# HALF-YEAR FINANCIAL REPORT

## AT 30 JUNE 2014

*Disclaimer*

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

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# Boards and Committees

**BOARD OF DIRECTORS***
**(for the three-year period 2014 - 2016)**

GIOVANNI DE GENNARO
Chairman

MAURO MORETTI
Chief Executive Officer and General Manager

GUIDO ALPA
Director (a, c)

MARINA ELVIRA CALDERONE
Director (b, c)

PAOLO CANTARELLA
Director (a)

MARTA DASSU'
Director (c, d)

ALESSANDRO DE NICOLA
Director (b, d)

DARIO FRIGERIO
Director (b, c)

FABRIZIO LANDI
Director (a, d)

SILVIA MERLO
Director (a, d)

MARINA RUBINI
Director (b, c)

***************************************
LUCIANO ACCIARI
Secretary of the Board of Directors

**BOARD OF STATUTORY AUDITORS**
***(for the three-year period 2012 - 2014)***

**Regular Statutory Auditors**

RICCARDO RAUL BAUER
Chairman

NICCOLÒ ABRIANI

MAURILIO FRATINO

SILVANO MONTALDO

EUGENIO PINTO

**Alternate Statutory Auditors**
STEFANO FIORINI

VINCENZO LIMONE

**INDEPENDENT LEGAL AUDITORS**
**KPMG S.p.A.**
***(for the period 2012 - 2020)***

*The previous Board of Directors, whose term of office expired upon the Shareholders' Meeting of 15 May 2014, was composed as follows: Giovanni De Gennaro (Chairman), Guido Venturoni (Vice Chairman), Alessandro Pansa (Chief Executive Officer and General Manager), Paolo Cantarella, Giovanni Catanzaro, Dario Frigerio, Dario Galli, Ivanhoe Lo Bello, Silvia Merlo, Francesco Parlato and Alessandro Minuto Rizzo.

a. Member of the Control and Risks Committee
b. Member of the Remuneration Committee
c. Member of the Nomination Committee
d. Member of the Analysis of International Scenarios Committee

# Report on operations at 30 June 2014

## Group results and financial position

*Key Performance Indicator* ("KPI")

| | June 2014 | June 2013 (*) | Change | 2013 (*) |
|---|---|---|---|---|
| New orders | 7,184 | 5,040 | 42.5% | 15,059 |
| Order backlog | 37,653 | 34,805 | 8.2% | 36,831 |
| Revenue | 6,557 | 6,630 | (1.1%) | 13,690 |
| EBITA | 351 | 426 | (17.6%) | 878 |
| ROS | 5.4% | 6.4% | (1.0) p.p. | 6.4% |
| EBIT | 220 | 241 | (8.7%) | (14) |
| Net result before extraordinary transactions | (39) | (70) | 44.3% | (649) |
| Net result | (39) | (62) | 37.1% | 74 |
| Group Net Debt | 4,840 | 5,241 | (7.7%) | 3,902 |
| FOCF | (1,157) | (1,196) | 3.3% | (220) |

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

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

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

The Group's commercial performance in the first half of 2014 was good; considerably more orders were acquired than had been forecast compared to the corresponding period of the previous financial year, both in the *Aerospace* and *Defence* and *Transportation*, with remarkable financial results and cash flows that were less negative than expected, in spite of the enforcement of the guarantees for the Indian contract in the Helicopters sector, which had a significant effect on the half-year (€mil. 256).

The business performance was substantially in line with or better than forecast in all sectors, except for *Defence and Security Electronics*, in which, while SES improved, DRS was affected not only by a fall in volumes owing to the expected cut in the USA Defence budget but also by unforeseen costs for a programme of the *Training, Control, Avionics & Irregular Warfare* business line. Despite this decrease, the lower non-recurring costs and, to a lesser extent, the lower financial expense and taxes, resulted in a net loss for the period lower than expected and compared to the previous year.

***The Group's reorganisation***. In the framework of a broader based examination of the Group's strategic positioning and operational efficiency, the new Board of Directors, which took office in May, launched a profound transformation of Finmeccanica's organisational and operating model, with a view to transforming the companies currently operating in *Aerospace and Defence* into divisions of a new Finmeccanica. The process excludes the companies subject to strategic review (*Transportation* sector and FATA), the Joint Ventures and DRS (which operates under a Proxy system). At the end of this process, on one hand Finmeccanica will be a division-based operating company and on the other hand it will retain its function as Parent Company and corporate centre for the companies not included in the divisional perimeter. In accordance with the new organisational model, there will be divisions equipped to manage and develop their respective business, technical units and centralised functions capable to coordinate the divisions and support business, as well as more highly integrated governance and strategic direction, with benefits in terms of industrial productivity, scale economies and a greater degree of competitiveness.

The primary changes that marked the Group's performance compared with that of the corresponding period of the previous year are described below. A deeper analysis can be found in the section covering the trends in each business segment.

| **30 June 2014** | **Aerospace and Defence** | **Transportation** | ***Eliminations*** | **Total Continuing Operations** |
|---|---|---|---|---|
| New orders | 5,755 | 1,447 | *(18)* | 7,184 |
| Order backlog | 28,927 | 8,925 | *(199)* | 37,653 |
| Revenue | 5,609 | 1,000 | *(52)* | 6,557 |
| EBITA | 325 | 26 | - | 351 |
| ROS % | 5.8% | 2.6% | *n.a.* | 5.4% |

| **30 June 2013 (restated)** | **Aerospace and Defence** | **Transportation** | ***Eliminations*** | **Total Continuing Operations** |
|---|---|---|---|---|
| New orders | 4,580 | 467 | *(7)* | 5,040 |
| Order backlog at 31 Dec. 2013 | 28,565 | 8,494 | *(228)* | 36,831 |
| Revenue | 5,739 | 937 | *(46)* | 6,630 |
| EBITA | 442 | (16) | - | 426 |
| ROS % | 7.7% | (1.7%) | *n.a.* | 6.4% |

| **Change** | **Aerospace and Defence** | **Transportation** | ***Eliminations*** | **Total Continuing Operations** |
|---|---|---|---|---|
| New orders (% change) | 25.7% | n.a | *n.a.* | 42.5% |
| Order backlog (% change) | 1.3% | 5.1% | *n.a.* | 2.2% |
| Revenues (% change) | (2.3%) | 6.7% | *n.a.* | (1.1%) |
| EBITA (% change) | (26.5%) | n.a | *n.a.* | (17.6%) |
| ROS % (p.p. change) | *(1.9) p.p.* | *4.3 p.p.* | *n.a.* | *(1.0) p.p.* |

***Commercial performance***.

N**ew orders** in *Aerospace and Defence* were higher than the corresponding period of the prior year and than expected, mainly thanks to the very positive performance of the *Helicopters* segment (up €mil. 1,249 compared to 2013), largely for the contracts for the upgrading of the fleet of 25 AW101

Merlin helicopters in the context of the Merlin Life Sustainment programme (MLSP) and for the five-year maintenance and support on the fleet of Apache AH Mkl helicopters, both for the British Ministry of Defence. These new orders led to an increase in *Aerospace and Defence* (up €mil. 1,175) over the previous year, despite the decline in *Aeronautics* (€mil. 268), that in the first half of 2013 had benefitted from an order of 50 series on the B787 programme. New orders also showed an increase in *Transportation* (up €mil. 980 compared to 2013), substantially as a result of the acquisition by Ansaldo STS and AnsaldoBreda of orders on the project relating to the driverless metro in Lima, Peru, for an overall amount of USD 1.2 billion.

Consequently, the **order backlog** showed an increase compared to 31 December 2013, with a book-to-bill greater than 1 (1.10). The order backlog, considered in terms of its workability, ensures over two and a half years of production for the Group.

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***Business performance***.

In line with expectations, **revenues** of the *Aerospace and Defence* sector fell compared with 2013 due to the mentioned cuts in Defence budgets, mainly in USA, which led to a €mil. 189 reduction in revenues in *Defence and Security Electronics*, only partly offset by higher revenues in *Aeronautics* (€mil. 123), mainly due to growth in the production rates for the Boeing 787 programme. The drop in revenues, and in particular the costs recognised in relation to a single contract account for a reduction in the **EBITA** of DRS compared to June 2013, which, together with the Joint Ventures' worse result by €mil. 22, are behind the worsening of the EBITA of *Aerospace* and *Defence*. Comparison with 2013 also showed a reduction in the EBITA of *Helicopters*, attributable to the income recognised in the first half of 2013 from the closure of the VH-71 programme; excluding this factor, the *Helicopters* result has increased. *Transportation* also improved significantly as a result of lower losses in the *vehicles* line, with revenues rising and operating results that were positive overall.

**EBIT** showed a decrease (€mil. 21) compared to 2013, but to a far lesser extent than the reduction in EBITA owing to the lower incidence of non-recurring costs, which had been higher by €mil. 51 million in the first half of 2013, mainly due to the provisions accrued for the *Fyra* programme in the *Transportation* sector.

The **net result**, which was negative for €mil. 39, improved compared to 2013, in spite of the fall in EBIT owing to the lower incidence of financial costs, as a result of a lower loss reported by the other companies valued at equity (other than the strategic JVs) and lower charges for commissions (largely related to assignments of receivables), as well as of a lower tax burden.

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

| | Note | For the six months ended 30 June 2014 | 2013 (restated) | Change | % Change |
|---|---|---|---|---|---|
| ***€ millions*** | | | | | |
| Revenues | | 6,557 | 6,630 | (73) | (1.1%) |
| Purchases and personnel expense | *(*)* | (5,923) | (5,984) | | |
| Amortisation and depreciation | *(**)* | (288) | (262) | | |
| Other net operating income/(expenses) | *(***)* | (32) | (17) | | |
| Equity-accounted strategic JVs | | 37 | 59 | | |
| **EBITA** | | **351** | **426** | **(75)** | **(17.6%)** |
| Non-recurring income/(expenses) | | (28) | (79) | | |
| Restructuring costs | | (62) | (64) | | |
| Amortisation of intangible assets acquired as part of business combinations | | (41) | (42) | | |
| **EBIT** | | **220** | **241** | **(21)** | **(8.7%)** |
| Net financial income/(expense) | *(****)* | (209) | (245) | | |
| Income taxes | | (50) | (66) | | |
| **Net result before extraordinary transactions** | | **(39)** | **(70)** | **31** | **44.3%** |
| Net result related to discontinued operations and extraordinary transactions | | - | 8 | | |
| **Net result** | | **(39)** | **(62)** | **23** | **37.1%** |

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

*(*) "Purchases and Personnel expense" net of restructuring costs and non-recurring income/(costs).*

*(**) "Amortisation and depreciation" net of the portion referable to intangible assets acquired as part of business combinations.*

*(***) Includes "Impairment" and "Other operating income/(expenses)", net of restructuring costs and non-recurring income/(costs).*

*(****) Includes "Financial income/(expense)" and "Share of profits (losses) on equity-accounted investees" (net of the results of strategic JVs).*

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***Financial performance***.

The FOCF was slightly better than expectations and compared to the first half of 2013, in spite of the enforcement of the guarantees for the Indian contract in the *Helicopters* sector, which had a significant effect on 2014 for an overall amount of €mil. 256. This negative effect was offset by a lower use of cash in *Defence and Security Electronics* (mainly at SES) and in *Transportation*, thanks to an improvement in the *vehicles* segment. FOCF, which was negative by €mil. 1,157 overall, reflects the normal seasonal fluctuation in Group cash flows, with payments to suppliers being particularly higher than inflows from customers in the first half of the year.

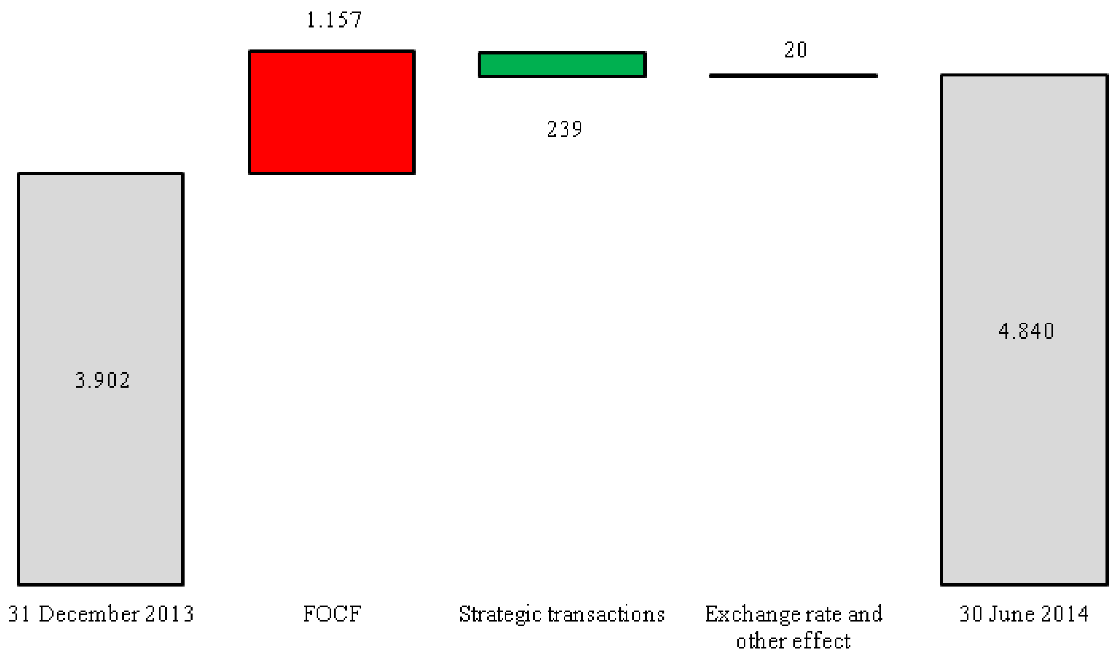
FOCF benefitted from the receipt of dividends from JVs for an overall amount of €mil. 171, showing a significant increase compared to 2013 (equal to €mil. 77) by virtue of the distribution to shareholders of part of the available funds of the companies in the Space sector. The Group Net Debt also benefitted from the cash-in from Avio of most of the proceeds (€mil. 239) from the sale by the latter of its engine business. Below is reported the cash flow performance:

| € millions | For the six months ended 30 June 2014 | 2013 (restated) | Change | % Change |
|---|---|---|---|---|
| ***Funds From Operations (FFO)*** | **420** | **580** | **(160)** | **(27.6%)** |
| Change in working capital | (1,151) | (1,368) | | |
| Cash flows from ordinary investing activities | (426) | (408) | | |
| ***Free Operating Cash Flow (FOCF)*** | **(1,157)** | **(1,196)** | **39** | **3.3%** |
| | | | | |
| Strategic transactions | 239 | - | | |
| Change in other investing activities (*) | (16) | (42) | | |
| Net change in loans and borrowings | 138 | 457 | | |
| Dividends paid | (19) | (18) | | |
| **Net increase (decrease) in cash and cash equivalents** | **(815)** | **(799)** | | |
| | | | | |
| **Cash and cash equivalents at 1 January** | **1,455** | **1,870** | | |
| Exchange rate differences and other changes | 11 | (17) | | |
| **Cash and cash equivalents at 30 June** | **651** | **1,054** | | |

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

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

The **Group net debt**, which has been significant lower than expectations and compared to June 2013 figures, increased since 31 December 2013 as follows:



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

| | *Note* | 30 June 2014 | 31 December 2013 (restated) | Change | % Change |
|---|---|---|---|---|---|
| ***€ millions*** | | | | | |
| Non-current assets | | 12,044 | 12,185 | | |
| Non-current liabilities | | (3,145) | (3,165) | | |
| **Capital assets** | *(*)* | **8,899** | **9,020** | **(121)** | **(1.3%)** |
| Inventories | | 4,865 | 4,754 | | |
| Trade receivables | *(**)* | 7,648 | 7,254 | | |
| Trade payables | *(**)* | (11,301) | (11,524) | | |
| **Working capital** | | **1,212** | **484** | | |
| Provisions for short-term risks and charges | | (727) | (1,007) | | |
| Other net current assets (liabilities) | *(***)* | (864) | (916) | | |
| **Net working capital** | | **(379)** | **(1,439)** | **1,060** | **73.7%** |
| **Net invested capital** | | **8,520** | **7,581** | **939** | **12.4%** |
| Equity attributable to the Owners of the Parent | | 3,378 | 3,381 | | |
| Equity attributable to non-controlling interests | | 302 | 298 | | |
| **Equity** | | **3,680** | **3,679** | **1** | **n.a** |
| **Group Net Debt** | | **4,840** | **3,902** | **938** | **24.0%** |

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

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

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

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

Group net financial debt breaks down is as follows:

| *€ millions* | **30 June 2014** | *of which current* | **31 December 2013 (restated)** | *of which current* |
|---|---|---|---|---|
| Bonds | 4,606 | *104* | 4,305 | *83* |
| Bank debt | 575 | *170* | 544 | *134* |
| Cash and cash equivalents | (651) | *(651)* | (1,455) | *(1,455)* |
| **Net bank debt and bonds** | **4,530** | | **3,394** | |
| *Fair value of the residual portion in portfolio of Ansaldo Energia* | (120) | | (117) | |
| Securities | - | - | - | - |
| Current loans and receivables from related parties | (145) | *(145)* | (125) | *(125)* |
| Other current loans and receivables | (75) | *(75)* | (61) | *(61)* |
| **Current loans and receivables and securities** | **(340)** | | **(303)** | |
| Hedging derivatives in respect of debt items | (5) | *(5)* | (9) | *(9)* |
| Effect of transactions involving FYRA contract | 86 | *86* | 86 | *86* |
| Related-party loans and borrowings | 487 | *477* | 629 | *616* |
| Other loans and borrowings | 82 | *57* | 105 | *77* |
| **Group Net Debt** | **4,840** | | **3,902** | |

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

The Group during the period disposed without recourse of receivables for a total carrying value of approximately €mil. 399 (€mil. 504 at 30 June 2013).

