3Q/9M 2015 Results Presentation

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FINMECCANICA

Rome, 4 November 2015

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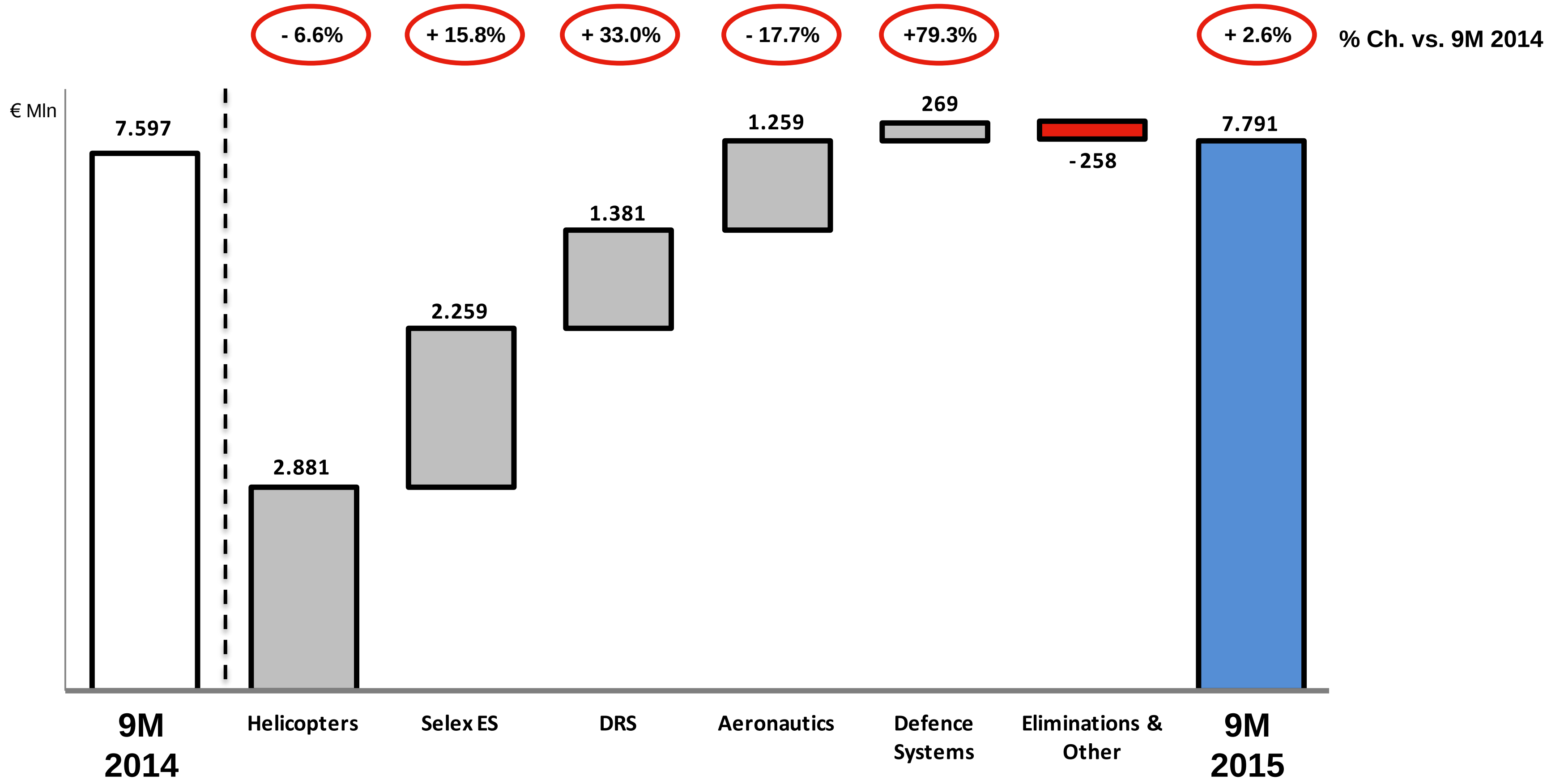
Key Messages

- **9M2015 results confirming we are proceeding in the right direction**
- **Good performance across all sectors**
  - Improvement in New Orders and Revenues due to FOREX
  - Material step up in EBITA (+45% YoY) with RoS at 8.3% from 6%, confirming the positive trend mainly in Selex and DRS
  - Positive Net Result at €160mln form negative €24mln
  - Improved FOCF compared to last year (same perimeter)
- **On track with the execution of the Industrial Plan**
- **FY2015 guidance confirmed for New Orders, Revenues, FOCF and Net Debt while EBITA expectation revised upwards**

