



Industrial Plan Presentation

Mauro Moretti

Chief Executive Officer and General Manager

Gian Piero Cutillo

Chief Financial Officer



London, 28 January 2015



Agenda

11.00 – 12.00

Mauro Moretti
CEO and General Manager

KEY MESSAGES

ASSESS – INPUTS TO THE INDUSTRIAL PLAN

- Approach
 - Finmeccanica past performance
 - Market environment
 - Business review
-

12.00 – 12.30

Gian Piero Cutillo
CFO

STRENGTHEN – INDUSTRIAL PLAN

- Improving profitability
 - FY2014 last estimates
 - Medium-term trends
 - FY2015 guidance
-

12.30 – 14.00

Mauro Moretti
CEO and General Manager

DEVELOP – STRATEGIC PLAN & CONCLUSIONS

- 5 pillars for future development

CONCLUSIONS and Q&A

BUFFET LUNCH

KEY MESSAGES

(CEO and General Manager)

ASSESS – INPUTS TO THE INDUSTRIAL PLAN

(CEO and General Manager)

STRENGTHEN – INDUSTRIAL PLAN

(CFO)

DEVELOP – STRATEGIC PLAN

(CEO and General Manager)

CONCLUSIONS

(CEO and General Manager)

Q&A







Key Messages

10 things to take away


ASSESS

- 
1. Serious turnaround plan
 2. Based on a rigorous review ... and prudent assumptions


STRENGTHEN

- 
3. Major cost cutting to deliver a significant step up in profitability
 4. New discipline on capex, R&D and working capital to drive a material step up in cash
 5. Focus on creating a stronger and more balanced capital base

DEVELOP

- 
6. We will do more with less resources
 7. ... through a more focussed portfolio – no “sacred cows”
 8. ... and by strengthening our offer to customers across our markets

EXECUTE

- 
9. We can deliver on this – change is already happening
 10. A cost cutter with a vision – strengthen and develop



Change is already happening *We have done a lot...*

- ⇒ 2014 last estimates ahead of guidance
- ⇒ Increasing control through centralisation, “moving towards one company” **started**
- ⇒ Significant and immediate actions on costs **started**
- ⇒ Strategic assessment of business portfolio **completed**
- ⇒ Disposal process within Transportation **negotiation to a conclusion**

... but there is a lot more to do

KEY MESSAGES

(CEO and General Manager)

ASSESS – INPUTS TO THE INDUSTRIAL PLAN

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(CFO)

DEVELOP – STRATEGIC PLAN

(CEO and General Manager)

CONCLUSIONS

(CEO and General Manager)

Q&A



Industrial plan *Approach*

ASSESS

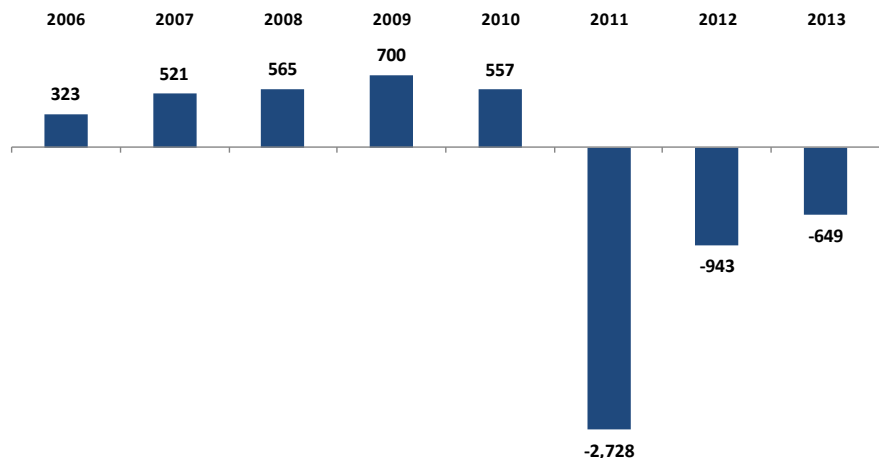
- ⌘ Detailed analysis of the external environment
 - ⌘ Aerospace & Defence markets
 - ⌘ Competitive positioning
- ⌘ Review of the financial health of the businesses
 - ⌘ Profitability
 - ⌘ Cash
 - ⌘ Investments
 - ⌘ Industrial processes
- ⌘ Identify the priorities to be solved in the short-medium term

STRENGTHEN

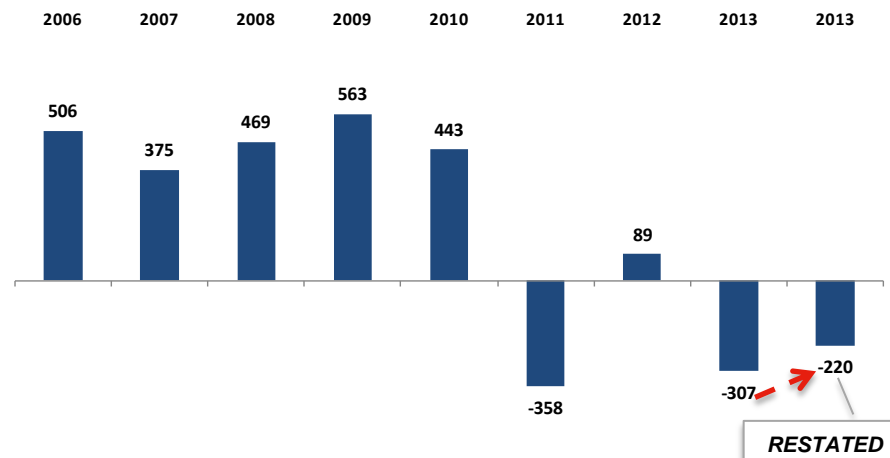
- ⌘ Detailed bottom-up industrial plan
- ⌘ Based on prudent assumptions

Past performance has been unsatisfactory

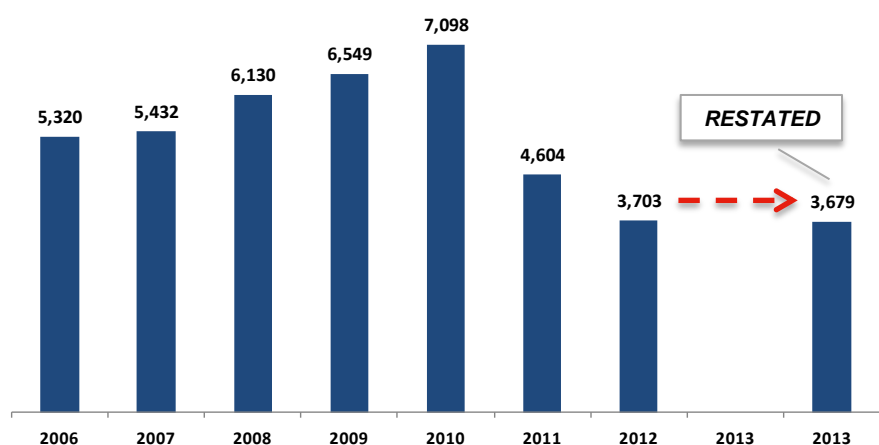
NET RESULT BEFORE EXTRAORDINARY TRANSACTIONS (€ MLN)



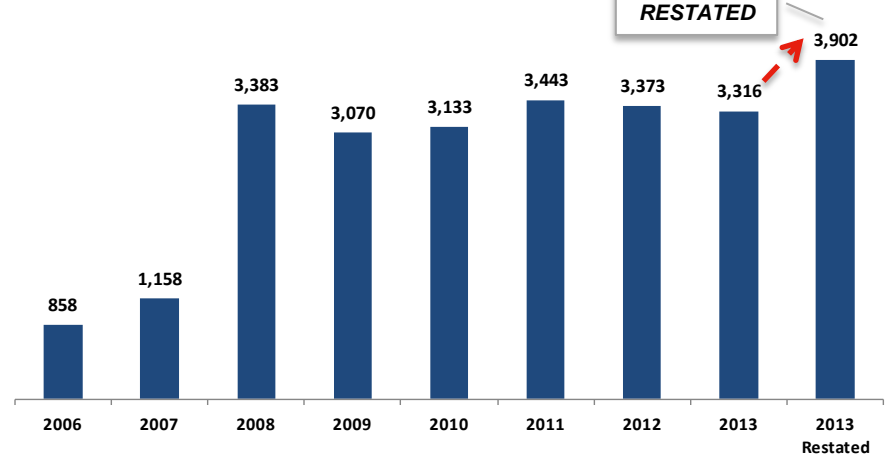
FOCF (€ MLN)



EQUITY (€MLN)



GROUP NET DEBT (€MLN)



Credit rating: from Investment Grade *Stable Outlook* in 2006 to the current Sub-Investment Grade *Negative Outlook*



Unsatisfactory performance

Main causes

⇒ **Acquisitions:** overpaid and funded through high debt with significant financial charges

⇒ **Contracts:** cost overruns in some contracts across the businesses

⇒ **Impairments:** Selex ES, DRS, Alenia Aermacchi

⇒ **Industrial structures:**

- Inefficient Supply Chain
- Low productivity in Engineering
- Unsatisfactory return on investments
- High level of R&D capitalization
- Inefficient Working Capital management
- Poor cash generation

⇒ **Corporate structures:** redundant

Macro Environment is challenging ***Impact on European Defence Industry***

WORLDWIDE KEY DYNAMICS

- ✦ Uncertainty due to the strong fall of the oil price
- ✦ Appreciation of the US Dollar against Euro and Yuan
- ✦ Consolidation of the US economy growth
- ✦ Stabilisation of the European countries (with stronger contribution by the Central–Est countries)
- ✦ Persistent difficulties for the Japanese economy
- ✦ Growth in the emerging markets (i.e. BRIC, Turkey, Asia and Sub-Saharan Africa), but at lower rates compared to last years

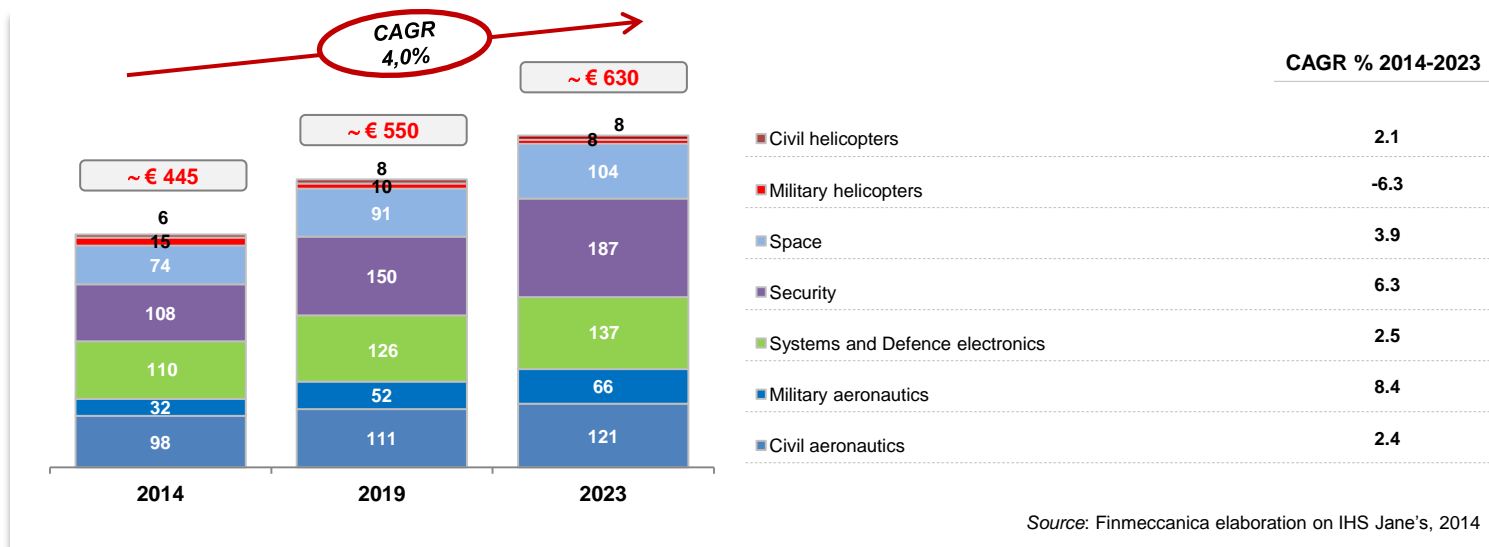


EUROPEAN DEFENCE SCENARIO

- ✦ Continuing pressure on Defence investments
- ✦ Convergence of requirements progressing slowly, affecting the demand aggregation process at European level
- ✦ Industrial base still fragmented at national level
- ✦ Necessity to re-launch international cooperation programmes

