FINMECCANICA

ANNUAL FINANCIAL REPORT
2013

The future is to look beyond

FINMECCANICA

ANNUAL FINANCIAL REPORT 2013

HELICOPTERS
AgustaWestland

DEFENCE AND SECURITY ELECTRONICS
Selex ES
DRS Technologies

AERONAUTICS
Alenia Aermacchi
ATR (*)

SPACE
Telespazio (*)
Thales Alenia Space (*)

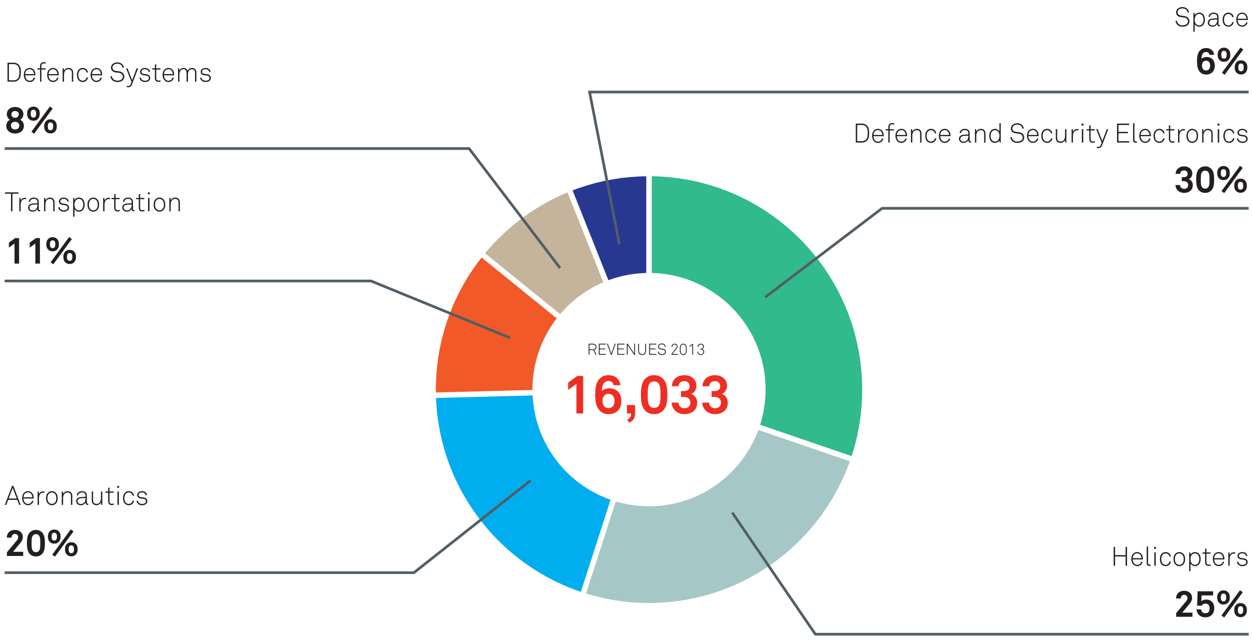
DEFENCE SYSTEMS
OTO Melara
WASS
MBDA (*)

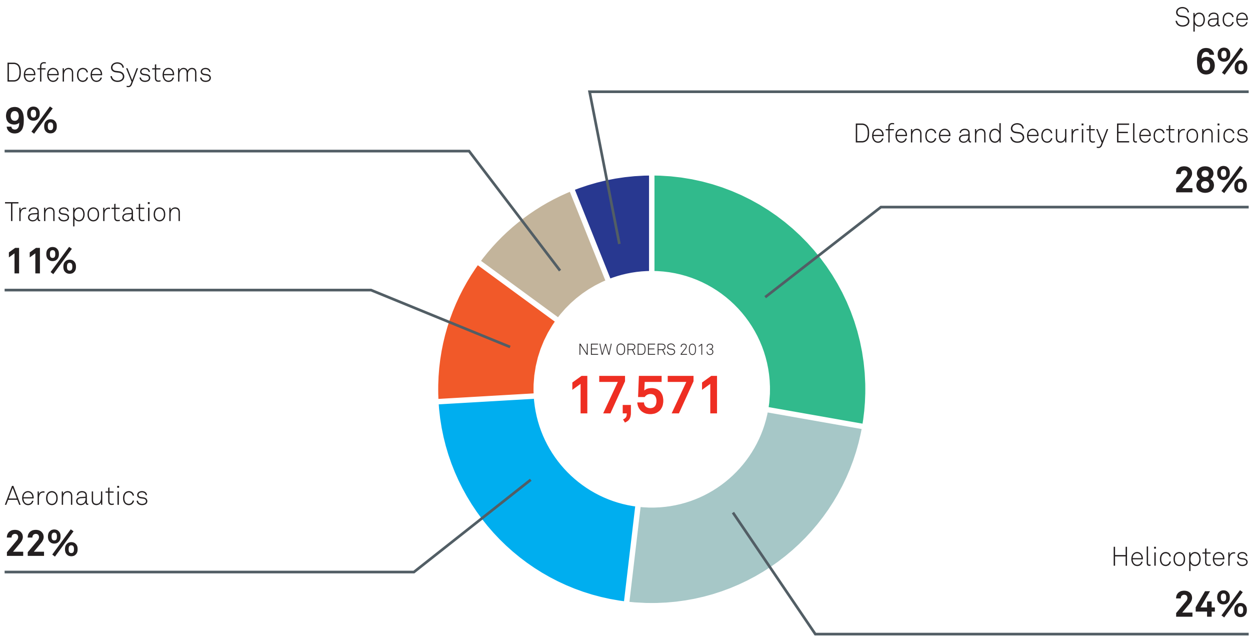
TRANSPORTATION
AnsaldoBreda
Ansaldo STS
BredaMenarinibus

(*) JOINT VENTURE / OWNED COMPANY

Financial highlights

(GROUP RESULTS 2013 € MILLION)





This Annual Financial Report 2013 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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The Chairman

Giovanni De Gennaro

Letter to Shareholders

Dear Shareholders,
2013 was a year of transition characterised by a profound reorganisation and restructuring of your Company in order to remodel a Group able to effectively and efficiently compete in the global market.
Within a rapidly evolving context, where Defence budgets are effectively steady with demand progressively shifting towards

The Chief Executive Officer and General Manager

Alessandro Pansa

emerging economies with strong price competitiveness, Finmeccanica has drawn-up, approved and implemented a strategic and industrial plan focused on three priority areas of intervention: the strengthening of the Group's governance, the industrial restructuring process and the rationalisation of the asset portfolio.

In line with this plan, important results have already been reached. In particular, the strengthening of the Group's governance was achieved through specific initiatives aimed at shortening the chain of control and increasing effectiveness and efficiency of operations. In keeping with international best practices, this year Finmeccanica has also taken steps to strengthen its internal control and risk management bodies and adopted new directives and policies. New rules have been adopted regulating the composition of the operating companies' corporate bodies and entrusted the assessment of its governance to an external committee. In line with similar initiatives already undertaken by major competitors to effectively respond to the challenges triggered by the transformation of international scenarios, this year Finmeccanica also approved a project aimed at defining a new Organisational and Operating Model for the Group. This project is a further confirmation of the determination of the Group to enhance its human capital and increase the return on capital invested, which will in turn guarantee further profitability, sustainability and cash generation.

The restructuring and rationalisation processes of different sectors of the Group launched in 2011 have been further developed through various initiatives aimed at increasing productivity and cutting costs. In 2013 with regard to the Aerospace and Defence sector, actions taken to optimise and reorganise the industrial processes have delivered results that significantly exceed expectations.

In response to changes in our business scenario, the rationalisation of the business portfolio continued, aimed at concentrating the Group's activities in the Aerospace and Defence sector. In fact, 2013 saw the approval and completion of the disposal of Ansaldo Energia to Fondo Strategico Italiano, the definition and implementation of actions aimed at reducing losses and cash absorption ascribable to AnsaldoBreda, and a number of initiatives were taken aimed at the deconsolidation of the Transportation sector.

Taking into account the context described above, and thanks to the actions taken by the management of your Company, 2013 can be considered essentially a positive year for the company.

In particular, Aerospace and Defence achieved better than expected results in terms of new orders, revenue and cash flow and an EBITA in line with guidance. These results show the positive impact of the restructuring and efficiency-improving plans. The benefits reaped from these plans went beyond expectations and considerably compensated for the effects of some issues which emerged in the Defence and Security Electronics sector. Profitability increased from 7.3% to 7.5% of revenues.

The economic and financial results of the restructuring plans were however compromised by the negative performance of the Transportation sector – attributable to AnsaldoBreda – which impacted on both the Group's profitability and cash generation.

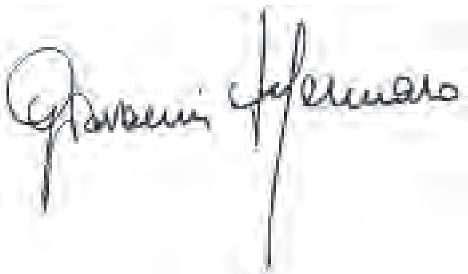
Nonetheless, your Company now bears a more solid and sustainable structure which is able to face the challenges set in an international framework in constant evolution, characterised by ever increasing competition.

A period of revival has begun for Finmeccanica which can rely on a more balanced portfolio both in terms of technology/products and markets, which will be more focused on business in which the Company can achieve a leading position given the realignment of the sector's industries underway worldwide, and thanks to greater capital strength and financial flexibility.

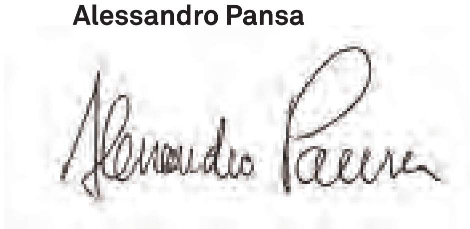
The results achieved and those that we set to obtain cannot be fulfilled without the constant dedication of management and the employees who work in Finmeccancia and in the Group's companies whom the Board of Directors sincerely thanks for the work accomplished up until today.

For the Board of Directors

The Chairman
Giovanni De Gennaro



The Chief Executive Officer
and General Manager
Alessandro Pansa



Boards and Committees

BOARD OF DIRECTORS
(for the period 2011-2013)

GIOVANNI
DE GENNARO

Chairman (1) (a, d)

GUIDO
VENTURONI

Deputy Chairman (2) (a, b)

ALESSANDRO
PANSA

Chief Executive Officer and General Manager (3) (a)

PAOLO
CANTARELLA

Director (a, b, d)

GIOVANNI
CATANZARO

Director (b, d)

DARIO
FRIGERIO

Director (4) (c)

DARIO
GALLI

Director (a, c)

IVANHOE
LO BELLO

Director (5) (a)

SILVIA
MERLO

Director (b, c, d)

ALESSANDRO
MINUTO RIZZO

Director (4) (a)

FRANCESCO
PARLATO

Director (a, c, d)

LUCIANO
ACCIARI

Secretary of the Board of Directors

GIUSEPPE
ORSI

Chief Executive Officer up to 13 February 2013; Director (Chairman) and member of the Strategy Committee up to 15 February 2013

CHRISTIAN
STREIFF

Director and member of the Remuneration Committee up to 4 July 2013

CARLO
BALDOCCI

Director without voting right (appointed by Ministerial Decree on 27 April 2011 effective from the date of appointment of the Board of Directors by the Shareholders' Meeting of 4 May 2011) and member of the Strategy Committee up to 11 September 2013

1. Appointed Director by the Shareholders' Meeting on 4 July 2013; appointed Chairman by the Board of Directors on 4 July 2013.
2. Appointed Deputy Chairman by the Board of Directors on 13 February 2013.
3. Appointed Chief Executive Officer and General Manager by the Board of Directors on 13 February 2013 (already appointed Director - General Manager from 1 December 2011).
4. Appointed Director by the Shareholders' Meeting on 4 July 2013.
5. Appointed Director by the Shareholders' Meeting on 15 April 2013 (already appointed Director, pursuant to Article 2386 of the Civil Code by the Board of Directors on 16 May 2012).

BOARD OF STATUTORY AUDITORS
(for the 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
(for the period 2012-2020)

KPMG SpA

a. Member of the Strategy Committee.
b. Member of the Control and Risks Committee.
c. Member of the Remuneration Committee.
d. Member of the Nomination Committee.

REPORT ON OPERATIONS AT 31 DECEMBER 2013

GROUP RESULTS AND FINANCIAL POSITION

Key performance indicators (“KPI”)

The figures for 2013 and the comparative figures with respect to new orders, revenues, EBITA and FOCF do not include the contribution of the Energy segment, which was eliminated from the Group’s scope of operations in December 2013 and classified among Discontinued Operations until the date of disposal. Order backlog and Group net debt at 31 December 2012 include Ansaldo Energia.

€ million	2013 (*)	2012 (**)	Change
New orders	17,571	15,869	10.7%
Order backlog	42,697	44,908	(4.9%)
Revenues	16,033	16,504	(2.9%)
EBITA	949	1,006	(5.7%)
Net profit (loss)	74	(792)	n.a.
Group net debt (***)	3,316	3,382	(2.0%)
FOCF	(307)	91	n.a.
ROS	5.9%	6.1%	(0.2) p.p.

(*) The performance and financial figures refer to Continuing Operations only (excluding Ansaldo Energia).
(**) The comparative figures have been restated following the adoption of IAS 19-revised. Comparative figures in respect of new orders, revenues, EBITA, FOCF and ROS have been restated following the reclassification of the Energy segment among Discontinued Operations.
(***) Comparative amount has been restated consistently with the new Group net debt definition.

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

p.p.: percentage points.

The Finmeccanica Group operates in the *Aerospace and Defence* sector (which includes the *Helicopters*, *Defence and Security Electronics*, *Aeronautics*, *Space* and *Defence Systems* segments), accounting for about 90% of the Group revenues, and in the *Transportation* segment (which also includes *FATA*, in addition to the companies operating in the *Transportation* segment). The two business areas are characterised by significantly different financial and operating performances with respect to both historical and prospective figures.
In particular, in 2013 the *Aerospace and Defence* sector posted better than forecast results with respect to new orders, revenues and, net of the impact of the Indian contract of AgustaWestland, cash flow, as well as an EBITA in line with expectations, despite some problems encountered in *Defence and Security Electronics*, solely in respect of the air traffic control business, vis-à-vis which the necessary corrective measures have been already identified and started. These results reflect the positive progress made in the restructuring and efficiency-enhancement plans launched in 2011, whose benefits were higher than expected and more than compensated the effects of the aforementioned criticalities, with operating profitability on the rise from 7.3% to 7.5%.

However, these efforts and corresponding positive results seem to have been frustrated by the disappointing performance of the *Transportation* segment, almost entirely attributable to AnsaldoBreda, which, as announced in November when the forecast of results for 2013 was revised, had a negative impact on the Group’s profitability and cash generation.

Commercial performance. The receipt of new orders, including the order for 16 AW101 helicopters in search & rescue (SAR) configuration for the Norwegian government worth around €bil. 1.15 and additional series of the B787 programme, was greater than expected, both overall and within the main sectors in which the Group operates. As a result of this, the book-to-bill ratio was again above 1 (1.10). Compared with the corresponding period of the previous year, new orders rose significantly (€mil. 1,702) thanks to the performance of the *Aerospace and Defence* sector which more than offset the contraction in *Transportation*, despite the forecast decline of almost €bil. 1 in *Defence and Security Electronics* due to defence budget cuts by major countries.

Business performance. Despite the manifestation of the expected reductions in volumes in *Defence and Security Electronics* and the continuing problems faced by Selex ES in contract execution and attaining a competitive position in specific business areas (especially air traffic control), the positive trend in EBITA for *Aerospace and Defence* reflects, as previously stated, the ongoing progress made by the restructuring and revitalisation plans in tackling this situation. On the other hand, as forecast due to the mentioned defence budget cuts, revenues fell as compared with the results posted for 2012, leading to a slight drop in EBITA despite improved profitability. At the Group level, operating profitability was also affected by the further worsening of AnsaldoBreda performance, which led to a deterioration of EBITA for €mil. 40 in *Transportation*.

Financial performance. The *Aerospace and Defence* sector generated positive cash flows, despite the heavily negative impact of the lack of collections of payments from India in respect of the AgustaWestland contract (forecast at more than €mil. 300, to which are added the considerable payments to suppliers made in respect of such contract in 2013), while the overall FOCF figure reflects the poor performance of AnsaldoBreda, characterised by structural operating problems and the outlays made in repayment of advances and lower collections on the Fyra order (Dutch-Belgian order, amounting to more than €mil. 100 between lower collections and unexpected outlays). This overall negative performance had an impact of €mil. 307 on net financial debt, which in any case benefitted from the successful sale of the stake in Ansaldo Energia to Fondo Strategico Italiano. On the whole, as a result of the transaction, completed on 23 December 2013, Finmeccanica received €mil. 277 at closing, to which another €mil. 117 (plus interest that will accrue on that amount at an annual rate of 6%) will be added as a result of the disposal of the remaining 15% held by Finmeccanica, which will be sold through put&call options between 30 June 2017 and 31 December 2017 at the latest. The gross benefit recognised in net financial debt at 31 December 2013 (for the purposes of which the value of the 15% remaining stake subject to the put&call options was taken into consideration) was equal to a total of around €mil. 630, taking into account the deconsolidation of the portion of Ansaldo Energia's debt attributable to Finmeccanica.

Strategic direction. Finmeccanica continues to be engaged in three priority action areas (where it made important progress in 2013) necessary to outline a Group capable of competing on the global market in an effective and efficient manner:

- *the strengthening of the corporate governance*, through actions aimed at shortening the chain of control and making management more effective;
- *the reorganisation of Finmeccanica industrial activities*, with significant benefits, above expectations, in *Aerospace and Defence* and especially in the *Aeronautics* and *Defence and Security Electronics* segments;
- *focusing on Aerospace and Defence*, through the sale of Ansaldo Energia and the search for solutions that allow Finmeccanica to deconsolidate the *Transportation* segment.

Within this framework, the Board of Directors of Finmeccanica has recently approved a project aimed at defining a new Organisational and Operating Model for the Group. The model provides for the following:

- Finmeccanica will be given a new role for the strategic direction and control of the companies within the scope of the project, in order to achieve greater efficacy in industrial operations and in the management of the product portfolio of each single business;
- the Parent Company and its operating subsidiaries will jointly manage any activities connected with products and markets, as well as with the execution of contracts and services

in the *Helicopters, Aeronautics, Defence and Security Electronics* and *Defence Systems* segments;

- a vertical integration of the Support functions to ensure standardisation of procedures, as well as the strengthening of the Group's governance and identity.

Before analysing the main indicators, it should be noted that the comparative P&L and cash flow figures have been adjusted to exclude the *Energy* segment, which has been classified among Discontinued Operations as a result of its disposal.
The primary changes that marked the Group's performance compared with the previous year are described below. A more thorough analysis can be found in the section covering the trends in each business segment.

December 2013 € million	Aerospace and Defence	Transportation	*Eliminations*	Total Continuing Operations	Discontinued Operations	Total
New orders	15,501	2,230	*(160)*	17,571	n.a.	**17,571**
Order backlog	34,399	8,527	*(229)*	42,697	n.a.	**42,697**
Revenues	14,093	1,988	*(48)*	16,033	n.a.	**16,033**
EBITA	1,058	(109)	-	949	n.a.	**949**
ROS	7.5%	(5.5%)	*n.a.*	5.9%	n.a.	**5.9%**

December 2012 € million	Aerospace and Defence	Transportation	*Eliminations*	Total Continuing Operations	Discontinued Operations	Total
New orders	13,582	2,406	*(119)*	15,869	n.a.	**15,869**
Order backlog	34,219	8,837	*(126)*	42,930	1,978	**44,908**
Revenues	14,668	1,932	*(96)*	16,504	n.a.	**16,504**
EBITA	1,075	(69)	-	1,006	n.a.	**1,006**
ROS	7.3%	(3.6%)	*n.a.*	6.1%	n.a.	**6.1%**

Change	Aerospace and Defence	Transportation	*Eliminations*	Total Continuing Operations	Discontinued Operations	Total
New orders (% change)	14.1%	(7.3%)	*n.a.*	10.7%	n.a.	**10.7%**
Order backlog (% change)	0.5%	(3.5%)	*n.a.*	(0.5%)	n.a.	**(4.9%)**
Revenues (% change)	(3.9%)	2.9%	*n.a.*	(2.9%)	n.a.	**(2.9%)**
EBITA (% change)	(1.6%)	(58.0%)	*n.a.*	(5.7%)	n.a.	**(5.7%)**
ROS (p.p. change)	0.2 p.p.	(1.9) p.p.	*n.a.*	(0.2) p.p.	n.a.	**(0.2) p.p.**

p.p.: percentage points.

New orders were higher than in the corresponding period of 2012, due mainly to new orders in the *Aeronautics* (up €mil. 811) – mainly in the B787 programme –, *Helicopters* (up €mil. 371) and *Defence Systems* (up €mil. 570) segments. This performance resulted in a much higher aggregate for *Aerospace and Defence* compared with 2012 (up €mil. 1,919), despite the forecast decline (less pronounced than expected) in *Defence and Security Electronics* (€mil. 184), both in the European component and in the US component, linked to cuts in the defence budgets of their customers.

The **order backlog** fell by €mil. 2,211 compared with 31 December 2012, mainly attributable to the deconsolidation of Ansaldo Energia (€mil. 1,978). The book-to-bill ratio is above 1 (1.10). The order backlog, considered in terms of its workability, ensures, however, around two and a half years of production for the Group.

Reclassified income statement

€ million	Note	2013	2012 (restated)	Change	% Change
Revenues		**16,033**	**16,504**	**(471)**	**(2.9%)**
Purchases and personnel expenses	(*)	(14,506)	(14,803)		
Amortisation and depreciation	(****)	(625)	(587)		
Other net operating income (expenses)	(**)	47	(108)		
EBITA		**949**	**1,006**	**(57)**	**(5.7%)**
Non-recurring income (expenses)		(423)	(147)		
Restructuring costs		(394)	(152)		
Impairment of goodwill		-	(1,148)		
Amortisation of intangible assets acquired as part of business combinations		(86)	(90)		
EBIT		**46**	**(531)**	**577**	**n.a.**
Net financial income (expense)	(***)	(414)	(360)		
Income taxes		(190)	62		
NET PROFIT (LOSS) BEFORE DISCONTINUED OPERATIONS		**(558)**	**(829)**	**271**	**32.7%**
Profit (Loss) from Discontinued Operations		632	37		
NET PROFIT (LOSS)		**74**	**(792)**	**866**	**n.a.**

Notes to the reconciliation between the reclassified income statement and the statutory income statement:
(*) Includes the caption "Purchases and personnel expenses" and "Accruals (Reversals) for final losses on orders" (net of "Restructuring costs", "Change in finished goods, work in progress and semi-finished products").
(**) Includes the net amount of "Other operating income" and "Other operating expenses" (net of restructuring costs, impairment of goodwill, non-recurring income (costs), impairment losses and accruals (reversals) for final losses on orders).
(***) Includes "Financial income", "Financial expense" and "Share of profits (losses) on equity-accounted investees".
(****) Total amortisation and depreciation (Note 29) net of the portion referable to intangible assets acquired as part of business combinations.

Revenues at 31 December 2013 fell in both the *Transportation* and the *Aerospace and Defence* sectors, in the latter due to the mentioned cuts in defence budgets in Europe and, especially, in the US, which led to a €mil. 862 reduction in revenues in *Defence and Security Electronics*. In contrast to this decline, the *Aeronautics* segment reported an increase in revenues of €mil. 369, mainly due to growth in the production rate for the Boeing 787 programme.

EBITA shows a slight decrease compared with 2012, reflecting the deterioration in the performance of *Transportation* (€mil. 40), once again attributable to AnsaldoBreda. Along with some problems that arose in the air traffic control business, the lower volumes in *Defence and Security Electronics* led to a slight decline in EBITA as compared with 2012 in the *Aerospace and Defence* sector (€mil. 17). However, the positive effects of the restructuring and efficiency-enhancement plans currently underway, demonstrated especially by the considerable progress made in *Aeronautics* (EBITA up €mil. 78, with a ROS up by about two percentage points), as well as the excellent results posted in *Helicopters*, which continues to report outstanding results (EBITA up €mil. 89 compared with 2012, thanks in part to the benefits of closing down the VH71 programme), almost entirely offset the significant decline in *Defence and Security Electronics*, thereby improving EBITA in percentage terms.

Net result, once again positive after significant losses reported over the last two years, was due, in addition to the mentioned decline in EBITA, to the following factors:

- a lesser impact of net charges outside of ordinary operations, classified among EBITA and EBIT, amounting to €mil. 634 (the reconciliation between EBIT and EBITA is described in the section “Non-GAAP alternative performance indicators”). In 2013, costs and revenues came to a negative €mil. 903, while in 2012 the item was negative by €mil. 1,537, largely as a result of the impairment of goodwill in the *Defence and Security Electronics* segment (€mil. 1,148). Moreover, profit and loss include results from Discontinued Operations for an amount of €mil. 632 (€mil. 37 in 2012), as a result of gains on the disposal of Ansaldo Energia*;*
- net financial expense rose by €mil. 54, mainly due to the deterioration in the results of equity-accounted investments (€mil. 46), in particular as a result of the loss recognised by SCAC in the *Aeronautics* segment;
- higher taxes in the amount of €mil. 252. The comparative figure benefitted from the recognition of deferred tax assets on consolidated tax losses of €mil. 180.

Reclassified statement of financial position

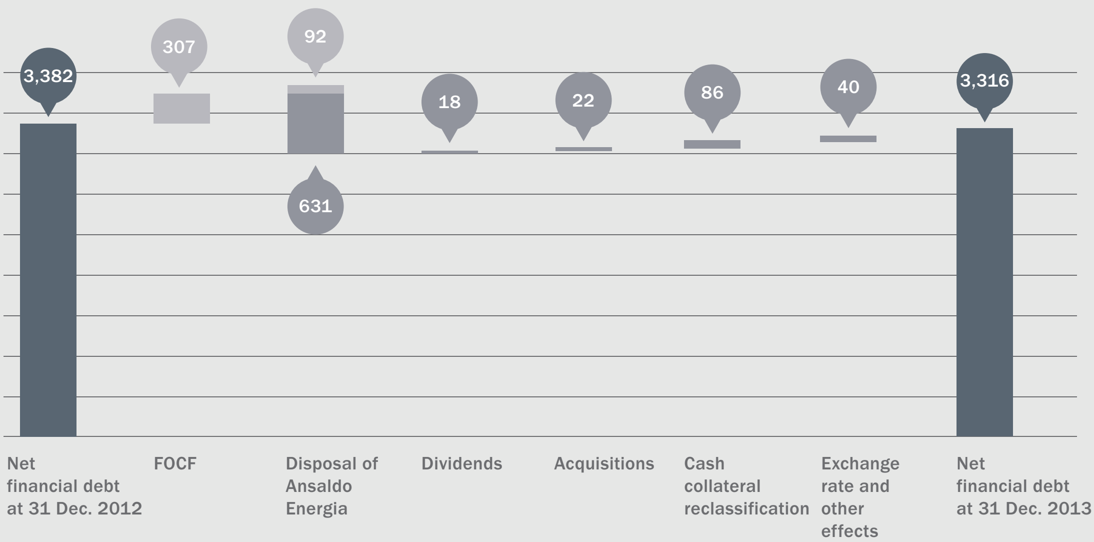
€ million	Note	31 December 2013	31 December 2012 (restated)	Change	% Change
Non-current assets		12,501	12,725		
Non-current liabilities	(*)	(3,529)	(3,966)		
Net fixed assets		**8,972**	**8,759**	**213**	**2.4%**
Inventories		5,128	5,192		
Trade receivables	(**)	8,072	8,576		
Trade payables	(***)	(13,298)	(13,902)		
Working capital		**(98)**	**(134)**		
Provisions for short-term risks and charges		(1,072)	(876)		
Other net current assets (liabilities)	(****)	(807)	(656)		
Net working capital		**(1,977)**	**(1,666)**	**(311)**	**18.7%**
Net invested capital		**6,995**	**7,093**	**(98)**	**(1.4%)**
Equity attributable to the owners of the Parent		3,381	3,406		
Equity attributable to non-controlling interests		298	305		
Equity		**3,679**	**3,711**	**(32)**	**(0.9%)**
Net financial debt (cash)		**3,316**	**3,382**	**(66)**	**(2.0%)**

Notes to the reconciliation between the reclassified and the statutory statements of financial position:
(*) Includes all non-current liabilities net of “Non-current loans and borrowings”.
(**) Includes “Contract work in progress”.
(***) Includes “Progress payments and advances from customers” from which cash collateral has been deducted.
(****) Includes “Income tax receivables”, “Other current assets” and “Derivative assets” (excluding “Hedging derivatives in respect of debt items”), net of “Income tax payables”, “Other current liabilities” and “Derivative liabilities” (excluding “Hedging derivatives in respect of debt items”).

Net invested capital declined slightly compared with 31 December 2012. More specifically, the increase in capital assets, mainly due to the reduction in non-current liabilities, was offset by the decrease in working capital.

The Group's **net financial debt** (greater loans and borrowings than loans and receivables and cash and cash equivalents) was lower than at 31 December 2012 due to the following changes:

NET FINANCIAL DEBT AT 31 DECEMBER 2013 - €mil.



Net financial debt may be analysed as follows:

€ million	**31 December 2013**	*of which current*	**31 December 2012**	*of which current*
Bonds	4,305	*83*	4,421	*835*
Bank debt	572	*156*	960	*319*
Cash and cash equivalents	(1,527)	*(1,527)*	(2,137)	*(2,137)*
Net bank debt and bonds	**3,350**		**3,244**	
Fair value of residual stake in Ansaldo Energia	(117)			
Securities	-		(5)	*(5)*
Current loans and receivables from related parties	(72)	*(72)*	(73)	*(73)*
Other current loans and receivables	(545)	*(545)*	(558)	*(558)*
Current loans and receivables, securities and other financial assets	**(734)**		**(636)**	
Hedging derivatives in respect of debt items	(9)	*(9)*	9	*9*
Cash collateral on Fyra contract	86	*86*	-	-
Related-party loans and borrowings	501	*474*	634	*605*
Other loans and borrowings	122	*83*	131	*78*
Group net financial debt (*)	**3,316**		**3,382**	

(*) The reconciliation with the net financial position required by CONSOB communication DEM/6064293 of 28 July 2006 is provided in Note 19 to the consolidated financial statements.

The sale of Ansaldo Energia, which led to an approximately €mil. 630 reduction in the Group's net financial position, including the effects of the forward sale of the 15% residual stake (€mil. 539 excluding Ansaldo Energia's negative cash flow for the period), made it possible to reduce the Group's debt, despite the decline in FOCF (€mil. 307) described below.

The Group factored receivables without recourse during the period for a total carrying value of approximately €mil. 1,233 (€mil. 1,283 at 31 December 2012).

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 31 December 2013, was entirely unused. Finmeccanica also has additional unconfirmed short-term lines of credit of €mil. 598, which were entirely unused at 31 December 2013, as well as unconfirmed, unsecured lines of credit of approximately €mil. 2,023.
At 31 December 2013, **FOCF** was negative (use of cash), as shown below, due to the deterioration in cash flow generated by operations, which was adversely affected by the failure to collect payments from India (vis-à-vis considerable payments made to suppliers in 2013) in respect of the AgustaWestland contract, and the outlays made in repayment of advances and lower collections in respect of the Fyra order of AnsaldoBreda. More specifically, while total cash generation in *Aerospace and Defence* was positive, AnsaldoBreda's performance, in part due to the problems related to the Fyra contract mentioned above, had a decisive impact on the FOCF figure reported.

€ million	2013		2012 (restated)	
Cash and cash equivalents at 1 January	**2,137**		**1,331**	
Gross cash flows from operating activities	1,773		1,874	
Change in other operating assets and liabilities and provisions for risks and charges (*)	(772)		(736)	
Funds From Operations (FFO)		**1,001**		**1,138**
Change in working capital	(441)		(315)	
Cash flows generated from operating activities	**560**		**823**	
Cash flows from ordinary investing activities	(867)		(732)	
Free Operating Cash Flow (FOCF)		**(307)**		**91**
Strategic transactions	274		-	
Change in other investing activities (**)	(30)		4	
Cash flows used in investing activities	**(623)**		**(728)**	
Dividends paid	(18)		(17)	
Net change in loans and borrowings	(298)		567	
Cash flows generated from (used in) financing activities	**(316)**		**550**	
Exchange-rate differences	(37)		9	
Initial cash and cash equivalents of Discontinued Operations	(194)			
Net increase in cash and cash equivalents of Discontinued Operations			152	
Cash and cash equivalents at 31 December	**1,527**		**2,137**	

Notes on the reconciliation between the reclassified cash flow and the statutory cash flow:
(*) Includes the amounts of "Change in other operating assets and liabilities and provisions for risks and charges", "Interest paid" and "Income taxes paid".
(**) Includes "Other investing activities", dividends received by subsidiaries and coverage of losses carried out in subsidiaries.

The main indicators of the *Aerospace and Defence* sector and of the *Transportation* sector are commented on in the following pages.

Aerospace and Defence

December 2013 € million	New orders	Order backlog	Revenues	EBITA	ROS %
Helicopters	4,384	11,928	4,076	562	13.8%
Defence and Security Electronics	4,952	8,494	4,892	221	4.5%
Aeronautics	3,980	9,014	3,343	182	5.4%
Space	1,002	2,165	1,051	94	8.9%
Defence Systems	1,575	3,654	1,256	143	11.4%
Eliminations/Other	*(392)*	*(856)*	*(525)*	*(144)*	*n.a.*
Total Aerospace and Defence	**15,501**	**34,399**	**14,093**	**1,058**	**7.5%**

December 2012 € million	New orders	Order backlog	Revenues	EBITA	ROS %
Helicopters	4,013	11,876	4,243	473	11.1%
Defence and Security Electronics	5,136	8,831	5,754	384	6.7%
Aeronautics	3,169	8,819	2,974	104	3.5%
Space	866	2,261	1,053	84	8.0%
Defence Systems	1,005	3,381	1,256	164	13.1%
Eliminations/Other	*(607)*	*(949)*	*(612)*	*(134)*	*n.a.*
Total Aerospace and Defence	**13,582**	**34,219**	**14,668**	**1,075**	**7.3%**

Change	New orders	Order backlog	Revenues	EBITA	ROS
Helicopters	9.2%	0.4%	(3.9%)	18,8%	2.7 p.p.
Defence and Security Electronics	(3.6%)	(3.8%)	15.0%	(42.4%)	(2.2) p.p.
Aeronautics	25.6%	2.2%	12.4%	75.0%	1.9 p.p.
Space	15.7%	(4.2%)	(0.2%)	11.9%	1.0 p.p.
Defence Systems	56.7%	8.1%	-	(12.8%)	(1.7) p.p.
Eliminations/Other	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*
Total Aerospace and Defence	**14.1%**	**0.5%**	**(3.9%)**	**(1.6%)**	**0.2 p.p.**

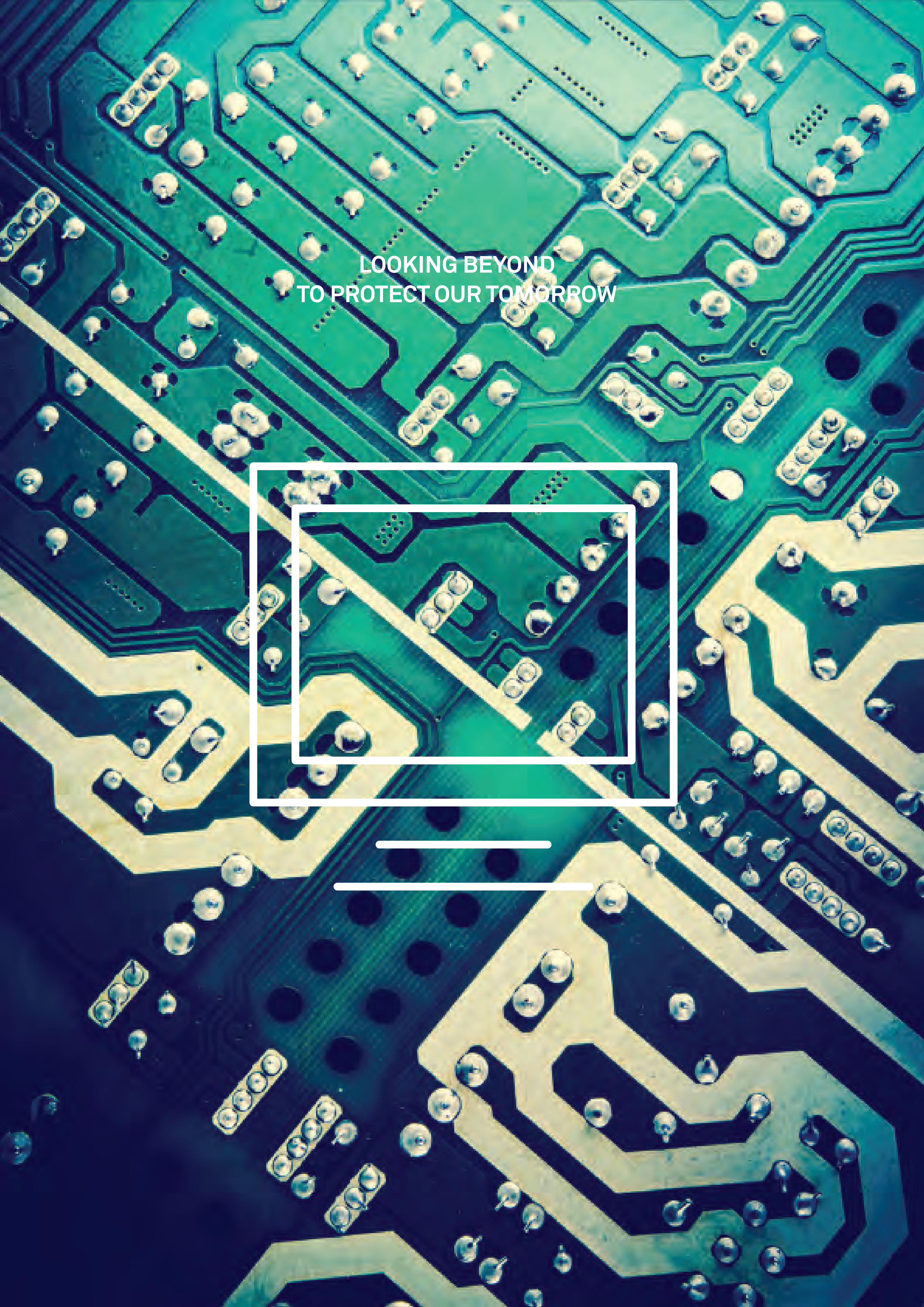
Helicopters

LOOKING BEYOND
TO BE ALWAYS READY


AW169

In 2013, AgustaWestland's overall performance was positive, both in terms of business and financial performance and, especially, commercial performance, despite contractual complications surrounding the order for AW101 VVIP helicopters from India.
This good commercial performance is in large part due to the receipt of a major contract from the Norwegian Royal Air Force for 16 AW101 helicopters in All Weather Search and Rescue configuration, worth around €bil. 1.15. Deliveries of the aircraft, assembled at the Yeovil plant in the UK, will begin in 2017 and continue through 2020. The contract also requires the company to provide 15 years of spare parts servicing, training and technical support, under a turnkey formula, with the option to extend such servicing for an additional five years.
New orders: the increase is attributable to the above-mentioned AW101 order from Norway. The Group also obtained its first export contract for eight AW159 Lynx Wildcat helicopters from the South Korean Navy within the military-government segment in 2013.
Revenues: the decrease is mainly the result of the impact of the stoppage of work on the Indian AW101 programme. This change was partly offset by increased deliveries of helicopters for a total amount of 60 more aircraft than in 2012 (of which more than half AW139 helicopters).
EBITA: the increase is attributable to higher deliveries on more profitable product lines, especially AW139, with ROS marked by a firmly double-digit growth rate and higher than last year, even excluding the net benefits deriving from the closure of the VH71 programme.
Outlook: we expect the satisfying commercial performance seen to continue in the coming months, buoyed by significant new orders from the UK Ministry of Defence for the repair, overhaul and upgrading of its fleet of Apache combat helicopters and AW101 Merlin multi-role military helicopters, and by the gradual success of the new AW169 and AW189 in the commercial market. Overall performance in 2014 should once again be positive, with rising volumes of activity and firmly double-digit profitability.

Defence and Security Electronics


LOOKING BEYOND
TO PROTECT OUR TOMORROW

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.) 2013	3,457	3,214	71	2.2%
SES (€mil.) 2012	3,206	3,590	156	4.3%
DRS ($mil.) 2013	2,018	2,240	198	8.8%
DRS ($mil.) 2012	2,477	2,769	293	10.6%

SES - The year 2013 saw the launch of the restructuring and integration plan, developed following the creation of Selex ES (SES), which aims to improve the company's efficiency and competitiveness by eliminating overlaps and redundancies, and consequently rationalising the product portfolio, the workforce and sites, by optimising engineering and manufacturing activities and, finally, by reducing direct and indirect procurement costs.

This plan is moving forward more effectively than initially forecast as a result of changes to measures concerning the workforce and pushing forward with actions to cut controllable costs. Unfortunately, however, the restructuring plan's greatest benefits have only partly offset the negative effects of the declines in industrial performance that continued in several business areas (in particular, *AVTMS* and *CyberSecurity*) in 2013, for which the process of identifying and resolving technical-managerial problems has required more time than expected. In the second half of the year, the company completed work on a plan to reposition the *AVTMS* business, which should ensure a return to adequate levels of profitability over the next two years. Finally, the company posted excellent commercial results, with new order volumes exceeding those of 2012 and beating forecasts as the result of important new contracts in the domestic and export markets. These include the supply and integration of the combat system, radar sensors, communication systems, electro-optical systems and navigation systems for the third lot of the FREMM contract, as well as the contract to provide and support modernised communication systems for the Royal Australian Navy's eight ANZAC-Class frigates, as part of the SEA 1442 Phase 4 programme. In addition, during the year the company signed the contract with Expo 2015 SpA to provide equipment, infrastructures and services in support of event security, a particularly important development for gradual success in the Smart Solutions market.
Revenues: these were down due to difficulties and delays in the start of work on new orders and the receipt of fewer orders, mainly in the *Security & Smart Systems* area, as well as the concurrent decline in the contribution of important programmes being wrapped up in the *Airborne and Space Systems* business area (EFA in particular).
EBITA: there was a deterioration attributable to lower volumes of revenues and the mentioned difficulty in ensuring a return to adequate levels of industrial profitability in business lines in the *Security & Smart Systems* area, the effects of which were only partly offset by the benefits generated by the ongoing restructuring plan and by the overall good results, in line with the forecasts in the other business areas.
Outlook: a substantial improvement in the business and financial results of Selex ES is expected to occur in 2014 by gradually regaining industrial profitability in the business areas that have had a negative impact over the last few years and through the rising benefits associated with actions taken to rationalise and improve the company's competitiveness and efficiency, begun in 2013.

DRS - In line with forecasts, the effects of the mentioned reduction in the US defence budget weighed heavily on the performance of DRS in 2013, causing a further decline in results as compared with 2012. From a commercial standpoint, there was also an exacerbation in the competition between the industry players in the sector, with a general increase in pressure on prices.

In terms of business and financial performance, the decline in production volumes largely anticipated in the budget forecasts was partly offset by the savings generated by the restructuring and rationalisation plan. Indeed, in 2013, initiatives aimed at properly scaling company structures and reducing costs in order to be competitive in an extremely challenging environment continued with success. In this situation, in addition to further consolidating business lines, the company rationalised its industrial structure, closing 14 sites, and considerably downsized its workforce through actions affecting about 1,400 employees.
New orders: there was a reduction due to the mentioned defence budget cuts and the adjustment of current programmes as a result of the decline in demand.
Revenues: there was a decrease due to the lower volume of new orders and the concurrent decline in the contribution of important programmes being wrapped up in the *Network and Imaging Systems* and *Integrated Defence Systems and Services* business areas, in particular.
EBITA: this declined as a result of lower production volumes, moreover associated with programmes with good profit margins, partly offset by the savings generated by actions taken to downsize the workforce and to reduce overhead costs.
Outlook: in 2014 DRS will continue to feel the effects of the difficult environment in which it operates, with volumes of business that continue to decline and rising pressure on margins, affected by the concurrent completion of important and profitable programmes begun in the past and rising competitive pressure on prices in new tenders. In order to ensure a level of profitability in line with 2013, further measures to rationalise productive and support structures are expected.

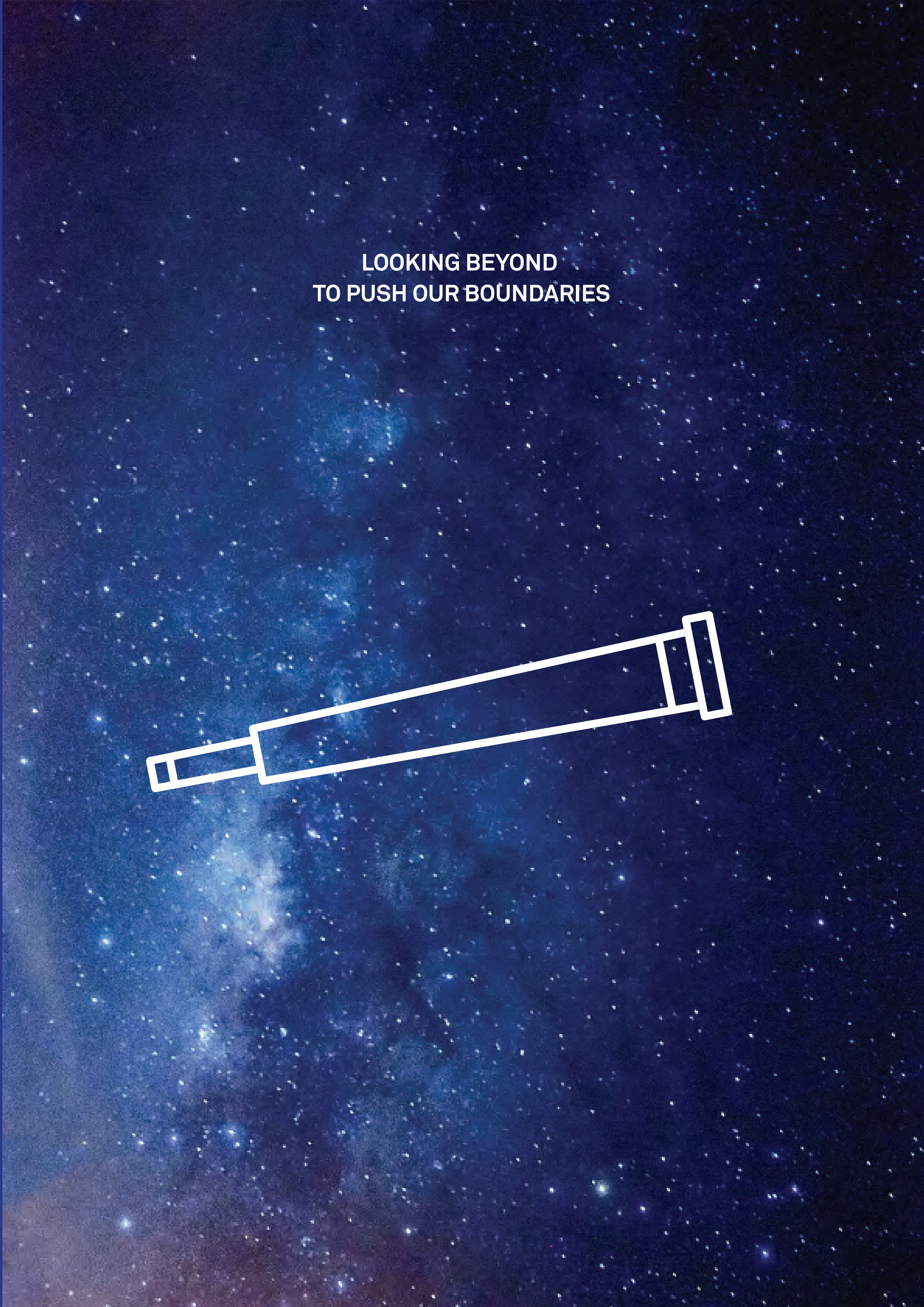
Aeronautics


LOOKING BEYOND
TO KNOW OUR REAL STRENGTH

The year 2013 saw confirmation of the good commercial performance with orders rising, due largely to the B787 programme for which the Company reported new orders for 250 units of fuselage sections (200 units of which in the 4th Quarter) and for activity under the new agreement reached with Boeing in December 2013 to restructure the contract, which establishes a new performance-based business arrangement.
Revenues also rose during the year, driven by the increased production rates for the B787 programme, for which deliveries equivalent to 75 fuselage sections and 76 horizontal stabilisers (52 fuselages and 45 stabilisers delivered in 2012) were made. The increased volumes of activity resulted in a production rate of 7 units per month, which was a key milestone in the process of reaching a production rate of 10 units per month, forecast to occur in early 2014.
Finally, during the year, the benefits arising from the restructuring and reorganisation plan, shown by the improvement in profitability, were consolidated. More specifically, the year 2013 saw the final closure of the Casoria site with production moved to other plants, whereas the improvement measures of the industrial processes made it possible to consolidate production efficiency, guaranteeing at the same time the expected increase in manufacturing rates. Additionally, mention is to be made of the initiatives to optimise engineering activities and reduce purchase costs.
New orders: the rise is due to increased orders in the *civil* segment especially relating to the B787 programme (up €mil. 1,138 from the figure reported for 2012). Worth noting are also the new orders of ATR aircraft (89 units which bring the year-end order backlog to 221 aircraft). In the *military* segment, there was a decrease due to fewer orders for training and transport aircraft, for which significant new orders were received in 2012, in part offset by the growth in orders for defence aircraft.
Revenues: these were up due to higher revenues in the *civil* segment generated by the increase in activity for the B787, the ATR (with deliveries of 74 aircraft by the GIE-ATR consortium, compared with 64 the previous year) and the Superjet, for which the SuperJet International joint venture delivered the first four aircraft to the Mexican company Interjet in 2013.
EBITA: there was an improvement due, in particular, to the benefits of renegotiating agreements for certain aerostructure production, to the above-mentioned restructuring and reorganisation efforts underway, which resulted in improved industrial efficiency, with consequent benefits in terms of cost absorption, and to savings on overhead costs.
Outlook: the excellent commercial results posted should be confirmed in 2014, due to significant new export contracts for aircraft in the *military* segment. From a performance standpoint, despite the volumes of activity remaining essentially in line with those of 2013, an improvement in industrial profitability, supported by new efficiency-enhancement initiatives and an increase in competitiveness, is expected over the next year.

Space

LOOKING BEYOND
TO PUSH OUR BOUNDARIES



In 2013, the segment reported positive commercial performance and a net improvement in profitability compared with 2012 with equivalent volumes of activity.

New orders: there was growth mainly due to the receipt of a number of significant orders for satellite production in the telecommunications, earth observation and space exploration business areas. New orders in the telecommunications business areas include the contract with the Brazilian company Visiona (a joint venture between telecommunications operator Telebras and the aircraft manufacturer Embraer) for the supply of the Geostationary Defense and Strategic Communications Satellite (SGDC) system. As regards the earth observation market, a supply contract was signed with the European Organisation for the Exploitation of Meteorological Satellites (EUMETSAT) for the ground segment of the Meteosat Third Generation (MTG) programme. Finally, in the space explorations segment, the contract for the development of the ExoMars control system for the 2016 and 2018 missions was signed with the European Space Agency.

EBITA: there was an increase attributable mainly to the favourable mix of activities carried out in the *manufacturing* segment, specifically to good performance reported in certain telecommunications business programmes.

Outlook: the good commercial performance should continue in 2014, bolstered by important new orders in the manufacturing segment and in satellite support services and applications, and there should be an increase in revenues due to certain satellite launch activities scheduled during the year.

Defence Systems

LOOKING BEYOND
TO MAKE THE WORLD A SAFER PLACE

In 2013, the segment posted outstanding commercial performance, supported by significant new orders, received in the latter part of the year, in the domestic market and, particularly, in the export market in the *missile systems* segment, but also important orders in the *land, sea and air weapons systems* segment. There was also a hesitant recovery in orders in the *underwater systems* segment, which was penalised by the postponement of an important export contract until future years.
Although the revenues were essentially stable, on the income statement, EBITA reflected fewer deliveries of missile systems in connection with programmes nearing completion and was lower compared with 2012; however, profitability was firmly in the double-digits.
New orders: there was a significant increase across all three segments, although to varying extents. The year 2013 was a record year for the *missile systems* segment in terms of new orders in the export market, with orders for Storm Shadow cruise missiles from the Middle East, for Aster air defence missile systems from Singapore and numerous new orders for Mistral air defence systems; orders from domestic customers include the contract for the development and production of a new anti-tank missile system from France and the contract for Meteor air-to-air missiles from Germany, the sixth and last country among those that participated in the development stage to sign the production order. In the *land, sea and air weapons systems* segment, the increase in orders is mainly attributable to the Paveway aerial bombs for the Italian Navy and JDAM guidance kits for the NATO Eurofighter and Tornado Management Agency (NETMA), and naval guns for the FREMM programme; there were also additional lots of MAVs for the Italian Army, although the volumes were lower than in the previous year. In the *underwater systems* segment, the increase in new orders was attributable to the supply of light torpedoes and ship countermeasure systems to a country in the Mediterranean area and to the contract for the pre-series of heavy torpedoes from a navy in the NATO area.
Outlook: the year 2014 will be characterised by a drop in the production, and consequently delivery, of *missile systems* reflecting the concurrent completion of important, highly profitable programmes and to delays in the placement of and, therefore, in the start of work on new orders. It is therefore unlikely that the segment will achieve the same levels of revenues and EBITA as in 2013.

Transportation

December 2013 € million	New orders	Order backlog	Revenues	EBITA	ROS %
Transportation	1,908	8,246	1,793	(114)	(6.4%)
Eliminations/Other	*322*	*281*	*195*	*5*	*2.6%*
Total Trasportation	**2,230**	**8,527**	**1,988**	**(109)**	**(5.5%)**

December 2012 € million	New orders	Order backlog	Revenues	EBITA	ROS %
Transportation	2,290	8,679	1,719	(69)	(4.0%)
Eliminations/Other	*116*	*158*	*213*	*-*	*n.a.*
Total Trasportation	**2,406**	**8,837**	**1,932**	**(69)**	**(3.6%)**

Change	New orders	Order backlog	Revenues	EBITA	ROS
Transportation	(16.7%)	(5.0%)	4.3%	(65.2%)	(2.3) p. p.
Eliminations/Other	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*
Total Trasportation	**(7.3%)**	**(3.5%)**	**2.9%**	**(58.0%)**	**(1.9) p.p.**

Transportation


LOOKING BEYOND
TO TRAVEL FURTHER


Train Control Centre
15:40:20 - Thu, 13 October 05
BASSENDEAN
CANNINGTON
ARMADALE

The results in the Transportation segment in 2013 were negatively affected by the performance of AnsaldoBreda, which reported highly disappointing business and financial results, a further deterioration as compared with 2012, as well as with forecast results. This performance continues to reflect the difficulties in ongoing programmes with the recognition of further cost overruns and contractual charges, as well as slowdowns in production and the related worsening of order costs, which are plagued by extensive productive inefficiencies.
New orders: the reduction is attributable to AnsaldoBreda, which recorded fewer orders in the *mass transit* segment, reflecting, among other things, the postponement in the finalisation of expected domestic orders. Orders in the *signalling and transportation solutions* segment were essentially in line with 2012, with a new order in 2013 under the contract for the production of the technological portion of the Riyadh Line 3 metro in Saudi Arabia.
Revenues: there was a slight increase in the *vehicles* segment, supported by the ramp-up of production on the ETR1000 programme, although revenues were in any event lower than expected due to the slowdown in production on certain programmes in the portfolio and the poor commercial performance.
EBITA: there was a decrease attributable to AnsaldoBreda.
Outlook: in 2014, the sector will continue to reflect the difficulties faced by AnsaldoBreda, which, despite efforts already undertaken to regain efficiency and improve company processes, will continue to post negative results, further confirming the need for a significant shift in strategy and operations. The restructuring plan chosen, which will also result in greater selectivity in participating in tenders in order to ensure adequate levels or profitability, should make it possible to gradually interrupt the generation of income statement losses and the absorption of cash by AnsaldoBreda, although only partial benefits will be seen in 2014.

OTHER PERFORMANCE INDICATORS

€ million	2013 (*)	2012 (**)	Change
Net invested capital	6,995	7,093	(1.4%)
ROI	13.5%	13.3%	0.2 p.p.
ROE	2.0%	(19.0%)	21.0 p.p.
EVA	76	333	(77.3%)
FFO	1,001	1,138	(12.0%)
Research and Development expenses	1,820	1,912	(4.8%)
Workforce (no.)	63,835	67,408[1]	(5.3%)
Net interest	(280)	(282)	0.7%

(*) The figures refer to Continuing Operations only (excluding Ansaldo Energia).
(**) The comparative figures have been restated following the adoption of IAS 19-revised. Comparative figures in respect of ROI, EVA, FFO and R&D have been restated following reclassification of the Energy segment among Discontinued Operations.

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

p.p.: percentage points.

A breakdown of Research & Development expenses and of the workforce is provided in the relevant sections. Compared to 2012, ROE reflects the benefits from the year result which was again a profit. Conversely, EVA is affected by the increase in taxes (negative in the amount of €mil. 190 in 2013 compared with the positive figure of 2012 for €mil. 62).

1. Workforce at 31 December 2013 excluding Ansaldo Energia is equal to 65,578 employees.

"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 invoiced orders (income statement) during the reference period (excluding the change in contract work in progress).
- ***EBITA ("Adjusted EBITA" until 31 December 2012)***: it is arrived at by eliminating from EBIT (defined as earnings before "*Financial income and expense*", "*Share of profits (losses) of equity-accounted investees*", "*Income taxes*" and "*Result from Discontinued Operations*") 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) (which is calculated as the ratio of EBITA to the average value of capital invested during the two periods being compared).

A reconciliation of EBIT and EBITA is shown below (the reconciliation by segment is reported in Note 8):

€ million	2013	2012
EBIT	46	(531)
Impairment	-	1,148
Non-recurring (income) expense	423	147
Amortisation of intangible assets acquired as part of business combinations	86	90
Restructuring costs	394	152
EBITA	**949**	**1,006**

Non-recurring expenses are related to:
- €mil. 302 to AnsaldoBreda, mainly for accruals made on contracts with Dutch and Belgian railways (Fyra contract), as well as charges incurred in the revamping business and due to the economic crisis affecting an important supplier;
- €mil. 121 to criticalities emerged on other contracts as regards the *Defence and Security Electronics*, *Defence Systems* and *Helicopters* segments, due to ongoing disputes or re-negotiations with customers.

At 31 December 2012 this item was mainly related to costs accrued on Dutch, Belgian and Danish contracts and to charges incurred in the revamping business within the vehicles business line of the Transportation segment.

- ***Return on Sales (ROS)***: this is calculated as the ratio of EBITA to revenue.
- ***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 (previously not included into the indicator). Moreover, starting from 31 December 2013 this included the measurement of the residual interest in Ansaldo Energia, which was 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 that this indicator also includes the value of cash collateral paid in respect of contracts under dispute (Fyra contract). The reconciliation with the net financial position required by the CONSOB communication DEM/6064293 of 28 July 2006 is reported in Note 19 of the consolidated financial statements.
- ***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) investment and divestment of intangible assets, property, plant and equipment, and equity investments, net of cash flows from the purchase or sale of equity investments that, due to their nature or significance, are considered "strategic investments". The calculation of FOCF for the periods being compared is presented in the reclassified statement of cash flows shown in the section "Group results and financial position".
- ***Working capital***: this includes trade receivables and payables, contract work in progress and progress payments and advances from customers.
- ***Net working capital***: this is equal to working capital less provisions for current risks and other current assets and liabilities.
- ***Net invested capital***: this is the algebraic sum of non-current assets, non-current liabilities and net working capital.
- ***Research and Development expenses***: 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 expenses 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 year.
- ***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 (as described under Note 35). The calculation of FFO for the

periods being compared is presented in the reclassified statement of cash flows shown in the section "Group results and financial position" .

- ***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.
- ***Net interest:*** this is calculated as the sum of the items "Interest", "Premiums (paid) received on IRSs" and "Commissions on borrowings" (see Note 30, "Financial income and expense" of the consolidated financial statements).

OUTLOOK

Restatement for the adoption of new international accounting standards relating to consolidation

Starting from 1 January 2014 the new international accounting standards (IFRS 10, 11 and 12) will be effective. Finmeccanica's reporting will be affected mainly by IFRS 11, which no longer allows for the accounting of joint ventures under the proportionate method. As a consequence, Finmeccanica will no longer consolidate its joint ventures (primarily ATR, MBDA and the Space). Their contribution to the Group will be represented only as share of equity accounted investments.

The impact of the new standards on 2013 annual and interim accounts will be fully provided when publishing 2014 results, with previous years restated for comparative purposes.
The expected impact on 2013 key performance indicators is as follows. Going forward EBITA will include the share of results of the strategic JV's (ATR, MBDA and the Space), whereas FOCF will include dividends from JV's.

	2013 as reported			*2013 as restated for IFRS 11 (unaudited)*		
	Aerospace & Defence	Transportation	Group	Aerospace & Defence	Transportation	Group
Orders (€bil.)	15.5	2.2	17.6	13.0	2.2	15.1
Revenues (€bil.)	14.1	2.0	16.0	11.8	2.0	13.7
EBITA (€mil.)	1,058	(109)	949	988	(110)	878
ROS	7.5%	n.a.	5.9%	8.4%	n.a.	6.4%
FOCF (€mil.)			(307)			(220)
Net debt (€bil.)			3.3			3.9

EBITA and FOCF are build-up as follows:

	2013 as reported	*Less:* Deconsol. JV	*Add:* Share of results/ dividends from JV	2013 as restated
EBITA (€mil.)	949	(242)	171	**878**
FOCF (€mil.)	(307)	(21)	108	**(220)**

Outlook

The Group expects the defence budgets of the countries where it operates (United States and European Union) to be flat in real terms. The Group expects a continuous shift of demand to emerging countries, where there is high competition and strong price pressures due to competition between the industry players and to the increased role of local players. The most favourable markets are expected to be *Helicopters*, *Civil Aeronautics* and *Space* – mainly in the *service* segment – and *Security*, due to the growth in demand of systems to counter asymmetric threats, for the protection of critical infrastructures and networks as well as for the security and sustainability of urban areas.
Against these market conditions, the positive delivery of efficiency and restructuring plans implemented by the Group, together with additional actions being launched, will allow Finmeccanica to maintain its competitive position in *Aerospace and Defence*. Therefore, *A&D* is expected to deliver growing cash flow in generation and operating margins (ROS), with the

progressive recovery of profitability of Selex ES and the continuous improvements of Aeronautics, well supported by Helicopters, which is expected to maintain its highly satisfactory margins.