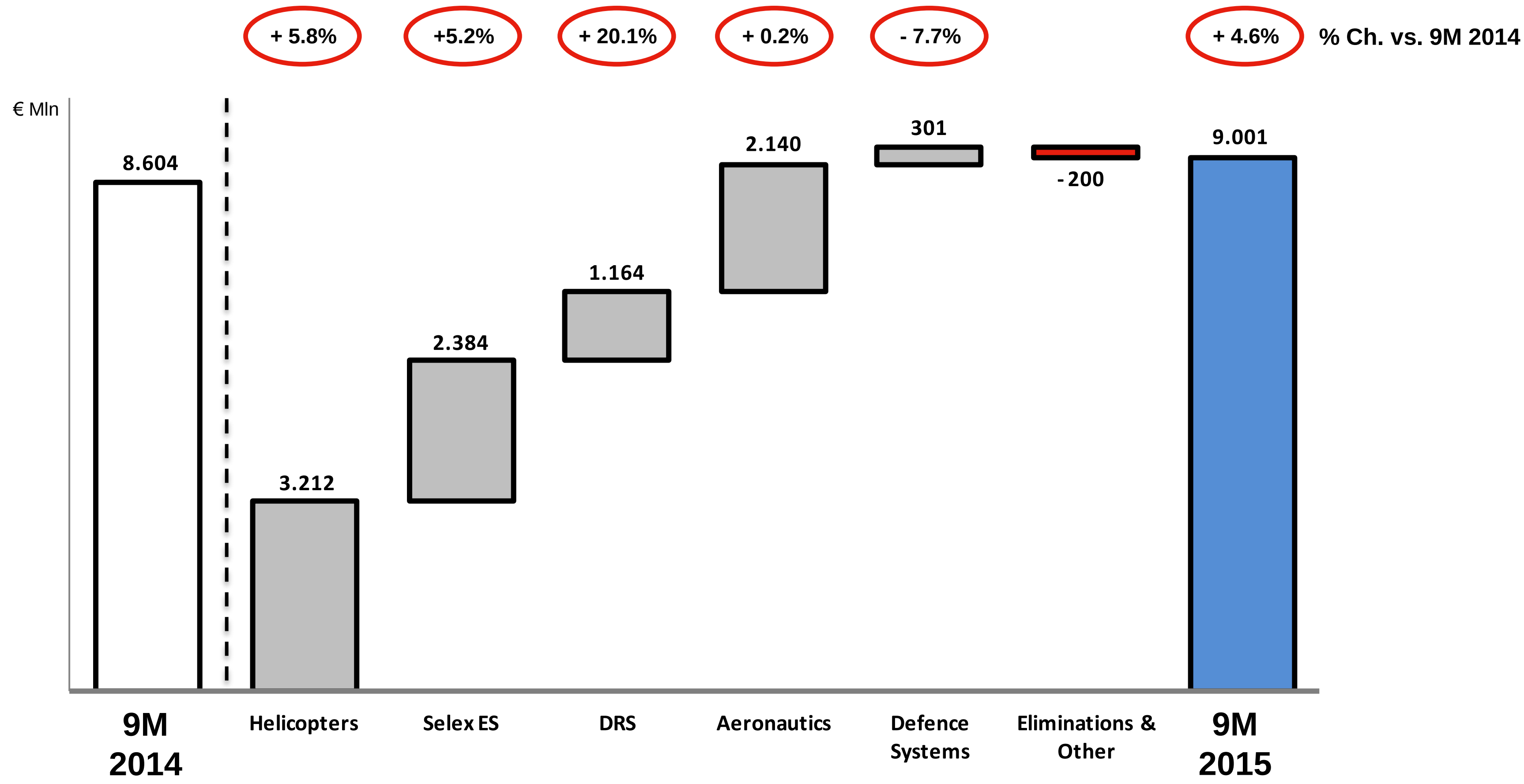
Focus on Group Orders

Commercial Performance in line with 9M 2014; Book to Bill remains close to 1



- Significant improvement in Selex and Defence Systems , supported by national naval systems programme
- Very good performance in DRS, also in international markets
- 9M2014 Helicopters and Aeronautics benefitted from large size single orders (UK MoD and M346 Poland)

Focus on Group Revenues
Good performance in line with expectations



- DRS consolidating recovery in the top line
- Helicopters, Selex and DRS benefitted from forex effect