Aerospace & Defence market expected to grow

WORLDWIDE MARKET: EVOLUTION BY MACRO-BUSINESS SECTOR (2014-2023) - € BLN



ANALYSIS – MAIN TRENDS

Aeronautics

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

Systems / Defence Electronics

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

Security

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

Space

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

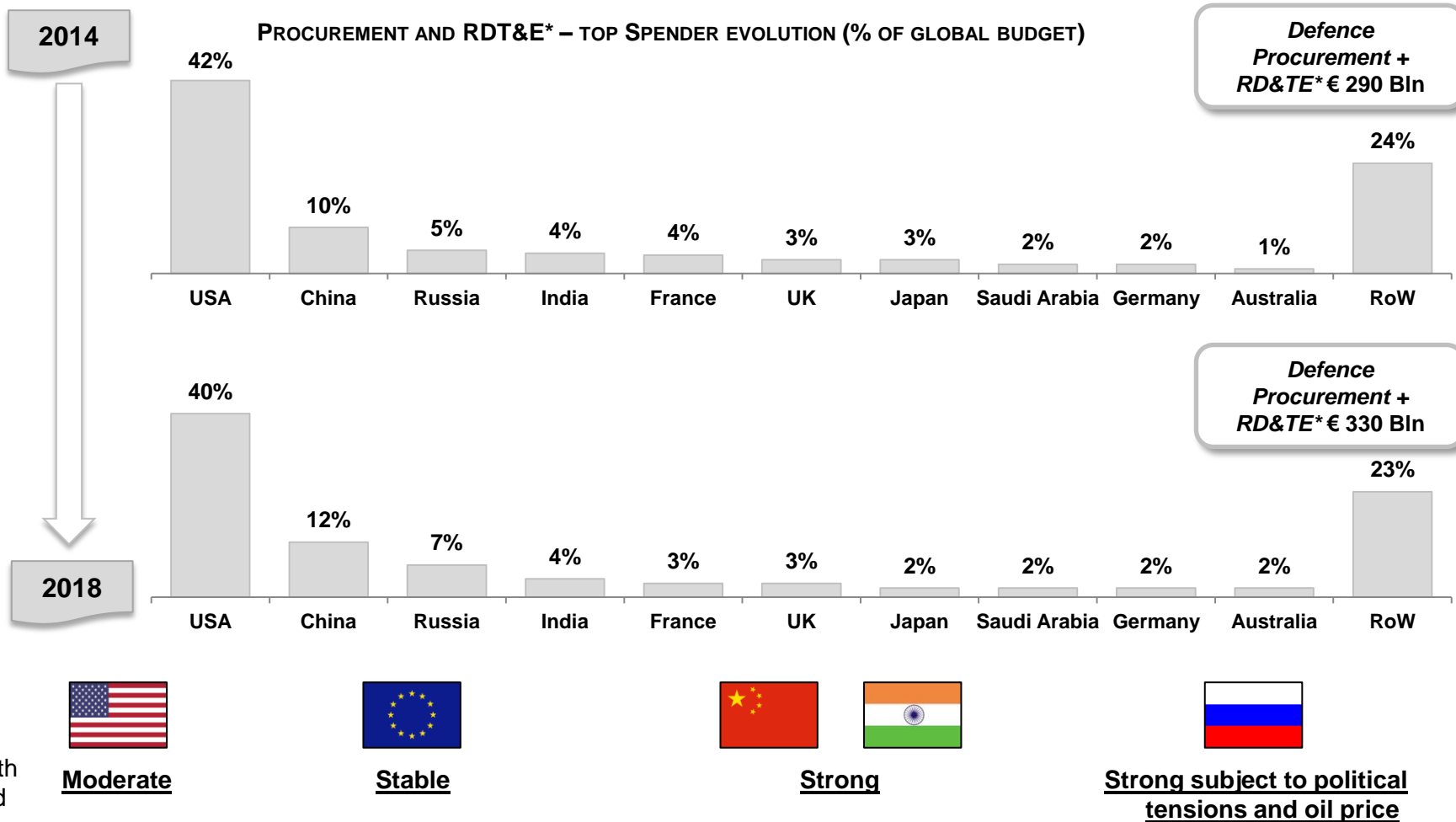
Helicopters

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



Aerospace & Defence Market

Major spenders not expected to change dramatically...

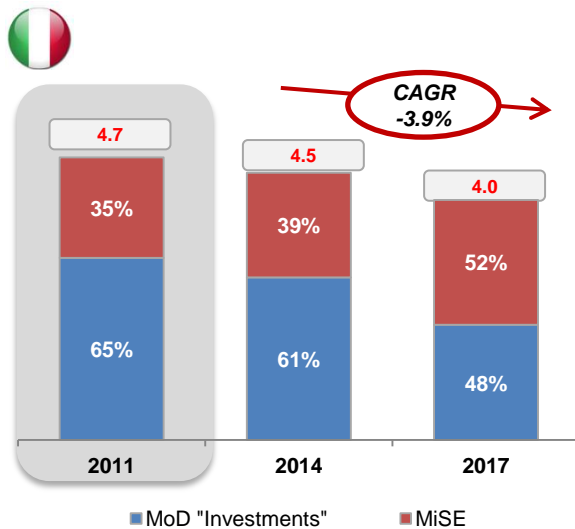


... but there is strong growth in some markets

Aerospace & Defence Market

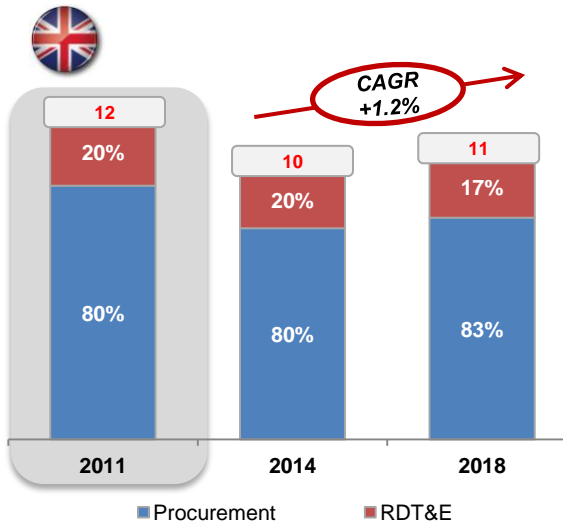
Different dynamics in our major markets

ITALIAN MoD AND MoED BUDGET - € BLN



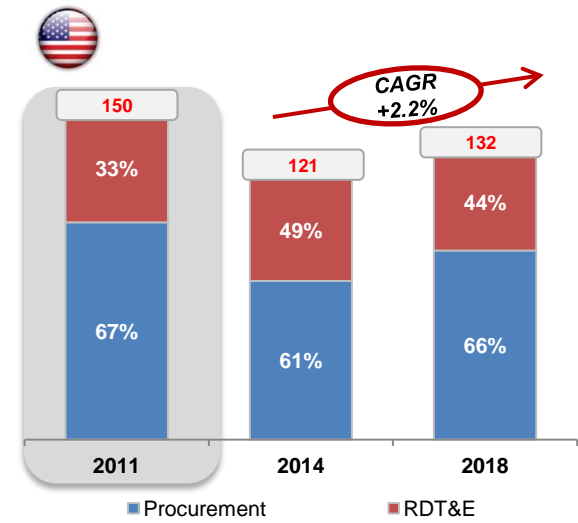
- ✦ GDP decreased over 2008-2014
- ✦ Continuous shrinking of MoD «Investments»
- ✦ Defence spending reduction offset by MoED allocations until 2013
- ✦ Stability Law Bill foresees further reductions 2015 – 2017, raising the following risks

UK DEFENCE BUDGET - € BLN



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

US DEFENCE BUDGET - € BLN

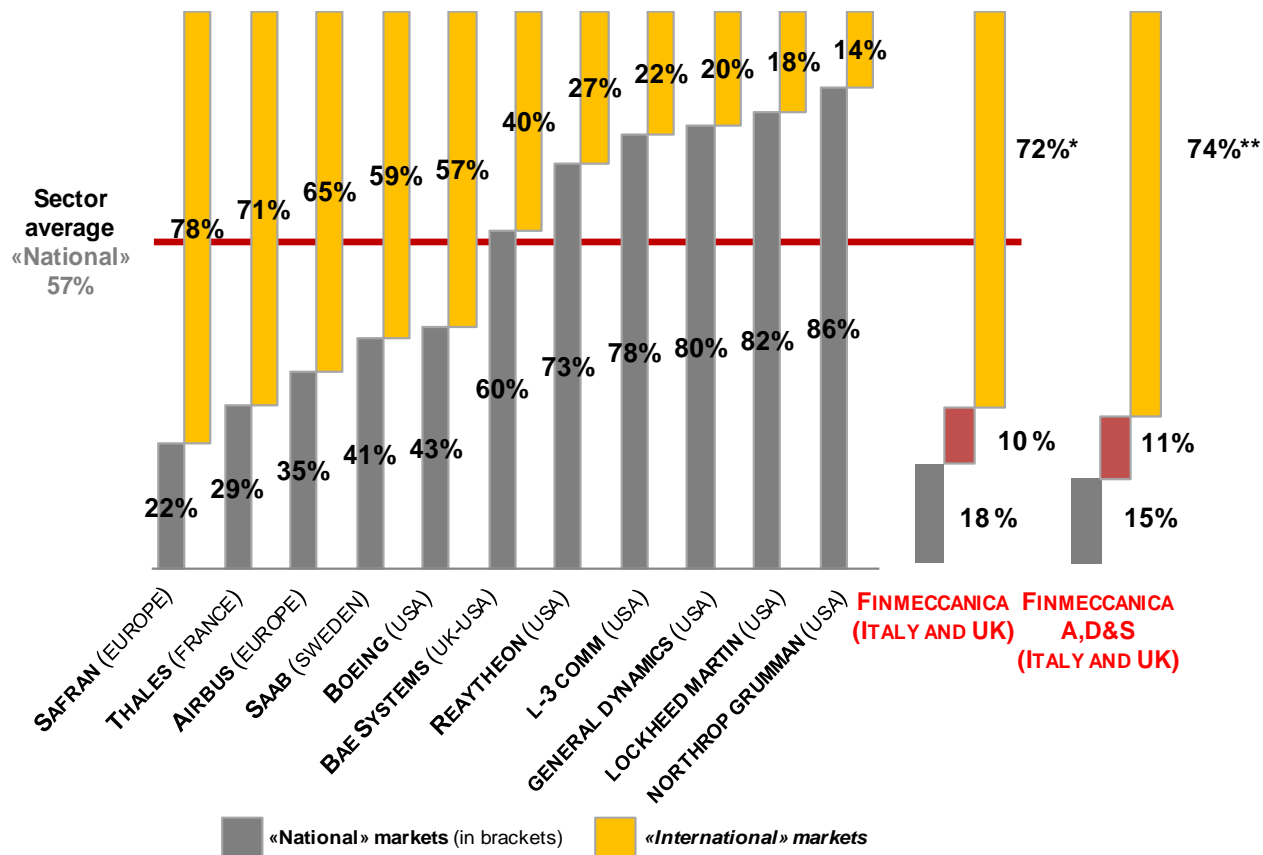


- ✦ 2015 represents the turnaround, ca. € 75–80 Bln per year
- ✦ Overall Defence budget stabilizing at 2002 levels
- ✦ Funds for the Overseas Contingency Operations ca. € 40 Bln till 2017, led by the anti-terrorism activities
- ✦ New sequestration in 2016 still possible



