Annual Financial Report

2014

Disclaimer

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FINMECCANICA

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Boards and Committees

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

GIOVANNI DE GENNARO
Chairman

MAURO MORETTI
Chief Executive Officer and General Manager

GUIDO ALPA
Director (a, c)

MARINA ELVIRA CALDERONE
Director (b, c)

PAOLO CANTARELLA
Director (a)

MARTA DASSU'
Director (c, d)

ALESSANDRO DE NICOLA
Director (b, d)

DARIO FRIGERIO
Director (b, c)

FABRIZIO LANDI
Director (a, d)

SILVIA MERLO
Director (a, d)

MARINA RUBINI
Director (b, c)

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

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

Regular Statutory Auditors

RICCARDO RAUL BAUER
Chairman

NICCOLÒ ABRIANI

MAURILIO FRATINO

SILVANO MONTALDO

EUGENIO PINTO

Alternate Statutory Auditors

STEFANO FIORINI

VINCENZO LIMONE

INDEPENDENT LEGAL AUDITORS
KPMG SpA
(for the period 2012 - 2020)

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

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

Report on operations at 31 December 2014

Group results and financial position

The 2013 figures have been restated as a result of the adoption of the new IFRS11, which resulted in the deconsolidation of the joint ventures in which Finmeccanica participates (primarily, ATR in the Aeronautics sector, MBDA in Defence Systems and the joint ventures of the Space sector). The activity carried out by the Group through the joint ventures, as well as the Group shareholdings, remain unchanged as a result of the dividends received and the investments valued with the equity method (through which the joint ventures contribute to assets value and net result); conversely, for reporting purposes, the Group performance indicators no longer include the joint ventures' shareholdings (only the operating profitability indicators include the share of results of the major joint ventures listed above). The effects of such change in the Group key performance indicators on the 2013 results are shown in the section "Non-GAAP performance indicators".

Key performance indicators ("KPI")

	2014	2013 (*)	Change
New orders	15,619	15,059	3.7%
Order backlog	38,234	36,831	3.8%
Revenue	14,663	13,690	7.1%
EBITA	1,080	878	23.0%
ROS	7.4%	6.4%	1.0 p.p.
EBIT	692	(14)	n.a.
Net result before extraordinary transactions	70	(649)	n.a.
Net result	20	74	(73.0%)
Group Net Debt	3,962	3,902	1.5%
FOCF	(137)	(220)	37.7%
ROI	14.0%	11.6%	2.4 p.p.
ROE	1.9%	(17.6%)	19.5 p.p.
Workforce	54,380	56,282	(3.4%)

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

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

In 2014, the performance of the Finmeccanica Group underwent a significant turnaround, with results reported being considerably above expectations and as compared with the previous year, in all aspects, particularly in terms of commercial performance and profitability, with growth of more than 20% in EBITA as compared with 2013 and improvement in both EBIT and in the net result before extraordinary transactions of over €mil. 700 as compared with 2013. In addition, positive developments were seen even into the early months of 2015, during which an important agreement was reached with Hitachi, permitting the Group to exit the *Transportation* sector, which heavily contributed to Finmeccanica's overall negative results in recent years. This agreement, which Finmeccanica had been working towards for the last several years, will allow the Group to focus its resources on the core *Aerospace, Defence & Security* sectors, as well as reduce its net debt by an estimated €bil. 0.5 (to which are added further benefits arising from the deconsolidation of the higher debt such activities would have generated in 2015 amounting to an estimated additional €bil. 0.1), in accordance with the strategic guidelines set out in the Industrial Plan approved by the new Board of Directors on 27 January 2015.

More specifically, the 2014 results (which also include the contribution of the *Transportation* sector activities covered by the above agreement) show:

- new orders up over 2013 by €mil. 560 and beating original expectations by more than €bil. 2;
- operating results rose significantly (EBITA rose 23% over 2013 and more than 10% higher than expected) despite the costs incurred for a DRS programme, with EBITA higher than €bil. 1 in the *Aerospace, Defence & Security* business;
- a considerable decline in restructuring costs and, in particular, non-recurring items, which, along with the improvement in EBITA, led to a significant increase in EBIT (positive €mil. 692 in 2014 compared with negative €mil. 14 in 2013);
- a net result that is finally positive, for the first time since 2010, even excluding the impact of extraordinary transactions (with a net profit before extraordinary transactions of €mil. 70, an improvement of €mil. 719 compared with a net loss of €mil. 649 in 2013);
- a net profit, even including the effects of extraordinary transactions, which generated a loss in the amount of €mil. 50 in 2014 as a result of the Group's withdrawal from the *bus* segment in the *Transportation* sector (compared with earnings generated in 2013 by Ansaldo Energia and by Avio's engine business, both disposed of, for a total of €mil. 723);
- a Group Net Debt below €bil. 4 and a cash flow that, while still negative due to the enforcement of the guarantees related to the Indian contract in the *Helicopters* sector (€mil. 256), improved compared to both forecasts and the results posted for 2013. Excluding the negative impact of the Indian contract, the FOCF would have been positive €mil. 119 (compared with negative €mil. 220 in 2013), with cash generation by *Aerospace, Defence & Security* of more than €mil. 350.