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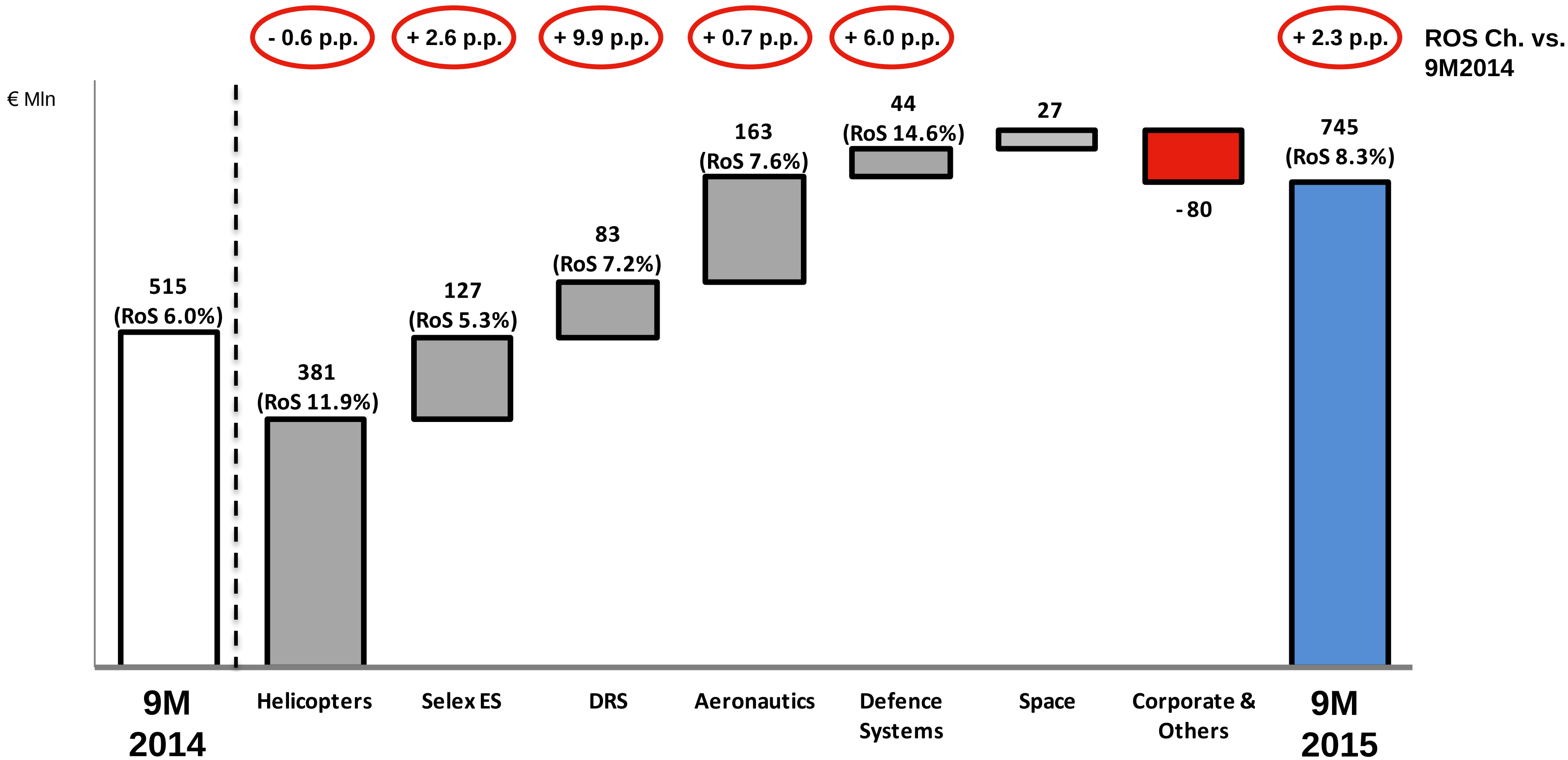
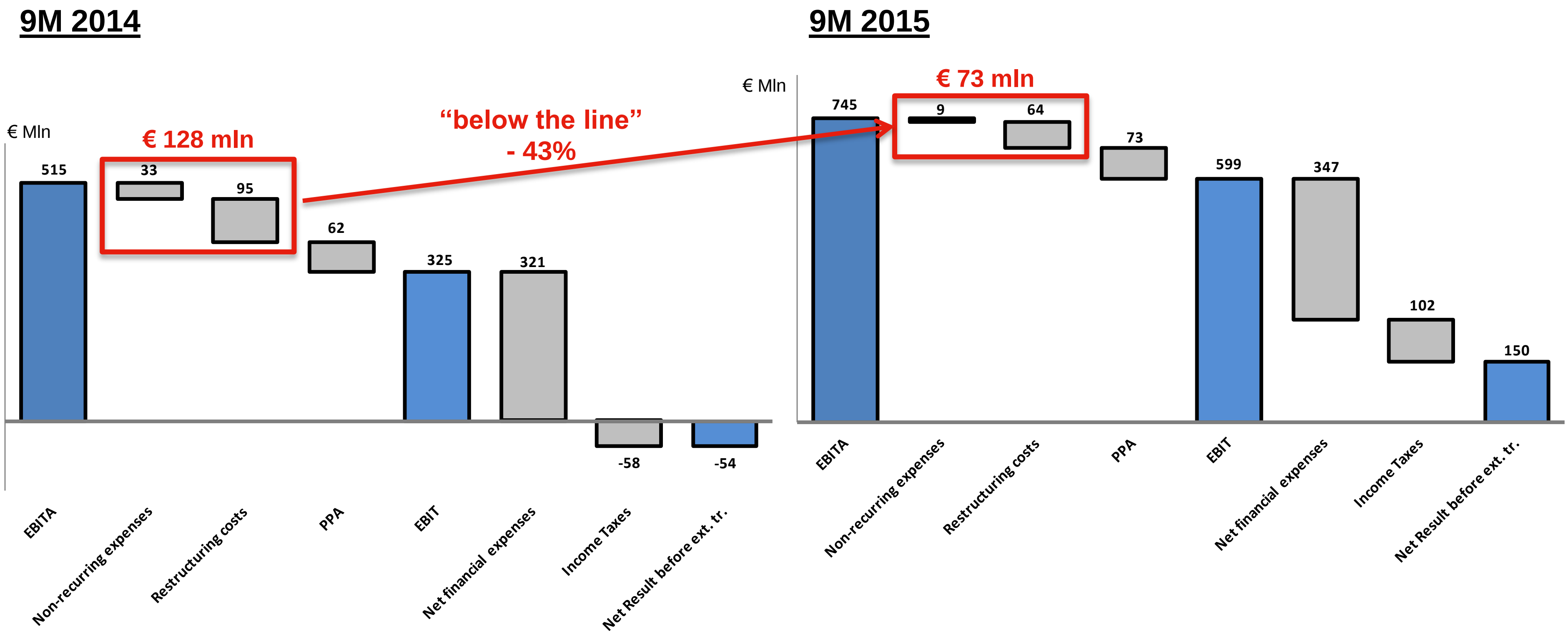
Focus on Group Profitability
Material step up in EBITA and ROS