To meet the financing needs for ordinary Group activities, Finmeccanica obtained a revolving credit facility with a pool of Italian and international banks in September 2010 for €mil. 2,400 (final maturity in September 2015), which, at 30 June 2014 was unused. Finmeccanica renewed its credit facility ahead of schedule on 9 July, taking advantage of the favourable financial market situation in terms of liquidity and applicable rates, reducing the amount of the credit facility to €bil. 2.2 and extending its expiry date to 9 July 2019. The new agreement was signed with a pool of Italian and international banks on the following conditions:

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

- upfront fees: 90 bps, 75 bps and 60 bps for the members of the pool on the basis of the amounts of the commitments they have subscribed.

Under the new Revolving Credit Facility, Finmeccanica must comply with two Covenants (Group net debt/EBITDA not higher than 3.75 and EBITDA/Net interest not lower than 3.25) tested annually on the consolidated data at the end of the year.

Finmeccanica also has additional unconfirmed short-term lines of credit of €mil. 635, which were used in the amount of €mil. 69 at 30 June 2014, as well as unconfirmed, unsecured lines of credit of approximately €mil. 2,647.

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

| **June 2014** | **New orders** | **Order backlog** | **Revenues** | **EBITA** | **ROS %** |
|---|---|---|---|---|---|
| Helicopters | 2,685 | 12,590 | 2,041 | 263 | 12.9% |
| Defence and Security Electronics | 2,093 | 8,529 | 2,154 | - | n.a. |
| Aeronautics | 1,004 | 7,342 | 1,379 | 74 | 5.4% |
| Space | - | - | - | 17 | n.a. |
| Defence Systems | 78 | 1,159 | 230 | 26 | 11.3% |
| *Eliminations/Other* | *(105)* | *(693)* | *(195)* | *(55)* | *n.a.* |
| **Total Aerospace and Defence** | **5,755** | **28,927** | **5,609** | **325** | **5.8%** |

| **June 2013** | **New orders** | **Order backlog at 31.12.2013** | **Revenues** | **EBITA** | **ROS %** |
|---|---|---|---|---|---|
| Helicopters | 1,436 | 11,834 | 2,041 | 282 | 13.8% |
| Defence and Security Electronics | 1,824 | 8,485 | 2,343 | 72 | 3.1% |
| Aeronautics | 1,272 | 7,716 | 1,256 | 69 | 5.5% |
| Space | - | - | - | 24 | n.a. |
| Defence Systems | 186 | 1,320 | 249 | 50 | 20.1% |
| *Eliminations/Other* | *(138)* | *(790)* | *(150)* | *(55)* | *n.a.* |
| **Total Aerospace and Defence** | **4,580** | **28,565** | **5,739** | **442** | **7.7%** |

| **Change** | **New orders** | **Order backlog at 31.12.2013** | **Revenues** | **EBITA** | **ROS %** |
|---|---|---|---|---|---|
| Helicopters | 87.0% | 6.4% | n.a | (6.7%) | (0.9) p.p. |
| Defence and Security Electronics | 14.7% | 0.5% | (8.1%) | (100.0%) | (3.1) p.p. |
| Aeronautics | (21.1%) | (4.8%) | 9.8% | 7.2% | (0.1) p.p. |
| Space | | | | (29.2%) | n.a. |
| Defence Systems | (58.1%) | (12.2%) | (7.6%) | (48.0%) | (8.8) p.p. |
| *Eliminations/Other* | *23.9%* | *12.3%* | *(30.0%)* | *n.a* | *n.a.* |
| **Total Aerospace and Defence** | **25.7%** | **1.3%** | **(2.3%)** | **(26.5%)** | **(1.9) p.p.** |

**Helicopters**

The first half-year of 2014 saw confirmation of the outstanding commercial performance, with new orders rising by 87% over the first half-year of the previous year, mainly attributable to two important contracts signed with the UK Ministry of Defence: the contract to upgrade the fleet of 25 AW101 Merlin helicopters under the Merlin Life Sustainment Programme (MLSP) and the contract to provide maintenance and support for the fleet of Apache AH Mk1 helicopters for five years. In terms of production volumes, the delay reported in March was recovered in the second quarter, recording revenues for the half-year in line with those recorded in 2013. Profits were excellent once again.

New orders. The significant increase over the first half-year of 2013 was mainly due to the two new orders mentioned above. Other acquisitions included the contract for the upgrading of 8 Lynx Mk21A helicopters of the naval Aviation of the Brazilian Navy and various orders for AW139 helicopters, including that for the supply of 6 helicopters for helicopter rescue missions in Australia.

Revenues. These were in line with the first half of 2013; the gradual growth in the activities involving the new AW189 aircraft, in relation to which the first two deliveries were made in the second quarter, offset the expected drop in revenues on the AW139 line.

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

**Defence and Security Electronics**

The following table sets out the key performance indicators for DRS and SES, discussed separately in the following section:

| | New orders | Revenues | EBITA | ROS % |
|---|---|---|---|---|
| SES (€mil.) June 2014 | 1,399 | 1,554 | 47 | 3.0% |
| SES (€mil.) June 2013 | 1,180 | 1,546 | 26 | 1.7% |
| DRS ($mil.) June 2014 | 951 | 827 | (64) | (7.7%) |
| DRS ($mil.) June 2013 | 851 | 1,051 | 60 | 5.7% |

**SES** – The first half-year was characterised by good results from a commercial point of view and by the continuation of the initiatives and related to the restructuring and integration plan launched last year, which progressed more quickly than forecast in the budget.

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

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

EBITA. This item showed an improvement as a result of the benefits associated with the ongoing restructuring plan and of lower R&D activities developed in the period. The performance reported in the half-year also confirmed the gradual recovery of margins in the *Security & Smart Systems* division, the result of which had been penalised by the review of the estimates of some programmes (in particular ATC) in the same period of 2013.

**DRS** – The second quarter of 2014 has been characterised by some technical issues arising from a programme of the *Training, Control, Avionics & Irregular Warfare* business line in relation to the development and production of a cargo handling and transport system for aircraft. This has entailed a review of the assumptions for the recoverability of some investments made in terms of non-recurring developments and activities, as well as an increase in the estimated cost for the production of the systems in question. The costs reported on this programme, together with the expected decline in the volumes of revenues, have entailed a marked decline in the result of operations compared to the first half of 2013.

New orders. These were higher than in 2013 as a result of the good performance of the *Global Enterprise Solutions* line. The most significant acquisitions included a supply contract with the US Army relating to ground and satellite telecommunication services in support of the armed forces engaged in operational areas.

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

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

**Aeronautics**

There was a significant increase in revenues during the first half-year, exceeding both forecasts and the figure reported in the same period of 2013, spurred in particular by the rise in production rates for the B787 programmes, for which deliveries equivalent to 56 fuselage sections and 43 horizontal stabilisers (32 fuselages and 39 stabilisers delivered in the first half-year of 2013) were made. The increased production rates led to a level of 10 units per month for fuselage sections in March and allowed 32 deliveries to be made in the second quarter. Furthermore, work continued for improving efficiency and strengthening the production rates achieved so as to meet the 120 deliveries expected in 2014.

New orders**.** The decline is mainly due to fewer new orders in the *civil* segment, especially relating to the B787 programme, which received new orders for 50 units in the first quarter of 2013, and for aerostructures. In the *military* segment, a decline was recorded which was due to defence and transport aircraft and which was offset by the order for the supply of 8 M346 aircraft and logistical support to the Polish Ministry of Defence.

Revenues. These were up due to higher revenues in the *civil* segment generated by the increase in activity for the B787 and the ATR programmes, with deliveries of 45 fuselages compared with 35 in the first half-year of 2013. The increase in revenues for defence aircraft in the *military* segment offset the decline in activity on transport aircraft and special versions of aircraft.

*EBITA***.** A slight improvement was recorded which was due to higher margins in the *military* segment, in particular for defence aircraft.

**Space**

The first half of 2014 was characterised by the launch of the *Athena Fidus* satellite and by the subsequent telemetry operations and tests for checking the correct operation of on-board equipment, as well as by the installation of the network and mission control centre at the Fucino site. *Athena Fidus* is a satellite system for broadband communication services for military and civilian government use, developed by the Italian Space Agency (ASI) and by the *Centre National d'Etudes Spatiales* (CNES) under the frame of cooperation agreements signed by the two Agencies and the Italian and French Ministries of Defence.

Excluding the revenues generated by the launch of the satellite, the production volumes developed in the half-year were substantially in line with those recorded in 2013. In line with the budget forecasts, the result of operations recorded a decline as a result of the costs associated with the restructuring plan launched by Thales Alenia Space at the beginning of 2014.

**Defence Systems**

The first half-year of 2014 reported a general decline compared with the same period of 2013, in line with expectations, due to fewer new orders and lower revenues, in addition to a rather marked deterioration in profitability, largely reflecting the completion of major, profitable programmes in the *missile systems* segment.

New orders. The decrease affected the *land, sea and air weapons systems* segment and the *underwater systems* segment. New orders during the period included a contract for light torpedoes from a Navy in the Mediterranean area, two orders from a Navy in the Far East relating to integration activities for heavy torpedoes and to systems of countermeasures and logistics contracts from various countries.

Revenues. A decrease was recorded in particular in the *underwater systems* associated with the gradual completion of some job orders.

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

With regard to *missile systems*, in line with expectations, the performance of the half-year recorded a significant decrease in the result of operations due to the completion of deliveries for an important, profitable programme in the Middle East.

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

| June 2014 | New orders | Order backlog | Revenues | EBITA | ROS % |
|---|---|---|---|---|---|
| Transportation | 1,426 | 8,701 | 921 | 25 | 2.7% |
| *Eliminations/Other* | *21* | *224* | *79* | *1* | *n.a.* |
| **Total Transportation** | **1,447** | **8,925** | **1,000** | **26** | **2.6%** |
| **June 2013** | **New orders** | **Order backlog at 31.12.2013** | **Revenues** | **EBITA** | **ROS %** |
| Transportation | 459 | 8,213 | 850 | (17) | (2.0%) |
| *Eliminations/Other* | *8* | *281* | *87* | *1* | *n.a.* |
| **Total Transportation** | **467** | **8,494** | **937** | **(16)** | **(1.7%)** |
| **Change** | **New orders** | **Order backlog at 31.12.2013** | **Revenues** | **EBITA** | **ROS %** |
| Transportation | n.a | 5.9% | 8.4% | n.a | 4.7 p.p. |
| *Eliminations/Other* | *n.a* | *(20.3%)* | *(9.2%)* | *n.a.* | *n.a.* |
| **Total Transportation** | **n.a** | **5.1%** | **6.7%** | **n.a** | **4.3 p.p.** |

### Transportation

The first half-year of 2014 showed an improvement compared to the same period in 2013, which was attributable in particular to AnsaldoBreda, the performance of which showed the first signs of recovery, even with still negative results.

<u>New orders.</u> These showed a significant increase compared to the first half of 2013, in particular for the acquisition of the project relating to the driverless metro in Lima, in Peru, on the part of both Ansaldo STS and AnsaldoBreda; as regards the latter, also note the exercise by the Milan Ferrovie Nord of options for additional trains for regional transport services.

<u>Revenues.</u> These showed an increase which was mainly due to AnsaldoBreda and in particular to the production ramp-up on the ETR1000 and Milan Expo metro programmes, as well as to the revenues from the newly-acquired trains for regional transport services.

<u>EBITA.</u> There was an increase which was mainly attributable to AnsaldoBreda, the result of which, in addition to enjoying higher revenues, had been particularly penalized, in the first half of 2013, by additional costs and contract charges on some programmes.

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## Outlook

After a good operational performance in the six months ended 30 June 2014 the Group confirms the full year guidance presented at the full year 2013 results in March. With respect to financial results, it is worth reminding that they did not include any negative impact deriving from the Indian

Helicopter contract, as already highlighted in the above mentioned guidance. In May, following the unfavourable ruling issued by the Milan Court, the customer called the bank guarantees provided under the contract. This cash outflow, together with the payment occurred at the end of March, impacted for €mil. 256 the cash-flows of the first semester. As a result, for the full year 2014 the Group now expects to deliver negative free operating cash-flow of €mil. 250 to €mil. 350.

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## Other performance indicators

| | June 2014 | June 2013 (*) | Change | 2013 (*) |
|---|---|---|---|---|
| Net invested capital | 8,520 | 8,815 | (3.3%) | 7,581 |
| ROI | 8.7% | 10.4% | (1.7) p.p. | 11.6% |
| ROE | (2.1%) | (3.4%) | 1.3 p.p. | 2.0% |
| EVA | (53) | (38) | (39.5%) | 2 |
| FFO | 420 | 580 | (27.6%) | 925 |
| Research and development expenses | 694 | 719 | (3.5%) | 1,545 |
| Workforce (no.) | 55,690 | 57,529 | (3.2%) | 56,282 |
| Net Interest | (154) | (175) | 12.0% | (284) |

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

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

The breakdown by segment is as follows:

| | 30 June 2014 | 31 December 2013 |
|---|---|---|
| Helicopters | 13,038 | 13,121 |
| Defence and Security Electronics | 22,412 | 22,851 |
| Aeronautics | 11,171 | 11,157 |
| Defence Systems | 1,518 | 1,531 |
| Transportation | 6,395 | 6,540 |
| Other | 1,156 | 1,082 |
| | **55,690** | **56,282** |

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## "Non-GAAP" alternative performance indicators

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

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

- ***New orders:*** this includes contracts signed with customers during the period that satisfy the contractual requirements for being recorded in the order book.
- ***Order backlog:*** this figure is the sum of the order backlog for the preceding period and new orders, less revenues (excluding change in work in progress) during the reference period.
- ***EBIT***: this is obtained by adding to EBIT (defined as earnings before "financial income and expense", "share of profit (loss) of equity-accounted investees", "income taxes" and "result from discontinued operations") the Group's share of profit in the results of its strategic Joint Ventures (ATR, MBDA, Thales Alenia Space and Telespazio), reported in the "share of profits (losses) of equity-accounted investees".
- ***EBITA:*** it is arrived at by eliminating from EBIT, as defined above, 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 Earning before interest and taxes, EBIT and EBITA is shown below (the reconciliation by segment is reported in Note 6):

| ***€ millions*** | **For the six months ended 30 June** | |
|---|---|---|
| | **2014** | **2013** |
| **Income before tax and financial expenses** | **183** | **182** |
| Equity-accounted strategic JVs | 37 | 59 |
| **EBIT** | **220** | **241** |
| Amortisation of intangible assets acquired as part of business combinations | 41 | 42 |
| Restructuring costs | 62 | 64 |
| Non-recurring (income) expense | 28 | 79 |
| **EBITA** | **351** | **426** |

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

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

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

| *€ millions* | For the six months ended 30 June | |
|---|---|---|
| | **2014** | **2013** |
| **Net result** | **(39)** | **(62)** |
| Net result of Discontinued Operations | - | (8) |
| Effect on extraordinary transactions | - | - |
| **Net result before extraordinary transactions** | **(39)** | **(70)** |

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

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

- ***Net Capital Invested***: this is the algebraic sum of non-current assets, non-current liabilities and net working capital (this includes trade receivables and payables, contract work in progress and progress payments and advances from customers, current risks and other current assets and liabilities).

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

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

- ***Economic Value Added (EVA)***: this is the difference between EBITA net of income taxes and the cost (comparing like-for-like in terms of consolidated companies) of the average invested capital in the two comparative periods and measured on the basis of the operating weighted average cost of capital (WACC for EVA purposes).

- ***Funds From Operations (FFO)***: this is cash flow generated by (used in) operating activities net of changes in working capital. The FFO also includes dividends received from unconsolidated companies.
- ***Research and Development expenditure:*** the Group classifies under R&D all internal and external costs incurred relating to projects aimed at obtaining or employing new technologies, knowledge, materials, products and processes. These costs may be partly or entirely reimbursed by customers, funded by public institutions through grants or other incentives under law or, lastly, be borne by the Group. From an accounting standpoint, R&D expense can be recognised in different manners as indicated below:
  - if they are reimbursed by the customer pursuant to an existing contract, they are recognised as "work in progress";
  - if they relate to research activities, that is, the activity is at a stage at which it cannot be demonstrated that the activity will generate future economic benefits, they are expensed as incurred;
  - finally, if they relate to a development activity for which the Group can demonstrate the technical feasibility, the capability and the intention to see the project through to the end, as well as the existence of a potential market such to generate future economic benefits, they are capitalised under "Intangible assets". In the case in which a grant is given towards these expenses, the carrying value of the intangible assets is reduced by the amount received or to be received.
- ***Workforce:*** the number of employees recorded in the register on the last day of the period.
- ***Net interest:*** this is calculated as the sum of the items "Interest" and "Loan fees".

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

| | **June 2013 reported** | **Less: Deconsol. JV** | **Add: Share of results/ dividends from JV** | **June 2013 restated** | **2013 reported** | **Less: Deconsol. JV** | **Add: Share of results/ dividends from JV** | **2013 restated** |
|---|---|---|---|---|---|---|---|---|
| New orders | 6,227 | (1,187) | - | 5,040 | 17,571 | (2,512) | - | 15,059 |
| Order backlog | 42,589 | (7,784) | - | 34,805 | 42,697 | (5,866) | - | 36,831 |
| Revenue | 7,951 | (1,321) | - | 6,630 | 16,033 | (2,343) | - | 13,690 |
| EBITA | 467 | (100) | 59 | 426 | 949 | (242) | 171 | 878 |
| EBIT | 279 | (97) | 59 | 241 | 46 | (231) | 171 | (14) |
| Group Net Debt | 4,929 | 312 | - | 5,241 | 3,316 | 586 | - | 3,902 |
| FOCF | (1,395) | 122 | 77 | (1,196) | (307) | (21) | 108 | (220) |

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## Industrial and financial transactions

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

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

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

***Financial transactions***. In January 2014, the subsidiary Finmeccanica Finance SA seized a favourable opportunity in the capital market to place an additional €mil. 250 on the €mil. 700 bond issue carried out in December 2013. The new bonds, placed solely with Italian and international institutional investors, carry the same conditions as those placed in December 2013. The issue price was equal to 99.564%, higher than that of the 2013 December issue. The bond issues in place are detailed in Note 13.