However, AnsaldoBreda is expected to continue to significantly affect overall Group performance, and its cash generation in particular, confirming the need to implement the strategic solutions identified by Finmeccanica, which will allow the deconsolidation of the *Transportation* activities and a stronger focus on Finmeccanica core business.

Based on these assumptions, the Group expects to deliver the following results for the year 2014, compared to 2013 full year results restated as above for the adoption of IFRS 11:

	2013 as restated for IFRS 11		*Outlook 2014*	
	Aerospace & Defence	**Group**	**Aerospace & Defence**	**Group**
Revenues (€bil.)	11.8	13.7	11.0-11.5	13.0–13.5
EBITA (€mil.)	988	878	970-1,030	930-980
FOCF (€mil.)	135	(220)	250-300	(100)-0

The above forecasts do not include any further negative impact from the Indian contract of AgustaWestland, also based on the favourable ruling issued by the Milan Court on 17 March 2014. Under such decision, the Court recognised the ground of Finmeccanica’s position and prohibited to pay collaterals under the contract for a total amount of €mil. 278.

RELATED PARTY TRANSACTIONS

Related parties have been identified in accordance with the provisions of the international accounting standards and of the relevant CONSOB (the Italian Commission for Listed Companies and the Stock Exchange) regulations.
The transactions, which are carried out and regulated at arm's length, relate to business (disposals and purchases of goods and services within the Group's usual operations), financial (ordinary financing granted/obtained and the charging of related interest income or expense) and other relationships (including all residual activities, as well as contractually-governed transactions of a tax nature, for those companies participating in the national tax consolidation scheme).
It should be noted that in 2010 Finmeccanica issued, and on 13 December 2011 and 19 December 2013 updated, a specific "Procedure for Related Party Transactions" pursuant to CONSOB resolution 17221 of 12 March 2010 and subsequent amendments, containing provisions on "related party transactions", as well as in implementation of Article 2391-*bis* of the Italian Civil Code. The updated text of the Procedure, incorporating the amendments made by the Board of Directors on 19 December 2013, is available on the Company's website (under *Governance* area, *Related Parties* section).
This Procedure aims to define, based upon the principles stated by CONSOB, rules to ensure the transparency and material and procedural fairness of transactions with related parties undertaken by the Company, directly or through subsidiaries, as described in detail in the Report on Corporate Governance and Shareholder Structure (paragraph 4.9) to which reference is made.

Pursuant to Article 5.8 of the "Regulations containing provisions relating to transactions with related parties", adopted by CONSOB resolution 17221 of 12 March 2012, as amended by resolution 17389 of 23 June 2010 (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 2013:

Parties involved		Relationship	Purpose of the transaction	Transaction consideration
Finmeccanica SpA	**Fondo Strategico Italiano SpA**	Fondo Strategico Italiano SpA, a company controlled by the MEF	Transfer in instalments of 54.55% of the share capital of Ansaldo Energia SpA to Fondo Strategico Italiano SpA	Up to a maximum amount of €mil. 524

With reference to this transaction, the Information Document concerning significant transactions with related parties was prepared in accordance with Article 5 of the Regulation and published on the Company's website on 11 October 2013 (in the *Governance* area, *Related Parties* section).

The transaction, which was completed on 23 December 2013, involves:

- the sale by Finmeccanica SpA to Fondo Strategico Italiano SpA of 39.55% interest held in Ansaldo Energia SpA, for €mil. 277. On this amount an additional earn-out payable up to €mil. 130 will be maturing in 2014, 2015 and 2016 based upon Ansaldo Energia's achievement of the performance targets laid out in the business plan approved by the company, with any amounts to be received in 2015, 2016 and 2017;
- the disposal of the remaining 15% that will be sold through put&call options between 30 June 2017 and 31 December 2017 for €mil. 117 in respect of which capitalised interest accrues at a yearly 6% rate.

For further information on the impact of the transaction refer to Note 6 of the consolidated financial statements and to Note 5 of the separate financial statements.

Furthermore, note the following significant transactions, which benefitted from the exemption provided for in Article 14.2 of the CONSOB Regulation and in Article 11.2.e) of the above-mentioned Procedure for transactions entered into by Finmeccanica with subsidiaries, which did not impact the consolidated financial position, income statement or consolidated results as at 31 December 2013:

Parties involved		Relationship	Purpose of the transaction	Transaction consideration
Finmeccanica Finance SA	**Finmeccanica SpA**	Subsidiary (100%)	Granting of financing by Finmeccanica Finance SA to Finmeccanica SpA	€mil. 700
Finmeccanica SpA	**Meccanica Holdings USA Inc.**	Subsidiary (100%)	Contract for the assignment of loans between Finmeccanica SpA and Meccanica Holdings USA Inc.	Up to a maximum amount of $mil. 250
Finmeccanica SpA	**Finmeccanica Finance SA**	Subsidiary (100%)	Issue of a financial guarantee	Up to a maximum amount of €mil. 700
Finmeccanica SpA	**Ansaldo Energia SpA**	Subsidiary (55%)	Issue of two Parent Company guarantees	Total amount €mil. 445
	FATA SpA	Subsidiary (100%)		

Finally, it should be noted that there were no other related party transactions that materially impacted on the Finmeccanica Group's consolidated financial position, income statement or consolidated results at 31 December 2013, and that no changes or developments took place in relation to the related party transactions described in the Directors' Report on Operations at 31 December 2012.
The disclosures on transactions with related parties required under CONSOB communication DEM/6064263 of 28 July 2006 are found in Note 36 of the consolidated financial statements and in Note 33 of the separate financial statements. There are no transactions that can be identified as atypical and/or unusual as set out in said CONSOB communication.

CONSOB Market Regulation, Article 36

In accordance with CONSOB provisions contained in the Market Regulation and specifically Article 36 of resolution 16191/2007, Finmeccanica made the checks on the subsidiaries that were incorporated and are governed under the laws of non-EU Member States and that, as a result, became significantly relevant based on the requirements under Article 151 of the Issuers' Regulations adopted with CONSOB resolution 11971/1999. As regards the non-EU foreign subsidiaries (DRS Technologies Inc., Meccanica Holdings USA Inc., AgustaWestland Philadelphia Co., AgustaWestland Tilt-Rotor Company Inc., AgustaWestland North America Inc. and Alenia Aermacchi North America Inc.) identified based on the above regulations and in compliance with the provisions of local laws, these checks revealed the existence of an adequate administrative and accounting system and the additional requirements envisaged in said Article 36.

Information pursuant to Articles 70 and 71 of Issuers' Regulations

With a Board of Directors' resolution on 23 January 2013 the Company adopted the simplification regime under Articles 70/8 and 71/1-*bis* of the Issuers' Regulations adopted with CONSOB resolution 11971/1999, as subsequently amended. By this resolution the Company chose the option to make exceptions to the obligation to issue the documents required by the law when significant transactions (such as mergers, spin-offs, capital increases by means of the conferral of assets in kind, acquisitions or disposals) occur.

FINMECCANICA AND THE COMMERCIAL SCENARIO

The markets in which the Group operates continued to be affected, albeit to a less pressing extent, by the negative impacts of the slowed growth in the international economy and trade. This is particularly due to the persistent pressure being exerted on budgets. However, the need to replace operating fleets and to make new investments in infrastructure lead us to confirm the general medium/long-term outlook.

Overall, the trend in the markets in which the Group operates is positive (thanks in part to strong growth in Civil Aeronautics), with important specific characteristics in each of the various business segments, as described below.

More specifically, defence budgets worldwide totalled more than $bil. 1,500 in 2013, a slight decrease from the previous year, confirming the general trend towards containing investment in so-called “mature” countries (the United States and Western Europe). The greatest decrease occurred in the US budget due to both the withdrawal of troops from theatres of operation and the postponement of or reduction in certain procurement programmes for new weapons systems. Despite these reductions, the United States is still by far the primary national market for defence materials and systems. In Europe, budgets have remained essentially stable, with the exception of the United Kingdom, which is also facing cutbacks tied to gradual disengagement from out-of-theatre operations. However, at the end of 2013, the UK government presented a new Defence Industry Growth Plan, an integral part of a project to expand the country’s presence in the *Aerospace and Defence* sectors. Italy’s budget will be stable over the next few years, with a return to an overall level of investment (including funds allocated for defence by other ministries) of around €bil. 5 per year, following the cuts that occurred in 2012. Over the next few years, the overall slight reduction in defence spending in the industrialised countries will be offset by an increase in investment by Middle East and Gulf region countries (especially Saudi Arabia), by Eastern European nations (including Russia) and by continental Asian countries (India, China). From an industrial standpoint, there has been confirmation of trends towards expanding the development of programmes for transferring technology to countries that plan to develop an autonomous capability to produce defence systems (including Turkey, India, the United Arabic Emirates, South Africa, and so on), and the use of technological and product/system capacities to develop a strategy for growth in related defence markets (physical and cyber security, environmental monitoring and protection, sustainable transportation, Smart Cities, etc.).

Aeronautics. The growth rate for the *civil aircraft* segment over the next 10 years will average more than 3% per year, thanks to the rising demand for transport (with growth of around 5% per year on average) and the resulting need to modernise and expand operational fleets. Within the *commercial aircraft* segment, there has been confirmation of higher growth rates in the wide-body aircraft (i.e., aircraft with two aisles) sub-segment, thanks to deliveries of the latest-generation aircraft (B787, A350XWB and A380, the latter in service for several years now), while the narrow-body aircraft (i.e., aircraft with a single aisle) sub-segment, although representing the product family with the highest production rates, will remain substantially stable over the next few years, with a demand essentially satisfied by current models fitted with a new generation of higher-efficiency and low environmental impact engines, in expectation of the launch of new programmes, which is not expected to occur before the next decade. As to regional aircraft, the highest value, most dynamic segment is that of reaction engine aircraft, but the aircraft with turboprop engines, thanks to lower operating costs, maintain an important applicative niche. Over the next few years, the introduction of a new generation of engines will lead to the development of a new generation of aircraft for regional transport with propeller propulsion, equipped with features (operating range, transport capacity, speed) superior to those of current generation aircraft. Finally, we have seen confirmation of the tendency on the part of prime contractors to increasingly outsource the design and production of structural components in both metal alloys and composites. This is reflected in the vigorous expansion of the market for outsourcing the supply of aerostructures, with growth rates of around 6% per year over the next ten years. The *military aircraft* segment, although with strong cycles tied to the timing of major programmes for the production of new platforms, presents an interesting growth trend over the next 10 years of around 5-6% per year. The outlook for the production of the JSF in the multi-role aircraft segment (which represents about 50% of the demand for the entire segment), for the A400M in tactical transport, and for the development of new platforms or systems for Special Missions (particularly Maritime and Border Surveillance) and Advanced Training has had a strong impact. The total value of new deliveries is estimated to be around €bil. 450 over the next ten years, without taking into account the additional demand for technical support, integrated logistics and upgrading of another €bil. 350 in total. The outlook for the development of unmanned vehicles (UAS - Unmanned Aerial Systems) for tactical and strategic surveillance, protection and monitoring, and reconnaissance and combat applications remains quite interesting. Growth has been somewhat halted by the lack of a clear European requirement, the overlapping of numerous national initiatives and the delay in defining applicative regulations, especially for civil-military dual-use applications and for the employment of unmanned platforms in so-called "non-segregated airspace". While the industrial offering in the military aircraft segment, both traditional and unmanned, continues to be concentrated in Europe (including Russia) and the United States, with limited technology transfer processes (e.g. to India and the Gulf States), the major geographical markets are the United States, the Middle East (including some of the Gulf States) and the Far East.

Helicopters. The market should be stable overall over the next ten years, with an average annual value (referring to new helicopter deliveries) of around €bil. 16-18, with the civil segment growing faster than the military segment. The latter segment is feeling the effects of this point in the cycle for major procurement programmes, specifically a gradual saturation of the European market and the stagnation in the US market. Indeed, the US has an important need to replace a large portion of its operational fleet over the medium term, with the development of new technological solutions that provide the most advanced performance in terms of operating speed and rate compared to current products. The development and industrialisation for this project could also lead to a further consolidation of the structure of the American offering in the sector. The civil market, which is traditionally not dependent on major procurement programmes, but is rather tied to more fragmented demand, is benefitting from the continual emergence of new operational requirements for both "commercial" customers, largely private persons or businesses (VIP/Corporate transport, connections with off-shore platforms) and for non-military government customers (emergency medical services, environmental monitoring, security and police forces, etc.). From an industrial standpoint, there has been a movement towards the development of dual platforms, optimised mainly through the installation of various on-board electronic equipment for civil and military applications, and towards modularity, which allows the customer to equip itself with a fleet of helicopters having different features but a high degree of commonality in navigation systems, engines and logistics, leading to considerable savings in customer operating costs and in the industrialisation of different versions. Finally, there are a multitude of factors underlying market growth: technology (availability of new satellite navigation technologies, development of unmanned aircraft, success of tilt-rotor or hybrid propulsion technology for rapid transport), operations (larger range of use, higher speeds, use in hostile environments) and regulations (reducing the environmental impact, greater security for over-flight of densely populated areas, utilisation in all weather and visibility conditions). The gradual growth in the number of operational helicopters also increases the importance of maintenance, upgrading and logistics activities, which have been further emphasised by the growing demand for turnkey solutions and operational support over the entire product life-cycle.

Defence and Security Electronics. This continues to be the largest market of interest to the Group, divided between traditional applications for military customers (which is expected to post rather modest growth over the next ten years) and the newest applications for other government customers (security and environmental protection). Despite cutbacks in the defence budgets of the major countries of the world, market volumes have essentially remained constant, in part due to the increasingly greater electronic content of new generations of aerial, land and naval platforms. At the same time, the related homeland security/security systems segment demonstrates a very high growth rate, more than 5% per year, due to a variety of technological and market drivers. These include the ever-rising demand for security (border surveillance, protection systems for critical infrastructures and transport systems, protection of great events), growing demand for cyber-security solutions driven by the need to make ICT systems invulnerable to attempts to access and damage data and information, increased investments in environmental monitoring and managing natural disasters and civil emergencies. Within the sector, technology exchanges between military applications and civil and security applications are becoming more evident, so that the main industrial groups in the sector are turning their attention to adjacent areas of application, such as Healthcare, Energy (Clean Renewable Energy), Urban Security and Mobility (Smart and Safe City).

Space. The growth rate for the worldwide market over the next ten years will be around 2-3% on average per year for manufacturing and about 5-6% for services. Most of the services will be for civil customers, but a number of projects in the military segment, regarding both secured communications and earth observation, are of intense interest for the future development of the sector. Overall, the vast majority of activities conducted in the *manufacturing* market are by both national (e.g. NASA in the USA) and supranational (EU, ESA) governmental entities, with newly industrialised countries, including India and China, which are taking on an increasingly important role, gradually expanding their space-related activities. Demand in the military-government segment is driven by the supply of new satellites used for earth observation and secure communications, the development of new satellite systems based on dual-purpose technologies and new demand for the development of observations systems for security applications. The government civil systems market, which is expected to receive growing support from the European Union, centres mainly around programmes for replacing and upgrading in-orbit telecommunications satellite capacity and the development of new scientific, meteorological and navigation applications. In the *space services* segment, there has been growing verticalisation between network integrators and operators with their own satellite capacity, and a rising integration between service suppliers and manufacturers. This could spark a process of concentration of the offering in the services sector, one traditionally fragmented among many operators, frequently with a domestic productive base, in line with what has already occurred in manufacturing where the offering is structured around a limited number of large, integrated, often supranational operators.

Defence Systems. The *land vehicles and weapons* segment experiences strong cycles tied to the trend in procurement programmes and to the development of new platforms. After a peak in demand as a result of the wars in Iraq and Afghanistan and a downturn in 2012-2013, demand once again appears to be rising (around €bil. 150 over the next ten years). Operators are increasingly leaning towards lighter vehicles – both wheeled and tracked – which can be used more quickly and flexibly in "out-of-theatre" operations, including the so-called "protected vehicles" that are able to ensure high personnel safety against light fire and mines. Interesting developments are also being seen in the *naval weapons* segment, despite an overall reduction in demand related to a standstill in new construction programmes. The greatest opportunities are in guided munitions systems to be used, above all, with medium calibre weapons, which are particularly effective in coastal operations and interdiction actions on missions to protect against asymmetrical threats. In the *underwater systems* segment, together with the traditional demand for on-board sonar systems and for both heavy (launched from naval platforms) and light (also launchable from air platforms) missiles, surveillance systems for protecting coastal and harbour infrastructures are undergoing a profound change with the integration of mobile systems (underwater and surface systems). It seems that the overall market, valued at around €bil. 2 per year, will be stable over the next few years, with more sustained growth for light torpedoes and for anti-torpedo countermeasure systems, which can even be integrated in small-scale naval platforms, in addition to the latest-generation multi-function platforms (e.g., FREMM). Finally, in the *missile systems* market there has been a slight increase, with an estimated overall value of about €bil. 160 over the next ten years. The primary application segment relates to air defence systems, both land-based and on-board naval platforms. The highest growth rates, however, are in air-to-air and air-to-surface systems, the trend for which is positively affected by the development of the market for aeronautics platforms and, to a lesser extent, helicopter platforms. The greatest market drivers are related to the need to renew the stock of missiles with new systems that provide greater versatility and attack precision and systems for protecting urban areas and high-value civilian and military infrastructures.

Transportation. The *rolling stock* segment is substantially stable at a global level with average annual values of about €bil. 38-40. These values, which are related to the supply of new vehicles, must be added to the service market (maintenance, spare parts, upgrades and revamping of operational fleet), which increased slightly. The demand for new rolling stock is more stable in the regional and urban transport (mass transit) sector, thanks to the rising demand for transport in densely populated regions both in Europe and in newly-industrialised countries, particularly Brazil and China. Western Europe is the area of greatest interest in terms of the technical characteristics of the products and the rate of technological innovation required due to infrastructure constraints and to increased safety. Nonetheless, in terms of the size of the market and growth rate, Asia is now the main regional market. As a result, Chinese manufacturers have also entered the international market, displaying a technical capability in their products at a level substantially analogous to those of major Western manufacturers. With regard to the *signalling and transport systems* segment, the market, worth around €bil. 15 per year, continues to expand, and demand is tending to grow at an average annual rate of around 4%. The main drivers for this market are important programmes to construct new transportation infrastructures that enable different modes and different standards to interoperate, as well as the need to increase safety, efficiency and traffic capacity. Technological development in terms of upgrading railway lines and pressure on the service and maintenance costs for signalling systems remain of key importance. The transport systems market is expected to grow at an average annual rate of 6%, more than double the 2% growth expected for the signalling market. Finally, in the *bus* segment, over the last two years the European market has posted a slight decline (-4%) compared to the previous two-year period and appears to have stabilised. In Italy, however, the lack of national government funding has considerably slowed purchases by local authorities, despite the need to replace fleets as a result of their gradual obsolescence and their failure to conform to European regulations.

INDUSTRIAL AND FINANCIAL TRANSACTIONS

Below are the main 2013 ***industrial transactions***:

- a cooperation agreement with the Australian Ministry of Defence to join the "Global Supply Chain" programme. In addition to being an opportunity to encourage possible commercial developments of the Group in Australia, this initiative has the objective of supporting the development of small- and medium-sized Australian enterprises within the supply chain of Finmeccanica to replace the traditional off-set obligations*;*
- a memorandum of understanding with Polish Defense Holding with the intention of strengthening the collaboration in Aerospace, Defence and Security sectors in both Polish and international markets, particularly with regard to the Helicopters, Defence Systems and Space segments;
- a global partnership agreement with Cisco which consolidates the existing collaboration between the two companies. This agreement aims to combine the companies' technological strengths for the civil and defence industrial sectors with the objective of creating innovative products and systems for the world markets. The agreement, by combining the industrial knowledge and solutions of Finmeccanica with the innovative technologies of networking and connectivity of Cisco, will allow to create an offer of services and solutions for the Aerospace, Defence and Security sectors and meet the emerging demand for sustainability and smart-connected cities and environments. Moreover, the agreement extended the commercial collaboration between the two companies at a world level in order to accelerate the go-to-market activities which will be coordinated at both global and national level.

With regard to each specific sector:

Aeronautics:

- a Letter of Intent with General Dynamics that ratifies the partnership in the tender for the supply of the future advanced trainer to the US Air Force (T-X programme). The two companies will offer the customer an integrated training system for pilots based on Alenia Aermacchi's T-100 platform, which is a variation of the M-346 advanced trainer in the US market;
- agreement with the Secretariat General of Defence/National Armaments Directorate of the Italian Ministry of Defence signed to jointly define the operational specifications for the development of a new basic-advanced trainer, the M-345 HET (High Efficiency Trainer), expected to enter service between 2017 and 2020;
- agreement with the Italian Air Force for the development, testing, certification, industrialisation and logistic support of the aircraft MC-27J Praetorian that will support the missions of the Italian Special Forces (*Comando Operativo Forze Speciali, COFS*).

Space. Agreement between Thales Alenia Space and ISS Reshetnev Company, the Russian leader in the manufacture of satellites for communication, navigation and geodesy purposes, to form a joint venture that will initially focus on producing telecommunications satellites in Russia.

Transportation. Ansaldo Breda signed an agreement with Chongqing Chuanyi Automation Co. Ltd (SICC) to establish a joint venture based in Chongqing, China, and create a partnership with the aim of producing, developing and marketing the electric traction system, auxiliary services and the train monitoring control system (TCMS) for type B metros (i.e. six-car body metro vehicles with driver).

With regard to ***financial transactions***,in 2013 Finmeccanica returned to the capital markets, after renewing for another year the EMTN programme for issuing bonds on the European institutional market (bringing the total amount to €mil. 4,000) in October. More specifically:

- in December 2013 Finmeccanica, through its wholly owned subsidiary Finmeccanica Finance

SA, seized a favourable opportunity in the capital market to place a €mil. 700 bond issue targeted at Italian and international institutional investors through a pool of international banks. The 7-year bond issue, offered at a price equal to 98.505%, has a maturity of January 2021 and a fixed-rate coupon of 4.50%, paid annually in arrears. The notes are fully guaranteed by Finmeccanica SpA and have been listed on the Luxembourg Stock Exchange. Finmeccanica will use the net proceeds of the issue as an alternative to the other financial resources of the Group. Following the transaction, the average life of Group debt will remain equal to 9 years;

- also in December Finmeccanica redeemed the remaining portion (€mil. 750) of the €mil. 1,000 bond issued in December 2009, the first €mil. 250 of which was repurchased in previous years.

Detailed information on outstanding bond issues can be found under "Loans and borrowings" in the notes to the financial statements.

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	Date of most recent rating	Previous position		Current position	
		Credit Rating	Outlook	Credit Rating	Outlook
Moody's	September 2013	Baa3	negative	Ba1	negative
Standard & Poor's	January 2013	BBB-	negative	BB+	stable
Fitch	July 2013	BBB-	negative	BB+	negative

The changes in Finmeccanica's credit ratings shown above caused, with regard to existing bank loans, specifically the €bil 2.4 Revolving Credit Facility with a final maturity date of September 2015, only a limited increase in costs as provided for by contract.
All the bond issues are governed by rules with standard legal clauses for these types of corporate transactions on institutional markets. In the case of the above issues, these clauses do not require any undertaking with regard to compliance with specific financial parameters (financial covenants) but they do require negative pledge and cross-default clauses. Based on negative pledge clauses, Group issuers, Finmeccanica SpA and their "Material Subsidiaries" (companies in which Finmeccanica SpA owns more than 50% of the share capital and represent at least 10% of Finmeccanica's consolidated gross revenues and capital) are expressly prohibited from pledging collateral security or other obligations to secure their debt in the form of bonds or listed financial instruments or financial instruments that quality for listing, unless these guarantees are extended to all bondholders. Exceptions to this prohibition are securitisation and, starting from July 2006, the establishment of assets for the use indicated in Article 2447-*bis et seq*. of the Italian Civil Code. On the contrary, the cross-default clauses give the bondholders the right to request early redemption of the bonds in their possession in the event of default by the Group issuers and/or Finmeccanica and/or any "Material Subsidiary" that results in a failure to make payment beyond pre-set limits.
Furthermore, it should be noted that the Funding Agreement between MBDA and its shareholders provides, *inter alia*, that the possible downgrade of the rating assigned to the shareholders results in a gradual increase in margins. Additionally, under a pre-set limit of the rating, for at least two out of three rating agencies (BB- from Standard & Poor's, BB- from Fitch and Ba3 from Moody's) MBDA is entitled to determine each time the applicable margin. Finally, the agreement provides for rating limits, the achievement of which allows MBDA to request its

shareholders the issue of a bank guarantee of its own liking, without which MBDA can suspend granting subsequent funds.

Following the close of the period, in January 2014, Finmeccanica, through its Luxembourg subsidiary Finmeccanica Finance SA and a pool of international banks, placed a €mil. 250 bond issue supplementing the €mil. 700 issue made in December 2013. The new offering, targeting exclusively Italian and international institutional investors, has the same terms of the December 2013 issue. The issue price was 99.564%, higher than that of the December 2013 issue.

Disposals. On 1 August 2013, the aviation engines division of Avio SpA (14.3% held indirectly by Finmeccanica through BCV Investments SCA) was sold to General Electric for a net amount of €mil. 1,800.

In addition, on 23 December 2013 Finmeccanica completed the sale of a 39.55% stake in Ansaldo Energia for €mil. 277**.** The remaining 15% held by Finmeccanica will be sold through a put&call option mechanism between 30 June 2017 and 31 December 2017, with a cash inflow of €mil. 117, plus accrued interest of 6%. The sale contract also provides for a possible earn-out worth up to €mil. 130 to be received by Finmeccanica linked to Ansaldo Energia's attainment of the performance targets in the 2014-2016 three-year period, in addition to indemnities that may be payable by Finmeccanica in specific cases. Under the broader process of reorganising and strengthening the Italian engineering industry, Finmeccanica and Fondo Strategico Italiano have agreed to assess opportunities for strategic transactions in the railway sector, including by inviting major international players to take part.

FINMECCANICA AND RISK MANAGEMENT

RISKS		ACTIONS
In 2013 the Group returned to profit, after having reported significant losses, even though returning to a fully sustainable financial position is connected to the success of the restructuring plan launched by management	Management has launched a plan to thoroughly restructure the Group in order to become more industrially efficient and reduce debt, with significant positive effects. However, given the worsening of the crisis of AnsaldoBreda, for the Transportation segment, it is necessary to redetermine the Group scope, in order to guarantee the necessary economic and financial stability. If this plan should not prove to be successful, the Group's ability to effectively compete in global markets, as well as its financial stability, could be negatively affected.	The implementation of the restructuring and efficiency plans is constantly monitored by the Group management. Moreover, in 2013 the sale of the stake in Ansaldo Energia was completed, thereby allowing a significant reduction in the net debt.

RISKS		ACTIONS
The Group is strongly dependent on the level of expenditure of national governments and public institutions which, in the reference sectors of the Group, are affected by significant cuts	The major customers of the Group are national governments or public institutions. Moreover, the Group takes part in numerous international programmes funded by the European Union or other intergovernmental organisations. Therefore, the Group was affected by the reduction in the expense budgets of the public institutions. Given that the expenditure programmes adopted by governments may be subject to delays, changes under way, annual reviews or cancellations, in particular in periods with high instability like those that mark the global economy now, the Group's industrial plans, as well as the financial resources necessary for their implementation, might be affected by changes, even significant ones. The worsening of the reference economic scenario, with a possible negative review of the expense budgets of public authorities that are intended for the sectors in which the Group operates, might affect not only the volumes and results, but also Group debt, due to lower amounts received as advances or down payments on new orders. Moreover, following the acquisition of DRS, the Group is greatly exposed to the risk of US defence budget cuts. For a description of such situation and of the sequestration process, reference should be made to note "Intangible assets" of the notes to the consolidated financial statements. Finally, situations of political instability, if any, in those countries where the Group operates (such as those occurred in North Africa) could affect the trade activity of the Group in those countries.	The Group continues pursuing an international diversification policy, which led to the identification of three "domestic markets" (Italy, the UK and the US), and to competition in emerging markets marked by high growth rates, in particular in the Aeronautics and Defence markets, in order to be less dependent on cuts that may be made by individual countries. Moreover, under the Group strategy, performance in the major countries is constantly monitored in order to ensure a timely alignment of activities planned with customer needs and a strict selection of its investments, through assessment procedures of the potential returns and their strategic capacity. In addition, the restructuring plan in which the Group is involved, should guarantee, against the reduction in the customers' budgets, an increased ability to compete in national and international markets.

RISKS		ACTIONS
Cuts in public budgets could affect also grants for the Research and Development activities of the Group and, as a consequence, also the Group ability to successfully compete in global markets	The strong tensions on public budgets have already reduced and could further reduce public grants for R&D activities, for which the Group invested €bil. 1.8 in 2013, considering the unavoidable need to constantly improve its products portfolio. In particular, in Italy, grants for R&D expenses for the Aeronautics and Defence sectors, which are regulated by Law 808/1985, were suspended in 2012. Even if new grants have been provided thanks to the 2012 Stability Law, a non-compliance of the granting	The Group pursues a strict policy as regards the assessment and selection of the investments through which it focuses the limited resources available on the most efficient programmes with the highest potential of return.

RISKS		ACTIONS
<<<	levels with those of the other European competitors could negatively influence the Group capacity of being successfully competitive, due to a lower self-financing ability caused by the complex economic scenario.	

RISKS		ACTIONS
The persistence of the economic crisis could reduce the Group's profitability and its ability to generate cash flow even in the civil sectors	The persistence of the economic crisis not only involves budget cuts by public institutions, which represent a significant portion of the Group's customers, but also significantly affects civil markets, in particular helicopters, civil aeronautics and energy, thereby increasing competition in the sectors in which the Group operates. Delays or reductions in the acquisitions of new orders, or the acquisition of new orders on less favourable terms than in the past, including financially, could reduce the Group profitability and increase the Group's financial requirements during the performance of such orders.	The Group's goal is to improve its industrial efficiency and its ability to perform contracts, while reducing overhead costs.

RISKS		ACTIONS
Certain Group companies are involved in judicial investigations	As more fully explained in note "Provisions for risks and charges and contingent liabilities" of the notes to the consolidated financial statements, certain Group companies and the Parent Company itself are involved in judicial investigations which, *inter alia*, led to the arrest of the Chairman and Chief Executive Officer of Finmeccanica SpA. Such investigations are currently underway, as well as the closer examinations started by the Group which are described in the same section. These investigations may potentially have significant effects both on the existing contracts and on the outlook for the acquisitions of new orders. In this regard, the directors made provisions where necessary, on the basis of the stage of the legal proceedings and of the information obtained and the analyses performed. However, further developments presently unforeseeable and indefinable could have significant impacts on the Group's performance and financial position, as well as on its relationships with its customers. In this respect, it is noted that among the key elements of the Finmeccanica strategy is the more effective setting out of the processes for the governance system.	The Group has taken all steps necessary to more thoroughly examine any irregularities and to prevent employees, directors and suppliers from continuing to engage in inappropriate practices. These actions, together with the outcome of the actions completed to date, are described in detail in the "Corporate Governance Report and Shareholder Structure", available on the Company website.

RISKS		ACTIONS
The Group operates significantly on long-term contracts at a given price	In order to recognise revenues and margins resulting from medium- and long-term contracts in the income statement of each period, the Group adopts the percentage-of-completion method, which requires: (i) an estimate of the costs necessary to carry out the contract, including risks for delays and additional actions to be undertaken to	Finmeccanica's goal is to regulate within the Group the process of preparing and authorising major contracts by issuing a special directive. In fact, starting with the business proposal stage,

RISKS		ACTIONS
<<<	mitigate the risk of non-performance and (ii) checking the state of progress of the activities. Given their nature, these are both subject to management's estimates and, as a result, they depend on the ability to foresee the effects of future events. An unexpected increase in the costs incurred while performing the contracts might determine a significant reduction in profitability or a loss, if these costs exceed the revenues deriving from the contract.	Finmeccanica controls the main performance and financial parameters including the Economic Value Added (EVA), which is one of the aggregates used to evaluate the major contracts of directly controlled and strategic companies (as in the "Training and operation of the Board of Directors and Boards of Statutory Auditors of subsidiaries" directive). Moreover, the Group reviews the estimated costs of contracts regularly, at least quarterly. In order to identify, monitor and assess risks and uncertainties linked to the performance of the contracts, the Group adopted, as provided in the "Order risk management" directive, Lifecycle Management and Risk Assessment procedures, aimed at reducing the probability of occurrence or the negative consequences identified and at timely implementing the mitigation actions identified. Under these procedures, all significant risks must be identified from the offering stage and monitored while the programme is being carried out, by constantly comparing the physical progress and the accounting status of the programme. Top management, programme managers and the quality, production and finance departments are all involved in making these assessments ("phase review"). The results are weighted in determining the costs necessary to complete the programme on an at least quarterly basis. The Group is also committed to improving its industrial efficiency and its ability to precisely perform to customer specifications.

RISKS		ACTIONS
During the current activity, the Finmeccanica Group is exposed to liability risks to customers or associated third parties	As part of its activities, the Group may be held liable in connection with (i) the delay in or non-supply of the products or the services indicated in the contract, (ii) the non-compliance of these products or services with the customer's requests, due to design and manufacturing defects of products and services, for example, and (iii)	Group companies usually take out insurance policies available on the market to cover potential damages. However, it cannot be excluded that there may be damages that are not covered by

RISKS		ACTIONS
<<< in connection with the proper performance of contracts, also because of activities pertaining to sub-suppliers	defaults and/or delays in marketing, rendering of after-sale services and maintenance and revision of products. These liabilities might arise from causes that are directly ascribable to Group companies or causes that are ascribable to third parties outside the Group that act as suppliers or sub-suppliers for the Group.	insurance policies, that exceed the limit of liability insured or that insurance premiums may be increased in the future. Moreover, the Group continuously monitors the performance of programmes using the aforementioned Lifecycle Management techniques. In connection with these programmes, the Group is committed to improving its industrial efficiency and its ability to precisely perform to customer specifications.

RISKS		ACTIONS
The Group's debt position was affected by the acquisition of DRS in 2008 and by the negative cash flow of the Transportation segment. This debt could have an impact on the Group's operational and financial strategies	At 31 December 2013, the Group net debt came to €bil. 3.2, equal to 88% of its shareholders' equity at that date. This level of debt is attributable to the acquisition of DRS Technologies (DRS) in October 2008, which caused the Group's debt to rise by €bil. 3.6. Following this acquisition, Finmeccanica reduced its impact through a successful capital increase, the selling off of assets, and a debt rescheduling through the issue of bonds in Europe, the US and the UK. However, the inadequate cash flow levels obtained by the Group, mainly due to the negative performance of the Transportation segment, did not make possible to further reduce the indebtedness. Such debt level is still high, thereby reducing the Group's profitability through higher borrowing costs and exposing it to future fluctuations in interest rates (as to the floating portion), which could influence the Group's strategy, limiting its operational and strategic flexibility, in part due to current market conditions, which could cause the Group's funding needs to increase, at least during certain periods of time. Potential future liquidity crises could also restrict the Group's ability to repay its debts.	The Group has implemented a financial strategy allowing it to significantly extend the remaining life of its debt to approximately 9 years, and to reduce its exposure to interest rate fluctuations by issuing fixed-rate bonds. The Group refinanced in advance the payables overdue in 2013; at present the next maturity is the issuing of €mil. 600 expiring in 2017. The Group also has confirmed short-term credit lines totalling €mil. 2,400 (until September 2015) from a pool of leading Italian and foreign banks. This credit line is an important source of medium-term liquidity and, given its amount and that it is a revolving facility, it meets the Group's working capital requirements, in which collections are highly seasonal in nature. Finally, the Group seeks to continually reduce its debt by keeping a close eye on cash generation and the disposal of assets.

RISKS		ACTIONS
The Group's credit rating is also linked to the opinions of the rating agencies	All Group bond issues are given a medium-term financial credit rating by the three international rating agencies: Moody's Investors Service (Moody's), Standard and Poor's and Fitch. At the presentation date of this Report Finmeccanica's credit ratings were: Ba1 with a negative outlook from Moody's (from Baa3 with a negative outlook), BB+ with a negative outlook from Fitch (from BBB- with a negative outlook) and BB+ with a stable outlook from Standard and Poor's (from BBB- with a negative outlook).	As noted previously, the Group is actively engaged in implementing actions identified under the restructuring plan for reducing its debt. Moreover, the Group's financial policies and careful selection of investments and contracts involve being constantly alert to maintaining a balanced

RISKS		ACTIONS
<<<	The downgrading from 2011 until today is attributable to the deterioration in the Group's performance, to the delays in the execution of the expected disposal plan and, in part, to the downgrade in the rating for the Italian Republic. Overall, all rating agencies assigned the sub-investment grade rating status to Finmeccanica. A further downgrade in the Group's credit rating, even with no effect on the existing loans, could severely limit its access to funding sources, as well as increase its borrowing costs for existing and future loans, which would have a negative impact on the Group's business prospects and its performance and financial results.	financial structure. In seeking out alternatives to pursue, the Group always takes into account the potential impact such could have in the indicators used by the rating agencies.

RISKS		ACTIONS
The Group realises part of its revenues in currencies other than the currencies in which costs are incurred, exposing it to the risk of exchange-rate fluctuations. A part of consolidated assets are denominated in US dollars and pound sterling	The Group reports a significant portion of revenues in dollars and pounds, while costs can be denominated in other currencies (mainly euros). Accordingly, any negative changes in the reference exchange rate might have negative effects (transaction risk). Moreover, the Group made significant investments in the United Kingdom and in the United States. Since the reporting currency of the consolidated Group financial statements is the euro, negative changes in the exchange rates between the euro and the dollar and between the euro and the pound sterling might have a negative impact on the Group balance sheet and income statement due to the translation of the financial statements of foreign investees (translation risk).	The Group continuously applies an organised hedge policy to combat transaction risk for all contracts using the financial instruments available on the market. Changes in the dollar and pound sterling exchange rates also give rise to translation differences recognised in Group equity that are partially mitigated through the aforementioned pound and dollar issues. Moreover, in intercompany financing activities denominated in currencies other than the euro individual positions are hedged at the Group level.

RISKS		ACTIONS
The Group operates in some segments through joint ventures, in which the control is shared with other partners	The major joint ventures in the Aerospace and Defence area are MBDA, held at 25% (with partners BAE Systems and EADS), Thales Alenia Space, held at 33%, and Telespazio, held at 67% (both with partner Thales) and GIE-ATR, held at 50% through Alenia Aermacchi (with EADS). These joint ventures, which are consolidated by the Group on a line-by-line basis, jointly generated 16% of the revenues consolidated in 2013. The operations of the joint ventures are subject to management risks and uncertainties, mainly due to the possible arising of differences between the partners on the identification and the achievement of operating and strategic objectives, and the difficulties in resolving any conflicts that may arise between them in the ordinary course of business of the joint venture. In particular, the joint ventures in which the Group has an interest may be subject to decision deadlocks which may ultimately lead to the liquidation of the joint venture. In the case of liquidation of the joint venture or sale of the interest by the Group, it may have to share or transfer technological skills or know-how that were originally contributed to the joint venture.	The Group constantly follows, including through the involvement of its own top management, the performance of these activities, in order to timely identify and manage critical issues.

RISKS		ACTIONS
The Group is a sponsor of defined-benefit pension plans in the UK and the US and of other minor plans in Europe	Under the defined-benefit plans, the Group is required to ensure a specific future retirement benefit level for employees participating in the plan, assuming the risk that the plan assets (stocks, bonds, etc.) are not sufficient to cover the agreed-upon benefits. If the value of plan assets is less than the agreed-upon benefit level, the Group duly recognises the amount of the deficit among liabilities; at 31 December 2013, this amounted to €mil. 260. If the value of plan assets falls significantly, for example due to high volatility in the stock and bond markets, the Group must make good this loss to plan participants, which therefore has a negative effect on its own performance and financial position.	The Group keeps a close eye on plan deficits and investment strategies and takes immediate corrective action when necessary.

RISKS		ACTIONS
The Group operates in particularly complex markets, where disputes are settled after a considerable period of time and following extremely convoluted procedures. The Group also operates numerous industrial facilities and is therefore exposed to environmental risks	The Group is party to judicial, civil and administrative proceedings; for some of these, the Group has established a specific provision for risks and charges in the consolidated financial statements to cover any potential liabilities. Some of these proceedings in which the Finmeccanica Group is involved – for which a negative outcome is unlikely or cannot be quantified – are not covered by the provision. The Group’s business activities are subject to laws and regulations protecting the environment and human health that impose limits on air emissions and the release of waste into the water and the soil and that regulate the handling of hazardous waste and the restoration of contaminated sites. Under current regulations, owners and operators of contaminated sites are responsible for pollution found on such sites and, therefore, may be required to bear the costs of environmental assessment and remediation, regardless of the source of the contamination. While carrying out its production activities, the Group is exposed to the risk of accidental contamination of the environment and may be required to bear the costs of restoring any sites that may be contaminated.	The Group regularly monitors potential and existing disputes, taking the necessary corrective actions and adjusting its provisions for risks on a quarterly basis. As to environmental risks, the Group has established an environmental monitoring and assessment programme and has insurance coverage to limit the impact of any contamination event.

RISKS		ACTIONS
The Group operates in particularly complex markets which require compliance with specific regulations	The Group designs, develops and manufactures products in the Defence sector. These products are particularly important to the protection of national security interests and, therefore, their exportation is subject to the receipt of special authorisations from the relevant authorities. The prohibition, limitation or withdrawal, if any (in the case, for example, of embargoes or geopolitical conflicts), of the authorisation to export the products might have significant negative impact on the Group’s operations and financial situation. Moreover, non-compliance with these regulations could result in withdrawal of authorisations.	The Group monitors, through specific structures, the constant updating of the relevant regulations. Commercial actions are subject to regulatory restrictions and receipt of the necessary authorisations.

RISKS		ACTIONS
A significant portion of the consolidated assets relates to intangible assets, specifically goodwill	At 31 December 2013 the Group reported intangible assets of €mil. 7,154, of which €mil. 4,294 relate to goodwill (15% of total assets) and €mil. 1,635 to development costs. The recoverability of these amounts is linked to the realisation of future plans of the reference businesses/products.	The Group constantly monitors performance against the expected plans, implementing the necessary corrective measures in the case of unfavourable trends. These updates are reflected, when the consistency of the amounts posted is assessed, in the expected flows used for the impairment tests.

FINMECCANICA AND SUSTAINABILITY

Finmeccanica's goal and commitment is to increasingly integrate sustainability into its industrial strategy, with its customers and its suppliers; into its ways of participating in the life and evolution of the communities and territories in which it operates presently and in the future; into laws and national and international regulations, within a framework that does not tolerate behaviour that does not conform to standards on ethics and responsibility.
Finmeccanica is among those international companies in the Aerospace, Defence and Security sector that voluntarily report on the sustainability of their performance in the financial, environmental and social fields in accordance with the Guidelines of the Global Reporting Initiative (GRI), version 3.1, the leading international standard.
The Sustainability Working Group, which was formed within the Group Parent in 2010, is responsible for coordinating the reporting for and preparation of the Group Sustainability Report. The Working Group works with all the Group Parent units and with the relevant units of the Operating Companies to build a true "network of sustainability".
This section contains a summary of the major information on various aspects of sustainability (Environment, Human Resources, Research & Development) and seeks to explain how "**human capital**", "**environmental capital**" and "**intellectual capital**" are managed, protected and developed. Refer to the Sustainability Report, available on Finmeccanica's website, for a more detailed information.

Thanks to the development and circulation of the governance tools described in the paragraphs below, and to its desire to communicate its strategies and environmental performance to its stakeholders in a clear manner, Finmeccanica has renewed its commitment to sustainability in the following ways:

- *Sustainability Report*, through which data and information underlying the sustainability strategy and the ongoing improvement of the related management aspects are collected and processed;
- inclusion in the Dow Jones Sustainability Indexes (DJSI). Once again in 2013 the Group was included in the prestigious indexes of the DJSI family (both Europe and World), the only continental European company in the Aerospace, Defence and Security sector to be honoured (for more information, refer to http://www.sustainability-indices.com);
- participation in the Carbon Disclosure Project (CDP). For the fifth year in a row, Finmeccanica took part in the initiative of the non-profit organisation CDP, which is committed to reducing greenhouse gas emissions and to the sustainable use of water resources. The organisation acts on behalf of over 700 institutional investors, representing managed and invested capital (Assets Under Management, AuM) equal to more than $tril. 87 (for more information, refer to https://www.cdp.net);
- cooperation framework agreement with Fondazione Banco Alimentare Onlus (the Italian food bank network) to recover food surplus from the canteens of the Finmeccanica Group, in order to redistribute it to charitable organisations and save it from waste from a corporate social responsibility perspective.

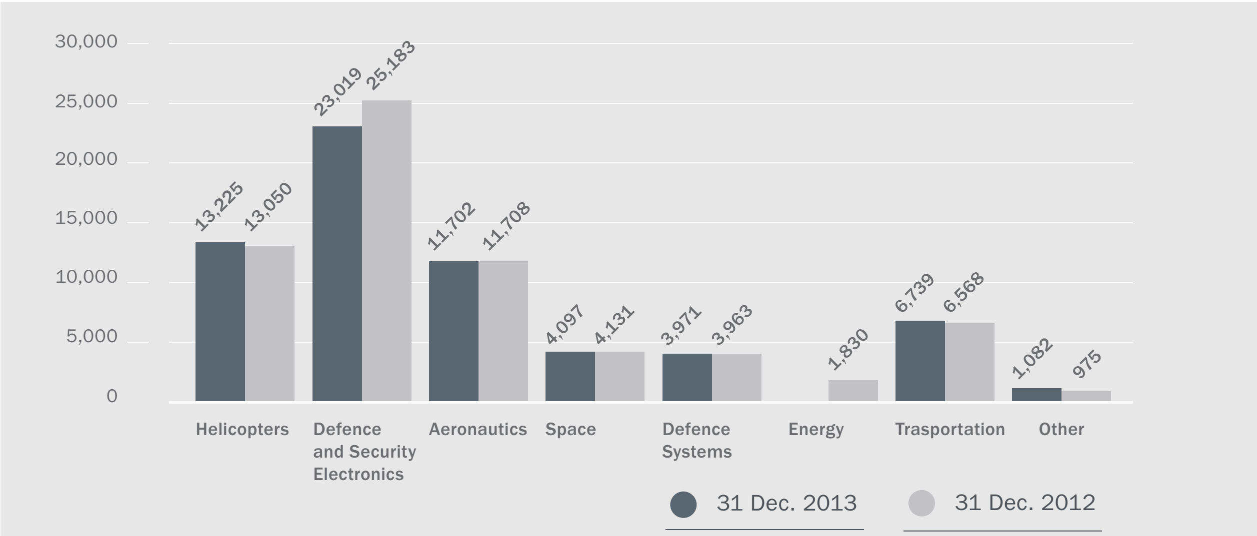
Human resources

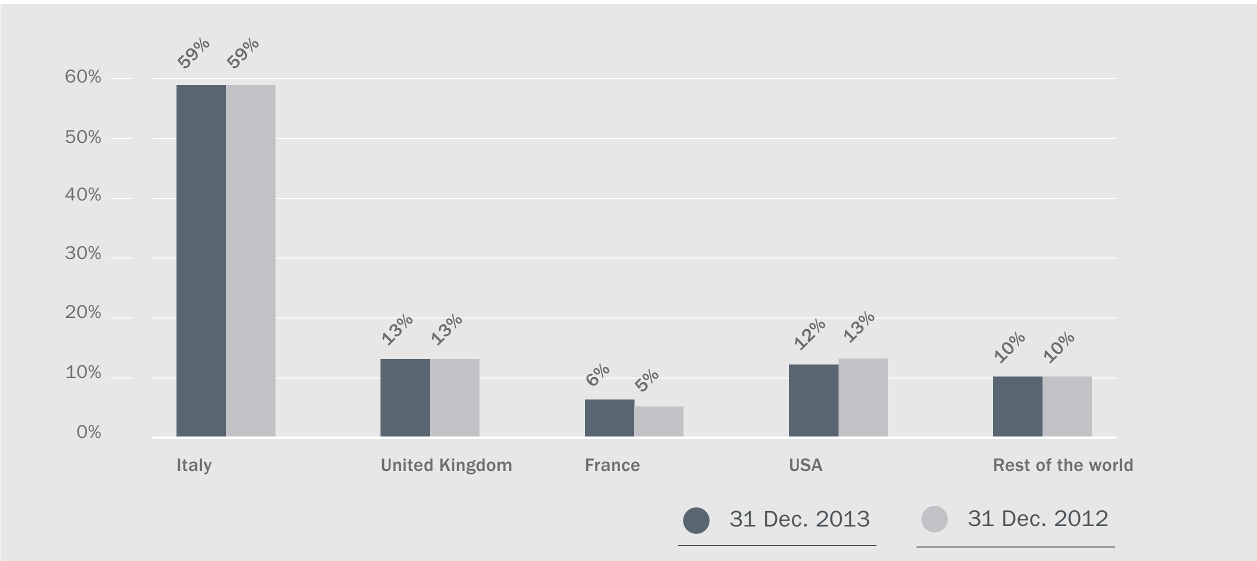
Employees

The quality of the ideas, expertise and work of our employees is the irreplaceable "raw material" on which every enterprise bases its own capacity to compete, especially for a global and knowledge-intensive Group like Finmeccanica.
One of the strategic targets of Finmeccanica is the **protection and development** of its **skilled staff**: this is why, year after year, the Group continues to make significant investments in order **to enhance its "human capital".** This is a key factor which gives the Group a competitive edge and ensures to the Company structures excellent resources with appropriate and distinctive

competences as well as business-critical skills, in an effort to **generate value that is sustainable over time**, thereby contributing to the growth of the Italian industry.
This constant attention paid to people and to the multi-cultural nature of our business, together with the ongoing improvement of the working conditions, is witnessed by the fact that the Group **obtained once again** the external **"Top Employer" certification** in Italy and the United Kingdom. The certification is assigned by the CRF Institute, an international organisation that analyses and recognises virtuous and deserving companies for their efforts to improve their human capital and their best practices in the HR field.

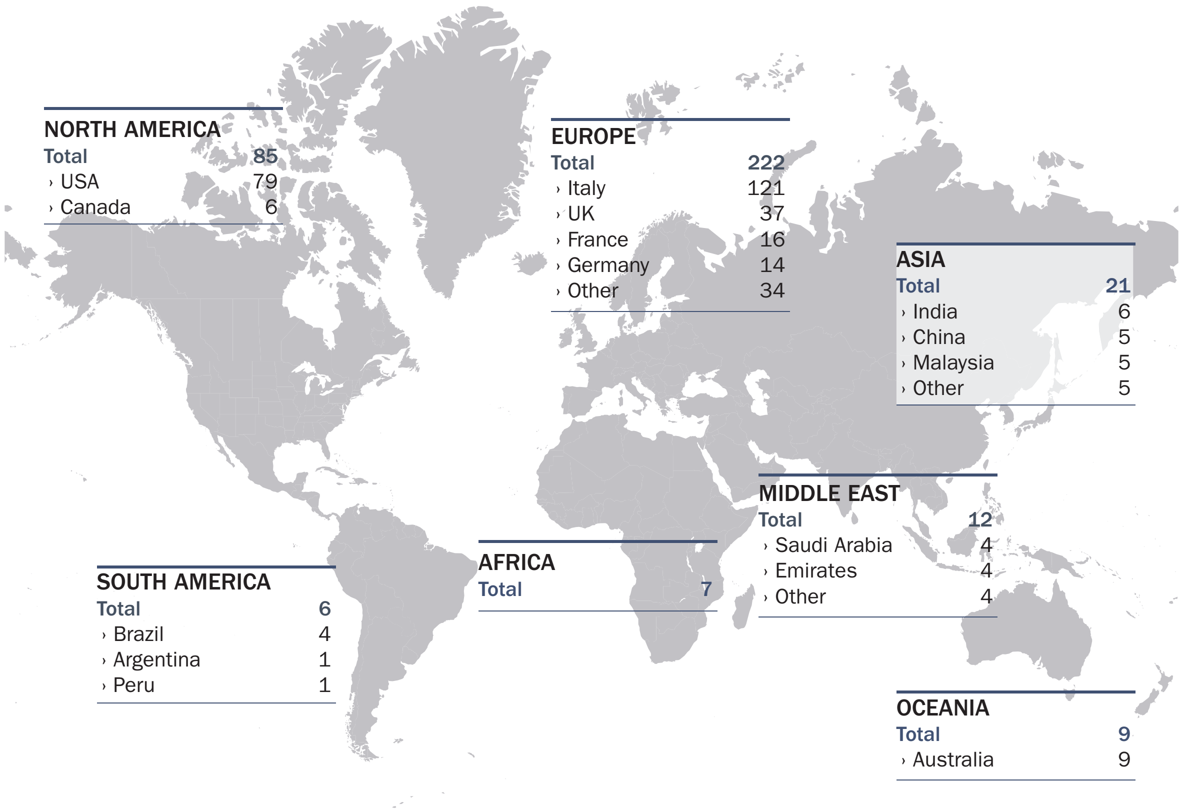
At 31 December 2013 the Group had 63,835 employees, of which 37,490 in Italy, with a significant presence of subordinate employees in 22 countries. About 90% of the Group's staff are concentrated in markets that are considered "domestic" (apart Italy, the UK, the USA and Poland). We face the challenge of technological innovation through the daily passion and commitment of around 19,600 employees assigned to the design and Research and Development of new systems/products/solutions. Excluding the workforce of Ansaldo Energia, which was sold during the year, the exact workforce at 31 December 2012 numbered 65,578 employees. The net decrease of 1,743 from 2012 mainly occurred in the Defence and Security Electronics business segment as a result of the reorganisation processes occurring, in particular at DRS. Further details are provided in Note 28 of the notes to the consolidated financial statements.
The breakdown by segment and geographical area is as follows (2012 figures include Ansaldo Energia):





The Finmeccanica Group workforce worldwide

At the end of 2013, the Group operated through a worldwide structure encompassing 362 offices/sites, 241 of which are located in foreign countries (67% of the total) and 121 in Italy. The breakdown by area of Group sites is as follows:



In addition to the "deconsolidation" of Ansaldo Energia's plants and offices, a significant rationalisation of Company sites (affecting mainly Selex ES and Alenia Aermacchi) during the year reduced the total number of Group sites by more than 10% compared to the end of 2012. The plants and other sites considered are mainly production sites, numbering 138 (57 of which are located in Italy), equal to 38% of the total.

Organisation

As regards organisation, 2013 saw a significant and delicate transition for the Finmeccanica Group. In February, the new organisational structure was launched, mainly consisting of combining the positions of **Chief Executive Officer** and **General Manager** (**CEO**), drastically cutting the number of top-tier positions (from 16 to 9) and forming the *Executive Committee*, the *Group Management Committee* and the *Corporate Bodies Committee*, collegial governance, strategic alignment and advisory bodies.

In July, the new **Chairman** was appointed. He has been granted operating powers in the areas of Institutional Relationships, External Relations and Communication, Group Safety and Group ICT and Internal Audit (supervision and functional coordination), although this organisational unit reports to the Board of Directors.

Furthermore, the project to centralise Internal Audit activities by formally implementing the new Group "matrix" model was among the most important initiatives undertaken to strengthen Group governance. The project was fine-tuned throughout the year and completed in October.

At the end of December, the **Operations Directorate General** (COO) was formed, reporting directly to the CEO, in order to strengthen the oversight and integration of the activities of the Group's Operating Companies in order to make them more competitive, exploit their complementary potentials and optimise industrial processes.

Significant changes were also made at certain Group companies, including AgustaWestland, WASS, OTO Melara, Telespazio, Finmeccanica Global Services, AnsaldoBreda, DRS and Alenia Aermacchi.
Also during the year, the updating and overhaul of the internal regulation system (architecture and hierarchy of Company regulations) solidly contributed to the revision and strengthening of Group governance which is one of the main areas of intervention in the context of the strategic plan. The regulation system is broken down as follows:

- *Group Directives*, on topics of importance for Group governance affecting different Segments/Operating Companies. They contain mandatory instructions that must be formally recognised by the individual companies through the adoption of appropriate implementing procedures;
- *Corporate Procedures*, which govern operational rules and aspects, generally in functional/specialist areas, at the level of the individual company. The roles and responsibilities of the persons/bodies involved in the structured flow of activity are indicated in the Procedures, in a manner consistent with the Directives;
- *Policies/Guidelines* (Company/Group), which explain and systemise general principles, policies and recommendations at the company or Group level. In the latter case, a plan for gradually enacting them in the Operating Companies may be prepared, with possible adjustments to account for the organisation of the companies and their specific operational requirements (therefore, these are not mandatory like Directives nor do they have the operational character of Procedures);
- *Manuals/operational instruments*, compilations, generally on single topics, of materials, practices, information of various kinds, references, in-depth analysis and focus on specialist topics, work instruments and methodologies (they may contain, for example, "dictionaries", standard format, etc.). The idea is to create a "comprehensive volume" on or a functional in-depth exploration of a specific topic. These documents, which are not subject to the well-structured sharing and formalisation process of the other types of documents, are circulated by the process owner/contact person, in agreement with the Directives and Procedures unit.

Management Review, Succession Plans, Compensation and Incentive Systems

In the 2013 financial year, the Finmeccanica Group continued its activities for the shift in perspective and an evolution in strategy that since 2011 has led to a review of certain of the basic processes of the System for Managing and Enhancing Human Resources.
The year 2013 also confirmed that the Management Review process is crucial to the interaction and collaboration between the Group Parent and the Operating Companies in order to optimise the resource management and development processes. Analysis and verification of the human resources policies and programmes were conducted, all the information and assessments needed to introduce sustainable, merit-based processes for managing the Group's Human Capital, particularly management personnel, were gathered and appropriate succession plans were prepared. The processes and methods used to draw up these plans follow the fairness, transparency and meritocracy principles and are shared at Group level.
The evaluation criteria utilised to prepare the Succession Plans are based on the observation and verification, including with the help of third companies, of a number of factors, such as performance, potential, aptitude for general management, motivation and managerial traits, international experience, willingness to relocate, propensity for innovation and qualification for more complex roles.
In 2013, work was completed on defining and launching the *Finmeccanica Elite Management System*, an integrated system for management and improvement of the talent pool, a programme started in 2010 that aims to create and enhance the international managerial class, making it possible for the Group to successfully face upcoming challenges in international markets. In 2013, in light of the changes in the organisation of many companies of the Group, the process involved the review and updating of the scope of the pool of employees concerned. The targeted pool of employees (called the "Group Elite") consists of about 600 managers divided into three categories based on the organisational importance of

the positions held and on personal characteristics, such as "*Development Potential*" and the characterising features of "*Talented Persons*" with a view to a long-term investment on the part of the Company. At the top of the new pyramid are the "*Top 100*", i.e. those who hold top positions in Finmeccanica and the Group companies; the intermediate level holds the "*200 Successors*", i.e. those who are set to succeed the Top 100 in the short term; at the bottom of the pyramid are the "*300 Top Talents*", i.e. those with great medium/long-term development potential, with international standing and highly motivation, identified from among the Group companies' executives and middle managers.

With regard to *Compensation Systems*, 2013 saw the confirmation of the scope of the beneficiaries of the *MBO System* (covering almost 100% of Group Senior Managers and Executives): as regards its underlying rationales, this system is based on the general structure and operational mechanisms, which were already present in 2012, aimed at ensuring a strict correlation between the incentives and the "excellence" in operating performance.

Moreover, in 2013 the Remuneration Committee and the Board of Directors prepared and approved a structured *Remuneration Policy*, under which a medium/long-term incentive scheme was confirmed for the Group management, introduced in 2012, named Performance Cash Plan 2012-2014 (PCP), which is reserved for those belonging to the workforce defined as "Group Elite" (incentives granted in cash, payable against the achievement of certain management-economic results of the Group and of the Operating Companies, in line with business strategies and objectives) as well as a plan for the top management of Finmeccanica SpA and of the main Group subsidiaries, which provides for cash payments upon achieving certain ambitious targets of the Group, on a full self-financing basis. Such plan is developed on the basis of three-year cycles launched from time to time in each financial year, according to the traditional approach of "rolling" schemes, with the purpose of maintaining a high level of attention and motivation towards the joint attainment of a medium/long-term performance that is considerably higher than the budget targets, based on the economic-management indicators of the Finmeccanica Group.

The Remuneration Committee, after the expiry of each one of the relevant financial years of the plans, and following the approval of the related draft separate and consolidated financial statements by the Board of Directors of Finmeccanica SpA, shall assess the degree to which the assigned performance objectives have been reached.

For more details relating to the remuneration of management, please refer to the Remuneration Report of the Company.

Preventive medicine initiatives

During 2013 screenings were carried out in relation to a healthy diet, evaluating sleep disorders, the prevention of diseases affecting internal organs and the large blood vessels of the abdomen, and protecting physical and mental well-being through *Gyrotonics*, the ideal exercise method to develop physical potential.

These initiatives were combined with monitoring activities, with a medical consulting room open daily and the performance of individual check-ups through pre-screening.

Training and Development of Human Resources and Knowledge Management Systems

Also in 2013, Finmeccanica obtained, for the sixth consecutive year, the **UNI EN ISO 9001:2008 Quality Certification** with reference to its activities for "*Designing, Delivering and Managing Human Resources Training and Development Projects*", awarded by the international body Globe Certification. In this connection, the new system SAP HR-TEM Module has been developed, which will be operating in 2014, that will allow the management of the whole training and development process of both corporate resources (on the local SAP system) and Group resources involved in initiatives across all the Group companies (on Master Data SAP of the Group), in particular for Executives and Talents. This will allow to have a system perfectly integrated with the Talent Management System, as well as a centralised database for the Group and Corporate reporting.

Consistent with the objectives set out in the Human Resources Operating Plan, in 2013 Finmeccanica continued to implement its Integrated Development and Training System in order:

- to identify the most talented Group employees, for the purpose of facilitating the recognition of their worth using a system for measuring individual performance at various levels;
- to enhance intellectual capital, promoting the development and transmission of "key" skills by strengthening inter-generational dialogue;
- to provide an international approach and forge a distinctive Finmeccanica identity;
- to strengthen the business partnership between the Human Resources Professional Family and the line by developing core skills;
- to contribute to making processes and tools for measuring results more efficient, also by sharing a common System of Macro-Roles and Competence within the Group Professional System (Finmeccanica CMS - Competence Management System).