- Meaningful step up driven by performance at DRS and Selex as well as benefits coming from restructuring and efficiency measures across the Group
  - DRS back on track, with YoY improvement even excluding the impact from provisions accounted for in 9M2014
  - SELEX confirming recovery in profitability

Focus on Group Net Result before extraordinary transactions
“below the line” items under control



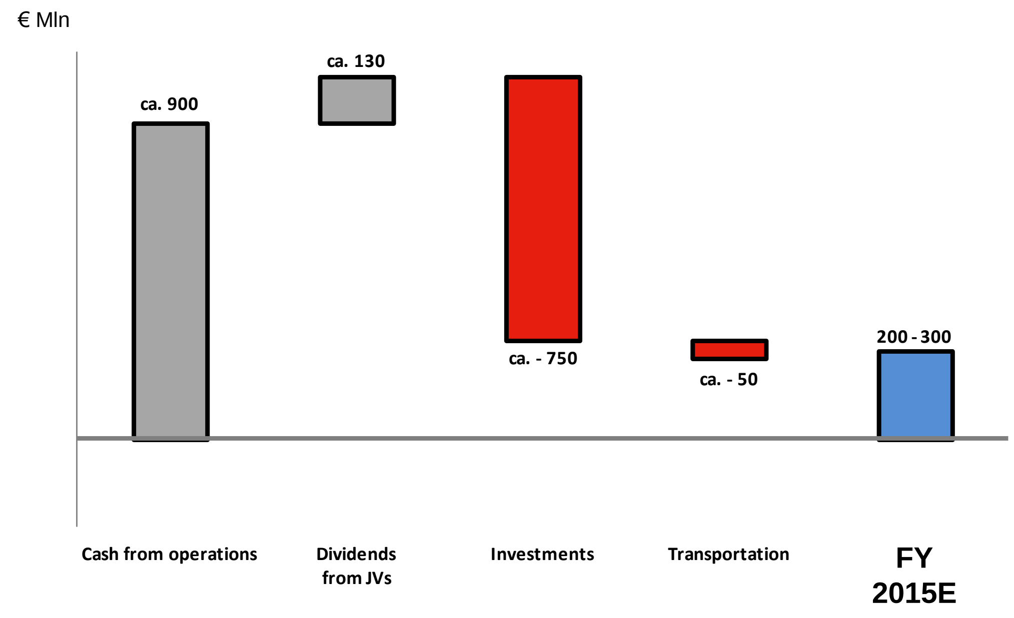
- Strong improvement in Net Result before extraordinary transactions driven by
  - Meaningful step up in EBITA
  - Lower below the line volatility