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

| Agency | Last update | Updated | | Previous | |
|---|---|---|---|---|---|
| | | *Credit Rating* | *Outlook* | *Credit Rating* | *Outlook* |
| Moody's | September 2013 | Ba1 | negative | Baa3 | negative |
| Standard&Poor's | January 2013 | BB+ | stable | BBB- | negative |
| Fitch | July 2013 | BB+ | negative | BBB- | negative |

Furthermore, on 9 July Finmeccanica renewed its revolving credit facility ahead of schedule, up to 2019. The characteristics of the new line are described in the section relating to the Group Net Financial Debt.

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

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

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## Related party transactions

It should be noted that in 2010 Finmeccanica issued (and on 13 December 2011 and 19 December 2013 updated) a specific "Procedure for Related Parties Transactions" (hereinafter referred to as the "Procedure") pursuant to CONSOB Regulation no. 17221 of 12 March 2010, as amended and supplemented, containing provisions on "related party transactions" (hereinafter referred to as the "Regulation"), as well as in implementation of Article 2391-*bis* of the Italian Civil Code. The abovementioned Procedure is available on the Company's website (www.finmeccanica.com, under *Governance* area, *Related Parties* section).

Pursuant to Article 5.8 of the Regulation, the following significant transactions, as defined by Article 4.1.a) of the Regulation and identified as provided for by the Procedure as indicated in Annex 3 of the Regulation, were carried out in the first half of 2014. It is also noted that the transactions reported below qualified for the exception referred to in article 14 par. 2 of the Regulation and in article 11.2 letter e) of the Procedure, in relation to transactions put in place by Finmeccanica with subsidiaries; these transactions had no effect on the consolidated financial position and on the consolidated results at 30 June 2014.

| Parties involved | | Relationship | Purpose of the transaction | Transaction consideration |
|---|---|---|---|---|
| Finmeccanica Finance S.A. | Finmeccanica S.p.a | Subsidiary (100%) | Granting of financing by Finmeccanica Finance S.A. to Finmeccanica Spa | €mil. 250 |
| Finmeccanica Spa | Finmeccanica Finance S.A. | Subsidiary (100%) | Issue of a financial guarantee | Up to a maximum amount of €mil. 250 |

Finally, it should be noted that there were no other significant transactions, nor other related party transactions, which materially impacted on the financial position or results of the Finmeccanica Group and of Finmeccanica Spa in the first half of 2014; furthermore, no changes or developments took place in relation to the related party transactions described in the Report on Operations for the 2013 Financial Year.

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***Main risks for the remaining months of the financial year***: the main risks to which the Group is exposed in the following six months of the financial year are unchanged from those described in fuller detail in the Consolidated Financial Statements at 31 December 2013 in the section "*Finmeccanica and risk management*". Any updates relating to specific risk positions are illustrated in Note 14 of the condensed consolidated half-year financial statements at 30 June 2014.

# Condensed consolidated half-year financial statements at

# 30 June 2014

## Condensed consolidated separate income statement

| *(€ millions)* | *Note* | *For the six months ended 30 June* **2014** | *of which with related parties* | **2013 (restated*)** | *of which with related parties* |
|---|---|---|---|---|---|
| Revenue | *18* | 6,557 | *1,266* | 6,630 | *1,123* |
| Purchase and personnel expense | *20* | (6,054) | *(76)* | (6,046) | *(119)* |
| Amortisation, depreciation and impairment losses | *21* | (335) | | (351) | |
| Other net operating income/(expenses) | *19* | 15 | *2* | (51) | *3* |
| **Income before tax and financial expenses** | | **183** | | **182** | |
| Financial income/(expense) | *22* | (204) | *(1)* | (228) | *-* |
| Share of profits/(losses) of equity-accounted investees | *23* | 32 | | 42 | |
| ***Operating profit (loss) before income taxes and discontinued operations*** | | **11** | | **(4)** | |
| Income taxes | *24* | (50) | | (66) | |
| Profit (loss) from discontinued operations | | - | | 8 | |
| **Net profit/(loss) for the period attributable to:** | | **(39)** | | **(62)** | |
| *- owners of the parent* | | *(62)* | | *(79)* | |
| *- non-controlling interests* | | *23* | | *17* | |
| **Earnings/(losses) per share** | *25* | ***(0.107)*** | | ***(0.137)*** | |
| *- basic and diluted from continuing operations* | | *(0.107)* | | *(0.150)* | |
| *- basic and diluted from discontinued operations* | | *0.000* | | *0.013* | |

*(*) Comparative figures restated following the adoption of IFRS 11 and the classification of Ansaldo Energia's result among Discontinued Operations (see Note 4)*

## Condensed consolidated statement of comprehensive income

| *(€ millions)* | Note | | *For the six months ended 30 June* **2014** | | *2013 (restated*)* |
|---|---|---|---|---|---|
| **Profit (loss) for the period** | | | **(39)** | | **(62)** |
| **Other comprehensive income (expense):** | | | | | |
| Comprehensive income/expense which will not be subsequently reclassified within the profit (loss) for the period: | | | | | |
| - Measurement of defined-benefit plans: | 12 | | (7) | | 88 |
| *- revaluation* | | (4) | | 88 | |
| *- exchange rate gains (losses)* | | (3) | | - | |
| - Tax effect | 12 | | (3) | | (21) |
| | | | (10) | | 67 |
| Comprehensive income/expense which will or might be subsequently reclassified within the profit (loss) for the period: | | | | | |
| - Changes in cash flow hedges: | 12 | | (22) | | (38) |
| *- change generated in the period* | | (40) | | (43) | |
| *- transferred to the profit (loss) for the period* | | 18 | | 5 | |
| *- exchange rate gains (losses)* | | - | | - | |
| - Translation differences | 12 | | 95 | | (96) |
| *- change generated in the period* | | 95 | | (96) | |
| *- transferred to the profit (loss) for the period* | | - | | - | |
| - Tax effect | 12 | | 8 | | 10 |
| | | | 81 | | (124) |
| Current portion of “Other comprehensive income (expense)”, equity-accounted investees | | | (12) | | (2) |
| **Total other comprehensive income (expense), net of tax:** | | | **59** | | **(59)** |
| **Total comprehensive income (expense), attributable to:** | | | **20** | | **(121)** |
| - Owners of the parent | | | (3) | | (137) |
| - Non-controlling interests | | | 23 | | 16 |
| **Total comprehensive income (expense), attributable to Owners of the parent** | | | **(3)** | | **(137)** |
| *- from continuing operations* | | | (3) | | (139) |
| *- from discontinued operations* | | | - | | 2 |

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

## Condensed consolidated statement of financial position

| *(€ millions)* | *Note* | **30 June 2014** | *of which with related parties* | ***31 December 2013 (restated*)*** | *of which with related parties* |
|---|---|---|---|---|---|
| Intangible assets | *7* | 6,442 | | 6,292 | |
| Property, plant and equipment | *8* | 2,932 | | 2,945 | |
| Deferred tax assets | | 1,100 | | 1,094 | |
| Other non current assets | *9* | 1,690 | *22* | 1,971 | *292* |
| *Non-current assets* | | **12,164** | | **12,302** | |
| Inventories | | 4,865 | | 4,754 | |
| Trade receivables, including contract work in progress | *10* | 7,562 | *1,020* | 7,168 | *921* |
| Loans and receivables | *13* | 220 | *145* | 186 | *125* |
| Other assets | *11* | 989 | *7* | 838 | *11* |
| Cash and cash equivalents | *13* | 651 | | 1,455 | |
| *Current assets* | | **14,287** | | **14,401** | |
| ***Total assets*** | | **26,451** | | **26,703** | |
| Share capital | *12* | 2,525 | | 2,525 | |
| Other reserves | | 853 | | 856 | |
| *Equity attributable to the owners of the parent* | | **3,378** | | **3,381** | |
| *Equity attributable to non-controlling interests* | | 302 | | 298 | |
| *Total equity* | | **3,680** | | **3,679** | |
| Loans and borrowings (non current) | *13* | 4,942 | *10* | 4,673 | *13* |
| Employee benefits | *15* | 684 | | 703 | |
| Provisions for risks and charges | *14* | 1,283 | | 1,288 | |
| Deferred tax liabilities | | 263 | | 291 | |
| Other non-current liabilities | *16* | 915 | - | 883 | - |
| *Non-current liabilities* | | **8,087** | | **7,838** | |
| Trade payables, including progress payments and advances from customers | *17* | 11,301 | *168* | 11,524 | *190* |
| Loans and borrowings (current) | *13* | 808 | *477* | 910 | *616* |
| Income tax payables | | 73 | | 77 | |
| Provisions for short-term risks and charges | *14* | 727 | | 1,007 | |
| Other current liabilities | *16* | 1,775 | *58* | 1,668 | *107* |
| *Current liabilities* | | **14,684** | | **15,186** | |
| *Total liabilities* | | **22,771** | | **23,024** | |
| *Total liabilities and equity* | | **26,451** | | **26,703** | |

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

## Condensed consolidated statement of cash flows

| *(€ millions)* | *Note* | ***2014*** | *of which with related parties* | ***2013 (restated*)*** | *of which with related parties* |
|---|---|---|---|---|---|
| | | ***For the six months ended 30 June*** | | | |
| Gross cash flows from operating activities | *26* | 678 | | 805 | |
| Change in working capital | *26* | (1,151) | *(105)* | (1,368) | *(14)* |
| Change in other operating assets and liabilities, provisions for risks and charges | | (206) | *(50)* | (85) | *(19)* |
| Interests paid | | (139) | *(5)* | (168) | *(1)* |
| Taxes paid | | (84) | - | (51) | - |
| **Cash flows used in operating activities** | | **(902)** | | **(867)** | |
| Investments in property, plant and equipment and intangible assets | | (433) | | (411) | |
| Sales of property, plant and equipment and intangible assets | | 7 | | 3 | |
| Cash in from Avio | | 239 | | - | |
| Other investing activities | | 155 | - | 37 | - |
| **Cash flows used in investing activities** | | **(32)** | | **(371)** | |
| Dividends paid | | (19) | | (18) | |
| Bond issue | | 250 | | - | |
| Net change in other loans and borrowings | | (112) | *(156)* | 457 | *(155)* |
| **Cash flows generated from financing activities** | | **119** | | **439** | |
| **Cash and cash equivalents at 1 January** | | **1,455** | | **1,870** | |
| Net increase (decrease) in cash and cash equivalents | | (815) | | (799) | |
| Exchange rate differences and other changes | | 11 | | (17) | |
| **Cash and cash equivalents at 30 June** | | **651** | | **1,054** | |

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

## Condensed consolidated statement of changes in equity

| (€ millions) | Share capital | Retained earnings | Cash flow hedge reserve | Revaluation reserve of defined-benefit plans | Translation reserve | Equity attributable to owners of the parent | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| **1 January 2013** | **2,525** | **1,474** | **18** | **(218)** | **(401)** | **3,398** | **305** | **3,703** |
| Application of IAS19 revised | | (6) | | 14 | | 8 | | 8 |
| **1 January 2013 restated** | **2,525** | **1,468** | **18** | **(204)** | **(401)** | **3,406** | **305** | **3,711** |
| Profit (loss) for the period | | (79) | | | | (79) | 17 | (62) |
| Other comprehensive income (expense) | | | (31) | 63 | (90) | (58) | (1) | (59) |
| **Total comprehensive income (expense)** | **-** | **(79)** | **(31)** | **63** | **(90)** | **(137)** | **16** | **(121)** |
| Dividends resolved | | | | | | - | (18) | (18) |
| **Total transactions with owners of the parent, recognised directly in equity** | **-** | **-** | **-** | **-** | **-** | **-** | **(18)** | **(18)** |
| Other changes | | 6 | - | (4) | (1) | 1 | 1 | 2 |
| **30 June 2014** | **2,525** | **1,395** | **(13)** | **(145)** | **(492)** | **3,270** | **304** | **3,574** |
| **1 January 2014** | **2,525** | **1,502** | **47** | **(181)** | **(512)** | **3,381** | **298** | **3,679** |
| Profit (loss) for the period | | (62) | | | | (62) | 23 | (39) |
| Other comprehensive income (expense) | | | (16) | (12) | 87 | 59 | - | 59 |
| **Total comprehensive income (expense)** | **-** | **(62)** | **(16)** | **(12)** | **87** | **(3)** | **23** | **20** |
| Dividends resolved | | | | | | - | (19) | (19) |
| **Total transactions with owners of the parent, recognised directly in equity** | **-** | **-** | **-** | **-** | **-** | **-** | **(19)** | **(19)** |
| Other changes | | 1 | (1) | | | - | - | - |
| **30 June 2014** | **2,525** | **1,441** | **30** | **(193)** | **(425)** | **3,378** | **302** | **3,680** |

## Explanatory notes

### 1. GENERAL INFORMATION

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

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

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

The half-year financial report of the Finmeccanica Group at 30 June 2014 was prepared in accordance with Article 154-ter, paragraph 2 of Legislative Decree 58/98 (Consolidated Law on Financial Intermediation), as subsequently amended. The condensed consolidated half-year financial statements at 30 June 2014, included in the half-year financial report, were prepared in accordance with IAS 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (IASB) and comprise the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of cash flows, condensed consolidated statement of changes in equity and the related explanatory notes.

In accordance with IAS 34, these notes are presented in condensed form and do not include all disclosures required for annual financial statements, as they refer only to those items that are essential to understand the Group’s financial position, results of operations and cash flows given their amount, breakdown or changes therein. This half-year financial report should, therefore, be read in conjunction with the 2013 annual consolidated financial statements.

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

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

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

| | Al 30 June 2014 | | Al 31 December 2013 | Al 30 June 2013 | |
|---|---|---|---|---|---|
| | average | final | final | average | final |
| US dollar | 1.3705 | 1.3658 | 1.3791 | 1.3135 | 1.3080 |
| Pound sterling | 0.8214 | 0.8015 | 0.8337 | 0.8512 | 0.8572 |

The condensed consolidated half-year financial statements at 30 June 2014 of the Finmeccanica Group were approved by the Board of Directors on 31 July 2014 and published on the same day.

Amounts are shown in millions of euros unless stated otherwise.

This consolidated half-year financial report was reviewed by KPMG SpA.

## 3. BUSINESS SEASONALITY

**Cash flows relating to operations**

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

## 4. EFFECTS OF CHANGES IN ACCOUNTING POLICIES ADOPTED

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

- IAS 27 *Revised* (separate financial statements): the standard has been revised, with the approval of IFRS 10, which limits the scope of its application to the separate financial statements;
- IAS 28 *Revised* (Investments in Associates and Joint Ventures) : the standard has been revised and outlines how to apply, with certain limited exceptions, the equity method;
- IAS 32 *Amendment* (Financial Instruments - Presentation): the standard provides guidance on when financial assets and liabilities can be offset;
- IFRS 10 (Consolidated financial statements): this standard provides guidance on whether or not to include an entity in the consolidated financial statements, clarifying the concept of

control and its application in case of actual control, potential voting rights, complex investment structures, etc..;

- IFRS 11 (Joint Arrangements): the standard has eliminated the possibility of consolidating the joint arrangements classified as joint ventures under the proportionate method and made it mandatory to use the equity method. Vice versa the consolidated financial statements include the joint operator's relevant share of costs, revenue, assets and liabilities in the joint operations;
- IFRS 12 (Disclosure of Interests in Other Entities): the standard requires a wide range of disclosures in the explanatory notes regarding any interests an entity may hold in other entities, including associates, joint ventures, special purpose vehicles, and other unconsolidated structured entities;
- IAS 36 (Recoverable Amount Disclosures for Non-Financial Assets): the standard requires disclosures in the explanatory notes about the recoverable amount of impaired assets, in the event that the same has been determined based on fair value less sales costs and costs of disposal.

The separate income statement and the statement of comprehensive income at 30 June 2014, the statement of financial position at 31 December 2013 and the statement of cash flows at 30 June 2013 have been restated following the application of IFRS 11. The separate income statement reflects the reclassification of the results of the Ansaldo Energia JV under Discontinued Operations (IFRS 5).