The main initiatives pursued in 2013 can be categorised as follows:

1) *Development projects*, aimed at the construction of processes, tools and paths of professional and managerial training within the Group's Talent Management System (TMS), in order to ensure that the criteria are more transparent and that business targets and personal characteristics, aspirations and motivations are consistent, so as to prepare and support the renovation of the management and foster the implementation of adequate succession plans at the different levels of the organisation;
2) *Dedicated courses for talented employees*, at various organisational levels, from recently hired young persons to Top Management *(FLIP, BEST 3.0, CHANGE, From Technology To Values* and *ELP - Executive Leadership Programme);*
3) *Initiatives* aimed at reinforcing *Group Culture* to promote:
   - the strengthening and development of core competencies, starting from the processes of Programme Management and Supply Chain Planning and Execution (**Business Culture & Knowledge Management**);
   - the identification of possible critical areas, within the corporate processes that characterise the management of orders and the sharing of the related improvement actions;
   - the involvement of and listening to the Finmeccanica people from all over the world, in order to identify specific expectations of the various targets and distinguishing characteristics of the different entities of the Group, and the support to the communication processes and the recognition of the Group as the "Employer of Choice" (**Group Identity and Employer Branding**)*;*
   - a concrete support to the recovery of the Italian economy and the promotion of youth employment, through projects aimed at **boosting the culture of "know-how"**;
4) *Specialist Training Paths* intended for the personnel of Finmeccanica SpA, in particular as regards health and safety at work and languages.

For further details related to the training processes of the Group, reference should be made to the Sustainability Report of the Company.

Industrial Relations and Social Affairs

During 2013, Finmeccanica signed the Protocol for Competitiveness and for a New Industrial Relations Model with the National Secretaries of the trade unions FIM, FIOM and UILM. The Protocol acknowledges Finmeccanica's ongoing consideration of the trade unions and represents an accomplishment with regard to those relationships that have made it possible for the Group to pursue a shared, participatory handling of the industrial reorganisation and restructuring processes undertaken in recent years. The pertinent points of the Protocol concern the formation of a "Finmeccanica strategies monitoring unit", comprised of the top management of the Group and three national representatives of FIM, FIOM and UILM; "National sector monitoring units" that will meet before extraordinary processes are undertaken; and the formation of "Discussions of international issues", concerning matters related to European legislation in the area of workers' rights and industrial relations. The Protocol also calls for additional study of specific issues, aimed at qualifying the Group's industrial relations system, on which further meetings were held.

On 30 July 2013 a memorandum of agreement was signed concerning the establishment of Supplemental Health Insurance plans, which fall under the Company's more comprehensive **Welfare** system, to be used as a structural incentive in second-level negotiations. Progress was also made in promoting and implementing social services, building upon work begun in previous years, by strengthening and coordinating employee healthcare services.
Finmeccanica also continued to selectively control hiring, a process begun in 2009. It did this by monitoring hiring practices in order to maximise intra-Group mobility and to more closely focus on hiring from outside the Group, verifying that the proper types of employment contracts are being used.
On a regulatory level, the focus was on assessing the impact of the Reforms of the Labour Market and of social shock absorbers, enacted in 2012, in light of the clarifications and interpretations issued by the Ministry of Labour and the National Social Security Institute (INPS) in 2013.
Furthermore, all the Group companies either extended or signed agreements on performance bonuses, thereby emphasising the link between the ability to pay variable compensation to employees and the results achieved in terms of profitability and improved competitiveness.
With regard to restructuring, reorganisation and revitalisation processes, a description is provided of the main actions taken in each sector. All the Redundancy Agreements signed contain the requirement that those covered be near the minimum pension age and set out the principle of "non-opposition" by the workers affected. Monitoring of redundancy procedures reveals that staff reductions achieved at all the companies involved were consistent with the targets set.

Aeronautics. In 2013, under the "3R Plan", 237 workers left employment, bringing the cumulative total to 1,870. At the end of the year, there were a further 385 employees still on staff, but subject since 31 December 2011 to the Extraordinary Wages Guarantee Fund (CIGS, *Cassa Integrazione Guadagni Straordinaria*), who will, during 2014, have access to voluntary redundancy with pension contributions. The total number of employees who have left has already ensured that staff reductions will be more effective than contemplated under the agreements signed in 2010 and 2011. In addition, in 2013 an agreement was signed with Federmanager and the company-level union representative for senior management employees to offer so-called "pre-pension incentives", i.e. application of the pension contributions provided by for Article 4, paragraphs 1 through 7-*ter*, of Law 92 of 2012 (the so-called "Fornero Reform"), to 30 senior managers who will meet the minimum pension requirements within four years of termination of employment. Finally, local agreements were signed at all facilities in order to increase plant utilisation by implementing organisation models built around 18 and 21 weekly shifts, ensuring higher production volumes by about 350,000 hours per year. Along with this, human resource management policies were shaped by a generational turnover supporting workload demands and the need to improve the Company's ability to compete.

Defence and Security Electronics. *Selex ES*. In 2013 an agreement was signed regarding the closing of minor sites, thereby making it possible, over the course of the year, to reduce and consequently rationalise productive sites. In order to manage surplus staff and address the need to reduce the staff of contractors, agreements were signed during the year concerning the use of the CIGS, so-called "defensive" Solidarity Contracts, redundancy and pre-pension incentives pursuant to Article 4 of the "Fornero Reform". As concerns senior management employees, an agreement was signed with Federmanager and the company-level union representative for senior management employees calling for the termination of up to 120 senior managers during the 2013-2015 three-year period, the cutting of 5 vacation days per year over the next three years, the suspension of reimbursement of subsistence expenses for three years (pursuant to Article 10 of the national collective bargaining agreement for senior managers) as well as the use of vacation days not taken during the year accrued, within the first six months of the subsequent year. Finally, agreements were also signed concerning the harmonisation of financial and normative conditions provided for under previous trade union agreements/regulations and business practices applied by the subsidiaries that have now entered the scope of Selex ES.

The process of managing social shock absorbers, which will continue throughout 2014, aimed at significantly improving the competitiveness of and increasing the profitability and productivity of Selex ES, led to the placement of 745 employees in redundancy and the application of the CIGS to an average of 300 employees in the fourth quarter of 2013, in addition to the application of "defensive" Solidarity Contracts to an average of 7,500 employees in the third four-month period, with a total reduction of 766,487 hours in weekly and monthly hours worked, which made it possible to absorb – on an annual basis – surplus labour equal to around 400 employees.
DRS. Intense work continued on the restructuring and reorganisation plan launched in previous years. In 2013, the plan involved around 1,400 employees, whose employment relationships were terminated according to the same criteria as those already used in the past, laid out in trade union agreements (applicable to registered union members) or based on standard policies followed in the United States (applicable to non-union members). The incentive policy provides for offering one week's pay for each year of service and the recognition of certain benefits, such as health insurance coverage for one or two months, outplacement services, and so forth.

Helicopters. In 2013, the new Company Supplemental Agreement was signed, confirming the consolidation of the existing industrial framework, as well as the importance of results in the areas of efficiency, effectiveness, quality, productivity and flexibility of work schedules.

Defence Systems. WASS signed an agreement for the application of a redundancy scheme for 25 employees, out of a total workforce of 322 at the Livorno site. The signing of this agreement marked the end of a process begun in early 2013 to pursue a suitable turnover mix and, at the same time, an enhancement of the efficiency of the organisational structure in its entirety.
At OTO Melara in October 2013 the process was begun to apply a redundancy scheme for 70 employees of the La Spezia site with the goal of improving the mix of employees/contractors without forgetting the benefits resulting from generational turnover. Employee terminations are scheduled to occur throughout 2014.

Space. In January, at Telespazio, a cycle of application of the Ordinary Wages Guarantee Fund (CIGO, *Cassa Integrazione Guadagni Ordinaria*) in rotation was begun due to a temporary decline in activity for the Scanzano Palermo Space Centre, while in September an agreement was signed to apply a redundancy scheme to 35 employees. At Thales Alenia Space Italia, the year 2013 witnessed the definitive implementation of the Industrial Reorganisation Plan featuring the gradual transfer of manufacturing activity from the Milan site to the new L'Aquila site, which was opened on 3 December. With the transfer of these activities, the L'Aquila site now serves as the sole electronics production centre in Italy. The surplus employees will be redeployed to other sites. In addition, work continued on administrating the redundancy plan, signed in 2012, in support of the industrial guidelines contained in the Reorganisation Plan.

Transportation. At BredaMenarinibus, a trade union agreement was signed in January concerning the application of the CIGS as a result of the corporate crisis, which will remain in force for a period of 12 months, covering up to 205 employees. Subsequently, in May, an agreement was reached on the application of redundancy procedures on up to 85 employees.

AnsaldoBreda continued to implement the efficiency-enhancement and revitalisation plan begun in late 2011 through actions targeted at aligning the workforce with budget targets, improving performance and containing costs, reducing labour costs with an increase in the revenue per employee rate and modifying the organisational structure, with the goal of optimising its operation.

The Environment

Strategic guidelines and management approach

Finmeccanica is firmly convinced of the value represented by the management, protection and development of "environmental capital" and is aware of the important social role that the Group overall plays in the national and international context. The Group has, for years, promoted and adopted strategies that integrate value creation for stakeholders with a careful policy of environmental management and improvement, following a sustainable, ever-evolving business approach: the issue and adoption of a new Environmental Protection Directive in March 2013 is clear evidence of this. The Directive in question, implemented by the Group companies and whose documentation was examined by the Environmental Policies and Risk Prevention Unit of Finmeccanica Global Services (FGS), established the new "*Group Environment, Health and Safety Policy*" containing the general principles and duties for protecting the environment, preventing pollution and improving the environmental performance of each Group company, with an even closer focus on the protection of one of the most important natural resource, namely water.
The gathering, analysis, processing and rationalisation of Group indicators in the area of Environment, Health & Safety (EHS) was carried out using a centralised web-based system aimed at the reporting and monitoring of new indicators (e.g. quantities of F-gas measured at sites; detailed analysis of volumes of waste water produced; Aviation Emission Trading) with specific sections dedicated to reporting on scheduled improvement actions undertaken by the companies and on Environmental Certifications.
The commitment of the Group also translates into the study and creation of instruments for assessing the environmental risk of the various sites and the consequent preparation of management and improvement plans. In 2013, the second survey was carried out to assess the environmental risk at the Finmeccanica Group's industrial sites and specific controls and monitoring were performed to prevent and manage environmental risks at the Group level and at individual sites and/or companies in Italy and abroad (27 Environmental Audits and inspections). In addition, in keeping with its corporate mission regarding the direction, coordination and control of the Group's environmental activities, FGS developed and circulated to the foreign sites:

- *Guidelines for Air Emissions Management at Finmeccanica Group sites* (Italian version published in 2012);
- *Guidelines for the management of fluorinated greenhouse gases at the sites of the Finmeccanica Group* (Italian version published in 2012).

As to the sustainable management of contaminated sites (environmental surveys, securing sites, characterisation, risk analysis, reclamation and environmental remediation), the Group companies' efforts have resulted, over the years, in concrete examples of our responsible commitment to protecting the environment, the community and the value of Group assets. In fact, the issue related to the reclamation of contaminated sites is a fundamental component of protecting the "environmental capital" and residents' health, and is closely connected with increasing the value of the real estate and the territorial redevelopment of the areas involved.
In this circumstance, Finmeccanica has not been found definitively liable for causing environmental damage. In addition, there have been no definitive sanctions or penalties imposed on the Group for environmental damage or violations.
Another key aspect of the responsible and sustainable management implemented by the Group companies is represented by the introduction of Environmental Management Systems (EMSs) and Occupational Health and Safety Management Systems (OHSMSs), which are becoming increasingly commonplace within the Group companies.
Finally, FGS continued to provide analysis, guidance and support on Italian environmental crimes legislation (Legislative Decree 121 of 7 July 2011) to the Group companies. This activity consists of providing detailed explanation of legislation and documentation; organising meetings on the issue with the EHS officers of the companies; providing support in drafting and revising the Corporate Procedures of the Group companies.

Relevant environmental issues and Group performance

The complexity and variety of productive processes within the Finmeccanica Group (around 150 major operating sites throughout the world and another 300 minor sites) translate into a careful analysis and selection of environmental issues that are important to the Group's business and whose impact can be monitored in a centralised, standardised manner, in order to be able to establish a single course for improving performance.
The most significant environmental aspects of the activities carried out by Finmeccanica are associated with the consumption of energy resources, water resources, waste production and management, use of hazardous substances and emissions into the atmosphere. These, as well as other topics of an environment, health and safety nature, are reported on annually and are the subject of in-depth analysis in the Group Sustainability Report, to which the reader is referred for a thorough qualitative and quantitative analysis.

The following issues, in particular, were addressed:

- as part of the application of the Emission Trading Directive, the instrument for implementing the Kyoto Protocol for reducing greenhouse gas emissions, all 13 sites covered by the plan, located throughout Italy, received certification of their emissions by a body accredited by the Ministry for the Environment, Land and Sea. In addition, in 2013, the Group began reporting on allowances under the Aviation Emission Trading that, by extending the European CO_2 emissions trading system to certain flight activities, focuses attention on not just pollution generated by productive processes, but also on that resulting from the use of products;
- analysis of the use of certain substances hazardous to health and to the environment is an integral part of Group EHS reporting, while the primary study and analysis of the handling of these substances by the companies is also conducted in the course of the Environmental Audits. Some of the Group sites, due to the amounts of substances and preparations used and the size of the galvanising baths employed for the surface treatment of metals, are classified as being a Major Accident Hazard (MAH). A portion of these, together with others which are not considered a MAH, are subject to the Integrated Pollution Prevention & Control (IPPC) Directive, and therefore are required to minimise pollution caused by various sources by adopting Best Available Techniques (BAT) in their processes to reduce their environmental impact;
- the attention paid by Finmeccanica to managing ozone-depleting substances (ODS) was expanded in 2013 to include fluorinated greenhouse gases (F-gases) in Group EHS reporting. Although these gases do not contribute to the depletion of the ozone layer, they have a significant greenhouse effect and, as with the ODS, they are mainly present in cooling and air-conditioning systems. Activities carried out during the year included those associated with the "Declaration pursuant to Article 16, paragraph 1 of Presidential Decree 43 of 27 January 2012 (Implementation of EC Regulation 842/2006 on certain fluorinated greenhouse gases – published in Italy's Official Gazette (*Gazzetta Ufficiale*) 93 of 20 April 2012)", concerning certain stationary applications (refrigeration, air conditioning and heat pump equipment, as well as fire protection systems) containing fluorinated greenhouse gases, installed at Group sites in Italy;
- as to waste production and management, the Group companies have long been working on reducing the amount of waste produced through better waste sorting and reuse of recyclable waste. Waste is monitored during all phases of operation (storage, transport, treatment, disposal/recovery) in accordance with current applicable regulations.

Innovation and disclosure of best practices

Finmeccanica's constant attention to sustainability issues is based upon the understanding that one cannot talk about product innovation without acknowledging the innovation of the process that creates it. For this reason, in the Group, the sharing of environmental know-how, best practices regarding environment, health and safety issues and the study into the replicability of these practices in various business contexts serve to drive the development of new technologies. The EHS Community, which periodically holds workshops, roundtables and meetings, has over 120 members throughout the world who are actively involved in spreading the culture of sustainability and focus on the environment, capable of taking a two-pronged product/process approach, with consequences and benefits that can be generated along the entire supply chain of the Group companies.

Communication, education and training

Environmental and sustainability issues are subject to further study and constant analysis based upon which specific technical documents, including the Group Guidelines, are prepared in order to share the enhanced know-how.
The documents produced, which facilitate the maintenance of cutting-edge management systems and procedures, are available to and can be consulted in the *EHS WEB Community* (more than 200 documents on environment, health and safety topics), and form a crucial source for EHS communication, information and training in this area. In view of this, the numerous meetings organised over the year represent an essential opportunity for sharing the various initiatives and actions undertaken by the companies and make it possible to monitor the progress made by the Operating Companies in applying and implementing the Guidelines.

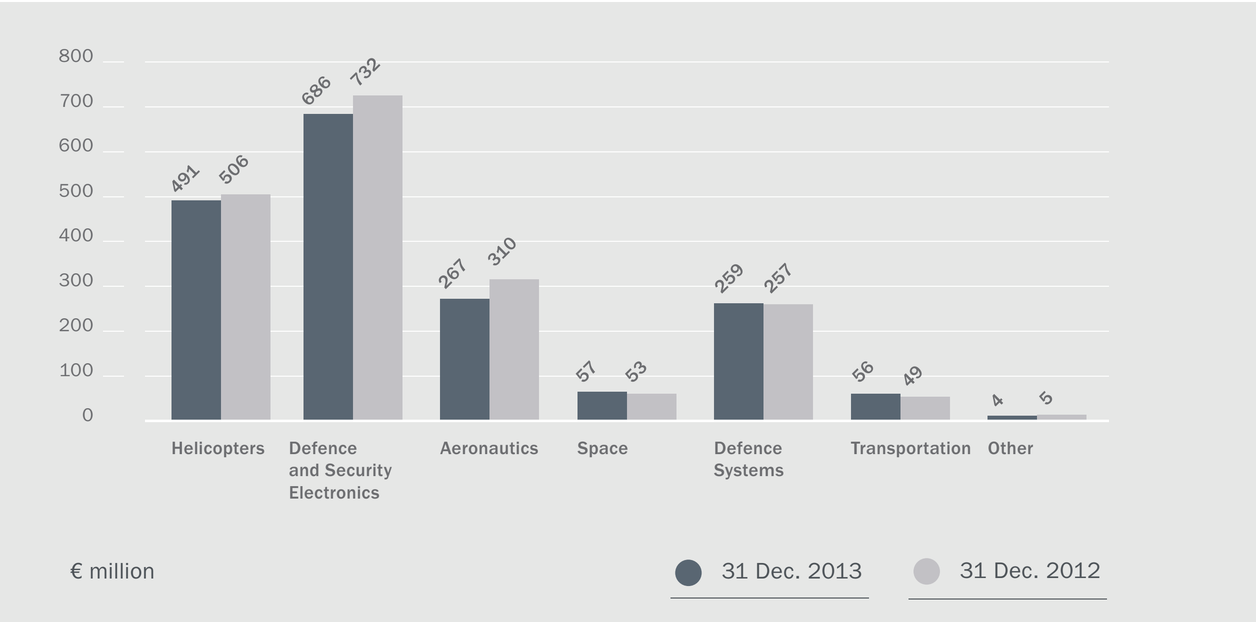
Energy issues

Since 2003 Finmeccanica Global Services, in collaboration with the Operating Companies, has developed and managed an Energy Management model for the Group, with the aim of timely handling all issues related to energy costs through intervention in two macro-areas:

- ***Energy supply.*** Centralised management of energy procurement, through models that focus on diversifying the risk associated with market volatility. In markets that are increasingly subject to wild price volatility, the Group is continuing to work on adopting portfolio management models that make it possible to timely monitor expenditure, diversifying the risk associated with market fluctuations. This approach makes it possible to reactively seize attractive buying opportunities for the 2014 and 2015 energy tranche, thereby significantly reducing the cost as compared with previous years;
- ***Energy demand.*** Structural reduction in energy demand, through the reinvestment of savings from negotiations in efficiency improvement initiatives: with regard to actions undertaken to structurally reduce Group energy consumption, in 2014, FGS will be involved in projects regarding illumination, micro-cogeneration, energy efficiency certificates and precise monitoring of usage, with the aim of identifying and implementing projects encompassing the different companies, capitalising upon skills developed and Group synergies.

Research and Development

The Group's activities are directed towards technological research of a highly strategic nature and over a long time horizon, as well as applied research related to products, which has a shorter time horizon. The planning and balancing of these activities helps reduce the risks related to new developments, thereby optimising the incorporation of new technologies into products for the launch of such products, so that they may establish themselves on the market in a timely manner and/or remain competitive. The breakdown of Research and Development by segment is as follows:



Group Governance of Technologies and Products

Group Technology Governance aims to improve the interoperability of the various companies and seek technological synergies by implementing dedicated processes and mechanisms such as the Innovation Board, which involves all Chief Technical Officers and Engineering and R&D managers of the various Group companies. The Board has the mission of managing the innovative strategies of the companies at the Group level by coordinating the Innovation and R&D Plan, scouting out future technologies in beyond-visual-range (BVR) optics, the coordinated management of relations with universities and research centres, the identification and management of collaborative projects concerning technology platforms common to multiple companies belonging to different sectors. In addition, the Board is responsible for handling the governance of MindSh@re®[2] and Group intellectual property, and from this year, the Board also handles the efficiency improvement of engineering activities. In this environment, the MindSh@re® Technology Communities remain active. With their intercompany configuration, these communities are an important means of sharing knowledge, guiding efforts in development, research and integration, and implementing the cross-sector projects needed for the Group to grow while promoting diversity within the organisation. The MindSh@re® communities are mainly involved in advanced radar system technologies, software, innovative materials, metamaterials, micro electro-mechanical systems (MEMS), photonics, nanotechnology, robotics and unmanned systems, processes and methodologies within the product development cycle, simulation and advanced training, and the management and development of intellectual capital and technology.

In 2013, the initiatives to come out of the MindSh@re® communities continued in the form of workshops, joint projects and collaborative relationships with leading universities in Italy (e.g. Genoa, Federico II of Naples, Pisa, Sapienza and Tor Vergata in Rome, Politecnico of Turin, Politecnico of Milan, Florence, and others) in the fields of aeronautics, radar, security, transportation and communications. Also under way are the framework agreements with CNR

2. MindSh@re® is a registered trademark of Finmeccanica SpA.

(the Italian National Research Council) and the University of Trento concerning research and other collaborations in the field of innovative technologies.
The Group also takes part in domestic programmes and European and NATO initiatives. The domestic programmes include the Italian Technology Clusters (Finmeccanica is among the main promoters and is one of the founding partners of the “National Aerospace Technology Cluster”), the “Smart Cities and Communities and Social Innovation” project, the SEcurity Research in ITaly (SERIT) technology platform, which aims to develop a technology roadmap in the field of security, and ACARE Italy, which aims to guide R&D efforts in Aeronautics through the involvement of all the industry players in Italy and the coordination of the Space Innovation in Italy (SPIN-IT), created to promote innovation and strengthen Italy’s presence in European and international programmes of applied research in the space sector. The European and NATO initiatives in 2013 included the Seventh Framework Programme (FP7), the main European programme to support Research and Development, while the participation of Group companies continued in research efforts in Aeronautics through the two joint technology initiatives (JTIs) Clean Sky (which focuses on the development of the most appropriate technologies to drastically reduce the environmental impact of aircraft) and SESAR (focusing on the development of the new European ATM system from now until 2020), as well as the JTI known as SHIFT2RAIL, in the rail transport sector, for which Finmeccanica was among the main promoters and founding partners. In addition, the research and innovation initiatives promoted within NATO and the European Defence Agency (EDA) also continued successfully.

Patents

In 2013, routine portfolio management activities continued through the monitoring of patents filed, the maintenance of patents granted, and patent protection by monitoring the patent activities of our leading competitors, so as to protect the know-how that is of interest to the Group. In 2013, work also began on centralising Group patents through a database shared by the various Group companies with the goal of promoting greater accessibility to patented know-how within the Group and of optimising intellectual property (IP), including from a financial point of view.

Research and Development during the year

Following is a summary of the main activities conducted during the year.

- In the Helicopter segment, the adoption of the “family” approach, i.e. the aggregation of multiple products of different classes (from 4.5 up to 8.5 tonnes) which, despite having different internal and external architecture, share the same design philosophy and have other points in common technologically and in terms of components, maintenance and training, thereby reducing production and operating costs.
- Testing continued on the AW609, the first tilt-rotor craft based on cutting-edge solutions (both systems and technology) in terms of flight controls, propulsion and high-reliability nacelle-integrated transmission. In such context, studies are underway to define the next generation of tilt-rotor craft (NextGenCTR) capable of operating independently as a platform for both rotary and fixed-wing aircraft.
- In the Aeronautics segment, development on the M-346-Master military trainer and the Basic Turbofan M-345 HET model trainer.
- Research has begun on modules of technology development aimed at the creation of the next generation of regional turboprop aircraft (with 90 seats or more) in order to strengthen our position of leadership in the regional aircraft segment.
- In Defence and Security Electronics, work began on the “integrated mast” project for the development of a system in which the various radar and electro-optical sensors, and communications and electronic-warfare equipment needed on ships of the Italian Navy, are integrated into a single structural platform.
- In the field of electro-optics, development of fixed-wing and rotary-wing aircraft applications, with the launch of Miysis, the next generation of Directed InfraRed CounterMeasures (DIRCMs) for the active protection of both civil and military aircraft against man-portable missiles, both

an integrated version and platform-distributed, while DRS has conducted complementary activities focused on a DIRCM system based on platform-distributed elements.

- Analysis continued on defining the best configuration feasible based on operating requirements in the area of wide-band satellite data links in SDR avionics so as to increase the data rate of the line-of-sight version.
- Work in the area of Smart Solutions for the applicability of technologies, products and solutions of the Group companies in sectors “adjacent” to the core business, particularly as concerns green/clean technologies.
- Development on enabling technologies in the area of space radar (such as next-generation transmit-receive modules based on gallium nitride components), high-capacity computing platforms, and compact deployable antennas for synthetic-aperture radar, and on the next generations of the COSMO-SkyMed systems for earth observation.
- Development of Image processing, data fusion solutions for maritime surveillance products and Research and Development into products for SAR processing/interferometry and ground deformation processing/data fusion.
- Development on the new lightweight Black Flash torpedo that makes full use of systems and sub-systems resulting from previous development efforts, thereby reducing risks and timing and ensuring high levels of performance.
- Activities for the new naval gun, with particular emphasis on new systems of automatic loading, and for guided ammunition (Vulcano), along with the development of advanced guidance and control systems.
- In the Transportation segment, activity on satellite positioning and the European Rail Traffic Management System (ERTMS) satellite system, launched in the second half of 2012 as a result of increasing demand in the rail transport market.
- Development on the catenary-free electrical supply system, known as TRAMWAVE (magnetic ground power supply system), in an effort to reduce energy consumption and minimise environmental impact.

SHARE PRICE TREND

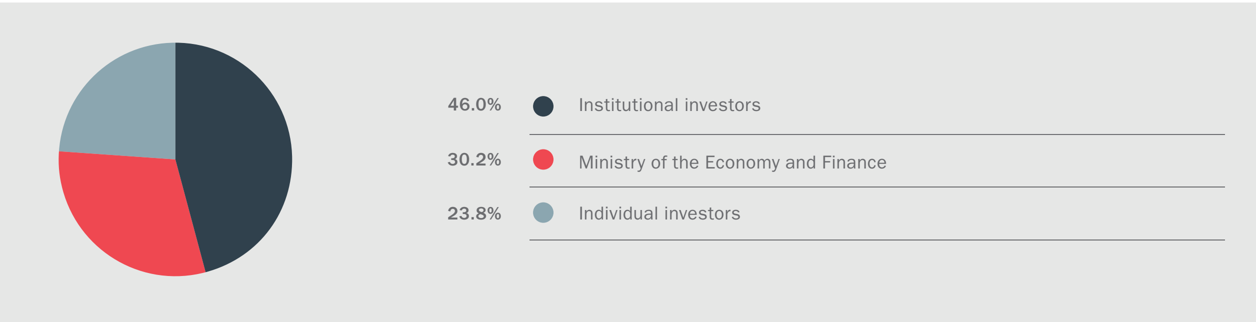
Finmeccanica ordinary shares are traded on the Italian Electronic Stock Exchange (MTA) organised and managed by Borsa Italiana SpA and are identifiable by these codes:

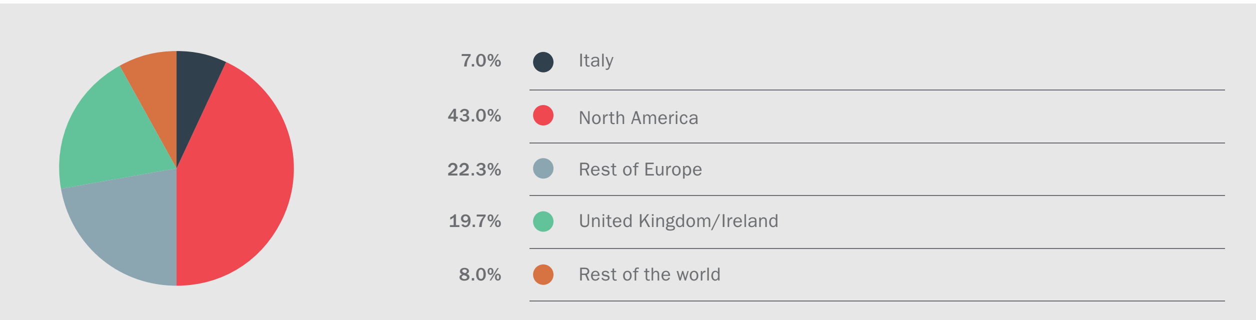
- ISIN Code: IT0003856405;
- Reuters: SIFI.MI;
- Bloomberg: FNC IM.

Finmeccanica boasts an ongoing dialogue with the national and international financial community – financial analysts and institutional investors – through continuous communication by Investor Relations & Sustainable Responsible Investors (SRI) Unit with the stock and the bond markets.
More information is available in the Investor Relations section of the Company's website (www.finmeccanica.com).

Major shareholders

Below is the last shareholder analysis performed in January 2014 showing the geographical distribution of the Finmeccanica's share capital and the total shareholder composition:

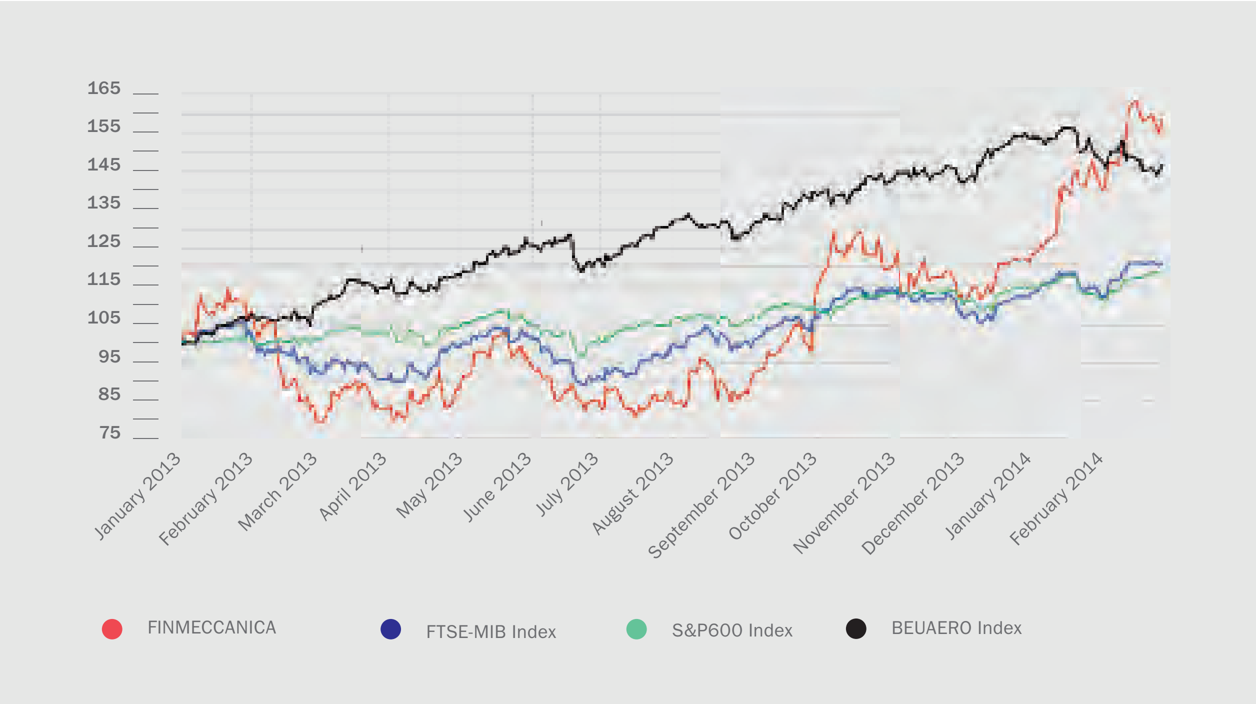




For more information, please refer to the page "Shareholder Structure" of Investor Relations section at Finmeccanica's website (www.finmeccanica.com).

Performance of Finmeccanica stock in the Bloomberg Europe Aerospace&Defense Index and the leading Italian and European indexes (at 2 January 2013 = 100)

Below is Finmeccanica's stock performance from the beginning of 2013 to 28 February 2014, the index of the major listings in the Milan Stock Exchange (FTSE-MIB), the index composed of the 600 top listings in Europe (S&P600) and the index Bloomberg Europe Aerospace&Defense (BEUAERO), rebased at 2 January 2013 = 100.



CORPORATE GOVERNANCE

Corporate governance means the set of rules and, more in general, the corporate governance system that regulate the Company's management and control.
The governance model adopted by Finmeccanica was approved in March 2006 and finally updated in December 2011 and is in line with the application criteria and principles laid down in the Corporate Governance Code promoted by Borsa Italiana. This model is aimed at maximising value for shareholders, at controlling business risks and ensuring greater transparency to the market, as well as guaranteeing integrity and correctness of decision-making processes.
In particular, this model has been subject to subsequent updates, which have been aimed at adopting the guidelines laid down from time to time in the Code. Currently these guidelines are incorporated in the document named "Rules of Procedure of the Board of Directors", which was finally updated on 19 December 2012 and on 19 December 2013, in order to also bring it into line with the last edition of the Code which was issued in December 2011.
The Rules of Procedure are available in the Governance section of the Company's website (www.finmeccanica.com). The Corporate Governance Code is available on the website of Borsa Italiana (www.borsaitaliana.it).
The corporate governance system of Finmeccanica and its compliance with the application criteria and principles laid down in the Code are the object of periodic analytical reporting on the part of the Board of Directors in the specific "Report on Corporate Governance and Shareholder Structure", which is prepared on the occasion of the Shareholders' Meeting called to approve the financial statements (in compliance with the provisions on the contents under paragraphs 1 and 2 of Article 123-*bis* of the Consolidated Law on Financial Intermediation and on the basis of the Articles of the current Corporate Governance Code) and published at the same time as this Annual Report.
The Company's governance structure is summarised below. For more information on the corporate governance structure of Finmeccanica, the main updates that took place in 2013, as well as on any actions and implementing measures taken in order to ensure the strictest compliance with the Corporate Governance Code, reference is made to the Report on Corporate Governance and Shareholder Structure (which starting from these annual financial statements is no longer included in the Annual Report) that was approved by the Board of Directors on 19 March 2014 and that is available in the Governance section of the Company's website (www.finmeccanica.com), as well as in the appropriate section (which can also be accessed directly from the home page of the website) prepared on the occasion of the Shareholders' Meeting called to approve the financial statements, reporting documents and information relating to the Shareholders' Meeting.

Corporate governance structure

The organisation of the Company, based on the traditional model, is consistent with the applicable laws provided for listed issuers, as well as with the guidelines laid down in the Corporate Governance Code and is essentially as follows:

- **Shareholders' Meeting.** It passes resolutions in ordinary and extraordinary sessions in relation to such matters as are reserved for the same by law or the By-laws;
- **Board of Directors.** It is vested with the fullest powers for the administration of the Company, with the authority to perform any act it considers appropriate to the fulfilment of the Company's business purpose, except for those acts reserved to the Shareholders' Meeting by law or by the By-laws. The current Board of Directors was appointed by the Shareholders' Meeting on 4 May 2011 for the three-year period 2011-2013 (and was subsequently integrated on 1 December 2011, 16 May 2012 and 4 July 2013); the related mandate will expire at the time of the next Shareholders' Meeting called to approve the 2013 financial statements;
- **Chairman of the Board of Directors.** On 4 July 2013, the Board appointed Giovanni De Gennaro as Chairman of the Company, as well as legal representative with signatory powers pursuant

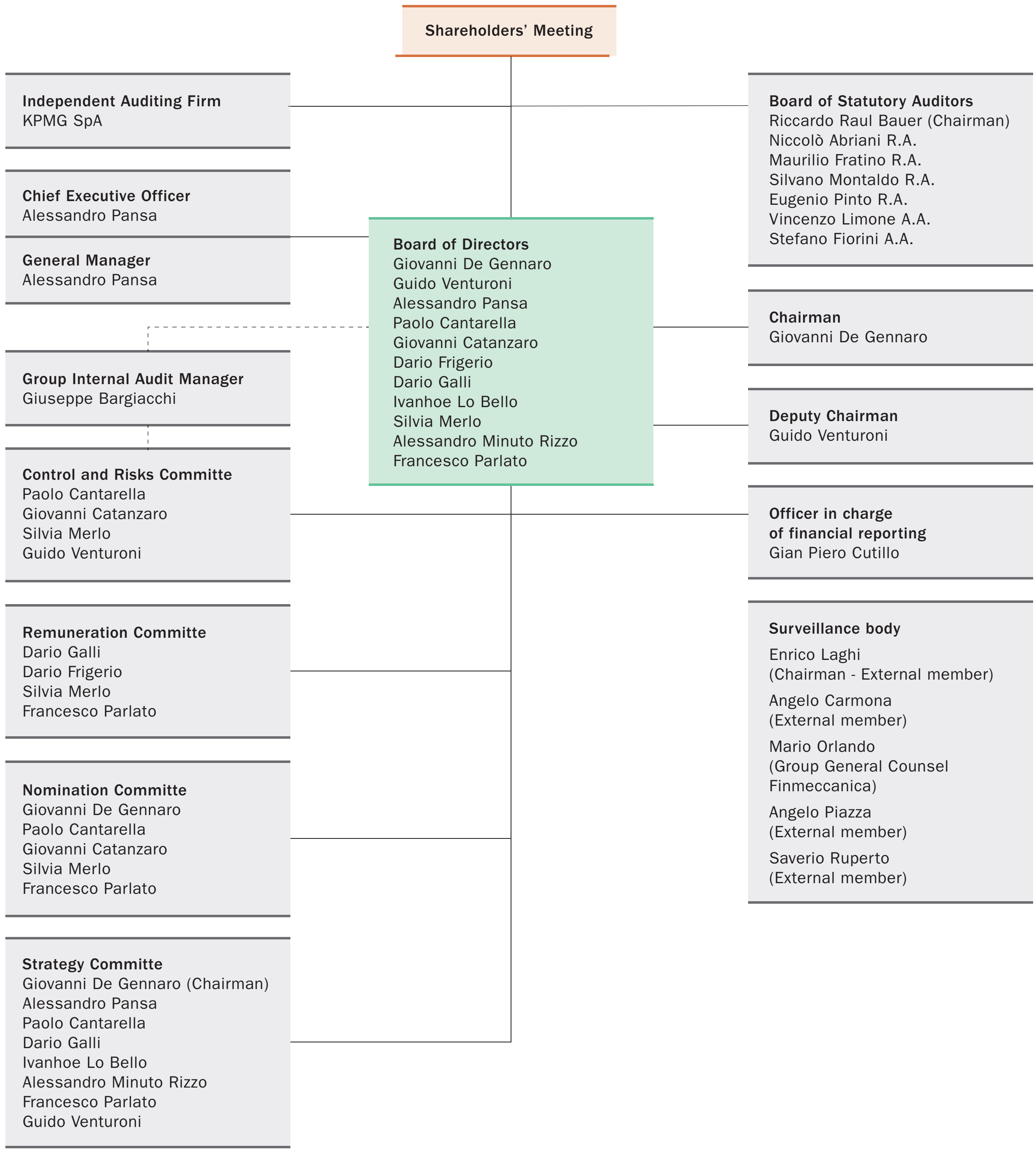
to law and to the By-laws. Furthermore, he was granted some powers concerning Institutional Relationships, External Relations and Communication, Group Safety and Group Internal Audit, to be exercised in coordination with the Chief Executive Officer and making use of the competent organisational units of the Company, without prejudice to any delegated management powers granted exclusively to Alessandro Pansa, Chief Executive Officer and General Manager;

- **Deputy Chairman of the Board of Directors**. On 13 February 2013 the Board of Directors appointed Admiral Guido Venturoni, senior Director and Lead Independent Director, as Deputy Chairman;
- **Chief Executive Officer and General Manager**. Following the measures taken by the Judicial Authority against the then Chairman and Chief Executive Officer Giuseppe Orsi, the Board of Directors' meeting held on 13 February 2013 took steps, in order to ensure continuity of the Company's operations, to grant the Director - General Manager Alessandro Pansa proxies and powers that had been previously granted to Giuseppe Orsi, for the joint management of the Company and of the Group. The Board of Directors' meeting held on 13 February 2013 also granted the Chief Executive Officer and General Manager, without prejudice to any matters reserved for the Board itself, the powers relating to the Company's legal representation pursuant to law and to the By-laws, signatory powers and the power to implement the resolutions passed by the governing body, as well as any and all delegated powers and authority, which had been previously granted to Giuseppe Orsi up to that date, for the joint management of the Company, its business units and subsidiary, associated and investee companies, in accordance with the strategic guidelines identified by him and approved by the Board of Directors;
- **Lead Independent Director.** On 26 May 2011, the Board of Directors confirmed Admiral Guido Venturoni – the current Deputy Chairman of the Company – as Lead Independent Director, with the task of coordinating the requests and contributions from non-executive directors and in particular from independent directors. In this respect, the Rules of Procedure provide, even in the absence of the specific situations contemplated in the Corporate Governance Code, for such power of appointment on the part of the Board, with the abstention of the executive directors and in any case of the non-independent directors; in any case the Board shall make this appointment in the event of the Chairman being granted delegated operational powers. The Lead Independent Director will serve throughout the term of office of the Board of Directors, that is, until the following Shareholders' Meeting when the 2013 financial statements are approved;
- **Committees.** The Board of Directors of Finmeccanica has established the following internal committees, with advisory and consulting functions: the Control and Risks Committee (which also perform duties as Committee for Transactions with Related Parties), the Remuneration Committee and the Nomination Committee (as provided for in the Corporate Governance Code), as well as the Strategy Committee. The committees' composition, duties and operation are illustrated and regulated by appropriate Rules approved by the Board of Directors itself, in accordance with the guidelines laid down in the Corporate Governance Code;
- **Board of Statutory Auditors**. The Board of Statutory Auditors has – *inter alia* – the task of monitoring: a) compliance with the law and By-laws and observance of the principles of proper business administration; b) the adequacy and effectiveness of the Company's organisational structure, internal control and risk management system, as well as the administrative and accounting system, and also the latter's reliability as a means of accurately reporting business operations; c) any procedures for the actual implementation of the corporate governance rules provided for in the Corporate Governance Code; d) the adequacy of the Company's instructions to subsidiaries with regard to disclosures prescribed by law. The current Board of Statutory Auditors was appointed by the Shareholders' Meeting on 16 May 2012 for the 2012-2014 term;
- **Independent Auditors.** The Independent Auditors are the persons appointed to carry out the statutory audit of accounts. They are appointed by the Shareholders' Meeting, on a reasoned proposal by the Board of Statutory Auditors. The Shareholders' Meeting of 16 May 2012

appointed KPMG SpA to carry out the statutory audit of accounts for the period 2012-2020;

- **Officer in charge of financial reporting.** On 14 June 2012, pursuant to Article 154-*bis* of the Consolidated Law on Financial Intermediation and Articles 25.4 and 25.5 of the Company's By-laws, the Board of Directors appointed Gian Piero Cutillo (the Company's Chief Financial Officer) as the Officer in charge of financial reporting until the expiry of the term of office of the Board of Directors.

Below is reported a chart summarising the corporate governance structure of Finmeccanica.



Finally, the main corporate governance tools are reported below which have been adopted by the Company in accordance with the current provisions of law and regulations, as well as with the guidelines laid down in the Corporate Governance Code. The documents listed below are available to the public in the specific Governance section of the Company' website (www.finmeccanica.com).

- By-Laws;
- Code of Ethics;
- Organisational, Management and Control Model pursuant to Legislative Decree 231/2001;
- Shareholders' Meeting Regulations;
- Rules of Procedure of the Board of Directors;
- Rule of Procedure of the Control and Risks Committee;
- Rules of Procedure of the Remuneration Committee;
- Rules of Procedure of the Nomination Committee;
- Procedure for Related Party Transactions;
- Code of Internal Dealing;
- Procedure for privileged and confidential information;
- Procedure "Keeping and updating the Register of persons who have access to inside information in Finmeccanica".

PERFORMANCE OF THE PARENT COMPANY

The 2013 financial year closed with a negative result of €mil. 355, essentially due to the negative result arising from the management of equity investments. Against dividends amounting to €mil. 216, in addition to the capital gain deriving from the sale of the stake in Ansaldo Energia amounting to €mil. 56, the net impairment of the equity investments had a negative impact on the result for a total of €mil. 625. This figure is particularly influenced by the impairment concerning AnsaldoBreda (€mil. 517), that in 2013 endured a persistent and hardly irreversible crisis, which was worsened by the negative events regarding the contractual relationship with the Dutch and Belgian railways (Fyra contract), that in 2013 requested the termination of the contract. The performance is summarised as follows:

€ million	Note	2013	2012
Revenue		67	74
Purchases and personnel expenses	(*)	(153)	(139)
Amortisation and depreciation		(16)	(9)
Other net operating income (expenses)	(**)	79	4
EBIT		**(23)**	**(70)**
Net financial income (expense)		(355)	(667)
Income taxes		23	37
NET PROFIT (LOSS)		**(355)**	**(700)**

Notes on the reconciliation between the reclassified income statement and the statutory income statement:
(*) Includes “Purchases”, “Services” and “Personnel expenses”.
(**) Includes the net amount of “Other operating expenses” and “Other operating income”.

The following table compares the balance sheets at 31 December 2013 and at 31 December 2012:

€ million	Note	31 December 2013	31 December 2012
Non-current assets	(*)	8,157	8,357
Non-current liabilities	(**)	(230)	(171)
Capital assets		**7,927**	**8,186**
Trade receivables		60	80
Trade payables		(82)	(56)
Working capital		**(22)**	**24**
Provisions for short-term risks and charges		(155)	(263)
Other net current assets (liabilities)	(***)	(225)	(110)
Net working capital		**(402)**	**(349)**
Net invested capital		**7,525**	**7,837**
Equity		**3,876**	**4,231**
Net financial debt (cash)		**3,649**	**3,606**

Notes on the reconciliation between the reclassified balance sheet and the statutory balance sheet:
(*) Does not include the fair value of the residual portion in portfolio of Ansaldo Energia.
(**) Includes all non-current liabilities except “Non-current loans and borrowings”.
(***) Includes the net amount of “Non-current assets held for sale” and “Liabilities associated with assets held for sale”.

The “Net invested capital” decreased with respect to the prior year, as a result of a decrease in capital assets (mainly due to the impairment of equity investments). The net financial debt increased to €mil. 3,649 compared to €mil. 3,606 at 31 December 2012, mainly as a result of the negative cash flow of the year and the recapitalisation of the subsidiaries, and results as follows:

€ million	31 December 2013	31 December 2012
Short-term loans and borrowings	69	69
Medium/long-term loans and borrowings	867	912
Cash and cash equivalents	(761)	(1,219)
Net bank debt and bonds (cash)	**175**	**(238)**
Loans and receivables from related parties	(2,467)	(2,406)
Hedging derivatives in respect of debt items	(9)	9
Fair value of the residual portion in portfolio of Ansaldo Energia	(117)	-
Loans and borrowings from related parties	6,066	6,240
Other short-term loans and borrowings	1	1
Net debt	**3,649**	**3,606**

The cash flow of the year is summarised below:

€ million	2013		2012	
Cash and cash equivalents at 1 January	**1,219**		**695**	
Gross cash flows from operating activities	(76)		(55)	
Changes in other operating assets and liabilities (*)	(62)		(26)	
Funds From Operations (FFO)		**(138)**		**(81)**
Changes in working capital	34		(15)	
Cash flows generated (used) from/in operating activities	**(104)**		**(96)**	
Cash flows from ordinary investing activities	(5)		(3)	
Free Operating Cash Flow (FOCF)		**(109)**		**(99)**
Interventions involving equity investments, disposals and acquisitions	276		(1,209)	
Changes in other investing activities (**)	(358)		496	
Cash flows generated (used) from/in investing activities	**(87)**		**(716)**	
Capital increases, net of purchase of treasury shares	-		-	
Dividends paid	-		-	
Cash flows from financing activities	(259)		1,324	
Cash flows generated (used) from/in financing activities	**(259)**		**1,324**	
Exchange-rate differences on cash and cash equivalents	(8)		12	
Cash and cash equivalents at 31 December	**761**		**1,219**	

Notes on the reconciliation between the reclassified cash flow and the statutory cash flow:
(*) Includes the amounts of “Changes in other operating assets and liabilities and provisions for risks and charges”, “Net interest paid” and “Income taxes paid”.
(**) Includes the change in non-current financial assets (included in “Other investing activities”) and “Dividends received from subsidiaries”.

The Parent Company's offices

The Parent Company's offices are:

- Registered Office: Rome, Piazza Monte Grappa, 4;
- Secondary offices: Genoa, Corso Perrone, 118.

Reconciliation of net profit and shareholders' equity of the Group Parent with the consolidated figures at 31 December 2013

€ million	Equity	of which: Net profit (loss) for the year
Group Parent equity and net profit (loss) at 31 December 2013	**3,876**	**(355)**
Excess of shareholders' equities in the financial statements compared with the carrying amounts of the equity investments in consolidated companies	(2,644)	(8)
Consolidation adjustments for difference between purchase price and corresponding book equity	3,811	(82)
Consolidation adjustments for:		
- elimination of intercompany profits	(1,557)	660
- deferred tax assets and liabilities	420	33
- dividends from consolidated companies	-	(216)
- currency translation differences	(512)	(2)
- other adjustments	(13)	(2)
Group equity and net profit (loss) at 31 December 2013	**3,381**	**28**
Non-controlling interests	298	46
Total equity and net profit (loss) at 31 December 2013	**3,679**	**74**

PROPOSAL TO THE SHAREHOLDERS' MEETING

Separate financial statements at 31 December 2013; Reports of the Board of Directors, of the Board of Statutory Auditors and of the Independent Auditors. Resolutions related thereto. Presentation of the consolidated financial statements at 31 December 2013

Dear Shareholders,

The 2013 separate financial statements, which we submit for your approval, close with a loss of € 355,418,120.05, that we propose covering through the use of available reserves as indicated below:

- € 265,055,593.74 through the use of the entire merger surplus reserve;
- € 90,362,526.31 through the use of the retained earnings reserve.

In the light of the foregoingabove, we submit the following proposed resolution for your approval:

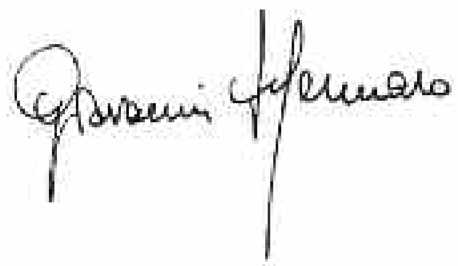
"The Ordinary Shareholders' Meeting of "Finmeccanica - Società per azioni":

- considering the Report on Operations of the Board of Directors;
- considering the Report of the Board of Statutory Auditors;
- having examined the financial statements at 31 December 2013;
- having acknowledged the Report of KPMG SpA;

resolves

- to approve the Report on Operations of the Board of Directors and the financial statements at 31 December 2013;
- to approve the proposal submitted by the Board of Directors of covering the 2013 loss of € 355,418,120.05 by using the entire merger surplus reserve for € 265,055,593.74 and by using the retained earnings reserve for € 90,362,526.31".

For the Board of Directors
The Chairman
(Giovanni De Gennaro)



CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2013

CONSOLIDATED ACCOUNTING STATEMENTS

CONSOLIDATED INCOME STATEMENT

€ million	Note	2013	*of which with related parties*	2012 (restated)	*of which with related parties*
Revenue	26	16,033	*2,398*	16,504	*2,259*
Other operating income	27	874	*5*	765	*6*
Purchases and personnel expenses	28	(15,085)	*(234)*	(15,122)	*(223)*
Amortisation, depreciation and impairment losses	29	(808)		(1,882)	
Other operating expenses	27	(1,170)	*(3)*	(1,107)	*(8)*
Change in finished goods, work in progress and semi-finished products		202		311	
EBIT		**46**		**(531)**	
Financial income	30	405	*3*	610	*5*
Financial expense	30	(761)	*(7)*	(958)	*(12)*
Share of profits (losses) of equity-accounted investees	11	(58)		(12)	
Operating profit (loss) before income taxes and Discontinued Operations		**(368)**		**(891)**	
Income taxes	31	(190)		62	
(Loss) Profit from Discontinued Operations	32	632	*604*	37	-
Profit (Loss) for the year attributable to:		74		(792)	
- *owners of the Parent*		*28*		*(834)*	
- *non-controlling interests*		*46*		*42*	
Earnings (Losses) per share					
Basic and diluted from Continuing Operations	*34*	*(1.045)*		*(1.507)*	
Basic and diluted	*34*	*0.048*		*(1.443)*	

Comparative data has been restated following the adoption of IAS 19-revised (see Note 5) and the classification of Ansaldo Energia within Discontinued Operations (see Note 6).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ million	Note		2013		2012 (restated)
Profit (Loss) for the year			74		(792)
Other comprehensive income (expense): Comprehensive income (expense) which will not be subsequently reclassified within the profit (loss) for the year:					
- Measurement of defined-benefit plans:			46		(175)
. remeasurement		*42*		*(177)*	
. exchange-rate gains (losses)		*4*		*2*	
- Tax effect	18		(18)		38
			28		**(137)**
Comprehensive income (expense) which will or might be subsequently reclassified within the profit (loss) for the year:					
- Changes in cash flow hedges:			33		66
. change generated in the year		*41*		*63*	
. transferred to the profit (loss) for the year		*(8)*		*3*	
. exchange-rate gains (losses)		*-*		*-*	
- Translation differences			(122)		27
. change generated in the year		*(120)*		*27*	
. transferred to the profit (loss) for the year		*(2)*		*-*	
- Tax effect	18		(6)		(19)
			(95)		**74**
Total other comprehensive income (expense), net of tax:			**(67)**		**(63)**
Total comprehensive income (expense), attributable to:			7		(855)
- owners of the Parent			*(29)*		*(895)*
- non-controlling interests			*36*		*40*
Total comprehensive income (expense), attributable to owners of the Parent:			(29)		(895)
- from Continuing Operations			*(666)*		*(927)*
- from Discontinued Operations	32		*637*		*32*

Comparative data has been restated following the adoption of IAS 19-revised (see Note 5) and the classification of Ansaldo Energia within Discontinued Operations (see Note 6).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

€ million	Note	31 December 2013	*of which with related parties*	31 December 2012 (restated)	*of which with related parties*
Assets					
Non-current assets					
Intangible assets	9	7,154		7,388	
Property, plant and equipment	10	3,259		3,201	
Investment properties		-		-	
Equity investments	11	189		232	
Receivables	12	527	*287*	549	*192*
Deferred tax assets	31	1,207		1,213	
Other non-current assets	12	282		142	
		12,618		**12,725**	
Current assets					
Inventories	13	5,128		5,192	
Contract work in progress	14	3,146		3,526	
Trade receivables	15	4,840	*845*	5,050	*955*
Financial assets at fair value		-		5	
Income tax receivables		159		160	
Financial receivables	15	617	*72*	631	*73*
Derivatives	24	126		107	
Other current assets	16	873	*7*	910	*6*
Cash and cash equivalents	17	1,527		2,137	
		16,416		**17,718**	
Total assets		29,034		30,443	
Equity and liabilities					
Equity					
Share capital	18	2,525		2,525	
Other reserves		856		881	
Equity attributable to owners of the Parent		**3,381**		**3,406**	
Equity attributable to non-controlling interests		*298*		*305*	
Total equity		**3,679**		**3,711**	
Non-current liabilities					
Loans and borrowings	19	4,704	*27*	4,309	*29*
Employee benefit obligations	21	957		1,070	
Provisions for risks and charges	20	1,350		1,552	
Deferred tax liabilities	31	316		384	
Other non-current liabilities	22	906		960	
		8,233		**8,275**	
Current liabilities					
Progress payments and advances from customers	14	8,576		8,707	
Trade payables	23	4,722	*228*	5,195	*193*
Loans and borrowings	19	796	*474*	1,837	*605*
Income tax payables		86		83	
Provisions for risks and charges	20	1,072		876	
Derivatives	24	53		82	
Other current liabilities	22	1,817	*60*	1,677	*53*
		17,122		**18,457**	
Total liabilities		25,355		26,732	
Total equity and liabilities		29,034		30,443	

Comparative data has been restated following the adoption of IAS 19-revised (see Note 5).

CONSOLIDATED STATEMENT OF CASH FLOWS

€ million	Note	2013	*of which with related parties*	2012 (restated)	*of which with related parties*
Cash flows from operating activities:					
Gross cash flows from operating activities	35	1,773		1,874	
Change in working capital	35	(441)	*114*	(315)	*(18)*
Change in other operating assets and liabilities and provisions for risks and charges	35	(210)	*41*	(317)	*15*
Interest paid		(331)	*(6)*	(351)	
Income taxes paid		(231)		(68)	
Cash flows generated (used) from/in operating activities		**560**		**823**	
Cash flows from investing activities:					
Sale of Ansaldo Energia		274		-	
Investments in property, plant and equipment and intangible assets		(1,057)		(826)	
Sales of property, plant and equipment and intangible assets		175		84	
Other investing activities		(15)	*1*	14	*1*
Cash flows generated (used) from/in investing activities		**(623)**		**(728)**	
Cash flows from financing activities:					
Issue and buy-back of bonded loans	19	684		592	
Redemption of bonded loans		(748)		(116)	
Net change in other loans and borrowings		(234)	*(138)*	91	*(186)*
Dividends paid to non-controlling shareholders		(18)		(17)	
Cash flows generated (used) from/in financing activities		**(316)**		**550**	
Net decrease in cash and cash equivalents		(379)		645	
Exchange-rate differences		(37)		9	
Cash and cash equivalents at 1 January		2,137		1,331	
Initial cash and cash equivalents of Discontinued Operations		(194)		-	
Net increase in cash and cash equivalents of Discontinued Operations		-		152	
Cash and cash equivalents at 31 December		**1,527**		**2,137**	
Cash flows from operating activities of Discontinued Operations		(67)		18	
Cash flows from investing activities of Discontinued Operations		(31)		(42)	
Cash flows from financing activities of Discontinued Operations		10		176	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ million	Share capital	Retained earnings and consolidation reserve	Cash-flow hedge reserve	Stock-option/ stock-grant reserve	Remeasurement reserve	Translation reserve	Equity attributable to owners of the Parent	Non-controlling interests	Total equity
1 January 2012	2,525	2,310	(31)	-	(76)	(427)	4,301	303	4,604
Application of IAS 19-revised					*7*		*7*		*7*
1 January 2012 (restated)	***2,525***	***2,310***	***(31)***	***-***	***(69)***	***(427)***	***4,308***	***303***	***4,611***
Other comprehensive income (expense) for the year:									
Profit (Loss) for the year	-	(834)	-	-	-	-	(834)	42	(792)
Other comprehensive income (expense)	-	-	49	-	(136)	26	(61)	(2)	(63)
Total comprehensive income (expense)	**-**	**(834)**	**49**	**-**	**(136)**	**26**	**(895)**	**40**	**(855)**
Transactions with owners of the Parent, recognised directly in equity:									
Dividends resolved	-	-	-	-	-	-	-	(17)	(17)
Repurchase of treasury shares, less shares sold	-	-	-	-	-	-	-		-
Stock-option/stock-grant plans:									
- service cost							-		-
- stock grants assigned							-		-
Total transactions with owners of the Parent, recognised directly in equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(17)**	**(17)**
Other changes	-	(8)	-	-	1	-	(7)	(21)	(28)
31 December 2012	2,525	1,468	18	-	(204)	(401)	3,406	305	3,711

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ million	Share capital	Retained earnings and consolidation reserve	Cash-flow hedge reserve	Stock-option/ stock-grant reserve	Remeasurement reserve	Translation reserve	Equity attributable to owners of the Parent	Non-controlling interests	Total equity
1 January 2013	2,525	1,468	18	-	(204)	(401)	3,406	305	3,711
Other comprehensive income (expense) for the year:									
Profit (Loss) for the year		28					28	46	74
Other comprehensive income (expense)			26		27	(110)	(57)	(10)	(67)
Total comprehensive income (expense)		**28**	**26**		**27**	**(110)**	**(29)**	**36**	**7**
Transactions with owners of the Parent, recognised directly in equity:									
Dividends resolved								(18)	(18)
Repurchase of treasury shares, less shares sold									
Stock-option/stock-grant plans:									
- service cost									
- stock grants assigned							-		-
Total transactions with owners of the Parent, recognised directly in equity								**(18)**	**(18)**
Other changes		6	3		(4)	(1)	4	(25)	(21)
31 December 2013	2,525	1,502	47		(181)	(512)	3,381	298	3,679

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2013

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

In application of EC Regulation 1606/2002 of 19 July 2002 and of Legislative Decree 38 of 28 February 2005, the consolidated financial statements of Finmeccanica Group at 31 December 2013 were prepared in accordance with the international accounting standards (IFRS) endorsed by the European Commission, pursuant to EC Regulation 1606/2002, supplemented by the relevant interpretations (Standing Interpretations Committee - SIC and International Financial Reporting Interpretations Committee - IFRIC) issued by the International Accounting Standard Board (IASB) and in force at the year-end.

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

The consolidated financial statements are composed of the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity and the related notes to the financial statements.

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

The International Financial Reporting Standards (IFRS) used for preparing these consolidated financial statements are the same that were used in the preparation of the consolidated financial statements at 31 December 2012, except for what indicated below (Note 5). Furthermore, in accordance with IFRS 5, comparative data has been restated following the classification of Ansaldo Energia within Discontinued Operations. Finally, certain items of operating expenses have been stated otherwise, in order to give a better presentation.

All figures are shown in millions of euros unless otherwise indicated.

Preparation of the consolidated financial statements under the going-concern assumption required management to make certain estimates. The main areas affected by estimates or assumptions of particular importance or that have significant effects on the balances shown are described in Note 4.
The consolidated financial statements at 31 December 2013 of the Finmeccanica Group were approved by the Board of Directors on 19 March 2014 that authorised their distribution. Publication is scheduled for the same day.

The consolidated financial statements are subject to a statutory audit by KPMG SpA.

3. Accounting policies adopted

3.1 Standards and scope of consolidation

The consolidated financial statements include the statements at 31 December 2013 of the companies/entities included in the scope of consolidation ("consolidated entities"), which have been prepared in accordance with the IFRS adopted by the Finmeccanica Group. The consolidated entities and the respective shares held either directly or indirectly by the Group are reported in the attachment "Scope of consolidation".

3.1.1 Subsidiaries and entities controlled jointly

In particular, the entities over which Finmeccanica exercises a controlling power, either by directly or indirectly holding a majority of shares with voting rights or by exercising a dominant influence through the power to govern the financial and operating policies of an entity and obtain the related benefits regardless of the nature of the shareholding, have been consolidated on a line-by-line basis. With regard to the activities of the Group in the USA, it is noted that some of them are subject to specific governance rules (such as the Special Security Agreement and the Proxy Agreement), which were agreed with the Defense Security Service (DSS) of the US Department of Defense (in charge of the protection of information related to the national security or, however, subject to secrecy restrictions). In particular, the DRS group is managed through a Proxy Agreement which provides for the appointment by Meccanica Holdings USA (the parent company of DRS) of 7 US Proxy Holders subject to the approval of the DSS. These 7 Proxy Holders, besides acting as the directors of the company, are entitled to vote (a prior right of Meccanica Holdings USA) in the context of a trust relationship with the latter on whose basis their activity is performed in the interest of the shareholders and of the US national security. The Proxy Holders cannot be discharged by the shareholder, except in case of fraud or gross negligence or, subject to the approval of the DSS, if their conduct infringes the principle of preservation of DRS assets and the legitimate interests of the shareholders. Moreover, the Proxy Holders are committed to implementing specific governance procedures in order to guarantee shareholders their rights with the consent of the DSS and in compliance with the restrictions under the Proxy Agreement in relation to "classified" information. The shareholder is directly responsible for the decisions on extraordinary transactions, the purchase/disposal of assets, the taking over of debts, the granting of guarantees and the transfer of intellectual property rights.