Focus on Group FOCF
9M2015 and FY expectations

COMMENTS ON 9M 2015

- Usual seasonality affecting 9M 2015
- YoY improvement in 9M 2015, also excluding the impact of €256mln outflows on Indian Helicopters and extraordinary dividend from JVs in 9M2014
- 4Q remains the key period

2015E



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FY2015 Assumptions and Guidance
EBITA expectations raised

ASSUMPTIONS

- **Orders and Revenues:** moderate growth, taking into account the changes in perimeter
- **Profitability:** important step up of 10%
- **Below EBITA**: much lower volatility, with material improvement in the bottom line
- **Restructuring costs:** further decrease
- **FOCF:** improving cash from operations, lower impact of Transportation, normalized JV contribution and slightly higher net investments
- **Group Net Debt**: ca. €3.4bn*, after transportation disposal

		FY2014A		FY2015E*
		Reported	*Pro forma*	
New orders	*€ bn*	15.6	12.7	12.0 – 12.5
Revenues	*€ bn*	14.7	12.8	12.0 – 12.5
EBITA	*€mln*	1,080	980	ca. 1,130
FOCF	*€mln*	(137)	65	200 - 300
Group Net Debt	*€ bn*	4.0		ca. 3.4

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

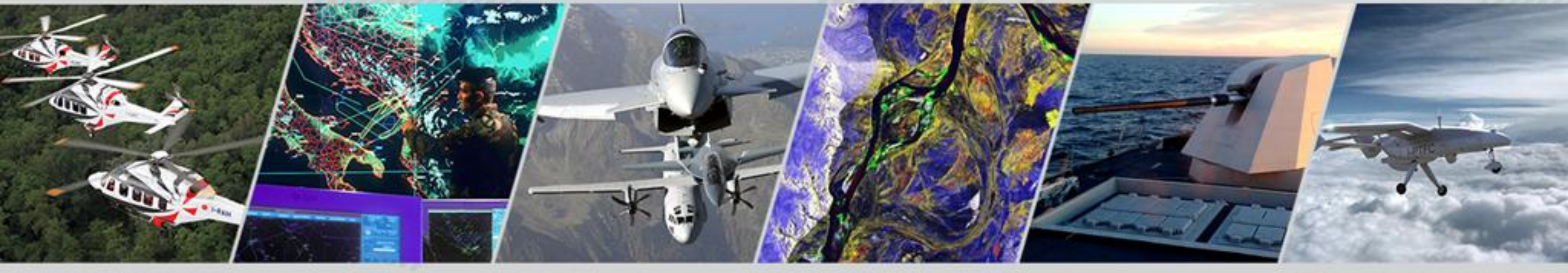
Delivering the Plan
Continued progress

		2015 Progress
STRENGTHEN	*-The Industrial Plan -*	Good performance YTD Delivering efficiencies
DEVELOP	*- The Strategic Plan -*	Transportation disposal closed Disposal of FATA signed

Transportation disposal
Details of the closing

- On November 2nd Finmeccanica and Hitachi announced the closing of the transactions relating to the acquisition by Hitachi of the entire going concern of AnsaldoBreda, except for some revamping activities and certain residual contracts, and Finmeccanica's entire economic interest in Ansaldo STS, equal to approximately 40% of its issued share capital
- The purchase price of Ansaldo STS shares amounts to €9.50 per share (after the € 0.15 per share dividend distributed), for a total consideration of the stake sold of **€ 761 mln**
- The total net consideration for AnsaldoBreda, including real estate assets, amounts to ca. **€ 30 mln**
- As a result:
  - Finmeccanica Group Net Debt will decrease by ca. €600 mln, already factored in FY2015 Guidance
  - The total capital gain (subject to the valuation of indemnities and price adjustments) estimated in ca. **€ 250 mln**

