</b>

Other operating income includes the following main items:

- the recognition of trade items through profit or loss for a total of €mil. 0.2;
- insurance compensation and other indemnities totalling €mil. 0.5, mainly as a result of two accidents that occurred in the year;
- other revenues mainly due to the result posted by the ET Consortium, equal to about €mil. 0.6, the entitlement to which arose for Wass S.p.A. following the approval of the 2014 financial statements of the consortium on the part of the Meeting of Members that took place during 2015;
- operating grants for financed research and development projects totalling €mil. 0.4.



## Separate Financial Statements at 31 December 2015 – Whitehead Sistemi Subacquei S.p.A.

Other operating expenses mainly include penalties on contracts (€mil. 0.3), as well as amounts allocated to the provision for product guarantees for €mil. 0.1 and to the provision for short-term penalties for accrued penalties, equal to €mil. 0.8. Other operating expenses also include interest and commissions on trade payables for €mil. 0.2 and other sundry costs totalling €mil. 0.4.

### 25. PURCHASES AND PERSONNEL EXPENSE

	<u>2015</u>	<u>2014</u>
Purchase of materials from third parties	33,675	24,000
Change in inventories of raw materials	(1,768)	321
Costs for purchases from related parties	273	234
<b>Purchases</b>	<b>32,180</b>	<b>24,555</b>
Services rendered by third parties	27,069	36,110
Costs of rents and operating leases	1,035	1,195
Royalties	-	-
Software fees	1,465	1,168
Rental fees	2,500	2,363
Services rendered by related parties	5,679	5,225
<b>Services</b>	<b>37,748</b>	<b>46,061</b>
Wages and salaries	19,633	19,294
Social security contributions	6,751	6,683
Costs related to defined-contribution plans	532	524
Recovery of personnel costs	(1,099)	(1,333)
Recovery of personnel costs – related parties	(591)	(513)
Costs related to other defined-benefit plans	-	-
Disputes with staff	-	65
Restructuring costs – net	760	1,013
Other personnel expenses	532	580
<b>Personnel expenses</b>	<b>26,518</b>	<b>26,313</b>
<b>Change in finished goods, work in progress and semi-finished products</b>	<b>968</b>	<b>1,488</b>
Personnel expenses	(106)	(128)
Materials	(187)	(41)
Other costs	-	(446)
<b>Internal work capitalised</b>	<b>(293)</b>	<b>(615)</b>
<b>Total purchases and personnel expenses</b>	<b>97,121</b>	<b>97,802</b>

The item “Purchase of materials from third parties” includes costs for materials intended for production. The value of this item showed an increase of €mil. 9.7 compared to the balance at 31 December 2014, owing to circumstances arising from order life cycles and a difference in the manufacturing requirements arising from the portfolio. A part of the change is also due to the costs of the buy-back of a lot of A244 mod. 1 torpedoes from an important customer, which, after the necessary adjustments have been made, may become the central item in an offer that is currently being considered by the customer. On the other hand, “services rendered by third parties” showed a decrease of €mil. 9.0, attributable to the same reasons referred to above; specifically, the MU90 light torpedo orders recently acquired have resulted in greater purchases of materials and components than services, which usually take up more of the costs at a later stage in the order. Finally, “costs for purchases from related parties” include services received from Group companies, as detailed in Note 30.

As regards personnel costs, in 2015 the gross value was in line with that posted on 31 December 2014 (€mil. 25.6 against €mil. 26.3). The final figure, as already mentioned, was substantially in line with the value posted in the previous year, as a result of higher recoveries (€mil. +0.2) relating to seconded staff (partly at the Eurotorp Consortium

## Separate Financial Statements at 31 December 2015 – Whitehead Sistemi Subacquei S.p.A.

and party at centralised units of the Parent Company) on one hand; on the other hand, lower restructuring costs were recognised, which came to €mil. 0.2; this amount includes a provision of €mil. 0.6 relating to the application of an early retirement scheme pursuant to Article 4 of the Fornero Act. Below is the breakdown, by position, of the trend in the average number of staff members working on 31 December 2015 compared to 31 December 2014:

	Average number			Exact number		
	31 December 2015	31 December 2014	Change	31 December 2015	31 December 2014	Change
Senior managers	15	18	(3)	15	18	(3)
Middle managers	54	54	-	54	51	3
Clerical employees	278	276	2	288	280	8
Manual labourers	40	43	(3)	39	43	(4)
	<u>387</u>	<u>391</u>	<u>(4)</u>	<u>396</u>	<u>392</u>	<u>4</u>

## 26. AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES

	2015	2014
Amortisation of intangible assets	1,186	2,307
<i>Development costs</i>	479	1,629
<i>Non-recurring costs</i>		
<i>Concessions, licences and trademarks</i>	130	130
<i>Other intangible assets</i>	577	548
Depreciation of property, plant and equipment	1,318	1,322
Impairment	9,731	-
<i>operating receivables</i>	757	-
<i>other assets</i>	8,974	-
	<u>12,235</u>	<u>3,629</u>

Impairment losses include the result of the impairment tests conducted at the time of the closure of accounts; specifically, as already mentioned in the directors' report, following a review of the acquisition plan concerning the Black Shark heavy torpedo, the outcome of the test entailed a gross write-down of development costs amounting to €mil. 9.0. The analysis of overdue receivables also entailed an accrual to the related provision for bad debts equal to €mil. 0.7, attributable to a potential doubtful item on some price review invoices the amounts of which are being checked with the customer.