Finmeccanica has already a strong international presence

NATIONAL VS INTERNATIONAL 2013 REVENUES

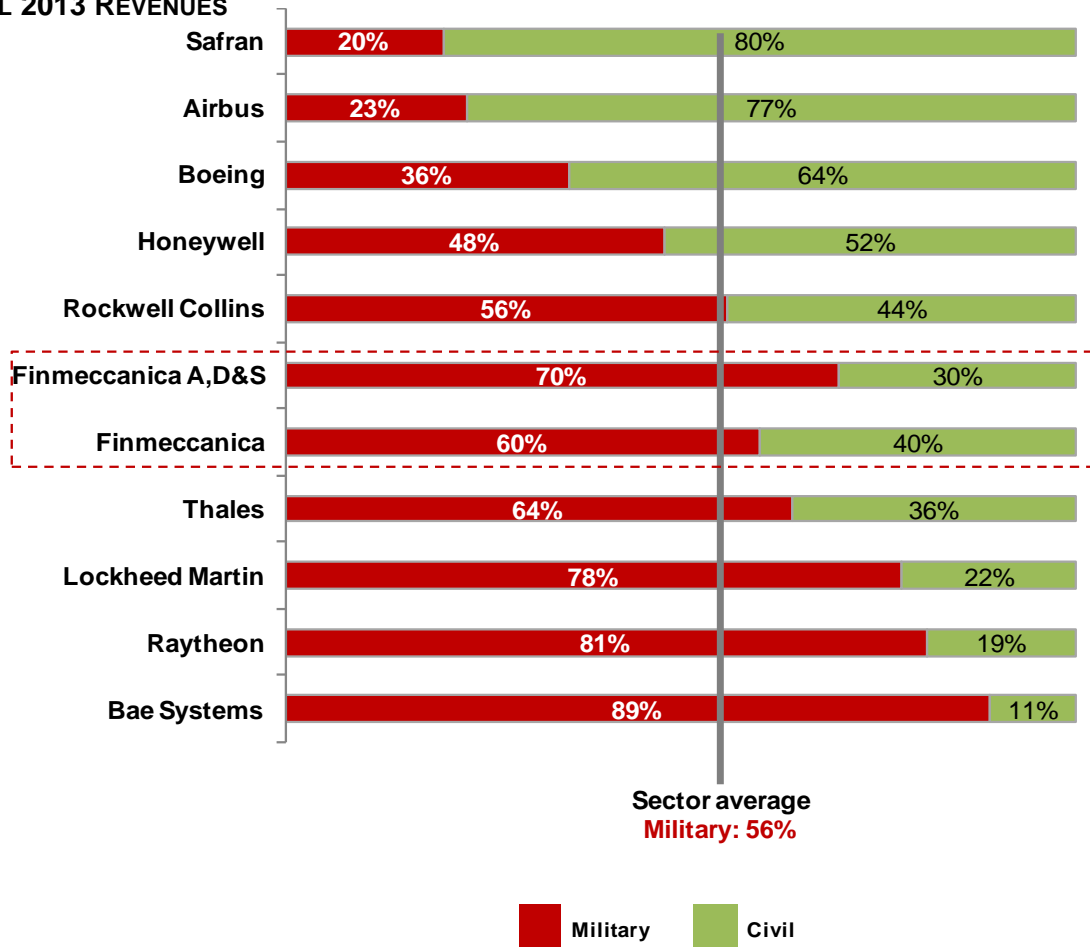


... to be improved through technology transfer and partnerships with local players



Finmeccanica still needs to do more to rebalance its portfolio mix towards civil

MILITARY VS CIVIL 2013 REVENUES

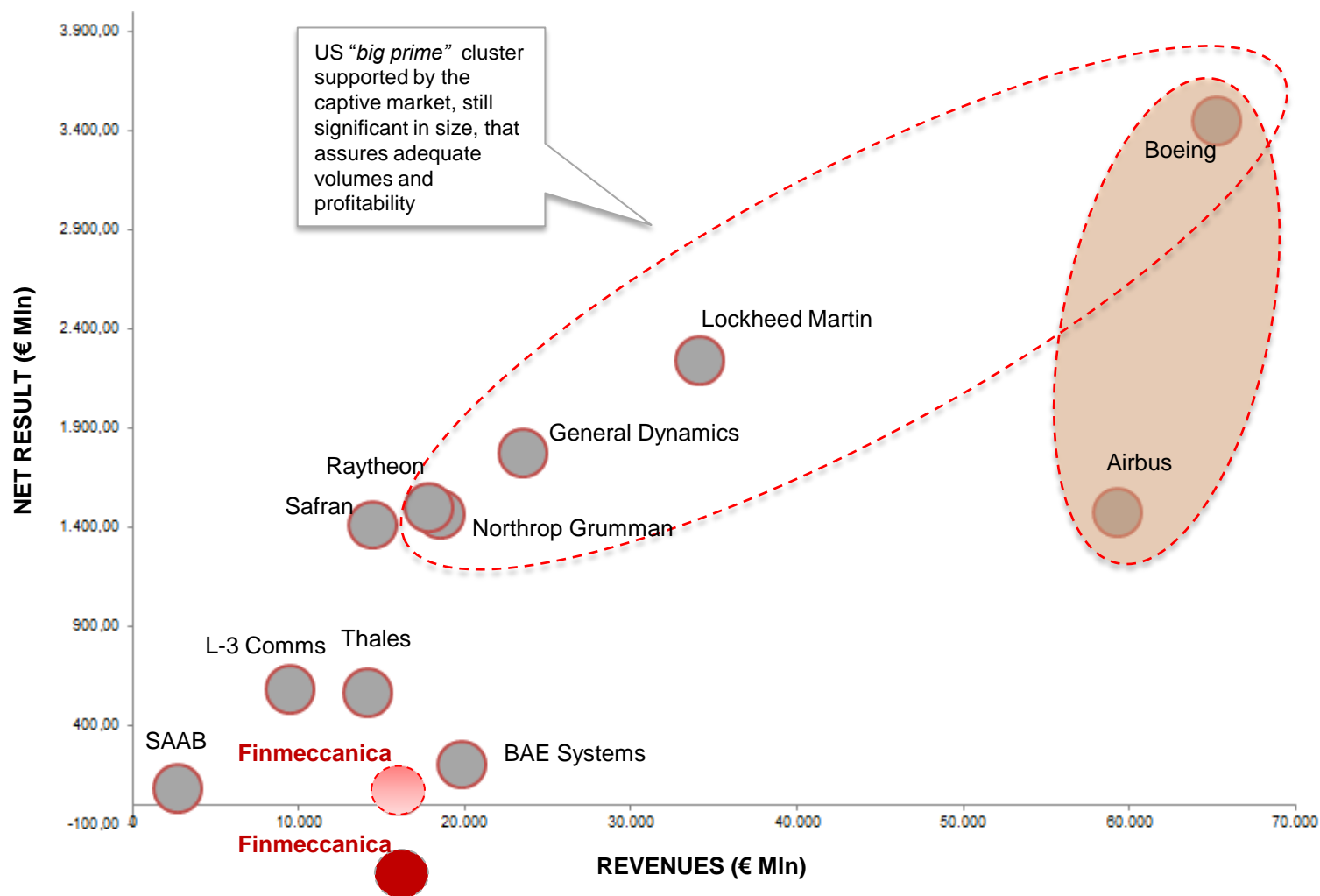


... developing and leveraging on dual use applications is key

Competitive positioning

Benchmark vs sector peers

POSITIONING OF THE MAIN PLAYERS IN THE SECTOR - 2013 NET RESULT AND REVENUES



Our business portfolio is too diversified

✓ Presence  MBDA

A,D&S KEY PLAYERS
















Helicopters

✶ Military	✓	✓				✓	✓							✓
✶ Civil	✓	✓					✓							✓

Aeronautics

✶ Military	✓	✓	✓		✓	✓		✓		✓	✓			✓
✶ Civil	✓	✓				✓				✓				✓

Defence Electronics and Security

✶ Defence	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
✶ Security	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	

Defence Systems

✶ Missiles	✓	✓	✓	✓	✓	✓		✓				✓		
✶ Tropedos	✓		✓	✓	✓							✓		
✶ Ammunitions	✓		✓							✓		✓		

Space

✓	✓		✓		✓		✓				✓			
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Transportation

✓			✓											
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A diversified portfolio is not an advantage

Often a follower and not a leader

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

L = Leader (Top 3 players)

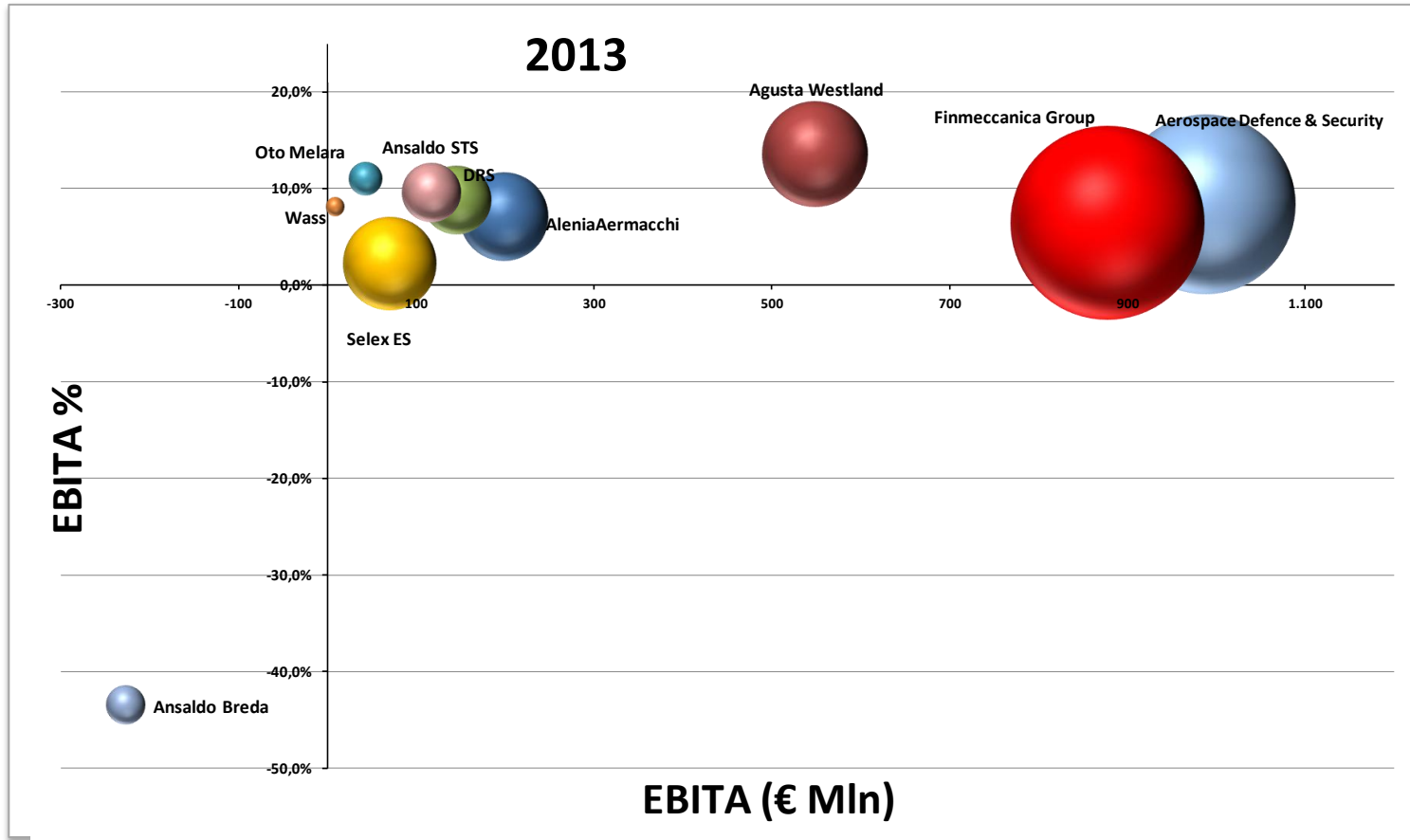
KP = Key Player (Top 5 players)

F = Follower

W = Weak

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

Our different businesses have produced very different results



Our review goes beyond Divisions *Focus on segments and products*

Two key questions: ✎ *What is our competitive position?* ✎ *What is our Profitability?*

EXAMPLES

ASSESSMENT

ACTIONS – OPTIONS

DRS

- ✎ *Some non core/loss making activities identified in two lines of business*
 - ✎ *Aviation & Logistics*
 - ✎ *Training Communications and Network solutions*

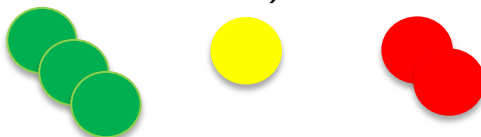
1. Exit non core/ unprofitable businesses

e.g.

- ✎ In DRS for approx. € 200 Mln Revenues (avg. p.y.)
- ✎ In Selex ES for ca. € 90 Mln revenues (avg. p.y.)

SELEX ES

- ✎ *Review of Smart & Security line of business (i.e. Smart Solutions) within Selex ES*



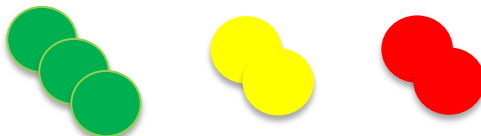
2. Restore profitability

e.g.