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

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

| **Condensed separate consolidated income statement** | ***For the six months ended 30 June 2013*** | ***IFRS 11 effect*** | ***IFRS 5 effect*** | ***For the six months ended 30 June 2013 restated*** |
|---|---|---|---|---|
| Revenue | 7,951 | (1,321) | | 6,630 |
| Purchase and personnel expense | (7,223) | 1,177 | | (6,046) |
| Amortisation, depreciation and impairment losses | (400) | 49 | | (351) |
| Other net operating income/(expenses) | (49) | (2) | | (51) |
| **Income before tax and financial expenses** | **279** | **(97)** | **-** | **182** |
| Financial income/(expense) | (237) | 9 | | (228) |
| Share of profits/(losses) of equity-accounted investees | (12) | 62 | (8) | 42 |
| **Operating profit (loss) before income taxes and discontinued operations** | **30** | **(26)** | ***(8)*** | **(4)** |
| Income taxes | (92) | 26 | | (66) |
| Profit (loss) from discontinued operations | - | - | 8 | 8 |
| Net profit (loss) | **(62)** | **-** | **-** | **(62)** |

| **Condensed consolidated statement of comprehensive income** | ***For the six months ended 30 June 2013*** | ***IFRS 11 effect*** | ***For the six months ended 30 June 2013 restated*** |
|---|---|---|---|
| **Profit (loss) for the period** | **(62)** | **-** | **(62)** |
| **Other comprehensive income (expense):** | | | |
| Comprehensive income/expense which will not be subsequently reclassified within the profit (loss) for the period: | | | |
| - Measurement of defined-benefit plans: | 85 | 3 | 88 |
| *- revaluation* | *81* | *7* | *88* |
| *- exchange rate gains (losses)* | *4* | *(4)* | *-* |
| - Tax effect | (22) | 1 | (21) |
| | **63** | **4** | **67** |
| Comprehensive income/expense which will or might be subsequently reclassified within the profit (loss) for the period: | | | |
| - Changes in cash flow hedges: | (41) | 3 | (38) |
| *- change generated in the period* | *(45)* | *2* | *(43)* |
| *- transferred to the profit (loss) for the period* | *4* | *1* | *5* |
| - Translation differences | (92) | (4) | (96) |
| *- change generated in the period* | *(92)* | *(4)* | *(96)* |
| - Tax effect | 11 | (1) | 10 |
| | **(122)** | **(2)** | **(124)** |
| Current portion of “Other comprehensive income (expense)”, equity-accounted investees | | (2) | (2) |
| **Total other comprehensive income (expense), net of tax:** | **(59)** | **-** | **(59)** |
| **Total comprehensive income (expense), attributable to:** | **(121)** | **-** | **(121)** |
| - *Owners of the parent* | *(137)* | - | *(137)* |
| - *Non-controlling interests* | *16* | - | *16* |

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

| Condensed consolidated statement of cash flows | *For the six months ended 30 June 2013* | *IFRS 11 effect* | *For the six months ended 30 June 2013 restated* |
|---|---|---|---|
| Gross cash flows from operating activities | 952 | (147) | 805 |
| Change in working capital | (1,572) | 204 | (1,368) |
| Change in other operating assets and liabilities, provisions for risks and charges | (107) | 22 | (85) |
| Interests paid | (171) | 3 | (168) |
| Taxes paid | (58) | 7 | (51) |
| **Cash flows used in operating activities** | **(956)** | **89** | **(867)** |
| Investments in property, plant and equipment and intangible assets | (454) | 43 | (411) |
| Sales of property, plant and equipment and intangible assets | 10 | (7) | 3 |
| Other investing activities | (20) | 57 | 37 |
| **Cash flows used in investing activities** | **(464)** | **93** | **(371)** |
| Dividends paid | (18) | - | (18) |
| Net change in other loans and borrowings | 560 | (103) | 457 |
| **Cash flows generated from financing activities** | **542** | **(103)** | **439** |
| Cash and cash equivalents at 1 January | 2,137 | (267) | 1,870 |
| Net increase (decrease) in cash and cash equivalents | (878) | 79 | (799) |
| Exchange rate differences and other changes | (20) | 3 | (17) |
| **Cash and cash equivalents at 30 June** | **1,239** | **(185)** | **1,054** |

## 5. SIGNIFICANT EVENTS OCCURRED AFTER THE PERIOD-END

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

## 6. SEGMENT REPORTING

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

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

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

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

The results for each segment at 30 June 2014, as compared with those of the same period of the previous year (restated following the adoption of IFRS 11 and the reclassification of the result of the Ansaldo Energia JV under discontinued operations), are as follows:

| **For the six months ended 30 June 2014** | **Helicopters** | **Defence and Security Electronics** | **Aeronautics** | **Space** | **Defence Systems** | **Transportation** | **Other Activities** | **Elimin-ations** | **Total** |
|---|---|---|---|---|---|---|---|---|---|
| Revenues | 2,041 | 2,154 | 1,379 | - | 230 | 921 | 140 | (308) | **6,557** |
| Inter-segment revenue (*) | - | (212) | (3) | - | (6) | (1) | (86) | 308 | - |
| **Third party revenue** | **2,041** | **1,942** | **1,376** | **-** | **224** | **920** | **54** | **-** | **6,557** |
| **EBITA** | **263** | **-** | **74** | **17** | **26** | **25** | **(54)** | **-** | **351** |
| Investments | 127 | 66 | 153 | - | 4 | 9 | 27 | - | **386** |

| **For the six months ended 30 June 2013 restated** | **Helicopters** | **Defence and Security Electronics** | **Aeronautics** | **Space** | **Defence Systems** | **Transportation** | **Other Activities** | **Elimin-ations** | **Total** |
|---|---|---|---|---|---|---|---|---|---|
| Revenues | 2,041 | 2,343 | 1,256 | - | 249 | 850 | 158 | (267) | **6,630** |
| Inter-segment revenue (*) | - | (169) | (4) | - | (7) | - | (87) | 267 | - |
| **Third party revenue** | **2,041** | **2,174** | **1,252** | **-** | **242** | **850** | **71** | **-** | **6,630** |
| **EBITA** | **282** | **72** | **69** | **24** | **50** | **(17)** | **(54)** | **-** | **426** |
| Investments | 112 | 82 | 188 | - | 6 | 9 | 16 | - | **413** |

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

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

| **For the six months ended 30 June 2014** | **Helicopters** | **Defence and Security Electronics** | **Aeronautics** | **Space** | **Defence Systems** | **Transportation** | **Other Activities** | **Total** |
|---|---|---|---|---|---|---|---|---|
| **EBITA** | **263** | **-** | **74** | **17** | **26** | **25** | **(54)** | **351** |
| Amortisation of intangible assets acquired as part of business combinations | (4) | (37) | - | - | - | - | - | **(41)** |
| Restructuring costs | 6 | (35) | (17) | - | (1) | (4) | (11) | **(62)** |
| Non-recurring income/expense | (20) | (7) | - | - | - | (1) | - | **(28)** |
| **EBIT** | **245** | **(79)** | **57** | **17** | **25** | **20** | **(65)** | **220** |
| Equity-accounted strategic JVs | - | - | (10) | (17) | (10) | - | - | **(37)** |
| **Income before tax and financial expenses** | **245** | **(79)** | **47** | **-** | **15** | **20** | **(65)** | **183** |

| **For the six months ended 30 June 2013 restated** | **Helicopters** | **Defence and Security Electronics** | **Aeronautics** | **Space** | **Defence Systems** | **Transportation** | **Other Activities** | **Total** |
|---|---|---|---|---|---|---|---|---|
| **EBITA** | **282** | **72** | **69** | **24** | **50** | **(17)** | **(54)** | **426** |
| Amortisation of intangible assets acquired as part of business combinations | (4) | (38) | - | - | - | - | - | **(42)** |
| Restructuring costs | (3) | (53) | (4) | - | - | (1) | (3) | **(64)** |
| Non-recurring income/expense | - | - | (5) | - | - | (74) | - | **(79)** |
| **EBIT** | **275** | **(19)** | **60** | **24** | **50** | **(92)** | **(57)** | **241** |
| Equity-accounted strategic JVs | - | - | (10) | (24) | (25) | - | - | **(59)** |
| **Income before tax and financial expenses** | **275** | **(19)** | **50** | **-** | **25** | **(92)** | **(57)** | **182** |

## 7. INTANGIBLE ASSETS

Key changes were related to amortisation (Note 21) of €mil. 146 and investments of €mil. 220

| | Balance | | Investments for the six months at | |
|---|---|---|---|---|
| | 30 June 2014 | 31 December 2013 | 30 June 2014 | 30 June 2013 |
| Goodwill | 3,616 | 3,556 | - | - |
| Development costs | 442 | 430 | 49 | 56 |
| Non-recurring costs | 1,289 | 1,167 | 146 | 114 |
| Concessions, licences and trademarks | 288 | 291 | 1 | - |
| Acquired through business combinations | 646 | 675 | - | - |
| Other intangible assets | 161 | 173 | 24 | 24 |
| | **6,442** | **6,292** | **220** | **194** |

Commitments are in place for the purchase of intangible assets for €mil. 13 (€mil. 16 at 31 December 2013).

Goodwill increased as a result of exchange rate differences on the items denominated in US dollar and particularly in GBP. At 30 June 2014 there were no signs requiring impairment testing in addition to that carried out when the annual consolidated financial statements at 31 December 2013 were prepared. In respect of goodwill allocated to the *Defence and Security Electronics* (€mil. 2,223), which was subject to impairment in 2011 and 2012, we note that, due to its dimension, this sector remains the one for which the headroom (i.e. the positive margin calculated upon the impairment test) is lower than the other cash generating units (“CGUs”). Regarding the performance of the CGUs within this sector, it is noted that, vis-à-vis the good performance of SES (whose results in 2013 were adversely affected by non-recurring criticalities in the air traffic control), DRS posted lower operating profitability than excepted, which was entirely due to the criticalities connected with the execution of a specific programme. Excluding this, DRS results would have been in line with forecasts; bearing this in mind and taking into account the good commercial and financial performance of the company, it is deemed that the operating loss is not an impairment indicator, also considering that the negative effects of the contract in question were fully incorporated in the invested capital allocated to the CGU at 30 June 2014.

## 8. PROPERTY, PLANT AND EQUIPMENT

The key changes regarded depreciation of €mil. 183 (Note 21) and investments of €mil. 166, as broken down below:

| | Balance | | Investments for the six months at | |
|---|---|---|---|---|
| | 30 June 2014 | 31 December 2013 | 30 June 2014 | 30 June 2013 |
| Land and buildings | 1,102 | 1,104 | 3 | 4 |
| Plant and machinery | 448 | 433 | 8 | 7 |
| Equipment | 815 | 827 | 48 | 61 |
| Other tangible assets | 567 | 581 | 107 | 147 |
| | **2,932** | **2,945** | **166** | **219** |

There are also commitments to purchase property, plant and equipment for €mil. 146 (€mil. 145 at 31 December 2013).

## 9. OTHER NON-CURRENT ASSETS

| | 30 June 2014 | 31 December 2013 |
|---|---|---|
| Financing to third parties | 32 | 30 |
| Deferred grants under Law no. 808/85 | 37 | 41 |
| Defined benefit plan assets, net | 133 | 120 |
| Related party receivables (Note 27) | 22 | 292 |
| Other non-current receivables | 92 | 33 |
| **Non-current receivables** | **316** | **516** |
| Prepayments - non current portion | 7 | 7 |
| Equity investments | 1,061 | 1,173 |
| Non-recurring costs pending under Law no. 808/1985 | 186 | 158 |
| Fair value of the residual portion in portfolio of Ansaldo Energia | 120 | 117 |
| **Non-current assets** | **1,374** | **1,455** |
| | **1,690** | **1,971** |

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

Equity investments (€mil. 1,027 of which related to shareholdings valued at equity) mainly include investments in the Group’s joint ventures (€mil. 835), accounted for using the equity method starting from 2014 following the adoption of the new IFRS 11. The decrease is due to dividends distributed in the period.

The other non-current assets include the fair value of 15% of the share capital of Ansaldo Energia (classified at fair value through profit or loss), which will be transferred upon the exercise by the parties of the put&call options (as indicated below) at a pre-set price of €mil. 117 in respect of which capitalised interest accrues at a yearly 6% rate (€mil. 120 at 30 June 2014). In particular, Finmeccanica can exercise its put option between 30 June and 31 December 2017, while the call option of FSI is exercisable in the same period or before if some conditions occur.

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

| | **30 June 2014** | | | **31 December 2013** | | |
|---|---|---|---|---|---|---|
| | **Level 2** | **Level 3** | **Total** | **Level 2** | **Level 3** | **Total** |
| Non-current assets | - | 120 | 120 | - | 389 | 389 |
| Current assets | 162 | - | 162 | 111 | - | 111 |
| Non-current liabilities | - | 176 | 176 | - | 168 | 168 |
| Current liabilities | 129 | - | 129 | 52 | 24 | 76 |

## 10. TRADE RECEIVABLES, INCLUDING CONTRACT WORK IN PROGRESS

| | ***30 June 2014*** | ***31 December 2013*** |
|---|---|---|
| Trade receivables | 3,207 | 3,459 |
| Related party trade receivables (Note 27) | 1,020 | 921 |
| | **4,227** | **4,380** |
| Contract work in progress | 3,335 | 2,788 |
| | **7,562** | **7,168** |

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

## 11. OTHER CURRENT ASSETS

| | 30 June 2014 | | 31 December 2013 | |
|---|---|---|---|---|
| Income tax receivables | | 162 | | 157 |
| Derivatives | | 162 | | 111 |
| Other current assets: | | 665 | | 570 |
| *Prepaid expenses - current portion* | *90* | | *97* | |
| *Receivables for grants* | *102* | | *92* | |
| *Receivables from employees and social security* | *85* | | *68* | |
| *Indirect tax receivables* | *218* | | *143* | |
| *Deferred receivables under Law no. 808/85* | *4* | | *5* | |
| *Other related party receivables (Note 27)* | *7* | | *11* | |
| *Other assets* | *159* | | *154* | |
| | | **989** | | **838** |

## 12. EQUITY

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

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

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

| | Group - consolidated entities | | | Group - equity accounted investments | | |
|---|---|---|---|---|---|---|
| | Amount before taxes | Tax effect | **Net amount** | Amount before taxes | Tax effect | **Net amount** |
| ***For the six months ended 30 June 2014*** | | | | | | |
| Revaluation of defined-benefit plans | (6) | (3) | **(9)** | (3) | - | **(3)** |
| Changes in cash-flow hedges | (21) | 8 | **(13)** | (5) | 2 | **(3)** |
| Foreign currency translation difference | 93 | - | **93** | (6) | - | **(6)** |
| **Total** | **66** | **5** | **71** | **(14)** | **2** | **(12)** |
| ***For the six months ended 30 June 2013*** | | | | | | |
| Revaluation of defined-benefit plans | 88 | (21) | **67** | (3) | (1) | **(4)** |
| Changes in cash-flow hedges | (39) | 10 | **(29)** | (3) | 1 | **(2)** |
| Foreign currency translation difference | (94) | - | **(94)** | 4 | - | **4** |
| **Total** | **(45)** | **(11)** | **(56)** | **(2)** | **-** | **(2)** |

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

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

## 13. LOANS AND BORROWINGS

| | *30 June 2014* | | *31 December 2013* | |
|---|---|---|---|---|
| | **Non current** | **Current** | **Non current** | **Current** |
| Bonds | 4,502 | 104 | 4,222 | 83 |
| Bank loans and borrowings | 405 | 170 | 410 | 134 |
| Related party loans and borrowings (Note 27) | 10 | 477 | 13 | 616 |
| Other loans and borrowings | 25 | 57 | 28 | 77 |
| | **4,942** | **808** | **4,673** | **910** |

The increase in bonds is due to the placement of an additional €mil. 250 on the €mil. 700 bond issued in December 2013 that was executed in January 2014.

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

Below is the detail of the bonds at 30 June 2014 which shows the bonds issued by Finmeccanica ("FNM"), Finmeccanica Finance ("Fin Fin") and Meccanica Holdings USA ("MH"):

| **Issuer** | | **Year of issue** | **Maturity** | **Currency** | **Outstanding nominal amount (mil.)** | **Annual coupon** | **Type of offer** |
|---|---|---|---|---|---|---|---|
| FinFin | (*) | 2003 | 2018 | € | 500 | 5.75%[1] | European institutional |
| FNM | (*) | 2005 | 2025 | € | 500 | 4.875% | European institutional |
| FinFin | (*) | 2009 | 2019 | GBP[2] | 400 | 8.00% | European institutional |
| FinFin | (*) | 2009 | 2022 | € | 600 | 5.25% | European institutional |
| FinFin | (*) | 2012 | 2017 | € | 600 | 4.375% | European institutional |
| FinFin | (*) | 2013 | 2021 | € | 950 [3] | 4.50% | European institutional |
| MH | (**) | 2009 | 2019 | USD | 434 | 6.25% | American institutional *Rule 144A/Reg. S* |
| MH | (**) | 2009 | 2039 | USD | 300 | 7.375% | American institutional *Rule 144A/Reg. S* |
| MH | (**) | 2009 | 2040 | USD | 500 | 6.25% | American institutional *Rule 144A/Reg. S* |

*(*) Bonds listed on the Luxembourg Stock Exchange and issued as part of the EMTN programme for a maximum of €bil. 4. The transaction was authorised pursuant to Art. 129 of Legislative Decree 385/93.*

*(**) Bonds issued under Rule 144A, Regulation S of the US Securities Act. The proceeds of this issue were entirely used by Meccanica Holdings USA to finance the purchase of DRS replacing the dollar-issue bonds originally issued by the company. These bonds were redeemed early following Finmeccanica's purchase of DRS. As a result, these issues were not hedged against exchange rate risk.*

*(1) Rate derivative transactions were made on these bonds and led the effective cost of the loan return to a fixed rate better than the coupon and corresponding to an average of some 5.6%.*

*(2) The proceeds of the issue were translated into euros and the exchange rate risk arising from the transaction was fully hedged.*

*(3) Amount adjusted following the additional €mil. 250 bond issue executed in January 2014 in relation to the original bond of €mil. 700 issued in December 2013.*

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

| | ***30 June 2014*** | *of which with related parties* | ***31 December 2013*** | *of which with related parties* |
|---|---|---|---|---|
| **Liquidity** | **(651)** | | **(1,455)** | |
| **Current loans and receivables** | **(220)** | *(145)* | **(186)** | *(125)* |
| Current bank loans and borrowings | 170 | | 134 | |
| Current portion of non-current loans and borrowings | 104 | | 83 | |
| Other current loans and borrowings | 534 | *477* | 693 | *616* |
| **Current financial debt** | **808** | | **910** | |
| **Net current financial debt (funds)** | **(63)** | | **(731)** | |
| Non-current bank loans and borrowings | 405 | | 410 | |
| Bonds issued | 4,502 | | 4,222 | |
| Other non-current loans and borrowings | 35 | *10* | 41 | *13* |
| **Non-current financial debt** | **4,942** | | **4,673** | |
| **Net financial debt** | **4,879** | | **3,942** | |

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

| | *Note* | 30 June 2014 | 31 December 2013 |
|---|---|---|---|
| Net financial debt com. CONSOB n. DEM/6064293 | | 4,879 | 3,942 |
| Fair value of the residual portion in portfolio of Ansaldo Energia | *9* | (120) | (117) |
| Hedging derivatives in respect of debt items | | (5) | (9) |
| Effect of transactions involving FYRA contract | | 86 | 86 |
| **Group net financial debt (KPI)** | | **4,840** | **3,902** |

## 14. PROVISIONS FOR RISKS AND CONTINGENT LIABILITIES

| | *30 June 2014* | | *31 December 2013* | |
|---|---|---|---|---|
| | **Non current** | **Current** | **Non current** | **Current** |
| Guarantees given | 128 | 16 | 112 | 16 |
| Restructuring | 81 | 129 | 73 | 171 |
| Penalties | 336 | 30 | 322 | 30 |
| Product guarantees | 98 | 87 | 104 | 102 |
| Other | 640 | 465 | 677 | 688 |
| | **1,283** | **727** | **1,288** | **1,007** |

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

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

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

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

Through the tax assessment reports in question, the tax office had refused to acknowledge costs of about €mil. 5, whose treatment, according to the arguments put forth by the tax authority, should have led to an increase in taxes of approximately €mil. 1.7 (excluding interest), plus penalties of an equal amount;

- with regard to the lawsuit against GMR pending before the Court of Santa Maria Capua Vetere, at the hearing held on 22 April this year, the opposing party inferred that another lawsuit had been initiated by Firema Trasporti under receivership before the Court of Naples against the directors, statutory auditors and independent auditors of Firema Trasporti S.p.A. requesting the Court to rule liability and obtain a judgment for the financial difficulties that each, on the basis of the accusations against them, had caused the company and to order them to pay damage in the amount of about €mil 51. Within the context on these proceedings, by the writs of summons served in April, two former directors Giorgio and Gianfranco Fiore started, in their turn, a legal action against AnsaldoBreda and Finmeccanica, accusing of unlawful performance of the activities of management and coordination relying upon the arguments already stated by GMR in the proceedings pending before the Court of Santa Maria Capua Vetere. Owing to this, GMR asked for the two cases to be combined. AnsaldoBreda and Finmeccanica opposed this request, also repeating their submission for the objection of the lack of jurisdiction that had already been raised to be sustained. The hearing for specifying conclusions was held on 15 July 2014 and the Court adjourned the case for a decision.