## 27. FINANCIAL INCOME AND EXPENSE

	2015			2014		
	Income	Expenses	Net	Income	Expenses	Net
Interest		(18)	(18)		(16)	(16)
Commissions on borrowings		(241)	(241)		(238)	(238)
Fair value gains (losses) through profit or loss	1,597	(1,142)	455	1,929	(2,424)	(495)
Exchange rate differences	125		125	376		376
Interest cost on defined-benefit plans		(64)	(64)		(102)	(102)
Financial income (expense) - related parties (Note 30)	11	(671)	(660)	17	(712)	(695)
Other financial income and expense		(196)	(196)		(252)	(252)
	<u>1,733</u>	<u>(2,332)</u>	<u>(599)</u>	<u>2,322</u>	<u>(3,744)</u>	<u>(1,422)</u>

## Separate Financial Statements at 31 December 2015 – Whitehead Sistemi Subacquei S.p.A.

Financial income (expense) - related parties, equal to €mil. 0.7, include interest expense accrued on the exposure regarding the transaction account held with the Parent Company Finmeccanica.

The fair value results through profit and loss relate to the ineffective portion of the swaps entered into to hedge exchange rate risks.

## 28. INCOME TAXES

	<u>2015</u>	<u>2014</u>
IRAP (reg. tax on production)	-	(168)
Benefit from tax consolidation	661	3,968
Other income taxes (foreign)	(170)	(687)
Tax related to previous periods	(96)	389
Deferred tax – net	<u>418</u>	<u>(4,960)</u>
	<b><u>813</u></b>	<b><u>(1,458)</u></b>

As regards the 2015 financial year, following the transfer of a tax loss of €th. 2,403 to the Parent Company Finmeccanica, an IRES tax credit from consolidation was recognised for an amount of €th. 661. Deferred taxes in the income statement showed a positive balance of €th. 418; these taxes, together with any related assets and liabilities at 31 December 2015, were generated from the temporary differences detailed in the following tables:

	<u>2015</u>			<u>2014</u>		
	<u>Income statement</u>			<u>Income statement</u>		
	<u>Income</u>	<u>Expenses</u>	<u>Net</u>	<u>Income</u>	<u>Expenses</u>	<u>Net</u>
Property, plant and equipment and intangible assets	3129	94	3,035	3	71	(68)
Severance and retirement benefits		256	(256)	231		231
Provision for risks and impairment	230	54	176	-	1420	(1,420)
Other	803	3340	(2,537)	111	3814	(3,703)
<b>Deferred taxes recognised through profit or loss</b>	<b><u>4,162</u></b>	<b><u>3,744</u></b>	<b><u>418</u></b>	<b><u>345</u></b>	<b><u>5,305</u></b>	<b><u>(4,960)</u></b>

	<u>31 December 2015</u>			<u>31 December 2014</u>		
	<u>Balance sheet</u>			<u>Balance sheet</u>		
	<u>Assets</u>	<u>Liabilities</u>	<u>Net</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Net</u>
Property, plant and equipment and intangible assets	3283	39	3,244	151	39	112
Financial assets and liabilities	-	94	(94)	-	-	-
Severance and retirement benefits	174	146	28	859	146	713
Provision for risks and impairment	1695	-	1,695	1503	-	1,503
Other	4237	825	3,412	5695	157	5,538
<b>Deferred taxes recognised through balance sheet</b>	<b><u>9,389</u></b>	<b><u>1,104</u></b>	<b><u>8,285</u></b>	<b><u>8,208</u></b>	<b><u>342</u></b>	<b><u>7,866</u></b>
Cash-flow hedge derivatives	48	-	48	35	-	35
On actuarial gains and losses	16	-	16	-	81	(81)
<b>Deferred taxes recognised through equity</b>	<b><u>64</u></b>	<b><u>-</u></b>	<b><u>64</u></b>	<b><u>35</u></b>	<b><u>81</u></b>	<b><u>(46)</u></b>
<b>Deferred taxes recognised through balance sheet</b>	<b><u>9,453</u></b>	<b><u>1,104</u></b>	<b><u>8,349</u></b>	<b><u>8,243</u></b>	<b><u>423</u></b>	<b><u>7,820</u></b>

The change in deferred tax assets mainly includes the effect of the provision set aside as a result of the write-down of development costs on the heavy torpedo line (€th. 1,457).

Deferred taxes allocated against a direct entry under equity relate to derivatives accounted for according to the cash-

flow hedge method and to the revaluation reserve for the Severance Pay.

## 29. CASH FLOWS FROM OPERATING ACTIVITIES

	<u>2015</u>	<u>2014</u>
Net result	(5,986)	170
Amortisation, depreciation and impairment losses	12,235	3,629
Income taxes	(813)	1,458
Net allocations to the provisions for risks and inventory write-downs	1,814	(2,723)
Net financial expense /(income)	599	1,422
	<u><b>7,849</b></u>	<u><b>3,956</b></u>

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

	<u>2015</u>	<u>2014</u>
Inventories	2,556	908
Contract work in progress and progress payments and advances from customers	(12,856)	759
Trade receivables and payables	6,135	(376)
<b>Change in trade receivables/payables, work in progress/progress payments and inventories</b>	<u><b>(4,165)</b></u>	<u><b>1,291</b></u>

The changes in other operating assets and liabilities, net of the effects of the acquisition and sale of consolidated companies and foreign currency translation differences, are as follows:

	<u>2015</u>	<u>2014</u>
Payment of pension plans and stock grant plans	(170)	(577)
Changes in provisions for risks and other operating items	(3,424)	4,465
<b>Changes in other operating assets and liabilities</b>	<u><b>(3,594)</b></u>	<u><b>3,888</b></u>

## 30. 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 31 December 2015*

#### Parent Companies

Finmeccanica S.p.A.

Trade receivables	Other current receivables	Total
427	3,841	4,268

#### Affiliates

Selex Es S.p.A.

629		629
-----	--	-----

Agusta Westland S.p.A.

93		93
----	--	----

Agusta Westland Ltd

	158	158
--	-----	-----

Finmeccanica Global Services S.p.A.

53		53
----	--	----

#### Subsidiaries or companies subject to significant influence by the MEF

Fintecna S.p.A.