Not consolidated on a line-by-line basis are those entities which, because of the dynamics of their operations (e.g. consortia without shares and controlling interests in equity consortia which, by charging costs to their members, do not have their own financial results and the financial statements of which do not, net of intercompany assets and liabilities, have material balances) or their current status (e.g. companies that are no longer operational, have no assets or personnel, or for which the liquidation process appears to be essentially concluded), would be immaterial to the Group's situation in both quantitative and qualitative terms. These holdings have been consolidated using the equity method.

Participating interests in entities (including special-purpose entities) over which control is exercised jointly with other parties are consolidated proportionally (so as to incorporate only the value of the assets, liabilities, costs and income proportional to the percentage held without, therefore, including the holdings of the other parties).

All controlled entities are consolidated at the date on which control was acquired by the Group. The entities are removed from the consolidated financial statements at the date on which the Group loses control.

Business combinations are recognised using the purchase method where the purchase cost is equal to the fair value, at the date of the purchase of assets sold, of liabilities incurred or assumed, as well as the capital instruments, if any, issued by the purchaser. The cost of the transaction is allocated recognising assets, liabilities and the identifiable contingent liabilities

of the acquired company, at their related fair value at the purchase date. Any positive difference between the cost of the transaction and the fair value at the date of the purchase of the assets and liabilities is allocated to goodwill. In the event the process of allocating the purchase price should result in a negative difference, this difference is recorded in the income statement.
Additional charges related to the acquisition are recognised in the income statement at the date when services are rendered.

In the case of purchase of controlling stakes other than 100% stakes, goodwill is recognised only to the extent of the portion attributable to the Group Parent. The value of the non-controlling interests is determined in proportion to the non-controlling equity investments in the identifiable net assets of the acquired company.

In case the business combination is carried out through more than one phase, at the moment of the taking over the equity investments previously held are re-measured at their fair value and the difference (positive or negative), if any, is recognised in the income statement.

In the case of purchase of non-controlling stakes, after control is obtained, the positive difference between the acquisition cost and the book value of the non-controlling stakes acquired is recorded as a reduction of the net equity of the Group Parent. In the event of disposal of stakes while control is retained, the difference between the cashed consideration and the book value of the stakes sold is recorded directly as an increase of the net equity, without recording in the income statement.

Amounts resulting from transactions with consolidated entities have been eliminated, particularly where related to receivables and payables outstanding at the end of the period, as well as interest and other income and expenses recorded on the income statements of these enterprises. Also eliminated are the net profits or losses posted between the consolidated entities along with their related tax adjustments.

The Group consolidated financial statements have been prepared based on the ending balances at 31 December.

3.1.2 Other equity investments

Investments in entities over which significant influence is exercised, which generally corresponds to a holding of between 20% (10% if listed) and 50% (equity investments in associates), are accounted for using the equity method. In the case of the equity method, the value of the investment is in line with shareholders' equity adjusted, when necessary, to reflect the application of IFRSs, and includes the recognition of goodwill (net of impairments) calculated at the time of purchase, and to account for the adjustments required by the standards governing the preparation of consolidated financial statements. Unrealised gains on transactions between Group companies and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.
Any value losses in excess of book value are recorded in the provision for risks on equity investments.
The fair value of equity investments, in the event this method applies, is calculated based on the bid price of the last trading day of the month for which the IFRS report was prepared, or based on financial valuation techniques for not listed instruments.
Investments available for sale, like those acquired with the sole purpose of being disposed within the subsequent twelve months, are classified separately within "Assets held for sale".

3.2 Segment information

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.

3.3 Currency translation

3.3.1 Identification of the functional currency

The balances of the financial statements of each Group entity are presented in the currency of the primary economy in which each enterprise operates (the functional currency). The consolidated financial statements for the Finmeccanica Group have been prepared in euros, which is the functional currency of the Group Parent.

3.3.2 Translation of transactions denominated in a foreign currency

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

3.3.3 Translation of financial statements expressed in a currency other than the functional currency

The rules for translating financial statements expressed in a foreign currency into the functional currency (except where the currency is that of a hyper-inflationary economy, a situation not applicable to the Group) are as follows:

- the assets and liabilities presented are translated at the end-of-period exchange rate;
- costs and revenues, charges and income presented are translated at the average exchange rate for the period in question, or at the exchange rate on the date of the transaction in the event this is significantly different from the average rate;
- the “translation reserve” includes both the exchange-rate differences generated by the translation of balances at a rate different from that at the close of the period and those that are generated by the translation of opening equity balances at a rate different from that at the close of the period. The translation reserve is reversed to the income statement when the equity investment is sold.

Goodwill and adjustments deriving from the fair value measurement of assets and liabilities related to the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the end-of-period exchange rate.
With reference to data comparability, the year 2013 has been marked by the following changes in the euro against the main currencies of interest for the Group.

	At 31 December 2013		At 31 December 2012		% Change	
	average exchange rate	exact	average exchange rate	exact	average	exact
US dollar	1.3281	1.3791	1.2848	1.3194	3.37%	4.52%
Pound sterling	0.8493	0.8337	0.8109	0.8161	4.73%	2.16%

3.4 Intangible assets

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

3.4.1 Research and Development costs

This account includes costs related to the application of the results of research or other knowledge in a plan or a project for the production of materials, devices, processes, systems or services that are new or significantly advanced, prior to the start of commercial production or use, for which the generation of future economic benefits can be demonstrated. These costs are amortised according to the units-of-production method, over the period in which the future earnings are expected to be realised for the project itself. The useful life changes according to the business of the company and its range is between 3 and 20 years. If such costs fall within the scope of costs defined by Group standards as “non-recurring costs”, they are recognised in a specific item under intangible assets (Note 4.1).
Research costs, on the other hand, are expensed in the period in which they are incurred.

3.4.2 Industrial patent and intellectual property rights

Patents and intellectual property rights are carried at acquisition cost net of amortisation and accumulated impairment losses. Amortisation begins in the period in which the rights acquired are available for use and is calculated based on the shorter of the period of expected use and that of ownership of the rights. The useful life changes according to the business of the company and its range is between 3 and 15 years.

3.4.3 Concessions, licence and trademarks

This category includes: concessions, i.e. government measures that grant private parties the right to exclusive use of public assets or to manage public services under regulated conditions; licences that grant the right to use patents or other intangible assets for a determinate or determinable period of time; trademarks that establish the origin of the products of a given company; and licences for the know-how or software owned by others. The costs, including the direct and indirect costs incurred to obtain such rights, can be capitalised after receiving title to the rights themselves and are amortised systematically over the shorter of the period of expected use and that of ownership of the rights. The useful life changes according to the business of the company and its range is between 3 and 15 years.

3.4.4 Intangible assets acquired as a result of business combinations

The intangible assets acquired as a result of business combinations essentially refer to the order backlog and commercial positioning, customer portfolio and software/know-how; they are valued during the purchase price allocation. The assets’ useful life changes according to the business of the acquired company and ranges as follows:

	Years
Customer backlog and commercial positioning	7-15
Backlog	10-30
Software/know-how	3

3.4.5 Goodwill

Goodwill recognised as an intangible asset is associated with business combinations and represents the difference between the cost incurred to acquire a company or division and the sum of the fair values assigned at the purchase date, to the individual assets and liabilities of the given company or division. As it does not have a definite useful life, goodwill is not systematically amortised but is subject to impairment tests conducted at least once a year, unless market and operational factors identified by the Group indicate that an impairment test is also necessary in the preparation of interim financial statements. In conducting an impairment test, goodwill acquired in a business combination is allocated to the individual Cash Generating Unit (CGU) or to groups of CGUs that are expected to benefit from the synergies of the combination, in line with the minimum level at which such goodwill is monitored within the Group. Goodwill related to unconsolidated associates or subsidiaries is included in the value of investments.

3.5 Property, plant and equipment

Property, plant and equipment is measured at purchase or production cost net of accumulated depreciation and any impairment losses. The cost includes all direct costs incurred to prepare the assets for use, as well as any charges for dismantlement and disposal that will be incurred to return the site to its original condition.
Charges incurred for routine and/or cyclical maintenance and repairs are expensed in full in the period in which they are incurred. Costs related to the expansion, modernisation or improvement of owned or leased structural assets are only capitalised to the extent that such costs meet the requirements for being classified separately as an asset or part of an asset.
Any public grants related to property, plant and equipment are recognised as a direct deduction from the asset to which they refer.
The value of an asset is adjusted by systematic depreciation, calculated based on the residual useful life of the asset itself. In the period in which the asset is recognised for the first time, the depreciation rate applied takes into account the date in which the asset is ready for use.
The estimated useful lives adopted by the Group for the various asset classes are as follows:

	Years
Land	Indefinite useful life
Buildings	20-33
Plant and machinery	5-10
Equipment	3-5
Other assets	5-8

The estimated useful life and the residual value are revised at least annually.
Depreciation ends when the asset is sold or reclassified as asset held for sale.
In the event the asset to be depreciated is composed of significant distinct elements with useful lives that are different from those of the other constituent parts, each individual part that makes up the asset is depreciated separately, in application of the component approach to depreciation.
This item also includes equipment intended for specific programmes (tooling), although it is depreciated, as with other non-recurring costs (Note 4.1), on the basis of units manufactured in relation to those expected to be produced.

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

3.6 Investment properties

Properties held to earn rentals or for capital appreciation are carried under “Investment properties”; they are valued at purchase or construction cost plus any related charges, net of accumulated depreciation and impairment, if any.

3.7 Impairment of intangible assets and property, plant and equipment

Assets with indefinite useful lives are not depreciated or amortised, but are rather subject to impairment tests at least once a year to ascertain the recoverability of their book value.
For assets that are depreciated or amortised, an assessment is made to determine whether there is any internal or external indication of a loss in value. If so, the recoverable value of the asset is estimated, with any excess being recognised in the income statement.
The recoverable value of an asset is the higher of its fair value less costs to sell and its value in use calculated on the basis of a model of discounted cash flows. The discount rate encompasses the risks peculiar to the asset which have not been considered in the expected cash flows.
Assets which do not generate independent cash flows are tested as Cash Generating Units.

If the reasons for such write-downs should cease to obtain, the asset's book value is restored within the limits of the book value that would have resulted if no loss was recognised due to previous years' loss of value. The write-back is also taken to the income statement. Under no circumstances, however, is the value of goodwill that has been written down restored to its previous level.

3.8 Inventories

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

3.9 Contract work in progress

Work in progress is recognised on the basis of progress (or percentage of completion), whereby costs, revenues and margins are recognised based on the progress of production. The state of completion is determined on the basis of the ratio between costs incurred at the measurement date and the total expected costs for the programme or based on the productions units delivered.
The valuation reflects the best estimate of the schedules prepared at the balance-sheet date. The assumptions upon which the estimates are made are periodically updated. Any impact on profit or loss is recognised in the period in which the updates are made.
In the event the completion of a contract is expected to result in a loss at the gross margin level, the loss is recognised in its entirety in the period in which it becomes reasonably foreseeable under "Other operating expenses". Vice versa, the reversal of such allocations is recognised under "Other operating income", if not referable to external costs, against which the provision for final losses is used.
Contract work in progress is recorded net of any write-downs of the losses to complete on orders, as well as pre-payments and advances related to the contract being performed.
This analysis is carried out contract by contract: in the event of positive differences (where the value of work in progress is greater than total pre-payments), the difference is recorded as an asset; negative differences, on the other hand, are recorded as a liability under "Advances from customers". If it has not been collected at the date of preparation of the annual or interim accounts, the amount recorded among advance payments will have a directly contra-item in trade receivables.

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

3.10 Receivables and financial assets

The Group classifies its financial assets into the following categories:

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

Management classifies assets at the time they are first recognised.

3.10.1 Financial assets at fair value through profit or loss

This category includes financial assets acquired for the purpose of short-term trading transactions, as well as derivatives, which are discussed in the next section. The fair value of

these instruments is determined with reference to their end-of-period bid price. For unlisted instruments, the fair value is calculated using commonly adopted valuation techniques. Changes in the fair value of instruments in this category are recognised immediately in the income statement.
The classification of assets as current or non-current reflects management expectations regarding their trading. Current assets include those that are planned to be sold within 12 months or those designated as held for trading purposes.

3.10.2 Loans and receivables

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

3.10.3 Financial assets held to maturity

These are non-derivative assets, valued at amortised cost and with fixed maturities, that the Group has the intention and ability to hold to maturity. Those maturing within 12 months are carried under current assets. Should objective evidence of impairment emerge, the value of the asset is reduced to the value obtained by discounting the expected cash flows from the asset: the impairment losses, calculated through impairment test, are recognised in the income statement. If the reasons for the write-down should cease to obtain in future periods, the value of the asset is restored up to the amortised cost value it would have if no impairment had been recognised.

3.10.4 Financial assets available for sale

This category encompasses non-derivative financial assets specifically designated as available for sale or not classified in any of the previous items. They are recognised at fair value, which is calculated with reference to their market price at the reporting date or using financial valuation techniques and models. Changes in value are recognised in a specific equity item (“Reserve for assets available for sale”). The reserve is taken to the income statement only when the financial asset is effectively sold or, in cases of a loss of value, when it becomes evident that the significant and prolonged impairment in value already recognised in equity is unrecoverable. Classification as current or non-current depends on the intentions of management and the effective marketability of the security itself. Assets that are expected to be sold within 12 months are carried under current assets.
Should objective evidence of impairment emerge, the value of the asset is reduced to the value obtained by discounting the expected cash flows from the asset; reductions in value previously recognised in equity are reversed to profit or loss. If the reasons for the write-down should cease to obtain, the value of the asset is restored, applicable only to debt financial instruments.

3.11 Derivatives

Derivatives are still regarded as assets held for trading and stated at fair value through profit or loss unless they are deemed effective hedge for specific risk in respect of underlying assets, liabilities or commitments undertaken by the Group.
In particular, the Group uses derivatives as part of its hedging strategies to offset the risk of changes in the fair value of financial assets or liabilities on its balance sheet or the risk associated with contractual commitments (fair-value hedges) and the risk of changes in expected cash flows in contractually defined or highly probable operations (cash-flow hedges).

For details regarding the methodology for recognising hedges of the exchange-rate risk on long-term contracts, see Note 4.2.

The effectiveness of hedges is documented and tested both at the start of the operation and periodically thereafter (at least every time an annual or interim report is published) and measured by comparing changes in the fair value of the hedging instrument against changes in the hedged item ("dollar offset ratio"). For more complex instruments, the measurement involves statistical analysis based on the variation of the risk.

3.11.1 Fair-value hedges

Changes in the fair value of derivatives that have been designated and qualify as fair-value hedges are recognised in profit or loss, in the same manner as the treatment of changes in the fair value of the hedged assets or liabilities that are attributable to the risk that has been covered with the hedge.

3.11.2 Cash-flow hedges

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

3.11.3 Determining fair value

The fair value of instruments quoted on public markets is determined with reference to the bid price for the instrument in question at the reference date. The fair value of unquoted instruments is determined with financial valuation techniques. Specifically, the fair value of interest-rate swaps is measured by discounting the expected cash flows, while the fair value of foreign exchange forwards is determined on the basis of the market exchange rate at the reference date and the expected rate differentials among the currencies involved.
Financial assets and liabilities valued at fair value are classified in the three hierarchical levels described below, on the basis of the materiality of inputs used in the fair-value measurement. In particular:

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

3.12 Cash and cash equivalents

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

3.13 Shareholders' equity

3.13.1 Share capital

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

3.13.2 Treasury shares

Treasury stock is recognised as a decrease in Group shareholders' equity. Gains or losses realised in the acquisition, sale, issue or cancellation of treasury stock are recognised directly in shareholders' equity.

3.14 Payables and other financial liabilities

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

3.15 Taxation

The Group's tax burden is made up of current and deferred taxes. If these taxes are related to income and expense recognised in equity in the statement of comprehensive income, a balancing entry is recorded under the same item.
Current taxes are calculated in accordance with the existing fiscal legislation applicable to those countries in which the Group operates and in force at the balance-sheet date. Any risks connected with a different interpretation of the positive and negative components of income, together with ongoing disputes with the tax authorities are regularly assessed, at least on a quarterly basis, in order to adjust the provisions made.
Deferred tax assets and liabilities are calculated based on temporary differences arising between the carrying amounts in the consolidated financial statements of assets and liabilities and their value for tax purposes, as well as on fiscal losses to the extent that the recoverability of such asset is deemed probable on the basis of a prudent valuation of the future tax bases. Deferred tax assets and liabilities are calculated by applying the tax rate that is expected to be in force at the time the temporary differences will be reversed. The estimation is made based on tax laws in effect or substantially in effect at the reporting date. Deferred tax assets are recognised to the extent that, based on the company plans approved by the directors, it is probable the company will post taxable income at least equal to the temporary differences in the financial periods in which such assets will be reversed.

3.16 Employee benefits

3.16.1 Post-employment benefit plans

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

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

Accordingly, the Group recognises a liability for the same amount arising from the actuarial estimation, and recognises actuarial gains and losses in the period in which they occur in the statement of comprehensive income through a special equity reserve (in the “Remeasurement reserve”). To determine the amount to be entered in the balance sheet, the fair value of the plan assets is deducted from the current value of the obligation for the defined-benefit plans. This fair value is calculated using the interest rate adopted for discounting back the obligation.

3.16.2 Other long-term benefits and post-employment benefits

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

3.16.3 Benefits payable for the termination of employment and incentive plans

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

3.16.4 Equity compensation benefits

In case the Group uses stock-option and stock-grant plans to compensate the senior management, the theoretical benefit attributable to the recipients is charged to the income statement in the financial periods for which the plan is operative with a contra-item in an equity reserve. The benefit is quantified by measuring at the assignment date the fair value of the assigned instrument, using financial valuation techniques that take account of market conditions and, at the date of each annual report, an updated estimate of the number of instruments expected to be distributed.

3.17 Provisions for risks and charges

Provisions for risks and charges are recognised when, at the reporting date, the entity has a present obligation (legal or constructive) to other parties as a result of a past event, and it is probable that, in order to settle the obligation, whose amount can be reliably estimated, an outflow of resources will be required.
The amount reflects the best current estimate of the cost of fulfilling the obligation. The interest rate used to determine the present value of the liability reflects current market rates and includes the additional effects relating to the specific risk associated with each liability. Changes in the estimates are recognised in the income statement of the year in which the change occurs. With regard to some disputes, the information required by IAS 37 *Provisions, contingent liabilities and contingent assets* is not reported, in order to not jeopardize the Group position in the context of such disputes or negotiations.
Risks for which the emergence of a liability is merely a possibility are reported in the section in the notes on commitments and risks and no provision is recognised.

3.18 Leasing

3.18.1 Group entities as lessees in a finance lease

At the date on which a lease is first recognised, the lessee records a non-current tangible asset and a financial liability at the lower of the fair value of the asset and the present value of the minimum lease payments at the date of the inception of the lease, using the implicit interest rate in the lease or the incremental borrowing rate. Subsequently, an amount equal to the depreciation expense for the asset and the finance charge separated from principal component of the lease payment made in the period is recognised in the income statement. Depreciation periods are indicated in Note 3.5.

3.18.2 Group entities as lessors in a finance lease

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

3.18.3 Operating leases

Receipts and payments in respect of contracts qualifying as operating leases are recognised in the income statement over the duration of the contract on a straight-line basis.

3.19 Revenue

Revenue is recognised at the fair value of the amount received and receivable, inclusive of volume discounts and reductions.
Revenue also includes changes in work in progress, the accounting policies for which were described in Note 3.9.
Revenue generated from the sale of goods is recognised when the enterprise has transferred to the buyer substantially all of the significant risks and rewards of ownership of the goods, which, in many cases, will coincide with the transfer of title or possession to the buyer; and when the value of the revenues can be reliably determined.
Revenues from services are recognised on a percentage-of-completion method when they can be reliably estimated.
The change in work in progress is the portion of work performed for which there are not yet the conditions to recognise it as revenue.
For a description of the estimates related to the evaluation process of the long-term contracts, reference should be made to Note 4.3.

3.20 Government grants

Once formal authorisation for their assignment has been issued, grants are recognised on an accruals basis in direct correlation with the costs incurred. Specifically, set-up grants are taken to the income statement in direct relation to the depreciation of the relevant goods or projects, and are recognised as a direct reduction in the value of the depreciation expense. In balance sheet, grants are recognised as a direct reduction of the related assets, for the amount not yet recognised to profit or loss. For the analysis of the aspects related to grants under Law 808/1985, reference should be made to Note 4.1.

3.21 Financial income and expenses

Interest is recognised on an accruals basis using the effective interest-rate method, i.e. the interest rate that results in the financial equivalence of all inflows and outflows (including any premiums, discounts, commissions, etc.) that make up a given operation.
Financial expenses attributable to the acquisition, construction or production of certain assets taking a substantial period of time to get ready for their intended use or sale (qualifying assets) are capitalised together with the related asset.

3.22 Dividends

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

3.23 Discontinued Operations and non-current assets held for sale

Non-current assets (or disposal groups) whose carrying amount will be recovered principally through a sale transaction rather than through continuing use, are classified as held for sale and presented separately in the statement of financial position. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable.
Non-current assets (or disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell; the corresponding values of the prior year balance sheet are not reclassified.
A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

The results of Discontinued Operations – whether they have been disposed of or classified as held for sale or under disposal – are presented separately in the income statement, less tax effects. The corresponding values of the prior year, if any, are reclassified and shown separately in the income statement, for comparative purposes, net of tax effect.

3.24 Emission rights

The Group recognises only income and expense items and assets and liabilities arising from the sale and/or purchase of emission rights to cover differences, if any, among the shares assigned and the effective emissions produced.

3.25 Costs

Costs are recorded in compliance with the accruals principle.

3.26 New IFRS and IFRIC interpretations

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

IFRS - IFRIC INTERPRETATION		EFFECTS FOR THE GROUP
IAS 12 Amendment	Income taxes	This standard introduces an exception to the current method of valuation of deferred tax assets and liabilities relating to investment property valued at fair value. No significant effects are forecast for the Group. The Group will apply this standard as from 1 January 2014.
IAS 27 Revised	Separate financial statements	This standard was revised, at the same time as the approval of IFRS 10, by restricting its scope of application solely to the separate financial statements. Considering the nature of the amendment, no significant effects are expected for the Group. The Group will apply this standard from 1 January 2014.

IFRS - IFRIC INTERPRETATION		EFFECTS FOR THE GROUP
IAS 28 Revised	Investments in associates and joint ventures	This standard was revised and now sets out new requirements for the application of the equity method. No effect for the Group is foreseen since the standard is exclusively applied to separate financial statements. The Group will apply this standard as from 1 January 2014.
IAS 32 Amendment	Financial instruments - Presentation	The standard clarifies the cases in which it is possible to offset financial assets and liabilities as provided for in IAS 32. No significant effects are expected for the Group. The Group will apply this standard as from 1 January 2014.
IFRS 10	Consolidated financial statements	This standard provides guidance as to determine whether an entity should be included in the consolidated financial statements, clarifying the concept of control and its application in case of actual control, potential voting rights, complex investment structure, etc. No significant effects are expected for the Group. The Group will apply this standard as from 1 January 2014.
IFRS 11	Joint arrangements	By this new standard the proportional consolidation method will be eliminated as regards the joint arrangements which will be considered as joint ventures pursuant to IFRS 11, while the consolidated financial statements will include the relevant portion of costs, revenues, assets and liabilities of the joint operations. At present, the Group consolidates its own joint ventures on a proportional basis, with effects on the consolidated figures shown in Note 33. As a result of the application of the new standard, the economic values will be summarised in a sole item, which will include the relevant portion of gains and losses of the joint ventures, while the assets will be posted under equity investments with no effect on the shareholders’ equity of the Group. Moreover, the effect on KPIs is shown in section “Outlook” of the Report on Operations. The Group will apply this standard as from 1 January 2014.
IFRS 12	Disclosure on interests in other entities	This standard requires to show in the notes to the financial statements all the interests in other entities, including associates, joint ventures, special purpose vehicles, and other unconsolidated structured entities. No significant effects are foreseen for the Group. The Group will apply this standard as from 1 January 2014.
IAS 36	Impairment of assets - Disclosures on the recoverable amount of non-financial assets	The standard prescribes disclosures within the notes to the financial statements regarding the recoverable amount of an impaired asset in the case this amount is determined at the asset’s fair value less costs of disposal. No significant effects are foreseen for the Group. The Group will apply this standard as from 1 January 2014.

There are a number of standards or amendments to existing principles issued by the IASB or new interpretations of the International Financial Reporting Interpretations Committee (IFRIC) for which the revision and approval project is still under way.
Among these we note: IFRS 9 *Financial instruments* - by this standard the IASB intends to amend significantly the treatment of financial instruments. This standard, in its final version, will replace IAS 39. At present, the IASB has modified the requirements for the classification

and measurement of financial assets that are currently in the scope of IAS 39 and has published a document on the principles for the measurement of the amortised cost of financial instruments and for recognising impairment, if any. The new overall approach to financial instruments is currently under discussion by the various competent bodies and for the time being the date of adoption is not foreseeable. The current version of IFRS 9 will be applicable, subject to the endorsement by the European Union, as from 1 January 2015.

4. Significant issues and critical estimates by management

4.1 Non-recurring costs

The Group separately discloses as intangible assets the costs incurred in designing, prototyping, starting-up and upgrading to the technical and functional specifications of clearly identified potential clients, if they are financed under Law 808/1985 governing State aids to support the competitiveness of entities operating in the Aeronautics and Defence segments. These costs are shown excluding the benefits collected or to be collected under Law 808/1985 for programmes qualified as functional to national security and similar. The aid under Law 808/1985 is deducted from capitalised costs, and the royalties to be given to the grantor are recognised as the requirements are met (sale of products embedding the technology for which the Law permits aids).
For other programmes, non-recurring costs are recognised as “Non-recurring costs”, and the funds received are recognised as “Other liabilities” at their nominal value, making a distinction between the current portion and the non-current portion, based on the date of repayment. In both cases, non-recurring costs are suspended between intangible assets and are amortised within job orders on the units-of-production method. These costs are tested for impairment at least once a year until development is complete; after that, as soon as contract prospects change, when expected orders are no longer made or delayed. The impairment test is conducted on assumed sales plans, which in general are made for a period greater than 5 years, in light of the particularly long life of products under development.

In the case of programmes that benefit from the provisions of Law 808/1985 and that are classified as functional to national security, the portion of non-recurring costs capitalised which have not been assessed yet by the issuer is shown separately, pending the fulfilment of the legal requirements for the recognition of the amount receivable from the Ministry. The amount shown in other non-current assets is calculated based on an estimate made by management that reflects the reasonable certainty that funds are received and the effects of time value in the case of deferment over more than one year of the granting of funds.

4.2 Hedging long-term contracts against foreign exchange risk

In order to hedge exposure to changes in flows of receipts and payments associated with long-term construction contracts denominated in currencies other than the functional currency, the Group enters into specific hedges for the expected individual cash flows in respect of the contracts. The hedges are entered into at the moment the commercial contracts are finalised, except where the award of the contracts is felt to be highly likely as a result of existing framework contracts. Exchange-rate risk is normally hedged with plain vanilla instruments (forward contracts); in some cases, however, in order to protect the Group against the persistent adverse trend in the US dollar, we have entered into more highly structured operations that, while substantively hedging the positions, do not qualify for hedge accounting under IAS 39. In these cases, as in all cases where hedges prove to be ineffective, changes in the fair value of such instruments are taken immediately to the income statement as financial items, while the underlying is valued as if it were exposed to exchange-rate variations. The effects of this recognition policy are reported in Note 30. Hedges in the former case are reported as cash-flow hedges, considering as ineffective the part relating to the premium or discount in the case of forwards or the time value in the case of options, which is recognised under financial items.

4.3 Estimate of revenue and final costs of long-term contracts

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

4.4 Liabilities from defined-benefit pension plans

The Group is sponsor to two UK defined-benefit pension plans and to various US and other minor European plans. It has the obligation to ensure a given level of benefits to the plan participants and carries the risk that the plan assets are not adequate to cover the benefits promised. In case these plans are in a deficit position, the trustee responsible for the management requests the Group to fund the plan.

The deficit resulting from the most updated actuarial valuations made by independent experts is recognised as a liability: however, these valuations stem from actuarial, demographic, statistical and financial assumptions that are highly volatile and hardly foreseeable.

Through the JV MBDA, which is consolidated proportionally at 25%, the Group also participates in defined-benefit pension plans in the UK where the main employer is BAE Systems Plc. As envisaged by IAS 19, the Group recognises the deficit amount that is estimated to be related to MBDA, based on information provided by BAE.

4.5 Impairment of assets

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

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

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

Details about the methods for the calculation of the impairment tests are reported in Note 9.

4.6 Disputes

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

5. Effects of changes in accounting policies adopted

Starting from 1 January 2013 the Group has adopted the following new accounting standards:

- Amendment to IAS 1 *Presentation of financial statements:* as a result of the changes introduced to such standard, the items of other comprehensive income are now shown separately depending upon whether or not they are to be subsequently classified in the separate income statement;

- Amendment to IFRS 7 *Financial instruments - Disclosures*: the standard requires information about the effects or potential effects of offsetting assets and liabilities on the statement of financial position;
- IFRS 13 *Fair value measurement*: this standard applies to the other standards that require or permit fair value measurements or disclosures and provides a single framework for measuring fair value;
- Amendment to IAS 19 *Employee benefits*: this amendment eliminates the option of the corridor method and requires actuarial gains and losses to be recognised in full in the statement of comprehensive income (method already applied by the Group). Furthermore, past service costs must be recognised immediately. Interest expense net of the expected return on plan assets is replaced by a net finance cost, which is calculated by applying the interest rate to the net liability. The retrospective application of the revised standard resulted in the restatement of the comparative information presented.

Below are the effects on the statement of comprehensive income at 31 December 2012 (already restated following the reclassification of Ansaldo Energia within Discontinued Operations) and on the statement of financial position at 31 December 2012 and at 31 December 2011:

INCOME STATEMENT

	Personnel expense	Financial expense	Income taxes	**Profit (Loss) for the period**	*Earnings per share (basic and diluted) (euro)*
Year 2012	(4,541)	(949)	59	**(786)**	*(1.433)*
Effect of IAS 19-revised	-	(9)	3	**(6)**	*0.010*
Year 2012 (restated)	(4,541)	(958)	62	(792)	*(1.443)*

STATEMENT OF COMPREHENSIVE INCOME

	Profit (Loss) for the period	Other comprehensive income (expense)	**Total comprehensive income (expense) for the period**
Year 2012	(786)	(77)	**(863)**
Effect of IAS 19-revised	(6)	6	-
Year 2012 (restated)	(792)	(71)	(863)

STATEMENT OF FINANCIAL POSITION

	Equity	Deferred tax liabilities	Net assets for defined-benefit plans
31 December 2011	4,604	479	102
Effect of IAS 19-revised	7	2	9
31 December 2011 (restated)	4,611	481	111
31 December 2012	3,703	382	111
Effect of IAS 19-revised	8	2	10
31 December 2012 (restated)	3,711	384	121

6. Significant non-recurring events or transactions

During 2013 Finmeccanica sold its stake in Ansaldo Energia (54.55% owned, jointly with First Reserve Capital, and consolidated on a proportional basis in the 2012 financial statements) to Fondo Strategico Italiano ("FSI"), at a price of €mil. 777 with reference to the entire share capital. On this amount an additional earn-out is payable to Finmeccanica up to €mil. 130 measured on the basis of specific targets reached by the sold company in the three-year period 2014-2016. The transaction saw the sale of 39.55% of the Ansaldo Energia shares to FSI on 23 December 2013, for a total amount of €mil. 277, while the remaining 15% will be sold upon the exercise of the put&call options by the parties, at a pre-arranged price of €mil. 117 in respect of which capitalised interest accrues at a yearly 6% rate. In particular, Finmeccanica can exercise its put option between 30 June and 31 December 2017, while the call option of FSI is exercisable in the same period or before if some conditions occur. As a result of such transaction, in 2013 Ansaldo Energia was classified among the Discontinued Operations (until the sale date). Therefore, the 2012 comparative income and financial data was reclassified to highlight the amount deriving from the sale of the stake in Ansaldo Energia. Moreover, at the closing of the transaction, Finmeccanica collected €mil. 277 from FSI and adjusted to fair value the remaining 15% in portfolio, equal to €mil. 117 (recognised under non-current assets), determining, as a result of such entries, a total profit of €mil. 604 (also including the fair value adjustment of the residual portion in portfolio) which does not include any effect from the earn-out collection, if any, recognised under the Discontinued Operations.

7. Significant post balance sheet events

On 17 March 2014, AnsaldoBreda and Finmeccanica, on the one side, and NS Financial Services, on the other, reached a settlement agreement under which they concluded the dispute concerning the Fyra contract for 16 V250 trains. The agreement provides for the termination of the agreement and the return of all the V250 trains to AnsaldoBreda in exchange for the reimbursement of €mil. 125 to NS Financial Services. AnsaldoBreda will then be able to sell the trains to other customers. Upon sale of the trains, NS Financial Services will receive from AnsaldoBreda a share in the proceeds for each train sold, up to the maximum amount of €mil. 21.

With regard to the Indian contract entered into by AgustaWestland, on 17 March 2014 the Court of Milan affirmed the injunction, prohibiting payment of the guarantees for a total of more than €mil. 278. Specifically, as to the amount of around €mil. 28 in respect of the warranty bond already paid by the State Bank of India and Deutsche Bank AG, and to the approximately €thous. 350 for the earnest money deposit, the Court of Milan found that it lacked jurisdiction in regard to these and issued no decision on the merits.

For more information on these matters, please refer to the Note "Provisions for risks and charges and contingent liabilities".

8. 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).

The results for each segment at 31 December 2013, as compared with those of the same period of the previous year, are as follows:

	Helicopters	Defence and Security Electronics	Aeronautics	Space	Defence Systems	Transportation	Other activities	Eliminations	Total
31 December 2013									
Revenue	4,076	4,892	3,343	1,051	1,256	1,793	331	(709)	**16,033**
Inter-segment revenue (*)	(3)	(488)	(11)	(16)	(15)	(1)	(175)	709	
Third party revenue	4,073	4,404	3,332	1,035	1,241	1,792	156	-	**16,033**
EBITA	**562**	**221**	**182**	**94**	**143**	**(114)**	**(139)**	**-**	**949**
Investments	345	191	398	36	51	21	50	-	**1,092**

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

	Helicopters	Defence and Security Electronics	Aeronautics	Space	Defence Systems	Transportation	Other activities	Eliminations	Total
31 December 2012									
Revenue	4,243	5,754	2,974	1,053	1,256	1,719	347	(842)	**16,504**
Inter-segment revenue (*)	(5)	(615)	(12)	(25)	(15)	(5)	(165)	842	-
Third party revenue	4,238	5,139	2,962	1,028	1,241	1,714	182	-	**16,504**
EBITA	**473**	**384**	**104**	**84**	**164**	**(69)**	**(134)**	**-**	**1,006**
Investments	250	216	334	31	34	22	66	-	**953** (**)

(*) Inter-segment revenue includes revenue among Group consolidated undertakings belonging to various business sectors
(**) See Note 32 for figures related to the Energy sector, classified into Discontinued Operations as a consequence of the sale.

Non-current assets (intangible assets, property, plant and equipment and investment properties) may be analysed by business segment as follows at 31 December 2013 and 31 December 2012:

	Helicopters	Defence and Security Electronics	Aeronautics	Space	Defence Systems	Transportation	Other activities	Eliminations	Total
31 December 2013									
Non-current assets	2,935	3,616	1,824	508	581	158	791	-	**10,413**

	Helicopters	Defence and Security Electronics	Aeronautics	Space	Defence Systems	Transportation	Other activities		Discontinued Operations	Total
31 December 2012										
Non-current assets	2,797	3,870	1,785	510	567	162	788	-	110	**10,589**

The reconciliation of EBITA and earnings before income taxes, financial income and expense and the share of results of equity-accounted investees ("EBIT") for the periods concerned is shown below:

	Helicopters	Defence and Security Electronics	Aeronautics	Space	Defence Systems	Transportation	Other activities	Total
31 December 2013								
EBITA	**562**	**221**	**182**	**94**	**143**	**(114)**	**(139)**	**949**
Impairment losses	-	-	-	-	-	-	-	**-**
Amortisation of intangible assets acquired as part of business combinations	(8)	(76)	-	(1)	(1)	-	-	**(86)**
Restructuring costs	(28)	(306)	(31)	(6)	(8)	(14)	(1)	**(394)**
Non-recurring expense (income)	(50)	(59)	-	-	(12)	(302)	-	**(423)**
EBIT	**476**	**(220)**	**151**	**87**	**122**	**(430)**	**(140)**	**46**

	Helicopters	Defence and Security Electronics	Aeronautics	Space	Defence Systems	Transportation	Other activities	Total
31 December 2012								
EBITA	**473**	**384**	**104**	**84**	**164**	**(69)**	**(134)**	**1,006**
Impairment losses	-	(1,148)	-	-	-	-	-	**(1,148)**
Amortisation of intangible assets acquired as part of business combinations	(8)	(79)	-	(1)	(2)	-	-	**(90)**
Restructuring costs	-	(90)	(8)	(12)	(6)	(36)	-	**(152)**
Non-recurring expense (income)	-	-	-	-	-	(148)	1	**(147)**
EBIT	**465**	**(933)**	**96**	**71**	**156**	**(253)**	**(133)**	**(531)**

Group revenue can also be broken down geographically as follows (based on the customer's home country), while non-current assets, as defined above, are allocated on the basis of their location:

	Revenues		Non-current assets	
	2013	2012	31 December 2013	31 December 2012
Italy	2,829	2,943	4,152	4,063
UK	1,617	2,155	1,895	1,927
Rest of Europe	4,680	4,247	2,355	2,307
North America	3,632	4,057	1,985	2,277
Rest of the world	3,275	3,102	26	15
	16,033	**16,504**	**10,413**	**10,589**

9. Intangible assets

	Goodwill	Development costs	Non-recurring costs	Concessions, licences and trademarks	Acquired through business combinations	Other	Total
1 January 2012							
Cost	6,442	1,204	1,312	539	1,247	795	**11,539**
Amortisation and impairment losses	(924)	(635)	(596)	(122)	(339)	(514)	**(3,130)**
Carrying amount	5,518	569	716	417	908	281	8,409
Investments	-	120	227	14	-	76	**437**
Sales	-	(18)	-	-	-	(2)	**(20)**
Amortisation	-	(83)	(33)	(20)	(90)	(78)	**(304)**
Impairment losses	(1,148)	-	(6)	-	-	(4)	**(1,158)**
Other changes	14	(3)	18	3	-	(8)	**24**
31 December 2012	4,384	585	922	414	818	265	7,388
broken down as follows:							
Cost	6,405	1,214	1,583	545	1,242	820	**11,809**
Amortisation and impairment losses	(2,021)	(629)	(661)	(131)	(424)	(555)	**(4,421)**
Carrying amount	4,384	585	922	414	818	265	7,388
Intangible assets of Discontinued Operations	(4)	(2)	-	(3)	-	(18)	**(27)**
Investments	-	113	328	9	-	56	**506**
Sales	-	(134)	-	-	-	-	**(134)**
Amortisation	-	(95)	(55)	(20)	(86)	(74)	**(330)**
Impairment losses	-	-	(35)	-	-	-	**(35)**
Other changes	(86)	1	7	(100)	(29)	(7)	**(214)**
31 December 2013	4,294	468	1,167	300	703	222	7,154
broken down as follows:							
Cost	6,078	1,187	1,899	452	1,197	829	**11,642**
Amortisation and impairment	(1,784)	(719)	(732)	(152)	(494)	(607)	**(4,488)**
Carrying amount	4,294	468	1,167	300	703	222	7,154
31 December 2012							
Gross value			4,411				
Grants			3,489				
31 December 2013							
Gross value			4,690				
Grants			3,523				

Goodwill is allocated to the Cash Generating Units (CGUs) concerned, which are determined with reference to the Group's organisational, management and control structure and coincide with the Group's six business segments. A summary of goodwill by segment at 31 December 2013 and 2012 is as follows:

	31 December 2013		31 December 2012	
Services	115		115	
Manufacturing	247		247	
Space		**362**		**362**
Helicopters		**1,279**		**1,288**
DRS	1,171		1,230	
SES	1,017		1,033	
Defence and Security Electronics		**2,188**		**2,263**
Defence systems (MBDA)		**367**		**368**
Energy		**-**		**4**
Transportation (Ansaldo STS)		**38**		**39**
Aeronautics		**60**		**60**
		4,294		4,384

The decrease compared to December 2012 is mainly due to foreign currency translation difference on goodwill denominated in US dollars. Goodwill is subject to impairment testing to determine any loss in value. This is done by individual CGU by comparing the carrying amount with the greater of the value in use of the CGU and amount recoverable by sale. In practice, the Group has established an operational hierarchy between calculating the fair value net transaction costs and value in use, where the value in use is estimated first, and then only after, if it is lower than the carrying value, is the fair value net of transaction costs determined. The only exception is the Ansaldo STS CGU (to which the Transportation segment's goodwill is allocated) where this hierarchy is inverted to take account of the existence of a stock market price that can be used for reference, and greater emphasis is placed on market capitalisation rather than on the carrying value of the Group's net assets. In particular, the value in use is measured by the unlevered discounting of the cash flows resulting from the Group's five-year business plans approved by management of the CGU and incorporated into the plan approved by Finmeccanica's Board of Directors, projected beyond the explicit time horizon covered by the plan according to the perpetuity growth method (terminal value), using growth rates ("g-rate") no greater than those forecast for the markets in which the given CGU operates. The cash flows used were those generated by business activities, in their current conditions and without including the effects of future business restructurings, not yet approved, or future investments for improving future performance, before financial expense and taxes, and include investments in capital assets and monetary changes in working capital, while excluding cash flows from financial management, extraordinary events or the payment of dividends. The related underlying macro-economic assumptions were made on the basis of external information sources, where available, while the profitability and growth estimates used in the plans were calculated by management based on past experience and expected developments in the Group's markets.

These cash flows are discounted on a weighted-average cost of capital (WACC) basis calculated using the Capital Asset Pricing Model method. The following factors were taken into account in calculating WACCs:

- the risk-free rate, calculated using the gross yield of government bonds of the geographic market of the CGU at 31 December 2013 (for Italy the gross 10-year yield was used);
- the market premium was calculated using a 5% value, except for the Defence and Security Electronics sector for which the risk premium was raised to 6%, to take account of the difficulties that characterise the reference markets;
- the sector beta, determined using data pertaining to our major competitors in each sector;
- the cost of debt applicable to the Group, net of taxes;

- the debt/equity ratio, determined using data pertaining to our major competitors in each sector.

On the contrary, the growth rates used to project the CGU's cash flows beyond the explicit term of the plan were estimated by making reference to the growth assumptions of the individual sectors in which said CGU operates, with specific reference to the market of Aeronautics, Space, Defence and Security. These assumptions are based on the internal processing of external sources, making reference to a period of time that is usually ten years. Consistently with the actions taken in previous financial years, even in the presence of higher expected growth rates in some sectors, the g-rates used for the purposes of the impairment test were maintained at 2%, which is considered to be a rate that, in the long term, approximates to the inflation growth in the main countries in which the Group operates.

The most important assumptions for the purposes of estimating the cash flows used in determining the value in use are summarised below:

	Space	Helicopters	Selex ES	DRS	Defence Systems	Aeronautics
WACC	X	X	X	X	X	X
g-rate	X	X	X	X	X	X
ROS as per the plan	X	X	X	X	X	X
Flat trend in real terms of the Defence budget in domestic markets		X	X	X	X	X
Limited growth in expenditure for structural investments	X					
Growth in production rates of mass production of particular importance		X				X
Performance of costs of raw materials	X	X			X	X

In estimating these basic assumptions, the management made reference, in the case of external variables, to information processed on the basis of external surveys, as well as on its knowledge of the markets and of the specific contractual situations.

The following WACCs (after taxes) and (nominal) growth rates were used at 31 December 2013 and 2012:

	31 December 2013		31 December 2012	
	WACC	**g-rate**	**WACC**	**g-rate**
Services	8.7%	2.0%	9.3%	2.0%
Manufacturing	8.7%	2.0%	9.3%	2.0%
Space				
Helicopters	**9.8%**	**2.0%**	**10.0%**	**2.0%**
DRS	7.7%	2.0%	8.7/7.3% (*)	2.0%
SES	9.0%	2.0%	9.3%	2.0%
Defence and Security Electronics				
Defence Systems (MBDA)	**8.2%**	**2.0%**	**8.6%**	**2.0%**
Energy	**-**	**-**	**8.6%**	**2.0%**
Aeronautics	**9.6%**	**2.0%**	**10.3%**	**2.0%**

(*) 8.7% and 7.3% respectively, before and after the sequestration process.

The tests did not reveal signs of impairment. In 2012, the Group recognised impairment losses totalling €mil. 1,148, fully attributable to the Defence and Security Electronics segment (DRS for €mil. 993 and Selex ES for €mil. 155), as a result of some cuts reported in the defence budgets of the main domestic markets. This sector remains one for which, in proportion to size, the headroom (i.e. the positive margin calculated during impairment testing) is lower than that for the other GCUs, obviously in part due to the fact that it was subject to impairment in 2012. With regard to Selex ES, whose 2013 performance was affected by non-recurring criticalities in the air traffic control, compared to the assumptions made during testing in 2012, the completion of a large-scale restructuring plan has generated and will continue to generate significant benefits in the years covered by the plan that were not taken into account in the scenario used during the 2012 impairment tests.

The United States defence industry has been significantly impacted by the reduction of the US defence budget, which represents the primary source of DRS revenue. In addition to the original cuts adopted under the 2011 Budget Control Act, despite the partial agreement that was reached in December 2012 in order to reduce some tax benefits (so-called Taxpayer Relief Act) and, consequently, to limit the amount of further cuts to be identified in order to meet the requirements laid down in the Budget Control Act, in March 2013 sequestration became a reality. Based on this mechanism, the difference between total cuts under the Budget Control Act and those already identified by the Congress is recovered through linear cuts across the spending capacity of each administration, excluding a few cost items. With particular reference to the Defence budget, these linear cuts were initially expected to total about $bil. 500 in the 2013-2021 period. In addition to the Sequester, in October 2013 continued budgetary disagreements over the terms of the Continuing Resolution, which would provide a temporary budget for the remaining 2013 fiscal year, resulted in a partial US Government shut-down. Subsequent to the Government shut-down, an agreement was reached and the Continuing Resolution approved. The approved Continuing Resolution allowed for funding the Government through January 2014. In December 2013, a bipartisan budget proposal for the years 2014-2015 was approved by Congress ensuring a more stable defence budget. Although the approved budget does not eliminate Sequester completely, it does ease the indiscriminate cuts anticipated for 2014 and 2015.

Despite the uncertainty in the current environment, DRS met all of its 2013 financial targets that were used when formulating the financial projections used in the 2012 impairment test. The decreased budget resulted in the quick execution of major restructuring efforts which allowed DRS to maintain significant operating margins despite the decreased revenues as compared to prior periods.

For the purposes of impairment testing, a WACC has been used that, compared with 2012 (in the scenario which included the effects of sequestration on cash flows), incorporates an increase in the risk-free rates (going in total from 7.3% to 7.7%).

Sensitivity analysis was conducted on these results, making reference to the assumptions for which it is reasonably possible that a change in the same may significantly modify the results of the test, with particular reference to the Defence and Security Electronics segment. As concerns the other tests, the wide positive margins recorded on the other CGUs for which the value in use has been utilised are such that they may not be significantly modified by any changes in the assumptions described above. For information purposes, below are reported the results of all the CGUs. The table below highlights the headroom in the base scenario, compared with the following sensitivity analyses: (i) increase by 50 basis points in the interest rate used to discount cash flows across all the CGUs, other conditions being equal; (ii) reduction by 50 basis points in the growth rate used in calculating the terminal value, other conditions being equal; (iii) reduction by half point in the operating profitability applied to the terminal value, other conditions being equal.

		Margin (base case)	Margin post sensitivity		
			WACC	g-rate	ROS TV
Space	*Services*	128	104	109	108
	Manufacturing	323	281	290	302
Helicopters		1,653	1,406	1,469	1,508
Defence Systems		612	556	566	579
Defence and Security Electronics	*DRS*	$mil. 248	$mil. 15	$mil. 67	$mil. 105
	SES	295	66	119	90
Aeronautics		2,619	2,453	2,503	2,499

"Development costs" rose due to the net effect of investments during the period, especially in the Aeronautics (€mil. 44), Helicopters (€mil. 26) segments and the European entities of the Defence and Security Electronics (€mil. 37), and to amortisation for the year. Investments attributable to "Non-recurring costs" related to the Helicopters (€mil. 214), Aeronautics (€mil. 63) and Defence and Security Electronics (€mil. 51) segments. As regards programmes that benefit from the provisions of Law 808/1985 and are classified as functional to national security, the portion of capitalised non-recurring costs whose fairness must be assessed yet by the grantor is separately disclosed within other non-current assets (Note 12). Receivables for grants assessed by the grantor in relation to capitalised costs (hereby net of the related grants) are illustrated in Note 27.

Total Research and Development costs, including the development and non-recurring costs just mentioned, amount to €mil. 1,820, of which €mil. 345 expensed.

"Concessions, licences and trademarks" includes in particular the value of licenses acquired in previous years in the Helicopters segment. With regard to the full acquisition of the AW609 programme, this value also comprises the estimated variable fees due to Bell Helicopter on the basis of the commercial success of the programme (Note 22). The decrease in the period is attributable to the remeasurement of the liability, deriving from a different estimate of the future variable fees.
Intangible assets acquired in the course of business combinations mainly decreased as a result of the amortisation and include the following items:

	31 December 2013	31 December 2012
Know-how	78	83
Trademarks	45	45
Licenses	16	16
Backlog and commercial positioning	564	674
	703	**818**

Specifically, "Backlog and commercial positioning" essentially refers to the portion of the purchase prices of DRS, the UK component of Selex ES and AgustaWestland allocated to this item.

"Other" mainly includes software, which is amortised over a 3 to 5 year period, satellite capacity use rights (amortised based on actual use), and intangible assets in progress and advances.

The most significant investments were made in the Helicopters (€mil. 248), Aeronautics (€mil. 137) and Defence and Security Electronics (€mil. 100) segments.

Commitments are in place for the purchase of intangible assets for €mil. 17 (€mil. 12 at 31 December 2012).

10. Property, plant and equipment

	Land and buildings	Plant and machinery	Equipment	Other assets	Total
1 January 2012					
Cost	1,858	1,885	1,592	1,470	**6,805**
Depreciation and impairment losses	(630)	(1,275)	(884)	(846)	**(3,635)**
Carrying amount	1,228	610	708	624	3,170
Investments	22	56	139	322	**539**
Sales	(4)	(33)	(1)	(28)	**(66)**
Depreciation	(66)	(129)	(99)	(94)	**(388)**
Impairment losses	(1)	(1)	-	(4)	**(6)**
Other changes	30	83	54	(215)	**(48)**
31 December 2012	1,209	586	801	605	3,201
broken down as follows:					
Cost	1,898	1,980	1,787	1,480	**7,145**
Depreciation and impairment losses	(689)	(1,394)	(986)	(875)	**(3,944)**
Carrying amount	1,209	586	801	605	3,201
Property, plant and equipment of Discontinued Operations	(69)	(38)	(6)	(14)	**(127)**
Investments	38	57	146	345	**586**
Sales	(1)	(8)	(9)	(19)	**(37)**
Depreciation	(64)	(122)	(109)	(86)	**(381)**
Impairment losses	-	(4)	-	(2)	**(6)**
Other changes	87	83	26	(173)	**23**
31 December 2013	1,200	554	849	656	3,259
broken down as follows:					
Cost	1,913	1,859	1,914	1,556	**7,242**
Depreciation and impairment losses	(713)	(1,305)	(1,065)	(900)	**(3,983)**
Carrying amount	1,200	554	849	656	3,259

Property, plant and equipment includes €mil. 17 of assets held under contracts that can be qualified as finance leases in relation to plant and machinery, equipment and other assets.

“Other assets” also include the value of assets under construction (€mil. 347 at 31 December 2013).

The most significant investments amounted to €mil. 261 for Aeronautics (mainly for progress on the B787 programme), €mil. 91 for Defence and Security Electronics, €mil. 97 for Helicopters, €mil. 43 for Defence Systems, €mil. 31 for Space.

Purchase commitments of property, plant and equipment are recorded in the amount of €mil. 151 (€mil. 137 at 31 December 2012).

11. Equity investments and share of profits (losses) of equity-accounted investees

	2013			2012		
	Equity investments	Risk provisions	**Total**	Equity investments	Risk provisions	**Total**
1 January	**232**	**(22)**	**210**	**263**	**(24)**	**239**
Equity investments of Discontinued Operations	(2)	1	(1)	-	-	-
Acquisitions/subscriptions and capital increases	22		22	2	1	3
- Joint Stock Company Sukhoi Aircraft	*15*		*15*	-	-	-
- Other minor	*7*		*7*	*2*	*1*	*3*
Share of profits (losses) of equity-accounted investees	(58)		(58)	(13)	1	(12)
- Eurofighter Jagdflugzeug GmbH	*6*	-	*6*	*5*		*5*
- Elettronica SpA	*6*	-	*6*	*7*		*7*
- International Metro Service Srl	-	-	-	*4*		*4*
- Joint Stock Company Sukhoi Aircraft	*(71)*		*(71)*	*(30)*		*(30)*
- Other minor	*1*		*1*	*1*	*1*	*2*
Impairment losses on other equity investments	(2)		(2)	(4)		(4)
Dividends received	(12)		(12)	(14)		(14)
Disposals	-	4	4	(2)		(2)
Other changes	9	4	13	-		-
31 December	**189**	**(13)**	**176**	**232**	**(22)**	**210**

LIST OF UNCONSOLIDATED EQUITY INVESTMENTS AT 31 DECEMBER 2013

	Ownership	€ million	Assets	Liabilities	Currency (**)
SUBSIDIARIES - ASSOCIATES					
Elettronica SpA (+)	31.333%	24	685	613	
Metro 5 SpA (+)	31.90%	17	301	248	
Orizzonte - Sistemi Navali SpA (+)	49.00%	15	2,128	2,099	
Eurofighter Jagdflugzeug GmbH (+)	21.00%	10	1,741	1,686	
Joint Stock Company Sukhoi Aircraft (+)	25.00%	12	2,386	2,662	USD
Icarus SCpA (+)	49.00%	7	18	4	
Finmeccanica UK Ltd	100.00%	4	5	2	STL
Elsacom SpA (+)	100.00%	4	6	2	
Eurosysnav SAS	50.00%	3	32	26	
Eurotech SpA (+)	11.08%	3	180	60	
Finmeccanica North America Inc. (+)	100.00%	3	10	5	USD
Novacom Services SA (*)(+)	39.73%	3	9	3	
Advanced Air Traffic Systems Sdn Bhd (+)	30.00%	3	51	4	RM
Musinet Engineering SpA (+)	49.00%	3	10	4	
Elsacom NV (+)	100.00%	2	4	2	
Eurofighter Simulation Systems GmbH (+)	24.00%	2	38	26	
International Metro Service Srl (+)	49.00%	2	10	5	
N2 Imaging Systems LLC (+)	30.00%	2	13	9	USD
Jiangxi Changhe Agusta Helicopters Co. Ltd (+)	40.00%	2	42	4	RMB
NON-CONTROLLING INTERESTS					
Metro C SCpA	14.00%	21			
Roxel SAS (*)	12.50%	6			
SIN SpA	4.00%	4			
Innovazione e Progetti SCpA (in liq.)	15.00%	4			
Panavia Aircraft GmbH	15.00%	3			
Ferromovil 9000 SL	10.00%	2			
Equity investments in companies and consortia with value lower than €mil. 2		28			
Total equity investments (less impairment provisions)		**189**			
Provision for risks on equity investments:					
Elsag North America LLC		(9)			
Other companies with value lower than €mil. 2		(4)			
Total equity investments less provisions for risks		**176**			

(*) Investment with % ownership in Group companies.
(**) € million unless otherwise indicated.
(+) Values referred to 2012 financial statements.

12. Receivables and other non-current assets

	31 December 2013	31 December 2012
Financing to third parties	32	66
Guarantee deposits	12	20
Deferred grants under Law 808/1985	42	97
Defined-benefit plan assets, net (Note 21)	121	121
Related party receivables (Note 36)	287	192
Other	33	53
Non-current receivables	**527**	**549**
Prepayments	7	10
Non-recurring costs pending under Law 808/1985	158	132
Fair value of the residual portion in portfolio of Ansaldo Energia	117	-
Other non-current assets	**282**	**142**
Total other non-current assets	**809**	**691**

Deferred grants under Law 808/1985 comprise the present value of amounts due from the Ministry of Economic Development under Law 808/1985 on national security and similar projects, whose collection is deferred. The portion expected to be collected within one year (€mil. 7) is recognised under other current assets. Non-recurring costs pending under Law 808/1985 include the portion of non-recurring costs incurred in relation to programmes already considered eligible under Law 808/1985 and classified as functional to national security and whose pertinence has not yet been approved by the disbursing body. After the legal requirements for the recognition of a receivable due from the Ministry have been satisfied, the carrying amount will be reclassified under current or non-current, depending on the expected disbursement timetable. The amount shown in this caption is based on management's estimate and takes into account both the reasonable certainty of obtaining the grants and the effects of the time value of money in the event their collection is deferred after more than one year.

Loans and receivables from related parties include the value of the hybrid financial instruments issued by BCV Investments, indirectly referable to the Avio group (the latter is 100% held by BCV Investments), which are measured at fair value as a result of the early repayment clauses and the forced conversion these securities are subject to. Following the conclusion in August 2013 of the sale of the engine division of Avio SpA, Finmeccanica recognised a capital gain of €mil. 91, deriving from the reversal of the portion of the gain considered as not realised during the partial disposal completed in 2006.

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

13. Inventories

	31 December 2013	31 December 2012
Raw materials, supplies and consumables	2,302	2,367
Work in progress and semi-finished goods	1,794	1,707
Finished goods and merchandise	130	108
Advances to suppliers	902	1,010
	5,128	5,192

Inventories are shown net of impairment charges of €mil. 775 (€mil. 721 at 31 December 2012).

14. Contract work in progress and progress payments and advances from customers

	31 December 2013	31 December 2012
Contract work in progress (gross)	7,758	8,573
Final losses	(114)	(82)
Progress payments and advances from customers	(4,498)	(4,965)
Contract work in progress (net)	**3,146**	**3,526**
Progress payments and advances from customers (gross)	13,024	14,738
Contract work in progress	(5,191)	(6,646)
Final losses	743	615
Progress payments and advances from customers (net)	**8,576**	**8,707**
Net value	**(5,430)**	**(5,181)**

Contract work in progress is recognised as an asset net of the relative advances if, based on an analysis carried out on a contract-by-contract basis, the gross amount of work in progress exceeds advances from customers. It is recognised as a liability if advances from customers exceed the relevant work in progress. This offsetting is performed only with regard to work in progress and not to inventories or other assets. If the progress payments and advances from customers have not been collected at the reporting date, the corresponding amount is recognised as a receivable from customers.

Below is a breakdown of the net balance of contract work in progress and progress payments and advances from customers:

	31 December 2013	31 December 2012
Costs incurred and margins recognised, net of losses	12,092	14,522
Progress payments and advances	(17,522)	(19,703)
Net value	**(5,430)**	**(5,181)**

15. Trade and financial receivables

	31 December 2013		31 December 2012	
	Trade	Financial	Trade	Financial
Receivables	4,349	559	4,405	572
Impairment	(354)	(14)	(310)	(14)
Related party receivables (Note 36)	845	72	955	73
	4,840	617	5,050	631

Financial receivables mainly include receivables from other partners of the joint ventures (€mil. 450 compared with €mil. 491 at 31 December 2012) related to the deposit of cash and cash equivalents of the MBDA and the Thales Alenia Space joint ventures with the other participants in the joint venture (BAE Systems Plc, EADS NV and Thales SA), acquired on a pro rata basis (25% MBDA and 33% Thales Alenia Space respectively) through proportionate consolidation.
The ageing of receivables together with an analysis of how the Group manages credit risk is reported under Note 37.

16. Other current assets

	31 December 2013	31 December 2012
Prepayments - current portion	115	116
Grants	95	96
Receivables from employees and social security institutions	72	53
Indirect tax assets	229	309
Deferred grants under Law 808/1985	7	12
Other receivables from related parties (Note 36)	7	6
Other assets	348	318
	873	910

Deferred grants under Law 808/1985 comprise those due from the Ministry of Economic Development for receivables due under Law 808/1985 on national security and similar projects expected to be collected within one year. The deferred portion due after one year is recognised under receivables and other non-current assets.

17. Cash and cash equivalents

The change in the year is shown in the statement of cash flows. Cash and cash equivalents at 31 December 2013 include part of the proceeds from the last bond issue completed during December 2013, €mil. 86 of cash and cash equivalents paid out on deposit in respect of contracts under dispute and €mil. 19 of term deposit.

The Group does not include overdraft facilities, since it is not systematically used as a form of financing.

18. 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 2012	**578,117,945**	**2,544**	**-**	**(19)**	**2,525**
Repurchase of treasury shares, less shares sold	-	-	-	-	-
31 December 2013	578,117,945	2,544		(19)	2,525
broken down as follows:					
Outstanding shares	578,150,395	2,544	-	(19)	**2,525**
Treasury shares	(32,450)	-	-	-	-
	578,117,945	2,544	-	(19)	2,525

The share capital, fully subscribed and paid-up, is divided into 578,150,395 ordinary shares with a par value of € 4.40 each, including 32,450 treasury shares.

At 31 December 2013, the Ministry of the Economy and Finance owned around 30.204% of the share capital, Deutsche Bank Trust Company Americas around 3.600% and Libyan Investment Authority (Arab Bkg Corp/Libyan Inves, Man) around 2.010% of the shares. Moreover FMR LLC owned around 2.133% of the share capital and Grantham, Mayo, Van Otterloo & Co. LLC owned around 2.045% on a discretional fund management basis.

The statement of changes in other reserves and equity attributable to non-controlling interests is presented in the accounting statements section.

Cash-flow hedge reserve

This reserve includes changes in fair value of derivatives used by the Group to hedge its exposure to currency net of the effect of deferred taxes until the moment in which the “underlying position” is recognised in the income statement. When this condition is met, the reserve is recognised in the income statement to offset the economic effects of the hedged transaction.