  Within the proceedings pending before the Court of Naples, the first hearing has been set at 16 September 2014, while on 9 July Finmeccanica and AnsaldoBreda made their appearance before the court according to formal procedures;

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

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

- after Simmi S.p.A. under receivership became bankrupt and the case between it and AnsaldoBreda was declared to have been broken off at the hearing of 4 March 2014, the proceedings were quashed because the trustee in bankruptcy had not resumed the action within the three-month deadline;
- as regards the arbitration proceedings brought by Officine Ferroviarie Veronesi S.p.A. against AnsaldoBreda S.p.A., while the board of arbitration was being formed, the Court of Verona ruled the opening of Officine Ferroviarie Veronesi S.p.A.'s extraordinary management procedure and, accordingly, took steps to appoint the Judge in charge of the Proceedings (*Giudice Delegato*) and the Receiver (*Commissario Giudiziale*).

* * * * * * * *

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

- with regard to the criminal proceedings conducted by the Public Prosecutor's Office at the Court of Rome in relation to the "contract for the supply of a centralised consolidation and management system for the video-surveillance systems at the CEN in Naples", on 26 March 2014 the Judge for Preliminary Investigations (GIP, *Giudice delle Indagini Preliminari*) of the Court of Rome dismissed the case against all the persons under investigation;
- with regard to the criminal proceedings being conducted by the Public Prosecutor's Office of Milan, concerning public financing requested by Selex Galileo SpA (now Selex ES SpA) under the integrated package of concessions for innovation ("P.I.A. Innovazione"), on 7 April 2014 the GIP of the Court of Milan dismissed the case against all the persons under investigation;
- in the immediate trial (*giudizio immediato*) before the Court of Busto Arsizio regarding AgustaWestland International Ltd's supply of 12 helicopters to the Indian Government, in which the former Chairman and Chief Executive Officer of Finmeccanica Spa and the former Chief Executive Officer of AgustaWestland SpA are facing charges, after the committal proceedings (*istruzione dibattimentale*) had come to a conclusion, the Public Prosecutor stated his closing arguments at the hearings of 1 and 3 July 2014. This will be

followed by the defence arguments at the hearings set for 30 September, 1 and 2 October 2014. A judgment is expected to be handed down by 9 October 2014;

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

  In relation to this lawsuit, on the same day AgustaWestland Spa and AgustaWestland Ltd, together with the Prosecutor, requested for them the application of monetary penalties pursuant to article 63 of Legislative Decree 231/01 and article 444 et seqq. of the Italian Code of Criminal Procedure. The parties are awaiting the setting of the hearing for the Judge's decision.

  As part of the same proceedings, on 10 July 2014 the Public Prosecutor submitted a request for the dismissal of the case against some individuals involved (an executive and a former executive of AgustaWestland SpA, as well as the former Manager responsible for the Finmeccanica office in India), as he considered that the causal contribution from the latter persons was poor with respect to the cases of offence they were charged with;
- in the investigations put in hand by the Indian judicial authorities (CBI) - involving thirteen persons and six companies, including Finmeccanica and AgustaWestland - in connection with AgustaWestland International Ltd's supply of 12 helicopters to the Indian Government, on 29 April 2014 the Indian Central Bureau of Investigation asked the Deputy at Finmeccanica's office in New Delhi to provide the documents regarding the contract under scrutiny. The request was met on 7 July 2014;
- with regard to the two criminal proceedings pending before the Court of Naples, involving ordinary and immediate trials respectively, concerning the contracts awarded to the then Elsag Datamat (now Selex ES SpA) and to Electron Italia for the construction of the integrated traffic monitoring system of the city of Naples and of the video-surveillance

systems for some municipalities in the province of Naples, respectively, at the hearings held on 22 May 2014 the Court ordered the proceedings to be combined. The case in its combined form continues in open court; the next hearing is set for 23 October 2014;

- on 27 May 2014 the Turin Public Prosecutor's Office officially informed some Finmeccanica directors (who had served from 1994 to 1998) and some AgustaWestland directors (who had served from 1999 to 2011) that they were under investigation for a criminal offence under Article 449 of the Italian Criminal Code in that they broke the rules regarding the use of asbestos in connection with AgustaWestland's supply of helicopters to the Armed Forces, the Police and other State corps;
- in the criminal proceedings before the Turin Public Prosecutor's Office regarding the revelation of designs and technical specifications that were the property of a competitor of FATA SpA, on 30 May 2014 the company was informed of the termination of the preliminary investigations for the unlawful act referred to in articles 5 e 25-*bis1* of Legislative Decree 231/01. This notice was also served on the Chairman and on an executive, for the offence referred to in articles 110 and 513 of the Italian Criminal Code, and on the Operations Manager, for the offences referred to in articles 81, 110, 615-*ter* and 623 of the Italian Criminal Code;
- with regard to the criminal proceedings before the Rome Public Prosecutor's Office, concerning the informal tender launched by the Presidency of the Council of Ministers in 2010 for an ICT contract for operational services and the management of contracts and acquisitions and awarded to a Temporary Business Combine (RTI, *Raggruppamento Temporaneo di Imprese*) established by Selex Service Management and by a company not belonging to the Finmeccanica Group, on 8 July 2014 the company was served a notice of conclusion of preliminary investigations into administrative violations pursuant to Art. 25 of Legislative Decree no. 231/01, in relation to articles 110 and 321 of the Italian Criminal Code.

  Selex Service Management's former Operations Manager, Finmeccanica's former Chairman and Chief Executive Officer and former External Relations Manager are also under investigation in these proceedings for offences under Articles 81, second paragraph, 110, 326 and 353, paragraphs 1 and 2, of the Italian Criminal Code, as well as is Selex Service Management's former Chief Executive Officer for offences under Articles 110, 319 and 321 of the Italian Criminal Code and Articles 81, second paragraph, 110, 326, 353, paragraphs 1 and 2, of the Italian Criminal Code;
- with regard to the criminal proceedings before the Naples Public Prosecutor's Office, regarding the award of the contract for the construction and operation of the System for

Waste Tracking (SISTRI), on 15 July 2014 Selex Service Management was served with an order for the termination of the *in rem* precautionary measure issued by the General Public Prosecutor's Office of the Supreme Court following the judgment handed down by the Third criminal division of the same Court. While granting the appeal submitted by the company, this judgment set aside the Court of Review's order confirming the ruling on preventive attachment issued by the GIP of the Court of Naples on 15 April 2013. Said ruling provided for a precautionary attachment involving the company's accounts to an amount equivalent to € 6,955,791, a sum that had allegedly been subtracted from the tax office or unlawfully collected for illegal reimbursements through the commission of the tax offences which the company's former Chief Executive Officer had been charged with in the proceedings referred to below;

- with regard to the summary trial before the Court of Naples, regarding the award of the contract for the construction and operation of the System for Waste Tracking (SISTRI), on 18 July 2014 the Court read out the operative part of the judgment and sentenced the former Chief Executive Officer of Selex Service Management to 2 years and 6 months in prison, as well as ordered him to compensate for damage in favour of the company that had appeared as an aggrieved party in the proceedings;
- on 13 December 2013 the Rome Public Prosecutor's Office served the Chief Executive Officer of the then Selex Systems Integration Gmbh (now Selex ES Gmbh) with a notice of conclusion of preliminary investigations and, at the same time, with a notice of indictment, as to the offences referred to in articles 110 of the Italian Criminal Code, 223, paragraph 2, no. 2, with reference to articles 216 and 219, paragraphs 1 and 2, no. 1, of Royal Decree 267/42, in relation to the bankruptcy of a supplier company. On 26 February 2014 a notice was served which set the preliminary hearing, while on 18 July 2014 the Judge for Preliminary Hearings (GUP, *Giudice dell'Udienza Preliminare*) of the Court of Rome ordered the former Chief Executive Officer of the then Selex Systems Integration Gmbh to be committed for trial. The first hearing for discussion was set at 5 November 2014;
- with regard to the criminal proceedings before the Public Prosecutor's Office of Florence regarding the construction of the technological communication network named "Tetra" in Syria, on 16 July 2014 the Prosecutor requested the dismissal of the case against all the persons under investigation.

* * * * * * * *

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

- With regard to the Sistri contract, signed between the Ministry for the Environment, Land and Sea and Selex Service Management in December 2009 in relation to the design, management and maintenance of the System for Waste Tracking, currently under investigation by the Public Prosecutor's Office of Naples, on 8 May 2014 the Italian Public Contracts Regulator (*Autorità di Vigilanza dei Contratti Pubblici*) concluded the procedure that it had opened in July 2012 by filing Resolution no. 10. By this resolution, the Regulator ruled that the award of the Sistri contract did not comply with Article 17 of the Italian Code of Public Contracts in the matter of contracts subject to a secrecy classification and ordered the papers of the case to be sent to the Ministry and to the Court of Auditors, as well as to the DDA (*Direzione Distrettuale Antimafia*) organised crime unit at the Naples Public Prosecutor's office. On 6 June 2014 the company appealed against this Resolution before the Lazio Regional Administrative Court, challenging its lawfulness under various aspects. We would add that, in the course of the previous financial years, the performance of the contract was affected by a number of legislative acts aimed at postponing the time at which it was to come into force, at making changes to the categories of persons under an obligation to adopt the system, as well at introducing simplification measures. Specifically, while confirming 1 October 2013 as the date of first-time adoption, Law no. 125 of 30 October 2013 reported the need to take measures to simplify and streamline the system, to define changes in relation to the content, term and economic and financial plan of the contract with Selex Service Management, also on the basis of the results of the audit on costs carried out by AGID (*Agenzia per l'Italia Digitale,* the Italian Agency for Digitalisation). Meanwhile, prior to starting up AGID, the company conducted investigations into the fairness of the costs it had incurred and adjusted the carrying amount of its assets on the basis of the results achieved up to that time. Finally, note the publication of Decree Law no. 91 of 24 June 2014 (Official Gazette of 24 June 2014), which provided for the Ministry for the Environment, Land and Sea to take measures for a further simplification of the SISTRI system by issuing an order for this purpose within sixty days from the entry into force of said Decree, in accordance with article 188-*bis* of Legislative Decree 152/06, paragraph 4-*bis*. This simplification shall be implemented on a priority basis by the application of interoperability with other platforms and the replacement of the USB devices, which are being currently used, at no additional cost to public funds. On 21 July 2014 Selex Service Management informed the Ministry that it was not its intention to continue with the management of the system beyond the time-limit of 30 November 2014 set in the contract, forewarning that it will take steps to protect its interests before any court and in any jurisdiction in order to recoup the capital invested and obtain compensation for damages.

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

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

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

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

- With regard to the contract for the supply of the 12 AW 101 VVIP/VIP helicopters to the Indian Ministry of Defence, which is the object of the criminal proceedings in progress before the Court of Busto Arsizio, on 23 May 2014, in the framework of the proceedings pursuant to Article 700 of the Italian Code of Civil Procedure brought by AgustaWestland SpA and AgustaWestland International Ltd to prevent the enforcement of the guarantees, the Court of Milan partially revoked the order it had previously handed down in partial acceptance of the complaint submitted by the Indian Ministry of Defence on 27 March 2014. Specifically, the Court revoked its injunction with regard to the whole amount of the Performance bond equal to about €mil. 28 and up to an amount of about €mil. 200 as regards the Advance Bank Guarantees. Therefore, as only about €mil. 50 of the guarantees cannot be enforced (corresponding to the reduction that, according to the contract, was to be made from the Advance Bank Guarantees after the customer accepted three of the helicopters), the remaining sum of about €mil. 228 was paid.

The company will continue to plead its claims in the arbitration proceedings in order to be paid the fees to which it is entitled under the contract and thus, *inter alia*, to recover this amount. We are still waiting for the Paris International Chamber of Commerce to make arrangements for the appointment of the third arbitrator, as the parties have not reached an agreement in the matter.

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

## 15. EMPLOYEE BENEFITS

| | *30 June 2014* | | | *31 December 2013* | | |
|---|---|---|---|---|---|---|
| | **Liabilities** | **Assets** | **Net** | **Liabilities** | **Assets** | **Net** |
| Severance pay provision | 437 | - | 437 | 427 | - | 427 |
| Defined-benefit plans | 229 | 133 | 96 | 251 | 120 | 131 |
| Defined contribution plans | 18 | - | 18 | 25 | - | 25 |
| | **684** | **133** | **551** | **703** | **120** | **583** |

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

| | ***For the six months ended 30 June*** | |
|---|---|---|
| | **2014** | **2013** |
| Current service costs | 33 | 31 |
| Costs booked as "personnel expenses " | 33 | 31 |
| Net interest costs | 7 | 9 |
| Costs booked as "financial expenses " | 7 | 9 |
| | **40** | **40** |

## 16. OTHER CURRENT AND NON-CURRENT LIABILITIES

| | 30 June 2014 | | 31 December 2013 | |
|---|---|---|---|---|
| | Non current | Current | Non current | Current |
| Employee obligations | 53 | 460 | 48 | 400 |
| Deferred income | 90 | 80 | 90 | 75 |
| Amounts due to social security institutions | 5 | 201 | 5 | 201 |
| Payables to MED (Law no. 808/85) | 274 | 60 | 272 | 60 |
| Payables to MED for royalties (Law no. 808/85) | 130 | 30 | 118 | 30 |
| Other liabilities (Law no. 808/85) | 174 | - | 169 | - |
| Indirect tax liabilities | - | 110 | - | 122 |
| Derivatives | - | 129 | - | 52 |
| Other liabilities | 189 | 647 | 181 | 621 |
| Other payables to related parties (Note 27) | - | 58 | - | 107 |
| | **915** | **1,775** | **883** | **1,668** |

"Other payables" include, in particular, the payable due to Bell Helicopter of €mil. 176 (€mil. 191 at 31 December 2013), deriving from the acquisition of 100% of the AW609 programme, whereas the residual payable deriving from the acquisition of 100% of the manufacturing and marketing rights for the AW139 helicopter (€mil. 17 at 31 December 2013) was fully repaid.

## 17. TRADE PAYABLES, INCLUDING PROGRESS PAYMENTS AND ADVANCES FROM CUSTOMER

| | *30 June 2014* | *31 December 2013* |
|---|---|---|
| Suppliers | 3,866 | 3,680 |
| Trade payables to related parties (Note 27) | 168 | 190 |
| | **4,034** | **3,870** |
| Progress payments and advances from customers | 7,267 | 7,654 |
| | **11,301** | **11,524** |

## 18. REVENUE

| | *For the six months ended 30 June* | |
|---|---|---|
| | **2014** | **2013** |
| Revenue from sales | 3,675 | 4,332 |
| Revenue from services | 1,205 | 833 |
| Change in work in progress | 411 | 342 |
| Revenue from related parties (Note 27) | 1,266 | 1,123 |
| | **6,557** | **6,630** |

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

## 19. OTHER OPERATING INCOME (EXPENSES)

| | For the six months ended 30 June | | | | | |
|---|---|---|---|---|---|---|
| | 2014 | | | 2013 | | |
| | **Income** | **Expenses** | **Net** | **Income** | **Expenses** | **Net** |
| Grants for research and development costs | 27 | - | 27 | 24 | - | 24 |
| Exchange rate differences on operating items | 45 | (45) | - | 41 | (36) | 5 |
| Indirect taxes | - | (22) | (22) | - | (20) | (20) |
| Restructuring costs | - | (14) | (14) | - | (7) | (7) |
| Reversal of / Accruals to provisions | 171 | (136) | 35 | 161 | (264) | (103) |
| Other | 28 | (41) | (13) | 101 | (54) | 47 |
| Other from/to related parties (Note 27) | 3 | (1) | 2 | 4 | (1) | 3 |
| | **274** | **(259)** | **15** | **331** | **(382)** | **(51)** |

## 20. PURCHASES AND PERSONNEL EXPENSES

| | For the six months ended 30 June | |
|---|---|---|
| | *2014* | *2013* |
| Purchases | 2,312 | 2,249 |
| Services | 2,057 | 2,159 |
| Costs to related parties (Note 27) | 76 | 119 |
| Personnel expense | 1,887 | 1,967 |
| *Wages, salaries and contributions* | *1,710* | *1,770* |
| *Defined-benefit plans costs* | *33* | *31* |
| *Defined contribution plans costs* | *62* | *65* |
| *Net restructuring costs* | *36* | *53* |
| *Other personnel expenses* | *46* | *48* |
| Change in finished goods, work in progress and semi-finished products | (59) | (218) |
| Work performed by the Group and capitalised | (219) | (230) |
| | **6,054** | **6,046** |

The decrease of €mil. 80 in personnel expense is mainly due to the lower average workforce (see table below) and, to a lesser extent, to lower restructuring costs and other staff leaving incentives (down €mil. 17 compared with the first six months of 2013). The significant decrease in the average workforce mainly refers to the reorganisation processes in the *Defence and Security Electronics* segment (1,068 average resources abroad at DRS and 781 resources at SES, of which 646 in Italy), in the *Transportation* segment (109 resources, of which 87 in Italy) and in the *Helicopters* segment (89 resources) vis-à-vis the growth in the *Aeronautics* and *Other Activities* segments (an increase of 266 and 106 average units, respectively, compared with June 2013) . The decrease was due to the aforementioned restructuring processes.