147		147
-----	--	-----

**Total**

<b>1,349</b>	<b>3,999</b>	<b>5,348</b>
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*% against total for the period*

<b>4.6%</b>	<b>54.7%</b>
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## Separate Financial Statements at 31 December 2015 – Whitehead Sistemi Subacquei S.p.A.

### RECEIVABLES at 31 December 2014

	Trade receivables	Other current receivables	Total
<b>Parent Companies</b>			
Finmeccanica S.p.A.	346	6,106	6,452
<b>Affiliates</b>			
Selex Es S.p.A.	224	11	235
Agusta Westland S.p.A.	56		56
Agusta Westland Ltd	39	158	197
<b>Subsidiaries or companies subject to significant influence by the MEF</b>			
Fintecna S.p.A.	1,125		1,125
<b>Total</b>	<b>1,790</b>	<b>6,275</b>	<b>8,065</b>
<b>% against total for the period</b>	<b>4.5%</b>	<b>66.3%</b>	

### PAYABLES at 31 December 2015

	Current loans and borrowings	Trade payables	Other current payables and advances	Total
<b>Parent Companies</b>				
Finmeccanica S.p.A.	25,691	1,956		27,647
<b>Subsidiaries</b>				
Win Blue Water Services pvt ltd		218		218
<b>Affiliates</b>				
Selex Es S.p.A.		226	100	326
Agusta Westland Ltd		120	-	120
Fata Logistic Sustems S.p.A.		58		58
Finmeccanica Global Services S.p.A.		104		104
Selex Galileo Inc.		30		30
<b>Subsidiaries or companies subject to significant influence by the MEF</b>				
Fintecna S.p.A.			19,678	19,678
<b>Total</b>	<b>25,691</b>	<b>2,712</b>	<b>19,778</b>	<b>48,181</b>
<b>% against total for the period</b>	<b>100.0%</b>	<b>6.7%</b>	<b>10.7%</b>	

### PAYABLES at 31 December 2014

	Current loans and borrowings	Trade payables	Other current payables and advances	Total
<b>Parent Companies</b>				
Finmeccanica S.p.A.	25,592	719		26,311
<b>Subsidiaries</b>				
Win Blue Water Services pvt ltd		190		190
<b>Affiliates</b>				
Selex Es S.p.A.			1,282	1,282
Agusta Westland S.p.A.			903	903
Agusta Westland Ltd			4,168	4,168
<b>Subsidiaries or companies subject to significant influence by the MEF</b>				
Fintecna S.p.A.			18,665	18,665
<b>Total</b>	<b>25,592</b>	<b>909</b>	<b>25,018</b>	<b>51,519</b>
<b>% against total for the period</b>	<b>100.0%</b>	<b>2.2%</b>	<b>11.8%</b>	

## Separate Financial Statements at 31 December 2015 – Whitehead Sistemi Subacquei S.p.A.

### Income statement transactions at 31 December 2015

Revenue	Other operating income	Costs	Other operating costs	Financial income	Financial expenses
---------	------------------------	-------	-----------------------	------------------	--------------------

#### Parent Companies

Finmeccanica S.p.A.

11 671

#### Subsidiaries

Win Blue Water Services pvt ltd

525

#### Affiliates

Selex Es S.p.A.

1,773

740

Agusta Westland S.p.A.

154

Agusta Westland Ltd

457

Fata Logistic Systems S.p.A.

550

Finmeccanica Global Services S.p.A.

1,477

Selex Galileo Inc.

30

Alenia Aermacchi S.p.A.

107

#### Subsidiaries or companies subject to significant influence by the MEF

Fintecna S.p.A.

6,185

#### **Total**

**8,569**

-

**3,429**

-

**11**

**671**

#### *% against total for the period*

8.3%

n.a.

3.5%

n.a.

0.6%

28.8%

### Income statement transactions at 31 December 2014

Revenue	Other operating income	Costs	Other operating costs	Financial income	Financial expenses
---------	------------------------	-------	-----------------------	------------------	--------------------

#### Parent Companies

Finmeccanica S.p.A.

59

1,694

17

712

#### Subsidiaries

Win Blue Water Services pvt ltd

473

#### Affiliates

Selex Es S.p.A.

51

662

Agusta Westland S.p.A.

728

Agusta Westland Ltd

732

Fata Logistic Systems S.p.A.

597

Finmeccanica Global Services S.p.A.

1,480

Selex Galileo Inc.

1

Sirio Panel

39

MBDA

52

#### Subsidiaries or companies subject to significant influence by the MEF

Fintecna S.p.A.

5,226

#### **Total**

**6,789**

**59**

**4,946**

-

**17**

**712**

#### *% against total for the period*

6.4%

0.8%

5.1%

n.a.

0.7%

19.0%

### **31. FINANCIAL RISK MANAGEMENT**

The Company is exposed to financial risks associated with its operations, specifically related to these types of risks:

- ✓ Market risks, related to the Company's exposure on interest-generating financial instruments (interest rate risks) and to the operations in currency areas other than that of the reporting currency (exchange rate risks);
- ✓ Credit risks, resulting from normal commercial transactions or financing activities;
- ✓ Liquidity risks.

Specifically, the Company monitors each of these financial risks, with the objective of promptly minimising them, even using hedging derivatives. The Company manages exposure to interest rate risk by constantly checking the composition and the average duration of the accounting items that are sensitive to fluctuations in the rate.

Exchange rate risk management is currently governed by the directive in force within the Parent Company Finmeccanica. The purpose of the directive is to standardise management criteria based on industrial-not-speculative strategies so as to contain risks within specific limits by carefully assessing foreign currency positions. The methodology adopted calls for the systematic hedging of commercial cash flows resulting from the assumption of contractual commitments that are certain as either buyer or seller, thereby ensuring current exchange rates at the date of acquisition of multi-year contracts and neutralising the effects of exchange-rate fluctuations. Thus, on the date payments are made to suppliers or collected from customers at the exchange rate in force at the time, the relative hedge contracts are cancelled so that the economic effects of the difference between the current rate and the hedged rate are substantially set off. Said transactions are carried out through the Finance Department of the Parent Company Finmeccanica. On 31 December 2015 WASS closed all the hedge transactions in being on both revenue- and cost-generating contracts denominated in USD (US dollars) and SGD (Singapore dollars).