Translation reserve

This reserve is used to recognise the exchange-rate differences resulting from the conversion of the financial statements expressed in foreign currencies of consolidated companies. At 31 December 2013, the most significant amounts were the result of the consolidation of the UK component of the AgustaWestland (€mil. -107) and Selex ES (€mil. -301) groups and of the exchange-rate effect on the assets denominated in US dollars of the DRS Technologies group (€mil. -107).

Below is shown the effect for the year by currency:

	2013	2012
US dollar	(64)	(24)
Pound sterlin	(43)	48
Other currencies	(3)	2
	(110)	26

Tax effects on the gain and loss items recognised in equity

2013	Group			Non-controlling interests		
	Amount before taxes	Tax effect	**Amount net of tax effect**	Amount before taxes	Tax effect	**Amount net of tax effect**
Remeasurement of defined-benefit plans	45	(18)	**27**	1	-	**1**
Changes in cash-flow hedges	32	(6)	**26**	1	-	**1**
Foreign currency translation difference	(110)	-	**(110)**	(12)	-	**(12)**

2012	Group			Non-controlling interests		
	Amount before taxes	Tax effect	**Amount net of tax effect**	Amount before taxes	Tax effect	**Amount net of tax effect**
Remeasurement of defined-benefit plans	(174)	38	**(136)**	(1)	-	**(1)**
Changes in cash-flow hedges	69	(20)	**49**	(3)	1	**(2)**
Foreign currency translation difference	26	-	**26**	1	-	**1**

19. Loans and borrowings

	31 December 2013			31 December 2012		
	Current	Non-current	Total	Current	Non-current	Total
Bonds	83	4,222	**4,305**	835	3,586	**4,421**
Bank loans and borrowings	156	416	**572**	319	641	**960**
Related party loans and borrowings (Note 36)	474	27	**501**	605	29	**634**
Other loans and borrowings	83	39	**122**	78	53	**131**
	796	4,704	5,500	1,837	4,309	6,146

Changes in loans and borrowings are as follows:

	1 January 2013	Increases (*)	Repayments/ Payments of coupons (*)	Other changes	31 December 2013
Bonds	4,421	956	(1,020)	(52)	**4,305**
Bank loans and borrowings	960	1	(78)	(311)	**572**
Related party loans and borrowings	634		(133)		**501**
Other loans and borrowings	131	5	(15)	1	**122**
	6,146	962	(1,246)	(362)	5,500

	1 January 2012	Increases (*)	Repayments/ Payments of coupons (*)	Other changes	31 December 2012
Bonds	3,951	846	(369)	(7)	**4,421**
Bank loans and borrowings	860	158	(61)	3	**960**
Related party loans and borrowings	949	-	(315)	-	**634**
Other loans and borrowings	125	19	(6)	(7)	**131**
	5,885	1,023	(751)	(11)	6,146

(*) Net changes for current liabilities. The items also include changes resulting from the application of the effective interest-rate method, which may not correspond with actual cash movements.

The item mainly included the loan executed with the European Investment Bank (EIB) for the Parent’s investments (€mil. 421 compared to €mil. 467 at 31 December 2012), aimed at implementing development activities in the Aeronautic segment. The other changes in bank loans and borrowings, which are the main reason of this item decrease, relate to the deconsolidation of Ansaldo Energia. This item also includes subsidised loans and borrowings by the joint ventures ATIL Ltd in the Helicopters segment (€mil. 8 compared to €mil. 16 at 31 December 2012).

Related party loans and borrowings are shown in Note 36: their decrease is due to dividends distributed in the year and to the use, in the case of EFA, of part of the surplus available for payments to shareholders.

Bonds decreased for the combined effect of the repayment of the residual part of the bonds expired in December 2013 (€mil. 750), of the new issue of €mil. 700, expiring in January 2021, carried out in December 2013 (for further details see the “Industrial and Financial Transactions” section), and of foreign currency translation differences on payables in US dollars. Below is the detail of bonds.

Bonds

Below is the detail of the bonds at 31 December 2013 which shows the bonds issued by Finmeccanica ("FNM"), Finmeccanica Finance ("FinFin") 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	€	700	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 385/1993.
(**) 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, and no interest-rate transactions on the issue were performed.

(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.

Movements in bonds are as follows:

	1 January 2013	New borrowings	Interest	Repayments/ Repurchases	Payments of coupons	Effect of exchange	31 December 2013	Fair value at 31 December 2013
€mil. 500 FinFin 2018 (*)	499	-	29	-	(29)	-	499	**544**
€mil. 500 FNM 2025 (*)	515	-	24	-	(24)	-	515	**498**
€mil. 700 FinFin 2013 (*)	-	684	2	-	-	-	686	**693**
€mil. 1,000 FinFin 2013 (*)	754	-	57	(811)	-	-	-	**-**
£mil. 400 FinFin 2019 (*)	486	-	38	-	(38)	(10)	476	**537**
€mil. 600 FinFin2022 (*)	623	-	32	-	(32)	-	623	**617**
€mil. 600 FinFin2017 (*)	594	-	28	-	(27)	-	595	**620**
$mil. 500 MH 2019 (*)	335	-	21	-	(19)	(15)	322	**378**
$mil. 300 MH 2039 (*)	230	-	17	-	(17)	(10)	220	**207**
$mil. 500 MH 2040 (*)	385	-	24	-	(23)	(17)	369	**307**
	4,421	684	272	(811)	(209)	(52)	4,305	4,401

(*) Maturity date of bond.

	1 January 2012	New borrowings	Interest	Repayments/ Repurchases	Payments of coupons	Effect of exchange	31 December 2012	Fair value at 31 December 2012
€mil. 500 FinFin 2018 (*)	499	-	29	-	(29)	-	499	**549**
€mil. 500 FNM 2025 (*)	515	-	25	-	(25)	-	515	**489**
€mil. 1,000 FinFin 2013 (*)	821	-	66	(65)	(68)	-	754	**798**
£mil. 400 FinFin 2019 (*)	475	-	40	-	(40)	11	486	**541**
€mil. 600 FinFin2022 (*)	621	-	32	-	(30)	-	623	**616**
€mil. 600 FinFin2017 (*)	-	592	2	-	-	-	594	**632**
$mil. 500 MH 2019 (*)	393	-	23	(51)	(24)	(6)	335	**387**
$mil. 300 MH 2039 (*)	234	-	17	-	(17)	(4)	230	**216**
$mil. 500 MH 2040 (*)	393	-	24	-	(24)	(8)	385	**333**
	3,951	592	258	(116)	(257)	(7)	4,421	4,561

(*) Maturity date of bond.

The Group's financial liabilities are subject to the following exposures to interest-rate risk:

31 December 2013

	Bank loans and borrowings		Bonds		Related parties		Other		Total	
	Floating	Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed
Within 1 year	125	31	-	83	473	1	82	1	**680**	**116**
2 to 5 years	122	109	-	1,094	12	3	36	-	**170**	**1,206**
Beyond 5 years	76	109	-	3,128	-	12	3	-	**79**	**3,249**
Total	323	249	-	4,305	485	16	121	1	929	4,571

31 December 2012

	Bank loans and borrowings		Bonds		Related parties		Other		Total	
	Floating	Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed
Within 1 year	282	37	-	835	604	1	77	1	**963**	**874**
2 to 5 years	302	104	-	1,400	19	3	49	1	**370**	**1,508**
Beyond 5 years	99	136	-	2,186	-	7	3	-	**102**	**2,329**
Total	683	277	-	4,421	623	11	129	2	1,435	4,711

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

	Note	31 December 2013	*of which with related parties*	31 December 2012	*of which with related parties*
Cash and cash equivalents	17	(1,527)		(2,137)	
Securities held for trading		-		(5)	
Liquidity		**(1,527)**		**(2,142)**	
Current loans and receivables	15	**(617)**	*(72)*	**(631)**	*(73)*
Current bank loans and borrowings		156		319	
Current portion of non-current loans and borrowings		83		835	
Other current loans and borrowings		557	*474*	683	*605*
Current financial debt		**796**		**1,837**	
Net current financial debt		**(1,348)**		**(936)**	
Non-current bank loans and borrowings		416		641	
Bond issued		4,222		3,586	
Other non-current loans and borrowings		66	*27*	82	*29*
Non-current financial debt		**4,704**		**4,309**	
Net financial debt		**3,356**		**3,373**	

The reconciliation between net financial debt and Group net debt is as follow:

	Note	31 December 2013	31 December 2012
Net financial debt CONSOB as for communication DEM/6064293		3,356	3,373
Fair value of the Ansaldo Energia securities subject to put&call transactions	13	(117)	-
Hedging derivatives in respect of debt items	25	(9)	9
Cash collateral on Fyra contract	17	86	-
Group net debt (KPI)		**3,316**	**3,382**

20. Provisions for risks and charges and contingent liabilities

	Guarantees given	Restructuring	Penalties	Product guarantees	Other	Total
1 January 2012						
Current	33	104	40	134	621	**932**
Non-current	80	160	254	95	1,185	**1,774**
	113	264	294	229	1,806	2,706
Allocations	7	96	58	69	270	**500**
Uses	(1)	(114)	(6)	(13)	(48)	**(182)**
Reversals	(5)	(2)	(3)	(69)	(150)	**(229)**
Other changes	56	(29)	5	2	(401)	**(367)**
31 December 2012	170	215	348	218	1,477	2,428
broken down as follows:						
Current	100	127	39	114	496	**876**
Non-current	70	88	309	104	981	**1,552**
	170	215	348	218	1,477	2,428
Provision for risks and charges of Discontinued Operations	-	-	-	(10)	(164)	**(174)**
Allocations	68	250	26	79	616	**1,039**
Uses	(3)	(140)	(18)	(15)	(46)	**(222)**
Other changes	(13)	(70)	8	(1)	(140)	**(216)**
31 December 2013	145	251	360	226	1,440	2,422
broken down as follows:						
Current	20	173	36	106	737	**1,072**
Non-current	125	78	324	120	703	**1,350**
	145	251	360	226	1,440	2,422

The “Other provisions for risks and charges” mainly include:

- the provision for contractual risks and charges of €mil. 904 (€mil. 841 at 31 December 2012) mainly relating to the Aeronautics and Transportation business segments;
- the provision for risks on equity investments of €mil. 13 (€mil. 22 at 31 December 2012), which includes the accruals for losses exceeding the carrying amounts of unconsolidated equity-accounted investments. The movements in the provision are shown in Note 11;
- the provision for taxes of €mil. 120 (€mil. 134 at 31 December 2012);
- the provision for litigation with employees and former employees of €mil. 38 (€mil. 38 at 31 December 2012);
- the provision for litigation underway of €mil. 64 (€mil. 70 at 31 December 2012).

With regard to risks, the Group was and still is the subject of investigations being conducted by Judicial Authorities.
Below is a summary of the investigations that are currently being conducted regarding Finmeccanica SpA or that have come to its attention as they relate to Group companies, with specific reference to the events that occurred in 2013 and in early 2014.

Public Prosecutor's Office of Rome - Panama. Criminal proceedings are pending before Court of Rome concerning the supply contracts signed in 2010 by AgustaWestland, SELEX Sistemi Integrati and Telespazio Argentina with the government of Panama. As part of these proceedings, in 2011 and 2012 Finmeccanica submitted the documentation requested by the Judicial Authority and provided its full cooperation.
Following the conclusion of the preliminary investigation, the former Commercial Director of Finmeccanica, who had been placed in preventive custody between 23 October 2012 and 23 January 2013, was charged with having committed the violations pursuant to Articles 110, 319, 319-*bis*, 320 and 321 of the Criminal Code in relation to Article 322-*bis*, paragraph 2, no. 2 of the Criminal Code. Following the preliminary hearing of 18 March 2014, the Judge for Preliminary Hearings (GUP, *Giudice dell'Udienza Preliminare*) ordered the committal for trial of the former Commercial Director of the Company and set the first hearing of oral arguments for 23 June 2014.

Public Prosecutor's Office of Busto Arsizio - India. Criminal proceedings are being conducted by the Public Prosecutor's Office at the Court of Busto Arsizio, previously brought by the Public Prosecutor's Office at the Court of Naples, concerning the provision of 12 helicopters by AgustaWestland International Ltd to the Indian government.
As part of these proceedings, beginning in September 2012 Finmeccanica submitted the documentation requested by the Judicial Authority and provided its full cooperation.
On 12 February 2013 a search and seizure was conducted at the Finmeccanica and AgustaWestland SpA offices used by the companies' top management and some of their executives.
In relation to these proceedings, Finmeccanica SpA, AgustaWestland SpA and AgustaWestland Ltd are under investigation as to the unlawful administrative act referred to in Article 25 of Legislative Decree 231/2001, in relation to the offences under Articles 110, 319 and 322-*bis* of the Italian Criminal Code. The former head of Finmeccanica's office in India is under investigation for violation of Articles 110, 319 and 322-*bis* of the Criminal Code, as are, under various charges, the former Chief Financial Officer and a former executive of AgustaWestland SpA.

Immediate trial
On 3 May 2013, the Judge for Preliminary Investigations (GIP, *Giudice delle Indagini Preliminari*) of the Court of Busto Arsizio issued, at the request for the Public Prosecutor's Office, an order for immediate trial (*giudizio immediato*) against the former Chairman and Chief Executive Officer of Finmeccanica, who had been placed in preventive custody between 12 February and 4 May 2013, and the former Chief Executive Officer of AgustaWestland SpA, who had been placed under house arrest between 12 February and 4 May 2013, for violations pursuant to Articles 110, 319 and 322-*bis* of the Criminal Code and Articles 2 and 8 of Legislative Decree 78/2000. The first hearing before the Court of Busto Arsizio was held on 19 June 2013. The hearings for examining the witnesses are underway.

The Indian Judicial Authority also opened its own criminal investigation in late February 2013 into this matter involving 11 persons and four companies. As part of this, a search of the New Delhi offices of Finmeccanica and AgustaWestland was conducted on 13 March 2013.

Public Prosecutor's Office of Rome - 45 trolley buses. Criminal proceedings are pending before the Public Prosecutor's Office at the Court of Rome concerning the supply of 45 trolley buses by BredaMenarinibus SpA in the competitive tender launched by Roma Metropolitane SpA and awarded to a Temporary Business Partnership made up of companies that do not belong to the Finmeccanica Group. In 2012 and 2013, BredaMenarinibus was served a number of warrants for the search and seizure of documentation relating to the above supply contract.
On 7 and 25 March 2013, respectively, Finmeccanica and AnsaldoBreda were served with a warrant for search and seizure.
BredaMenarinibus SpA is under investigation in connection with these proceedings for violations pursuant to Article 25 of Legislative Decree 231/2001, as are its former Chief Executive Officer, on whom was served a warrant for remand in custody, later converted into an

order for house arrest, for violations pursuant to Articles 110, 319, 321 of the Criminal Code and Article 2 of Legislative Decree 74/2000, and the former Deputy Chairman and former Chief Financial Officer of the company, the latter of whom is currently CFO of AnsaldoBreda, for the crime pursuant to Article 8 of Legislative Decree 74/2000.
On 14 February 2014, the notice of conclusion of preliminary investigations was served with regard to the former Chief Executive Officer and the former Deputy Chairman of the company for violations pursuant to Articles 110 and 646 of the Criminal Code and Article 8 of Legislative Decree 74/2000 and for the former Chief Financial Officer of the company for violations pursuant to Article 110 of the Criminal Code and Article 8 of Legislative Decree 74/2000.
As of today, the company has not received any notice of conclusion of preliminary investigations.

Public Prosecutor's Office of Naples - Nigeria. On 27 March 2013, in compliance with an order to produce evidence issued by the Public Prosecutor's Office of Naples, Finmeccanica delivered documentation concerning the dealings between AgustaWestland and Alenia Aermacchi and a Nigerian company. In May, June and July 2013, the Company supplemented the documents already produced with additional documentation and provided its full cooperation.

Public Prosecutor's Office of Nola - Morocco. On 6 November 2013, Alenia Aermacchi SpA was served a warrant for search and seizure, issued by the Public Prosecutor's Office of Nola, acting upon a letter rogatory presented by the Court of Luxembourg, to obtain documentation concerning the sale of four C-27J aircraft to the Royal Moroccan Air Force, as well as any documents on cash flows involving fees to intermediaries paid by Alenia Aermacchi to a company located in Luxembourg.

Public Prosecutor's Office of Busto Arsizio - Tax offenses. Criminal proceedings are being conducted by the Public Prosecutor's Office of Busto Arsizio involving the investigation of the former Chief Financial Officer of AgustaWestland SpA for violations pursuant to Articles 2 and 4 of Legislative Decree 74/2000.
As part of this investigation, on 14 March 2013, AgustaWestland SpA was served with a search warrant aimed at gathering documentation concerning the financial and commercial relationships between the company and certain suppliers.

Public Prosecutor's Office of Milano - EniPower. On 20 September 2011, the Court of Milan, sitting in first instance, ordered Ansaldo Energia to pay a pecuniary penalty of € 150,000,000.00, for an alleged violation dating back to the period in which the company was wholly-controlled by Finmeccanica, as well as the confiscation of the equivalent of € 98,700,000.00 for the unlawful act committed under Article 25, paragraph 3 of Legislative Decree 231/2001. On 1 February 2012, the company filed an appeal against this judgment. At the hearing held on 24 October 2013, the Court of Appeal of Milan fully affirmed the decision issued by the court of first instance. Disagreeing with this ruling, the effects of which are covered by a provision, the company filed an appeal with the Italian Supreme Court on 7 March 2014.

Public Prosecutor's Office of Milan - Zubair. On 16 March 2012, within the context of criminal proceedings conducted by the Public Prosecutor's Office of the Court of Milan in relation to the Zubair project in Iraq, Ansaldo Energia (15% held by Finmeccanica since 23 December 2013) was served with a request for extension of the duration of the preliminary investigations into the alleged offence under Article 25 of Legislative Decree 231/2001 in relation to Article 322-*bis*, paragraph 2, no. 2 of the Criminal Code, which was allegedly committed in the first half of 2011 in Milan.

Public Prosecutor's Office of Naples - Negligent disaster. Criminal proceedings are being conducted by the Public Prosecutor's Office of Naples concerning the collapse of a building that occurred in Naples on 4 March 2013, in relation to which the former Chief Executive Officer and two employees of Ansaldo STS are under investigation with regard to offences under Articles 434 and 449 of the Criminal Code.

Public Prosecutor's Office of Naples - CEN. Two criminal proceedings are pending before the Court of Naples, one normal and the other immediate, concerning contracts awarded to the then-Elsag Datamat (now Selex ES SpA) and Electron Italia for the development, respectively, of the integrated traffic monitoring system of the city of Naples and video-surveillance systems for a number of municipalities within the Province of Naples.
In the context of this investigation, in 2010 Elsag Datamat was served several warrants for search and seizure.
On 8 January 2013, the GIP of the Court of Naples issued an order for the preventive seizure pursuant to Articles 19 and 53 of Legislative Decree 231/2001 of the sum of € 47,255,649.82 from Elsag Datamat and € 6,250,000.00 from Electron for having committed administrative offences under Article 24-*ter* of Legislative Decree 231/2001.

Normal trial process
On 29 January 2013, following a request for review, the Court of Naples provided for the nullification of the warrant for seizure and ordered the reimbursement of the sums to the company.
On 19 February 2013, Selex ES and Electron Italia were served with notice of conclusion of preliminary investigations for violation of Article 24-*ter*, paragraph 2, of Legislative Decree 231/2001. On 10 April 2013, the companies were served with the notice that a pre-trial examination hearing was to be held on 24 May 2013 concerning the motion for committal for trial filed by the Public Prosecutor for the offence under Article 24-*ter*, paragraph 2, of Legislative Decree 231/2001. This order was also served on an employee of the then-Elsag Datamat and an employee of Electron Italia for violations under Articles 353 and 326 of the Criminal Code.
Following the preliminary hearing on 19 July 2013, the GUP to the Court of Naples ordered that Selex ES, Electron Italia and the two employees involved be committed for trial. The case is now in the trial phase.

Immediate trial
On 4 April 2013, the former Chief Executive Officer and an employee of the then-Elsag Datamat and the Chief Executive Officer of Electron Italia (all subject to an order for remand in custody, subsequently revoked) were served with notice for immediate trial for offences under Articles 326, 353 and 416 of the Criminal Code. The first hearing of oral arguments before the Court of Naples was held on 23 May 2013. The case is now in the trial phase.

Public Prosecutor's Office of Rome - CEN. In regard to the criminal proceedings conducted by the Public Prosecutor's Office at the Court of Rome (previously initiated by the Prosecutor's Office of Naples), 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", a motion to dismiss was presented.
Those investigated were the former Chief Executive Officer of the then-Elsag Datamat (now Selex ES SpA) for violations pursuant to Articles 323 and 353 of the Criminal Code, the former Chief Executive Officer of Electron Italia for violations pursuant to Article 353 of the Criminal Code, an executive of the then- Elsag Datamat for violations pursuant to Article 76 of Presidential Decree 445/2000 in relation to Article 483 of the Criminal Code and a former executive of the then-Elsag Datamat for violations pursuant to Articles 110 and 479 of the Criminal Code.

Public Prosecutor's Offices of Trani, Salerno and Lucera - ZTL. Within the framework of the investigations started by the Judicial Authority in relation to three tenders launched by the Municipality of Barletta, the Municipality of Lucera and the Municipality of Maiori for the construction of access control systems for the limited traffic area, one of the employees of Elsag Datamat SpA (now Selex ES SpA) received three notices of investigation for offences linked to supplies that did not conform to the requirements of the contracting authority (Articles 353 and 356 of the Criminal Code).
On 30 November 2011, with reference to the criminal proceedings concerning the construction

of the system in the area of the Municipality of Barletta conducted by the Public Prosecutor's Office of Trani, the employee was served with a notice that the pre-trial examination hearing was to be held on 9 February 2012.
On 12 July 2012, at the pre-trial examination hearing the GUP to the Court of Trani ordered the employee to be committed for trial. The proceeding is now in the trial phase.

Public Prosecutor's Office of Genoa - Negligent flooding. Criminal proceedings are pending before the Court of Genoa, concerning the overflow of the Chiaravagna River which took place in Genoa on 5 October 2010, involving a former employee of the then-Elsag Datamat (now Selex ES SpA), currently an employee of Finmeccanica Global Services, for violations pursuant to Articles 426 and 449 of the Criminal Code.
On 5 October 2012, the former employee was served with notice of conclusion of the preliminary investigation and, on 8 March 2013, he was served with notice that the pre-trial examination hearing was to be held on 16 May 2013.
On 30 November 2013, the GUP at the Court of Genoa, at the conclusion of the preliminary hearing, ordered the defendant to be committed for trial. The first trial hearing is set for 15 May 2014.

Public Prosecutor's Office of Florence - Tetra. Criminal proceedings are being conducted by the Public Prosecutor's Office of Florence regarding the construction of the technological communication network named "Tetra".
In the context of this investigation, in 2012 and 2013 SELEX Elsag SpA (now Selex ES SpA) received a number of search warrants to obtain administrative, accounting and contractual documentation concerning the company's activities in Syria in relation to the construction of the Tetra network. In this connection, the former Chairman and former Chief Executive Officer of the then-SELEX Elsag and three employees of the company are under investigation for violations pursuant to Article 16, paragraph 1, of Legislative Decree 96/2003.

Public Prosecutor's Office of Milan - PIA Innovazione. With regard to the criminal proceedings being conducted by the Public Prosecutor's Office of Milan (previously initiated by the Public Prosecutor's Office of Palermo), concerning public financing requested by SELEX Galileo SpA (now Selex ES SpA) under the integrated package of concessions for innovation ("PIA Innovazione"), a motion was filed to dismiss the charges against all the suspects.
Under investigation in this matter are SELEX Galileo SpA for administrative violations pursuant to Article 24 of Legislative Decree 231/2001, two former Chief Executive Officers (one of whom is currently Chief Executive Officer of Selex ES SpA) and eight employees of the company with respect to crimes established by Articles 81, paragraph 2, 640-*bis*, 483, 56 and 640 of the Criminal Code.

Public Prosecutor's Office of Naples - SISTRI. Two criminal proceedings are pending before the Court of Naples, one immediate and the other abbreviated, concerning the awarding of the contract for the construction and management of the Control System for Waste Tracking, SISTRI. In relation to these proceedings, in 2011 and 2012 SELEX Service Management SpA was served a number of warrants for search and seizure aimed at gathering the administrative, accounting and contractual documentation relating to the SISTRI project. On 17 April 2013, SELEX Service Management was served with an order issued by the GIP of the Court of Naples, which provided for the application of the warrant for remand in custody against the former Chief Executive Officer of the company for the offences under Articles 416, 319, 320, 321 and 640-*bis* of the Italian Criminal Code and Articles 2 and 8 of Legislative Decree 74/2000, as well as the preventive seizure of the sum deposited in the company's accounts that the investigated person allegedly failed to declare for tax purposes or unlawfully collected in the form of undue reimbursements, equal to € 6,955,791.

Immediate trial - Bringing of civil action
The former Chief Executive Officer and certain suppliers and sub-suppliers of SELEX Service Management were served with notice of immediate trial and the first hearing of oral arguments

occurred on 7 November 2013. At this hearing, the company brought a civil action seeking damages against certain suppliers and sub-suppliers. The case has now entered the trial phase.

Abbreviated trial - Bringing of civil action
In the abbreviated trial requested by the former Chief Executive Officer and by a supplier of the company, SELEX Service Management brought a civil action seeking damages on 21 November 2013. The parties are awaiting the judge's decision.

Public Prosecutor's Office of Rome - Abruzzo Engineering. Criminal proceedings are being conducted by the Public Prosecutor's Office of Rome, previously initiated by the Public Prosecutor's Office of L'Aquila, concerning a number of contracts in place between the company and Abruzzo Engineering SCpA in liquidation (30% owned by SELEX Sema) and SELEX Service Management. In 2011 and 2012, the company delivered the documentation requested by the Judicial Authority and provided its full cooperation. Under investigation in connection with this are the former Chief Executive Officer, the former Director of Operations, the former Chief Financial Officer and two employees of the company for violations pursuant to Articles 110, 319, 323 and 640 of the Criminal Code.

Public Prosecutor's Office of Rome - ENAV - Bringing of civil action. Criminal proceedings are pending before the Court of Rome concerning the awarding of works contracts on the part of ENAV SpA and involve the former Chief Executive Officer and the former Sales Manager of SELEX Sistemi Integrati for the offences under Article 8 of Legislative Decree 74/2000 and Articles 110 and 646 of the Italian Criminal Code. In connection with these proceedings, SELEX Sistemi Integrati joined as a civil party seeking damages. The case has now entered the trial phase.

Public Prosecutor's Office of Turin - Industrial secrets. Criminal proceedings are being conducted by the Public Prosecutor's Office of Turin in which the Chief Operations Officer of FATA SpA is under investigation for violations pursuant to Articles 81, 110, 615-*ter* and 623 of the Criminal Code. On 31 July 2013, the company was served a search warrant aimed at gathering files containing the designs and technical specifications of a competing company.

Public Prosecutor's Office of Rome - ICT services for the Office of the Prime Minister. Criminal proceedings are being conducted by the Public Prosecutor's Office of Rome concerning the informal tender for awarding a contract in the ICT area for operational, contract management and procurement services held by the Office of the Prime Minister in 2010 and awarded to a temporary association of companies (RTI, *Raggruppamento temporaneo di imprese*) between SELEX Service Management and a non-Finmeccanica Group company. On 13 November 2013, a search and seizure warrant was executed at the offices of Finmeccanica and of SELEX Service Management. SELEX Service Management SpA is under investigation for administrative violations pursuant to Article 25 of Legislative Decree 231/2001, in connection with Articles 110 and 321 of the Criminal Code.

With regard to the foregoing, it should be stressed that:

- with the exception of the appellate decision affirming the conviction of AnsaldoEnergia SpA and of the plea bargain with SELEX Sistemi Integrati, which are already reflected in the Group's financial statements, no Group companies, their directors or executives have been convicted;
- with regard to the three proceedings described above, SELEX Service Management and SELEX Sistemi Integrati have appeared as civil parties seeking compensation for any damages that may occur to the companies as a result of the illegal conduct of its former directors, executives, employees or suppliers;
- with regard to the discovery orders issued by the Judicial Authority concerning a number of contracts of Group companies, it should be noted that, with the exception of the contract for 12 AW101 helicopters signed between AgustaWestland International Ltd and the Indian Ministry of Defence in 2010, discussed in more detail below, the discovery process is

currently being conducted and at this time no objections have been raised by the opposing parties on the matter nor have actions been filed with the Judicial Authority seeking to nullify them or make them unenforceable.

Based upon these considerations, as well as the information gathered and the results of the analysis carried out so far, the directors did not allocate any specific provisions beyond those indicated in the rest of the paragraph. Any negative developments – which cannot be foreseen, nor determined to date – arising from any internal investigations or judicial investigations being conducted will be subject to consistent assessment for the purposes of provisions (if any).

With regard to the provisions for civil and administrative disputes, it is underlined that the Group's operations regard industries and markets where many disputes are settled only after a considerable period of time, especially in cases where the customer is a government entity. Pursuant to the IFRSs, provisions have only been made for risks that are probable and for which the amount can be determined. No specific provisions have been set aside for certain disputes in which the Group is defendant, as these disputes are reasonably expected to be resolved, based on current knowledge, satisfactorily and without significantly impacting the Group. Of particular note:

- the dispute in which Finmeccanica is defendant in relation to contractual commitments taken on at the time of the sale of the former subsidiary Finmilano SpA to Banca di Roma (now UniCredit group), arising from an assessment report issued to Finmilano SpA by the Rome Direct Taxation Office, which disallowed the tax deductibility of the loss arising in 1987 from the factoring without recourse of a receivable subject to deferred collection for an amount lower than its nominal amount. Basically, the tax authorities considered this factoring to be a financing transaction and that the loss should be treated as borrowing costs and, therefore, it should not have been fully deducted in 1987 but deferred on a pro rata basis over the subsequent years as implicit interest.
  After the Supreme Court had allowed the petition filed by the tax authorities and referred the case to the trial judge, the latter again allowed the Parent's appeal. However, the tax authorities filed another petition to the Supreme Court against the trial judge's decision. In 2009, for the second time, the Supreme Court quashed the trial judge's decision and referred the case to the second level court. The Rome Regional Tax Court resolved in favour of the tax authorities and the Parent filed a new petition to the Supreme Court on 6 June 2012. Finmeccanica does not currently expect it will incur significant losses in this respect;
- the dispute initiated by Telespazio SpA against the Agenzia delle Entrate (Tax Revenue Agency), Rome District 4 challenging a tax assessment regarding direct income taxation for the year 2000, which contained a demand for a total of about €mil. 30 consisting of additional taxes, penalties and interest. The notice of assessment, served on 27 November 2006, relates to a tax audit completed in 2001 in which the Tax Authority challenged the deductibility of the loss regarding receivables from a foreign company taken by Telespazio SpA within the context of a non-recourse sale carried out following many fruitless attempts to recover these receivables. Specifically, the Tax Authority, deeming the actions undertaken by the company to forcibly collect the receivables and therefore the evidence of the foreign debtor's solvency or lack thereof to be insufficient, found that the requirements of certainty and precision under the law were not met to allow the loss to be fully deducted, regardless of the fact that the loss was conclusively realised by Telespazio SpA within the context of the non-recourse sale of the receivables, arguing that sale per se guarantees certainty only of the legal loss of the receivable but not the financial loss. The court of first instance upheld the company's appeal with ruling filed on 25 September 2008. The ruling was appealed by the Tax Authority, an appeal the Regional Tax Commission denied on 30 March 2010. In the meantime, the Tax Authority has filed an appeal with the Court of Cassation against which the company has filed a counter-appeal and a cross-appeal;
- the dispute initiated by SELEX Sistemi Integrati SpA against the 2007 IRES and IRAP tax assessment reports issued by the Lazio Regional Tax Office at the end of a general audit on

this year, disallowing the deductibility of certain costs that allegedly did not meet the requirements of Article 110.11 of the Consolidated Tax Act. These costs related to a specific case for which the Agency itself approved a specific request for a private letter ruling (*istanza di interpello*) submitted by the company in 2004. By the tax assessment reports in question, the tax office has refused to acknowledge costs of about €mil. 5, whose treatment, according to the arguments submitted by the Agency, would lead to an increase in taxes of approximately €mil. 1.7 (excluding interest), to which penalties of an equal amount are to be added. The company has promptly filed an appeal, requesting that collection of the amount be suspended, a request that was granted.
In addition, in September, the hearing on the merits of the dispute was held and the decision has yet to be issued;

- the litigation commenced by Reid against Finmeccanica and Alenia Space (now So.Ge.Pa. SpA) before the Court of Texas in 2001, whereby Reid claimed that the former Finmeccanica - Space business segment failed to meet its obligations under the contract for the development of the Gorizont satellite programme. The dispute concluded in favour of the Group after more than five years, due to the lack of jurisdiction of the Court involved. On 11 May 2007, Reid served Finmeccanica and Alcatel Alenia Space Italia (now Thales Alenia Space Italia) a complaint, whereby it commenced new legal proceedings before the Court of Chancery in Delaware. Reid has reproposed the same claims for damages that it claimed before the Court of Texas, without, however, quantifying the amount of the alleged damage.
  Finmeccanica appeared before the Court on 29 June 2007, filing a motion to dismiss, asserting that the case was time-barred, the statute of limitation had run out and the Court of Delaware did not have jurisdiction. On 27 March 2008, the judge rejected the claim as the case was time-barred. The claimant appealed against this decision before the Supreme Court of Delaware, which issued a decision on 9 April 2009, granting the motion and referring the case to the Court of Chancery for a decision on the other objection raised by Finmeccanica concerning the lack of jurisdiction of the Court of Delaware. Therefore, the discovery phase commenced, during which the witnesses requested by Reid were deposed. The discovery phase ended in December 2013 and the parties are waiting for a hearing on the merits to be set, following which the judge will issue his decision;
- G.M.R. SpA, as the sole shareholder of Firema Trasporti, commenced legal proceedings against Finmeccanica and AnsaldoBreda before the Santa Maria Capua Vetere Court in 2011, requesting that the court admit the defendants' liability for having caused, with their conduct, Firema Trasporti's insolvency, ordering them to pay damages. According to the claimant, during the period in which Finmeccanica held an investment in Firema Trasporti (from 1993 to 2005), its management and coordination were carried out to the detriment of Firema Trasporti and in the sole interest of Finmeccanica Group. Moreover, even after the sale of the investment by Finmeccanica, Firema Trasporti was allegedly *de facto* subjected to an abuse of economic dependence from the Group in performing the various agreements existing with AnsaldoBreda. Finmeccanica and AnsaldoBreda appeared before the court requesting that the claims be dismissed as clearly groundless and asserting, on a preliminary basis, that the Court lacks jurisdiction.
  After a series of delays, the hearing to further explore the arguments relating to the objection raised concerning the lack of jurisdiction has been set for 22 April 2014;
- in September 2011, the French company DCNS commenced an arbitration procedure before the Paris ICC against WASS in relation to the agreement signed by the parties in 2008 for the development of the F21 heavy torpedo for the French Navy Ministry.
  The dispute followed the suspension of supply by WASS, due to the suspension of the export licence by the Italian Ministry of Foreign Affairs. The measure was taken on the basis of a possible Italian-French agreement for the exchange of technology between the two countries. However, the agreement has never been reached. Therefore, DCNS commenced the arbitration procedure requesting that the agreement be declared terminated due to WASS' default and claiming damages of €mil. 50. WASS appeared before the arbitration tribunal, objecting that the supervening impossibility of performance was due to reasons not attributable thereto and raising, by way of counterclaim, the counterparty's default, therefore claiming damages of €mil. 55.

The parties reached an agreement on 26 March 2012, whereby DCNS undertook that it will not use the technology developed for the 2008 agreement. Following the agreement, WASS discontinued the precautionary motion filed as part of the arbitration procedure.
In light of the documentation produced during the investigation phase which was completed in December 2012, further contractual breaches by DCNS emerged: therefore, WASS increased its counterclaim up to €mil. 78.
During the hearing of 23 January 2013, the Arbitration Board set the final hearing of the proceedings for 24 April 2013, granting the parties a deadline for the filing of further pleadings. Through the motion filed on 29 March 2013, DCNS increased the amount claimed as compensation for damage up to €mil. 67, arguing that it had incurred higher costs due to non-compliance by WASS. The parties are awaiting the Board's decision;

- on 7 February 2013, Simmi SpA, subject to a composition with creditors, brought an action before the Civil Court of Nola against AnsaldoBreda, in order to ask the Court to establish the latter's liability and to order it to pay compensation for damages, to be quantified in the course of the proceedings, which is allegedly estimated at €mil. 51.
Specifically, Simmi states that, within the context of the long-standing business relationship, AnsaldoBreda took advantage of its own bargaining power to impose contractual supply conditions on Simmi that were unfairly burdensome. This conduct of AnsaldoBreda, which according to the opposing party constituted an abuse of economic dependence, would have caused, over time, growing financial difficulties to Simmi, such as forcing into a procedure of composition with creditors.
AnsaldoBreda, in appearing before the court, raised a preliminary objection concerning the lack of territorial jurisdiction of the appellate court and asked the Court to reject the plaintiff's claims as groundless in fact and law.
Following the order of 12 April 2013 granting the motion concerning the lack of jurisdiction raised by AnsaldoBreda, the decision was restated by the opposing party before the Court of Naples and, during the first hearing held on 4 March 2014, the Court ordered an interruption of the proceedings due to the intervening bankruptcy of Simmi;
- on 4 March 2013, Mr. Pio Maria Deiana, on his own account and in his capacity as director of Janua Dei Srl and of Società Progetto Cina Srl, served a writ of summons on Finmeccanica to appear before the Court of Rome, in order to ask the Court to establish the invalidity of the settlement agreement signed in December 2000. Under this agreement, the aforesaid companies and the then-Ansaldo Industria (which was a subsidiary of Finmeccanica until 2004 and which is now cancelled from the Register of Companies) had settled, by way of conciliation, the action brought by these companies before the Court of Genoa in 1998 in order to ask the Court to find Ansaldo Industria liable for breach of contract with regard to the agreements for commercial cooperation in the construction of a waste disposal and cogeneration plant in China, which then was not built.
As stated by the plaintiffs in the writ of summons, the above-mentioned settlement agreement was concluded based on unfair conditions, thus taking advantage of the distress of Mr. Deiana and of the economic dependence of the plaintiff companies with respect to Ansaldo Industria. The claim was submitted against Finmeccanica, invoking the general liability of the same arising from the control exercised by it on Ansaldo Industria at the time of the events being disputed. The damages being sought, to be determined during the course of the proceedings, is estimated at €mil. 2,700. Finmeccanica appeared before the Court on 25 September 2013, arguing, among other things, that it lacks the capacity to be sued and asking, on the merits, that the Court deny the plaintiffs' claims as they are entirely groundless in fact and in law. On 23 October 2013, the Group gave the parties time to exchange briefs and set the date for the next hearing at 14 May 2014;
- on 12 August 2013, Ansaldo STS and Selex ES filed a motion before the Court of Milan seeking an injunction against Russian company ZST, prohibiting it from enforcing the advance payment bond guarantees, issued by Crédit Agricole to guarantee the advances paid to the companies in the amount of around €mil. 70 for Ansaldo STS and €mil. 15.7 for Selex ES. The guarantees relate to a contract signed in August 2010 between 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, which was the sub-contractor for the signalling, automation, security and telecommunications works. The execution of the contract was suspended following the well-known events that occurred in Libya in early 2011.
In allowing the companies' appeal, the Court, by an order issued *inaudita altera parte* on 14 August 2013 and subsequently affirmed on 12 October 2013, prohibited Crédit Agricole from making payment to ZST. Subsequently, through the order of 25 November 2013, the Court partially modified its previous order, confirming the injunction up to the amounts corresponding to the value of the work performed up until the time of interruption (equal to €mil. 29 for Ansaldo STS and €mil. 3 for Selex ES) and revoking the injunction pertaining to the remaining amounts for which the bank then made payment;

- on 25 October 2013, Officine Ferroviarie Veronesi sent to AnsaldoBreda a demand for arbitration in which it asked for compensation for damages suffered as a result of the conduct of the company in its capacity as agent for the temporary association of companies comprised of Officine Ferroviarie Veronesi and other companies for the execution of the Vivalto contract signed on 10 March 2010 with Trenitalia for the provision of 350 bi-level rail cars. Specifically, Officine Ferroviarie Veronesi is challenging certain delays on the part of AnsaldoBreda in the performance of its portion of the order that resulted in the application of penalties by the customer and is seeking to be made whole from the consequent damages, totalling €mil. 38.7 plus interest and revaluation.
  By a notice served on 20 November 2013, AnsaldoBreda responded, denying the other party's claims and arguing that the mentioned delays were attributable to the conduct of the other party, and counterclaimed for damages caused by Officine Ferroviarie Veronesi totalling €mil. 41.8 plus interest and revaluation. The Arbitration Board is currently being formed.

Moreover, 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 the possible developments in the relevant disputes. With regard to contracts in progress affected by uncertainties and issues under discussion with customers, there are:

- the SISTRI contract, signed between the Ministry for the Environment, Land and Sea and SELEX Service Management SpA in December 2009 in relation to the design, management and maintenance of the Control System for Waste Tracking, currently under investigation by the Public Prosecutor's Office of Naples, as described above. On 1 October 2013, operation of the system was gradually restarted following a schedule based upon the hazardousness of the waste and the size of the companies. This schedule was revised by Article 11 of Decree Law 101 of 31 August 2013 (converted, with amendments, into Law 125 of 30 October 2013) that, while confirming the 1 October start-up date, recognised the need for measures to simplify and rationalise the system and, based on the results of the audit of the costs, envisaged changes yet to be determined to the content, the duration and the performance/financial aspects of the contract with SELEX Service Management. While the decree law was being converted into law, provisions were made for a period, starting from 30 June 2014, to test whether to expand the application of the system to entities or companies that collect or transport hazardous urban waste. This decree law also calls for the formation of an inspection committee that is responsible for verifying, within 60 business days of its formation, whether the system complies with the standards and the purposes envisaged by Legislative Decree 152/2006, as well as verifying the operation of the system itself within 60 business days from beginning date of the operation thereof. This evaluation was successfully completed on 20 December 2013. Moreover the company conducted specific verifications on the consistency of the costs incurred, with the support of an independent third-party, RINA Services, and adjusted, based on the evidence uncovered, the carrying value of its assets. Once the full functionality of the system is confirmed, the recoverability of the assets recognised in the financial statements nevertheless depends upon the definitive entry into operation of the system in a form that will make it possible to fully cover the capital invested;

- the contract between AnsaldoBreda and the Belgian Railways (Nationale Maatschappj der Belgische Spoorwegen NV, or "NMBS"), for three trains, and with Dutch Railways (NS Financial Services Company NV, or "NS Financial Services") for 16 V-250 trains, subsequently terminated by the customers on 3 June 2013 and 30 August 2013, respectively.
  With regard to the Belgian order, in addition to terminating the contract worth €mil. 63, NMBS also took steps to liquidate the guarantee in respect of advances paid in an amount equal to €mil. 37 and asked for compensation for damages due to delivery delays and alleged defects in the products involved, provisionally calculated at €mil. 15. Although it disputes the validity of the claims of the opposing party, on 10 July 2013 AnsaldoBreda paid the amounts to liquidate the guarantee.
  The customer simultaneously brought an action before the Court of Utrecht, in which AnsaldoBreda appeared, challenging the legitimacy of the termination of the contract as well as further claims put forth by the opposing party. In order to better protect its rights and interests, the Company filed a motion for summary judgement against the customer asking the Court to order, as a matter of urgency, the performance of the contract, the production of the technical reports cited by the opposing party as grounds for the termination, as well as the appointment of three technical experts. Finally, in an administrative setting, AnsaldoBreda brought an additional action before the Court of Appeal of Brussels and before the Belgian Council of State, challenging the measures through which the Belgian National Agency for Railway Safety (SSICF/DVIS) revoked the authorisation for operation of the trains. These actions are still pending and the Group, although believing that the opposing party's claims are groundless, has nevertheless made a provision to cover the value of the assets recognised in the balance sheet.
  As to the Dutch order, NS Financial Services sent a termination letter for the contract worth €mil. 333, based upon the same alleged defects complained of by the Belgian customer, asking, at the same time, reimbursement of advances already paid amounting to €mil. 213 (of which €mil. 86 covered by an advance bond), as well as payment of penalties for delay in the amount of €mil. 62 and an additional amount as compensation for damages provisionally calculated at €mil. 40, for a total of €mil. 314. In response to this demand AnsaldoBreda filed an action against the customer before the Court of Utrecht, asking the Court to find the termination invalid and to order performance of the contract and the payment of compensation for damages incurred.
  On 1 November 2013, NS Financial Services served Finmeccanica, by virtue of the Parent Company Guarantee given by Finmeccanica when the contract was being awarded, a writ of summons to appear before the Court of Utrecht, seeking the payment of the amount of €mil. 273 in reimbursement of the amount paid and as penalty for delay, in addition to compensation for damages to be determined during the case.
  On 12 November 2013 Finmeccanica, as a result of its involvement in the suit brought by the Dutch customer, also initiated, before the Court of Rome, an action for a preliminary technical assessment in order to determine the condition of vehicles not yet delivered to the customer and their compliance with contractual requirements.
  On 17 March 2014, AnsaldoBreda and Finmeccanica, on the one side, and NS Financial Services, on the other, reached a settlement agreement under which they concluded the dispute, which will therefore be abandoned. The agreement provides for the termination of the agreement and the return of all the V-250 trains to AnsaldoBreda in exchange for the reimbursement of €mil. 125 to NS Financial Services. AnsaldoBreda will then be able to sell the trains to other customers. Upon sale of the trains, NS Financial Services will receive from AnsaldoBreda a share in the proceeds for each train sold, up to the maximum amount of €mil. 21.
  The effects of the agreement have already been taken into account in determining the provisions in respect of the programme. As a result, following the execution of the agreement, AnsaldoBreda will recognise the trains among inventories at their recoverable value in light of potential commercial opportunities;
- the supply contract for 12 helicopters signed between AgustaWestland International Ltd and the Indian Ministry of Defence in 2010, worth around €mil. 560 in total, which is the object of

the above described criminal proceedings pending before the Court of Busto Arsizio. On 15 February 2013 the Indian Ministry of Defence sent a Show Cause Notice asking the company to provide information on the bribery alleged to have occurred in violation of the contract and the Pre-Contract Integrity Pact. In the letter, in addition to notifying the company that it was suspending payments, the Indian government suggested that it could possibly cancel the contract if the company was unable to provide proof that is was not involved in the alleged corrupt conduct. The company promptly provided the information and documentation requested to Indian authorities, asserting its conduct fully complied with the contract and applicable laws and also asked the Ministry to initiate bilateral discussions to settle the matter.
Not having received any serious indication of interest on the part of the Indian Ministry in beginning a dialogue, on 4 October 2013 AgustaWestland International Ltd initiated the arbitration provided for by the contract in New Delhi. On 21 October 2013, the Indian Ministry sent the second Show Cause Notice, requesting further documents and once again claiming violation of the Pre-Contract Integrity Pact. In a letter sent on that date, the Ministry also challenged the applicability of the arbitration clause contained in the contract.
On 25 November 2013, the company appointed its own arbitrator, the Hon. Justice B.N. Srikrishna, a former justice of the Indian Supreme Court, inviting the Ministry to designate its own arbitrator within the next 60 days.
On 1 January 2014, the Ministry of Defence formally communicated its decision to terminate the contract, reserving the right to seek damages, provisionally estimated at an amount equal to about €mil. 648, and simultaneously notified the company that it had taken steps to execute the guarantees and counter-guarantees given in relation to the contract in the total amount of €mil. 306. Also on that date, the Indian Ministry, altering its stance as expressed on 21 October 2013, appointed its own arbitrator, the Hon. Justice B.P. Jeevan Reddy, a former Indian Supreme Court justice. At present, the parties have not yet reached an agreement on the appointment of the chairman of the Arbitration Board.
On 8 January 2014, AgustaWestland SpA and AgustaWestland International Ltd filed an appeal pursuant to Article 700 of the Italian Criminal Code with the Court of Milan in order to enjoin the above liquidation of the guarantees. On that date, the Court issued an injunction *inaudita altera parte* prohibiting the banks from paying the disputed sums. The Court, by the order dated 17 March 2014, affirmed the injunction, prohibiting payment of the guarantees for a total of more than €mil. 278. Specifically, as to the amount of around €mil. 28 in respect of the warranty bond already paid by the State Bank of India and Deutsche Bank AG, and to the approximately €thous. 350 for the earnest money deposit, the Court of Milan found that it lacked jurisdiction in regard to these and issued no decision on the merits.
In March 2013, the company, although fully believing in the validity of its claims, based upon the examination performed appointed RINA Services SpA to assess the fairness of any prices applied by IDS Infotech (India) and IDS Tunisia and the amount of services actually rendered by the above-mentioned companies. RINA Services completed its activities on the contracts awarded by AgustaWestland SpA to IDS Infotech (India) and to IDS Tunisia from 2007 to 2012; the relevant report pointed out that the above-mentioned suppliers have actually carried out their activity in favour of AgustaWestland SpA, that the supply activities under examination have substantially covered the period of execution of the works and that AgustaWestland SpA has used in these years, or was about to use, the technical papers (both in paper and in electronic format) that have been the object of the activity of the aforesaid suppliers. Contrary to what it had initially theorised, RINA Services SpA considered appropriate not to conduct the additional in-depth analyses requested by AgustaWestland SpA, in light of the request by the Public Prosecutor's Office to summon the employees of RINA Services who substantially prepared the report as witnesses in the criminal proceedings before the Court of Busto Arsizio. In consideration of the foregoing, the counsels for the defence of AgustaWestland SpA engaged the company Accuracy which is completing the necessary verifications and in-depth analysis. The outcome of these verifications and in-depth analysis will be used exclusively in the context of the defence strategies that the company will adopt.

In relation to this contract, the Group recognised overall receipts equal to €mil. 250 (covered by bank guarantees, to which are added €mil. 28 in performance bonds and €mil. 28 in warranty bonds, the subject of the request for liquidation made by the Indian customer). In the balance sheet, the assets relating to the contract, net of amounts already received, amount to €mil. 85. The inventory for the programme has been entirely shifted to other contracts. However, as to the portion of the delivery already made (3 helicopters already delivered, plus spare parts and support), currently covered by the advances received in respect of the entire contract, the recoverability of the assets recognised in the Group's financial statements (as well as the recognition of any compensation to be paid or received) is dependent upon the outcome of the proceedings underway.

21. Employee benefit obligations

	31 December 2013			31 December 2012		
	Liabilities	Assets	Net	Liabilities	Assets	Net
Severance pay provision	457	-	457	542	-	542
Defined-benefit plans	381	121	260	400	121	279
Portion of the MBDA JV pension plan	93	-	93	101	-	101
Defined-contribution plans	26	-	26	27	-	27
	957	121	836	1,070	121	949

Liabilities relating to defined-benefit retirement plans include the share of the total defined-benefit retirement plans managed by BAE Systems Plc allocable to the MBDA joint venture. The valuation of these liabilities entailed the recognition in equity for actuarial gains of €mil. 6 and a cost of €mil. 11 in the income statement (of which €mil. 7 recognised under purchases and personnel expenses and €mil. 4 recognised under financial income and expense).

The detail of the defined-benefit retirement plans is as follows:

	31 December 2013	31 December 2012
GBP area	58	37
Euro area	145	126
USD area	42	98
Other	15	18
	260	279

Below is a breakdown of defined-benefit plans and statistical information regarding the excess (deficit) of the plans:

	31 December 2013	31 December 2012
Present value of obligations	2,095	2,025
Fair value of plan assets	(1,835)	(1,746)
Plan deficit	**(260)**	**(279)**
of which, related to:		
- net liabilities	(381)	(400)
- net assets	121	121

The decreased net deficit relates substantially to the US plans for €mil. 52, partially offset by the increase in the plans of the Euro area (€mil. 20) and of the GBP area (€mil. 15).

Changes in the defined-benefit plans are shown below:

31 December 2013

	Present value of the obligation	Present value of the asset	Net liability defined-benefit plans
Opening balance	**2,025**	**1,746**	**279**
Costs of benefits paid	64	-	**64**
Net interest expense	82	74	**8**
Remeasurement	13	22	**(9)**
Actuarial losses (gains) through equity - demographic assumptions	*9*	*-*	***9***
Actuarial losses (gains) through equity - financial assumptions	*34*	*(8)*	***42***
Actuarial losses (gains) through equity resulting from adjustements based on the experience	*(30)*	*24*	***(54)***
Expected return on plan assets (no interest)	*-*	*6*	***(6)***
Contributions paid	-	72	**(72)**
Contributions from other plan participants	13	13	**-**
Exchange-rate differences	(44)	(41)	**(3)**
Benefits paid	(56)	(51)	**(5)**
Other changes	(2)	-	**(2)**
Closing balance	**2,095**	**1,835**	**260**
of which, related to:			
- net liabilities	1,605	1,224	**381**
- net assets	490	611	**(121)**

31 December 2012

	Present value of the obligation	Present value of the asset	Net liability defined-benefit plans
Opening balance	**1,789**	**1,575**	**214**
Costs of benefits paid	61	-	**61**
Net interest expense	84	70	**14**
Remeasurement	102	26	**76**
Actuarial losses (gains) through equity - demographic assumptions	*-*	*-*	***-***
Actuarial losses (gains) through equity - financial assumptions	*94*	*(4)*	***98***
Actuarial losses (gains) through equity resulting from adjustements based on the experience	*7*	*9*	***(2)***
Expected return on plan assets (no interest)	*1*	*21*	***(20)***
Contributions paid	-	81	**(81)**
Contributions from other plan participants	23	23	**-**
Exchange-rate differences	27	29	**(2)**
Benefits paid	(64)	(59)	**(5)**
Other changes	3	1	**2**
Closing balance	**2,025**	**1,746**	**279**
of which, related to:			
- net liabilities	1,602	1,202	**400**
- net assets	423	544	**(121)**

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

	31 December 2013	31 December 2012
Costs for current services	66	63
Costs for past services	-	(2)
Curtailments and settlements	(2)	-
Costs booked as "personnel expenses"	**64**	**61**
Net interest expense	8	14
Costs booked as "financial expense"	**8**	**14**
Total cost to income statement	72	75

Changes in severance pay provision are shown below:

	31 December 2013	31 December 2012
Opening balance	**542**	**512**
Severance pay of Discontinued Operations	(18)	-
Costs of benefits paid	1	3
Interest expense	12	18
Remeasurement	(30)	79
Actuarial losses (gains) through equity - demographic assumption	*(11)*	*(1)*
Actuarial losses (gains) through equity - financial assumptions	*(16)*	*60*
Actuarial losses (gains) through equity resulting from adjustments based on the experience	*(3)*	*20*
Benefits paid	(50)	(69)
Other changes	-	(1)
Closing balance	457	542

The main actuarial assumptions used in the valuation of defined-benefit plans and of the portion of severance pay provision that has maintained the nature of defined-benefit plan are as follows:

	Severance pay provision		Defined-benefit plans	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Discount rate (annual)	3.0%	2.2%	4.5%-4.8%	3.6%-4.7%
Rate of salary increase	n.a.	n.a.	4.0%-4.9%	3.0%-5.0%
Inflation rate	2.0%	2.0%	2.7%-4.9%	2.3%-2.8%

The discount rate utilised to discount the defined-benefit plans is determined with reference to expected returns of the AA-rated bonds.

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

	Severance pay provision		Defined-benefit plans	
	-0.25%	+0.25%	-0.25%	+0.25%
Discount rate (annual)	10	(10)	(80)	82
Rate of salary increase	n.a.	n.a.	21	(20)
Inflation rate	(7)	6	65	(64)

The average duration of the severance pay is 11 years while that of the other defined-benefit plans is 20 years.

Assets of defined-benefit plans include:

	31 December 2013	31 December 2012
Cash and cash equivalents	54	73
Shares	501	350
Debt instruments	623	604
Real properties	10	9
Derivatives	225	329
Investment funds	422	381
	1,835	1,746

22. Other current and non-current liabilities

	Non-current		Current	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Employee obligations	58	68	450	412
Deferred income	86	43	90	89
Amounts due to social security institutions	6	6	312	289
Payables to MED (Law 808/1985)	272	287	60	52
Payables to MED for monopoly rights (Law 808/1985)	120	103	30	21
Other liabilities (Law 808/1985)	171	158	-	-
Indirect tax liabilities	-	-	174	173
Other payables	193	295	641	588
Other payables to related parties (Note 36)	-	-	60	53
	906	960	1,817	1,677

The payables to the Ministry for Economic Development (MED) relate to management costs accrued under Law 808/1985 on national security and similar projects, as well as payables for grants received from MED for the development of programmes not related to national security and similar projects eligible for benefits under Law 808/1985. The payables are settled according to a repayment schedule and are not subject to borrowing costs.

“Other liabilities (Law 808/1985)” include the difference between the monopoly costs charged for the national security programmes and the amount actually due based on agreed repayment ratios.

“Other payables” include, in particular, the payable due to Bell Helicopter of €mil. 208 (€mil. 289 at 31 December 2012), of which €mil. 168 is recognised under non-current liabilities (€mil. 248 at 31 December 2012). €mil. 17 (€mil. 18 at 31 December 2012) of this payable relates to the “BAAC reorganisation”, entailing the acquisition of all manufacturing and marketing rights for the AW139 helicopter previously held by Bell Helicopter (25%), and €mil. 191 (€mil. 271 at 31 December 2012) to the agreements reached in November 2011 for the acquisition of 100% of the AW609 programme.
This amount also includes the reasonably estimated potential consideration due to Bell Helicopter based on the commercial success of the programme. The decrease is due to the different measurement of the potential consideration in comparison with 31 December 2012.

23. Trade payables

	31 December 2013	31 December 2012
Trade payables	4,494	5,002
Trade payables to related parties (Note 36)	228	193
	4,722	5,195

24. Derivatives

The table below provides detail of the asset and liability positions related to derivative instruments.

	31 December 2013		31 December 2012	
	Assets	Liabilities	Assets	Liabilities
Forward forex instruments	102	46	68	55
Derivatives covering debt items	12	3	1	10
Embedded derivatives	7	-	9	-
Interest-rate swaps	5	4	29	17
	126	53	107	82

The significant change in the fair value of forward instruments is due to the higher volatility of the US dollar against the euro: the exchange rate went from 1.3194 at 31 December 2012 to 1.3791 at 31 December 2013.

The interest-rate swaps with a total notional value of €mil. 400 (€mil. 1,375 at 31 December 2012) were placed into effect to hedge part of bonds issued.

The table below provides the fair values of the various derivatives in the portfolio:

		Fair value at 31 December 2013	Fair value at 31 December 2012
Assets			
Interest-rate swaps			
	Trading	4	27
	Fair-value hedge	-	-
	Cash-flow hedge	1	2
Currency forwards/swaps/options			
	Trading	3	-
	Fair-value hedge	10	9
	Cash-flow hedge	101	60
Embedded derivatives (trading)		7	9
Liabilities			
Interest-rate swaps			
	Trading	3	4
	Fair-value hedge	-	-
	Cash-flow hedge	1	13
Currency forwards/swaps/options			
	Trading	1	-
	Fair-value hedge	-	2
	Cash-flow hedge	48	63

25. Guarantees and other commitments

Leasing

The Group is party to a number of operating leases as both lessor and lessee primarily for the purposes of acquiring the use of plant and equipment. Below are the non-cancellable minimum future payments and collections relating to operating lease contracts:

	31 December 2013		31 December 2012	
	Operat. lease as lessee	Operat. lease as lessor	Operat. lease as lessee	Operat. lease as lessor
Within 1 year	100	2	109	2
2 to 5 years	230	7	242	7
Beyond 5 years	171	-	178	-
	501	9	529	9

Other commitments

The Group is active, through the Telespazio joint venture, in trading satellite capacity and providing related services. As part of this, Telespazio acquired satellite capacity from primary operators, using it to deliver its services to television or telecommunications industry operators through long-term sales contracts. Purchase and sale commitments covered by contract are as follows:

	31 December 2013		31 December 2012	
	Purchase of satellite capacity	Sale of satellite capacity	Purchase of satellite capacity	Sale of satellite capacity
Within 1 year	42	33	46	36
2 to 5 years	128	75	148	80
Beyond 5 years	59	16	80	25
	229	124	274	141

Guarantees

At 31 December 2013, the Group had the following outstanding guarantees:

	31 December 2013	31 December 2012
Guarantees in favour of third parties	21,642	22,736
Other unsecured guarantees given to third parties	674	604
Unsecured guarantees given	22,316	23,340

26. Revenue

	2013	2012
Revenue from sales	10,303	10,572
Revenue from services	3,909	3,656
	14,212	**14,228**
Change in work in progress	(577)	17
Revenue from related parties (Note 36)	2,398	2,259
Total revenues	16,033	16,504

The trends in revenue by business segment are described in the notes above (Note 8).

27. Other operating income (expenses)

	2013		2012	
	Income	Expenses	Income	Expenses
Grants for Research and Development costs (*)	72	-	117	-
Other operating grants (*)	12	-	23	-
Gains (Losses) on sales of intangible asset, property, plant and equipment	4	(1)	5	(5)
Reversals (Accruals) to provisions for risks and final losses on orders and reversal of impairment of receivables	502	(803)	318	(692)
Exchange-rate difference on operating items	100	(101)	190	(196)
Insurance reimbursements	60	-	21	-
Reorganisation costs	-	(83)	1	(27)
Indirect taxes	-	(70)	-	(57)
Other operating income (expenses)	119	(109)	84	(122)
Other operating income (expenses) from related parties	5	(3)	6	(8)
	874	(1,170)	765	(1,107)

(*) To which receivables for grants assessed by the grantor in relation to capitalised costs of €mil. 15 (€mil. 70 at 31 December 2012) are added, plus the assessment of “Non-recurring costs pending under Law 808/1985” (Note 12) equal to €mil. 39 (€mil. 85 at 31 December 2012).

Reorganisation costs also include reversals and accruals to the “Provision for reorganisation risks”. Costs and accruals relating to personnel are found under personnel expenses (Note 28).

28. Purchases and personnel expenses

	2013	2012
Purchase of materials from third parties	5,736	5,704
Change in inventories	(53)	(211)
Costs for purchases from related parties (Note 36)	114	65
Purchases	**5,797**	**5,558**
Services rendered by third parties	4,919	5,108
Costs of rents and operating leases	183	172
Royalties	13	31
Software fees	14	12
Rental fees	48	43
Services rendered by related parties (Note 36)	120	158
Services	**5,297**	**5,524**
Wages and salaries	3,212	3,339
Social security contributions	724	741
Costs related to defined-contribution plans	136	133
Costs of severance pay provision (Note 21)	1	3
Costs related to other defined-benefit plans (Note 21)	71	67
Employee disputes	4	2
Restructuring costs - net	269	126
Other costs	96	130
Personnel expenses	**4,513**	**4,541**
Personnel expenses	(157)	(205)
Materials	(161)	(104)
Other costs	(204)	(192)
Internal work capitalised	**(522)**	**(501)**
Total purchases and personnel expenses	15,085	15,122

The decrease in personnel expenses in comparison with the prior year is mainly due to the lower average workforce, partially offset by higher restructuring costs and other early retirement incentives, above all in the Defence and Security Electronics, Helicopters and Defence Systems sectors.