| | Average Workforce | | | Total Workforce | | |
|---|---|---|---|---|---|---|
| | *30 June 2014* | *30 June 2013* | *Change* | *30 June 2014* | *31 December 2013* | *Change* |
| Senior managers (*) | 1,601 | 1,710 | (109) | 1,598 | 1,653 | (55) |
| Middle managers | 6,023 | 6,128 | (105) | 6,095 | 6,129 | (34) |
| Clerical employees | 31,903 | 33,207 | (1,304) | 32,514 | 32,935 | (421) |
| Manual labourers (**) | 15,283 | 15,525 | (242) | 15,483 | 15,565 | (82) |
| **Total** | **54,810** | **56,570** | **(1,760)** | **55,690** | **56,282** | **(592)** |

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

## 21. AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES

| | *For the six months ended 30 June* | | | |
|---|---|---|---|---|
| | **2014** | | **2013** | |
| Amortisation of intangible assets | | 146 | | 141 |
| *Development costs* | *39* | | *40* | |
| *Non-recurring costs* | *24* | | *19* | |
| *Acquired through business combinations* | *41* | | *42* | |
| *Concessions, licences and trademarks* | *7* | | *8* | |
| *Other intangible assets* | *35* | | *32* | |
| Depreciation of property, plant and equipment | | 183 | | 163 |
| Impairment of operating receivables | | 5 | | 47 |
| Impairment of other assets | | 1 | | - |
| | | **335** | | **351** |

## 22. FINANCIAL INCOME AND EXPENSE

| | *For the six months ended 30 June* | | | | | |
|---|---|---|---|---|---|---|
| | **2014** | | | **2013** | | |
| | **Income** | **Expenses** | **Net** | **Income** | **Expenses** | **Net** |
| Interest | 2 | (147) | (145) | 11 | (179) | (168) |
| Loan fees | - | (9) | (9) | - | (7) | (7) |
| Other commissions | - | (5) | (5) | - | (28) | (28) |
| Fair value gains (losses) through profit or loss | 12 | (14) | (2) | 39 | (11) | 28 |
| Premiums (paid) received on forwards | 3 | (5) | (2) | 6 | (6) | - |
| Exchange rate differences | 87 | (87) | - | 112 | (122) | (10) |
| Net interest cost on defined-benefit plans | - | (7) | (7) | - | (9) | (9) |
| Financial income (expense) - related parties (Note 27) | 3 | (4) | (1) | 3 | (3) | - |
| Other financial income and expense | 2 | (35) | (33) | 3 | (37) | (34) |
| | **109** | **(313)** | **(204)** | **174** | **(402)** | **(228)** |

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

| | *For the six months ended 30 June* | |
|---|---|---|
| | **2014** | **2013** |
| *Space Alliance* | 17 | 24 |
| MBDA | 10 | 25 |
| GIE ATR | 10 | 10 |
| **Strategic joint ventures** | **37** | **59** |
| Other | (5) | (17) |
| | **32** | **42** |

## 24. INCOME TAXES

| | *For the six months ended 30 June* | |
|---|---|---|
| | **2014** | **2013** |
| IRAP (reg. tax on production) | 31 | 39 |
| Other income taxes | 46 | 47 |
| Provisions for tax disputes | 3 | 12 |
| Deferred tax - net | (30) | (32) |
| | **50** | **66** |

## 25. EARNINGS PER SHARE

| | *For the six months ended 30 June* | |
|---|---|---|
| | **2014** | **2013** |
| Average shares outstanding during the reporting period (in thousands) | 578,118 | 578,118 |
| Earnings for the period (excluding non-controlling interests) (€ millions) | (62) | (79) |
| Earnings from continuing operations (excluding non-controlling interests) (€ millions) | (62) | (87) |
| Earnings from discontinued operations (excluding non-controlling interests) (€ millions) | - | 8 |
| *Basic and Diluted EPS (€)* | **(0.107)** | **(0.137)** |
| *Basic and Diluted EPS from continuing operations (€)* | *(0.107)* | *(0.150)* |
| *Basic and Diluted EPS from discontinued operations (€)* | - | *0.013* |

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

## 26. CASH FLOW FROM OPERATING ACTIVITIES

| | *For the six months ended 30 June* | |
|---|---|---|
| | **2014** | **2013** |
| Net result | (39) | (62) |
| Amortisation, depreciation and impairment losses | 335 | 351 |
| Share of profits/(losses) of equity-accounted investees | (32) | (42) |
| Income taxes | 50 | 66 |
| Costs for defined-benefit plans | 33 | 31 |
| Net financial expense /(income) | 204 | 228 |
| Net allocations to the provisions for risks and inventory write-downs | 114 | 236 |
| Profit from Discontinued Operations | - | (8) |
| Other non-monetary items | 13 | 5 |
| | **678** | **805** |

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

| | *For the six months ended 30 June* | |
|---|---|---|
| | **2014** | **2013** |
| Inventories | (100) | (270) |
| Contract work in progress and progress payments and advances from customers | (1,163) | (668) |
| Trade receivables and payables | 112 | (430) |
| | **(1,151)** | **(1,368)** |

## 27. RELATED PARTY TRANSACTIONS

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

| ***RECEIVABLES at 30 June 2014*** | **Non-current loans and receivables** | **Other non-current receivables** | **Current loans and receivables** | **Trade receivables** | **Other current receivables** | **Total** |
|---|---|---|---|---|---|---|
| ***Unconsolidated subsidiaries*** | | | | | | |
| Other with unit amount lower than €mil. 10 | | | 8 | 5 | 1 | 14 |
| ***Associates*** | | | | | | |
| Eurofighter Jagdflugzeug GmbH | | | | 156 | | 156 |
| NH Industries SAS | | | | 131 | | 131 |
| Iveco - Oto Melara Scarl | | | | 56 | | 56 |
| Orizzonte - Sistemi Navali SpA | | | | 34 | | 34 |
| Metro 5 SpA | | 15 | 4 | 25 | | 44 |
| Abruzzo Engineering Scpa (in liq.) | | | | 22 | | 22 |
| Macchi Hurel Dubois SAS | | | | 17 | | 17 |
| Agustawestland Aviation Services LLC | | | | 13 | | 13 |
| Other with unit amount lower than €mil. 10 | | 1 | 10 | 43 | 1 | 55 |
| ***Joint Venture*** | | | | | | |
| GIE ATR | | | | 102 | | 102 |
| Closed Joint Stock Company Helivert | | | | 59 | | 59 |
| MBDA SAS | | | | 34 | | 34 |
| Superjet International SpA | | | 89 | 22 | 3 | 114 |
| Thales Alenia Space SAS | | | 4 | 22 | 1 | 27 |
| Telespazio SpA | 6 | | 25 | 3 | | 34 |
| Rotorsim Srl | | | | 16 | | 16 |
| Other with unit amount lower than €mil. 10 | | | 1 | 10 | | 11 |
| ***Consortiums (*)*** | | | | | | |
| Ferroviario Vesuviano | | | | 14 | | 14 |
| MM4 | | | | 15 | | 15 |
| Other with unit amount lower than €mil. 10 | | | 2 | 22 | 1 | 25 |
| ***Companies subject to the control or considerable influence of the MEF*** | | | | | | |
| Ferrovie dello Stato | | | 2 | 103 | | 105 |
| Other with unit amount lower than €mil. 10 | | | | 96 | | 96 |
| **Total** | **6** | **16** | **145** | **1,020** | **7** | **1,194** |
| ***% against total for the year*** | ***15.8%*** | ***11.0%*** | ***65.9%*** | ***24.1%*** | ***1.2%*** | |

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

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

| ***PAYABLES at 30 June 2014*** | **Non-current loans and borrowings** | **Other non-current borrowings** | **Current loans and borrowings** | **Trade payables** | **Other current payables** | **Total** | **Guarantees** |
|---|---|---|---|---|---|---|---|
| ***Unconsolidated subsidiaries*** | | | | | | | |
| Other with unit amount lower than €mil. 10 | | | 6 | 11 | 1 | 18 | |
| ***Associates*** | | | | | | | |
| Eurofighter Jagdflugzeug GmbH | | | 57 | 12 | | 69 | |
| Consorzio Start SpA | | | | 16 | | 16 | |
| Other with unit amount lower than €mil. 10 | | | 1 | 28 | 6 | 35 | |
| ***Joint Venture*** | | | | | | | |
| MBDA SAS | | | 387 | 15 | 1 | 403 | 62 |
| GIE ATR | | | | 18 | 25 | 43 | |
| Rotorsim Srl | | | | 12 | | 12 | |
| Thales Alenia Space SAS | | | 20 | 1 | | 21 | 1 |
| Telespazio SpA | | | | 3 | 5 | 8 | 226 |
| Superjet International SpA | | | | 1 | 12 | 13 | |
| Other with unit amount lower than €mil. 10 | | | | 3 | 1 | 4 | |
| ***Consortiums (*)*** | | | | | | | |
| Other with unit amount lower than €mil. 10 | | | | 3 | 1 | 4 | |
| ***Companies subject to the control or considerable influence of the MEF*** | | | | | | | |
| Ferrovie dello Stato | | | | 33 | | 33 | |
| Other with unit amount lower than €mil. 10 | 10 | | 6 | 12 | 6 | 34 | |
| **Total** | **10** | **-** | **477** | **168** | **58** | **713** | **289** |
| ***% against total for the year*** | ***0.2%*** | ***0.0%*** | ***59.0%*** | ***4.2%*** | ***3.7%*** | | |

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

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

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

Non-current loans and receivables from related parties at 31 December 2013 chiefly consisted of financial instruments issued by the investee BCV Investments SA measured at fair value as a result of the early repayment clauses and the forced conversion to which these securities are subject.

Trade payables to related parties mainly refer to payables to joint ventures and to the Start Consortium for the supply of software for defence and space systems.

Borrowings from related parties include in particular the amount of €mil. 407 (€mil. 523 at 31 December 2013) due by Group companies to the joint ventures MBDA and Thales Alenia Space, and payables of €mil. 57 (€mil. 69 at 31 December 2013), to Eurofighter, of which Alenia Aeronautica owns 21%. As regards the latter, under a cash pooling agreement its surplus cash and cash equivalents were distributed among the partners at 31 March 2014.

| *For the six months ended 30 June 2014* | Revenue | Other operating income | Costs | Other operating costs | Financial income | Financial expenses |
|---|---|---|---|---|---|---|
| ***Unconsolidated subsidiaries*** | | | | | | |
| Other with unit amount lower than €mil. 10 | | | 8 | | | |
| ***Associates*** | | | | | | |
| Eurofighter Jagdflugzeug GmbH | 358 | | | | | |
| NH Industries SAS | 211 | | | | | |
| Orizzonte - Sistemi Navali SpA | 93 | | | | | |
| Iveco-Oto Melara Scarl | 58 | | 2 | 1 | | 1 |
| Macchi Hurel Dubois SAS | 23 | | | | | |
| Other with unit amount lower than €mil. 10 | 27 | | 13 | | | 1 |
| ***Joint Venture*** | | | | | | |
| GIE ATR | 144 | | 8 | | | |
| MBDA SAS | 35 | 1 | | | | 2 |
| Thales Alenia Space SAS | 17 | | | | | |
| Superjet International SpA | 10 | | | | 1 | |
| Other with unit amount lower than €mil. 10 | 19 | 2 | 24 | | | |
| ***Consortiums (*)*** | | | | | | |
| Other with unit amount lower than €mil. 10 | 12 | | 3 | | | |
| ***Companies subject to the control or considerable influence of the MEF*** | | | | | | |
| Ferrovie dello Stato | 203 | | 5 | | | |
| Other with unit amount lower than €mil. 10 | 56 | | 13 | | 2 | |
| **Total** | **1,266** | **3** | **76** | **1** | **3** | **4** |
| ***% against total for the year*** | ***19.3%*** | ***1.1%*** | ***1.3%*** | ***0.4%*** | ***2.8%*** | ***1.3%*** |

| *For the six months ended 30 June 2013* | Revenue | Other operating income | Costs | Other operating costs | Financial income | Financial expenses |
|---|---|---|---|---|---|---|
| ***Unconsolidated subsidiaries*** | | | | | | |
| Other with unit amount lower than €mil. 10 | | | 11 | | | |
| ***Associates*** | | | | | | |
| Eurofighter Jagdflugzeug GmbH | 361 | | | | | |
| NH Industries SAS | 95 | | | | | |
| Orizzonte - Sistemi Navali S.p.A. | 108 | | | | | |
| Iveco-Oto Melara S.c.a.r.l. | 53 | | 1 | **1** | | 1 |
| Macchi Hurel Dubois S.a.S. | 14 | | | | | |
| Metro 5 SPA | 12 | | | | | |
| Other with unit amount lower than €mil. 10 | 24 | | 22 | | | 1 |
| ***Joint Venture*** | | | | | | |
| GIE ATR | 109 | | 43 | | | |
| MBDA SAS | 40 | | | | | 1 |
| Thales Alenia Space S.a.S. | 18 | | 1 | | | |
| Telespazio SpA | 1 | | 13 | | | |
| Closed Joint Stock Company Helivert | 13 | | | | | |
| Other with unit amount lower than €mil. 10 | 11 | 4 | 13 | | 2 | |
| *Consortiums (*)* | | | | | | |
| Other with unit amount lower than €mil. 10 | 7 | | 3 | | | |
| ***Companies subject to the control or considerable influence of the MEF*** | | | | | | |
| Ferrovie dello Stato | 194 | | 3 | | | |
| Other with unit amount lower than €mil. 10 | 63 | - | 9 | | 1 | |
| **Total** | **1,123** | **4** | **119** | **1** | **3** | **3** |
| ***% against total for the year*** | ***16.9%*** | ***1.2%*** | ***2.0%*** | ***0.3%*** | ***1.7%*** | ***0.7%*** |

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

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

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

For the Board of Directors

The Chairman

(Giovanni De Gennaro)