There are no significant recoverability problems for the Company associated with country/customer risk in relation to the counterparties of its commercial operations and with reference to its own financing and investing activities. The main customers are public sector contractors or customers deriving from public institutions, concentrated in the Euro and Asia areas; while solvency is guaranteed with public-entity customers, collection times are longer (in some countries they are significantly longer) than for other business sectors, creating significant outstanding credit positions and the subsequent need for transactions to convert the receivables into cash.

The liquidity risk, i.e. the risk of not being able to finance the normal trade and investment programmes efficiently in addition to not being able to repay debts when they fall due, is faced by the Company through a careful planning and management of receipt and payment flows.

Since WASS's financial commitments are settled through cash pooling arrangements as a result of the centralisation of the Group's treasury in the Parent Company Finmeccanica S.p.A., and in view of the Company's present financial position, no liquidity risks are foreseen.

Whitehead Sistemi Subacquei S.p.a. is exposed to financial risks associated with its operations, specifically related to these types of risks:

- Market risks, mainly related to operations in currencies other than the reporting currency (exchange rate risk).
- Credit risks, resulting from normal commercial transactions.

Following the Parent Company's risk management policies, the Company constantly monitors each of these financial risks and takes prompt action to mitigate them, even using hedging derivatives.

#### Exchange rate risk management

Risk management is governed by the Parent Company's directives, which aim at standardising management policies on

## Separate Financial Statements at 31 December 2015 – Whitehead Sistemi Subacquei S.p.A.

the basis of an industrial approach in order to restrict risks within certain limits by constantly checking positions in foreign currencies.

The exposure to this risk arises from commercial operations. The Company is exposed to currency fluctuations which affect the portion of its order backlog denominated in currencies other than the Euro (which currently are the US dollar and the Singapore dollar). In exchange risk hedging transactions, the Company has only one counterparty, i.e. the Parent Company Finmeccanica S.p.A..

The policy applied envisages the systematic hedging of certain commercial cash flows that are the result of undertaking contractual commitments, as acquirer or seller, thus making it possible to fix the current exchange rates prevailing at the date of acquisition of long-term job orders, so as to neutralise the economic effects of changes in exchange rates over the duration of the works. “Hedging” instruments are accounted for according to the cash-flow hedge method. On 31 December 2015 the Company closed all the hedge transactions in being.

### Interest rate risk management

Currently there are no interest rate risks. In general, the Company’s commitments are short-term positions. The only exception is an advance on a soft loan from the Universities and Research Ministry (MIUR). The rate applied to the loan is 0.25%. This loan will be repaid in four years; an amount of €mil. 0.9 was repaid in 2015. At 31 December 2015 the exposure was €mil. 1.4. More details are reported in Note 17.

### Liquidity risk management

WASS’s financial commitments are settled through cash pooling arrangements as a result of the centralisation of the Group’s treasury in the Parent Company Finmeccanica S.p.A..

In the light of this situation, and in view of the Company’s present financial position, no liquidity risks are foreseen at present.

### Credit risk management

The credit risk on trade dealings is practically non-existent owing to the nature of the Company’s Customers (its main customers are national governments or public institutions) and the amount of the advance payments received. When necessary, the execution of a contract is subject to the issue of a Letter of Credit confirmed by the European Bank.

	31 December 2015						Total
	Governmental Agencies			Other customers			
	Area Europa	Area America	Others	Area Europe	Area America	Others	
Guarantee withholdings							-
Receivables not yet due	35		1,586	13,518		1,280	16,419
Receivables outstanding for less than 1 year	96		1,801	3,876		30	5,803
Receivables outstanding from 1 to 5 years	125		937	5,737		175	6,974
Receivables outstanding for more than 5 years							-
<b>Total</b>	<b>256</b>	<b>-</b>	<b>4,324</b>	<b>23,131</b>	<b>-</b>	<b>1,485</b>	<b>29,196</b>



## Separate Financial Statements at 31 December 2015 – Whitehead Sistemi Subacquei S.p.A.

	31 December 2014						
	Governmental Agencies			Other customers			Total
	Area Europe	Area America	Others	Area Europe	Area America	Others	
Guarantee withholdings							-
Receivables not yet due			1,943	14,391		939	17,273
Receivables outstanding for less than 1 year	240		2,166	5,509		598	8,513
Receivables outstanding from 1 to 5 years	255		260	6,533		2,904	9,952
Receivables outstanding for more than 5 years	230		1,301	2,058		16	3,605
<b>Total</b>	<b>725</b>	<b>-</b>	<b>5,670</b>	<b>28,491</b>	<b>-</b>	<b>4,457</b>	<b>39,343</b>

At 31 December 2015 trade receivables, net of the related provision for bad debts, amounted to €mil. 29.2 and were claimed from national government or other public institutions. With reference to receivables from other customers, the value stated mainly relates to receivables claimed from Eurotorp and Euroslat EEIGs. For the related breakdown, reference should be made to the paragraph on “Relations with related parties” in the report on operations. The change compared to 2014, equal to €mil. -10.1, was due to lower volumes of sales in the year.