SECTOR RESULTS



HELICOPTERS

€ Mln	3Q			9M			FY
	2015	**2014**	***% Change***	**2015**	**2014**	***% Change***	**2014**
Orders	624	398	56.8%	2,881	3,083	(6.6%)	4,556
Revenues	1,098	995	10.4%	3,212	3,036	5.8%	4,376
EBITA	121	116	4.3%	381	379	0.5%	543
ROS %	11.0%	11.7%	(0.7) p.p.	11.9%	12.5%	(0.6) p.p.	12.4%

- Orders up in Q3 driven by the contract for 10 a/c AW189 signed with RN-Aircraft, a subsidiary of the Russian operator Rosneft. Lower orders YoY as 1H 2014 benefitted from huge acquisitions (i.e. UK MoD and export)
- Revenues broadly in line YoY, excluding the positive FOREX effect, and profitability confirmed at 12%
- Continue to expect solid performance, with revenues in line and profitability steadily at double digit. Commercial success of AW169 and AW189 likely to be softened given the tough market conditions, especially in the Oil&Gas sector

EU DEFENCE ELECTRONICS AND SECURITY-Selex ES

€ Mln	3Q 2015	3Q 2014	3Q *% Change*	9M 2015	9M 2014	9M *% Change*	FY 2014
Orders	556	552	0.7%	2,259	1,951	15.8%	3,612
Revenues	764	713	7.2%	2,384	2,267	5.2%	3,577
EBITA	55	15	n.a.	127	62	n.a.	185
ROS %	7.2%	2.1%	5.1 p.p.	5.3%	2.7%	2.6 p.p.	5.2%

- Good commercial performance and substantial improvement in profitability
  - EBITA mainly driven by recovery in profitability of some businesses, increasing benefits from the restructuring plan launched in 2012 and by the first benefits from the initiatives launched in engineering and production included in the new industrial plan
- Profitability expected to further improve in 2015

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US DEFENCE ELECTRONICS AND SECURITY – DRS

	3Q			9M			FY
$ Mln	2015	2014	*% Change*	2015	2014	*% Change*	2014
Orders	537	456	17.8%	1,539	1,407	9.4%	1,945
Revenues	443	485	(8.7%)	1,297	1,313	(1.2%)	1,877
EBITA	44	28	57.1%	93	(36)	n.a.	31
ROS %	9.9%	5.8%	4.1 p.p.	7.2%	(2.7%)	9.9 p.p.	1.7%

- Good commercial performance at domestic and international level
- Significant improvement in EBITA confirming the expected recovery in profitability, driven by better business performance as well as efficiency programmes and streamlining efforts under way
- Orders and revenues expected to remain at the same levels as 2014 (excluding the effect of the disposals of two specific LoBs, which account for ca. €200mln Revenues p.y.), envisaging the conclusion of the gradual decline that affected DRS in recent years

Avg. exchange rate €/$ @1.11 in 9M 2015
Avg. exchange rate €/$ @1.36 in 9M 2014

AERONAUTICS

€ Mln	3Q 2015	3Q 2014	3Q % Change	9M 2015	9M 2014	9M % Change	FY 2014
Orders	568	525	8.2%	1,259	1,529	(17.7%)	3,113
Revenues	726	756	(4.0%)	2,140	2,135	0.2%	3,144
EBITA	77	74	4.1%	163	148	10.1%	237
ROS %	10.6%	9.8%	0.8 p.p.	7.6%	6.9%	0.7 p.p.	7.5%

- GtoG agreement signed in 3Q between Italy and Kuwait for the supply of 28 Eurofighter aircraft
- 9M2015 volumes in line with 2014. EBITA improvement mainly driven by increased result of GIE-ATR, also benefitting from an appreciation of the USD/€ exchange rate
- 2015 profitability expected in line with 2014, driven by additional efficiency-improvement and cost reduction actions, that will offset the lower contribution of high-margin programmes
- Transfer of B787 pass through activities expected to be completed in 2016, therefore partially affecting 2015 revenues

SPACE

€ Mln	3Q 2015	3Q 2014	3Q % Change	9M 2015	9M 2014	9M % Change	FY 2014
EBITA	5	9	(44.4%)	27	26	3.8%	52

- Revenues expected to grow, mainly thanks to manufacturing and launch operations services
- Business performance in line with expectations