## Appendix: scope of consolidation

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

| *Company name* | *Registered office* | *Currency* | *Share capital* | *% Group ownership* | | *% Group shareholding* |
|---|---|---|---|---|---|---|
| | | | | *Direct* | *Indirect* | |
| 3083683 NOVA SCOTIA LIMITED | Halifax, Nova Scotia (Canada) | CAD | - | | 100 | 100 |
| AGUSTA AEROSPACE SERVICES AAS SA | Grace Hollogne (Belgium) | EUR | 500,000 | | 100 | 100 |
| AGUSTAWESTLAND TILT-ROTOR COMPANY INC. | Wilmington, Delaware (USA) | USD | - | | 100 | 100 |
| AGUSTAWESTLAND AUSTRALIA PTY LTD | Melbourne (Australia) | AUD | 400,000 | | 100 | 100 |
| AGUSTAWESTLAND DO BRASIL LTDA | Sao Paulo (Brazil) | BRL | 11,817,172 | | 100 | 100 |
| AGUSTAWESTLAND ESPANA SL | Madrid (Spain) | EUR | 3,300 | | 100 | 100 |
| AGUSTAWESTLAND HOLDINGS LTD | Yeovil, Somerset (U.K.) | GBP | 40,000 | | 100 | 100 |
| AGUSTAWESTLAND INDIA PRIVATE LTD | New Delhi (India) | INR | 11,519,450 | | 100 | 100 |
| AGUSTAWESTLAND INTERNATIONAL LTD | Yeovil, Somerset (U.K.) | GBP | 511,000 | | 100 | 100 |
| AGUSTAWESTLAND LTD | Yeovil, Somerset (UK) | GBP | 1,520,304 | | 100 | 100 |
| AGUSTAWESTLAND MALAYSIA SDN BHD | Kuala Lumpur (Malaysia) | MYR | 2,500,000 | | 100 | 100 |
| AGUSTAWESTLAND NORTH AMERICA INC | Wilmington, Delaware (USA) | USD | 1 | | 100 | 100 |
| AGUSTAWESTLAND PHILADELPHIA CO | Wilmington Delaware (USA) | USD | 20,000,000 | | 100 | 100 |
| AGUSTAWESTLAND POLITECNICO ADVANCED ROTORCRAFT CENTER SC A RL | Milan | EUR | 400,000 | | 80 | 80 |
| AGUSTAWESTLAND PORTUGAL SA | Lisbon (Portugal) | EUR | 100,000 | | 100 | 100 |
| AGUSTAWESTLAND PROPERTIES LTD | Yeovil, Somerset (U.K.) | GBP | 100 | | 100 | 100 |
| AGUSTAWESTLAND SPA | Cascina Costa (Varese) | EUR | 702,537,000 | 100 | | 100 |
| ALENIA AERMACCHI SPA | Venegono Superiore (Varese) | EUR | 250,000,000 | 100 | | 100 |
| ALENIA AERMACCHI NORTH AMERICA INC | New Castle,Wilmington, Delaware (USA) | USD | 44 | | 100 | 100 |
| ANSALDO RAILWAY SYSTEM TRADING (BEIJING) LTD | Beijing (China) | USD | 1,500,000 | | 100 | 40.07 |
| ANSALDO STS AUSTRALIA PTY LTD | Birsbane (Australia) | AUD | 5,025,885 | | 100 | 40.07 |
| ANSALDO STS BEIJING LTD | Beijing (China) | EUR | 836,945 | | 80 | 32.05 |
| ANSALDO STS CANADA INC | Kingstone, Ontario (Canada) | CAD | - | | 100 | 40.07 |
| ANSALDO STS DEUTSCHLAND GMBH | Munich (Germany) | EUR | 26,000 | | 100 | 40.07 |
| ANSALDO STS DO BRASIL SISTEMAS DE TRANSPORTE FERROVIARIO E METROPOLITANO LTDA | Fortaleza (Brazil) | BRL | 1,000,000 | | 99,99 | 40.06 |
| ANSALDO STS ESPANA SAU | Madrid (Spain) | EUR | 1,500,000 | | 100 | 40.07 |
| ANSALDO STS FRANCE SAS | Les Ulis (France) | EUR | 5,000,000 | | 100 | 40.07 |
| ANSALDO STS HONG KONG LTD | Kowloon Bay (China) | HKD | 100,000 | | 100 | 40.07 |
| ANSALDO STS IRELAND LTD | Co Kerry (Ireland) | EUR | 100,309 | | 100 | 40.07 |
| ANSALDO STS MALAYSIA SDN BHD | Kuala Lumpur (Malaysia) | MYR | 3,000,000 | | 100 | 40.07 |
| ANSALDO STS-SINOSA RAIL SOLUT. SOUTH AFR. (PTY) LTD | Sandton (ZA – South Africa) | ZAR | 2,000 | | 51 | 20.43 |
| ANSALDO STS SOUTHERN AFRICA (PTY) LTD | Gaborone (Botswana) | BWP | 100 | | 100 | 40.07 |
| ANSALDO STS SWEDEN AB | Solna (Sweden) | SEK | 4,000,000 | | 100 | 40.07 |
| ANSALDO STS TRANSPORTATION SYSTEMS INDIA PRIVATE LTD | Bangalore (India) | INR | 3,612,915,050 | | 100 | 40.07 |
| ANSALDO STS UK LTD | Barbican (U.K.) | GBP | 1,000,000 | | 100 | 40.07 |
| ANSALDO STS SPA | Genoa | EUR | 80,000,000 | 40.07 | | 40.07 |
| ANSALDO STS USA INC | Wilmington, Delaware (USA) | USD | 1 | | 100 | 40.07 |
| ANSALDO STS USA INTERNATIONAL CO | Wilmington, Delaware (USA) | USD | 1,000 | | 100 | 40.07 |
| ANSALDO STS USA INTERNATIONAL PROJECTS CO | Wilmington, Delaware (USA) | USD | 25,000 | | 100 | 40.07 |
| ANSALDOBREDA ESPANA SLU | Madrid (Spain) | EUR | 3,010 | | 100 | 100 |
| ANSALDOBREDA INC | Pittsburg, California (USA) | USD | 5 | | 100 | 100 |
| ANSALDOBREDA SPA | Naples | EUR | 55,839,139 | 100 | | 100 |
| AUTOMATISMES CONTROLES ET ETUDES ELECTRONIQUES SAS (ACELEC) | Les Ulis (France) | EUR | 167,694 | | 100 | 40.07 |
| BREDAMENARINIBUS SPA | Bologna | EUR | 1,300,000 | 100 | | 100 |
| CISDEG SPA | Rome | EUR | 120,000 | | 87.50 | 87.50 |
| DRS C3 & AVIATION COMPANY | Wilmington, Delaware (USA) | USD | 1 | | 100 | 100 |
| DRS CENGEN LLC | Wilmington, Delaware (USA) | USD | - | | 100 | 100 |
| DRS CONSOLIDATED CONTROLS INC | Wilmington, Delaware (USA) | USD | 1 | | 100 | 100 |
| DRS DEFENSE SOLUTIONS LLC | Wilmington, Delaware (USA) | USD | - | | 100 | 100 |
| DRS ENVIRONMENTAL SYSTEMS INC | Wilmington, Delaware (USA) | USD | 2 | | 100 | 100 |
| DRS HOMELAND SECURITY SOLUTIONS INC | Wilmington, Delaware (USA) | USD | 1 | | 100 | 100 |
| DRS ICAS LLC | Wilmington, Delaware (USA) | USD | - | | 100 | 100 |
| DRS INTERNATIONAL INC | Wilmington, Delaware (USA) | USD | 1 | | 100 | 100 |
| DRS POWER & CONTROL TECHNOLOGIES INC | Wilmington, Delaware (USA) | USD | 1 | | 100 | 100 |
| DRS POWER TECHNOLOGY INC | Wilmington, Delaware (USA) | USD | 1 | | 100 | 100 |
| DRS RADAR SYSTEMS LLC | Wilmington, Delaware (USA) | USD | - | | 100 | 100 |
| DRS RSTA INC | Wilmington, Delaware (USA) | USD | 1 | | 100 | 100 |
| DRS SENSORS & TARGETING SYSTEMS INC | Wilmington, Delaware (USA) | USD | 1 | | 100 | 100 |
| DRS SIGNAL SOLUTIONS INC | Wilmington, Delaware (USA) | USD | 10 | | 100 | 100 |
| DRS SURVEILLANCE SUPPORT SYSTEMS INC | Wilmington, Delaware (USA) | USD | 1 | | 100 | 100 |
| DRS SUSTAINMENT SYSTEMS INC | Wilmington, Delaware (USA) | USD | 1,000 | | 100 | 100 |
| DRS SYSTEMS MANAGEMENT LLC | Wilmington, Delaware (USA) | USD | 1 | | 100 | 100 |
| DRS SYSTEMS INC | Wilmington, Delaware (USA) | USD | 1 | | 100 | 100 |
| DRS TACTICAL SYSTEMS GLOBAL SERVICES INC | Plantation, Florida (USA) | USD | 10 | | 100 | 100 |
| DRS TACTICAL SYSTEMS INC | Plantation, Florida (USA) | USD | 200 | | 100 | 100 |
| DRS TACTICAL SYSTEMS LIMITED | Farnham, Surrey (UK) | GBP | 1,000 | | 100 | 100 |
| DRS TECHNICAL SERVICES GMBH & CO KG | Baden-Wurttemberg (Germany) | EUR | - | | 100 | 100 |
| DRS TECHNICAL SERVICES INC | Baltimora, Maryland (USA) | USD | 50 | | 100 | 100 |
| DRS TECHNOLOGIES CANADA INC | Wilmington, Delaware (USA) | USD | 1 | | 100 | 100 |
| DRS TECHNOLOGIES CANADA LTD | Kanata, Ontario (Canada) | CAD | 100 | | 100 | 100 |
| DRS TECHNOLOGIES SAUDI ARABIA LLC | Riyadh (Saudi Arabia) | SAR | 2,000,000 | | 49.00 | 49.00 |
| DRS TECHNOLOGIES UK LIMITED | Farnham, Surrey (UK) | GBP | 14,676,000 | | 100 | 100 |
| DRS TECHNOLOGIES VERWALTUNGS GMBH | Baden-Wurttemberg (Germany) | EUR | 25,000 | | 100 | 100 |
| DRS TECHNOLOGIES INC | Wilmington, Delaware (USA) | USD | 1 | | 100 | 100 |
| DRS TEST & ENERGY MANAGEMENT LLC | Wilmington, Delaware (USA) | USD | - | | 100 | 100 |
| DRS TRAINING & CONTROL SYSTEMS LLC | Plantation, Florida (USA) | USD | 510 | | 100 | 100 |
| DRS TSI INTERNATIONAL LLC | Wilmington, Delaware (USA) | USD | - | | 100 | 100 |
| DRS UNMANNED TECHNOLOGIES INC | Wilmington, Delaware (USA) | USD | 1 | | 100 | 100 |
| ED CONTACT SRL | Rome | EUR | 600,000 | | 100 | 100 |
| ELECTRON ITALIA SRL | Rome | EUR | 206,582 | | 100 | 100 |
| ENGINEERED COIL COMPANY | Clayton, Missouri (USA) | USD | 1,000 | | 100 | 100 |
| ENGINEERED SUPPORT SYSTEMS INC | Clayton, Missouri (USA) | USD | 1 | | 100 | 100 |
| E - SECURITY SRL | Montesilvano (Pescara) | EUR | 128,000 | | 100 | 100 |
| ESSI RESOURCES LLC | Louisville, Kentucky (USA) | USD | - | | 100 | 100 |
| FATA ENGINEERING SPA | Pianezza (Turin) | EUR | 1,092,000 | | 100 | 100 |
| FATA GULF CO WLL | Doha (Qatar) | QAR | 200,000 | | 49.00 | 97.00 |
| FATA HUNTER INC | Riverside, California (USA) | USD | 5,800,000 | | 100 | 100 |
| FATA LOGISTIC SYSTEMS SPA | Pianezza (Turin) | EUR | 100,000 | | 100 | 100 |
| FATA SPA | Pianezza (Turin) | EUR | 20,000,000 | 100 | | 100 |
| FINMECCANICA FINANCE SA | Luxembourg (Luxembourg) | EUR | 12,371,940 | 100 | | 100 |

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

| *Company name* | *Registered office* | *Currency* | *Share capital* | *% Group ownership* | | *% Group shareholding* |
|---|---|---|---|---|---|---|
| | | | | *Direct* | *Indirect* | |
| FINMECCANICA GLOBAL SERVICES SPA | Rome | EUR | 49,945,983 | 100 | | 100 |
| LARIMART SPA | Rome | EUR | 2,500,000 | | 60.00 | 60.00 |
| LASERTEL INC | Tucson, Arizona (USA) | USD | 10 | | 100 | 100 |
| LAUREL TECHNOLOGIES PARTNERSHIP | Wilmington, Delaware (USA) | USD | - | | 100 | 100 |
| MECCANICA HOLDINGS USA INC | Wilmington, Delaware (USA) | USD | 10 | 100 | | 100 |
| MECCANICA REINSURANCE SA | Luxembourg (Luxembourg) | EUR | 4,000,000 | | 100 | 100 |
| OTO MELARA IBERICA SAU | Loriguilla, Valencia (Spain) | EUR | 120,000 | | 100.00 | 100.00 |
| OTO MELARA NORTH AMERICA INC | Dover, Delaware (USA) | USD | 10,000 | | 100 | 100 |
| OTO MELARA SPA | La Spezia | EUR | 92,307,722 | 100 | | 100 |
| PCA ELECTRONIC TEST LTD | Grantham, Lincolnshire (UK) | GBP | 1 | | 100 | 100 |
| PIVOTAL POWER INC | Halifax, Nova Scotia (Canada) | CAD | - | | 100 | 100 |
| REGIONALNY PARK PRZEMYSLOWY SWIDNIK SP Z OO | Mechaniczna 13 - U1, Swidnik (Poland) | PLN | 7,072,000 | | 73,8829 | 72,7484 |
| SELEX ELSAG LTD | Chelmsford, Essex (UK) | GBP | 25,800,100 | | 100.00 | 100.00 |
| SELEX ES DO BRASIL LTDA | Rio de Janeiro (Brazil) | BRL | 3,621,000 | | 100 | 100 |
| SELEX ES GMBH | Backnang (Germany) | EUR | 2,500,000 | | 100 | 100 |
| SELEX ES INTERNATIONAL LTD | Chelmsford (UK) | GBP | 60,000,000 | | 100 | 100 |
| SELEX ES LTD | Essex (UK) | GBP | 270,000,100 | | 100 | 100 |
| SELEX ES MUAS SPA | Rome | EUR | 150,000 | | 100 | 100 |
| SELEX GALILEO INC | Wilmington, Delaware (USA) | USD | 17,750,000 | | 100 | 100 |
| SELEX ES ELKTRONIK TURKEY AS | Golbasi (Turkey) | TRY | 5,501,808 | | 100 | 100 |
| SELEX ES INC ex SELEX SYSTEMS INTEGRATION INC | Delaware (USA) | USD | 1 | | 100 | 100 |
| SELEX ES ROMANIA SRL | Bucharest (Romania) | RON | 42,370 | | 100 | 100 |
| SELEX ES SPA | Rome | EUR | 1,000,000 | 100 | | 100 |
| SELEX SERVICE MANAGEMENT SPA | Rome | EUR | 3,600,000 | 100 | | 100 |
| SELEX SISTEMI INTEGRATI SPA (IN LIQ.) | Rome | EUR | 143,110,986 | | 100 | 100 |
| SELEX SYSTEMS INTEGRATION LTD | Portsmouth, Hampshire (UK) | GBP | 71,500,001 | | 100 | 100 |
| SC ELETTRA COMMUNICATIONS SA | Ploiesti (Romania) | RON | 10,847,960 | | 50.5 | 50.5 |
| SIRIO PANEL SPA | Montevarchi (Arezzo) | EUR | 447,228 | | 100.00 | 100.00 |
| SO.GE.PA. - SOCIETA` GENERALE DI PARTECIPAZIONI SPA | Genoa | EUR | 1,000,000 | 100 | | 100 |
| SISTEMI SOFTWARE INTEGRATI SPA | Taranto | EUR | 1,664,000 | | 100 | 100 |
| T - S HOLDING CORPORATION | Dallas, Texas (USA) | USD | 280,000 | | 100 | 100 |
| TECH-SYM LLC | Reno, Nevada (USA) | USD | 10 | | 100 | 100 |
| UNION SWITCH & SIGNAL INC | Wilmington, Delaware (USA) | USD | 1,000 | | 100 | 40.0656 |
| VEGA CONSULTING SERVICES LTD | Hertfordshire (UK) | GBP | 1,098,839 | | 100 | 100.00 |
| VEGA DEUTSCHLAND GMBH | Cologne (Germany) | EUR | 25,700 | | 100 | 100 |
| WESTLAND SUPPORT SERVICES LTD | Yeovil, Somerset (UK) | GBP | 5,000 | | 100 | 100 |
| WESTLAND TRANSMISSIONS LTD | Yeovil, Somerset (UK) | GBP | 1,000,100 | | 100 | 100 |
| WHITEHEAD SISTEMI SUBACQUEI SPA | Livorno | EUR | 21,346,000 | 100 | | 100 |
| WING NED BV | Rotterdam (the Netherlands) | EUR | 18,000 | | 100 | 100 |
| WORLD'S WING SA | Geneva (Switzerland) | CHF | 120,100,000 | | 94.944 | 94.944 |
| WYTWORNIA SPRZETU KOMUNIKACYJNEGO ``PZL-SWIDNIK`` SPOLKA AKCYJNA | Aleja Lotnikow, Swidnik (Poland) | PLN | 86,006,050 | | 98.46 | 98.46 |
| ZAKLAD OBROBKI PLASTYCZNEJ SP Z OO | Kuznicza 13 - U1, Swidnik (Poland) | PLN | 3,800,000 | | 100.00 | 98.46 |

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

| *Company name* | *Registered office* | *Currency* | *Share capital* | *% Group ownership* | | *% Group shareholding* |
|---|---|---|---|---|---|---|
| | | | | *Direct* | *Indirect* | |
| ADVANCED MALE AIRCRAFT LLC | Al Ain, Muwaiji (United Arab Emirates) | AED | 200,000 | | 49.00 | 49.00 |
| AGUSTAWESTLAND UK PENSION SCHEME (TRUSTEE) LTD | Yeovil (U.K.) | GBP | 1 | | 100 | 100 |
| ANSALDOBREDA FRANCE SAS (IN LIQ) | Marseille (France) | EUR | 200,000 | | 100 | 100 |
| CCRT SISTEMI SPA (IN FALL) | Milan | EUR | 697,217 | | 30.34 | 30.34 |
| ELSACOM - UKRAINE JOINT STOCK COMPANY | Kiev (Ukraine) | UAH | 7,945,000 | | 49.00 | 49.00 |
| EUROPEAN SATELLITE NAVIGATION INDUSTRIES GMBH (IN LIQ) | Ottobrunn (Germany) | EUR | 264,000 | 18.94 | 18.94 | 25.19 |
| EUROPEAN SATELLITE NAVIGATION INDUSTRIES SA (IN LIQ) | Brussels (Belgium) | EUR | 264,000 | 18.94 | 18.94 | 25.19 |
| INDUSTRIE AERONAUTICHE E MECCANICHE RINALDO PIAGGIO SPA (AMMSTR) | Genoa | EUR | 103,567 | 31.0 | | 31.0 |
| INMOVE ITALIA SPA | Naples | EUR | 120,000 | | 100 | 100 |
| SAITECH SPA (IN FALL) | Passignano sul Trasimeno (Perugia) | EUR | 2,582,284 | | 40.00 | 40.00 |
| SEL PROC SRL (IN LIQ.) | Rome | EUR | 300,000 | | 100 | 100 |
| SESM - SOLUZIONI EVOLUTE PER LA SISTEMISTICA E I MODELLI - SC A RL | Naples | EUR | 323,440 | | 100 | 100 |