For the Board of Directors of  
Finmeccanica Società per Azioni  
The Chairman

(Giovanni De Gennaro)

**APPENDICES**

## Separate Financial Statements at 31 December 2015 – Whitehead Sistemi Subacquei S.p.A.

### Appendix no.1- Equity Investments

Values in € thousands

	31-Dec-14			Acquis./Subscriptions	Disposal	31-Dec-15		
	Cost	Impairment	Carrying amount			Cost	Impairment	Carrying amount
Win Blue Water Services LTD	-	-	269	-	-	-	-	269
Consorzio TOP IN s.c.a.r.l.	-	-	8	-	-	-	-	8
Consorzio TECHNOVA s.c.a.r.l.	-	-	9	-	-	-	-	9
Distretto ligure delle tecnologie marine s.c.a.r.l.	-	-	20	-	-	-	-	20
<b>Total EQUITY INVESTMENTS</b>	-	-	<b>306</b>	-	-	-	-	<b>306</b>

### Appendix no.2 – List of equity investments

Values in € thousands	OFFICE	REPORTING DATE	SHARE CAPITAL	CURRENCY	EQUITY	PROFIT (LOSS)	OWNERSHIP (%)	NET EQUITY IN FINANCIAL STATEMENTS	CARRYING AMOUNT
<b>SUBSIDIARIES:</b>									
Win Blue Water Services LTD	India	31.12.2014	200	INR	269	-	99.99	269	269
<b>CONSORTIUMS:</b>									
GEIE Eurotorp	France	31.12.2014	N.A.	EUR	No equity	1252	50.00	N.A.	N.A.
GEIE Euroslat	France	N.A.	N.A.	EUR	No equity	N.A.	50.00	N.A.	N.A.
TOP IN s.c.a.r.l.	Italy	N.A.	N.A.	EUR	N.A.	N.A.	11.43	N.A.	N.A.
TECHNOVA s.c.a.r.l.	Italy	N.A.	N.A.	EUR	N.A.	N.A.	13.85	N.A.	N.A.
DISTRETTO LIGURE DELLE TECNOLOGIE MARINE s.c.a.r.l.	Italy	N.A.	N.A.	EUR	N.A.	N.A.	1.82	N.A.	N.A.

**Appendix no. 4 – Assets broken down by maturity**

<i>Values in € thousands</i>	31.12.2015 AMOUNTS DUE			31.12.2014 AMOUNTS DUE		
	from 2nd to 5th subsequent year	beyond 5th year	Total	from 2nd to 5th subsequent year	beyond 5th year	Total
Loans and receivables						
Other receivables	6	1,200	1,206	6	1,184	1,190
<b>Total receivables</b>	<b>6</b>	<b>1,200</b>	<b>1,206</b>	<b>6</b>	<b>1,184</b>	<b>1,190</b>
<b>Other assets (Deferred tax assets)</b>	<b>9,454</b>		<b>9,454</b>	<b>8,244</b>		<b>8,244</b>
<b>Total other non-current assets</b>	<b>9,460</b>	<b>1,200</b>	<b>10,660</b>	<b>8,244</b>	<b>1,184</b>	<b>9,434</b>

**Appendix no .5 – Foreign currency assets**

<i>Values in € thousands</i>	31.12.2015			31.12.2014		
	IN FOREIGN CURRENCY	IN EURO	TOTAL	IN FOREIGN CURRENCY	IN EURO	TOTAL
Other receivables	-	1,206	1,206	-	1,190	1,190
<b>Total receivables</b>	<b>-</b>	<b>1,206</b>	<b>1,206</b>	<b>-</b>	<b>1,190</b>	<b>1,190</b>
<b>Deferred tax assets</b>	<b>-</b>	<b>9,454</b>	<b>9,454</b>	<b>-</b>	<b>8,244</b>	<b>8,244</b>
<b>Total non-current assets</b>	<b>-</b>	<b>10,660</b>	<b>10,660</b>	<b>-</b>	<b>9,434</b>	<b>9,434</b>
Trade receivables	-	27,847	27,847	150	37,403	37,553
Trade receivables from related parties	-	1,349	1,349	-	1,790	1,790
<b>Total trade receivables</b>	<b>-</b>	<b>29,196</b>	<b>29,196</b>	<b>150</b>	<b>39,193</b>	<b>39,343</b>
Other assets	-	3,956	3,956	-	3,478	3,478
Other receivables from related parties	-	3,841	3,841	-	6,105	6,105
<b>Total other assets</b>	<b>-</b>	<b>7,797</b>	<b>7,797</b>	<b>-</b>	<b>9,583</b>	<b>9,583</b>
Income tax receivables	-	258	258	-	916	916
Cash and cash equivalents	-	83	83	-	32	32
<b>Total current assets</b>	<b>-</b>	<b>37,334</b>	<b>37,334</b>	<b>150</b>	<b>49,724</b>	<b>49,874</b>

Separate Financial Statements at 31 December 2015 – Whitehead Sistemi Subacquei S.p.A.

Appendix no.6 – Assets by geographical area

Values in € thousands	31.12.2015					31.12.2014				
	ITALY	REST OF EUROPE	NORTH AMERICA	REST OF THE WORLD	TOTAL	ITALY	REST OF THE WORLD	NORTH AMERICA	REST OF THE WORLD	TOTAL
Other receivables	1,190			16	1,206	1,174			16	1,190
<b>Total receivables</b>	<b>1,190</b>			<b>16</b>	<b>1,206</b>	<b>1,174</b>			<b>16</b>	<b>1,190</b>
Deferred tax assets	9,454				9,454	8,244				8,244
<b>Total non-current assets</b>	<b>10,644</b>			<b>16</b>	<b>10,660</b>	<b>9,418</b>				<b>9,434</b>
Trade receivables	331	21,707		5,809	27,847	379	26,852		10,322	37,553
Trade receivables from related parties	1,349				1,349	1,751	39			1,790
	<b>1,680</b>	<b>21,707</b>		<b>5,809</b>	<b>29,196</b>	<b>2,130</b>	<b>26,891</b>		<b>10,322</b>	<b>39,343</b>
Other assets	3,956					3,478				
Other receivables from related parties	3,841					6,105				
	<b>7,797</b>				<b>7,797</b>	<b>9,583</b>				<b>9,583</b>
Inventories	16,078				16,078	19,852				19,852
Contract work in progress	50,236				50,236	37,380				37,380
Income tax receivables	258				258	916				916
	<b>66,572</b>				<b>66,572</b>	<b>58,148</b>				<b>58,148</b>
Cash and cash equivalents	83				83	32				32
<b>Total current assets</b>	<b>76,132</b>	<b>21,707</b>	<b>0</b>	<b>5,809</b>	<b>103,648</b>	<b>69,893</b>	<b>26,891</b>	<b>0</b>	<b>10,322</b>	<b>107,106</b>