Before analysing the results for the period in more detail, the major events for 2014 and for the present year are described below.

The agreement in the Transportation sector. On 24 February 2015, Finmeccanica reached an agreement with the Japanese Hitachi group for the sale of Finmeccanica's businesses in the rail transport sector. The agreement, which marks the completion of Finmeccanica's disposal plan in place since 2011, requires that Finmeccanica transfers its stake in Ansaldo STS (equal to 40% of the share capital) and AnsaldoBreda's businesses in the rolling stock segment (excluding revamping activities, which are of minor importance, which will remain within the Group) to Hitachi. Once the usual conditions for these types of transactions are met, Finmeccanica will receive a payment of around €mil. 810, subject to a price adjustment, which is at present expected to reduce the Group's net debt by an estimated €bil. 0.5 or so to which are added further benefits arising from the deconsolidation of the higher debt such activities would have generated in 2015, amounting to an additional €bil. 0.1. The agreement, together with that reached at the end of 2014 for the sale of the BredaMenarinibus business unit to Industria Italiana Autobus, will make it possible for Finmeccanica to focus on its core *Aerospace, Defence & Security* sectors – the performance and financial results for which were heavily affected by those of AnsaldoBreda – and will also allow the businesses sold to become part of a global group with expertise in their sectors. Once the transaction is completed, Hitachi will launch, as required by the applicable legislation, a takeover bid for the remainder of Ansaldo STS (approximately 60% of the share capital).

The new organisational and operating model of the Group. In the framework of a broader based examination of the Group's strategic positioning and operational efficiency, in June 2014 the new Board of Directors launched a profound transformation of Finmeccanica's organisational and operating model, with a view to transforming the companies currently operating in *Aerospace, Defence & Security* (Alenia Aermacchi, AgustaWestland, Selex ES, Oto Melara and WASS, in addition to Corporate activities) into divisions of a new Finmeccanica. The process excludes the companies subject to strategic review (FATA and minor non-core activities), the joint ventures and DRS (which operates under a proxy system). The new organisational model represents an essential element in the transformation Finmeccanica has embarked upon, that is from a holding company managing a number of legally separate operating companies to one only company able to combine the industrial profiles with the direction and control of its own activities. This choice marks a moment of strong discontinuity as regards the organisation and the mission assigned to Finmeccanica which involves, on the one hand, a greater focus on its core business, and, on the other, greater vertical integration based on which Finmeccanica will be an industrial player with full control also over its operating activities. To this end, in accordance with the new organisation, there will be divisions equipped to manage and develop their respective businesses, with technical units and centralised functions capable of coordinating the divisions and supporting business. Such actions, in addition to eliminating the overlap of structures and products, will make it possible to achieve benefits in terms of industrial productivity, engineering activities, economies of scale and a greater degree of competitiveness. Moreover, the new organisational and operating model will enable Finmeccanica to manage the operating processes, relations with clients and the supply chain in a more integrated manner, as well as to manage investments under a more dynamic and effective approach with greater technology and product transfer within the Group, and to focus more on the strategic priorities.

The new Industrial Plan. On 27 January 2015 the new Board of Directors of Finmeccanica, which took office in May 2014, approved the new Group Industrial Plan for 2015 – 2019. The Plan, available on the Company's internet site (*Investors* section, *Industrial plan* area), envisages an aggressive turnaround from the past, following two main strategies:

- *industrial strengthening*, to be pursued by aggressively cutting costs – based not just on reducing general and administrative costs, but especially on enhancing the efficiency of engineering, production and supply chain processes – and by creating a portfolio of products that is more sustainable, able to expand the Group's expertise and reduce the spreading of resources among non-core activities that generate little profit;

- *development*, to be achieved by *(i)* focusing on *Aerospace, Defence & Security* activities (in furtherance of which is the mentioned agreement in the *Transportation* sector and the exit from the wheeled transport sector, as well as other plans to withdraw from non-synergic businesses and those performing inadequately); *(ii)* rationalizing the product portfolio and *(iii)* carrying out a strategic repositioning in the core sectors in which the Group's expertise is greatest, including with a view to achieving greater integration and increasing internationalisation.

Pursuing the Plan, a key step for which is implementing the new organisational and operating model involving reorganising the business into divisions, described above, will allow Finmeccanica to compete in an increasingly complex global market, starting with a more balanced financial structure.

The primary changes that marked the Group's performance compared with that of the previous year are described below. In accordance with the organisational model described above, the results of *Aerospace, Defence & Security* are separately attributable to the activities falling under the scope of the process of dividing operations into divisions (together with the relevant foreign subsidiaries), to DRS and to the strategic joint ventures. A more thorough analysis can be found in the section covering the trends in each business segment.