DEFENCE SYSTEMS

€ Mln	3Q 2015	3Q 2014	3Q % Change	9M 2015	9M 2014	9M % Change	FY 2014
Orders	80	72	11.1%	269	150	79.3%	209
Revenues	92	96	(4.2%)	301	326	(7.7%)	495
EBITA	13	2	n.a.	44	28	57.1%	89
ROS %	14.1%	2.1%	12.0 p.p.	14.6%	8.6%	6.0 p.p.	18.0%

- 9M 2015 results showed first signs of recovery in orders; sharp increase in EBITA driven by missiles
- FY2015 performance broadly in line with expectations

APPENDIX

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GROUP PERFORMANCE

€ Mln	3Q 2015	3Q 2014 (*)	3Q % Change	9M 2015	9M 2014 (*)	9M % Change	FY 2014 (*)
New Orders	2,252	1,803	24.9%	7,791	7,597	2.6%	12,667
Backlog				28,071	28,598	(1.8%)	29,383
Revenues	3,028	2,895	4.6%	9,001	8,604	4.6%	12,764
EBITA	295	205	43.9%	745	515	44.7%	980
ROS %	9.7%	7.1%	2.6 p.p.	8.3%	6.0%	2.3 p.p.	7.7%
EBIT	248	143	73.4%	599	325	84.3%	597
Net result before extraordinary transactions	59	7	n.a.	150	(54)	n.a.	15
Net result after minorities	36	5	n.a.	122	(57)	n.a.	(31)
EPS (€ cents)	0.062	0.008	n.a.	0.211	(0.099)	n.a.	(0.054)
FOCF	(192)	(324)	40.7%	(935)	(1,355)	31.0%	65
Group Net Debt including discontinued operations				5,125	5,349	(4.2%)	3,962
Group Net Debt excluding discontinued operations				5,323	5,560	(4.3%)	4,269
Headcount				53,183	55,336	(3.9%)	54,380

(*) Figures (except for headcount) restated as a result of the reclassification of the operations in the Transportation sector to discontinued operations.

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

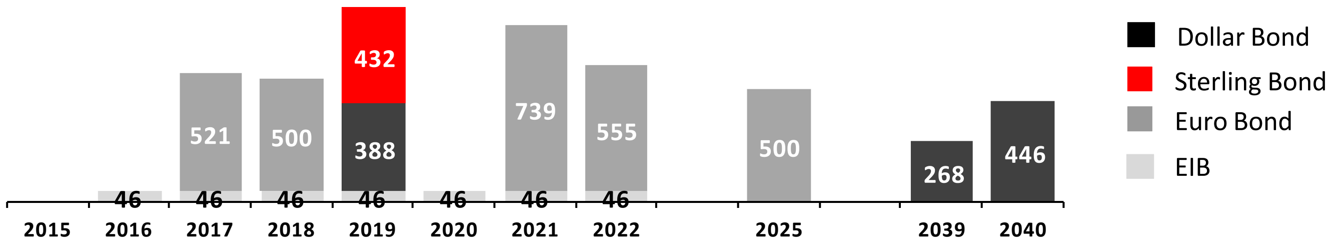
FINANCIAL POSITION
(as of end of September 2015)

Key Messages

- No refinancing needs before end 2017
- Strong liquidity position
- Bonds have neither financial covenants nor rating pricing grids
- Average life ≈ 8 years

Maturity Schedule

(€mil)



Early Repayments

(€mil)

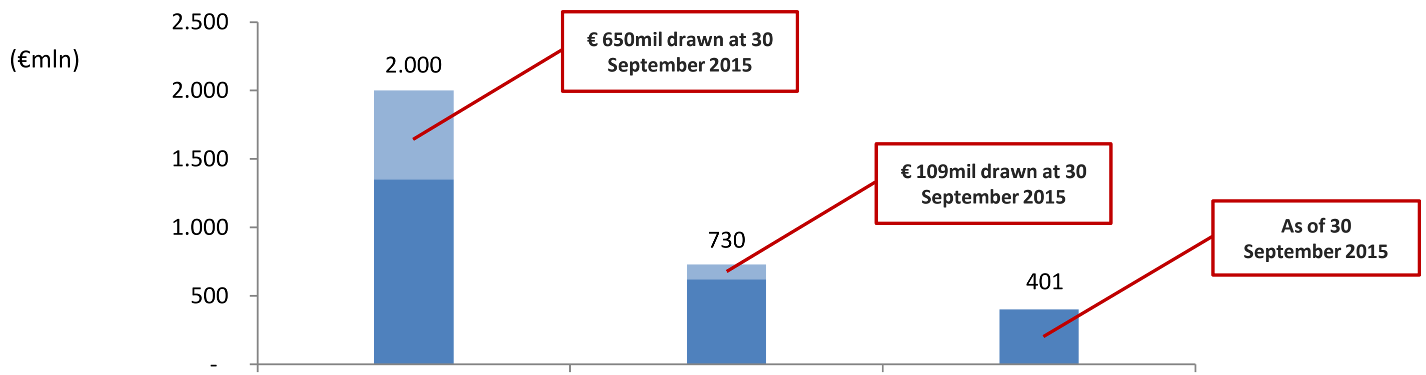
Bond	Initial Amount	Repaid Amount	Repayment Date
Dollar 2019	$500	$66	2012
Euro 2017	€ 600	€ 79	July 2015
Euro 2021	€ 950	€ 211	July 2015
Euro 2022	€ 600	€ 45	July 2015
Sterling 2019	£400	£81	July 2015