**Appendix no.7 – Available and distributable reserves**

Values in € thousands	AMOUNT	POSSIBLE USE	AVAILABLE PORTION
<b>Share capital (*)</b>	21,346		
<b>Revenue reserves:</b>			
Legal reserve	3,513	B	3.513
Extraordinary reserve	1,214	A / B	1.214
FTA reserve	(1,901)		(1.901)
Cash Flow Hedge Reserve	174		
Reserve for stock option / grant plans	39		
Reserve for actuarial gains (losses) in equity	208		
Deferred tax liabilities relating to entries charged to Equity	64		
Retained earnings	(5,986)		(5.986)
	<b>18,671</b>		<b>(3.160)</b>

Total

Non-distributable portion

Residual distributable portion

Keys:

(\*) less treasury shares

A: for capital increase

B: for loss coverage

**Appendix no.8 - Liabilities broken down by maturity**

<i>Values in € thousands</i>	31.12.2015 AMOUNTS DUE			31.12.2014 AMOUNTS DUE		
	FROM THE 2ND TO THE 5TH SUBSEQUENT YEAR	BEYOND THE 5TH YEAR	TOTAL	FROM THE 2ND TO THE 5TH SUBSEQUENT YEAR	BEYOND THE 5TH YEAR	TOTAL
Other non-current liabilities	3,147	-	3,147	3,096	-	3,096
Other non-current payables to related parties	-	-	-	-	-	-
<b>Total non-current liabilities</b>	<b>3,147</b>	<b>-</b>	<b>3,147</b>	<b>3,096</b>	<b>-</b>	<b>3,096</b>
Loans and borrowings (non-current)	1,420	-	1,420	2,416	-	2,416
Non-current related-party loans and borrowings	-	-	-	-	-	-
<b>Total loans and borrowings (non-current)</b>	<b>1,420</b>	<b>-</b>	<b>1,420</b>	<b>2,416</b>	<b>-</b>	<b>2,416</b>
<b>Total non-current liabilities</b>	<b>4,567</b>	<b>-</b>	<b>4,567</b>	<b>5,512</b>	<b>-</b>	<b>5,512</b>

**Appendix no.9 – Foreign currency liabilities**

values in € thousands	31.12.2015			31.12.2014		
	IN FOREIGN CURRENCY	IN EURO	TOTAL	IN FOREIGN CURRENCY	IN EURO	TOTAL
Loans and borrowings (non-current)		1,420	1,420		2,416	2,416
Non-current related-party loans and borrowings			-			-
	-	1,420	1,420	-	2,416	2,416
Other non-current liabilities		3,147	3,147		3,096	3,096
Other non-current payables to related parties			-			-
	-	3,147	3,147	-	3,096	3,096
Deferred tax liabilities		1,104	1,104		423	423
<b>Total non-current liabilities</b>	<b>-</b>	<b>5,671</b>	<b>5,671</b>	<b>-</b>	<b>5,935</b>	<b>5,935</b>
Loans and Borrowings			-			-
Related-party loans and borrowings		25,691	25,691		25,592	25,592
	-	25,691	25,691	-	25,592	25,592
Trade payables	427	59,281	59,708	10,212	50,842	61,054
Trade payables to related parties	124	22,490	22,614	2	25,926	25,928
	551	81,771	82,322	10,214	76,768	86,982
Other liabilities		12,570	12,570		14,397	14,397
Other payables to related parties			-			-
	-	12,570	12,570	-	14,397	14,397
Income tax payables		-	-		168	168
<b>Total current liabilities</b>	<b>551</b>	<b>120,032</b>	<b>120,583</b>	<b>10,214</b>	<b>116,925</b>	<b>127,139</b>



Appendix no.10 – Liabilities by geographical area

Values in €thousands	31.12.2015					31.12.2014				
	ITALY	REST OF EUROPE	NORTH AMERICA	REST OF THE WORLD	TOTAL	ITALY	REST OF EUROPE	NORTH AMERICA	REST OF THE WORLD	TOTAL
Loans and borrowings (non-current)	1,420				1,420	2,416				2,416
Non-current related-party loans and borrowings					-					-
	<b>1,420</b>	-	-	-	<b>1,420</b>	<b>2,416</b>				<b>2,416</b>
Other non-current liabilities	3,147				3,147	3,096				3,096
<b>Deferred tax liabilities</b>	1,104				<b>1,104</b>	423				<b>423</b>
<b>Total non-current liabilities</b>	<b>5,671</b>	-	-	-	<b>5,671</b>	<b>5,935</b>	-	-	-	<b>5,935</b>
Loans and Borrowings										
Related-party loans and borrowings	25,691				25,691	25,592				25,592
	<b>25,691</b>	-	-	-	<b>25,691</b>	<b>25,592</b>	-	-	-	<b>25,592</b>
<b>Progress payments and advances from customers</b>	41,795				<b>41,795</b>	46,573				<b>46,573</b>
Trade payables	37,637	25		371	38,033	29,031	9,530	10	928	39,499
Trade payables from related parties	2,339	155			2,494	908		2		910
	<b>39,976</b>	<b>180</b>	-	<b>371</b>	<b>40,527</b>	<b>29,939</b>	<b>9,530</b>	<b>12</b>	<b>928</b>	<b>40,409</b>
Other liabilities	12,570				12,570	14,397				14,397
Other payables to related parties	-				-	-				-
	<b>12,570</b>	-	-	-	<b>12,570</b>	<b>14,397</b>	-	-	-	<b>14,397</b>
<b>Income tax payables</b>	-				-	168				<b>168</b>
					-					-
<b>Total current liabilities</b>	<b>120,032</b>	<b>180</b>	-	<b>371</b>	<b>120,583</b>	<b>116,669</b>	<b>9,530</b>	<b>12</b>	<b>928</b>	<b>127,139</b>