- ✎ Leveraging on efficiency and effectiveness of industrial processes

AERONAUTICS

- ✎ *Review of key programmes within Aeronautics division*



● Strong
 ● Acceptable
 ● Weak

Finmeccanica Strategic roadmap

1

ASSESS



2

STRENGTHEN

**TURNAROUND
INDUSTRIAL
PLAN**



PROFIT

✦ **Cut costs**

CASH

✦ **Rationalise investments and working capital**

**CAPITAL
STRUCTURE**

✦ **Balance net equity and net debt**

3

DEVELOP

**STRATEGIC
PLAN**



PORTFOLIO

✦ **More focused on A,D&S**

MARKETS

✦ **Internationalisation**

TECHNOLOGIES

✦ **Standardisation & Modularity, Dual-use, Unmanned**

OFFERING

✦ **Services and Integrated logistic solutions**

Industrial Plan

Observations and objectives

Increase the efficiency through the cost reduction in:

- ✓ Staff
 - ✓ Engineering
 - ✓ Supply chain
- New Organisational and Operating Model*

⇒ Rationalisations expected to ensure total savings for ca. 150 €m, of which >25% already included in 2015-2019 Industrial Plan

Improve the effectiveness of the industrial processes:

- ✓ Engineering profitability
- ✓ Supply Chain optimisation
- ✓ Manufacturing efficiency

- ⇒ A,D&S Engineering productivity expected to increase by approx. 10%
- ⇒ 20 main initiatives identified to improve supply chain
- ⇒ Several initiatives within A,D&S perimeter strongly focused on hourly rates reduction

Restore adequate return on investment and value creation:

- ✓ Definition of a sustainable business portfolio
- ✓ Selective investments
- ✓ Working Capital reduction
- ✓ Increase of cash generation from production
- ✓ Debt reduction

Improve the “quality” of the offers:

- ✓ Satisfactory profitability
- ✓ New business models (*i.e.* Service, etc.)
- ✓ Management of the contingencies
- ✓ Risk management

KEY MESSAGES

(CEO and General Manager)

ASSESS – INPUTS TO THE INDUSTRIAL PLAN

(CEO and General Manager)

STRENGTHEN – INDUSTRIAL PLAN

(CFO)

DEVELOP – STRATEGIC PLAN

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CONCLUSIONS

(CEO and General Manager)

Q&A



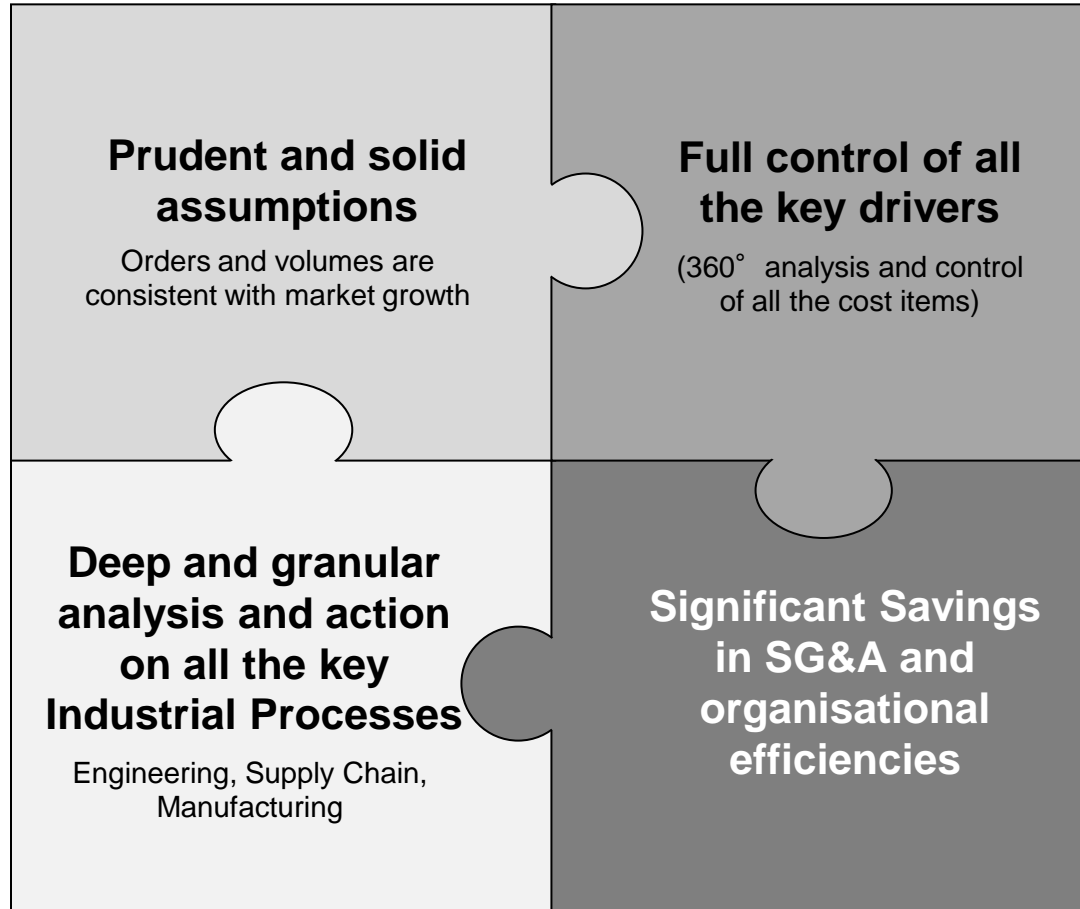
Financials

Objectives

- ⇒ Through execution of actions described, Finmeccanica will significantly improve its financial performance
- ⇒ Financial targets:
 - ⇒ **Profitability improvement**
 - ⇒ **Adequate Cash Flow generation, with FOCF turning to positive in 2015 and increasing over the next years**
 - ⇒ **Capital Structure strengthening**
 - ⇒ **Net Debt reduction**
- ⇒ Initiatives with a good level of maturity, generate benefits/savings whose impacts have already been included in the Industrial Plan. Furthermore additional opportunities have been identified and are under assessment and evaluation, with potential upside on Plan results
- ⇒ We are confident on the reliability of all the benefits generated by the Plan
- ⇒ Gross benefits will also contribute to improve the Group competitive positioning towards the customers

Financials

...Levers for a Turnaround Plan



Financials ...Actions

	STREAM	ACTIONS / INITIATIVES	IMPACTS / TARGETS
INDUSTRIAL	Engineering productivity	<ul style="list-style-type: none"> • R&D Execution • Organisation 	<ul style="list-style-type: none"> • Productivity increase • Investments rationalisation
	Supply Chain optimisation	<ul style="list-style-type: none"> • New approach • Supply Chain review • "Should Cost" • Strengthening of Group Service provider (FGS) 	<ul style="list-style-type: none"> • Product cost reduction • Working Capital reduction
	Manufacturing efficiency	<ul style="list-style-type: none"> • Industrial Efficiencies • Manufacturing overhead reduction 	<ul style="list-style-type: none"> • Hourly rates reduction
ORGANISATIONAL	"New Organisational and Operating Model" implementation	<ul style="list-style-type: none"> • Business Support Functions rationalisation/efficiency • Shared International commercial/representative offices • ICT integration 	<ul style="list-style-type: none"> • Productivity increase • Cost savings
	SG&A Costs Reduction	<ul style="list-style-type: none"> • New Policies • Rationalisation/Reduction of consultancy and promotional expenses • Rationalisation/reduction of Offices 	<ul style="list-style-type: none"> • Cost savings



SPEED



EFFECTIVENESS



Financials

Engineering productivity

ASSESS

- ⚡ Deep analysis across all A,D&S Companies on Engineering processes executed
- ⚡ Highlighted significant actions for improvement even considering external best practices

STRENGTHEN

- ⚡ Actions focus on:
 - ⚡ **R&D Execution**
 - ⚡ Process streamlining (existing and New Product Introduction)
 - ⚡ Revision of “Make or buy” decisions
 - ⚡ Enhancement of technology re-use, modularity and standardisation
 - ⚡ **Organisation**
 - ⚡ Cross-countries and cross-disciplines organisational models
 - ⚡ Optimisation of workload allocation
 - ⚡ Monitoring and control of Engineering performance



**A,D&S Engineering productivity expected to increase by approximately 10% 2014/2015
... and more to come**

Financials

Supply Chain optimisation

ASSESS

- ☛ Complete review over A,D&S businesses performed over the last months,
- ☛ From the traditional view by “commodity” to the new approach by “supply chain”

STRENGTHEN

- ☛ ~**20 main initiatives identified** to be developed over 2015-17
- ☛ Key drivers:
 - ☛ **Supply chain review**, with rationalisation and reduction of suppliers network (clustering by geography and technology) i.e. 50% suppliers reduction already achieved in Selex ES from January 2013
 - ☛ **“Should Cost/Design to Value”** approach applied to main owned products, i.e. in some Alenia Aermacchi programmes target of 20% reduction in the cost of the components addressed by the should cost review
 - ☛ **Improvement of material planning processes** to optimise purchasing volumes and financial conditions
 - ☛ **Engineering/Procurement integration** related to same commodities used on different products, according to standardisation/rationalisation approach (eg. power supplier, ...)
 - ☛ **Set up of a Group Service Provider** to procure raw materials, standard materials, chemicals, etc ... leveraging bundling approach



A,D&S target of approx. 250/350€m savings at regime on direct procurement (of which approx. 160€m already included in 2015-2019 Industrial Plan) over an addressable baseline of approx. 2,5€b (total baseline 4,9€bn)



Financials

Manufacturing efficiency

ASSESS

⇒ Deep analysis of each single plant

STRENGTHEN

⇒ Several initiatives within A,D&S strongly focused on:

- ⇒ workload stabilisation on all production lines/plants, even with ramping volumes;
- ⇒ better interaction with procurement, logistic etc. to improve production lines feeding through reduction/elimination of waiting time of materials
- ⇒ reduction of manufacturing activity (and reworks) performed outside standard production processes
- ⇒ manufacturing overhead reduction (utilities, maintenance, etc.)

⇒ Will lead to a reduction of the hourly rate

⇒ Actions will also impact the indirect and material handling costs reduction, through strong rationalisation of energy, consumables and other plant services (included logistics)

- ⇒ **Efficiency ratio:** Aeronautics to benefit the most. Ratio to improve from current 70% to 76% in 2015; 80% in 2016
- ⇒ **Hourly rate:** In some areas expected to improve by 5 to 10% in 2015
- ⇒ **Direct and material handling costs:** Reduced by 10% in 2015

Financials

“New Organisational and Operating Model”

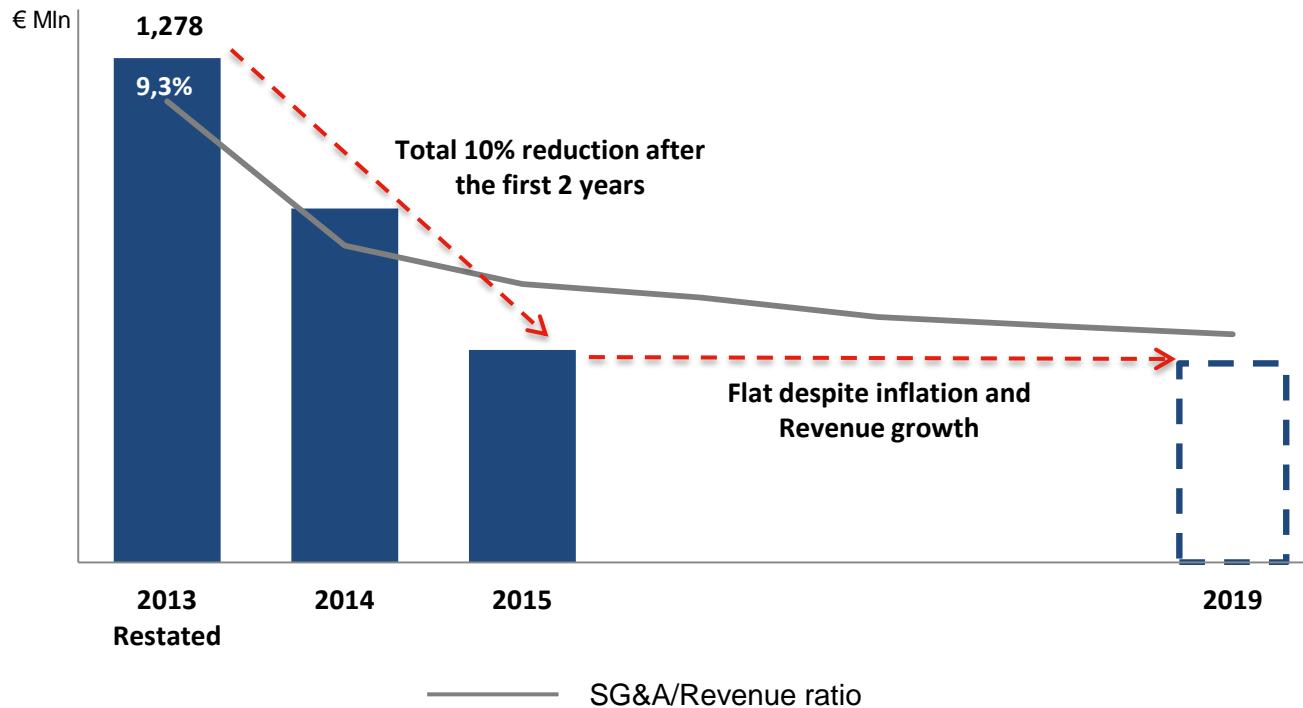
- ⇒ Finmeccanica is implementing a new organisational and operating model that is more homogeneous, cohesive and integrated, moving towards a single A,D&S company.
- ⇒ The new Model will imply the Business Support Functions rationalisation/efficiency leveraging on:
 - ⇒ Integration and harmonisation of business support activities;
 - ⇒ Productivity increase in transactional activities;
 - ⇒ General services and Real Estate complete ownership fully centralised
- ⇒ Additional savings, not yet quantified, will be achieved working on:
 - ⇒ ICT integration and harmonisation across the Group
 - ⇒ Shared International commercial/representative offices to coordinate and control more effectively Finmeccanica's presence and development in key markets;