LIQUIDITY POSITION (as of end of September 2015)

Availability of adequate committed liquidity lines

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

- 30 September cash balance of approx. €0.4Billion
- Credit lines worth €2.7 Billion (confirmed and unconfirmed)
  - The Revolving Credit Facility was renegotiated on 6 July 2015 lowering the margin from 180bps to 100bps. The renegotiated facility has an amount of €2.0bn and will expire on July 2020
- Bank Bonding lines of roughly €2.9 Billion to support Finmeccanica commercial activity



	REVOLVING CREDIT FACILITY	UNCONFIRMED CREDIT LINES	CASH IN HAND
Tenor	July 2020	18 months	
Margin	100 bps[(1)]	100-110 bps[(2)]	

(1) Based on rating as of 30/09/2015

(2) Average. Expected to be renewed at maturity

Disposal of FATA

- On October 6 2015 Finmeccanica and Danieli Group signed an agreement for the sale of:
  - 100% of Fata S.p.A, active in the field of turn key industrial plant (Engineering, Procurement and Construction)
  - Fata subsidiaries in USA (Fata Hunter), India (Fata Engineering), China (Fata Shanghai) and UAE (Fata Gulf)
- Fata Revenues accounts for ca. €150mln p.y. and headcount are approx. 200
- The disposal agreement does not include Fata Logistic Systems S.p.A and some assets that will be span off
- The closing is expected in 1Q2016

- **Fata disposal marks a further step forward in the execution of the Industrial Plan, focusing and strengthening the Group in the core Aerospace, Defence and Security business**

Delivering on Industrial Plan: Medium Term Objectives

- EBITA +20% and RoS +150b.p. from 2014 to 2016
- SG&A reduction > 10% from 2013 to 2015
- CAPEX and capitalized R&D rationalization > 20% from 2013 to 2017, rebalancing depreciation/investments ratio, significantly improving self-financing capacity
- Operating working capital reduction, net of reducing customers advances, > 15% by 2017
- FOCF expected to increase over time and Net Debt expected to reduce below €3bn by end 2017, thus improving Debt/EBITDA and Debt/Equity

The journey is proceeding in the right direction

SAFE HARBOR STATEMENT

NOTE: Some of the statements included in this document are not historical facts but rather statements of future expectations, also related to future economic and financial performance, to be considered forward-looking statements. These forward-looking statements are based on Company's views and assumptions as of the date of the statements and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Given these uncertainties, you should not rely on forward-looking statements.

The following factors could affect our forward-looking statements: the ability to obtain or the timing of obtaining future government awards; the availability of government funding and customer requirements both domestically and internationally; changes in government or customer priorities due to programme reviews or revisions to strategic objectives (including changes in priorities to respond to terrorist threats or to improve homeland security); difficulties in developing and producing operationally advanced technology systems; the competitive environment; economic business and political conditions domestically and internationally; programme performance and the timing of contract payments; the timing and customer acceptance of product deliveries and launches; our ability to achieve or realise savings for our customers or ourselves through our global cost-cutting programme and other financial management programmes; and the outcome of contingencies (including completion of any acquisitions and divestitures, litigation and environmental remediation efforts).

These are only some of the numerous factors that may affect the forward-looking statements contained in this document.

The Company undertakes no obligation to revise or update forward-looking statements as a result of new information since these statements may no longer be accurate or timely.

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2014 Annual Results

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ANNUAL REPORT 2014

PRESS RELEASE

VIDEO-WEBCAST

Sustainability

We do business in a sustainable manner, with a continued commitment to economic and social development and the protection of public health and the environment.