**Appendix no.11 – Key data from the Financial Statement as at 31 December 2014 of the company that exercises activity of direction and coordination: (article 2497-bis of the Italian Civil Code)**

<b>FINMECCANICA SPA</b>	
<b><u>BALANCE SHEET</u></b>	<i>Values in € thousands</i>
<b>ASSETS</b>	
NON-CURRENT ASSETS	7,893,964
CURRENT ASSETS	4,218,042
NON-CURRENT ASSETS HELD FOR SALE	-
<b>TOTAL ASSETS</b>	<b><u>12,112,006</u></b>
<b>LIABILITIES</b>	
SHAREHOLDERS' EQUITY:	
- Share capital	2,524,859
- Reserves and retained earnings	1,350,919
- Net profit (loss) for the period	-141,328
	<b><u>3,734,450</u></b>
NON-CURRENT LIABILITIES	2,691,655
CURRENT LIABILITIES	5,685,901
LIABILITIES DIRECTLY CORRELATED TO ASSETS HELD FOR SALE	-
<b>TOTAL LIABILITIES</b>	<b><u>12,112,006</u></b>
<b><u>INCOME STATEMENT</u></b>	
REVENUE	77,917
COSTS	-179,058
FINANCE INCOME (COSTS)	-43,344
INCOME TAXES FOR THE PERIOD	3,157
(LOSSES) PROFITS CONNECTED WITH DISCONTINUED OPERATIONS	-
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b><u>-141,328</u></b>

**FINMECCANICA SPA PREPARES THE CONSOLIDATED FINANCIAL STATEMENTS.**

**INDEPENDENT AUDITORS' REPORT ON THE SEPARATE FINANCIAL  
STATEMENTS AT 31 DECEMBER 2015**



**KPMG S.p.A.**  
**Revisione e organizzazione contabile**  
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**(Translation from the Italian original which remains the definitive version)**

## **Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010**

To the shareholders of  
Finmeccanica S.p.a. (into which its fully controlled subsidiary WASS S.p.A. was merged)

### **Report on the financial statements**

We have audited the accompanying financial statements of WASS S.p.A. (the "company"), which comprise the statement of financial position as at 31 December 2015, the income statement and statements of comprehensive income, changes in cash flows and changes in equity for the year then ended and a summary of significant accounting policies and other explanatory information.

### ***Directors' responsibility for the financial statements***

The directors of Finmeccanica S.p.a. are responsible for the preparation of financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union.

### ***Independent auditors' responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing (ISA Italia) promulgated pursuant to article 11.3 of Legislative decree no. 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements give a true and fair view of the company's financial position as at 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union.

### ***Emphasis of matter***

Without modifying our opinion, we bring your attention to note 6. "Events after the reporting date", disclosing that WASS S.p.A. was incorporated into its parent, Finmeccanica S.p.a., with effect from 1 January 2016.

### ***Other matters – Management and coordination***

As required by the law, the company disclosed the key figures from the latest financial statements of the company that manages and coordinates it in the notes to its own financial statements. Our opinion on the financial statements of WASS S.p.A. does not extend to such data.

### **Report on other legal and regulatory requirements**

#### ***Opinion on the consistency of the directors' report with the financial statements***

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion, as required by the law, on the consistency of the directors' report, which is the responsibility of the directors of Finmeccanica S.p.a., with the financial statements. In our opinion, the directors' report is consistent with the financial statements of WASS S.p.A. as at and for the year ended 31 December 2015.

Florence, 16 March 2016

KPMG S.p.A.

(signed on the original)

Roberto Todeschini  
Director of Audit

**REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE  
SHAREHOLDERS' MEETING**

**WHITEHEAD SISTEMI SUBACQUEI S.p.A. (WASS S.p.A.)**

**A company subject to direction and coordination by the sole shareholder Finmeccanica  
S.p.a.**

**\*\*\***

**REPORT OF THE BOARD OF STATUTORY AUDITORS ON THE FINANCIAL  
STATEMENTS**

**FOR THE YEAR ENDED 31.12.2015**

Dear Shareholder,

This report was prepared by the Statutory Auditors pursuant to article 2429, paragraph 2, of the Italian Civil Code.

WASS S.p.A., as a direct subsidiary, until 31/12/2015, of a company listed on regulated markets (Finmeccanica S.p.a.), is subject to all the provisions of Section VI - Statutory Audit, Chapter II, Title III, Part IV (with the exception of article 157) of Legislative Decree no. 58/1998 (*Draghi Law*).

It should be noted that, with effective date 1 January 2016, Whitehead Sistemi Subacquei Società per Azioni (hereinafter also "WASS") was merged into the parent company Finmeccanica S.p.a. (hereinafter also "Finmeccanica"), resulting in the dissolution of the company and its corporate bodies as part of a larger divisionalisation process of the Finmeccanica Group; therefore, this report is submitted to you by the Finmeccanica Supervisory Body acting within the extent of its remit and in any case referring to the activities carried out by the previous Board of Statutory Auditors during the financial year 2015 as per their report signed on 31.12.2015.