Overall, the rationalisations will ensure total savings for approx. 150 €m, of which >25% already included in 2015-2019 Industrial Plan

Financials

SG&A Reduction



- ⇒ Aggressive action plan with material results already in 2014 (approx € 30 Mln savings in Corporate costs) and 2015
- ⇒ Incidence of SG&A on sales below 8% by the end of 2016
- ⇒ ...and more to come from additional initiatives and the implementation of the New Organisational and Operating Model

Financials

...Change is already happening

		FY 2013 Actual	<u>GUIDANCE</u> <u>FY 2014</u> (as at March 2014)	<u>GUIDANCE</u> <u>FY 2014</u> (as at November 2014)	<u>GUIDANCE</u> <u>FY 2014</u> (as at January 2015)**
New orders	€b	15.1	13.0 - 13.5	13.5 - 14.0	15.2 - 15.5
Revenues	€b	13.7	13.0 - 13.5	13.5 - 14.0	14.4 - 14.7
EBITA	€m	878	930 - 980	980 - 1,030	1,040 - 1,060
FOCF	€m	(220)	(100) - 0	(350) - (250)*	(160) - (140)

- ✦ Expected results above guidance on all the key metrics thanks to strong Q4 performance in all the A,D&S businesses, namely Selex ES and Helicopters
- ✦ Orders supported by Transportation (Lima and Service contracts) and good performance across the core businesses
- ✦ Revenues higher than expected driven by better results in all the operating companies.
- ✦ EBITA further improving as a result of excellent performance at operating level as well as cost cutting initiatives.
 - ✦ A,D&S in line with expectations despite DRS shortfall and better than expected results in Transportation
- ✦ Improved FOCF reflects strong cash collection management in Q4, as well as the effects of the actions put in place to mitigate the effects of the payment related to the Indian helicopters contract

(*) Updated in July 2014 to reflect the unexpected cash out (€256 mln) for the Indian helicopters contract in Q2

(**) Unaudited data not to be considered as preliminary

Financials

2015-2019 Assumptions

⇒ “Continuity assumptions”:

- ⇒ **Transportation sector included in the total results of the Group**, with the only exception of bus sector (de-consolidated since the end of 2014)
- ⇒ Financial data do not include any effect related to some strategic option under evaluation (ATR, Space, MBDA, DRS)

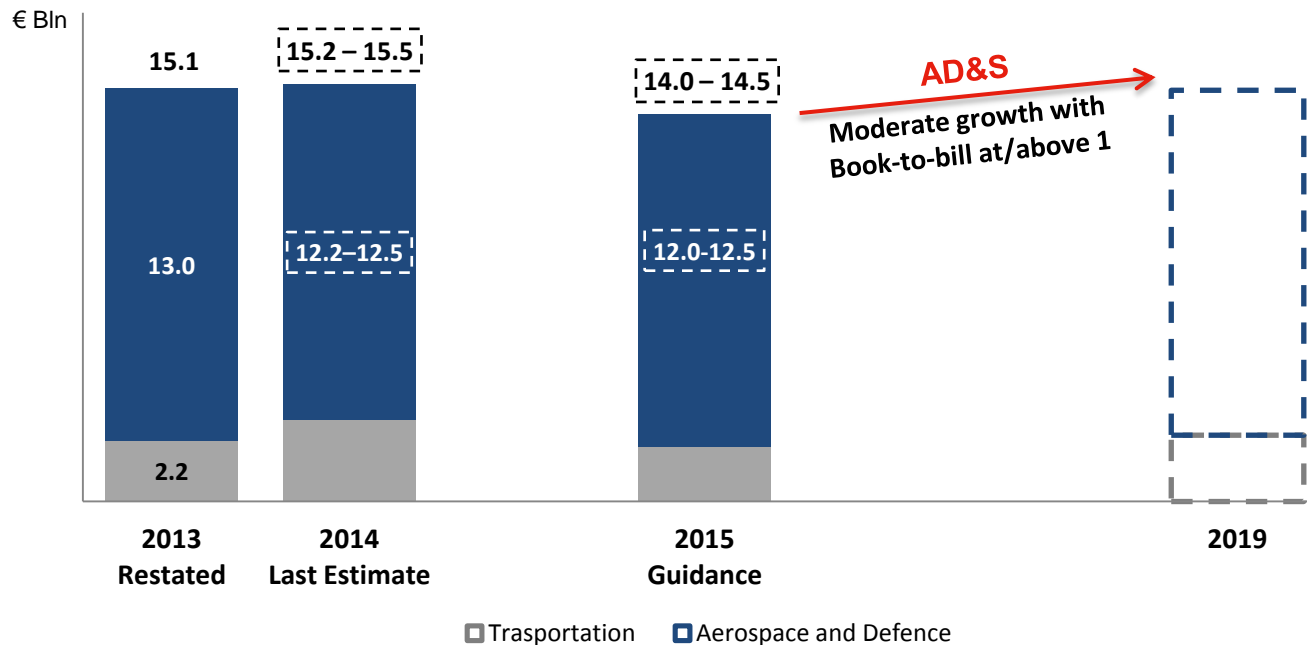
⇒ “Discontinuity assumptions”: **Businesses perimeter rationalisation and resizing** as follows:

- ⇒ Some civil business of Selex ES
- ⇒ Aviation & logistics and Training Comms and Network Solutions LoBs of DRS (approx. € 200 Mln Revenues per year)
- ⇒ Some Alenia Aermacchi products/programmes phase out

- ⇒ The “Industrial Plan” **includes the benefits coming from the cost reduction initiatives already launched, as well as from the further goals of Staff workforce optimisation/reduction and the earliest positive effects related to the achievements of «Engineering» and «Supply Chain» targets improvements**

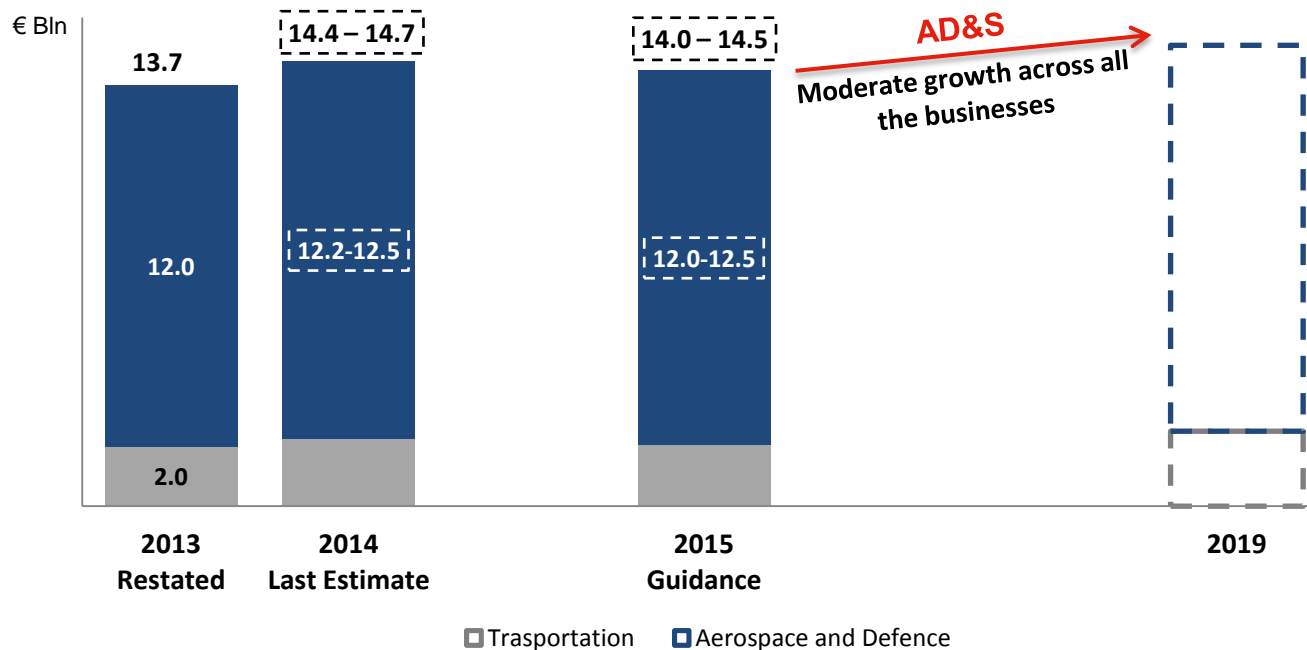
These results will be consolidated and summed up to the further benefits coming from the implementation of the Divisionalisation and Staff Functions Centralisation processes

Financials Orders



- ✦ Cumulated new Orders expected in the period 2015-19 are around € 70 Bln
- ✦ «Book to Bill» ratio equal or higher than 1, keeping the backlog around € 39 Bln over the business plan period
- ✦ Key contributors are Helicopters (33% of the total) driven by new models and Customer Support & Service, Selex ES (mainly avionics) and Aeronautics (mainly military aircraft, including Trainers for export)

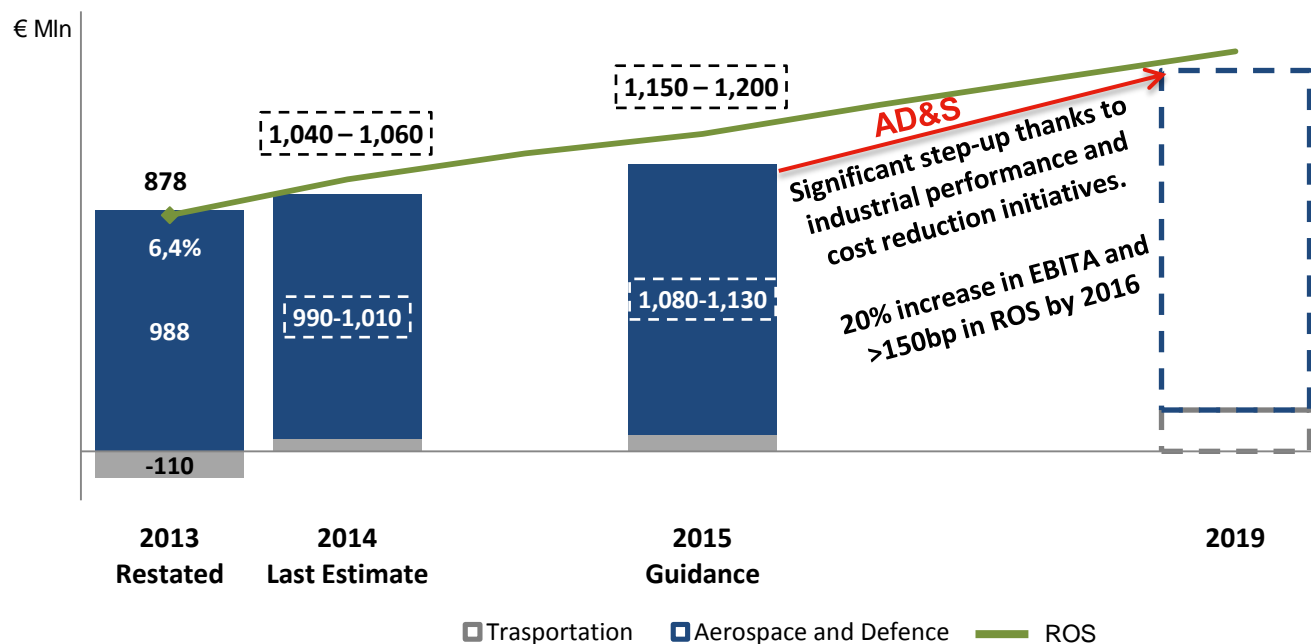
Financials Revenues



- 2015 vs. 2014 decline due to the changes in perimeter for about € 500 Mln: transfer of “pass-through” activities on B787 from Alenia Aermacchi to Boeing (approx € 300 mln) and DRS perimeter rationalisation (approx. € 200 mln), largely offset by growth in other areas, mainly Helicopters and Selex ES
- Sustainable growth over the Plan underpinned by strong focus on delivery with positive impact on operating working capital and balance sheet solidity
- Important DRS recovery

Financials

EBITA and ROS



⇒ Substantial increase driven by:

- ⇒ Helicopters (underlying profitability firmly at “double-digit”)
- ⇒ Selex ES solid growth (overcoming criticalities on specific businesses and then improving industrial profitability, as a result of perimeter reshaping, efficiency initiatives and SG&A costs reduction)
- ⇒ Restored DRS profitability to underlying levels
- ⇒ Improvements in AnsaldoBreda
- ⇒ Benefits from cost reduction initiatives