The table below shows the workforce broken down by position (restated comparative data excluding Ansaldo Energia). The significant decrease mainly refers to the reorganisation processes in the Defence and Security Electronics segment (1,464 resources abroad at DRS and 693 resources at SES, of which 510 in Italy) and in the Aeronautics segment (345 resources exclusively in Italy).
The decrease in the total workforce, which is detailed in the table below (restated comparative data excluding Ansaldo Energia), was affected by the above-mentioned reorganisation processes. Such decrease is only partially offset by the increase in the Helicopters (also thanks to consolidation at 50% of the Closed Joint Company Helivert joint venture), Transportation (mainly in the foreign component of Ansaldo STS), Defence Systems business segments and FATA. In particular, the reduction on the foreign component is about 81% of the total decrease.

	Average workforce			Total workforce		
	2013	2012	Change	2013	2012	Change
Senior managers (*)	1,952	2,070	(118)	1,906	2,016	(110)
Middle managers	7,459	7,639	(180)	7,570	7,618	(48)
Clerical employees	37,592	38,991	(1,399)	37,824	39,274	(1,450)
Manual labourers (**)	16,352	16,878	(526)	16,535	16.670	(135)
Total	**63,355**	**65,578**	**(2,223)**	**63,835**	**65,578**	**(1,743)**

(*) Includes pilots.
(**) Includes senior manual labourers.

Restructuring costs equal to €mil. 269 (€mil. 126 in 2012) mainly related to Defence and Security Electronics (€mil. 205), Helicopters (€mil. 28) and Transportation (€mil. 14) for costs incurred and provisions allocated against ongoing reorganisation activities at various Group companies.

29. Amortisation, depreciation and impairment losses

	2013	2012
Amortisation of intangible assets:	330	302
• *development expenses*	*95*	*83*
• *non-recurring expenses*	*55*	*33*
• *acquired as part of business combinations*	*86*	*90*
• *other*	*94*	*96*
Depreciation of property, plant and equipment	381	375
	711	**677**
Impairment of goodwill	-	1,148
Impairment of operating receivables	55	16
Impairment of other assets	42	41
	97	**1,205**
Total amortisation, depreciation and impairment losses	**808**	**1,882**

30. Financial income and expense

Below is a breakdown of financial income and expense:

	2013			2012		
	Income	Expense	Net	Income	Expense	Net
Interest	27	(314)	(287)	17	(298)	(281)
Premiums (paid) received on IRSs	48	(25)	23	46	(30)	16
Commissions on borrowings	-	(16)	(16)	-	(17)	(17)
Other commissions	1	(38)	(37)	1	(78)	(77)
Income from equity investments and securities	93	-	93	-	-	-
Fair value gains (losses) through profit or loss	11	(44)	(33)	177	(54)	123
Premiums (paid) received on forwards	8	(11)	(3)	16	(12)	4
Exchange-rate differences	200	(218)	(18)	328	(341)	(13)
Interest cost on defined-benefit plans (less expected returns on plan assets) (Note 21)	-	(25)	(25)	-	(35)	(35)
Financial income (expense) - related parties (Note 36)	3	(7)	(4)	5	(12)	(7)
Other financial income and expense	14	(63)	(49)	20	(81)	(61)
	405	(761)	(356)	610	(958)	(348)

In detail:

- income from equity investments and securities mainly refers to the capital gain (€mil. 91) related to the sale of the aviation engines division of Avio SpA, indirectly held by Finmeccanica at 14.3%, which was completed in August;
- net interest expenses mainly include €mil. 273 (€mil. 258 in 2012) of interest on bonds, €mil. 11 (€mil. 14 in 2012) related to the interest on the Parent's EIB loan and €mil. 16 (€mil. 13 in 2012) concerning the revolving credit line, following the greater utilisation of such line and the increase in cost compared to 2012;
- net premiums received on interest-rate swaps (IRS) benefitted, also in 2013, from the low interest rates on transactions entered into to diversify exposure on fixed-rate borrowings, particularly the bond maturing in 2013, which was entirely realised;
- net income arising from the application of fair value to the income statement breaks down as follows:

	2013			2012		
	Income	Expense	Net	Income	Expense	Net
Foreign currency swaps	1	(7)	(6)	5	(6)	(1)
Interest-rate swaps	1	(23)	(22)	-	(9)	(9)
Ineffective portion of hedging swaps	9	(14)	(5)	21	(15)	6
Embedded derivatives	-	-	-	-	(24)	(24)
Gains on FVTPL securities	-	-	-	151	-	151
	11	(44)	(33)	177	(54)	123

expenses deriving from fair value on interest-rate swaps reflect the natural term of this instrument hedging the bond issue expired in 2013. The expense is entirely offset by the income deriving from premiums received on the above-mentioned IRS;

- other net financial expense mainly refers to the discounting effects on non-current liabilities.

31. Income taxes

Income tax expense can be broken down as follows:

	2013	2012
IRES	(97)	(166)
IRAP	(84)	(93)
Benefit under consolidated tax mechanism	83	163
Other income taxes	(159)	(125)
Tax related to previous periods	6	76
Provisions for tax disputes	(47)	(44)
Deferred tax - net	108	251
	(190)	62

Income from adopting the consolidated tax mechanism for IRES purposes (a tax introduced by Legislative Decree 344/2003) from 1 January 2004 was considered in the calculation of income taxes. According to this mechanism, there is only one taxable income for all the Group companies included in the scope of consolidation.
This option makes it possible to offset the tax results (taxable income and losses in the consolidation period), for the IRES purposes, of the participating companies. As a result, the income statement includes the benefit resulting from the losses for the period up to the limit of the taxable income included in the consolidated tax base. This income was then allocated to all the consolidated companies reporting a fiscal loss.

Following is an analysis of the difference between the theoretical and effective tax rate for 2013 and 2012:

	2013	2012
Profit (Loss) before income taxes	**(368)**	**(876)**
Percentage impact of Italian and foreign taxes		
IRES (net of tax receipts)	(3.80)%	(0.34)%
IRAP	(22.83)%	(10.62)%
Other income taxes	(43.21)%	(14.27)%
Substitute taxes		
Tax related to previous periods	1.63%	8.68%
Provisions for tax disputes	(12.77)%	(5.02)%
Deferred tax - net	29.35%	28.65%
Effective rate	(51.63)%	7.08%

Deferred taxes and their related receivables and payables at 31 December 2013 were the result of the following temporary differences:

	2013			2012		
	Income statement			Income statement		
	Income	Expense	Net	Income	Expense	Net
Deferred tax assets on tax losses	62	15	47	189	48	141
Property, plant and equipment and intangible assets	54	26	28	92	35	57
Financial assets and liabilities	-	-	-	-	-	-
Severance and retirement benefits	1	7	(6)	8	11	(3)
Provision for risks and impairment	168	141	27	96	39	57
Other	43	31	12	45	46	(1)
Deferred taxes recognised through profit or loss	**328**	**220**	**108**	**430**	**179**	**251**

	2013			2012		
	Balance sheet			Balance sheet		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Deferred tax assets on tax losses	312	-	312	252	-	252
Property, plant and equipment and intangible assets	56	350	(294)	58	362	(304)
Severance and retirement benefits	29	13	16	21	13	8
Financial assets and liabilities	4	1	3	5	2	3
Provision for risks and impairment	741	-	741	725	-	725
Other	99	39	60	148	81	67
Offsetting	(131)	(131)	-	(120)	(120)	-
Deferred taxes recognised through balance sheet	**1,110**	**272**	**838**	**1,089**	**338**	**751**
Cash-flow hedge derivatives	-	16	(16)	3	13	(10)
On actuarial gains and losses	97	28	69	121	31	90
Deferred taxes recognised through equity	**97**	**44**	**53**	**124**	**44**	**80**
	1,207	316	891	1,213	382	831

32. Discontinued Operations

As described in Note 6, the items include the values related to the Energy group:

Statement of comprehensive income	**2013**	**2012**
Operating income	689	723
Operating expenses	(620)	(649)
Financial income (expense)	(16)	(11)
Income taxes	(25)	(26)
Net profit (loss) for the year	**28**	**37**
Capital gain on disposal of Ansaldo Energia	335	-
Fair value adjustment on the residual portion in portfolio of Ansaldo Energia	269	-
	632	**37**
- Measurement of defined-benefit plans	-	(2)
- Changes in cash-flow hedge	6	(3)
- Translation differences	(1)	-
Other comprehensive income (expense)	**5**	**(5)**
Total comprehensive income (expense)	637	32
Basic and diluted EPS of Discontinued Operations (euro)	1,093	0.064

33. Jointly-controlled entities

The Finmeccanica Group operates in certain sectors through entities over which control is exercised jointly with other parties and which are consolidated proportionally.

The primary jointly-controlled entities in which Finmeccanica takes part are: the Telespazio group (67%), the GIE-ATR Consortium (50%), Aviation Training International Ltd (50%), the Thales Alenia Space group (33%) and the MBDA group (25%).

The impact that these entities had on the consolidated financial statements is as follows:

	2013		2012	
	Amounts	% of the consolidated	Amounts	% of the consolidated
Current assets	2,204	17.49%	2,600	14.68%
Non-current assets	1,850	11.21%	2,108	16.58%
Current liabilities	2,112	12.28%	2,700	14.63%
Non-current liabilities	474	5.79%	916	11.07%
Revenue	2,572	15.94%	3,154	19.11%
Net profit	166	n.a.	159	n.a.

34. Earnings per share

Earnings (Losses) per share (hereinafter "earnings per share" or "EPS") are calculated as follows:

- for basic EPS, by dividing net profit attributable to holders of ordinary shares by the average number of ordinary shares for the period less treasury shares;
- for diluted EPS, by dividing net profit by the average number of ordinary shares and the average number of ordinary shares potentially deriving from the exercise of all the option rights for stock-option plans less treasury shares.

	2013	2012
Average shares outstanding during the reporting period (in thousands)	578,118	578,118
Earnings (Losses) from Continuing Operations (excluding non-controlling interests) (€ million)	(604)	(871)
Earnings (Losses) (excluding non-controlling interests) (€ million)	28	(834)
Basic and diluted EPS from Continuing Operations	(1.045)	(1.507)
Basic and diluted EPS (euro)	0.048	(1.443)

35. Cash flows from operating activities

	For the 12 months ended 31 December	
	2013	2012
Net profit (loss)	74	(792)
Amortisation, depreciation and impairment losses	808	1,882
Share of profit (loss) of equity-accounted investees	58	12
Income taxes	190	(62)
Cost of severance pay provision and other defined-benefit plans	72	71
Net financial expense (income)	356	348
Net allocations to the provisions for risks and inventory write-downs	805	466
Profit from Discontinued Operations	(632)	(37)
Other non-monetary items	42	(14)
	1,773	1,874

Costs of pension plans include the portion of costs relating to defined-benefit pension plans that is recognised as a personnel expense (the portion of costs relating to interest is carried among net financial expense).

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 12 months ended 31 December	
	2013	2012
Inventories	(249)	(758)
Contract work in progress, progress payments and advances from customers	55	21
Trade receivables and payables	(247)	422
Changes in working capital	(441)	(315)

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

	For the 12 months ended 31 December	
	2013	2012
Payment of pension plans	(137)	(175)
Changes in provisions for risks and other operating items	(73)	(142)
	(210)	(317)

36. Related party transactions

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

Receivables at 31 December 2013

	Non-current loans and receivables	Other non-current receivables	Current loans and receivables	Trade receivables	Other current receivables	Total
Unconsolidated subsidiaries						
Other entities with unit amount lower than €mil. 10			8	4	1	13
Associates						
Eurofighter Jagdflugzeug GmbH				187		187
NHIndustries SAS				111		111
BCV Investments SCA	272			1		273
Metro 5 SpA		10	3	26		39
Iveco - OTO Melara Scarl				51		51
Abruzzo Engineering Scpa (in liq.)				22		22
Joint Stock Company Sukhoi Civil Aircraft				11		11
Macchi Hurel Dubois SAS				11		11
Other entities with unit amount lower than €mil. 10		2	9	49	1	61
Joint ventures (*)						
SuperJet International SpA			44	5	1	50
GIE-ATR				27		27
Closed Joint Stock Company Helivert				27		27
MBDA SAS				22		22
Thales Alenia Space SAS			3	20	1	24
Other entities with unit amount lower than €mil. 10	3		3	14	1	21
Consortia (**)						
Ferroviario Vesuviano				14		14
Other consortia with unit amount lower than €mil. 10			2	34	2	38
Companies subject to the control or considerable influence of the MEF						
Ferrovie dello Stato Italiane				114		114
Other				95		95
Total	**275**	**12**	**72**	**845**	**7**	**1,211**
% against total for the year	*89.4*	*26.7*	*10.4*	*14.9*	*0.8*	

(*) Amounts refer to the portion not eliminated for proportionate consolidation.
(**) Consortia over which the Group exercises considerable influence or which are subject to joint control.

Receivables at 31 December 2012

	Non-current loans and receivables	Other non-current receivables	Current loans and receivables	Trade receivables	Other current receivables	Total
Unconsolidated subsidiaries						
Other entities with unit amount lower than €mil. 10			16	2	1	19
Associates						
Eurofighter Jagdflugzeug GmbH				261		261
NHIndustries SAS				138		138
BCV Investments SCA	181					181
Metro 5 SpA		4	1	48		53
Iveco - OTO Melara Scarl				39		39
Abruzzo Engineering Scpa (in liq.)				22		22
Joint Stock Company Sukhoi Civil Aircraft				14		14
Other entities with unit amount lower than €mil. 10		2	1	46		49
Joint ventures (*)						
Ansaldo Energia SpA			8	10	1	19
Yeni Elektrik Uretim Anonim Sirket				21		21
MBDA SAS				29		29
GIE-ATR				27		27
Thales Alenia Space SAS			3	21	1	25
SuperJet International SpA			35	2		37
Other entities with unit amount lower than €mil. 10	4	1	7	10	1	23
Consortia (**)						
Ferroviario Vesuviano				14		14
Other consortia with unit amount lower than €mil. 10			2	26	2	30
Companies subject to the control or considerable influence of the MEF						
Ferrovie dello Stato Italiane				120		120
Other				105		105
Total	**185**	**7**	**73**	**955**	**6**	**1,226**
% against total for the year	*73.1*	*12.6*	*11.6*	*18.9*	*0.7*	

(*) Amounts refer to the portion not eliminated for proportionate consolidation.
(**) Consortia over which the Group exercises considerable influence or which are subject to joint control.

Payables at 31 December 2013

	Non-current loans and borrowings	Other non-current payables	Current loans and borrowings	Trade payables	Other current payables	Total	Guarantees
Unconsolidated subsidiaries							
Other entities with unit amount lower than €mil. 10			6	13	1	20	
Associates							
Eurofighter Jagdflugzeug GmbH			69	13		82	
Joint Stock Company Sukhoi Civil Aircraft (***)	14		1	53		68	
Consorzio Start SpA				26		26	
Other entities with unit amount lower than €mil. 10			3	32	6	41	
Joint ventures (*)							
MBDA SAS			272	11	1	284	62
Thales Alenia Space SAS			107	17		124	1
GIE-ATR				7	37	44	
Telespazio SpA				1	1	2	218
Other entities with unit amount lower than €mil. 10				12	7	19	
Consortia (**)							
Other consortia with unit amount lower than €mil. 10				6	1	7	
Companies subject to the control or considerable influence of the MEF							
Ferrovie dello Stato Italiane				24		24	
Other	13		16	13	6	48	
Total	**27**	**-**	**474**	**228**	**60**	**789**	**281**
% against total for the year	*0.6*		*37.3*	*4.6*	*3.2*		

(*) Amounts refer to the portion not eliminated for proportionate consolidation.
(**) Consortia over which the Group exercises considerable influence or which are subject to joint control.
(***) Loans and borrowings refer to finance lease payables.

Payables at 31 December 2012

	Non-current loans and borrowings	Other non-current payables	Current loans and borrowings	Trade payables	Other current payables	Total	Guarantees
Unconsolidated subsidiaries							
Other entities with unit amount lower than €mil. 10			4	17	1	22	
Associates							
Eurofighter Jagdflugzeug GmbH			124	11		135	
Consorzio Start SpA				44		44	
Avio SpA				21		21	
Elettronica SpA				10		10	
Joint Stock Company Sukhoi Civil Aircraft (***)	10		1	10		21	
Other entities with unit amount lower than €mil. 10			2	14	7	23	
Joint ventures (*)							
MBDA SAS			299	7		306	87
Thales Alenia Space SAS			151	20		171	2
GIE-ATR			17	5	12	34	
Ansaldo Energia SpA					13	13	
Telespazio SpA				1	5	6	219
SuperJet International SpA				1	11	12	
Other entities with unit amount lower than €mil. 10				4	2	6	
Consortia (**)							
Other consortia with unit amount lower than €mil. 10				7	1	8	
Companies subject to the control or considerable influence of the MEF							
Ferrovie dello Stato Italiane				6		6	
Other	19		7	15	1	42	
Total	**29**	**0**	**605**	**193**	**53**	**880**	**308**
% against total for the year	*0.7*		*30.7*	*3.7*	*3.4*		

(*) Amounts refer to the portion not eliminated for proportionate consolidation.
(**) Consortia over which the Group exercises considerable influence or which are subject to joint control.
(***) Loans and borrowings refer to finance lease payables.

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

Current loans and receivables from related parties mainly refer to the non-eliminated portion of receivables from joint ventures.
Non-current loans and receivables from related parties chiefly consist 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 from related parties mainly refer to the non-eliminated portion of payables to joint ventures, to the Consorzio Start (€mil. 26 vs €mil. 44 at 31 December 2012) for the supply of software for the Defence Systems and Space segments and to the Avio group for the supply of components in the Aeronautics and Helicopters segments.
Borrowings from related parties include in particular the amount of €mil. 379 (€mil. 450 at 31 December 2012) due by Group companies to the joint ventures MBDA and Thales Alenia Space, for the unconsolidated portion, and payables of €mil. 69 (€mil. 124 at 31 December 2012) 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. Moreover, other assets include the fair value of 15% of the Ansaldo Energia share capital which will be sold upon the exercise of the put&call options, defined below, by Finmeccanica and the related party FSI, at a pre-arranged price of €mil. 117 in respect of which capitalised interest accrues at a yearly 6% rate. In particular, Finmeccanica can exercise its put option between 30 June and 31 December 2017, while the call option of FSI is exercisable in the same period or before if some conditions occur. More details on this transaction are shown in the Industrial and Financial Transactions section.

31 December 2013

	Revenue	Other operating income	Costs	Other operating expenses	Financial income	Financial expense
Unconsolidated subsidiaries						
Finmeccanica UK Ltd			10			
Other entities with unit amount lower than €mil. 10	1		14			
Associates						
Eurofighter Jagdflugzeug GmbH	882					
NHIndustries SAS	313					
Orizzonte Sistemi Navali SpA	188					
Iveco - OTO Melara Scarl	126		5	2		4
Metro 5 SpA	36					
Macchi Hurel Dubois SAS	31					
Advanced Air Traffic Systems SDN BHD	12					
Euromids SAS	10		1			
Joint Stock Company Sukhoi Civil Aircraft	5		69			1
Consorzio Start SpA	1		17			
Other entities with unit amount lower than €mil. 10	23	1	26			
Joint ventures (*)						
GIE-ATR	117		27			
MBDA SAS	54		2			2
Thales Alenia Space SAS	29		9			
Closed Joint Stock Company Helivert	15					
Rotorsim Srl	1	3	11			
Other entities with unit amount lower than €mil. 10	29	1	13		2	
Consortia (**) and other						
Other consortia/other with unit amount lower than €mil. 10	22		7			
Companies subject to the control or considerable influence of the MEF						
Ferrovie dello Stato Italiane	364		4			
Other	139		19	1	1	
Total	**2,398**	**5**	**234**	**3**	**3**	**7**
% against total for the year	*13.0*	*0.6*	*2.1*	*0.3*	*0.7*	*0.9*

(*) Amounts refer to the portion not eliminated for proportionate consolidation.
(**) Consortia over which the Group exercises considerable influence or which are subject to joint control.

31 December 2012	Revenue	Other operating income	Costs	Other operating expenses	Financial income	Financial expense
Unconsolidated subsidiaries						
Finmeccanica North America Inc.			10			
Finmeccanica UK Ltd			11			
Other entities with unit amount lower than €mil. 10	1		12			
Associates						
Eurofighter Jagdflugzeug GmbH	880					
NHIndustries SAS	270					
Orizzonte Sistemi Navali SpA	158					
Iveco - OTO Melara Scarl	127		3	2		3
Metro 5 SpA	36		2			
Eurofighter Simulation Sistems GmbH	11		1			
Macchi Hurel Dubois SAS	26					
Joint Stock Company Sukhoi Civil Aircraft	5		18			1
Consorzio Start SpA	2		31			
Avio SpA	2		22			
Other entities with unit amount lower than €mil. 10	31		17			
Joint ventures (*)						
MBDA SAS	68					4
GIE-ATR	112		23	2		
Thales Alenia Space SAS	31		13			1
Balfour Beatty Ansaldo Systems JV SDN BHD	12					
Telespazio SpA	1		11		1	
Other entities with unit amount lower than €mil. 10	14	3	9		4	
Consortia (**) and other						
Other consortia/other with unit amount lower than €mil. 10	19	2	8			
Companies subject to the control or considerable influence of the MEF						
Ferrovie dello Stato Italiane	315		7	4		1
Other	138	1	25			2
Total	**2,259**	**6**	**223**	**8**	**5**	**12**
% against total for the year	*13.7*	*0.7*	*2.0*	*0.7*	*0.8*	*1.2*

(*) Amounts refer to the portion not eliminated for proportionate consolidation.
(**) Consortia over which the Group exercises considerable influence.

The most significant trade receivables and revenues, in addition to the non-eliminated portion of receivables 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);
- NHIndustries in the scope of the NH90 helicopter programme;
- Metro 5 for the activities connected with the new line 5 of the Milan metro;
- Orizzonte Sistemi Navali for the FREMM programme;
- the Ferrovie dello Stato Italiane group for the supply of trains and systems.

37. Financial risk management

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

- *interest-rate risks*, related to the Group's financial exposure;
- *exchange-rate risks*, related to operations in currencies other than the reporting currency;
- *liquidity risks*, relating to the availability of financial resources and access to the credit market;
- *credit risks*, resulting from normal commercial transactions or financing activities.

Finmeccanica carefully and specifically follows each of these financial risks, with the objective of promptly minimising them, even using hedging derivatives.

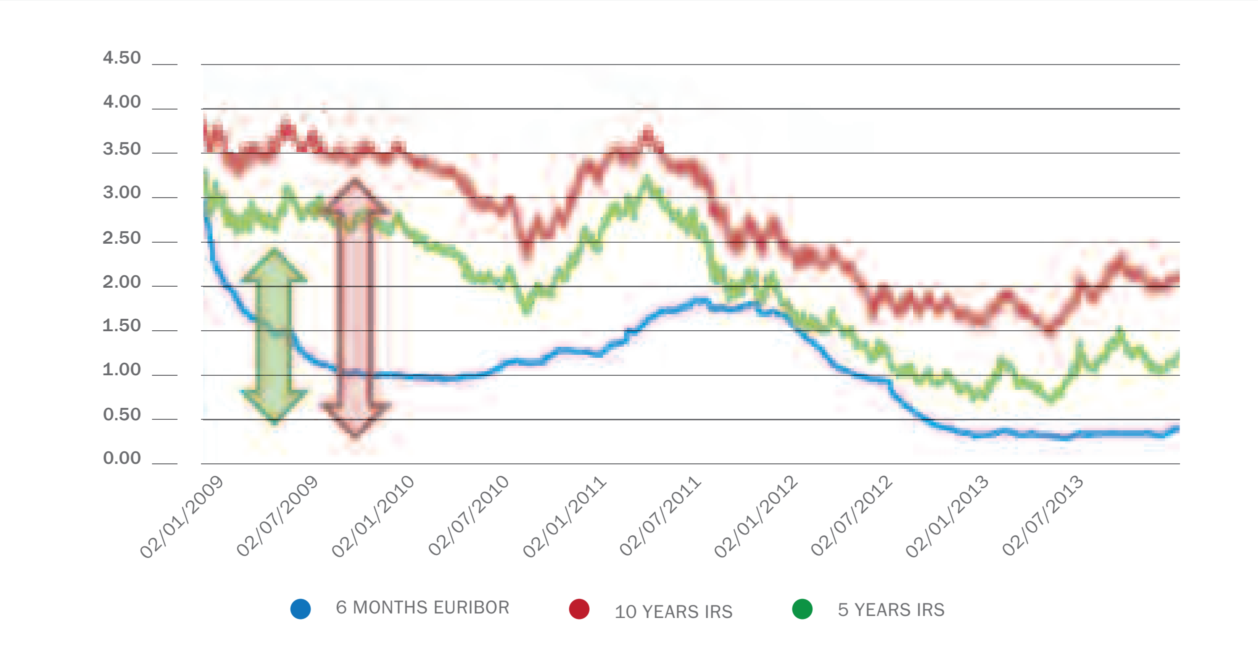
The sections below provide an analysis, conducted through sensitivity analysis, of the potential impact on the final results deriving from assumed fluctuations in reference parameters.
As required by IFRS 7, these analyses are based on simplified scenarios applied to the final results of the reference periods and, by their own nature, they cannot be considered as indicators of the actual effects of future changes in reference parameters with different financial statements and market conditions, and cannot reflect the inter-relations and the complexity of reference markets.

Interest-rate risk

The Finmeccanica Group is exposed to interest-rate risk on borrowings. The management of interest rate risk is consistent with the long-standing practice of reducing the risk of fluctuations in interest rates while seeking to minimise related borrowing costs.

To that regard and with reference to borrowings equal to €mil. 5,500 at 31 December 2013 the fixed-rate percentage amounted to around 86%, while the floating-rate percentage is around 14%. Therefore, at the date of these financial statements, the interest-rate risk exposure is moderate since the derivatives to hedge floating interest rates terminated or have been completed earlier.

In the last five years the switch to floating rates on components of the Group's debt resulted in significant savings in borrowing costs (total cash inflows of €mil. 154), consistent with movements in market interest rates which have tended to drop since 2009 through the present. As can be seen in the following chart, the short-term rate (the 6-month Euribor in the chart) fell suddenly by 200 basis points (bps) in 2009, then remained substantially stable until the end of 2010. In early 2011, the ECB announced that it would begin to bring rates up to a more "appropriate" level. Towards the end of 2011, the rates started to drop again, due to the deteriorated market sentiment in relation to the creditworthiness of the periferical countries and to the economical crisis becoming more evident. The following chart shows the trend of the short-term rates (6-month Euribor) and of long-term rates (IRS 5 and 10 years). The arrows represent the spread, that is the difference between particularly significant short and long-term rates (beyond 200 bps) in the period between the second half of 2009 and the first half of 2011. In 2012 and also in 2013 the interest-rate curve continued to fall, both in the short- and in the medium/long term, thus substantially emphasising the narrowing of the spread between short- and long-term rates. Accordingly, while in previous years the Group's strategy was to take advantage of this trend by switching a portion of the indebtedness into floating-rate debt, at the current market conditions, this strategy would appear much more risky, in case of new derivatives to hedge interest-rate fluctuations. In fact, generally, the best time to assess the conversion from fixed to floating rate coincides with the periods when the spread between long-term (fixed) rate and short-term (floating) rate is considerable, as the saving (positive carry) is substantial and the floating rate is high enough to allow reductions.



At 31 December 2013, the outstanding transactions were the following:

- *Interest-rate swaps fixed/floating/fixed rate for €mil. 200*, related to the issue due 2018 (totalling €mil. 500), which guarantees a fixed rate of 5.30% compared to the bond issue rate of 5.75%. Therefore, the average interest rate related to this issue is 5.57%;
- *options for €mil. 200* (CAP and Knock out at 4.20% in relation to the 6-month Euribor interest rate), originally purchased in order to partially cover the bond issue due 2025. Moreover, given the low cost of the transaction, it is currently deemed appropriate not to settle the transaction, in order to use it in the event of the Group's strategy providing for a return to the floating rate, or against an unfavourable floating-rate indebtedness.

The detail of the main interest-rate swaps at 31 December 2013 is as follows:

	Notional		Underlying (maturity)	Fair value at 1 Jan. 13	Sale of Ansaldo Energia	Changes			Fair value at 31 Dec. 13
	2013	2012				Income	Expense	CFH reserve	
IRS fixed/floating/fixed	200	200	Bond 2018	5			(1)		4
Options	200	200	Bond 2025	(4)		1			(3)
IRS fixed/floating	-	750	Bond 2013	22			(22)		-
Other (net)	-	225	-	(11)	7			4	-
Total notional	**400**	**1,375**		**12**	**7**	**1**	**(23)**	**4**	**1**

	Notional		Underlying (maturity)	Fair value at 1 Jan. 12	Changes			Fair value at 31 Dec. 12
	2012	2011			Income	Expense	CFH reserve	
IRS fixed/floating/fixed	200	200	Bond 2018	5				5
Options	200	200	Bond 2025	(3)		(1)		(4)
IRS fixed/floating	750	750	Bond 2013	30		(8)		22
Other (net)	225	225	-	(11)				(11)
Total notional	**1,375**	**1,375**		**21**	**-**	**(9)**	**-**	**12**

The table below shows the effects of the sensitivity analysis for 2013 and 2012 deriving from the 50-basis-point shift in the interest-rate curve at the reporting date:

Effect of shift of interest-rate curve	31 December 2013		31 December 2012	
	Increase of 50 bps	Decrease of 50 bps	Increase of 50 bps	Decrease of 50 bps
Net result	(1)	-	1	(1)
Equity (*)	(1)	-	1	(1)

(*) Defined as sum of earnings and cash-flow hedge reserve.

Exchange-rate risk

Transaction risk

Due to its commercial operations, the Group's companies are exposed to the risk of fluctuations in the currencies related to those cases in which orders, revenue and costs are expressed in currencies other than the functional one used in the financial statements (specifically, US dollars and, to a lesser extent, the pound sterling).

Exchange-rate risk management is governed by the directive in force within the Group. The purpose of the directive is to standardise management criteria based on industrial-not-speculative strategies so as to contain risks within specific limits by carefully and constantly assessing all foreign currency transaction positions. The methodology adopted calls for the systematic hedging of commercial cash flows resulting from the assumption of contractual commitments that are certain or highly probable as either buyer or seller, thereby ensuring current exchange rates at the date of acquisition of multi-year contracts and neutralising the effects of exchange-rate fluctuations. As a result, contracts for purchases or sales denominated in a currency different from the functional currency are hedged using forward contracts of amounts, maturities, and key parameters that are similar to the underlying position.

The effectiveness of the hedge is tested at least at each interim or year-end reporting date using mathematical and statistical methods. In the event that, due to its nature or following such tests, a derivative instrument held should be found to no longer be an effective hedge, the fair value of the instrument is recognised through profit and loss according to accounting principles. In the event the designation of the instrument as a hedge should continue to be supported by the tests of actual and future effectiveness, the cash-flow hedge accounting method of recognition is adopted (Note 3.11.2).

These transactions are mainly carried out with banks by Finmeccanica in the interest of the fully owned entities and then matched with the companies of the Group, which reflect the relevant impacts in their balance sheet and income statement.

At 31 December 2013, the Finmeccanica Group had outstanding foreign exchange transactions totalling €mil. 5,189 (notional amount) (a decrease of 14% over the year-earlier period) as reported in the table below. Overall, the average euro/US dollar exchange rate for hedging purposes is 1.30 on sales and about 1.33 on purchases, relating in particular to Alenia Aermacchi, whose exposure represents about 50% of the Group's portfolio hedging transaction risk.

	Notional			Fair value at 1 Jan. 13	Changes			Fair value at 31 Dec. 13
	Sales	Purchases	Total		Income	Expense	CFH reserve	
Swap and forward transactions	2,201	2,988	**5,189**	**11**	10	(21)	63	**63**

	Notional			Fair value at 1 Jan. 12	Changes			Fair value at 31 Dec. 12
	Sales	Purchases	Total		Income	Expense	CFH reserve	
Swap and forward transactions	3,110	2,914	**6,024**	**(43)**	26	(21)	49	**11**

The table below shows the expected due dates of receipts and payments related to derivative instruments broken down by main currencies:

	31 December 2013				31 December 2012			
	Receipts Notional USD	GBP	Payments Notional USD	GBP	Receipts Notional USD	GBP	Payments Notional USD	GBP
Cash-flow and fair-value hedges								
Within 1 year	2,233	14	1,263	1,476	2,103	23	1,166	1,361
2 to 3 years	372		451	5	1,368	14	310	25
4 to 9 years	135		28	2	236		67	5
Total	**2,740**	**14**	**1,742**	**1,483**	**3,707**	**37**	**1,543**	**1,391**
Hedging transactions which cannot be classified as hedging transactions	207	8	216	-	356	7	293	1
Total transactions	2,947	22	1,958	1,483	4,063	44	1,836	1,392

The table below shows the effects of the sensitivity analysis carried out on the change in the exchange rates of the euro against the US dollar and the pound sterling, assuming a +/-5% change in the euro/US dollar exchange rate and the euro/pound sterling exchange rate compared with the reference rates at 31 December 2013 (1.3791 and 0.8337, respectively), and 31 December 2012 (1.3194 and 0.8161, respectively).

	31 December 2013				31 December 2012			
	Effect of change in the €/GBP rate		Effect of change in the €/USD rate		Effect of change in the €/GBP rate		Effect of change in the €/USD rate	
	increase of 5%	*decrease of 5%*	*increase of 5%*	*decrease of 5%*	*increase of 5%*	*decrease of 5%*	*increase of 5%*	*decrease of 5%*
Net result	1	-	(2)	2	10	(8)	6	(7)
Equity (*)	(6)	7	8	(10)	-	3	35	(40)

(*) Defined as sum of earnings and cash-flow hedge reserve.

Translation risk

The Group is also significantly exposed to “translation risk”, i.e. the risk that assets and liabilities in consolidated companies whose reporting currency is not the euro (mainly USD and GBP) can have different values in euros depending on the performance of exchange rates, which affect the equity reserve named “Translation reserve” (Note 18). It should be noted that Finmeccanica does not hedge translation risk relating to its own equity investments, the most important of which are in the United States and in the UK.

The main equity holdings in the UK had an overall positive net financial position which is transferred to Finmeccanica through cash pooling arrangements. Finmeccanica systematically hedges this exposure through exchange-rate derivatives recognised as fair value hedges. As a result, even though the Group has no economic exposure, it is subject to balance-sheet volatility directly impacting the amount of Group net debt, which is affected by the realigning payables/receivables in foreign currency from third parties or, similarly, by the cash effects deriving from the renewal of hedges.

The effects on the equity of the Group, broken down by the main currencies, are reported in Note 18.

Liquidity risk

The Group is exposed to liquidity risk, i.e. the risk of not being able to finance the prospective requirements deriving from its usual business and investment operations, as well as those connected with the volatility of the relevant commercial markets and with the effects of the current reorganisation of the Group, specifically with regard to the financial outlays relating to efficiency-improvement processes and to activities linked to business contracts at risk of renegotiation or termination. Furthermore, there is the risk of not being able to repay or refinance debts at the expiry dates.

In order to face the above-mentioned risks, the Group has adopted a series of instruments aimed at optimising the management of financial resources. In this regard, note the borrowing activity which was completed in previous years on bank and bond markets, with the last 7-year issue of €mil. 700 which was completed in December 2013 and then resumed through a new bond issue of €mil. 250 in January 2014 (in this regard, reference should be made to the “Industrial and Financial Transactions” section of the Report on Operations). As a result of this new issue, the average maturity of the bond debt is about 9 years.

Following said last transaction, at 31 December 2013 the EMTN (Euro Medium Term Program) programme, out of which all the current bonds of Finmeccanica SpA and Finmeccanica Finance SA were issued on the Euromarket, had been used for a total of about €mil. 3,380, compared to its total amount of €mil. 4,000. To such amount the bonds issued on the US market by the subsidiary Meccanica Holding USA Inc. must be added for a total gross value of $mil. 1,300.

Furthermore, Finmeccanica, in order to finance its own ordinary and extraordinary operations, can use the cash and cash equivalents of €mil. 1,527 reported at 31 December 2013, related to the Parent Company Finmeccanica (€mil. 761), to Group companies that, for different reasons, do not fall within the scope of the treasury centralisation (€mil. 376) and, for the remaining part, to cash amounts of the companies falling, directly or indirectly, within the scope of the treasury centralisation, also as a result of collections made in the very last days of the period, and to deposits made for different reasons, as well as its credit line (Revolving Credit Facility) totalling €mil. 2,400, which was entered into in 2010 and which will expire in September 2015. In this regard, it should be noted that the measures taken in 2012 and in 2013 by the Agencies on the rating of the medium/long-term debt of Finmeccanica caused the increase in the cost related to the use of said credit line, with a margin passed from an initial 0.75% to the current 1.80% on the Euribor for the period. At 31 December 2013, unconfirmed credit lines of €mil. 598 were available to the Group. At 31 December 2013 all credit lines described above were entirely unused.

Furthermore, it should be noted that the entry into force of the new business contracts is subject to the Group’s ability to issue, in favour of the customers, the necessary bank and insurance guarantees. To this end, at 31 December 2012 Finmeccanica had unconfirmed credit lines for an amount of about €mil. 2,023 at banks.

Credit risk

The Group is exposed to credit risk, which is defined as the probability of an insolvency with respect to a credit position with commercial and financial counterparties.
Regarding commercial transactions, the most significant programmes are made with public sector contractors or contractors belonging to public institutions, mainly in the euro area, in the UK and the US. The risks associated with the counterparty, for contracts with countries for which there are no usual commercial relations, are analysed and valued at the time of the offer in order to highlight and mitigate insolvency risks, if any. While solvency is guaranteed with public-entity customers, collection times are longer (in some countries they are significantly longer) than for other business sectors, creating significant outstanding credit positions and the subsequent need for transactions to convert the receivables into cash. In certain cases these delays are the result of special authorisation procedures typically used by government agencies or by the complexity of innovative contractual arrangements.

Moreover, The Group operates in markets which are or have been recently affected by geopolitical or financial tensions. In particular, with reference to the situation at 31 December 2013, we note the following relations with countries exposed to credit risk according to the international institutions:

	Libya	Other countries	Total
Assets	292	5	**297**
Liabilities	231	4	**235**
Net exposure	61	1	62

Finally the receivables related to these agreements, as reported in “Finmeccanica and risk management” in the Report on Operations, might not be paid, renegotiated or written off.

The table below summarises trade receivables at 31 December 2013 and 2012, with most of the balance claimed, as indicated, from public-sector contractors or contractors belonging to public institutions:

€ billion	31 December 2013	31 December 2012
Portion due	2.5	3.0
- of which: for more than 12 months	*0.6*	*0.7*
Portion not yet due	2.3	2.0
Total trade receivables	4.8	5.0

A part of the portion due is offset by a liability, in relation to payable items or provisions for risks on any net excesses.

Receivables from financing activities, amounting to €mil. 925 (€mil. 884 at 31 December 2012) include €mil. 308 (€mil. 253 at 31 December 2012) classified as “non-current” and consequently excluded from the net financial position. In particular, the non-current portion mainly includes the value of hybrid financial instruments issued by the investee BCV Investments, while the current portion mainly refers to the cash and cash equivalents of the MBDA and Thales Alenia Space joint ventures on deposit with the other partners (BAE and EADS in the first case; Thales in the second case) and financing to other related parties, as shown in the table below:

	2013			2012		
	Total	Of which MBDA	Of which TAS	**Total**	Of which MBDA	Of which TAS
Loans and receivables from related parties	275			185		
Other loans and receivables	33	-	1	68		1
Non-current loans and receivables	**308**			**253**		**1**
Loans and receivables from related parties	72			73		
Other loans and receivables	545	272	177	558	300	191
Current loans and receivables	**617**	**272**	**177**	**631**	**300**	**191**
Total loans and receivables	925	272	178	884	300	192

Both trade and financial receivables are impaired individually if they are significant. For receivables that are not impaired individually, impairment provisions are accrued on an aggregate basis, using historical series and statistical data.

Classification of financial assets and liabilities

The table below shows the fair value hierarchy for the financial assets and liabilities of the Group measured at fair value. The fair value of derivatives (classified under other current assets and liabilities) and of current securities is determined on the basis of measurement techniques which consider directly observable market inputs (the so-called “Level 2”), in particular the foreign exchange rate and the interest rate (spot exchange rates and forwards). Vice versa, the fair value of the hybrid financial instruments in BCV Investments SCA and of the remaining 15% in Ansaldo Energia, subject to put&call options (classified under other non-current assets), as well as 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”). In particular, the fair value of the hybrid financial instruments in BCV Investments SCA was determined on the basis of the price in the binding takeover bid made in 2012 for a great part of the underlying business, and did not change compared to 31 December 2012. The fair value of the stake in Ansaldo Energia was calculated on the basis of the price of the sale, as established in the related agreements. The fair value of the payable to Bell Helicopter was determined by discounting back the estimate of the variable amounts payable on the basis of the success of the programme.

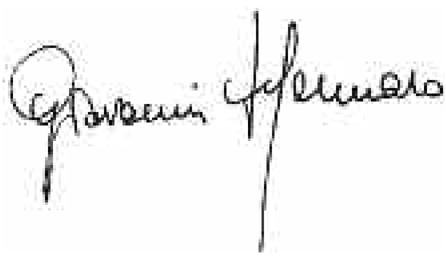
	31 December 2013			**31 December 2012**		
	Level 2	Level 3	Total	Level 2	Level 3	Total
Other non-current assets		389	**389**		181	**181**
Other current assets	126		**126**	112		**112**

	31 December 2013			**31 December 2012**		
	Level 2	Level 3	Total	Level 2	Level 3	Total
Other non-current liabilities		168	**168**		248	**248**
Other current liabilities	53	24	**77**	82	24	**106**

38. Remuneration to key management personnel

Remuneration paid to persons who have strategic power and responsibility of the Corporate is €mil. 4 (€mil. 4 at 31 December 2012).
Remuneration paid to directors (except for the Chairman of the Board of Directors, since his remuneration was already included in the figure previously indicated as the Manager with strategic responsibility) came to €mil. 1 for 2013 and 2012.
These figures include fees and other compensation, pensions and other benefits, including the portion borne by the Company, owed as a result of holding the position of director or Statutory Auditor of the Parent Company that represented a cost for the Group.

For the Board of Directors
The Chairman
(Giovanni De Gennaro)



ATTACHMENT: 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 A.A.S. 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 ESPAÑA SL	Madrid (Spain)	EUR	3,300		100	100
AGUSTAWESTLAND HOLDINGS LTD	Yeovil, Somerset (UK)	GBP	40,000		100	100
AGUSTAWESTLAND INDIA PRIVATE LTD	New Delhi (India)	INR	11,519,450		100	100
AGUSTAWESTLAND INTERNATIONAL LTD	Yeovil, Somerset (UK)	GBP	511,000		100	100
AGUSTAWESTLAND LTD	Yeovil, Somerset (UK)	GBP	1,520,304		100	100
AGUSTAWESTLAND MALAYSIA SDN BHD	Kuala Lumpur (Malaysia)	MYR	2,500,000		100	100
AGUSTAWESTLAND NORTH AMERICA INC.	Wilmington, Delaware (USA)	USD	1		100	100
AGUSTAWESTLAND NV	Amsterdam (the Netherlands)	EUR	80,000	100		100
AGUSTAWESTLAND PHILADELPHIA CO.	Wilmington Delaware (USA)	USD	20,000,000		100	100
AGUSTAWESTLAND POLITECNICO ADVANCED ROTORCRAFT CENTER SCARL	Milan	EUR	400,000		80	80
AGUSTAWESTLAND PORTUGAL SA	Lisbon (Portugal)	EUR	100,000		100	100
AGUSTAWESTLAND PROPERTIES LTD	Yeovil, Somerset (UK)	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	40.0656
ANSALDO STS AUSTRALIA PTY LTD	Brisbane (Australia)	AUD	5,025,885		100	40.0656
ANSALDO STS BEIJING LTD	Beijing (China)	EUR	836,945		80	32.0528
ANSALDO STS CANADA INC.	Kingstone, Ontario (Canada)	CAD	-		100	40.0656
ANSALDO STS DEUTSCHLAND GMBH	Munich (Germany)	EUR	26,000		100	40.0656
ANSALDO STS ESPAÑA SAU	Madrid (Spain)	EUR	1,500,000		100	40.0656
ANSALDO STS FRANCE SAS	Les Ulis (France)	EUR	5,000,000		100	40.0656
ANSALDO STS HONG KONG LTD	Kowloon Bay (China)	HKD	100,000		100	40.0656
ANSALDO STS IRELAND LTD	County Kerry (Ireland)	EUR	100,309		100	40.0656
ANSALDO STS MALAYSIA SDN BHD	Kuala Lumpur (Malaysia)	MYR	3,000,000		100	40.0656
ANSALDO STS-SINOSA RAIL SOLUT. SOUTH AFR. (PTY) LTD	Sandton (ZA - South Africa)	ZAR	2,000		51	20.4335
ANSALDO STS SOUTHERN AFRICA (PTY) LTD	Gaborone (Botswana)	BWP	100		100	40.0656
ANSALDO STS SWEDEN AB	Solna (Sweden)	SEK	4,000,000		100	40.0656
ANSALDO STS TRANSPORTATION SYSTEMS INDIA PRIVATE LTD	Bangalore (India)	INR	3,012,915,050		100	40.0656
ANSALDO STS UK LTD	Barbican (UK)	GBP	1,000,000		100	40.0656
ANSALDO STS SPA	Genoa	EUR	80,000,000	40.0656		40.0656
ANSALDO STS USA INC.	Wilmington, Delaware (USA)	USD	1		100	40.0656

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	
ANSALDO STS USA INTERNATIONAL CO.	Wilmington, Delaware (USA)	USD	1,000		100	40.0656
ANSALDO STS USA INTERNATIONAL PROJECTS CO.	Wilmington Delaware (USA)	USD	25,000		100	40.0656
ANSALDOBREDA ESPAÑA SLU	Madrid (Spain)	EUR	3,010		100	100
ANSALDOBREDA INC.	Pittsburgh, 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	40.0656
BREDAMENARINIBUS SPA	Bologna	EUR	1,300,000	100		100
CISDEG SPA	Rome	EUR	120,000		87.5	87.5
CYBERLABS SRL	Milan	EUR	20,000		100	100
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 LTD	Farnham, Surrey (UK)	GBP	1,000		100	100
DRS TECHNICAL SERVICES GMBH & CO KG	Baden-Wurttemberg (Germany)	EUR	-		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	
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	49
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
ELSAG NORTH AMERICA LLC	Madison, North Carolina (USA)	USD	3,000,000		100	100
ENGINEERED COIL COMPANY	Clayton, Missouri (USA)	USD	1,000		100	100
ENGINEERED ELECTRIC 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 (Quatar)	QAR	200,000		49	97
FATA HUNTER INC.	Riverside, California (USA)	USD	5,800,000		100	100
FATA LOGISTIC SYSTEMS SPA	Pianezza (Turin)	EUR	100,000		100	100
FATA SPA	Pianezza (Turin)	EUR	20,000,000	100		100
FINMECCANICA FINANCE SA	Luxembourg (Luxembourg)	EUR	12,371,940	100		100
FINMECCANICA GLOBAL SERVICES SPA formerly FINMECCANICA GROUP REAL ESTATE SPA	Rome	EUR	49,945,983	100		100
LARIMART SPA	Rome	EUR	2,500,000		60	60
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
NET SERVICE SRL	Bologna	EUR	110,000		70	70
ORANGEE SRL	Rome	EUR	99,000		100	100
OTO MELARA IBERICA SAU	Loriguilla, Valencia (Spain)	EUR	120,000		100	100
OTO MELARA NORTH AMERICA INC.	Dover, Delaware (USA)	USD	10,000		100	100

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Company name	Registered office	Currency	Share capital	% Group ownership		% Group shareholding
				Direct	Indirect	
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 ŚWIDNIK SP.ZO.O.	Mechaniczna 13 - U1, Świdnik (Polonia)	PLN	7,072,000		73.88290	72.74840
SELEX COMMUNICATIONS INC.	San Francisco, California (USA)	USD	650,000		100	100
SELEX ELSAG LTD	Chelmsford, Essex (UK)	GBP	25,800,100		100	100
SELEX ES DO BRASIL LTDA formerly SELEX COMMUNICATIONS DO BRASIL LTDA	Rio de Janeiro (Brazil)	BRL	3,621,000		100	100
SELEX ES GMBH formerly SELEX COMMUNICATIONS GMBH	Backnang (Germany)	EUR	2,500,000		100	100
SELEX ES INTERNATIONAL LTD formerly SELEX ELSAG HOLDINGS LTD	Chelmsford (UK)	GBP	60,000,000		100	100
SELEX ES LTD formerly SELEX GALILEO LTD	Essex (UK)	GBP	270,000,100		100	100
SELEX ES MUAS SPA formerly SELEX GALILEO 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 formerly SELEX KOMUNIKASYON AS	Golbasi (Turkey)	TRY	56,501,808		100	100
SELEX ES ROMANIA SRL formerly SELEX COMMUNICATIONS ROMANIA SRL	Bucharest (Romania)	RON	42,370		100	100
SELEX ES SPA formerly SELEX ELECTRONIC SYSTEMS SPA	Rome	EUR	1,000,000	100		100
SELEX SERVICE MANAGEMENT SPA	Rome	EUR	3,600,000	100		100
SELEX SISTEMI INTEGRATI SPA	Rome	EUR	143,110,986		100	100
SELEX SYSTEMS INTEGRATION INC.	Delaware (USA)	USD	1		100	100
SELEX SYSTEMS INTEGRATION LTD	Portsmouth, Hampshire (UK)	GBP	71,500,001		100	100
S.C. ELETTRA COMMUNICATIONS SA	Ploiesti (Romania)	RON	10,847,960		50.5	50.5
SIRIO PANEL SPA	Montevarchi (Arezzo)	EUR	447,228		100	100
SO.GE.PA. SOCIETÀ 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
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-ŚWIDNIK" SPOLKA AKCYJNA	Aleja Lotnikow, Świdnik (Poland)	PLN	86,006,050		98.46449	98.46449
ZAKLAD OBROBKI PLASTYCZNEJ SP.ZO.O.	Kuznicza 13 - U1, Świdnik (Poland)	PLN	3,800,000		100	98.46449

LIST OF COMPANIES CONSOLIDATED USING THE PROPORTIONATE METHOD (AMOUNTS IN FOREIGN CURRENCY)

Company name	Registered office	Currency	Share capital	% Group ownership		% Group shareholding
				Direct	Indirect	
THALES ALENIA SPACE SAS	Cannes La Bocca (France)	EUR	979,240,000	33		33
THALES ALENIA SPACE FRANCE SAS	Paris (France)	EUR	905,746,395		100	33
THALES ALENIA SPACE ITALIA SPA	Rome	EUR	204,007,999		100	33
THALES ALENIA SPACE ESPAÑA SA	Madrid (Spain)	EUR	4,507,500		100	33
THALES ALENIA SPACE BELGIUM	Charleroi (Belgium)	EUR	24,000,000		100	33
THALES ALENIA SPACE NORTH AMERICA INC.	Wilmington, Delaware (USA)	USD	200,000		100	33
THALES ALENIA SPACE DEUTSCHLAND SAS	Germany	EUR	25,000		100	33
TELESPAZIO FRANCE SAS	Toulouse (France)	EUR	33,670,000		100	67
TELESPAZIO SPA	Rome	EUR	50,000,000		100	67
SPACEOPAL GMBH	Munich (Germany)	EUR	500,000		50	33.5
TELESPAZIO VEGA UK LTD	Welwyn Garden City, Herts (UK)	GBP	30,000,100		100	67
TELESPAZIO VEGA UK SL	Madrid (Spain)	EUR	3,100		100	67
TELESPAZIO VEGA DEUTSCHLAND GMBH	Darmstadt (Germany)	EUR	44,150		100	67
E-GEOS SPA	Matera	EUR	5,000,000		80	53.6
GAF AG	Munich (Germany)	EUR	256,000		100	53.6
EUROMAP SATELLITENDATEN-VERTRIEBSGESELLSCHAFT GMBH	Neustrelitz (Germany)	EUR	127,823		100	53.6
TELESPAZIO ARGENTINA SA	Buenos Aires (Argentina)	ARS	9,900,000		100	66.958
TELESPAZIO BRASIL SA	Rio de Janeiro (Brazil)	BRL	58,724,000		98.774	66.1786
TELESPAZIO NORTH AMERICA INC.	Doover, Delaware (USA)	USD	10		100	67
TELESPAZIO HUNGARY SATELLITE TELECOMMUNICATIONS LTD	Budapest (Hungary)	EUR	100,000		100	67
RARTEL SA	Bucharest (Romania)	RON	468,500		61.061	40.911
TELESPAZIO IBERICA SL	Barcelona (Spain)	EUR	2,230,262		100	67
AMSH BV	Amsterdam (The Netherlands)	EUR	36,296,316	50		50
MBDA SAS	Paris (France)	EUR	53,824,000		50	25
MBDA TREASURE COMPANY LTD	Jersey (UK)	EUR	290,000		100	25
MBDA FRANCE SAS	Paris (France)	EUR	36,836,000		99.99	25
MBDA INCORPORATED	Wilmington, Delaware (USA)	USD	1,000		100	25
MBDA INTERNATIONAL LTD	UK	GBP	1,000,000		100	25
MBDA ITALIA SPA	Rome	EUR	120,000,000		100	25
MBDA UK LTD	Stevenage (UK)	GBP	5,345,292		99.99	25
MBDA UAE LTD	London (UK)	GBP	100		100	25
MATRA ELECTRONIQUE SA	Paris (France)	EUR	1,525,000		99.99	25
MBDA INSURANCE LTD	Dublin (Ireland)	EUR	3,500,000		100	25
MBDA SERVICES SA	Paris (France)	EUR	38,000		99.68	24.92
MBDA DEUTSCHLAND GMBH	Unterschleissheim (Germany)	EUR	1,001,000		100	25
BAYERN-CHEMIE GMBH	Germany	EUR	511,292		100	25
TAURUS SYSTEMS GMBH	Germany	EUR	511,292		67	16.75
TDW GMBH	Germany	EUR	2,556,459		100	25
MBDA SPAIN	Madrid (Spain)	EUR	6,300		100	25
AVIATION TRAINING INTERNATIONAL LTD	Dorset (UK)	GBP	550,000		50	50
ROTORSIM SRL	Sesto Calende (Varese)	EUR	9,800,000		50	50
ROTORSIM USA LLC	Wilmington, Delaware (USA)	USD	12,607,452		50	50
CLOSED JOINT STOCK COMPANY HELIVERT	Moscow (Russian Federation)	RUR	10,000		50	50

LIST OF COMPANIES CONSOLIDATED USING THE PROPORTIONATE METHOD (AMOUNTS IN FOREIGN CURRENCY)

Company name	Registered office	Currency	Share capital	% Group ownership		% Group shareholding
				Direct	Indirect	
CONSORZIO GIE-ATR e SPE	Toulouse (France)	USD	-		50	50
SUPERJET INTERNATIONAL SPA	Tessera (Venice)	EUR	6,424,411		51	51
BALFOUR BEATTY ANSALDO SYSTEMS JV SDN BHD	Ampang (Malaysia)	MYR	6,000,000		40	16.0262
KAZAKHSTAN TZ-ANSALDOSTS ITALY LLP	Astana (Kazakhstan)	KZT	22,000,000		49	19.6321
ADVANCED ACOUSTIC CONCEPTS LLC	Wilmington, Delaware (USA)	USD	-		51	51

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	49
AGUSTAWESTLAND UK PENSION SCHEME (TRUSTEE) LTD	Yeovil, Somerset (UK)	GBP	1		100	100
ANSALDOBREDA FRANCE SAS (IN LIQ.)	Marseilles (France)	EUR	200,000		100	100
CCRT SISTEMI SPA (IN BANKRUPTCY)	Milan	EUR	697,217		30.34	30.34
ELSACOM UKRAINE JOINT STOCK COMPANY	Kiev (Ukraine)	UAH	7,945,000		49	49
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.)	Bruxelles (Belgium)	EUR	264,000	18.94	18.94	25.19
INDUSTRIE AERONAUTICHE E MECCANICHE RINALDO PIAGGIO SPA (EXTR. ADM.)	Genoa	EUR	103,567	30.982		30.982
INMOVE ITALIA SPA	Naples	EUR	120,000		100	100
SAITECH SPA (IN BANKRUPTCY)	Passignano sul Trasimeno (Perugia)	EUR	2,582,284		40	40
SEL PROC SRL formerly SEL PROC SCRL	Rome	EUR	300,000		100	100
SESM - SOLUZIONI EVOLUTE PER LA SISTEMISTICA E I MODELLI - SCARL	Naples	EUR	323,440		100	100

LIST OF COMPANIES CONSOLIDATED USING THE EQUITY METHOD (AMOUNTS IN FOREIGN CURRENCY)

Company name	Registered office	Currency	Share capital	% Group ownership		% Group shareholding
				Direct	Indirect	
A4ESSOR SAS	Neuilly-sur-Seine (France)	EUR	100,000		21	21
ABRUZZO ENGINEERING SCPA (IN LIQ.)	L'Aquila	EUR	1,100,000		30	30
ABU DHABI SYSTEMS INTEGRATION LLC	Abu Dhabi (United Arab Emirates)	AED	1,150,000		43.043	43.043
ADVANCED AIR TRAFFIC SYSTEMS SDN BHD	Darul Ehsan (Malaysia)	MYR	5,000,000		30	30
ADVANCED LOGISTICS TECHNOLOGY ENGINEERING CENTER SPA	Turin	EUR	552,223		51	16.83
AGUSTAWESTLAND AVIATION SERVICES LLC	Abu Dhabi (United Arab Emirates)	AED	10,000		30	30
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	26.3832
ANSALDO - E.M.I.T. SCRL (IN LIQ.)	Genoa	EUR	10,200		50	50
AUTOMATION INTEGRATED SOLUTIONS SPA	Pianezza (Turin)	EUR	100,000		40	40
BCV INVESTMENTS SCA	Luxembourg (Luxembourg)	EUR	5,446,513	14.32		14.32
BRITISH HELICOPTERS LTD	Yeovil, Somerset (UK)	GBP	6		100	100
CARDPRIZE TWO LIMITED	Basildon, Essex (UK)	GBP	1		100	100
COMLENIA SENDIRIAN BERHAD	Selangor Darul Ehsan (Malaysia)	MYR	1,500,000		30	30
CONSORZIO START SPA	Rome	EUR	100,000		43.96	43.96
DATTILO - DISTRETTO ALTA TECNOLOGIA TRASPORTI E LOGISTICA SCARL	Naples	EUR	100,000		24	15.6092
DEVELOPMENT & INNOVATION IN TRANSPORT SYSTEMS SRL	Rome	EUR	40,000		24	16.8079
DISTRETTO TECNOLOGICO AEROSPAZIALE SCARL	Brindisi	EUR	150,000		24	24
ECOSEN CA	Caracas (Venezuela)	VEF	1,310,000		50.5	20.23
ELETTRONICA SPA	Rome	EUR	9,000,000	31.333		31.333
ELSACOM HUNGARIA KFT (IN LIQ.)	Budapest (Hungary)	HUF	3,000,000		100	100
ELSACOM NV	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	21
EUROFIGHTER INTERNATIONAL LTD	London (UK)	GBP	2,000,000		21	21
EUROFIGHTER JAGDFLUGZEUG GMBH	Hallbergmoos (Germany)	EUR	2,556,459		21	21
EUROFIGHTER SIMULATION SYSTEMS GMBH	Unterhaching (Germany)	EUR	260,000		24	24
EUROMIDS SAS	Paris (France)	EUR	40,500		25	25
EUROSATELLITE FRANCE SA	France	EUR	40,000		100	33
EUROSYSNAV SAS	Paris (France)	EUR	40,000	50		50
EUROTECH SPA	Amaro (Udine)	EUR	8,878,946	11.08		11.08
FATA HUNTER INDIA PVT LTD	New Delhi (India)	INR	500,000		100	100
FATA (SHANGHAI) ENGINEERING EQUIPMENT CO. LTD	Shanghai (China)	CNY	100,000		100	100
FINMECCANICA DO BRASIL LTDA	Brasilia (Brazil)	BRL	1,203,200	99.999		99.999

LIST OF COMPANIES CONSOLIDATED USING THE EQUITY METHOD (AMOUNTS IN FOREIGN CURRENCY)

Company name	Registered office	Currency	Share capital	% Group ownership		% Group shareholding
				Direct	Indirect	
FINMECCANICA NORTH AMERICA INC.	Dover, Delaware (USA)	USD	1,000	100		100
FINMECCANICA UK LTD	London (UK)	GBP	1,000	100		100
GRUPO AURENSIS SA DE CV	Bosque de Duraznos (Mexico)	MXN	50,000		100	67
IAMCO - INTERNATIONAL AEROSPACE MANAGEMENT COMPANY SCRL	Venice	EUR	208,000		25	25
ICARUS SCPA	Turin	EUR	10,268,400		49	49
IMMOBILIARE CASCINA SRL	Gallarate (Varese)	EUR	46,800		100	100
INDIAN ROTORCRAFT LTD	Andhta Pradesh (India)	INR	429,337,830		26	26
INTERNATIONAL METRO SERVICE SRL	Milan	EUR	700,000		49	19.63
IM INTERMETRO SPA (IN LIQ.)	Rome	EUR	2,461,320		33.332	23.343
IVECO - OTO MELARA SCARL	Rome	EUR	40,000		50	50
JIANGXI CHANGE AGUSTA HELICOPTER CO. LTD	Jiangxi Province (China)	USD	6,000,000		40	40
JOINT STOCK COMPANY SUKHOI CIVIL AIRCRAFT	Moscow (Russian Federation)	RUB	3,065,725,000		25.0001	25.0001
LIBYAN ITALIAN ADVANCED TECHNOLOGY CO	Tripoli (Lybia)	EUR	8,000,000	25	25	50
LMATTS LLC	Georgia (USA)	USD	100		100	100
MACCHI HUREL DUBOIS SAS	Plaisir (France)	EUR	100,000		50	50
METRO 5 SPA	Milan	EUR	50,000,000		31.9	17.16
METRO BRESCIA SRL	Brescia	EUR	1,020,408		24.5	12.636
MUSINET ENGINEERING SPA	Turin	EUR	520,000		49	49
N2 IMAGING SYSTEMS LLC	Wilmington, Delaware (USA)	USD	-		30	30
NGL PRIME SPA	Turin	EUR	120,000	30		30
NHINDUSTRIES SAS	Aix-en-Provence (France)	EUR	306,000		32	32
NOVACOM SERVICES SA	Toulouse (France)	EUR	5,217,200		39.73	26.62
ORIZZONTE - SISTEMI NAVALI SPA	Genoa	EUR	20,000,000		49	49
OTO MELARA DO BRASIL LTDA	Rio de Janeiro (Brazil)	BRL	1,500,000		99.9999	99.9999
PEGASO SCRL (IN LIQ.)	Rome	EUR	260,000		46.87	18.778
ROXEL SAS	Le Plessis Robinson (France)	EUR	52,595,100		50	12,5
SAPHIRE INTERNATIONAL AVIATION & ATC ENGINEERING CO LTD	Beijing (China)	USD	800,000		65	65
SELEX ES AUSTRALIA PTY LTD	Canberra (Australia)	AUD	2		100	100
SELEX ES ELECTRO OPTICS (OVERSEAS) LTD formerly SELEX GAL. ELEC. OPTICS (OVERSEAS) LTD	Basildon, Essex (UK)	GBP	15,000		100	100
SELEX ES INDIA PRIVATE LTD formerly SELEX GALILEO INDIA PRIVATE LTD	New Delhi (India)	INR	30,100,000		100	100
SELEX ES INFRARED LTD formerly SELEX GALILEO INFRARED LTD	Basildon, Essex (UK)	GBP	2		100	100
SELEX ES (PROJECTS) LTD formerly SELEX GALILEO (PROJECTS) LTD	Basildon, Essex (UK)	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 (UK)	GBP	100		100	100
SELEX SISTEMI INTEGRATI DE VENEZUELA SA	Caracas (Venezuela)	VEF	321,000		100	100
SERVICIOS TECNICOS Y ESPECIALIZADOS Y DE INFORMACION SA DE CV	Bosque de Duraznos (Mexico)	MXN	50,000		100	67
SEVERNYJ AVTOBUS ZAO	St. Petersburg (Russian Federation)	RUB	84,000		35	35

LIST OF COMPANIES CONSOLIDATED USING THE EQUITY METHOD (AMOUNTS IN FOREIGN CURRENCY)

Company name	Registered office	Currency	Share capital	% Group ownership		% Group shareholding
				Direct	Indirect	
SIRIO PANEL INC.	Dover, Delaware (USA)	USD	10,000		100	100
SISTEMI DINAMICI SPA	San Piero a Grado (Pisa)	EUR	200,000		40	40
SOCIETÀ DI PROGETTO CONSORTILE PER AZIONI M4	Milan	EUR	120,000		34.2	24.071
CONSORZIO TELAER	Rome	EUR	103,291		100	67.52
CONSORZIO TELAER SISTEMI DI TELERILEVAMENTO AEREO	Rome	EUR	120,000		62	47.152
WIN BLUEWATER SERVICES PRIVATE LIMITED	New Delhi (India)	INR	12,000,000		99.99	99.99
XAIT SRL	Ariccia (Rome)	EUR	50,000		100	100
ZAO ARTETRA	Moscow (Russian Federation)	RUB	353,000		51	51

Below are the main changes in the scope of consolidation at 31 December 2013 in comparison with 31 December 2012:

Companies which entered the scope of consolidation:

Company		Month
Rotorsim USA LLC	newly purchased	January 2013
Closed Joint Stock Company Helivert	newly purchased	May 2013
Dattilo - Distretto alta tecnologia per l'industria SCaRL	newly purchased	July 2013
FATA (Shanghai) Engineering Equipment Co. Ltd	newly set up	August 2013
OTO Melara do Brasil Ltda	newly set up	November 2013
Indian Rotorcraft Ltd	newly set up	December 2013

Companies which left the scope of consolidation:

Company		Month
Canopy Technologies Inc.	deconsolidated	January 2013
Nicco Communications SAS (in liq.)	deconsolidated	January 2013
Global Military Aircraft Systems LLC (in liq.)	deconsolidated	March 2013
Trimprobe SpA (in liq.)	deconsolidated	May 2013
Turboenergy Srl	left the shareholding structure	August 2013
Western Investors Technology Group Inc.	deconsolidated	August 2013
Western Investors Technology Group LP	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 I (in liq.)	deconsolidated	December 2013
Ansaldo Energia and subsidiaries	sale	December 2013

Merged companies:

Company		Month
SELEX Galileo SpA	merged into Selex ES SpA	January 2013
SELEX Elsag SpA	merged into Selex ES SpA	January 2013
SELEX Sistemi Integrati do Brasil Ltda	merged into Selex ES do Brasil Ltda	March 2013
Agusta Holding BV	merged into AgustaWestland NV	September 2013
Finmeccanica Group Services SpA	merged into Finmeccanica Group Real Estate SpA	October 2013
SELEX Systems Integration GmbH	merged into SELEX Communications GmbH	October 2013
AgustaWestland Inc.	merged into AgustaWestland North America Inc.	December 2013

Company which changed their name:

Company		Month
SELEX Galileo Ltd	Selex ES Ltd	January 2013
SELEX Galileo (Projects) Ltd	Selex ES (Projects) Ltd	January 2013
SELEX Galileo Electro Optics (Overseas) Ltd	Selex ES Electro Optics (Overseas) Ltd	January 2013
SELEX Galileo India Private Ltd	Selex ES India Private Ltd	January 2013
SELEX Galileo Infrared Ltd	Selex ES Infrared Ltd	January 2013
SELEX Komunikasyon AS	Selex ES Elektronik Turkey AS	January 2013
SELEX Communications Romania Srl	Selex ES Romania Srl	January 2013
SELEX Galileo Muas SpA	Selex ES Muas SpA	January 2013
SELEX Electronic Systems SpA	Selex ES SpA	March 2013
SELEX Communications GmbH	Selex ES GmbH	October 2013
Finmeccanica Group Real Estate SpA	Finmeccanica Global Services SpA	October 2013

STATEMENT ON THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154-*BIS*, PARAGRAPH 5 OF LEGISLATIVE DECREE 58/1998 AS AMENDED

1. The undersigned Alessandro Pansa, Chief Executive Officer and General Manager, and Gian Piero Cutillo as the Officer in charge of financial reporting for Finmeccanica SpA, certify, in accordance with Article 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 consolidated financial statements at 31 December 2013.