During the year ended 31.12.2015, the Board of Statutory Auditors in charge up to that date (for short "*previous*") carried out the surveillance duties as required by applicable law until 31 December 2015; after that date up to today, the Board of Statutory Auditors of the Parent Company has continued, for the purposes of this report, the supervisory activities pursuant to applicable regulations and in compliance with the rules of conduct of the Italian National Council of Accountants and Tax Consultants.

In particular, the previous Board of Statutory Auditors:

- monitored compliance with the law and bylaws as well as principles of sound administration;
- attended all the Board of Directors' and the Shareholders' meetings, which were conducted in compliance with the bylaws, laws and regulations that govern meeting procedures; in this

regard, the previous Board of Statutory Auditors reported that the resolutions passed have always been in compliance with the applicable laws and the bylaws;

- acquired information from the Directors about the general business performance and outlook, as well as the most significant transactions, by size or special characteristics, carried out by the company; therefore, the previous Board of Statutory Auditors reported that the operations carried out are in compliance with the laws and the bylaws and are not imprudent, reckless, in potential conflicts of interest, nor do they conflict with the resolutions of the Shareholders' Meeting or otherwise are prejudicial to the integrity of the company's assets;
- ascertained that no atypical and/or unusual transactions were carried out, including intercompany and related-party transactions;
- met, at the quarterly review meetings, the people of the Independent Auditing Firm in charge of the statutory audit; KPMG S.p.A., during such exchange of information, confirmed the proper recording of the company's business operations and accurate keeping of accounting records, as well as the reliability of the control system of procedures;
- also verified, during periodical meetings with the people of the Independent Auditing Firm, that the statutory audit activities were properly carried out by the same;
- evaluated and monitored the adequacy of the company's organizational structure and of the administrative and accounting system, as well as the reliability of such system as a means of accurately reporting business operations by obtaining the necessary information from the Top Management, the manager of the "internal auditing" function, the heads of the other functions involved, as well by examining company documents; in this regard, the previous Board of Statutory Auditors had no comment to report;
- viewed and acquired information from the Surveillance Body on organizational and procedural activities carried out pursuant to Legislative Decree no. 231 of 8.6.2001.
- met the Statutory Auditors of Finmeccanica S.p.a., reporting to the same even on the adoption of the directives issued by the Holding Company.

The Supervisory Board in charge reported to the previous Board of Statutory Auditors on the activities carried out during 2015.

Furthermore, also by virtue of what was reported by the previous Board of Statutory Auditors, we declare that:

- no complaints or reports pursuant to Article 2408 of the Italian Civil Code have been received during the financial year up to today;
- no omissions, censurable facts or significant irregularities that would require mention in this report occurred during the supervisory activities and/or as result of the verifications made.

The previous Board of Statutory Auditors re-examined the procedure for merger by incorporation of the company with effective date 1 January 2016, and acknowledged:



- the resolutions passed by the Board of Directors of Whitehead Sistemi Subacquei in its meeting of 30 July 2015, where the merger plan by incorporation of the company into Finmeccanica S.p.a. and the convening of an extraordinary shareholders' meeting were approved;
- the resolutions passed by the extraordinary shareholders' meeting of Whitehead Sistemi Subacquei held on 29 September 2015 which approved the merger by incorporation of the company into Finmeccanica S.p.a.

The Board of Statutory Auditors of the parent company Finmeccanica S.p.a. also confirms that the activities provided by applicable rules on mergers were completed after 31 December 2015 and that no other significant events occurred until the date of this report.

\*\*\*\*\*

We examined the draft financial statements closed at 31.12.2015, made available to us under the terms of Article 2429 Civil Code, on which we report as follows.

As we are not responsible for the legal audit of the financial statements, we only supervised the general structure of the legal audit with regard to its compliance with the law in terms of its formation and structure; in that regard we have no comment to report.

The Board of Statutory Auditors examined the financial statements for the year ended 31.12.2015 as approved by the Board of Directors of Finmeccanica S.p.a. at its meeting of 16 March 2016 and delivered to the Statutory Auditors on that date, together with the account tables, the supporting documents and the Directors' report on operations.

The WASS S.p.a. financial statements for the year ended 31.12.2015 were drafted in accordance with the International Accounting Standards (IAS/IFRS) approved by the European Commission and the related interpretations issued by the International Accounting Standards Board and in force at the closing of the financial year.

In drafting the financial statements, the same accounting standards and principles were applied as used for drafting the financial statements for the year ended 31.12.2014.

With regard to taxes, we recall that WASS S.p.a. adheres to the tax system of group taxation (National Tax Consolidation) for the purposes of IRES [*Corporate Income Tax*].

We also verified compliance with the provisions of the law governing the preparation of the report on operations; in this regard we have no comment to report.

To the best of our knowledge and as reported by the Directors, related party transactions were conducted at arm's length, as were regulated interest-bearing receivables and payables, if not regulated by specific contractual conditions.

We also verified that the financial statements reflect the facts and information of which we have become aware when performing our duties; in this regard we have no comment to report.

In compliance with article 2497 bis, paragraph 4, of the Italian Civil Code, the financial statements contain a summary table of the key figures of the last approved financial statements - for the year 2014 - of Finmeccanica S.p.A., the company exercising direction and coordination.

Today, the Independent Auditing Firm delivered us its report on the financial statements without qualifications, containing a reference to January 1, 2016 as effective date of the merger by incorporation of the company into Finmeccanica S.p.a.

On the basis of the activities carried out by the previous Board of Statutory Auditors who promptly and fully informed us, and the activities carried out by us up to date, the Board of Statutory Auditors has waived the terms of article 2429 of the Italian Civil Code concerning the provision of the financial statements by the Board of Directors.

In view of the foregoing, we propose the Shareholders' Meeting to approve the financial statements for the year ended 31.12.2015 in the form prepared by the Directors.

Rome, 16 March 2016

THE BOARD OF STATUTORY AUDITORS

Riccardo Raul Bauer

Niccolò Abriani

Luigi Corsi

Daniela Savi

Francesco Perrini