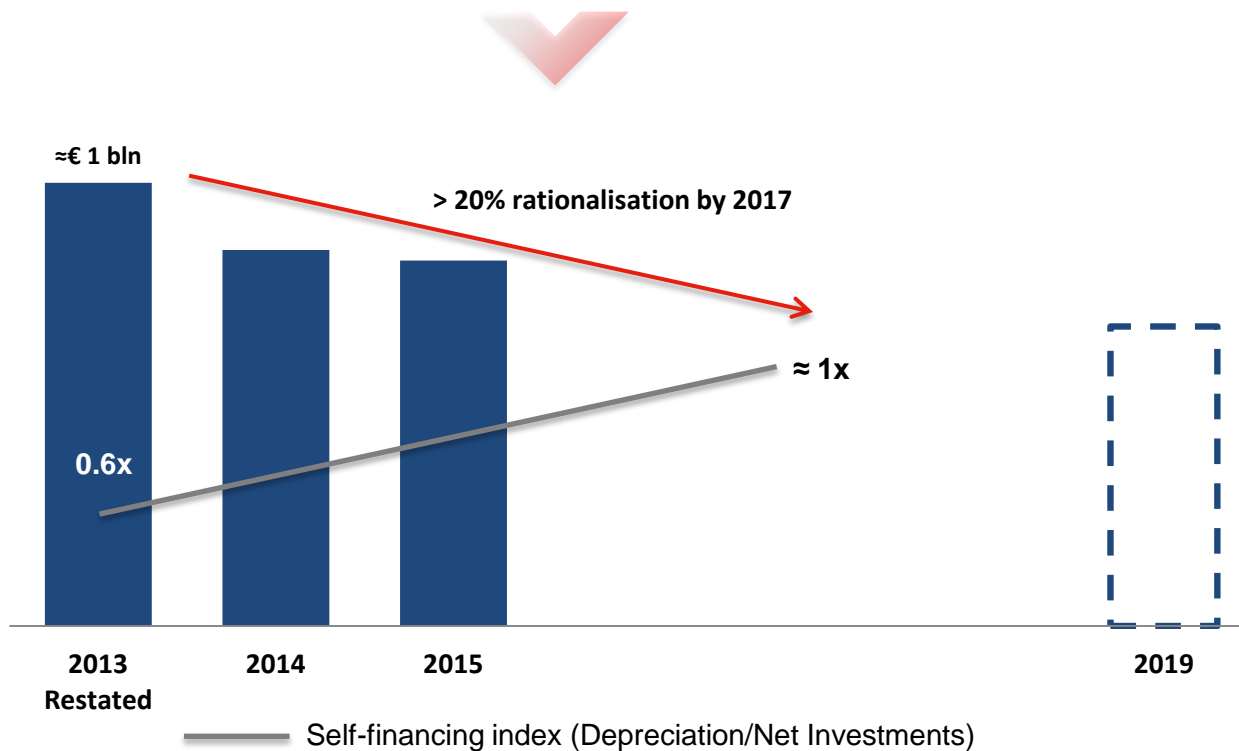
Financials

Material rationalisation of Investments (CAPEX + R&D)

Investments selection strictly
based on financial return

CAPEX reduction and tooling
optimisation

Improvements in Engineering productivity
and reduced Capitalized R&D

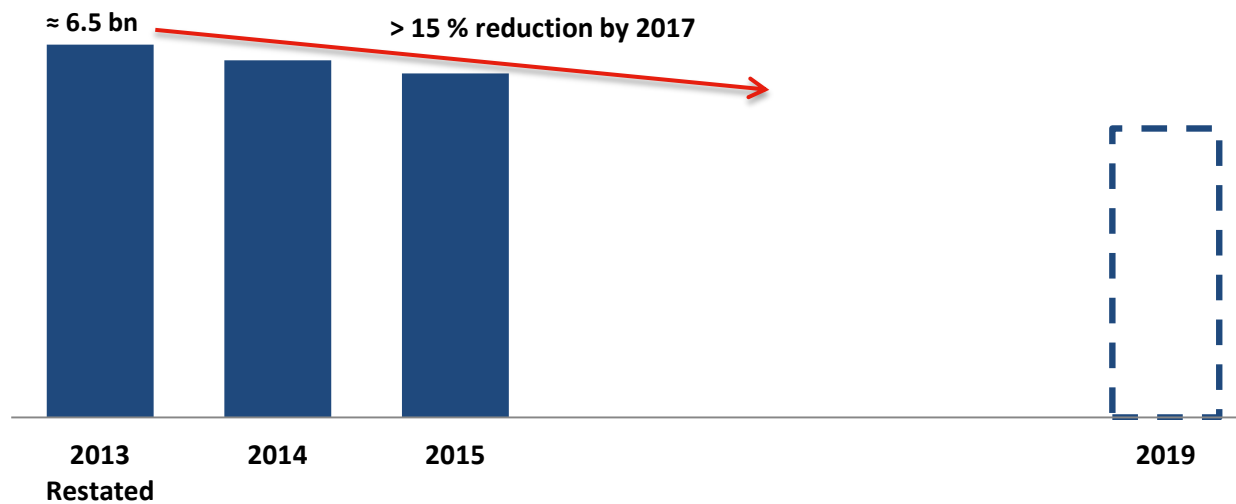


Higher self-financing

Increasing cash flow
conversion

Financials

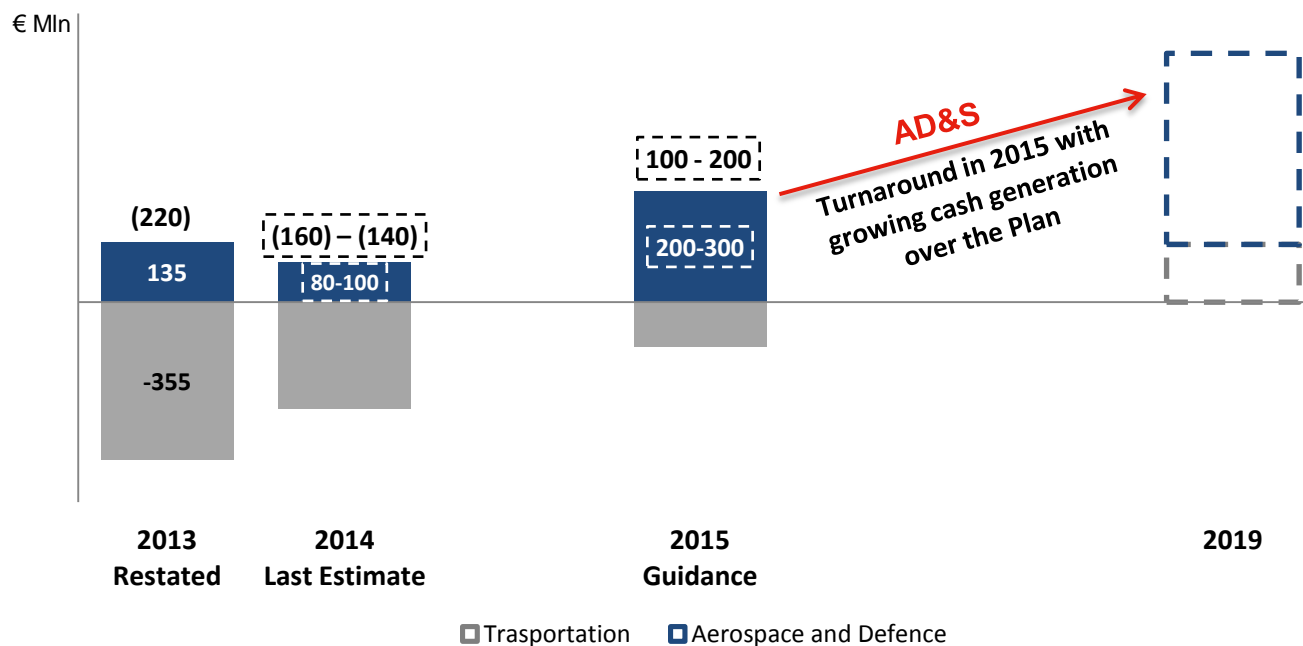
Reduced Operating Working Capital net of Customer Advances



- ⇒ Customer Advances winding down (approx -6% per year)
- ⇒ Net of Customer advances impact, initiatives put in place lead to an operating working capital reduction, even with increasing revenues
- ⇒ Combined effect of improvements in delivery, procurement and supply chain management

Financials

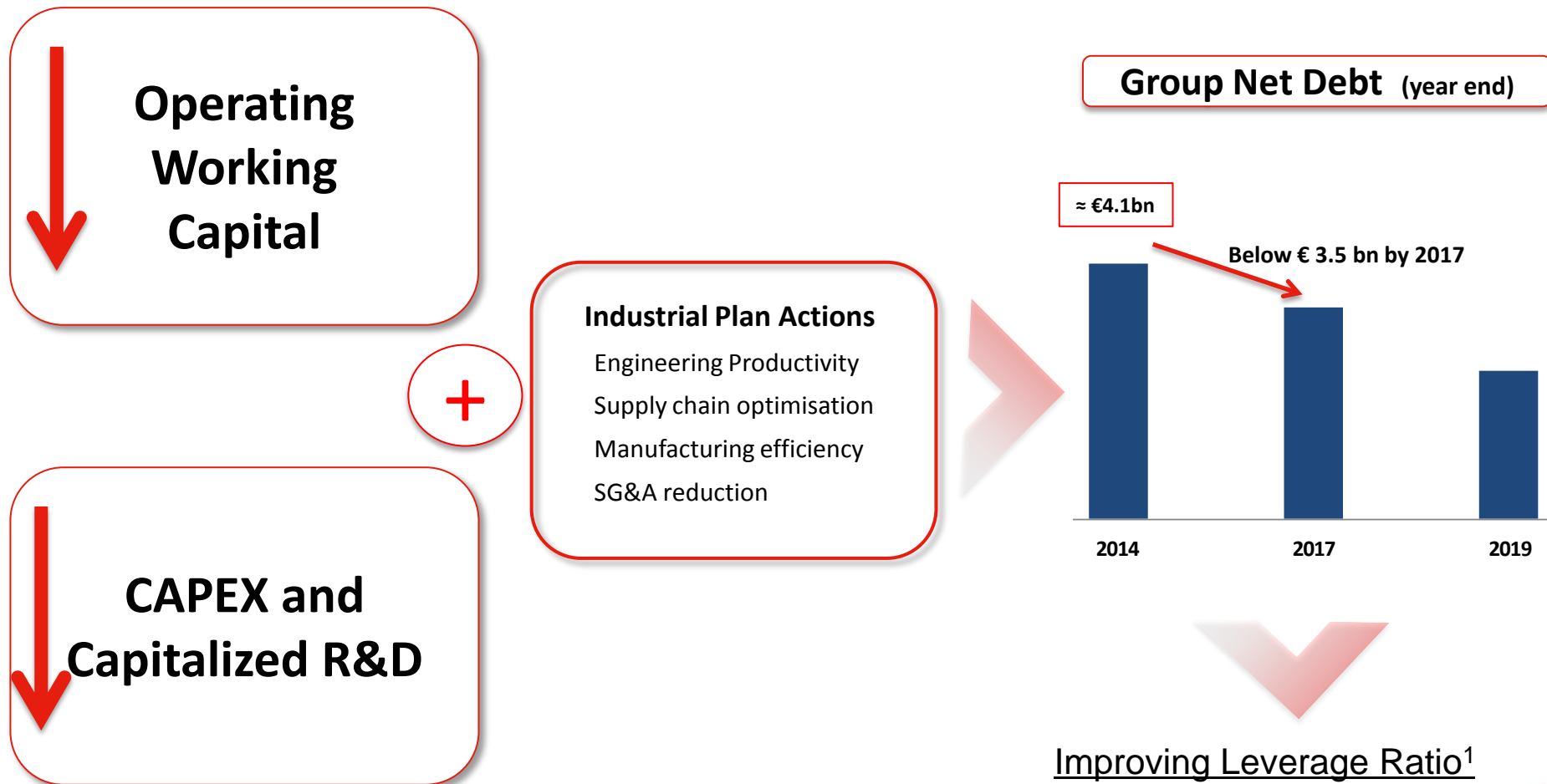
Back to cash generation



- ⚡ Positive and growing Cash Flows as a result of profitability improvement, investments focalization and selectivity, enhanced working capital management
- ⚡ FOCF growth mainly driven by Helicopters (increasing EBITA), SES (recovery of profitability and WC management improvement) and cost saving initiatives across the Group and Corporate

Financials

Combined effects lead to Group Net Debt reduction



(¹) Debt/EBITDA

Financials

FY 2015 Guidance

		Guidance FY2014 (as at January 2015)*		FY2015E	
		GROUP	A&D	GROUP	A&D
New orders	€ bn	15.2 – 15.5	12.2 – 12.5	14.0 – 14.5	12.0 – 12.5
Revenues	€ bn	14.4 – 14.7	12.2 – 12.5	14.0 – 14.5	12.0 – 12.5
EBITA	€ mln	1,040 – 1,060	990 – 1,010	1,150 – 1,200	1,080 – 1,130
FOCF	€ mln	(160) - (140)	80 – 100	100 - 200	200 - 300
Group Net Debt	€ bn	4.1		Less than 4.0	