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

3. It is also certified that:

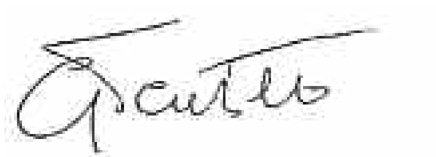
   3.1 The consolidated financial statements:
   - were prepared in accordance with International Financial Reporting Standards endorsed by the European Community pursuant to EC Regulation 1606/2002 of the European Parliament and of the Council of 19 July 2002;
   - correspond to the entries in the books and accounting records;
   - were prepared in accordance with Article 154-*ter* of the aforesaid Legislative Decree 58/1998 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 of the entities included within the scope of consolidation.

   3.2 The Report on Operations includes a reliable analysis of the performance and the operating result, as well as the position of the issuer and of the entities included within the scope of consolidation, together with a description of the main risks and uncertainties they are exposed to.

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

Rome, 19 March 2014

Chief Executive Officer
and General Manager
Alessandro Pansa



Officer in charge
of financial reporting
Gian Piero Cutillo

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

Report of the auditors in accordance with articles 14 and 16 of Legislative decree no. 39 of 27 January 2010

To the shareholders of
Finmeccanica S.p.a.

1 We have audited the consolidated financial statements of the Finmeccanica Group as at and for the year ended 31 December 2013, comprising the separate income statement, statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and notes thereto. The parent's directors are responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

The consolidated financial statements present the prior year corresponding figures for comparative purposes. As disclosed in the notes, the parent's directors restated some of the corresponding figures presented for comparative purposes in respect of those previously presented and audited by us, on which we issued our report dated 30 April 2013. We have examined the methods used by the parent's directors to restate the comparative figures and related disclosures included in the notes, for the purpose of expressing our opinion on the consolidated financial statements as at and for the year ended 31 December 2013.

3 In our opinion, the consolidated financial statements of the Finmeccanica Group as at and for the year ended 31 December 2013 comply with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Therefore, they are clearly stated and give a true and fair view of the financial position of the Finmeccanica Group as at 31 December 2013, the results of its operations and its cash flows for the year then ended.

4 Without qualifying our opinion, we draw attention to the disclosures provided by the parent's directors in the notes to the consolidated financial statements with regards to the judicial investigations involving Finmeccanica S.p.a. and certain subsidiaries, as well as certain former directors and managers of these companies.

5 The directors of Finmeccanica S.p.a. are responsible for the preparation of a report on operations and a report on corporate governance and shareholder structure, published in the "*Governance*" section of Finmeccanica S.p.a. website, in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the report on corporate governance and shareholder structure, to the extent of the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative decree no. 58/98 with the financial statements to which they refer, as required by the law. For this purpose, we have performed the procedures required by the Italian Standard on Auditing 001 issued by the Italian Accounting Profession and recommended by Consob. In our opinion, the report on operations and the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative decree no. 58/98 disclosed in the report on corporate governance and shareholder structure are consistent with the consolidated financial statements of the Finmeccanica Group as at and for the year ended 31 December 2013.

Rome, 31 March 2014

KPMG S.p.A.

(signed on the original)

Riccardo Cecchi
Director of Audit

SEPARATE
FINANCIAL STATEMENTS
AT 31 DECEMBER 2013
FINMECCANICA
SOCIETÀ PER AZIONI

ACCOUNTING STATEMENTS TO THE SEPARATE FINANCIAL STATEMENTS AT 31 DECEMBER 2013

SEPARATE INCOME STATEMENT

€	Note	2013	*of which with related parties*	2012	*of which with related parties*
Revenue	23	67,017,120	*66,260,554*	74,015,801	*74,015,801*
Other operating income	24	94,241,671	*12,055,485*	25,012,161	*11,647,292*
Purchases	25	(310,278)		(347,633)	
Services	25	(99,112,043)	*(46,400,444)*	(89,601,776)	*(42,917,659)*
Personnel expenses	26	(53,780,674)		(49,000,755)	
Amortisation, depreciation and impairment losses	27	(15,760,251)		(9,585,632)	
Other operating expenses	24	(15,410,555)	*(368,429)*	(20,917,774)	*(630,153)*
EBIT		**(23,115,010)**		**(70,425,608)**	
Financial income	28	766,298,279	*110,624,837*	1,214,721,805	*98,287,012*
Financial expense	28	(1,121,858,890)	*(224,694,265)*	(1,881,382,568)	*(205,130,781)*
Profit (Loss) before taxes and the effects of Discontinued Operations		**(378,675,621)**		**(737,086,389)**	
Income taxes	29	23,257,501		37,044,864	
(Loss) Profit from Discontinued Operations		-		-	
Net profit (loss)		(355,418,120)		(700,041,525)	

STATEMENT OF COMPREHENSIVE INCOME

€		2013		2012
Profit (Loss) for the year		(355,418,120)		(700,041,525)
Other comprehensive income (expense):				
Comprehensive income (expense) which will not be subsequently reclassified within the profit (loss) for the year:				
- Measurement of defined-benefit plans:		271,664		(464,096)
. remeasurement	*271,664*		*(464,096)*	
- Tax effect		-		-
		271,664		**(464,096)**
Comprehensive income (expense) which will or might be subsequently reclassified within the profit (loss) for the year:				
- Available-for-sale financial assets:		-		182,087
. sale	-		*182,087*	
. fair value adjustment	-		-	
- Tax effect		-		-
		-		**182,087**
Total other comprehensive income (expense), net of tax:		**271,664**		**(282,009)**
Total comprehensive income (expense)		(355,146,456)		(700,323,534)

STATEMENT OF FINANCIAL POSITION

€	Note	31 December 2013	of which with related parties	31 December 2012	of which with related parties
Non-current assets					
Intangible assets		3,023,483		3,272,978	
Property, plant and equipment	8	56,970,138		55,663,851	
Investment properties	8	99,520,829		101,276,479	
Equity investments	9	7,456,125,593		7,633,390,345	
Receivables and other non-current assets	10	621,741,620	*219,697,231*	536,216,356	*248,772,043*
Deferred tax assets	30	36,255,230		27,852,003	
		8,273,636,893		**8,357,672,012**	
Current assets					
Trade receivables	11	59,603,786	*56,984,315*	79,572,556	*68,708,092*
Income tax receivables	12	91,540,915		88,799,082	
Loans and receivables	11	2,467,226,132	*2,467,188,937*	2,405,888,551	*2,405,848,783*
Derivatives	21	148,738,764		27,983,783	
Other current assets	13	127,972,141	*59,213,665*	245,340,249	*91,251,193*
Cash and cash equivalents	14	761,151,435		1,219,486,341	
		3,656,233,173		**4,067,070,562**	
Total assets		11,929,870,066		12,424,742,574	
Equity					
Equity and liabilities					
Share capital		2,524,859,141		2,524,859,141	
Other reserves		1,350,745,545		1,705,892,001	
Total equity	15	**3,875,604,686**		**4,230,751,142**	
Non-current liabilities					
Loans and borrowings	16	3,741,716,048	*2,875,075,955*	3,097,417,657	*2,184,612,296*
Employee benefit obligations	18	4,143,719		4,493,371	
Provisions for risks and charges	17	122,085,823		57,270,294	
Other non-current liabilities	19	104,217,665		109,664,422	
		3,972,163,255		**3,268,845,744**	
Current liabilities					
Trade payables	20	81,871,404	*32,920,648*	56,013,882	*24,114,211*
Loans and borrowings	16	3,261,297,342	*3,190,796,350*	4,125,494,735	*4,054,560,568*
Income tax payables	12	17,054,520		4,153,652	
Provisions for risks and charges	17	154,900,187		262,562,442	
Derivatives	21	138,384,732		12,779,610	
Other current liabilities	19	428,593,940	*386,128,999*	464,141,367	*425,142,440*
		4,082,102,125		**4,925,145,688**	
Total liabilities		8,054,265,381		8,193,991,432	
Total liabilities and equity		11,929,870,066		12,424,742,574	

STATEMENT OF CASH FLOWS

€	Note	2013	*of which with related parties*	2012	*of which with related parties*
Cash flows from operating activities					
Gross cash flows from operating activities	30	(75,895,204)		(55,240,077)	
Change in working capital		33,595,214	*20,530,214*	(14,911,579)	*(12,368,647)*
Change in other assets and liabilities and provisions for risks and charges		113,524,164		43,438,560	*67,351,598*
Net interest paid		(167,749,591)	*(132,603,760)*	(164,646,683)	*(108,760,398)*
Income taxes paid		(7,835,361)		95,622,010	
Cash flows generated (used) from/in operating activities	(a)	**(104,360,778)**		**(95,737,769)**	
Cash flows from investing activities					
Sale of investment in Ansaldo Energia		273,822,889		-	
Other sales (acquisitions) of equity investments	9	(568,055,600)		(1,209,035,083)	
Investments in property, plant and equipment and intangible assets		(8,897,393)		(7,569,675)	
Sales of property, plant and equipment and intangible assets		-		-	
Dividends received	28	216,201,271		614,386,998	
Other investing activities		201,081		(114,075,282)	*13,550,700*
Cash flows generated (used) from/in investing activities	(b)	**(86,727,753)**		**(716,293,042)**	
Cash flows from financing activities					
Share capital increases and contributions from shareholders		-		-	
Repayment of EIB loan	16	(46,320,346)		(36,796,537)	
Purchase of treasury shares					
Dividends paid to shareholders					
Net change in loans and borrowings and loans and receivables		(213,280,745)	*(234,640,713)*	1,360,642,432	*1,690,590,018*
Cash flows generated (used) from/in financing activities	(c)	**(259,601,091)**		**1,323,845,895**	
Net increase (decrease) in cash and cash equivalents	d=(a+b+c)	(450,689,622)		511,815,084	
Exchange-rate difference on cash and cash equivalents	(e)	(7,645,284)		12,297,900	
Cash and cash equivalents at 1 January	(f)	1,219,486,341		695,373,357	
Cash and cash equivalents at 31 December	g=(d+e+f)	761,151,435		1,219,486,341	

STATEMENT OF CHANGES IN EQUITY

€	Share capital	Retained earnings	Reserve for available-for-sales assets	Remeasurement reserve	Other reserves	Total equity
1 January 2012	2,524,859,141	2,401,325,253	(182,087)	1,018,313	4,054,056	4,931,074,676
Comprehensive income (expense) for the year:						
Profit (Loss) for the year	-	(700,041,525)	-	-	-	(700,041,525)
Other comprehensive income (expense)	-	-	182,087	(464,096)	-	(282,009)
Total comprehensive income (expense)	**-**	**(700,041,525)**	**182,087**	**(464,096)**	**-**	**(700,323,534)**
Transactions with owners of the Parent, recognised directly in equity	**-**	**-**	**-**	**-**	**-**	**-**
31 December 2012	2,524,859,141	1,701,283,728	-	554,217	4,054,056	4,230,751,142

STATEMENT OF CHANGES IN EQUITY

€	Share capital	Retained earnings	Reserve for available-for-sales assets	Remeasurement reserve	Other reserves	Total equity
1 January 2013	2,524,859,141	1,701,283,728	-	554,217	4,054,056	4,230,751,142
Comprehensive income (expense) for the year:						
Profit (Loss) for the year	-	(355,418,120)	-	-	-	(355,418,120)
Other comprehensive income (expense)	-	-		271,664	-	271,664
Total comprehensive income (expense)	**-**	**(355,418,120)**	**-**	**271,664**	**-**	**(355,146,456)**
Transactions with owners of the Parent, recognised directly in equity	**-**	**-**	**-**	**-**	**-**	**-**
31 December 2013	2,524,859,141	1,345,865,608	-	825,881	4,054,056	3,875,604,686

NOTES TO THE SEPARATE FINANCIAL STATEMENTS AT 31 DECEMBER 2013

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

In application of EC Regulation 1606/2002 of 19 July 2002 and of Legislative Decree 38 of 28 February 2005, the financial statements of 2012 were prepared in accordance with the international accounting standards (IFRS) endorsed by the European Commission pursuant to EC Regulation 1606/2002, supplemented by the relevant interpretations (Standing Interpretations Committee - SIC and International Financial Reporting Interpretations Committee - IFRIC) issued by the International Accounting Standard Board (IASB) and in force at the year-end.

The general principle used in preparing these separate financial statements is the historical cost method, except for those items that, in accordance with IFRS, are obligatory recognised at fair value, as indicated in the valuation criteria of each item.
The separate financial statements are composed of 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 the related notes to the financial statements.
In consideration of the significant values, the figures in these notes are shown in millions of euros unless otherwise indicated.
Among the options permitted by IAS 1, the Company has chosen to present its balance sheet by separating current and non-current items and its income statement by the nature of the costs. Instead, the statement of cash flows was prepared using the indirect method.

The International Financial Reporting Standards (IFRS) used for preparing these separate financial statements are the same that were used in the preparation of the separate financial statements at 31 December 2012 except for what indicated below (Note 4). Solely for the purpose of a better representation, the comparative balance sheet was reclassified with reference to the balances related to the deferred taxation of those subsidiaries falling under the scope of the national tax consolidation mechanism for IRES purposes. Previously, deferred tax assets and liabilities of such subsidiaries were shown in the accounts as already transferred to the Parent Company, with a payable to or a receivable from the subsidiary posted as a contraentry. Starting from 2013, deferred taxes shown in the financial statements of Finmeccanica SpA are exclusively those attributed to it: therefore, the comparative balance sheet has been reclassified to write off the above balance-sheet entries.

	31 December 2012	Reclassifications	31 December 2012 reclassified
Deferred tax assets	438	(410)	28
Other current assets	207	38	245
Deferred tax liabilities	33	(33)	-
Other current liabilities	803	(339)	464

Considering the little significance of the values, the table above excludes the balance-sheet figures as at 1 January 2013.

Preparation of the separate financial statements under the going-concern assumption required management to make certain estimates. The main areas affected by estimates or assumptions of particular importance or that have significant effects on the balances shown are described in Notes 4.5 and 4.6 to the consolidated financial statements, to which reference is made.
The Board of Directors' Meeting of 19 March 2014 resolved to submit to shareholders the draft financial statements at 31 December 2013, authorising their circulation at the same date. The Board convened the Ordinary Shareholders' Meeting for the approval thereof for 9 May and 15 May 2014, on first and second call, respectively.

The separate financial statements were prepared in accordance with IFRS and are subject to a statutory audit by KPMG SpA.

3. Accounting policies adopted

The accounting policies and criteria are the same adopted for the annual consolidated financial statements, to which reference is made, except for the recognition and measurement of equity investment in subsidiaries, jointly controlled companies and associates recognised at their purchase or incorporation cost. In case of any impairment losses, their recoverability is verified through the comparison between their carrying amount and the higher of their value in use that is determined by discounting prospective cash flows, where applicable, of the equity investment and the assumed sales value which is determined on the basis of recent transactions or market multiples. The portion of losses exceeding the carrying amount is recognised in a specific provision under liabilities to the extent that the Company states the existence of legal or implicit obligations to cover such losses, which are in any case within the limits of the book equity. If the impaired investee shows a subsequent improvement in performance which leads to believe that the reasons for the impairment cease to exist, the equity investments are revalued to the extent of the impairment losses recognised in previous periods under "Adjustments to equity investments". Dividends from subsidiaries and associates are recognised in the income statement in the year in which they are resolved.

Finally, with reference to transactions between entities under common control, which are not governed by IFRS, either from the point of view of the purchaser/assignee or from that of the seller/assignor, Finmeccanica, considering this, recognises such transactions in accordance with the best Italian practices, recognising directly in equity any gain on the transfer or sale of its subsidiaries.

4. Effects of changes in accounting policies adopted

Starting from 1 January 2013 the Group has adopted the following new accounting standards:

- Amendment to IAS 1 *Presentation of financial statements*: as a result of the changes introduced to such standard, the items of other comprehensive income are now shown separately depending upon whether or not they are to be subsequently classified in the separate income statement;
- Amendment to IFRS 7 *Financial instruments - Disclosures*: the standard requires information about the effects or potential effects of offsetting assets and liabilities on the statement of financial position;
- IFRS 13 *Fair value measurement*: this standard applies to the other standards that require or permit fair value measurements or disclosures and provides a single framework for measuring fair value;
- Amendment to IAS 19 *Employee benefits*: this amendment eliminates the option of the corridor method and requires actuarial gains and losses to be recognised in full in the statement of comprehensive income (method already applied by the Group). Furthermore, past service

costs must be recognised immediately. Interest expense net of the expected return on plan assets is replaced by a net finance cost, which is calculated by applying the interest rate to the net liability. This amendment had no effect on these separate financial statements.

5. Significant non-recurring events or transactions

During 2013 Finmeccanica sold its stake in Ansaldo Energia (54.55% owned, jointly with First Reserve Capital) to Fondo Strategico Italiano ("FSI") at a price of €mil. 777 with reference to the entire share capital. On this amount an additional earn-out is payable to Finmeccanica up to €mil. 130 measured on the basis of specific targets reached by the sold company in the three-year period 2014-2016. The transaction saw the sale of 39.55% of the Ansaldo Energia shares to FSI on 23 December 2013, for a total amount of €mil. 277, while the remaining 15% will be sold upon the exercise of the put&call options by the parties, at a pre-arranged price of €mil. 117 in respect of which capitalised interest accrues at a yearly 6% rate. In particular, Finmeccanica can exercise its put option between 30 June and 31 December 2017, while the call option of FSI is exercisable in the same period or before if some conditions occur. Moreover, at the closing of the transaction, Finmeccanica collected €mil. 277 from FSI and recognised a capital gain of €mil. 14, which does not include the effect from the possible collection of the earn-out. The residual 15% equity interest valued at fair value and through profit or loss, together with the put&call options related thereto, was adjusted to the value (€mil. 117) resulting from these arrangements, with a capital gain of €mil. 42 recognised in 2013.

6. Significant post balance sheet events

No significant post balance sheet events to be noted.

7. Segment information

At the reporting date, the Company's ordinary operations exclusively consist in the direction, control and support to the Group companies.

8. Property, plant and equipment and investment properties

	Property, plant and equipment				Investment properties		
	Land and buildings	Plant and machinery	Other	Total	Land and buildings	Other	Total
1 January 2012							
Cost	93	7	18	118	150	34	184
Depreciation and impairment losses	(46)	(5)	(10)	(61)	(52)	(30)	(82)
Carrying amount	47	2	8	57	98	4	102
Investments	-	-	3	3	1	1	2
Depreciation	(2)	-	(1)	(3)	(3)	(1)	(4)
Other changes	-	-	(1)	(1)	-	1	1
31 December 2012	45	2	9	56	96	5	101
broken down as follows:							
Cost	93	7	21	121	151	36	187
Depreciation and impairment losses	(48)	(5)	(12)	(65)	(55)	(31)	(86)
Carrying amount	45	2	9	56	96	5	101
Investments	-	-	5	5	-	2	2
Depreciation	(2)	-	(1)	(3)	(3)	(1)	(4)
Other changes	-	-	(1)	(1)	-	1	1
31 December 2013	43	2	12	57	93	7	100
broken down as follows:							
Cost	93	7	25	125	151	39	190
Depreciation and impairment losses	(50)	(5)	(13)	(68)	(58)	(32)	(90)
Carrying amount	43	2	12	57	93	7	100

Property, plant and equipment mainly relate to the building of the main office of the Company (€mil. 28).

Investment properties include the buildings that Finmeccanica leased to its subsidiaries.
In the interests of full disclosure, it should be noted that this item does not include buildings and plants owned by Finmeccanica that are used by subsidiary AgustaWestland SpA, with which there is a lease agreement classified as a finance lease under IAS 17 (Note 33). Therefore, the book value of these assets is not included in this section, but rather in the section on transactions with related parties.

9. Equity investments

	31 December 2013			31 December 2012		
	Equity investments	Risk provisions	Total	Equity investments	Risk provisions	Total
Opening balance	7,633	(161)	7,472	8,337	(825)	7,512
Acquisitions/subscriptions and capital increases	414	155	569	2,442	819	3,261
Impairment net of transfers from provisions	(317)	(121)	(438)	(1,102)	(155)	(1,257)
Sales	(274)	-	(274)	(2,044)	-	(2,044)
Other movements	-	6	6	-	-	-
Closing balance	7,456	(121)	7,335	7,633	(161)	7,472

A detailed description of the changes that occurred in the year and other required information are found separately in Appendices no. 1 and 2 to these Notes.

The carrying amount of equity investments is subject to impairment testing to determine any loss in value. This is done on the equity investments held directly and considered together with their investee companies, comparing the carrying amount with the greater of the value in use of the investment and the amount recoverable by sale. In practice, Finmeccanica has established an operational hierarchy between calculating the fair value net of transaction costs and value in use, where the value in use is estimated first, and then only after, if it is lower than the carrying value, is the fair value net of transaction costs determined. The only exception is the Ansaldo STS investment, where this hierarchy is inverted to take account of the existence of a stock market price that can be used for reference, and greater emphasis is placed on market capitalisation rather than on the carrying value of the Group's net assets. In particular, the value in use is measured by the unlevered discounting of the cash flows applied on the cash flows resulting from the Group's five-year business plans approved by management and projected beyond the explicit time horizon covered by the plan according to the perpetuity growth method (terminal value), using growth rates ("g-rate") no greater than those forecast for the market in which the given investment operates (2% in 2013 and 2012). The cash flows used were those generated by business activities, in their current conditions and without including the effects of future business restructurings, not yet approved, or future investments for improving future performance, before financial expense and taxes, and include investments in capital assets and monetary changes in working capital, while excluding cash flows from financial management, extraordinary events or the payment of dividends. Cash flows denominated in foreign currencies are translated at the exchange rate prevailing at the close of the period. The related underlying macro-economic assumptions were made on the basis of external information sources, where available, while the profitability and growth estimates used in the plans were calculated by management based on past experience and expected developments in the Group's markets.

These cash flows are discounted on a weighted-average cost of capital (WACC) basis calculated using the Capital Asset Pricing Model method. The following factors were taken into account in calculating WACCs:

- the risk-free rate, calculated using the gross yield of government bonds of the geographic market of the investment at 31 December 2013 (for Italy the gross 10-year yield was used);
- the market premium, calculated using a 5% value, raised to 6% only for the Defence and Security Electronics sector, to take account of the difficulties that characterise the reference markets;
- the sector beta, determined using data pertaining to our major competitors in each sector;
- the cost of the Group's debt, net of taxes;

- the debt/equity ratio, determined using data pertaining to our major competitors in each sector.

The main changes during the year were:

- the sale of 39.55% of Ansaldo Energia (€mil. 198) to Fondo Strategico Italiano, described in detail in Note 5;
- the capital replenishment of AnsaldoBreda SpA (€mil. 519) and BredaMenarinibus SpA (€mil. 22);
- impairment for the period related to AnsaldoBreda for €mil. 517, as a result of problems which continue to affect this business segment, to Selex ES for €mil. 101 and to BredaMenarinibus for €mil. 6 as a result of the losses recognised in the year by the investees.

Moreover, this item includes the partial reversal (€mil. 186) related to equity investments for which the reasons for the impairment no longer obtain (in particular Alenia Aermacchi).
Finally, below is presented a comparison of the book value and the average market price of the listed shares of Ansaldo STS SpA and Eurotech SpA in December 2013:

Listed company	Number of shares held	Stock exchange value		Book value		Difference	Difference
		Unit amount €	Total amount € mil.	Unit amount €	Total amount € mil.	Unit amount €	Total amount € mil.
Ansaldo STS SpA	56,091,757	7.779	436	0.781	44	6.998	392
Eurotech SpA	3,936,461	1.727	7	1.469	6	0.26	1

10. Receivables and other non-current assets

	31 December 2013	31 December 2012
Loans and receivables from related parties (Note 33)	220	249
Fair value of the residual portion in portfolio of Ansaldo Energia	117	-
BCV financial instruments	284	282
Other assets	1	5
Receivables and other non-current assets	622	536

The financial instruments issued by the investee BCV Investments SCA (14.32 % owned) were purchased in 2012 by the subsidiary Finmeccanica Finance SA. They were acquired within the scope of the transaction for the valuation of the assets indirectly held in Avio, a subsidiary of BCV, and subsequently valued at fair value on the basis of the price paid by General Electric for the acquisition of the engines business segment (transaction ended in August 2013), and for the remaining part, on the basis of the value attributed to the other assets falling under the Avio scope.

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

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

11. Trade and financial receivables

	31 December 2013		31 December 2012	
	Trade	Financial	Trade	Financial
Receivables	16	-	28	-
Provision for bad debts	(13)	-	(17)	-
Related party receivables (Note 33)	57	2,467	69	2,406
	60	2,467	80	2,406

The changes during the year and the composition of assets by maturity, currency and geographical area are shown in Appendices nos. 5 and 6 to these Notes.
The ageing of receivables together with an analysis of how the Company manages credit risk is reported under Note 31.

12. Income tax receivables and payables

	31 December 2013		31 December 2012	
	Receivables	Payables	Receivables	Payables
For income taxes	91	17	89	4

Receivables mainly relate to IRES receivables under the consolidated tax mechanism for which a request for refund has been claimed (€mil. 73 against €mil. 69 at 31 December 2012).
Payables for €mil. 17 originate from taxes resulting from tax assessments charged to Group companies, which, in the context of the Group consolidated tax mechanism, are transferred to Finmeccanica as the consolidating company.

The changes during the year and the composition of assets and liabilities by maturity, currency and geographical area are shown in Appendices nos. 4, 5, 6, 8, 9 and 10 to these Notes.

13. Other current assets

	31 December 2013	31 December 2012
Prepayments - current portion	5	5
Receivables from employees and social security institutions	1	3
Other tax receivables	58	142
Receivables from related parties (Note 33)	59	91
Other assets	5	4
	128	245

“Other tax receivables”, amounting to €mil. 58 (€mil. 142 at 31 December 2012), mainly represent VAT receivables transferred from companies participating in the Group VAT mechanism.

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

14. Cash and cash equivalents

The balance of "Cash and cash equivalents" at the end of the year, equal to €mil. 761 (€mil. 1,219 at 31 December 2012) was mainly the result of net cash flows realised by the Group companies during the year, particularly during the final quarter, transferred to Finmeccanica in the context of the centralised management of treasury resources or cash funds outside the cash pooling system in accordance with specific treasury agreements.

15. Equity

The composition of the share capital is as follows:

	Number of ordinary shares	Value €mil.	Treasury shares €mil.	Costs incurred €mil.	Total €mil.
Outstanding shares	578,150,395	2,544	-	-	**2,544**
Net costs incurred	-	-	-	(19)	**(19)**
Treasury shares	(32,450)	-	-	-	**-**
31 December 2012	578,117,945	2,544	-	(19)	2,525
Shares subscribed in the year	-	-	-	-	**-**
31 December 2013	578,117,945	2,544	-	(19)	2,525
broken down as follows:					
Outstanding shares	578,150,395	2,544	-	-	**2,544**
Net costs incurred	-	-	-	(19)	**(19)**
Treasury shares	(32,450)	-	-	-	**-**
	578,117,945	2,544	-	(19)	2,525

The share capital, fully subscribed and paid-up, is divided into 578,150,395 ordinary shares with a par value of € 4.40 each, including 32,450 treasury shares.
During 2013 there were no changes in the share capital.
At 31 December 2013, the Ministry of the Economy and Finance owned around 30.204% of the share capital, Deutsche Bank Trust Company Americas around 3.600% and Libyan Investment Authority (Arab Bkg Corp/Libyan Inves, Man) around 2.010% of the shares. Moreover, FMR LLC held around 2.133% and Grantham, Mayo, Van Otterloo & Co. LLC around 2.045% on a discretional fund management basis.

Other reserves refer to legal reserve for €mil. 214, extraordinary reserve for €mil. 391, merger surplus reserve for €mil. 265, retained earnings reserves for €mil. 830 and loss of the period for €mil. 355.

16. Loans and borrowings

	31 December 2013			31 December 2012		
	Current	Non current	Total	Current	Non current	Total
Bonds	19	496	515	19	496	515
Bank loans and borrowings	50	371	421	50	416	466
Related party loans and borrowings (Note 33)	3,191	2,875	6,066	4,055	2,185	6,240
Other loans and borrowings	1		1	1	-	1
	3,261	3,742	7,003	4,125	3,097	7,222

Bonds

"Bonds" refers to the 20-year bond issued in March 2005, for a nominal €mil. 500, placed entirely on the European institutional investor market. It offers an annual coupon of 4.875% and an effective interest rate of 4.964%.

Bank loans and borrowings

The item mainly includes the 12-year loan signed with the European Investment Bank (EIB) in 2009 (€mil. 421 compared to €mil. 467 at 31 December 2012) to finance development in the Aeronautics segment. As provided in the loan agreement, €mil. 300 of the loan was originally used at a fixed rate of 3.45% and for €mil. 200 at a floating rate equal to the 6 month Euribor plus a margin of 79.4 basis points. The fixed-rate tranche is repaid in 11 annual instalments with a fixed principal repayment component, while the floating-rate tranche is repaid in 21 6-month instalments, also with a fixed principal repayment component. During the year the second instalment of both tranches of the loan was repaid for a total of €mil. 46 (€mil. 37 in 2012).

Related party loans and borrowings

The movement in these borrowings relates mainly to new borrowings and repayments to the subsidiary Finmeccanica Finance SA.

Exposure to changes in interest rates of the Group's financial liabilities is as follows:

31 December 2013

	Bank loans and borrowings		Bonds		Related parties		Other		Total	
	Floating	Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed
Within 1 year	20	31	-	19	3,178	13	-	-	**3,198**	**63**
2 to 5 years	76	109	-	-	-	1,697	-	-	**76**	**1,806**
Beyond 5 years	76	109	-	496	-	1,178	-	-	**76**	**1,783**
Total	172	249	-	515	3,178	2,888	-	-	3,350	3,652

31 December 2012

	Bank loans and borrowings		Bonds		Related parties		Other		Total	
	Floating	Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed
Within 1 year	20	31	-	19	3,038	1,017	-	-	**3,058**	**1,067**
2 to 5 years	76	109	-	-	-	1,198	-	-	**76**	**1,307**
Beyond 5 years	95	136	-	496	-	986	-	-	**95**	**1,618**
Total	191	276	-	515	3,038	3,201	-	-	3,229	3,992

The following disclosure is required by CONSOB communication DEM/6064293 of 28 July 2006:

	31 December 2013	*of which with related parties*	31 December 2012	*of which with related parties*
Bank deposits	761		1,219	
Cash and cash equivalents	**761**		**1,219**	
Current loans and receivables	**2,467**	***2,467***	**2,406**	***2,406***
Current bank loans and borrowings	51		51	
Current portion of non-current loans and borrowings	19		19	
Other current loans and borrowings	3,191	*3,191*	4,055	*4,055*
Current financial debt	**3,261**		**4,125**	
Net current financial debt	**33**		**500**	
Non-current bank loans and borrowings	371		416	
Bonds issued	496		496	
Other non-current loans and borrowings	2,875	*2,875*	2,185	*2,185*
Non-current financial debt	**3,742**		**3,097**	
Net financial debt	**3,775**		**3,597**	

Below is the reconciliation with the net financial debt used as KPI:

	2013	2012
Net financial debt CONSOB as for communication DEM/6064293	3,775	3,597
Fair value of the residual portion in portfolio of Ansaldo Energia	(117)	-
Hedging derivatives in respect of debt items	(9)	9
Net debt (KPI)	**3,649**	**3,606**

17. Provisions for risks and charges and contingent liabilities

	Taxes	Guarantees given	Disputes	Other	Total
1 January 2012					
Current	4	79	11	830	924
Non-current	1	36	8	10	55
	5	115	19	840	979
Allocations	3	3	-	158	164
Uses	-	-	-	(821)	(821)
Reversals	-	-	(2)		(2)
31 December 2012	8	118	17	177	320
broken down as follows:					
Current	7	79	9	168	263
Non-current	1	39	8	9	57
	8	118	17	177	320
Allocations	7	56	4	123	190
Uses	(2)	-	(2)	(155)	(159)
Reversals	(1)	(68)	(1)	(4)	(74)
31 December 2013	12	106	18	141	277
broken down as follows:					
Current	11	-	10	134	155
Non-current	1	106	8	7	122
	12	106	18	141	277

The provision for litigation at 31 December 2013 refers for €mil. 8 (€mil. 8 at 31 December 2012) to litigation with third parties and for €mil. 10 (€mil. 9 at 31 December 2012) to pending disputes with employees, former employees and social security institutions.
Other provisions mainly relate to (€mil. 121 and €mil. 161 at 31 December 2012) risks and charges on equity investments, to which reference is made to Note 9.
With regard to the provisions for risks, it is underlined that the Group's operations regard industries and markets where many disputes are settled only after a considerable period of time, especially in cases where the customer is a government entity.

Pursuant to the IFRS, provisions have only been made for risks that are probable and for which the amount can be determined. Likewise, specific provisions have not been set aside for disputes in which the Company is defendant as, based on current knowledge, these disputes are reasonably expected to be resolved satisfactorily and without significantly impacting the Company.

The situations below are mentioned here for the purposes of full disclosure.

Of particular note:

- the litigation commenced by Reid against Finmeccanica and Alenia Space (now So.Ge.Pa. SpA) before the Court of Texas in 2001, whereby Reid claimed that the former Finmeccanica - Space business segment failed to meet its obligations under the contract for the development of the Gorizont satellite programme. The dispute concluded in favour of the Group after more than five years, due to the lack of jurisdiction of the Court involved. On 11 May 2007, Reid served Finmeccanica and Alcatel Alenia Space Italia (now Thales Alenia Space Italia) a

complaint, whereby it commenced new legal proceedings before the Court of Chancery in Delaware. Reid has reproposed the same claims for damages that it claimed before the Court of Texas, without, however, quantifying the amount of the alleged damage.
Finmeccanica appeared before the Court on 29 June 2007, filing a motion to dismiss, asserting that the case was time-barred, the statute of limitation had run out and the Court of Delaware did not have jurisdiction. On 27 March 2008, the judge rejected the claim as the case was time-barred. The claimant appealed against this decision before the Supreme Court of Delaware, which issued a decision on 9 April 2009, granting the motion and referring the case to the Court of Chancery for a decision on the other objection raised by Finmeccanica concerning the lack of jurisdiction of the Court of Delaware. Therefore, the discovery phase commenced, during which the witnesses requested by Reid were deposed. The discovery phase ended in December 2013 and the parties are waiting for a hearing on the merits to be set, following which the judge will issue his decision;

- G.M.R. SpA, as the sole shareholder of Firema Trasporti commenced legal proceedings against Finmeccanica and AnsaldoBreda before the Santa Maria Capua Vetere Court in 2011, requesting that the court admit the defendants' liability for having caused, with their conduct, Firema Trasporti's insolvency, ordering them to pay damages. According to the claimant, during the period in which Finmeccanica held an investment in Firema Trasporti (from 1993 to 2005), its management and coordination were carried out to the detriment of Firema Trasporti and in the sole interest of Finmeccanica Group. Moreover, even after the sale of the investment by Finmeccanica, Firema Trasporti was allegedly *de facto* subjected to an abuse of economic dependence from the Group in performing the various agreements existing with AnsaldoBreda. Finmeccanica and AnsaldoBreda appeared before the court requesting that the claims be dismissed as clearly groundless and asserting, on a preliminary basis, that the Court lacks jurisdiction.
  After a series of delays, the hearing to further explore the arguments relating to the objection raised concerning the lack of jurisdiction has been set for 22 April 2014;
- on 4 March 2013, Mr. Pio Maria Deiana, on his own account and in his capacity as director of Janua Dei Srl and of Società Progetto Cina Srl, served a writ of summons on Finmeccanica to appear before the Court of Rome, in order to ask the Court to establish the invalidity of the settlement agreement signed in December 2000. Under this agreement, the aforesaid companies and the then-Ansaldo Industria (which was a subsidiary of Finmeccanica until 2004 and which is now cancelled from the Register of Companies) had settled, by way of conciliation, the action brought by these companies before the Court of Genoa in 1998 in order to ask the Court to find Ansaldo Industria liable for breach of contract with regard to the agreements for commercial cooperation in the construction of a waste disposal and cogeneration plant in China, which then was not built.
  As stated by the plaintiffs in the writ of summons, the above-mentioned settlement agreement was concluded based on unfair conditions, thus taking advantage of the distress of Mr. Deiana and of the economic dependence of the plaintiff companies with respect to Ansaldo Industria. The claim was submitted against Finmeccanica, invoking the general liability of the same arising from the control exercised by it on Ansaldo Industria at the time of the events being disputed. The damages being sought, to be determined during the course of the proceedings, is estimated at €mil. 2,700. Finmeccanica appeared before the Court on 25 September 2013, arguing, among other things, that it lacks the capacity to be sued and asking, on the merits, that the Court deny the plaintiffs' claims as they are entirely groundless in fact and in law. On 23 October 2013, the Group gave the parties time to exchange briefs and set the date for the next hearing at 14 May 2014.

Finally, with regard to risks, Finmeccanica and a number of Group companies were and still are the subject of investigations being conducted by Judicial Authorities. The details on the proceedings relating to Group companies can be found in Note 20 of the consolidated financial statements at 31 December 2013.

Below is a summary of the investigations that are currently being conducted regarding Finmeccanica SpA, with specific reference to the events that occurred in 2013 and in early 2014.

Public Prosecutor's Office of Rome - Panama. Criminal proceedings are pending before the Court of Rome concerning the supply contracts signed in 2010 by AgustaWestland, SELEX Sistemi Integrati and Telespazio Argentina with the government of Panama. As part of these proceedings, in 2011 and 2012 Finmeccanica submitted the documentation requested by the Judicial Authority and provided its full cooperation.
Following the conclusion of the preliminary investigation, the former Commercial Director of Finmeccanica, who had been placed in preventive custody between 23 October 2012 and 23 January 2013, was charged with having committed the violations pursuant to Articles 110, 319, 319-*bis*, 320 and 321 of the Criminal Code in relation to Article 322-*bis*, paragraph 2, no. 2 of the Criminal Code. Following the preliminary hearing of 18 March 2014, the Judge for Preliminary Hearings (GUP, *Giudice dell'Udienza Preliminare*) ordered the committal for trial of the former Commercial Director of the Company and set the first hearing of oral arguments for 23 June 2014.

Public Prosecutor's Office of Busto Arsizio - India. Criminal proceedings are being conducted by the Public Prosecutor's Office at the Court of Busto Arsizio, previously brought by the Public Prosecutor's Office at the Court of Naples, concerning the provision of 12 helicopters by AgustaWestland International Ltd to the Indian government. As part of these proceedings, beginning in September 2012 Finmeccanica submitted the documentation requested by the Judicial Authority and provided its full cooperation. On 12 February 2013 a search and seizure was conducted at the Finmeccanica and AgustaWestland SpA offices used by the companies' top management and some of their executives. In relation to this proceedings, Finmeccanica SpA, AgustaWestland SpA and AgustaWestland Ltd are under investigation as to the unlawful administrative act referred to in Article 25 of Legislative Decree 231/2001, in relation to the offences under Articles 110, 319 and 322-*bis* of the Italian Criminal Code. The former head of Finmeccanica's office in India is under investigation for violation of Articles 110, 319 and 322-*bis* of the Criminal Code, as are, under various charges, the former Chief Executive Officer and a former executive of AgustaWestland SpA.

Immediate trial
On 3 May 2013, the Judge for Preliminary Investigations (GIP, *Giudice delle Indagini Preliminari*) of the Court of Busto Arsizio issued, at the request for the Public Prosecutor's Office, an order for immediate trial (*giudizio immediato*) against the former Chairman and Chief Executive Officer of Finmeccanica, who had been placed in preventive custody between 12 February and 4 May 2013, and the former Chief Executive Officer of AgustaWestland SpA, who had been placed under house arrest between 12 February and 4 May 2013, for violations pursuant to Articles 110, 319 and 322-*bis* of the Criminal Code and Articles 2 and 8 of Legislative Decree 78/2000. The first hearing before the Court of Busto Arsizio was held on 19 June 2013. The hearings for examining the witnesses are underway.

The Indian Judicial Authority also opened its own criminal investigation in late February 2013 into this matter involving 11 persons and four companies. As part of this, a search of the New Delhi offices of Finmeccanica and AgustaWestland was conducted on 13 March 2013. Based upon these status of the proceedings, as well as the information gathered and the results of the analysis carried out so far, the directors did not allocate any specific provisions. Any negative developments – which cannot be foreseen, nor determined to date – arising from any internal investigations or judicial investigations being conducted, will be subject to consistent assessment for the purposes of provisions (if any).

18. Employee benefit obligations

The severance pay provision amounting to €mil. 4 is unchanged in comparison with 2012.
It should be noted that the portion of the cost for the year relating to amounts transferred to pension funds or to a treasury fund managed by INPS is recognised according to the rules for defined-contribution plans, without any actuarial assessment.

The main actuarial assumptions used in the valuation of defined-benefit plans and of the portion of the severance pay provision that has maintained the nature of defined-benefit plan are as follows:

	Severance pay provision	
	31 December 2013	31 December 2012
Discount rate (annual)	2.546%	2.11%-2.17%
Rate of salary increase	n.a.	n.a.
Inflation rate	2.0%	4.0%

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

	Severance pay provision	
	-0.25%	+0.25%
Discount rate (annual)	83	(80)
Rate of salary increase	n.a.	n.a.
Inflation rate	(54)	(55)

The average duration of the severance pay is 9 years.

19. Other current and non-current liabilities

	Non-current		Current	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Employee obligations	2	2	15	14
Deferred income	102	108	6	6
Amounts due to social security institutions	-	-	13	12
Other tax payables	-	-	5	4
Other payables to related parties (Note 33)	-	-	386	425
Other payables	-	-	4	3
	104	110	429	464

The non-current portion of “Employee obligations” refers to the value of the seniority bonus calculated under IAS 19, while for the current portion the payables relate to amounts accrued but not yet distributed, including incentives.
“Deferred income” specifically includes subsequent years rentals already collected in past years in relation to the agreements for the sale of Ansaldo trademark to Ansaldo Energia and Ansaldo STS.

20. Trade payables

	31 December 2013	31 December 2012
Trade payables	49	32
Trade payables to related parties (Note 33)	33	24
	82	56

21. Derivatives

The table below provides detail on composition of derivative instruments.

	31 December 2013		31 December 2012	
	Assets	Liabilities	Assets	Liabilities
Forward forex instruments	145	136	-	9
Interest-rate swaps	4	2	28	4
	149	138	28	13

"Forward forex instruments" include (€mil. 9 of net assets at 31 December 2013; €mil. 9 of liabilities at 31 December 2012) hedging derivatives of deposits and loans made in pound sterling and US dollars that fall under the Group's financial centralisation. The instruments above are classified as fair value hedges; accordingly, the changes in fair value directly offset the realignment of the exchange rates applicable to loans and deposits.
Moreover, Finmeccanica is the counterparty to the Group companies on forex hedging transactions, carrying out "pass-trough" activities with banks on behalf of the companies (€mil. 133 at 31 December 2013, €mil. 122 at 31 December 2012). The Finmeccanica Group finance department deals with banks acting in the interest of the fully owned subsidiaries; these transactions are transferred accordingly to the Group companies which incurr the related costs. Starting from 2013, derivatives with banks are recognised as open items together with the related amounts recharged to the subsidiaries, without any offsetting entries of assets and liabilities.

The "Interest-rate swaps" with a total notional value of €mil. 400 were placed into effect to pursue the management objectives of hedging part of the bonds issued by Finmeccanica and the Group companies totalling €mil. 2,900 e £mil. 400. The impact on the income statement is described in the section on financial risk management (Note 31).

22. Guarantees and other commitments

Leasing

The Company is party to a number of operating leases as both lessor and lessee primarily for the purposes of acquiring the use of plant and equipment. The non-cancellable minimum future payments relating to operating lease contracts and commitments taken (as lessor) with respect to finance leases are as follows:

	Operating lease		Finance lease	
	as lessee	as lessor	as lessee	as lessor
Within 1 year	6	10	-	3
2 to 5 years	7	23	-	15
Beyond 5 years	1	23	-	51
	14	56	-	69

With regard to operating leases in which the Company is a lessee, commitments amounted to €mil. 2 with respect to subsidiaries and to other parties (€mil. 9), mainly for the lease of office space.
For those leases in which the Company acts as lessor, commitments amounted to €mil. 55 (€mil. 73 at 31 December 2012).

Financial leases in which the Company acts as lessor relate to the contract entered into with AgustaWestland SpA (Note 33).

Guarantees

	31 December 2013	31 December 2012
Guarantees in favour of related parties (Note 33)	18,434	19,296
Guarantees given to third parties guaranteeing the performance of contracts	4	31
Other guarantees	5	28
Unsecured guarantees given	**18,443**	**19,355**

In addition to the above commitments, the Company issued non-binding letters of patronage on behalf of subsidiaries and certain associates in support for their financial and commercial activities.

Specifically:

- for €mil. 6,595 (€mil. 6,752 at 31 December 2012) mainly consisting of counter guarantees given by Finmeccanica on behalf of Group companies to third parties, banks and insurance companies, in relation to the contractual commitments assumed by those companies. These refer to subsidiaries for €mil. 6,172 (€mil. 6,720 at 31 December 2012), to associates for €mil. 1 (€mil. 1 at 31 December 2012), and to other Group companies and third parties for €mil. 422 (€mil. 31 at 31 December 2012);
- for €mil. 6,567 (€mil. 6,796 at 31 December 2012), essentially representing direct guarantees issued by Finmeccanica (Parent Company Guarantee) in favour of customers and co-suppliers on behalf of Group companies within the scope of their commercial operations. These refer to subsidiaries for €mil. 4,506 (€mil. 6,687 at 31 December 2012) and to other Group companies and third parties for €mil. 2,061 (€mil. 109 at 31 December 2012);
- for €mil. 4,942 (€mil. 5,439 at 31 December 2012), chiefly consisting of guarantees issued by Finmeccanica in favour of Group lenders (particularly with regard to bonds placed on the market by Finmeccanica Finance SA and Meccanica Holdings USA Inc., as explained in Note 19 of the consolidated financial statements, for financial payables already recognised in the companies' financial statements. These refer to subsidiaries for €mil. 4,843 (€mil. 5,421 at 31 December 2012), to associates for €mil. 13 only in 2012, and to other Group companies for €mil. 99 (€mil. 5 at 31 December 2012);
- for €mil. 318 (€mil. 367 at 31 December 2012) relating to commitments by Finmeccanica to the Tax Authority primarily for reimbursements made by the latter to the Group. These entirely refer to subsidiaries.

23. Revenue

	2013	2012
Revenue	1	-
Revenue from related parties (Note 33)	66	74
Total revenue	**67**	**74**

"Revenue" refers to the fee Finmeccanica receives for the services provided to the Group companies (management fee) in accordance with the guidance and coordination it exercises.

24. Other operating income (expenses)

	2013		2012	
	Income	Expenses	Income	Expenses
Operating grants	1	-	2	-
Accruals/Reversal to provisions (Note 17)	74	(4)	3	(8)
Indirect taxes	-	(5)	-	(5)
Other operating income (expenses)	7	(6)	8	(7)
Other operating income (expenses) from related parties (Note 33)	12	-	12	(1)
	94	(15)	25	(21)

25. Purchases and services

	2013	2012
Services rendered by third parties	47	40
Costs of rents and operating leases	5	6
Rental fees	1	1
Services rendered by related parties (Note 33)	46	43
Total services	99	90

“Services rendered by related parties” refers to services rendered by Group companies which chiefly include the management of the Company real assets and information technology and the organisation of activities and commercial events.

26. Personnel expenses

	2013	2012
Wages and salaries	47	45
Social security contributions	12	11
Costs related to defined-contribution plans	1	1
Employee disputes	2	-
Other net costs (Cost recovery)	(8)	(8)
	54	49

The net increase of €mil. 5 in personnel expenses is mainly due to the early retirement incentives included in 2013 costs, following the reorganising process of the Company’s management, as well as accruals made in the year for employee disputes.

The average workforce at 31 December 2013 numbered 275, as compared with 276 in 2012. There were 289 employees at the end of 2013, up 14 from 275 at 31 December 2012. The workforce at 31 December 2013 includes 12 executives and other senior managers in secondment at other Operating Companies of the Group, partnerships and institutional bodies.

The workforce breakdown is as follows:

	Total workforce			Average workforce		
	2013	2012	Net changes	2013	2012	Net changes
Senior managers	88	84	4	88	88	-
Middle managers	87	87	-	84	77	7
Clerical employees	114	104	10	103	111	(8)
Total	289	275	14	275	276	(1)

27. Amortisation, depreciation and impairment losses

	2013	2012
Amortisation of intangible assets	2	2
Depreciation of property, plant and equipment and investment properties (Note 8)	8	7
	10	**9**
Impairment of operating receivables	6	-
Total amortisation, depreciation and impairment losses	16	9

28. Financial income and expense

	2013			2012		
	Income	Expense	Net	Income	Expense	Net
Dividends	216		216	614	-	614
Income and expenses for equity investment and securities	57		57		-	
Interest and commissions	16	(84)	(68)	6	(88)	(82)
Premiums paid (received) on IRSs	48	(25)	23	46	(30)	16
Premiums paid (received) on forwards	5		5	6		6
Exchange-rate differences	141	(140)	1	290	(288)	2
Fair value gains (losses) through profit or loss	1	(23)	(22)	154	(13)	141
Value adjustments of equity investments	186	(624)	(438)	-	(1,257)	(1,257)
Other financial income and expense	-	(1)	(1)	-		
Financial income (expense) - related parties (Note 33)	97	(225)	(128)	98	(205)	(107)
	767	(1,122)	(355)	1,214	(1,881)	(667)

"Dividends" totalled €mil. 216 (€mil. 614 in 2012) and include dividends from subsidiaries for €mil. 152 (€mil. 175 in 2012) and associates for €mil. 64 (€mil. 439 in 2012). The decrease is mainly attributable to the associate AMSH BV which in 2012 distributed an extraordinary dividend equal to €mil. 350.
Income and expenses for equity investment and securities include the capital gain realised from the sale of 39.55% of Ansaldo Energia for €mil. 14 and the subsequent fair value adjustment of the residual portion for €mil. 42 (Note 5).
Value adjustments of equity investments are described in Note 9.
"Interest and commissions" consists of:

	2013			2012		
	Income	Expense	Net	Income	Expense	Net
Interest to/from banks	15	(30)	(15)	5	(28)	(23)
Interest and other costs on bonds	-	(26)	(26)	-	(25)	(25)
Commissions	1	(28)	(27)	1	(35)	(34)
	16	(84)	(68)	6	(88)	(82)

Interest to banks decreased by €mil. 8 mainly as a result of the proceeds deriving from greater deposits from 2013, then used in December to repay the €mil 1,000 loan with Finmeccanica Finance SA. The decrease in "Commissions" is essentially due to lower costs incurred for the

assignment of tax receivables compared with the previous year (€mil. 15 in 2013 vs €mil. 24 in 2012).
Net premiums received on interest-rate swaps (IRS) (€mil. 23) were still affected positively by the low interest rates on transactions entered into to diversify exposure on fixed-rate borrowings.

Fair value gains through profit or loss are as follows:

	2013			2012		
	Income	Expense	Net	Income	Expense	Net
Foreign currency swaps/ ineffective portion of hedging instruments	-	(1)	(1)	-	(4)	(4)
Interest-rate swaps (Note 31)	1	(22)	(21)	-	(9)	(9)
FVTPL gain	-	-	-	154	-	154
	1	(23)	(22)	154	(13)	141

Net expenses on foreign currency swaps (€mil. 1) includes the effects of derivative instruments which, although they meet the objective of limiting the fluctuations of the underlying position within a specific range, do not meet the conditions of IAS 39, either because of the nature of the instruments themselves or the inability to mathematically demonstrate their effectiveness. Specifically, income and expenses on foreign currency swaps include the effects of transactions between banks and subsidiaries and joint ventures requiring hedges for exchange-rate risk arising from their commercial activity, in addition to those on transactions involving derivatives formed by Finmeccanica to hedge its financial exposure, largely to intercompany payables and receivables in US dollars and pound sterling.

The FVTPL gain refers to the measurement at fair value of the financial instruments in the BCV Investments SCA, a 14.32% owned Luxembourg company (Note 10).

Financial income (expense) from/to related parties (Note 33) relates to interest on financial receivables and payables and commissions, mainly connected with the centralisation of the management of Group treasury resources within Finmeccanica. In carrying out its treasury management functions, the Company acts as the main counterparty, always at arm's length, for the financial assets and liabilities of the subsidiaries within the scope of such centralisation. Financial expenses include, *inter alia*, €mil. 212 (€mil. 195 in 2012) paid to the subsidiary Finmeccanica Finance SA for medium and long-term loans it has granted to Finmeccanica, in view of the collection activities performed by Finmeccanica Finance on the bond market.

29. Income taxes

Income tax expense can be broken down as follows:

	2013	2012
Benefit under consolidated tax mechanism	27	32
Tax related to previous years	(6)	(6)
Accruals to provisions for tax disputes	(6)	(3)
Deferred tax - net	8	14
	23	37

The income from the domestic consolidated tax mechanism arises from the partial exploitation of the tax losses of the year, generated by the consolidating company – transferred to the Group's consolidated tax – in an amount equal to the tax rate in effect, as stated in the consolidation agreement signed by the companies participating in the national consolidated tax mechanism.

The accrual of €mil. 6 refers to tax penalties related to previous years.
As regards deferred taxes, the net positive effect of €mil. 8 derives from the reversal of the deferred corporate income tax assets of €mil. 12 (positive for €mil. 14 in 2012) and the recognition of deferred tax assets for €mil. 20 related to prior tax losses, calculated on the basis of a prudent valuation of the expected taxable income (€mil. 16 in 2012).

Following is an analysis of the composition of the theoretical and effective tax rates for 2013 and 2012:

	2013	2012
Profit (Loss) before income taxes	**(379)**	**(737)**
Deferred tax	8	14
Income	27	32
Accrual	(6)	(3)
Current taxes of previous years	(6)	(6)
Total tax	**23**	**37**
Tax rate	**(6.1)%**	**(5.0)%**
Theoretical tax	104	203
Permanent differences	(2)	(3)
Timing differences	(7)	23
Non-deductible residual interest expense	(21)	(11)
Total dividends from profit or loss	56	165
Revaluations of equity investments	51	-
Impairment of equity investments	(172)	(345)
Gains on equity investments	18	-
Net deferred tax assets	8	14
Tax provision	(6)	(3)
Previous years' tax	(6)	(6)
Total tax through profit or loss	**23**	**37**
Theoretical tax	**(27.5)%**	**(27.5)%**
Permanent differences not to reverse in subsequent years	0.5%	0.4%
Timing differences to reverse in subsequent years	1.8%	(3.1)%
Non-deductible residual interest expense	5.5%	1.5%
Total dividends from profit or loss	(14.7)%	(22.4)%
Revaluations of equity investments	(13.4)%	-
Impairment of equity investments	45.4%	46.9%
Gains on equity investments	(4.7)%	-
Net deferred tax assets	(2.1)%	(1.9)%
Tax provision	1.8%	0.4%
Current taxes of previous years	1.3%	0.7%
Total tax	**(6.1)%**	**(5.0)%**

The effective tax rate went from a negative 5.0 % in 2012 to a negative 6.1% in 2013.
Net deferred tax assets reported in the balance sheet at 31 December 2013 refer to allocations made on previous tax losses that were transferred to the accounts under the consolidated taxation mechanism for €mil 36 (€mil. 28 at 31 December 2012) assessed on the basis of a prudent estimate of expectations for future taxable income on the national consolidated taxation mechanism.

30. Cash flows from operating activities

	For the 12 months ended 31 December	
	2013	2012
Net profit (loss)	(355)	(700)
Amortisation, depreciation and impairment losses	16	10
Taxes	(23)	(37)
Accruals/Reversal to provisions	(69)	5
Dividends	(216)	(614)
Net financial expense, less dividends	571	1,281
	(76)	(55)

The changes in other operating assets and liabilities are as follows:

	For the 12 months ended 31 December	
	2013	2012
Changes in provision for risks	(5)	(5)
Changes in other operating items	(57)	(21)
	(62)	(26)

31. Financial risk management

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

- *interest-rate risks*, related to exposure to financial instruments;
- *exchange-rate risks*, related to operations in currencies other than the reporting currency;
- *liquidity risks*, relating to the availability of financial resources and access to the credit market;
- *credit risks*, resulting from normal commercial transactions or financing activities.

The Company closely and specifically follows each of these financial risks, with the objective of promptly minimising them, even using hedging derivatives.
The sections below provide an analysis, conducted through sensitivity analysis, of the potential impact on the final results deriving from assumed fluctuations in reference parameters. As required by IFRS 7, these analyses are based on simplified scenarios applied to the final results of the reference periods and, by their own nature, they cannot be considered as indicators of the actual effects of future changes in reference parameters with different financial statements and market conditions, and cannot reflect the inter-relations and the complexity of reference markets.