**L**
**ist of companies consolidated using the equity method (amounts in foreign currency)**

| *Company name* | *Registered office* | *Currency* | *Share capital* | *% Group ownership* | | *% Group shareholding* |
|---|---|---|---|---|---|---|
| | | | | *Direct* | *Indirect* | |
| A4ESSOR SAS | Neuilly Sur Seine (France) | EUR | 100,000 | | 21.00 | 21.00 |
| ABRUZZO ENGINEERING SCPA (IN LIQ) | L'Aquila | EUR | 1,100,000 | | 30.00 | 30.00 |
| ABU DHABI SYSTEMS INTEGRATION LLC | Abu Dhabi (United Arab Emirates) | AED | 1,150,000 | | 43.04 | 43.04 |
| ADVANCED ACOUSTIC CONCEPTS LLC | Wilmington, Delaware (USA) | USD | - | | 51.00 | 51.00 |
| ADVANCED AIR TRAFFIC SYSTEMS SDN BHD | Darul Ehsan (Malaysia) | MYR | 5,000,000 | | 30.00 | 30.00 |
| AGUSTAWESTLAND AVIATION SERVICES LLC | Abu Dhabi (United Arab Emirates) | AED | 10,000 | | 30.00 | 30.00 |
| ALENIA NORTH AMERICA-CANADA CO | Halifax, Nova Scotia (Canada) | CAD | 1 | | 100 | 100 |
| ALIFANA DUE SCRL | Naples | EUR | 25,500 | | 53.34 | 21.371 |
| ALIFANA SCRL | Naples | EUR | 25,500 | | 65.85 | 26.3831976 |
| AMSH BV | Amsterdam (the Netherlands) | EUR | 36,296,316 | 50.00 | | 50.00 |
| ANSALDO-EMIT SCRL (IN LIQ) | Genoa | EUR | 10,200 | | 50.00 | 50.00 |
| AVIO SPA | Turin | EUR | 40,000,000 | 14.32 | | 14.32 |
| CONSORZIO ATR GIE e SPE | Toulouse (France) | USD | - | | 50.00 | 50.00 |
| AUTOMATION INTEGRATED SOLUTIONS SPA | Pianezza (Turin) | EUR | 100,000 | | 40.00 | 40.00 |
| AVIATION TRAINING INTERNATIONAL LTD | Dorset (U.K.) | GBP | 550,000 | | 50.00 | 50.00 |
| BALFOUR BEATTY ANSALDO SYSTEMS JV SDN BHD | Ampang (Malaysia) | MYR | 6,000,000 | | 40 | 16.0262 |
| BRITISH HELICOPTERS LTD | Yeovil, Somerset (U.K.) | GBP | 6 | | 100 | 100 |
| CARDPRIZE TWO LIMITED | Basildon, Essex (U.K.) | GBP | 1 | | 100 | 100 |
| COMLENIA SENDIRIAN BERHAD | Selangor Darul Ehsan (Malaysia) | MYR | 1,500,000 | | 30.00 | 30.00 |
| CONSORZIO START SPA | Rome | EUR | 100,000 | | 43.96 | 43.96 |
| DATTILO - DISTRETTO ALTA TECNOLOGIA TRASPORTI E LOGISTICA S.C. A R.L. | Naples | EUR | 100,000 | | 24.00 | 15.61 |
| DEVELOPMENT & INNOVATION IN TRANSPORT SYSTEMS SRL | Rome | EUR | 40,000 | | 24.00 | 16.81 |
| DISTRETTO TECNOLOGICO AEROSPAZIALE SC A RL | Brindisi | EUR | 150,000 | | 24.00 | 24.00 |
| E - GEOS SPA | Matera | EUR | 5,000,000 | | 80 | 53.6 |
| ECOSEN CA | Caracas (Venezuela) | VEF | 1,310,000 | | 50.5 | 20.23 |
| ELETTRONICA SPA | Rome | EUR | 9,000,000 | 31.33 | | 31.33 |
| ELSACOM NV (IN LIQ.) | Amsterdam (the Netherlands) | EUR | 4,537,802 | | 100 | 100 |
| ELSACOM SPA (IN LIQ) | Rome | EUR | 3,731,644 | | 100 | 100 |
| EURISS NV | Leiden (the Netherlands) | EUR | 500,000 | | 25 | 8,25 |
| EUROFIGHTER AIRCRAFT MANAGEMENT GMBH | Hallbergmoos (Germany) | EUR | 127,823 | | 21.00 | 21.00 |
| EUROFIGHTER INTERNATIONAL LTD | London (U.K.) | GBP | 2,000,000 | | 21.00 | 21.00 |
| EUROFIGHTER JAGDFLUGZEUG GMBH | Hallbergmoos (Germany) | EUR | 2,556,459 | | 21.00 | 21.00 |
| EUROFIGHTER SIMULATION SYSTEMS GMBH | Unterhaching (Germany) | EUR | 260,000 | | 24.00 | 24.00 |
| EUROMIDS SAS | Paris (France) | EUR | 40,500 | | 25.00 | 25.00 |
| EUROSATELLITE FRANCE SA | France | EUR | 40,000 | | 100 | 33.00 |
| EUROSYSNAV SAS | Paris (France) | EUR | 40,000 | 50 | | 50.00 |
| EUROTECH SPA | Amaro (Udine) | EUR | 8,878,946 | 11,08 | | 11.08 |
| FATA HUNTER INDIA PVT LTD | New Dehli (India) | INR | 500,000 | | 100 | 100.00 |
| FATA (SHANGHAI) ENGINEERING EQUIPMENT CO. LTD | Shanghai (China) | CNY | 100,000 | | 100 | 100 |
| FINMECCANICA DO BRASIL LTDA | Brasilia (Brazil) | BRL | 1,203,200 | 99,999 | | 99,999 |
| FINMECCANICA NORTH AMERICA INC | Dover, Delaware (USA) | USD | 1,000 | 100 | | 100 |
| FINMECCANICA UK LTD | London (U.K.) | GBP | 1,000 | 100 | | 100 |
| GAF AG | Munich (Germany) | EUR | 256,000 | | 100 | 53.6 |
| GRUPO AURENSIS SA DE CV (IN LIQ.) | Bosque de Duraznos (Mexico) | MXN | 50,000 | | 100 | 67 |
| IAMCO - INTERNATIONAL AEROSPACE MANAGEMENT COMPANY SCRL | Venice | EUR | 208,000 | | 25 | 25.00 |
| ICARUS SCPA | Turin | EUR | 10,268,400 | | 49 | 49.00 |
| IMMOBILIARE CASCINA SRL | Gallarate (Varese) | EUR | 46,800 | | 100.00 | 100.00 |
| INDIAN ROTORCRAFT LTD | Andhta Pradesh (India) | INR | 429,337,830 | | 26.00 | 26.00 |
| INTERNATIONAL METRO SERVICE SRL | Milan | EUR | 700,000 | | 49 | 19.63 |
| IM INTERMETRO SPA (IN LIQ) | Rome | EUR | 2,461,320 | | 33.33 | 23.34 |
| IVECO - OTO MELARA SC A RL | Rome | EUR | 40,000 | | 50.00 | 50.00 |
| JIANGXI CHANGHE AGUSTA HELICOPTER CO LTD | Zone Jiangxi Province (China) | USD | 6,000,000 | | 40.00 | 40.00 |
| CLOSED JOINT STOCK COMPANY HELIVERT | Moscow (Russia) | RUR | 10,000 | | 50.00 | 50.00 |
| JOINT STOCK COMPANY SUKHOI CIVIL AIRCRAFT | Moscow (Russia) | RUB | 3,065,725,000 | | 25.00 | 25.00 |
| KAZAKHSTAN TZ-ANSALDOSTS ITALY LLP | Astana (Kazakhstan) | KZT | 22,000,000 | | 49.00 | 19.63 |
| LIBYAN ITALIAN ADVANCED TECHNOLOGY CO | Tripoli (Libya) | EUR | 8,000,000 | 25 | 25.00 | 50.00 |
| LMATTS LLC | Georgia (USA) | USD | 100 | | 100.00 | 100.00 |
| MACCHI HUREL DUBOIS SAS | Plaisir (France) | EUR | 100,000 | | 50.00 | 50.00 |
| MBDA SAS | Paris (France) | EUR | 53,824,000 | | 50 | 25 |
| METRO 5 SPA | Milan | EUR | 50,000,000 | | 31.90 | 17.16 |
| METRO BRESCIA SRL | Brescia | EUR | 1,020,408 | | 24.50 | 12.64 |
| METRO DE LIMA LINEA 2 SA | Lima (Peru) | PEN | 166,200,000 | | 28.50 | 18.37 |
| MUSINET ENGINEERING SPA | Turin | EUR | 520,000 | | 49.00 | 49.00 |
| N2 IMAGING SYSTEMS LLC | Wilmington, Delaware (USA) | USD | - | | 30.00 | 30.00 |
| NHINDUSTRIES (SAS) | Aix en Provence (France) | EUR | 306,000 | | 32.00 | 32.00 |
| NGL PRIME SPA | Turin | EUR | 120,000 | 30 | | 30.00 |
| NOVACOM SERVICES SA | Toulouse (France) | EUR | 5,217,200 | | 39.73 | 26.62 |
| ORIZZONTE - SISTEMI NAVALI SPA | Genoa | EUR | 20,000,000 | | 49.00 | 49.00 |
| OTO MELARA DO BRASIL LTDA | Rio de Janeiro (Brazil) | BRL | 1,500,000 | | 100.00 | 100.00 |
| PEGASO SCRL (IN LIQ.) | Rome | EUR | 260,000 | | 46.87 | 18.78 |
| RARTEL SA | Bucharest (Romania) | RON | 468,500 | | 61.06 | 40.91 |
| ROTORSIM SRL | Sesto Calende (Varese) | EUR | 9,800,000 | | 50.00 | 50.00 |
| ROTORSIM USA LLC | Wilmington, Delaware (USA) | USD | 12.607.452 | | 50.00 | 50.00 |
| ROXEL SAS | Le Plessis Robinson (France) | EUR | 52,595,100 | | 50.00 | 12.50 |
| SAPHIRE INTERNATIONAL AVIATION & ATC ENGINEERING CO LTD | Beijing (China) | USD | 800,000 | | 65.00 | 65.00 |
| SELEX ES AUSTRALIA PTY LTD | Canberra (Australia) | AUD | 2 | | 100.00 | 100.00 |
| SELEX ES ELECTRO OPTICS (OVERSEAS) LTD | Basildon, Essex (U.K.) | GBP | 15,000 | | 100 | 100 |
| SELEX ES INDIA PRIVATE LTD | New Delhi (India) | INR | 30,100,000 | | 100 | 100 |
| SELEX ES INFRARED LTD | Basildon, Essex (U.K.) | GBP | 2 | | 100 | 100 |
| SELEX ES (PROJECTS) LTD | Basildon, Essex (U.K.) | GBP | 100 | | 100 | 100 |
| SELEX GALILEO SAUDI ARABIA COMPANY LTD | Riyadh (Saudi Arabia) | SAR | 500,000 | | 100 | 100 |
| SELEX PENSION SCHEME (TRUSTEE) LTD | Basildon, Essex (U.K.) | GBP | 100 | | 100 | 100 |
| SERVICIOS TECNICOS Y ESPECIALIZADOS Y DE INFORMACION SA DE CV (IN LIQ.) | Bosque de Duraznos (Mexico) | MXN | 50,000 | | 100 | 67 |
| SEVERNYJ AVTOBUS ZAO | Saint Petersburg (Russia) | RUB | 84,000 | | 35 | 35 |
| SIRIO PANEL INC | Dover, Delaware (USA) | USD | 10,000 | | 100 | 100.00 |
| SISTEMI DINAMICI SPA | S. Piero a Grado (Pisa) | EUR | 200,000 | | 40.00 | 40.00 |
| SOCIETA' DI PROGETTO CONSORTILE PER AZIONI M4 | Milan | EUR | 120,000 | | 34.2 | 24.071 |
| SPACEOPAL GMBH | Munich (Germany) | EUR | 500,000 | | 50.00 | 33.50 |
| SUPERJET INTERNATIONAL SPA | Tessera (Venice) | EUR | 6,424,411 | | 51.00 | 51.00 |
| CONSORZIO TELAER | Rome | EUR | 103,291 | | 100.00 | 67.52 |
| CONSORZIO TELAER - SISTEMI DI TELERILEVAMENTO AEREO | Rome | EUR | 120,000 | | 62.00 | 47.15 |
| TELESPAZIO ARGENTINA SA | Buenos Aires (Argentina) | ARS | 9,900,000 | | 100 | 66,958 |
| TELESPAZIO BRASIL SA | Rio de Janeiro (Brazil) | BRL | 58,724,000 | | 98.77 | 66.18 |
| TELESPAZIO FRANCE SAS | Toulouse (France) | EUR | 33,670,000 | | 100 | 67 |
| TELESPAZIO HUNGARY SATELLITE TELECOMMUNICATIONS LTD | Budapest (Hungary) | EUR | 100,000 | | 100.00 | 67.00 |

| | | | | | | |
|---|---|---|---|---|---|---|
| TELESPAZIO IBERICA SL | Barcelona (Spain) | EUR | 2,230,262 | | 100 | 67.00 |
| TELESPAZIO NORTH AMERICA INC | Doover, Delaware (USA) | USD | 10 | | 100 | 67.00 |
| TELESPAZIO SPA | Rome | EUR | 50,000,000 | | 100 | 67.00 |
| TELESPAZIO VEGA UK LTD | Welwyn Garden City, Herts (UK) | GBP | 30,000,100 | | 100 | 67.00 |
| TELESPAZIO VEGA UK SL | Madrid (Spain) | EUR | 3,100 | | 100 | 67.00 |
| TELESPAZIO VEGA DEUTSCHLAND GMBH | Darmstadt (Germany) | EUR | 44,150 | | 100 | 67.00 |
| THALES ALENIA SPACE SAS | Cannes La Bocca (France) | EUR | 979,240,000 | 33 | | 33.00 |
| WIN BLUEWATER SERVICES PRIVATE LIMITED | New Delhi (India) | INR | 12,000,000 | | 99.99 | 99.99 |
| XAIT SRL (IN LIQ.) | Ariccia (Rome) | EUR | 50,000 | | 100 | 100.00 |
| ZAO ARTETRA | Moscow (Russia) | RUB | 353,000 | | 51.00 | 51.00 |

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

| COMPANY NAME | EVENT | MONTH |
|---|---|---|
| **Companies which entered the scope of consolidation:** | | |
| Dattilo – Distretto alta tecnologia per l'industria SCaRL | newly acquired | July 2013 |
| Fata (Shanghai) Engineering Equipment Co. LTD | newly established | August 2013 |
| Oto Melara Do Brasil LTDA | newly established | November 2013 |
| Indian Rotorcraft Ltd | newly established | December 2013 |
| Ansaldo STS Do Brasil Sistemas De Transporte Ferroviari | newly established | February 2014 |
| Metro De Lima Linea 2 SA | newly established | April 2014 |
| **Companies which left the scope of consolidation:** | | |
| Turboenergy Srl | left the shareholding structure | August 2013 |
| Western Investors Technology Group, Inc. | deconsolidated | August 2013 |
| Western Investors Technology Group, L.P. | deconsolidated | August 2013 |
| Immobiliare Fonteverde (in liq.) | deconsolidated | October 2013 |
| AgustaWestland America LLC | deconsolidated | November 2013 |
| Quadrics Ltd (in liq.) | deconsolidated | December 2013 |
| Telespazio Nederland BV Iin liq.) | deconsolidated | December 2013 |
| Ansaldo Energia Group | sold | December 2013 |
| SELEX Sistemi Integrati De Venezuela SA (in liq.) | deconsolidated | January 2014 |
| Net Service Srl | sold | April 2014 |
| Elsacom Hungaria KFT (in liq.) | deconsolidated | June 2014 |
| **Merged companies:** | | |
| Agusta Holding BV | AgustaWestland NV | September 2013 |
| Finmeccanica Group Services Spa | Finmeccanica Group Real Estate Spa | October 2013 |
| SELEX Systems Integration GmbH | Selex Communications GmbH | October 2013 |
| AgustaWestland Inc. | AgustaWestland North America Inc. | December 2013 |
| AgustaWestland N.V. | AgustaWestland Spa | January 2014 |
| Elsag North America LLC | Selex ES Inc. | January 2014 |
| Selex Communications Inc. | Selex ES Inc. | January 2014 |
| Orangee Srl | Selex ES Spa | January 2014 |
| Cyberlabs Srl | Selex ES Spa | January 2014 |

Companies which changed their name:

| Old Name | New Name | Month |
|---|---|---|
| Selex Communications GmbH | Selex ES GmbH | October 2013 |
| Finmeccanica Group Real Estate Spa | Finmeccanica Global Services Spa | October 2013 |
| Selex Systems Integration Inc. | Selex ES Inc. | January 2014 |
| SELEX Sistemi Integrati Spa | SELEX Sistemi Integrati Spa (in liq.) | March 2014 |

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

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

## Statement on the condensed consolidated half-year financial statements at 30 June 2014 pursuant to Art. 154-bis, paragraph 5 of Legislative Decree no. 58/98 as amended

1. The undersigned, Mauro Moretti, Chief Executive Officer and General Manager, and Gian Piero Cutillo as the Officer in charge of financial reporting for Finmeccanica S.p.a., certify, in accordance with Art. 154-bis, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998:
    - the appropriateness of the financial statements with regard to the nature of the business and
    - the effective application of administrative and accounting procedures in preparing the condensed consolidated half-year financial statements at 30 June 2014.

2. In this respect it is noted that no significant matters arose.

3. It is also certified that:

    3.1 The condensed consolidated half-year financial statements:
    - were prepared in accordance with International Financial Reporting Standards endorsed by the European Community pursuant to Regulation (EC) 1606/2002 of the European Parliament and of the Council of 19 July 2002;
    - correspond to the entries in the books and accounting records;
    - were prepared in accordance with Article 154-ter of the aforesaid Legislative Decree 58/98 and subsequent amendments and integrations and they provide a true and fair view of the financial position and results of operations of the issuer and the companies included in the scope of consolidation.

    3.2 The directors' report accompanying the condensed consolidated half-year financial statements provides a reliable analysis of the important events taking place in the first six months of the year and their impact on the condensed consolidated half-year financial statements, together with a description of the key risks and uncertainties for the remaining six months of the year. The directors' report also includes a reliable analysis of significant transactions with related parties.

This statement also is made pursuant to and for the purposes of Art. 154-bis, paragraph 2, of Legislative Decree 58 of 24 February 1998.

Rome, 31 July 2014

| | |
|---|---|
| Chief Executive Officer and General Manager (Mauro Moretti) | Officer in charge of financial reporting (Gian Piero Cutillo) |

# Independent Auditors' Report on the review of the condensed consolidated half-year financial statements at 30 June 2014

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

# Auditors' report on review of condensed consolidated half-year financial statements

To the shareholders of
Finmeccanica S.p.a.

1 We have reviewed the condensed consolidated half-year financial statements of the Finmeccanica Group as at and for the six months ended 30 June 2014, comprising the separate income statement, the statement of comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in equity and notes thereto. The parent's directors are responsible for the preparation of these condensed consolidated half-year financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to prepare this report based on our review.

2 We conducted our review in accordance with Consob (the Italian Commission for Listed Companies and the Stock Exchange) guidelines set out in Consob resolution no. 10867 dated 31 July 1997. The review consisted primarily of the collection of information about the captions of the condensed consolidated half-year financial statements and the consistency of application of the accounting policies through discussions with company directors and analytical procedures applied to the financial data presented in such condensed consolidated half-year financial statements. The review excluded such audit procedures as tests of controls and substantive procedures on assets and liabilities and is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards. As a consequence, contrary to our report on the annual consolidated financial statements, we do not express an audit opinion on the condensed consolidated half-year financial statements.

The condensed consolidated half-year financial statements present the corresponding prior year annual and condensed half-year financial statements figures for comparative purposes. As disclosed in note 4 to the financial statements, the parent's directors restated some of the comparative figures included in the prior year annual and condensed half-year financial statements. We audited such financial statements and reviewed such condensed half-year financial statements and issued our reports thereon on 31 March 2014 and 2 August 2013, respectively. We have examined the methods used to restate the prior year comparative figures and related disclosures set out in note 4 for the purposes of preparing this report.

3 Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated half-year financial statements of the Finmeccanica Group as at and for the six months ended 30 June 2014 have not been prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

4 Without qualifying our opinion, we draw attention to the disclosure provided by the parent's directors in the notes to the condensed consolidated half-year financial statements describing the update of the investigations by judicial authorities involving Finmeccanica S.p.a. and certain subsidiaries, as well as some former directors and managers of these companies.

Rome, 1 August 2014

KPMG S.p.A.

(signed on the original)

Renato Naschi
Director of Audit