(*) Unaudited data not to be considered as preliminary

Financials

FY 2015 headlines

- ✦ **Orders and Revenues:** moderate growth taking into account the changes in perimeter
- ✦ **Profitability:** meaningful step up in 2015 and 2016, with a cumulative increase by 20% in A&D EBITA
- ✦ **Below EBITA line:** much lower volatility with material improvement in the bottom line
- ✦ **Restructuring:** further decrease continuing the reduction path already visible in 2014
- ✦ **FOCF:** positive even with the still negative impact of transportation
- ✦ **Net Debt:** starting to decrease without factoring in any extraordinary transaction

KEY MESSAGES

(CEO and General Manager)

ASSESS – INPUTS TO THE INDUSTRIAL PLAN

(CEO and General Manager)

STRENGTHEN – INDUSTRIAL PLAN

(CFO)

DEVELOP – STRATEGIC PLAN

(CEO and General Manager)

CONCLUSIONS

(CEO and General Manager)

Q&A



Finmeccanica Strategic roadmap

1

ASSESS



2

STRENGTHEN

**TURNAROUND
INDUSTRIAL
PLAN**



PROFIT

✦ **Cut costs**

CASH

✦ **Rationalise investments and working capital**

**CAPITAL
STRUCTURE**

✦ **Balance net equity and net debt**

3

DEVELOP

**STRATEGIC
PLAN**



PORTFOLIO

✦ **More focused on A,D&S**

MARKETS

✦ **Internationalisation**

TECHNOLOGIES

✦ **Standardisation & Modularity, Dual-use, Unmanned**

OFFERING

✦ **Services and Integrated logistic solutions**

Development

Five key pillars



Quality & Effectiveness



Costs



Internationalisation & Market

1

***FEWER BUSINESSES –
FOCUS ON «A,D&S»***

2

***SELECTED JVS AND «A,D&S»
SEGMENTS***

3

FEWER PRODUCTS IN CORE «A,D&S»

4

***IMPROVE INTERNATIONAL FOOTPRINT /
EXTEND REACH***

5

***NEW GOVERNANCE AND NEW
ORGANISATIONAL AND OPERATING
MODEL***

Disposals

- Rolling Stock
- Bus business
- Industrial plants
- Other minor activities

- Selection of «core» businesses
- Repositioning of «non core» businesses

- Reduction of products number
- LoBs requalification

- Internationalisation
 - More resources devoted to international markets
 - New investment policies based on market requirements
- New Customer focused business models based on:
 - Dual use
 - R&D effectiveness – Standardisation and Modularity

- Divisional Model with integrated governance
- More efficient engineering, manufacturing and supply chain
- Industrial Re-engineering



1

Fewer businesses - focus on «A,D&S»

Disposals update

BREDAMENARINI-BUS
(«BMB») AND FATA

- ⇒ **Bus business:** all the industrial activities, except for some old critical contracts, merged in a newco. 80% owned by **King Long Italia («KLI»)** and 20% by **FNM. Completed**
- ⇒ **Industrial Plant:** the competitive process aimed at disposing the company, net of the logistics activities, has already started; the non-binding offers received are under evaluation. **Ongoing**

ANSALDOBRED

- ⇒ Further progress of the divestiture process

Selected JVs and «A,D&S» segments

Selection Criteria

«CORE» ACTIVITIES TO DEVELOP

- ✦ Satisfactory profitability
- ✦ Relevant positioning on the markets
- ✦ Strategic relevance for the Group
- ✦ Control granted

«CORE» ACTIVITIES TO ASSESS

- ✦ Restructure
- ✦ Manage in another form

«CORE» JVs AND OTHER TO ASSESS AND SELECT

- ✦ Case by case analysis
- ✦ Aim at achieving control
- ✦ If control not possible evaluate other options

SEGMENTS

- ✦ Helicopters
- ✦ Electronic Airborne
- ✦ Aeronautics
- ✦ Land and Naval Systems
- ✦ Space
- ✦ Security

- ✦ Aerostructures
- ✦ Electronics «civil/smart»

- ✦ «Space Alliance»
- ✦ Space launchers
- ✦ Missiles
- ✦ Regional Turboprop
- ✦ Regional jet
- ✦ Other

2

Selected JVs and «A,D&S» segments

JV's – assess & select

SPACE



- ⇒ Recent efforts made by Italian Government to maintain an appropriate level of investments to sustain the Space sector
- ⇒ Space is one of Group's «Core» sectors, in which Finmeccanica intends to:
 - ⇒ reinforce the role of Telespazio (Space Services)
 - ⇒ reinforce the Italian role of the manufacturing business in Thales Alenia Space
- ⇒ Guarantee Italy a key role in access to Space and in the European launchers

DEFENCE SYSTEMS



- ⇒ Finmeccanica (25%), Airbus Group (37.5%) and BAE Systems (37.5%)
- ⇒ Delivered good economic returns over the last years
- ⇒ Maturing also – at national level – a bulk of technological and specialised competencies

⇒ **Need to assess the future role of the Italian missile sector and its industry**

Fewer «A,D&S» segments *JV's – assess & select*

AERONAUTICS



- ⇒ Finmeccanica/ Alenia Aermacchi (50%), Airbus Group (50%)
- ⇒ ATR – worldwide leader in turboprop regional aircraft – achieved significant results, with 1,470 aircraft sold since 1985, of which 1,190 delivered so far
- ⇒ The current programme «as is» has a time horizon of 10 – 12 years

⇒ **For the development of a new generation aircraft it is necessary to deeply analyse the real market opportunities, taking into account the precariousness of the international macro-economic scenario, mainly oil price and currencies**



- ⇒ SSJ100 Programme has required significant investments
- ⇒ No significant economic and industrial return on the investment so far
- ⇒ Ineffective governance of the partnership (2 JVs in place) and inefficient industrial process, despite encouraging and tangible results, including the first western customer – Interjet

⇒ **Need to review the role and the terms of involvement of Alenia Aermacchi in the SSJ100 programme**

2

Selected JVs and «A,D&S» segments *DRS Technologies*

MAIN ISSUES

- ⇒ Difficulties in managing the company effectively as a real “domestic player” in the US market
- ⇒ Continuing reduction in volumes (approx. -50% from 2009), also due to the US Defence budget reduction
- ⇒ Too diversified product portfolio
- ⇒ Few synergies exploited with Selex ES and other Group Companies



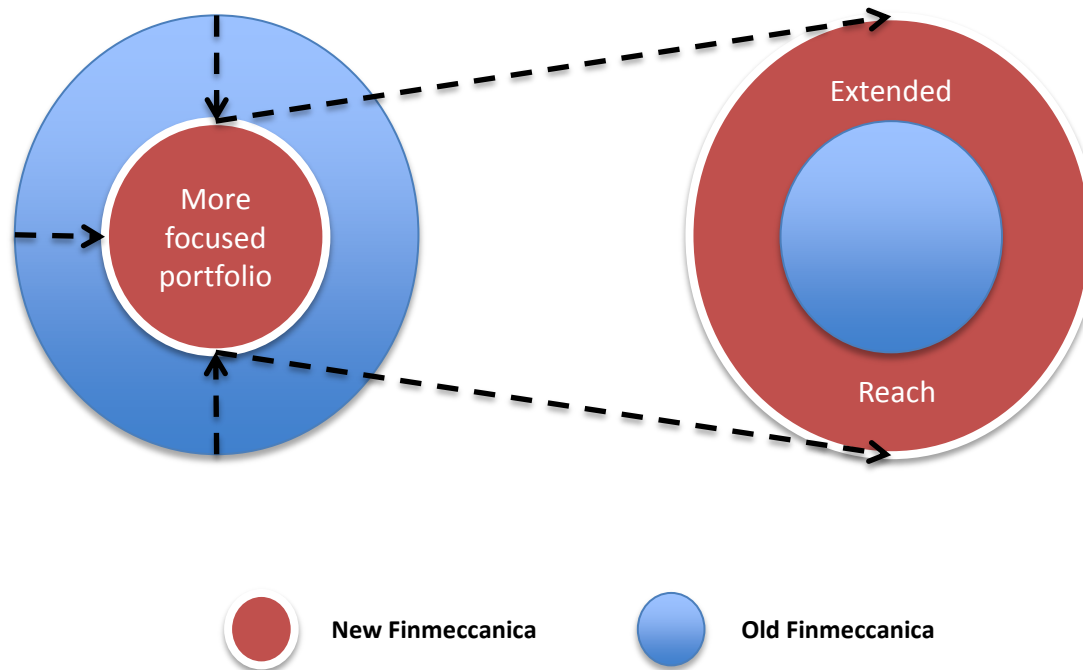
Strategic review process:

- 1) Restructuring plan **completed**
- 2) Additional business portfolio review **ongoing**
- 3) Evaluation of possible strategic options **ongoing**








Find a way to strengthen the company, also through a partner, to restart growth

4

Improve international footprint / extended reach *More focus does not mean getting smaller*



DOING MORE WITH LESS RESOURCES

-  More customers
-  More markets
-  Standardisation and Modularity
-  Dual use
-  Integrated Capabilities
-  Customer service
-  Unmanned

4 Improve international footprint / extend reach *More customers*

HELICOPTERS

MAIN OBJECTIVES

- ✦ Enlarging positioning in **Service segment** (mainly commercial)
- ✦ Reinforce positioning in key **export markets** (Asia, Middle East, China)
- ✦ Optimising new developments to fill the portfolio (“heavy lift”)
- ✦ Marketing campaigns to stimulate demand for ***Tiltrotor (AW609)***

AW189



AW169



AW609



4 Improve international footprint / extend reach *More customers*

DEFENCE ELECTRONICS AND SECURITY

MAIN OBJECTIVES

- ✦ Focus on **civil avionics** opportunities and specific competencies in Defence and Security
- ✦ Reinforce positioning in **electronic warfare**
- ✦ Consolidate positioning in **Security** (e.g. Cyber Security, ICT & Secure Networking, Secure Communications)
- ✦ Exploit opportunities within the **European sector consolidation**
- ✦ Reinforce **international positioning** in Middle East, South East Asia and Latin America

Networked Communications



Electronic Warfare



UAV



EFA E-Scan



Cyber Security



4 Improve international footprint / extend reach *More customers*

AERONAUTICS

MAIN OBJECTIVES

- ⚡ Reinforce presence in **regional aircraft segment**
- ⚡ Reinforce positioning in Trainers – developing operational version of the **M-346 dual role**, and completing Basic Trainer **M-345**
- ⚡ Maintain presence in **combat aircrafts**, optimizing returns of cooperation programmes (**EFA**, **JSF**), positioning ourselves on future **UCAV** segment
- ⚡ Maximize involvement in **JSF programme** leveraging on unique positioning in European MRO&U

M345



ATR



M346 Dual Role



JSF



EFA



4 Improve international footprint / extend reach Focus on Unmanned Aerial Systems («UAS»)

MARKET SCENARIO

- ⇒ One of the most dynamic markets in A,D&S
- ⇒ Application to **civil** (i.e. surveillance) subject to **certifications** required for a massive utilisation
- ⇒ Two new requirements are emerging
 - ⇒ **UCAV** (Unmanned Combat Air Vehicle) and
 - ⇒ **RUAV** (Rotorcraft Unmanned Aircraft Vehicles – rotary wing),

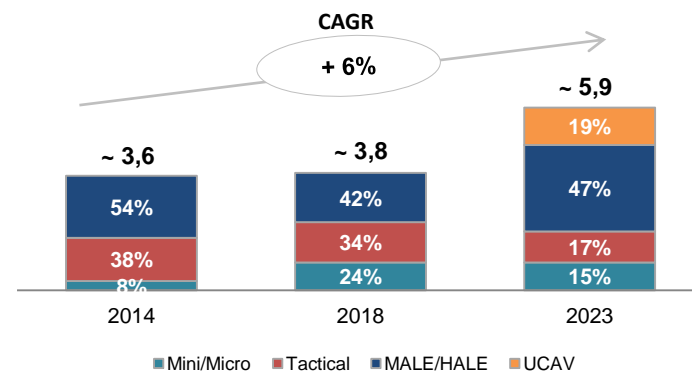
FINMECCANICA IS PRESENT THROUGH

SELEX ES, ALENIA AERMACCHI AGUSTAWESTLAND

- «**Tactical**» aircraft (Falco)
- «**Mini/Micro**» (SpyBall, Drako, Asio)
- **Technological demonstrators** (Sky-X; Sky-Y; Neuron; RUAV i.e. Project Zero and HERO)
- **OPV solutions** (in advanced development)
- Consolidated competencies: system integration, control and mission systems, sensors e payload, communications and data-link, Ground Control Station (GCS), Integrated Training Systems (ITS)

- ⇒ **Capitalise on the competencies developed so far to capture adequate footprint in future national and European programmes, for which Military UAS will be driver**
- ⇒ **Leverage transversally on Group competencies through divisionalisation**

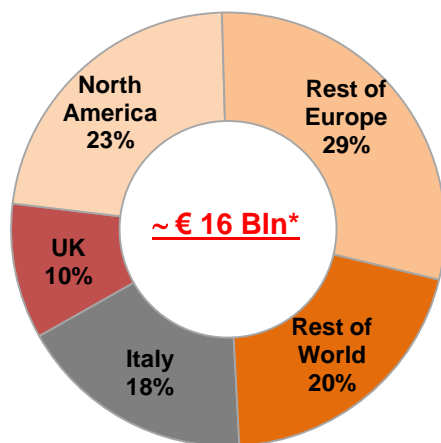
OVERALL UAS MARKET (2014 – 2023) - € BLN



source: Alenia Aermacchi / Selex ES, competitive scenario, 2014

4 Improve international footprint / extend reach More markets - Internationalisation

FINMECCANICA 2013 REVENUES BY EXPORT MARKET



- Denmark (2%)
- Turkey (1.5%)
- Sweden (0.8%)
- Poland (0.6%)

N.B.: France and Germany represent approx 15% of the revenues related to the European collaboration programmes (EFA, NH90; FREMM, etc.)