For further details on the management policy of financial risks reference is made to Note 37 to the consolidated financial statements.

Interest-rate risk

Finmeccanica is exposed to the interest-rate risk on its floating-rate debt instruments, primarily tied to the Euribor. The management of interest-rate risk is consistent with the long-standing practice of reducing the risk of fluctuations in interest rates while seeking to minimise borrowing costs.
To that regard and with reference to the financial debt at 31 December 2013 presented pro forma to take into account the bonds issued by Finmeccanica Finance SA, prior to interest-rate transactions, the fixed-rate percentage amounted to around 52%, while the floating-rate percentage is around 48%.

At 31 December 2013, the outstanding transactions were the following:

- *Interest-rate swaps fixed/floating/fixed rate for €mil. 200*, related to the Finmeccanica Finance issue due 2018 (totalling €mil. 500), which guarantees a fixed rate of 5.30% compared to the bond issue rate of 5.75%. Therefore, the average interest rate related to this issue is 5.57%;
- *options for €mil. 200* (CAP and Knock out at 4.20% in relation to the 6-month Euribor interest rate), originally purchased in order to partially cover the bond issue due 2025. Moreover, given the low cost of the transaction, it is currently deemed appropriate not to settle the transaction, in order to use it in the event of the Group's strategy providing for a return to the floating rate, or against an unfavourable floating-rate indebtedness.

The detail of the main derivative instruments in interest-rate swaps (IRS) at 31 December 2013 is as follows:

	Notional		Underlying	Fair	Changes			Fair
	2013	2012	(maturity)	value at 1 Jan. 13	Income	Expense	CFH Reserve	value at 31 Dec. 13
IRS fixed/floating/fixed	200	200	Bond 2018	4	-	-	-	4
Options	200	200	Bond 2025	(4)	1	-	-	(3)
IRS fixed/floating		750	Bond 2013	22	-	(22)	-	-
Total notional	400	1,150		22	1	(22)	-	1

	Notional		Underlying	Fair	Changes			Fair
	2013	2012	(maturity)	value at 1 Jan. 12	Income	Expense	CFH Reserve	value at 31 Dec. 12
IRS fixed/floating/fixed	200	200	Bond 2018	4	-	-	-	4
Options	200	200	Bond 2025	(3)	-	(1)	-	(4)
IRS fixed/floating	750	750	Bond 2013	30	-	(8)	-	22
Total notional	1,150	1,150		31	-	(9)	-	22

The table below shows the effects of the sensitivity analysis for 2013 and 2012 on IRS at 31 December 2013 deriving from the 50-basis-point shift in the interest-rate curve:

Effect of shift of interest-rate curve	31 December 2013		31 December 2012	
	Increase of 50 bps	Decrease of 50 bps	Increase of 50 bps	Decrease of 50 bps
Net result	-	(1)	1	(1)
Equity (*)	-	(1)	1	(1)

(*) Defined as sum of earnings and cash-flow hedge reserve.

Exchange-rate risk

Exchange-rate risk management for the Group is governed by the directive issued by Finmeccanica. The purpose of the directive is to standardise for all the companies the management criteria based on industrial-not-speculative strategies so as to contain risks within specific limits by carefully and constantly assessing all foreign currency positions.
The Company hedges its own risks related to short-term financial payables and receivables denominated in currencies other than the euro and enters into foreign exchange transactions in the interest of other Group companies totalling €mil. 4,471 (notional amount) (a decrease of 15% from the previous year):

	Notional 2013			Notional 2012		
	Sales	Purchases	Total	Sales	Purchases	Total
Swap and forward transactions	1,826	2,645	4,471	2,671	2,563	5,234

Finally, as a result of the financial centralisation, the cash flows of the Group's foreign companies were recharged in several ways to Finmeccanica SpA through intercompany transactions mainly denominated in GBP and USD. For this type of risks, the income statement is hedged using mirror transactions of payables/receivables to/from third parties in the currency of intercompany items or through specific exchange-rate derivatives, classified as fair-value hedges. As a result, even though the Group has no economic exposure, it is subject to balance-sheet volatility directly impacting the amount of Group net debt, which is affected by the realigning of payables/receivables in foreign currency to/from third parties or, similarly, by the cash effects deriving from the renewal of hedges.

The table below shows the expected due dates of receipts and payments related to derivative instruments broken down by main currencies:

	31 December 2013				31 December 2012			
	Receipts		Payments		Receipts		Payments	
	USD	GBP	USD	GBP	USD	GBP	USD	GBP
Cash-flow and fair-value hedge transactions								
Within 1 year	1	74	125	1,209	1	15	41	986
2 to 3 years	-	-	-	-	-	-	-	-
4 to 9 years				480				490
Total	**1**	**74**	**125**	**1,689**	**1**	**15**	**41**	**1,476**

The table below shows the effects of the sensitivity analysis carried out on the change in the exchange rates of the euro against the pound sterling and the US dollar, assuming a +/-5% change in the euro/US dollar exchange rate and the euro/pound sterling exchange rate compared with the reference rates at 31 December 2013 (1.3791 and 0.8337, respectively) and at 31 December 2012 (1.3194 and 0.8161, respectively).

	31 December 2013				31 December 2012			
	Effect of change in the €/GBP rate		Effect of change in the €/USD rate		Effect of change in the €/GBP rate		Effect of change in the €/USD rate	
	increase of 5%	*decrease of 5%*	*increase of 5%*	*decrease of 5%*	*increase of 5%*	*decrease of 5%*	*increase of 5%*	*decrease of 5%*
Net result	-	-	-	-	(1)	3	2	(2)
Equity	-	-	-	-	(1)	3	2	(2)

Liquidity risk

Finmeccanica is exposed to liquidity risk, i.e. the risk of not being able to efficiently finance its usual business and investment operations, as well as the requirements connected with the volatility of the relevant commercial markets and with the effects of the current reorganisation of the Group, specifically with regard to the financial outlays relating to efficiency-improvement processes and to activities linked to business contracts at risk of renegotiation. Furthermore, there is the risk of not being able to repay debts at the expiry dates.
In order to face the above-mentioned risks, Finmeccanica has adopted a series of instruments aimed at optimising the management of financial resources.

During 2013 the subsidiary Finmeccanica Finance issued, within the context of EMTN (Euro Medium Term) programme, a new bond of €mil. 700 expiring in 2021. Repayments were made in relation to the residual amount of the original bond issue of €mil. 1,000, which has been already reduced to €mil. 750, and the second tranche of €mil. 46 of the principal portion of the EIB loan, which was signed and used by Finmeccanica in 2010.

Furthermore, Finmeccanica, in order to finance its own ordinary and extraordinary operations, can use the credit line (Revolving Credit Facility) totalling €mil. 2,400, which was entered into in 2010 and which will expire in September 2015.

Credit risk

Finmeccanica SpA, given is special position as industrial holding company exercising guidance and control, is exposed to limited counterparty risk in its commercial dealings; vice versa it is exposed to considerable risk with respect to its financing and investing activities, as well as for the guarantees it issues, mainly on behalf of Group companies, for payables or commitments to non-Group parties (Note 22). To that end, the Company has adopted a policy of prudently assessing financial counterparties.
The table below summarises trade receivables at 31 December 2013 and 2012, claimed from third parties:

	31 December 2013	31 December 2012
Portion due	1	9
- of which: for more than 12 months	-	*7*
Portion not yet due	2	2
Total trade receivables	**3**	**11**

Both trade and financial receivables are impaired individually if they are significant.
For receivables that are not impaired individually, impairment provisions are accrued on an aggregate basis, using historical series and statistical data.

Classification of financial assets and liabilities

The table below shows the fair value hierarchy of financial assets and liabilities measured at fair value. Except for the financial instruments in BCV Investments SCA, the fair value is determined on the basis of measurement techniques which consider directly observable market inputs (the so-called “Level 2” as defined in IFRS 7). In particular, the inputs used for the fair value measurement are the foreign exchange rate and interest rate observable on the market (spot exchange rates and forwards), exclusively in relation to options, and the volatility of these inputs.

Vice versa, the fair value of the hybrid financial instruments in BCV Investments SCA and of the remaining 15% interest in Ansaldo Energia, subject to put&call options (classified under other non-current assets) is determined on the basis of measurement techniques which do not consider directly observable market inputs (the so-called “Level 3”). In particular, the fair value of the hybrid financial instruments in BCV Investments SCA was determined on the basis of the price in the binding takeover bid made in 2012 for a great part of the underlying business, and did not change compared to 31 December 2012. The fair value of the stake in Ansaldo Energia was calculated on the basis of the price of the sale, as established in the related agreements.

	31 December 2013			31 December 2012		
	Level 2	Level 3	Total	Level 2	Level 3	Total
Other non-current assets		401	**401**		282	**282**
Other current assets	16		**16**	28		**28**

	31 December 2013			31 December 2012		
	Level 2	Level 3	Total	Level 2	Level 3	Total
Other non-current liabilities						
Other current liabilities	5		**5**	13		**13**

32. Remuneration to key management personnel

Remuneration paid to persons who have strategic power and responsibility of the Corporate is €mil. 4 (€mil. 4 at 31 December 2012).

Remuneration paid to directors (except for the Chairman of the Board of Directors, since his remuneration was already included in the figure previously indicated as the Manager with strategic responsibility) came to €mil. 1 for 2013 and 2012.

These figures include fees and other compensation, pensions and other benefits, including the portion borne by the Company, owed as a result of holding the position of director or Statutory Auditor of the Parent Company that represented a cost for the Company.

33. Financial transactions with related parties

In general, commercial and financial relations with related parties are carried out at arm's length, as is settlement of interest-bearing receivables and payables. Below are the amounts of 2013 and 2012:

Receivables at 31 December 2013

	Non-current loans and receivables	Current loans and receivables	Trade receivables	Receivables from consolidated tax mechanism	Other current receivables	Total
Subsidiaries						
AgustaWestland Ltd			4			4
AgustaWestland NV		699	1			700
AgustaWestland SpA	66	3	10	3		82
Alenia Aermacchi SpA			13			13
AnsaldoBreda SpA		81	2			83
BredaMenarinibus SpA		77	-		1	78
DRS Technologies Inc.			3			3
Finmeccanica Finance SA			1			1
Finmeccanica Global Services SpA	154	26	-		3	183
Finmeccanica UK Ltd		2				2
OTO Melara SpA			2		9	11
Selex ES SpA		1,538	10		19	1,567
Sirio Panel SpA				2		2
So.Ge.Pa. Società Generale di Partecipazioni SpA			-		17	17
Whitehead Sistemi Subacquei SpA		32	2		-	34
Companies with unit amount lower than €mil. 1			2	-	1	3
Joint ventures						
Telespazio SpA		4	1	4		9
Thales Alenia Space Italia SpA		4	1			5
			1			1
Consortia						
Consorzio Creo		1				1
Companies subject to the control or considerable influence of the MEF						
Ansaldo Energia SpA			2			2
Avio SpA			1			1
Companies with unit amount lower than €mil. 1			1			1
Total	**220**	**2,467**	**57**	**9**	**50**	**2,803**
% against total for the year	*99.4*	*100.0*	*95.6*	*7.4*	*38.9*	

In addition to the above-mentioned receivables, we highlight the instruments in portfolio issued by BCV Investments, whose value at 31 December 2013 is equal to €mil. 284 (€mil. 282 at 31 December 2012). Moreover, other assets include the fair value of 15% of Ansaldo Energia share capital which will be sold upon the exercise of the put&call options, as described below, by Finmeccanica and the related party FSI at a pre-arranged price of €mil. 117 in respect of which capitalised interest accrues at a yearly 6% rate. In particular, Finmeccanica can exercise its put option between 30 June and 31 December 2017, while the call option of FSI is exercisable in the same period or before if some conditions occur.

Payables at 31 December 2013

	Non-current loans and borrowings	Current loans and borrowings	Trade payables	Payables from consolidated tax mechanism	Other current payables	Total	Guarantees
Subsidiaries							
AgustaWestland Ltd						-	365
AgustaWestland NV		897				897	
AgustaWestland Philadelphia Co.						-	84
AgustaWestland SpA			1		69	70	2,644
Alenia Aermacchi North America Inc.						-	22
Alenia Aermacchi SpA		1,156	2		61	1,219	2,387
Ansaldo STS SpA		31				31	1,237
AnsaldoBreda SpA				43	52	95	2,862
BredaMenarinibus SpA				4	1	5	29
Cyberlabs Srl			4			4	
DRS Technologies Inc.			2			2	20
Electron Italia Srl				1	1	2	2
E-Security Srl				1		1	
FATA Logistic Systems SpA					2	2	
FATA SpA		9	1	1	8	19	348
Finmeccanica Finance SA	2,875	456				3,331	3,243
Finmeccanica Global Services SpA		34	9	1	3	47	29
Finmeccanica North America Inc.			1			1	
Finmeccanica UK Ltd			3		1	4	
Meccanica Holdings USA Inc.		122				122	943
OTO Melara SpA		85			15	100	132
PZL-Świdnik							5
Selex ES GmbH							28
Selex ES Ltd		125			4	129	67
Selex ES SpA		85	7	16	47	155	953
SELEX Service Management SpA				1	8	9	98
SELEX Sistemi Integrati SpA					17	17	1
SELEX Systems Integration Inc.							4
Sirio Panel SpA					2	2	6
So.Ge.Pa. Società Generale di Partecipazioni SpA		22		1	1	24	6
Whitehead Sistemi Subacquei SpA				2	2	4	108
Companies with unit amount lower than €mil. 1			1	1	1	3	-
Joint ventures							
MBDA Italia SpA							61
SuperJet International SpA				6	6	12	6
Telespazio SpA			1		2	3	218
Thales Alenia Space Italia SpA		1				1	1
Thales Alenia Space SAS		159				159	
Companies subject to the control or considerable influence of the MEF							
Ansaldo Energia SpA		9			5	14	2,518
Ansaldo Nucleare SpA							3
Ansaldo Thomassen BV							4
Fincantieri SpA			1			1	
Total	**2,875**	**3,191**	**33**	**78**	**308**	**6,485**	**18,434**
% against total for the year	*76.8*	*97.8*	*40.2*	*18.3*	*71.8*		*100.0*

Receivables at 31 December 2012

	Non-current loans and receivables	Current loans and receivables	Trade receivables	Receivables from consolidated tax mechanism	Other current receivables	Total
Subsidiaries						
AgustaWestland Ltd			4			4
AgustaWestland NV		312				312
AgustaWestland SpA	69	3	9	33		114
Alenia Aermacchi SpA			12			12
AnsaldoBreda SpA		153	3			156
BredaMenarinibus SpA		86				86
DRS Technologies Inc.			2			2
Elsacom NV		2				2
FATA SpA			1			1
Finmeccanica Finance SA		238	1			239
Finmeccanica Group Real Estate SpA	180	27		2		209
Finmeccanica Group Services SpA					6	6
Finmeccanica UK Ltd		1				1
Larimart SpA					1	1
OTO Melara SpA			2	2		4
SELEX Elsag SpA		1,080	5	8	2	1,095
SELEX Galileo Ltd			3			3
SELEX Galileo SpA		42	4	7	3	56
SELEX Sistemi Integrati SpA		393	2			395
Sirio Panel SpA				2		2
So.Ge.Pa. Società Generale di Partecipazioni SpA (in liq.)				4		4
Trimprobe SpA (in liq.)		2				2
Whitehead Sistemi Subacquei SpA		30	1	4		35
Companies with unit amount lower than €mil. 1			1	1		2
Joint ventures						
Ansaldo Energia SpA		18	15	12		45
e-GEOS SpA				1		1
Telespazio SpA		13	1	3		17
Thales Alenia Space Italia SpA		4	1			5
Companies with unit amount lower than €mil. 1		1	1			2
Consortia						
Consorzio Creo		1				1
Other related concerns						
Companies with unit amount lower than €mil. 1			1			1
Total	**249**	**2,406**	**69**	**79**	**12**	**2,815**
% against total for the year	*99.5*	*100.0*	*86.7*	*32.2*	*4.9*	

Payables at 31 December 2012

	Non-current loans and borrowings	Current loans and borrowings	Trade payables	Payables from consolidated tax mechanism	Other current payables	Total	Guarantees
Subsidiaries							
AgustaWestland Ltd							99
AgustaWestland NV		572				572	
AgustaWestland Philadelphia Co.							92
AgustaWestland SpA					51	51	2,987
Alenia Aermacchi North America Inc.							23
Alenia Aermacchi SpA		924	3	20	46	993	2,300
Ansaldo STS SpA		121				121	1,339
AnsaldoBreda SpA				77	51	128	3,052
BredaMenarinibus SpA				5	2	7	27
DRS Technologies Inc.							26
Electron Italia Srl					1	1	3
Elsacom SpA (in liq.)		4				4	
E-Security Srl				1		1	
FATA SpA		11		1	7	19	536
Finmeccanica do Brasil Ltda			1			1	
Finmeccanica Finance SA	2,185	1,557				3,742	3,677
Finmeccanica Group Real Estate SpA		16			3	19	1
Finmeccanica Group Services SpA		33	7		1	41	
Finmeccanica North America Inc.			3			3	
Finmeccanica UK Ltd			2		1	3	
Meccanica Holdings USA Inc.		41				41	985
OTO Melara SpA		76			14	90	159
PZL-Świdnik							5
SELEX Electronic Systems SpA		27		1	1	29	
SELEX Elsag Ltd							15
SELEX Elsag SpA		148	4		31	183	353
SELEX Galileo Ltd		285			3	288	27
SELEX Galileo SpA					11	11	92
SELEX Service Management SpA				3	7	10	58
SELEX Sistemi Integrati SpA		4		18	18	40	469
SELEX Systems Integration GmbH							5
SELEX Systems Integration Inc.							4
SELEX Systems Integration Ltd							25
Sesm Scrl							4
Sirio Panel SpA					2	2	7
So.Ge.Pa. Società Generale di Partecipazioni SpA (in liq.)		12		1	1	14	14
Whitehead Sistemi Subacquei SpA					2	2	130
Companies with unit amount lower than €mil. 1			2	2	1	5	

Payables at 31 December 2012

	Non-current loans and borrowings	Current loans and borrowings	Trade payables	Payables from consolidated tax mechanism	Other current payables	Total	Guarantees
Associates							
Orizzonte Sistemi Navali SpA							12
Joint ventures							
Ansaldo Energia SpA					28	28	2,450
Ansaldo Nucleare SpA					2	2	3
Ansaldo Thomassen BV							5
MBDA Italia SpA							87
SuperJet International SpA				7	3	10	5
Telespazio SpA					2	2	219
Thales Alenia Space Italia SpA							1
Thales Alenia Space SAS		224				224	
Companies subject to the control or considerable influence of the MEF							
Fincantieri SpA			1			1	
Companies with unit amount lower than €mil. 1			1			1	
Total	**2,185**	**4,055**	**24**	**136**	**289**	**6,689**	**19,296**
% against total for the year	*70.5*	*98.3*	*42.8*	*29.3*	*62.3*		*99.7*

As regards the most important transactions we note:

- non-current loans and receivables of €mil. 154 from the subsidiary Finmeccanica Global Services SpA, deriving from the process of concentrating the Group's real estate assets that was completed during 2011;
- the non-current loans and receivables from AgustaWestland SpA of €mil. 66 (€mil. 69 at 31 December 2012), that refer to the lease agreement, recognised as a finance lease and recorded as a receivable accordingly, for the industrial complex owned by Finmeccanica (Note 8);
- the non-current loans and borrowings from Luxembourg subsidiary of the Group, Finmeccanica Finance SA (€mil. 2,875 al 31 December 2013);
- current loans and borrowings, for a total of €mil. 3,191 (€mil. 4,055 at 31 December 2012), that reflect the method adopted by Finmeccanica for centralising the Group treasury resources and show, by their high amount, the net cash inflows realised by the Group companies during the year, particularly during the final quarter (Note 14). These loans and borrowings also include the balancing entry for cash surpluses that a number of Group companies pay to Finmeccanica outside the cash pooling system as its share, directly or through Finmeccanica Finance, under treasury agreements signed with the latter, the corresponding balancing entry of which is found under cash and cash equivalents. Similarly, current loans and receivables of €mil. 2,467 (€mil. 2,406 at 31 December 2012) arise from financing activities conducted by Finmeccanica in favour of the Group companies, again as a result of this centralisation of treasury resources;
- other receivables (€mil. 9) and payables (€mil. 78), including those deriving from the consolidated tax mechanism and from the Group VAT mechanism (€mil. 29 of receivables and €mil. 253 of payables). Such receivables and payables are recognised by the Parent Company, the sole party having a legal relationship with the tax authority, against payables and receivables recognised by the companies that adopt the national tax consolidation and the Group VAT. Receivables and payables recognised by the Company did not have any impact on the income statement since these items were offset with balancing tax items in the balance

sheet. Moreover, payables include debts to the subsidiaries related to the request for refund, following the recognition of the deductibility of IRAP for IRES purposes (€mil. 52); trade receivables amounted to €mil. 57 (€mil. 69 at 31 December 2012), and include, specifically, amounts due for services rendered to and on behalf of Group companies, consistent with the Company's guidance and coordination function.

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

Below are all income statement transactions with the Company's related parties for the years 2013 and 2012:

Income statement transactions at 31 December 2013

	Revenue	Other operating income	Costs net of recoveries (1)	Cost recovery (2)	Financial income	Financial expense
Subsidiaries						
AgustaWestland Ltd	7	-	-	-	-	-
AgustaWestland NV	-	-	-	1	15	7
AgustaWestland SpA	13	2	1	4	7	-
Alenia Aermacchi SpA	11	-	2	6	3	4
Ansaldo STS SpA	2	-	-	-	2	-
AnsaldoBreda SpA	1	-	-	1	8	-
BredaMenarinibus SpA	-	-	-	-	2	-
Cyberlabs Srl	-	-	3	-	-	-
DRS Technologies Inc.	-	-	2	-	2	-
FATA SpA	1	-	1	-	1	-
Finmeccanica do Brasil Ltda	-	-	1	-	-	-
Finmeccanica Finance SA	-	-	-	1	-	212
Finmeccanica Global Services SpA	-	-	19	-	4	-
Finmeccanica North America Inc.	-	-	3	-	-	-
Finmeccanica UK Ltd	-	-	8	-	-	-
Meccanica Holdings USA Inc.	-	-	-	-	5	-
OTO Melara SpA	2	-	-	1	-	-
Selex ES Ltd	-	-	-	1	-	-
Selex ES SpA	14	9	5	5	42	1
So.Ge.Pa. Società Generale di Partecipazioni SpA	-	-	-	-	1	-
Whitehead Sistemi Subacquei SpA	1	-	-	2	1	-
Companies with unit amount lower than €mil. 1	-	-	-	2	-	1
Joint ventures						
MBDA Italia SpA	9	-	-	-	-	-
Telespazio SpA	-	-	1	2	1	-
Consortia						
Consorzio Creo	-	-	1	-	-	-
Companies subject to the control or considerable influence of the MEF						
Ansaldo Energia SpA	4	-	-	2	3	-
Fondo Strategico Italiano					14	
Avio SpA	1	-	-	-	-	-
Companies with unit amount lower than €mil. 1	-	1	-	-	-	-
Total	**66**	**12**	**47**	**28**	**111**	**225**
% against total for the year	*98.5*	*12.7*	*41.0*	*100.0*	*14.5*	*20.1*

(1) Costs are indicated with + and recoveries with -.
(2) Recoveries are indicated with + and negative differences on recoveries with -.

Income statement transactions at 31 December 2012

	Revenue	Other operating income	Costs net of recoveries (1)	Cost recovery (2)	Financial income	Financial expense
Subsidiaries						
AgustaWestland Ltd	7	-	-	-	-	-
AgustaWestland NV	-	-	-	1	8	4
AgustaWestland SpA	13	2	-	1	7	-
Alenia Aermacchi SpA	13	-	1	5	3	2
Ansaldo STS SpA	2	-	1	1	2	-
AnsaldoBreda SpA	3	-	-	1	10	-
BredaMenarinibus SpA	-	-	-	-	2	-
Cyberlabs Srl	-	-	1	-	-	-
DRS Technologies Inc.	-	-	-	-	3	-
FATA SpA	1	-	-	-	-	-
Finmeccanica do Brasil Ltda	-	-	1	-	-	-
Finmeccanica Finance SA	-	-	-	1	-	195
Finmeccanica Group Real Estate SpA	-	-	3	-	5	-
Finmeccanica Group Services SpA	-	-	16	-	-	-
Finmeccanica North America Inc.	-	-	6	-	-	-
Finmeccanica UK Ltd	-	-	9	-	-	-
Meccanica Holdings USA Inc.	-	-	-	-	5	-
OTO Melara SpA	2	-	-	1	-	-
SELEX Electronic Systems SpA	-	-	-	-	1	-
SELEX Elsag SpA	6	3	3	3	26	1
SELEX Galileo Ltd	6	-	-	-	-	1
SELEX Galileo SpA	4	-	-	2	2	-
SELEX Service Management SpA	-	-	-	-	2	-
SELEX Sistemi Integrati SpA	3	6	-	1	10	-
Whitehead Sistemi Subacquei SpA	1	-	-	1	1	-
Companies with unit amount lower than €mil. 1	-	-	2	2	1	
Joint ventures						
Ansaldo Energia SpA	4	-	-	2	9	1
MBDA Italia SpA	9	-	-	-	-	-
Telespazio SpA	-	-	-	1	1	-
Thales Alenia Space France SAS	-	-	-	-	-	-
Thales Alenia Space Italia SpA	-	-	-	1	-	-
Thales Alenia Space SAS	-	-	-	-	-	1
Companies with unit amount lower than €mil. 1		1	1	-	-	-
Total	**74**	**12**	**44**	**24**	**98**	**205**
% against total for the year	*100.0*	*48.0*	*39.6*	*100.0*	*8.1*	*10.9*

(1) Costs are indicated with + and recoveries with -.
(2) Recoveries are indicated with + and negative differences on recoveries with -.

APPENDICES

APPENDIX NO. 1 (€MIL.) - EQUITY INVESTMENTS

%		31 December 2012 Cost	Impairment	Carrying amount
	Equity investments in subsidiaries			
100	AGUSTA WESTLAND NV	2,171	(2)	2,169
100	ALENIA AERMACCHI SPA	542	(163)	379
54.55	ANSALDO ENERGIA SPA	273	-	273
40.07	ANSALDO STS SPA	44	-	44
100	ANSALDOBREDA SPA	509	(509)	-
100	BREDAMENARINIBUS SPA	36	(36)	-
100	ELSACOM NV	66	(65)	1
100	FATA SPA	22	-	22
99.99	FINMECCANICA DO BRASIL LTDA	-	-	-
100	FINMECCANICA FINANCE SA	79	-	79
100	FINMECCANICA GLOBAL SERVICES SPA	443	-	443
100	FINMECCANICA GROUP SERVICES SPA	54	(21)	33
100	FINMECCANICA NORTH AMERICA INC.	3	-	3
100	FINMECCANICA UK LTD	-	-	-
100	MECCANICA HOLDINGS USA INC.	2,389	(1,290)	1,099
100	OTO MELARA SPA	103	-	103
100	SELEX ES SPA	2,000	(113)	1,887
100	SO.GE.PA. Società Generale di Partecipazioni SPA	3	(3)	-
67	TELESPAZIO SPA	171	-	171
100	TRIMPROBE SPA (in liq.)	2	(2)	-
100	WHITHEAD SISTEMI SUBACQUEI SPA	25	-	25
		8,935	**(2,204)**	**6,731**
	Equity investments in associates			
50	AMSH BV	873	(392)	481
31.33	ELETTRONICA SPA	54	(47)	7
50	EUROSYSNAV SAS	-	-	-
11	EUROTECH SPA	18	(12)	6
30.98	IND. A. E M. R. PIAGGIO SPA (Extr. adm.)	31	(31)	-
25	LIBYAN ITALIAN ADVANCED TECH. CO.	2	-	2
30	NGL PRIME SPA	-	-	-
33	THALES ALENIA SPACE SAS	546	(145)	401
		1,524	**(627)**	**897**
	Other companies			
10	ATITECH SPA	1	(1)	-
14.32	BCV INVESTMENTS SCA	4	-	4
99	CONSORZIO CREO	1	(1)	-
13.584	ITP SRL (in bankruptcy)	2	(2)	-
	Other companies with unit amount lower than €mil. 1	1	-	1
		9	**(4)**	**5**
	TOTAL EQUITY INVESTMENTS	10,467	(2,834)	7,633
				(b) Of which:
				Cost
				Impairment

Transfers/Acquisition of business unit	Acquis./Subscriptions/ Payments of capital	Disposals	Reclass.	Financial Revalut. Impairment	31 December 2013 Cost	Impairment	Carrying amount
(a)		*(b)*	*(c)*				
				2	2,171	-	2,171
				163	542	-	542
		(273)			-	-	-
					44	-	44
	399			(399)	509	(509)	-
	3			(3)	36	(36)	-
		(1)			-	-	-
					22	-	22
					-	-	-
					79	-	79
			33	21	497	-	497
			(33)		-	-	-
					3	-	3
					-	-	-
					2,389	(1,290)	1,099
					103	-	103
				(101)	2,000	(214)	1,786
	12				14	(2)	12
					171	-	171
		-			-	-	-
					25	-	25
-	**414**	**(274)**		**(317)**	**8,605**	**(2,051)**	**6,554**
					873	(392)	481
					54	(47)	7
					-	-	-
					18	(12)	6
					31	(31)	-
					2	-	2
					-	-	-
					546	(145)	401
-	**-**	**-**	**-**	**-**	**1,524**	**(627)**	**897**
					1	(1)	-
					4	-	4
					-	-	-
					2	(2)	-
					1	-	1
-	**-**	**-**	**-**	**-**	**8**	**(3)**	**5**
-	414	(274)	-	(317)	10,137	(2,681)	7,456
	264						
	(64)						
-	***200***	-	-				

APPENDIX NO. 2 (€MIL.) - LIST OF EQUITY INVESTMENTS

Name	Office	Reporting date
Equity investments in subsidiaries		
AGUSTA WESTLAND NV	Amsterdam (The Netherlands)	31/12/2013
ALENIA AERMACCHI SPA	Venegono Superiore (Varese)	31/12/2013
ANSALDO STS SPA	Genoa	31/12/2013
ANSALDOBREDA SPA	Naples	31/12/2013
BREDAMENARINIBUS SPA	Bologna	31/12/2013
FATA SPA	Pianezza - Turin	31/12/2013
FINMECCANICA DO BRASIL LTDA	Brasilia (Brazil)	31/12/2013
(EURO at 31 December 2013 = BRL 3.2576)		
FINMECCANICA FINANCE SA	Luxembourg	31/12/2013
FINMECCANICA GLOBAL SERVICES SPA	Rome	31/12/2013
FINMECCANICA NORTH AMERICA INC.	Delaware (USA)	31/12/2012
(EURO at 31 December 2013 = USD 1.3791)		
FINMECCANICA UK LTD	Yeovil (UK)	31/12/2013
(EURO at 31 December 2013 = GBP 0.8337)		
MECCANICA HOLDINGS USA INC.	Wilmington (USA)	31/12/2013
(EURO at 31 December 2013 = USD 1.3791)		
OTO MELARA SPA	La Spezia	31/12/2013
SELEX ES SPA	Rome	31/12/2013
SO.GE.PA. Società Generale di Partecipazioni SPA	Genoa	31/12/2013
TELESPAZIO SPA	Rome	31/12/2013
WHITHEAD SISTEMI SUBACQUEI SPA	Livorno	31/12/2013
Equity investments in associates		
AMSH BV	Amsterdam (The Netherlands)	31/12/2013
ELETTRONICA SPA	Rome	31/12/2013
EUROSYSNAV SAS	Paris (France)	31/12/2013
EUROTECH SPA	Udine	31/12/2013
IND. A. E M. R. PIAGGIO SpA (Extr. adm.)	Genoa	n.a.
LIBYAN ITALIAN ADVANCED TECH. CO.	Tripoli (Libya)	31/12/2011
(EURO at 31 December 2013 = LYD 1.70192)		
NGL PRIME SPA	Turin	31/12/2013
THALES ALENIA SPACE SAS	Paris (France)	31/12/2012
Consortia		
CONSORZIO C.I.F.A.P.	Deruta (Perugia)	n.a.
CONS. CREO	L'Aquila	31/12/2013
CONS. ROMA RICERCHE	Rome	31/12/2013
CONS. PISA RICERCHE SCRL (in bankruptcy)	Pisa	n.a.
Other companies		
ATITECH SPA	Capodichino (Naples)	31/12/2013
BCV MANAGEMENT SA	Luxembourg	31/12/2012
BCV INVESTMENTS SCA	Luxembourg	31/12/2012
DISTRETTO LIGURE DELLE TECNOLOGIE MARINE SCRL	La Spezia	31/12/2011
EMITTENTI TITOLI SPA	Milan	31/12/2012
EUROPEAN SATELLITE NAVIGATION INDUSTRIES GMBH (in liq.)	Ottobrunn (Germany)	31/12/2009
EUROPEAN SATELLITE NAVIGATION INDUSTRIES SA (in liq.)	Brussels (Belgium)	31/12/2009
ITP SRL (in bankruptcy)	Milan	n.a.
SOC.INFORM ESPERIENZE TERMOID. SPA	Piacenza	31/12/2013
TOTAL EQUITY INVESTMENTS		

Share capital (total)	Currency	Equity	Profit (Loss)	Ownership	Net equity in financial statements	Carrying amount
80,000		1,379	101	100.0	1,379	2,170.9
250,000,000		433	10	100.0	433	541.6
89,998,423		344	32	40.1	138	43.8
55,839,139		(124)	(525)	100.0	(124)	-
1,300,000		(4)	(5)	100.0	(4)	-
20,000,000		14	(1)	100.0	14	21.9
369,352		1	-	100.0	1	0.5
1,203,200	BRL	2	-		-	-
12,371,940		107	23	100.0	107	79.4
49,945,983		526	(8)	100.0	526	496.5
725		3	(1)	100.0	3	3.4
1,000	USD	4	(1)		-	-
1,199		4	1	100.0	4	-
1,000	GBP	3	1		-	-
2,610,398,086		1,087	5	100.0	1,087	1,099.4
3,600,000,001	USD	1,499	7		-	-
92,307,722		148	23	100.0	148	102.8
350,000,000		1,232	(295)	100.0	1,232	1,786.0
1,000,000		14	1	100.0	14	12.0
50,000,000		226	22	67.0	152	170.9
21,346,000		24	(5)	100.0	24	24.7
						6,553.8
36,296,316		844	118	50.00	422	480.8
9,000,000		77	18	31.33	24	7.2
40,000		6	-	50.00	3	0.0
8,878,946		110	10	11.08	12	5.8
103,567		n.a.	n.a.	30.98	n.a.	-
7,972,173		3	(2)	25.00	1	2.0
13,568,000	LYD	5	(4)			
120,000		-	-	30.00	-	0.0
979,240,000		1,968	82	33.00	650	400.9
						896.7
100,000		n.a.	n.a.	-	n.a.	0.0
774,685		1	-	0.1	1	0.8
191,387		-	-	-	-	0.0
1,061,613		n.a.	n.a.	-	n.a.	0.0
						0.8
6,500,000		7	1	10.00	1	0.4
36,470		-	-	15.00	-	0.0
5,446,513		15	3	14.32	2	3.9
1,080,000		1	-	10.91	-	0.1
4,264,000		7	1	3.70	-	0.2
264,000		-	-	18.94	-	0.1
264,000		(1)	4	18.94	-	0.1
7,029,401		n.a.	n.a.	13.58	n.a.	-
697,820		1	-	2.16	-	0.0
						4.8
						7,456.1

APPENDIX NO. 3 (€MIL.) - NON-CURRENT RECEIVABLES

	31 December 2012 Residual nominal amount	Impairment	Book value
Receivables	2		2
- Receivables from subsidiaries			
AgustaWestland SpA	69		69
Finmeccanica Global Services SpA (*)	180		180
Total receivables	**251**	**-**	**251**

(*) On 1 October 2013 Finmeccanica Group Services SpA was merged into Finmeccanica Group Real Estate SpA and the latter simultaneously changed its name to Finmeccanica Global Services SpA.

APPENDIX NO. 4 (€MIL.) - ASSETS BROKEN DOWN BY MATURITY

	31 December 2013 Amounts due			31 December 2012 Amounts due		
	from 2nd to 5th subsequent year	beyond 5th year	Total	from 2nd to 5th subsequent year	beyond 5th year	Total
Receivables						
Loans and receivables	1		1	2		2
Non-current loans and receivables from related parties	169	51	220	198	51	249
Other non-current assets	401		401	285		285
Total receivables and non-current assets	**571**	**51**	**622**	**485**	**51**	**536**

Disbursement	Reclassifications	Reimbursements	Other changes	Impairment (-) Reversal (+)	31 December 2013 Residual nominal amount	Impairment	Book value
			2		2		
	(3)				66		66
	(26)				154		154
-	(29)	-	-	-	222	-	222

APPENDIX NO. 5 (€MIL.) - NON-CURRENT RECEIVABLES

	31 December 2013			31 December 2012		
	In foreign currency	In Euro	Total	In foreign currency	In Euro	Total
Receivables						
Loans and receivables		1	1		2	2
Non-current loans and receivables from related parties		220	220		249	249
Other non-current assets		401	401		285	285
Total receivables and other non-current assets	**-**	**622**	**622**	**-**	**536**	**536**
Deferred tax assets		**36**	**36**		**28**	**28**
Total non-current assets	-	658	658	-	564	564
Loans and receivables from related parties		**2,467**	**2,467**		**2,406**	**2,406**
Trade receivables		3	3		11	11
Trade receivables from related parties		57	57		69	69
	-	**60**	**60**	**-**	**80**	**80**
Other assets		69	69		154	154
Other receivables from related parties		59	59		91	91
	-	**128**	**128**	**-**	**245**	**245**
Income tax receivables		**91**	**91**		**89**	**89**
Derivatives	**5**	**144**	**149**		**28**	**28**
Cash and cash equivalents	**75**	**686**	**761**	**16**	**1,203**	**1,219**
Total current assets	80	3,576	3,656	16	4,051	4,067

APPENDIX NO. 6 (€MIL.) - ASSETS BY GEOGRAPHICAL AREA

	31 December 2013				
	Italy	Rest of Europe	North America	Rest of the world	Total
Receivables					
Loans and receivables	1				1
Non-current loans and receivables from related parties	220				220
Other non-current assets	117	284			401
Total receivables and other non-current assets	**338**	**284**	**-**	**-**	**622**
Deferred tax assets	**36**				**36**
Total non-current assets	374	284	-	-	658
Loans and receivables from related parties	**1,766**	**701**			**2,467**
Trade receivables	3				3
Trade receivables from related parties	47	7	3		57
	50	**7**	**3**	**-**	**60**
Other assets	69				69
Other receivables from related parties	59				59
	128	**-**	**-**	**-**	**128**
Income tax receivables	**91**				**91**
Derivatives	**149**				**149**
Cash and cash equivalents	**760**			**1**	**761**
Total current assets	2,944	708	3	1	3,656

APPENDIX NO. 7 (€MIL.) - AVAILABLE AND DISTRIBUTABLE RESERVES

Nature/description	Amount	Possible use	Available portion
Share capital (*)	2,524.9		
Capital reserves:			
Merger surplus	265.0	A,B,C	265.0
Treasury share reserve	0.3	B	
Revenue reserves			
Legal reserve	214.3	B	
Extraordinary reserve	391.5	A,B,C	391.5
Reserve for unexercised rights	3.6	A,B,C	3.6
Reserve for prescribed dividends	0.4	A,B,C	0.4
Reserve for actuarial gains (losses) in equity	0.8	B	
Retained earnings	830.2	A,B,C	505.4
Total	4,231.0		1,165.9

(*) Less treasury shares for €mil. 0.3 and € mil. 18.7.

Keys:
A: for capital increase
B: for loss coverage
C: for distribution to shareholders

31 December 2012 Italy	Rest of Europe	North America	Rest of the world	Total
2				2
249				249
3	282			285
254	**282**	**-**	**-**	**536**
28				**28**
282	282	-	-	564
1,854	**552**			**2,406**
11				11
58	9	2		69
69	**9**	**2**	**-**	**80**
153	1			154
91				91
244	**1**	**-**	**-**	**245**
89				**89**
28				**28**
1,218	**1**			**1,219**
3,502	563	2	-	4,067

APPENDIX NO. 8 (€MIL.) - LIABILITIES BROKEN DOWN BY MATURITY

	31 December 2013 Amounts due			31 December 2012 Amounts due		
	from 2nd to 5th subsequent	beyond 5th year	Total	from 2nd to 5th subsequent	beyond 5th year	Total
Other non-current liabilities	104		104	110		110
	104	**-**	**104**	**110**	**-**	**110**
Non-current loans and borrowings	185	682	867	190	722	912
Non-current loans and borrowings from related parties	700	2,175	2,875	1,266	919	2,185
	885	**2,857**	**3,742**	**1,456**	**1,641**	**3,097**
Total non-current liabilities	989	2,857	3,846	1,566	1,641	3,207

APPENDIX NO. 9 (€MIL.) - FOREIGN CURRENCY LIABILITIES

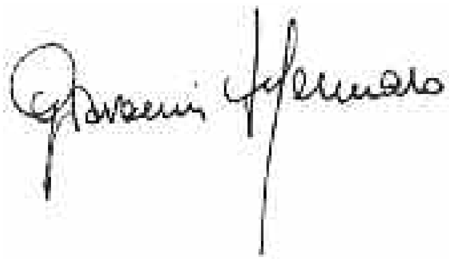
	31 December 2013			31 December 2012		
	In foreign currency	In Euro	Total	In foreign currency	In Euro	Total
Non-current loans and borrowings		867	867		913	913
Non-current loans and borrowings from related parties	480	2,395	2,875	490	1,694	2,184
	480	**3,262**	**3,742**	**490**	**2,607**	**3,097**
Other non-current liabilities		104	104		110	110
Total non-current liabilities	480	3,366	3,846	490	2,717	3,207
Loans and borrowings		70	70		70	70
Loans and borrowings from related parties	1,327	1,864	3,191	1,027	3,028	4,055
	1,327	**1,934**	**3,261**	**1,027**	**3,098**	**4,125**
Trade payables	2	47	49	1	31	32
Trade payables to related parties	7	26	33	5	19	24
	9	**73**	**82**	**6**	**50**	**56**
Other liabilities		43	43	1	38	39
Other payables to related parties	1	385	386		425	425
	1	**428**	**429**	**1**	**463**	**464**
Income tax payables		**17**	**17**		**4**	**4**
Derivatives	**4**	**134**	**138**		**13**	**13**
Total current liabilities	1,341	2,586	3,927	1,034	3,628	4,662

APPENDIX NO. 10 (€MIL.) - LIABILITIES BY GEOGRAPHICAL AREA

	31 December 2013				
	Italy	Rest of Europe	North America	Rest of the world	Total
Non-current loans and borrowings	496	371			867
Non-current loans and borrowings from related parties		2,875		2,875	
	496	**3,246**	**-**	**-**	**3,742**
Other non-current liabilities	104				104
Total non-current liabilities	600	3,246			3,846
Loans and borrowings	20	50			70
Loans and borrowings from related parties	1,431	1,638	122		3,191
	1,451	**1,688**	**122**		**3,261**
Trade payables	46	2	1		49
Trade payables to related parties	26	3	3	1	33
	72	**5**	**4**	**1**	**82**
Other liabilities	43				43
Other payables to related parties	385	1			386
	428	**1**	**-**	**-**	**429**
Income tax payables	17				17
Derivatives	138				138
Total current liabilities	2,106	1,694	126	1	3,927

	31 December 2012				
	Italy	Rest of Europe	North America	Rest of the world	Total
	496	416			912
		2,185			2,185
	496	**2,601**	**-**	**-**	**3,097**
	110				110
	606	2,601			3,207
	20	50			70
	1,376	2,638	41		4,055
	1,396	**2,688**	**41**		**4,125**
	30	1	1		32
	18	2	3	1	24
	48	**3**	**4**	**1**	**56**
	39				39
	425				425
	464	**-**	**-**	**-**	**464**
	4				4
	13				13
	1,925	2,691	45	1	4,662

For the Board of Directors
The Chairman
(Giovanni De Gennaro)



STATEMENT ON THE SEPARATE FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154-*BIS*, PARAGRAPH 5 OF LEGISLATIVE DECREE 58/1998 AS AMENDED

1. The undersigned Alessandro Pansa, Chief Executive Officer and General Manager, and Gian Piero Cutillo as the Officer in charge of financial reporting for Finmeccanica SpA, certify, in accordance with Article 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 separate financial statements at 31 December 2013.

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

3. It is also certified that:

    3.1 The separate financial statements:
    - were prepared in accordance with International Financial Reporting Standards endorsed by the European Community pursuant to EC regulation 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 58/1998 and subsequent amendments and integrations and they provide a true and fair view of the financial position and results of operations of the issuer.

    3.2 The Report on Operations includes a reliable analysis of the performance and the operating result, as well as the position of the issuer, together with a description of the main risks and uncertainties it is exposed to.

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

Rome, 19 March 2014

Chief Executive Officer and General Manager **Alessandro Pansa**	Officer in charge of financial reporting **Gian Piero Cutillo**

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(Translation from the Italian original which remains the definitive version)

Report of the auditors in accordance with articles 14 and 16 of Legislative decree no. 39 of 27 January 2010

To the shareholders of
Finmeccanica S.p.a.

1 We have audited the separate financial statements of Finmeccanica S.p.a. as at and for the year ended 31 December 2013, comprising the separate income statement, statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and notes thereto. The company's directors are responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

Reference should be made to the report dated 30 April 2013 for our opinion on the prior year separate financial statements, which included the corresponding figures presented for comparative purposes.

3 In our opinion, the separate financial statements of Finmeccanica S.p.a. as at and for the year ended 31 December 2013 comply with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Therefore, they are clearly stated and give a true and fair view of the financial position of Finmeccanica S.p.a. as at 31 December 2013, the results of its operations and its cash flows for the year then ended.

4 Without qualifying our opinion, we draw attention to the disclosures provided by the company's directors in the notes to the separate financial statements with regards to the judicial investigations involving Finmeccanica S.p.a. and certain subsidiaries, as well as certain former directors and managers of these companies.

5 The directors of Finmeccanica S.p.a. are responsible for the preparation of a report on operations and a report on corporate governance and shareholder structure, published in the "*Governance*" section of Finmeccanica S.p.a. website, in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the report on corporate governance and shareholder structure, to the extent of the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative decree no. 58/98 with the financial statements to which they refer, as required by the law. For this purpose, we have performed the procedures required by the Italian Standard on Auditing 001 issued by the Italian Accounting Profession and recommended by Consob. In our opinion, the report on operations and the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative decree no. 58/98 disclosed in the report on corporate governance and shareholder structure are consistent with the separate financial statements of Finmeccanica S.p.a. as at and for the year ended 31 December 2013.

Rome, 31 March 2014

KPMG S.p.A.

(signed on the original)

Riccardo Cecchi
Director of Audit

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

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

Dear Shareholders,

During the year ended 31 December 2013, the Board of Statutory Auditors performed the control and oversight activities envisaged by the relevant laws and regulations.

1. The Board of Statutory Auditors took part in all the meetings of the Board of Directors (17 meetings during 2013), during which we were given information about all activities and transactions carried out by the Company and its subsidiaries having the most significant impact on performance and financial position. Based on the information we received, we can report that the resolutions and transactions thus carried out were in compliance with the laws and bylaws, with no indication of any potential conflicts of interest with the Company, and were not manifestly imprudent, in conflict with the resolutions of the Shareholders' Meeting or otherwise prejudicial to the integrity of the Company's assets.
2. Moreover, the Board of Statutory Auditors took part in all the meetings of the Control and Risks Committee (7 meetings during 2013) and also attended all the meetings of the Remuneration Committee (6 meetings during 2013) through its members.
3. For a detailed discussion of the most significant transactions in 2013, please see the Report on Operations. The Group was mainly engaged in the following three priority action areas:

   i) the strengthening of the Group Corporate Governance;

   ii) the reorganisation of Finmeccanica industrial activities;

   iii) the focusing on Aerospace and Defence, which led to the sale of Ansaldo Energia, with a view to the deconsolidation of the Transportation sector.
4. The Group's operations took place and are being developed in markets that have, even in a still critical context, room for improvement.

5. The Board of Statutory Auditors paid special attention to the intercompany and related-party transactions in order to verify the correct application of the regulations on this kind of transactions which are mainly aimed at safeguarding the interest of the minorities; the related impact on the income statement is reported in Note 36 to the financial statements and the impact on cash flows is shown directly in the statement of cash flows.

   The Board of Statutory Auditors could promptly verify the implementation of the related procedure, where applicable, which sees the Control and Risks Committee acting also as the Committee for Transactions with Related Parties. In particular, it has to be noted the sale of 39.55% of the Ansaldo Energia shares to the related party Fondo Strategico Italiano, which was carried out in compliance with the procedure; in this case the Control and Risks Committee has also appointed independent advisors assisting it with the decisions under its sphere of competence. The procedure carried out in view of this sale is described in paragraph 9 of the Report on Corporate Governance and Shareholder Structure to which reference is made.

6. During the year, the Board of Statutory Auditors met 23 times. Our Board performed checks and gathered information from the heads of the various corporate functions. With regard to the management and accounting system and whether it accurately represents operations, the Board of Statutory Auditors obtained the required information from the corporate structures and through the independent auditor, and we were thus able to confirm the continued commitment to expanding and improving the overall adequacy of the systems in place.

7. During 2013 the Board of Statutory Auditors attended the hearings held by Consob (the Italian Security Regulator) and answered, on a timely basis, the queries posed by it, carrying out the necessary analyses.

8. As regards the monitoring activities our Board involved the competent bodies of the subsidiaries making companies exercise the powers under article 151 of the Consolidated Law on Financial Intermediation.

9. The Board of Statutory Auditors continued in 2013 to meet and exchange information with the Boards of Statutory Auditors of the main Finmeccanica Group companies (19 meetings during 2013). Our Board has verified that the Group parent company and the other Group companies have exchanged and continue to exchange timely information and that the instructions given to the subsidiaries pursuant to Art. 114(2) of the Consolidated Law on Financial Intermediation are appropriate.

   These checks were also aimed at obtaining information on and assessments of the management and control systems of their respective companies included the application of the instructions issued by the parent company Finmeccanica and on general corporate performance. In this regard the Boards of Statutory Auditors of the subsidiaries found no critical issues worth noting. All the Boards of Statutory Auditors involved had favourable opinions concerning the adequate function of their companies' organisational, management and control systems. Also in 2013, as in the prior year, during these meetings the board members univocally and unanimously pointed out the adequacy and efficiency of the internal control systems and that there was no systematic or significant infringement of the procedures.

   On 26 September 2013, the Board of Statutory Auditors, in concert with the top management of the Company, during the reorganisation and centralisation of the Internal Audit service, which resulted in the issue of a new procedure called Operating Model of Interrelation (*MOI-Modello Operativo di Interrelazione*), promoted a meeting with all the Boards of Statutory Auditors of the top-level companies in order to show the new organisational and procedural structure and share its aim and meaning.

   Specific meetings were also held with the of Statutory Auditors of the subsidiaries, in particular with those of the subsidiaries that suffered the most significant losses for the Group in order to acquire exceptions or remarks, if any, raised by the Board of Statutory Auditors of by the Independent Auditors; the Boards of Statutory Auditors heard did not report any exceptions or remarks.

In fulfilling its duties, the Board of Statutory Auditors promoted meetings aimed at obtaining useful information about the main judicial proceedings that involved the Finmeccanica Group.

Our Board required, through the internal audit unit of the Parent Company, specific analyses and reports on the internal control functions of the companies involved which presented specific criticalities, also through the support, if necessary, of independent experts. In particular, specific meetings between the Boards of Statutory Auditors of AgustaWestland, AnsaldoBreda and BredaMenarinibus allowed to learning about the actions undertaken by each administrative and control body to face the different issues emerged in an adequate and timely manner.

10. With particular reference to the supply of helicopters to the Indian Government by the subsidiary AgustaWestland, our Board kept constantly abreast of the development of this situation. In this regard, meetings and contacts have continued with the Board of Statutory Auditors of the subsidiary and the new internal and external reports were acquired and examined. Our Board also followed the development of the legal cases on this matter.

    Moreover, our Board kept abreast of the difficult economic situation of the subsidiary AnsaldoBreda and of the broader plan to deconsolidate the Transportation sector; the Board also expressed its appreciation for the on-going initiatives carried out by the management and for the support that the controlling shareholder of Finmeccanica is giving to the transaction.

    To facilitate the achievement of this goal, a settlement agreement was signed on 17 March 2014 with the Dutch railways in relation to the dispute concerning the FYRA contract for 16 V250 trains.

11. The updates about the developments of the authority's investigations involving certain companies of the Finmeccanica Group and several former Group executives are shown in the explanatory notes that set out brief descriptions of those investigations of which the company is aware and describes the various measures undertaken by Finmeccanica S.p.a and by the subsidiaries involved .

12. The Report on Corporate Governance and Shareholder Structure, in point 10, considers the conclusions reached by the Directors in confirming the appropriateness and effectiveness of the organisational, administrative and accounting structure of the Company and its major subsidiaries through strong actions to improve and implement the internal control systems.

    Moreover, the Report describes the initiatives of the Parent Company to improve the Group's internal regulatory framework, also in light of recent experiences, with the aim of adapting it to the best practices.

    In this context, on 11 December 2013 the Board of Directors formed the Operations Directorate General reporting directly to the CEO, with the responsibility of supervising and integrating the activities of the Group's Operating Companies; on 6 March 2014, the Board approved the new Organisational and Operating Model for the management and coordination activities of the Aerospace, Defence and Security sectors. Specifically, the Model:

    A. outlines a strategic framework where each business can develop its own initiatives,
    B. controls the Group's strategies in order to favour their integration and interrelation;
    C. creates support functions for the Group.

13. The Report of the Statutory Auditors of last year acknowledged the initiatives undertaken by the Group to cope with the issues relating to the group reputation and the potential ensuing repercussions whose development is reported below:

    A. during the meeting held on 21 February 2013, the Board of Directors approved the project to reorganise and centralise the Group's Internal Audit activities at the Holding Company. This project, effective since Autumn 2013, to which the Board of the Statutory Auditors has given its contribution together with the Control and Risks Committee, entails the strengthening of the internal audit under different perspectives: strengthening the organisational structure designed to pool the different professional profiles within the Group; adopting the bottom-up method for the audit plans in order to keep the top management proactively involved in the definition of the mentioned plans; identifying the Board of Directors and the Control and Risks Committee as pivot bodies of the internal control system; enhancing and redefining the audit information flows in order to achieve a stronger and harmonised involvement of the parties concerned (internal auditors, managers, boards of directors and boards of statutory auditors of the companies concerned etc.), setting-up, in addition to the typical «horizontal» information flows across the company being audited, adequate «vertical» information flows towards the Boards of Statutory Auditors of the Group medium-size companies and of the Parent Company; setting criteria designed to define the eligibility and ineligibility requirements for the internal auditors as well as the method to appoint the head of the Internal Audit function.

The project will be completed and monitored during 2014. In the Board's of Statutory Auditors opinion, the project makes the Internal Audit function an integral part of an orderly business model, for which this function works, of a Group operating in the high technology internationally, with methodologies aimed at assuring the compliance of behaviours with regulations.

B. 21 February 2013 also saw the establishment of a Management Committee made up of the Managers responsible for the Organisational Units of Internal Audit, External Relations and Communication, Human Resources, Strategies, Business Development and Innovation, as well as by the CFO and by the Group General Counsel. This Committee is responsible for the direction and coordination of the Group's governance activities.

C. As provided for in the Corporate Governance Code, on 19 December 2013, a Nomination Committee was established aimed at giving advice to the Board of Directors about the dimension and composition of the same and expressing recommendations on the professionals whose presence in the Board is deemed appropriate and on the maximum number of positions as director and statutory auditor compatible with the exercise of their duties.

D. On 7 March 2013, the new Organisational Unit named Risk Management was established under the responsibility of the Chief Financial Officer in charge of improving the management of operating and financial risks.

E. 12 March 2013 saw the establishment of a specific function within the Internal Audit unit responsible for strengthening the trade compliance activities and our Board monitored the application of the new procedures introduced by Group.

F. The functions in charge of the verification and improvement of the procedures continued their activity to comply with Law no. 262 of 2005 concerning the "Provisions for the protection of savings and regulation of financial markets" and subsequent amendments, with particular reference to the management of fraud risks.

G. On 5 July 2013 the Corporate Security and Group ICT organisational unit was established, whose presence and activity will significantly help prevent fraud risk.

H. It has to be remembered that, in order to restore a climate of confidence in the way the Group operates, in 2013 the Board of Directors established a Committee made up of renowned experts tasked with the duty of formulating recommendations about the behavioural principles and criteria to adhere to in order to comply, broadly speaking, with the international best practices on the "business ethics". The Committee completed its work and submitted its Report to the Board of Directors on 31 March 2014. The conclusions reached by the Committee confirm the choices made about the reorganisation of the Group governance and controls.

The Board of Statutory Auditors, also in light of the positive market perception of the Group, believes to express a positive opinion on the adequacy of the Company's reaction to face the difficulties emerged in the first months of 2013, which resulted in the increase in the business offer and in the Group's orders, together with a marked appreciation of the stock.

Therefore, in light of the abovementioned actions aimed to develop management and coordination activities enabling the Group to deal with the changing international scenarios marked by an increased competitiveness, the Board of Statutory Auditors believes that the internal control system can be deemed appropriate and reliable, although it should focus on the improvement opportunities deriving from the practical experience and systematically adapt to the changes of the Finmeccanica Group's business model.

14. The Board of Statutory Auditors points out that the Control and Risks Committee acted in accordance with the provisions of the Company's Corporate Governance Code. The collaboration with the Committee was fruitful and allowed, *inter alia*, to coordinate the activities of both bodies avoiding duplications that would make performing controls less efficient.
15. With regard to the provisions of Art. 36 of Consob Resolution no. 16191 of 29 October 2007 relating to the accounting information systems of the subsidiaries of material significance, formed and governed by the laws of non-European Union Member States, we found that the Internal Audit department selected and verified that all the companies chosen had an appropriate management and accounting system, as well as met the additional conditions of Art. 36 of the Consob Resolution 16191/2007.
16. During the year, the Board of Statutory Auditors received no complaints or reports pursuant to Article 2408 of the Italian Civil Code.
17. The Company complies with the Corporate Governance Code for Listed Companies and has established since long time the Control and Risks Committee and the Remuneration Committee within the Board of Directors. Compliance with the Corporate Governance Code was also reinforced by the

creation of the Nomination Committee resolved by the Board of Directors on 19 December 2013. The Annual Report on Corporate Governance and Shareholder Structure provides a description of the corporate governance system and the decisions made.

18. The Board of Statutory Auditors has verified that the criteria and procedures adopted by the Board of Directors to determine whether directors meet the requirements for independence and that the members of the Board of Statutory Auditors also meet these same requirements.

19. The Company has adopted an Organisational, Management and Control Model as per Legislative Degree 231/2001 consistent with the principles of said decree and based on the guidelines prepared by the representative industry association. The Finmeccanica Board of Directors, in its meetings of 15 April 2013, updated the Model, which incorporates the changes in regulations, as illustrated in the Report on Corporate Governance and Shareholder Structure in paragraph 10.4.

    In the early months of 2013, the structure and the composition of the Company Surveillance Body was redefined and on 15 March 2013 the Company issued the Directive on the composition and appointment of the Surveillance Bodies of the Group companies in order to strengthen their independence.

    Participation in the meetings of the Surveillance Body granted the exchange of information on the activities performed.

20. The Board of Statutory Auditors oversees the legal auditing of the accounts by periodically meeting with those responsible for this work, KPMG S.p.A., for an explanation of the quarterly reviews performed and their results, their auditing strategy and fundamental issues that emerged during the course of their work. No critical or anomalous matters with significant effects on the auditors' opinion on the separate and consolidated financial statements of Finmeccanica Spa were reported during these meetings.

    The independent auditor also issued reports pursuant to Arts. 14 and 16 of Legislative Decree no. 39 of 27 January 2010 for the separate and consolidated financial statements at 31 December 2013. These are unqualified reports, which contain one paragraph of emphasis in relation to the ongoing judicial proceedings against the parent company Finmeccanica S.p.A, certain subsidiaries, as well as some of their former directors and executives; these judicial proceedings are fully reported in the Notes to the financial statements.

21. With regard to the engagements assigned to the independent auditor, reference is made to information given pursuant article 149-*duodecies* of the Issuer Regulation included in the Annual Financial Report. The independent auditor has confirmed the purposes for such tasks and has issued the statement required by Art. 17 of Legislative Decree no. 39/2010. Considering the statement made and the tasks required of the independent auditor and its network of companies, our Board does not believe that there are any critical issues concerning the independence of KPMG S.p.A..
22. In compliance with the recommendations in document no. 4 of 3 March 2010 jointly issued by the Bank of Italy-CONSOB-ISVAP, the impairment testing procedure regulated by IAS 36 was approved by the Control and Risks Committee on 5 March 2014 and by the Board of Directors on 6 March 2014.
23. The results for 2013 reveal a loss of € 355,418,120 (2012 -loss of € 700,041,525), the Board of Directors has examined the composition of and the factors contributing to this loss in detail in the Report on Operations and accompanying Notes.

Therefore, based on the foregoing and within the scope of our duties, the Board of Statutory Auditors finds no reason to oppose the proposed approval of the separate financial statements at 31 December 2013 or to the proposal of the Board of Directors to cover the 2013 loss by using the entire merger surplus reserve for € 265,055,594 and the retained earnings reserve for € 90,362,526.

Rome, 31 March 2014

THE BOARD OF STATUTORY AUDITORS

Riccardo Raul Bauer (Chairman)

Niccolò Abriani

Maurilio Fratino

Silvano Montaldo

Eugenio Pinto

INFORMATION PURSUANT TO ARTICLE 149-*DUODECIES* OF THE ISSUERS' REGULATIONS

The following statement reports the fees for the year 2013 for auditing and certification services and for tax and other services provided by the same auditing firm and entities belonging to the auditing firm's network.

Entity providign the service	to	Fees for the year 2013 (€thou.)	Note
Auditing services			
KPMG SpA	Parent Company	461	
KPMG SpA	Subsidiaries	4,501	
KPMG network	Subsidiaries	4,580	
Certification services			
KPMG SpA	Parent Company	781	(1)
KPMG SpA	Subsidiaries	59	(2)
KPMG network	Subsidiaries	-	
Tax consulting services			
KPMG SpA	Parent Company	115	
KPMG SpA	Subsidiaries	38	
KPMG network	Subsidiaries	144	
Other services			
KPMG SpA	Parent Company	-	
KPMG SpA	Subsidiaries	251	(3)
KPMG network	Subsidiaries	1,703	(3)
Total		12,633	

(1) Certification services related to the bond issue of December 2013 and related to the Sustainability Report.
(2) Activities connected with the certification of statements in order to tender bids.
(3) Assistance to the development of non-accounting IT systems.

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