Middle East (4%)

- Saudi Arabia (2%)
- United Arab Emirates (1%)
- Oman (1%)
- Qatar (1%)

Russia (1%)

Latin America (2%)

- Brazil (1%)
- Colombia (0.1%)
- Argentina (0.1%)
- Chile (0.1%)
- Others (0.7%)

Africa (3%)

- Algeria (2%)
- South Africa (0.4%)
- Others (0.6%)

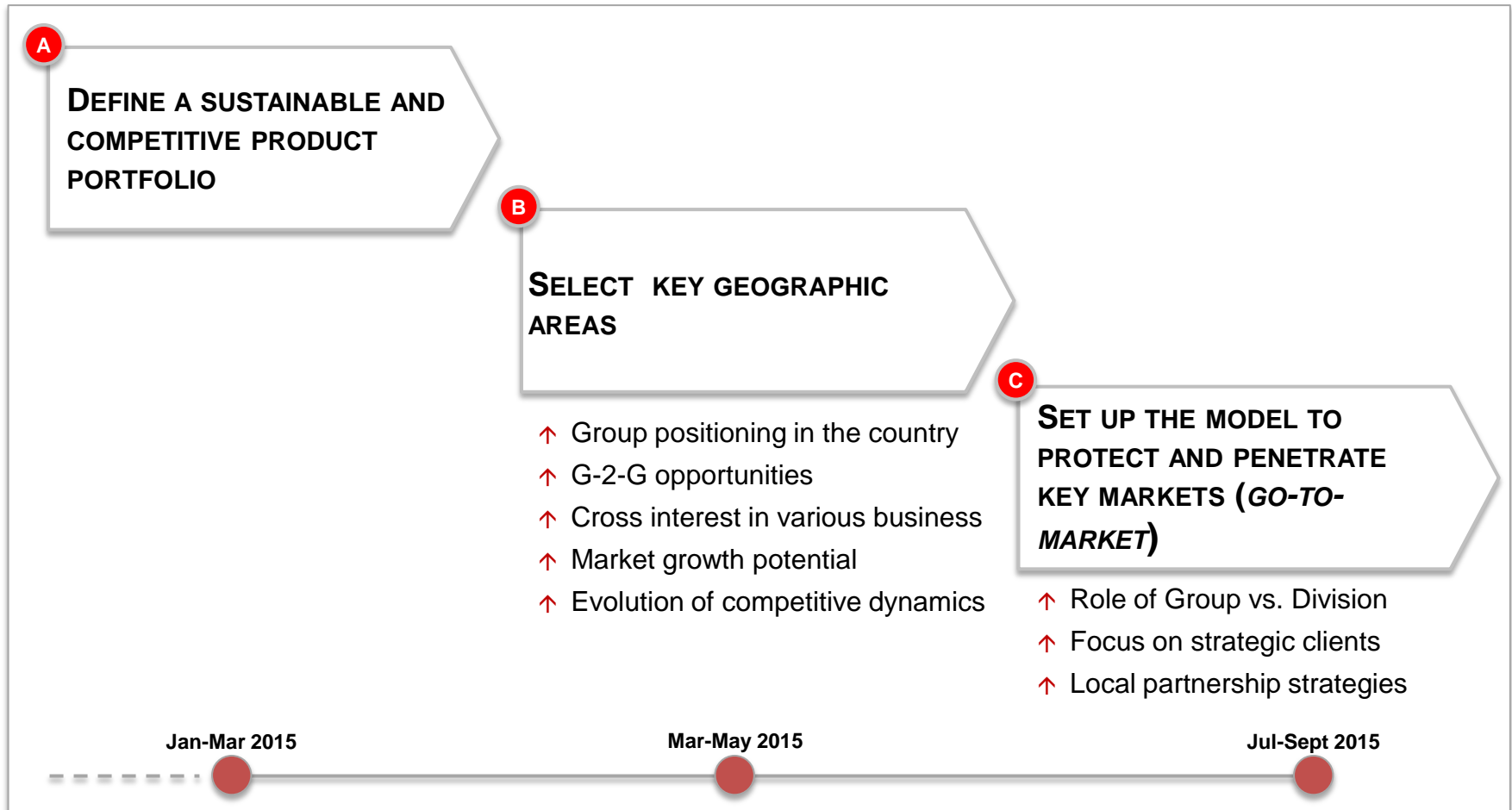
AustralAsia (10%)

- Australia (3%)
- Japan (1%)
- Malaysia (1%)
- Singapore (1%)
- Indonesia (0.5%)
- China (0.5%)
- Others (3%)

(*) Reported. Not restated according to the new IFRS11 accounting principle

4 Improve international footprint / extend reach *More markets - Internationalisation*

Towards a new structured model for strategic markets



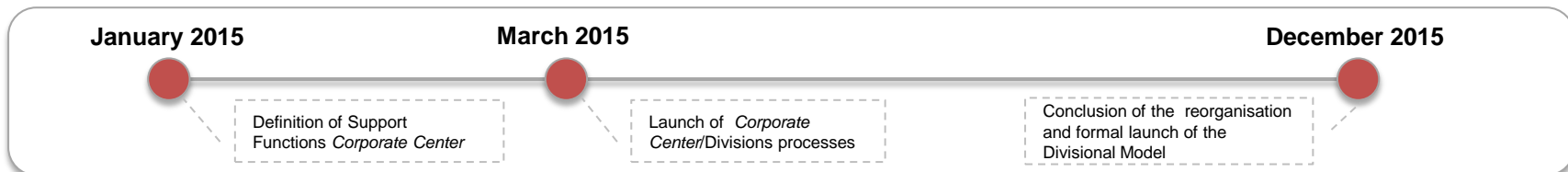
5

New Governance: New Group Organisational and Operating Model *Divisional Model*

OBJECTIVES

- ✦ Integrated Governance with benefits in terms of industrial productivity, scale economies and competitiveness
- ✦ Simplification/shortening of the chain of command, with consequent improvement in efficiency, flexibility and operational responsiveness
- ✦ More effective and coordinated approach at Group level on key selected international markets
- ✦ Unification of support function at *Corporate Center level*
- ✦ «*One Company*» with integrated divisions by the end of 2015

TIMING OF THE PROJECT



Activities are progressing in line with the expected timing

KEY MESSAGES

(CEO and General Manager)

ASSESS – INPUTS TO THE INDUSTRIAL PLAN

(CEO and General Manager)

STRENGTHEN – INDUSTRIAL PLAN

(CFO)

DEVELOP – STRATEGIC PLAN

(CEO and General Manager)

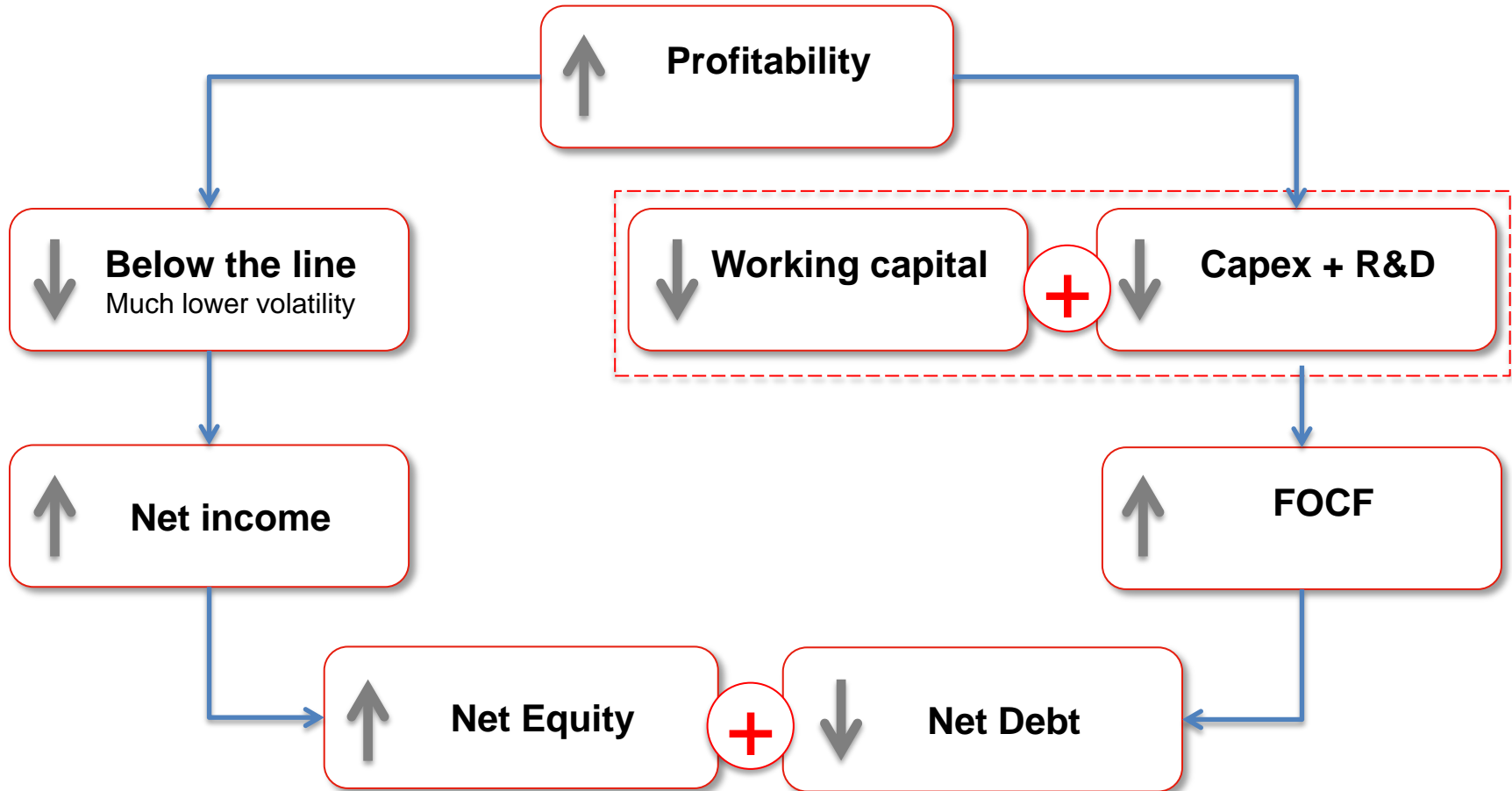
CONCLUSIONS

(CEO and General Manager)

Q&A



Immediate Priority *Strengthen the business*




More balanced and flexible Capital Structure to support DEVELOPMENT




Key Messages

10 things to take away


ASSESS

- 
1. Serious turnaround plan
 2. Based on a rigorous review ... and prudent assumptions


STRENGTHEN

- 
3. Major cost cutting to deliver a significant step up in profitability
 4. New discipline on capex, R&D and working capital to drive a material step up in cash
 5. Focus on creating a stronger and more balanced capital base

DEVELOP

- 
6. We will do more with less resources
 7. ... through a more focussed portfolio – no “sacred cows”
 8. ... and by strengthening our offer to customers across our markets

EXECUTE

- 
9. We can deliver on this – change is already happening
 10. A cost cutter with a vision – strengthen and develop

APPENDIX





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.

Contacts

Raffaella Luglini

Head of Investor Relations & SRI

+39 06 32473.066

raffaella.luglini@finmeccanica.com

Valeria Ricciotti

Financial Communication

+39 06 32473.697

valeria.ricciotti@finmeccanica.com

Alessio Crosa

Fixed Income

+39 06 32473.337

alessio.crosa@finmeccanica.com

Paolo Salomone

ESG

+39 06 32473.829

paolo.salomone@finmeccanica.com

ir@finmeccanica.com

www.finmeccanica.com/investors

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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.