31 December 2014	**Aerospace, Defence & Security**				**Transportation**	***Eliminations***	**Total**
	Divisional Perimeter	*DRS*	*JV*	**Total**			
New orders	*11,138*	*1,464*	*n.a.*	12,602	3,116	*(99)*	15,619
Order backlog	*27,564*	*1,499*	*n.a.*	29,063	9,403	*(232)*	38,234
Revenue	*11,136*	*1,413*	*n.a.*	12,549	2,226	*(112)*	14,663
EBITA	*833*	*22*	*153*	1,008	72	-	1,080
ROS %	*7.5%*	*1.7%*	*n.a.*	8.0%	3.2%	*n.a.*	7.4%

31 December 2013 (restated)	**Aerospace, Defence & Security**				**Transportation**	***Eliminations***	**Total**
	Divisional Perimeter	*DRS*	*JV*	**Total**			
New orders	*11,489*	*1,499*	*n.a.*	12,988	2,230	*(159)*	15,059
Order backlog	*27,239*	*1,326*	*n.a.*	28,565	8,494	*(228)*	36,831
Revenue	*10,157*	*1,667*	*n.a.*	11,824	1,961	*(95)*	13,690
EBITA	*670*	*147*	*171*	988	(110)	-	878
ROS %	*6.6%*	*8.8%*	*n.a.*	8.4%	(5.6%)	*n.a.*	6.4%

Change %	**Aerospace, Defence & Security**				**Transportation**	***Eliminations***	**Total**
	Divisional Perimeter	*DRS*	*JV*	**Total**			
New orders	*(3.1%)*	*(2.3%)*	*n.a.*	(3.0%)	39.7%	*n.a.*	3.7%
Order backlog	*1.2%*	*13.0%*	*n.a.*	1.7%	10.7%	*n.a.*	3.8%
Revenue	*9.6%*	*(15.2%)*	*n.a.*	6.1%	13.5%	*n.a.*	7.1%
EBITA	*24.3%*	*(85.0%)*	*(10.5%)*	2.0%	n.a	*n.a.*	23.0%
ROS %	*0.9 p.p.*	*(7.1) p.p.*	*n.a.*	(0.4) p.p.	8.8 p.p.	*n.a.*	1.0 p.p.

With regard to the joint ventures, as previously stated, they are no longer consolidated on a proportional basis starting from 1 January 2014, although they continue to make a significant contribution to the Group's strategy, performance and financial position. The main joint ventures (defined as "strategic") reported total revenues (the portion attributable to Finmeccanica) in 2014 of €bil. 2.4, against the Group's aggregate pro forma revenues of around €bil. 17.1, as shown below (amounts in €bil.):

Group revenues	**JV Revenues**			**Pro forma revenues**
	MBDA	*Space Alliance*	*Gie ATR*	
14.7	0.6	1.1	0.7	17.1

***Commercial performance*.**

New orders were higher than in 2013 (+€mil. 560). The result is attributable to the *Transportation* sector, essentially due to the receipt of new orders by Ansaldo STS and AnsaldoBreda for the project relating to the driverless metro in Lima, Peru, totalling $bil. 1.2, while *Aerospace, Defence & Security* reported a slight drop (- 3%), much more contained than originally forecast in light of the announced defence budget cuts by major countries. More specifically, we note the positive performance of *Helicopters* (+4% on 2013) – mainly as a result of the contracts with the British Ministry of Defence to upgrade the fleet of 25 AW101 *Merlin* helicopters and a greater contribution of the product support, also thanks to the contract to provide maintenance and support for five years for the fleet of *Apache AH Mk1* helicopters, together with orders for a greater number of helicopters, which more than offset the major contract received in 2013 from Norway for 16 AW101 helicopters – and in *Defence and Security Electronics*, in which, while DRS remained essentially stable as compared with 2013, SES grew by 4%. These improvements were almost entirely offset by the decline in *Aeronautics* (attributable to major orders for the B787 and EFA programmes acquired in 2013) and in *Defence Systems*, which experienced delays in finalising a number of contracts.

The book-to-bill ratio is above 1, both overall and in *Aerospace, Defence & Security*. The order backlog, considered in terms of its workability, ensures two and a half years of production for the Group.

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***Business performance*.**

Revenues rose by €mil. 973 compared with 2013, mainly attributable to *Aerospace, Defence & Security*. More specifically, in 2014, significant increases were reported by SES (€mil. 363) as a result of the start of important programmes acquired at the end of 2013 and during 2014, in *Aeronautics* (€mil. 328) largely due to growth in the production rates for the Boeing 787 programmes, and in *Helicopters* (€mil. 327), as a result of activities involving the new AW189 aircraft and the CH47 programme for the Italian Army, in addition to an increase in product support and in the AW101 aircraft. These increases were only partly offset by the expected decline by DRS (€mil. 254), as a result of cuts to the US defence budget.

EBITA also greatly improved (+23% on 2013), as did operating profitability (+1 p.p.), despite the worse results posted by DRS, attributable to the abovementioned drop in revenues and, more specifically, to costs associated with one contract. The overall increase is mainly due to the *Transportation* sector (EBITA positive €mil. 72 in 2014, compared with negative €mil. 110 in 2013), as a result of more modest losses in the *vehicles* segment, while *Aerospace, Defence & Security* reported an improving EBITA despite DRS thanks largely to the significant improvement of SES, attributable to rising revenues and the benefits associated with the restructuring plan under way, and the initial significant results of the cost-cutting process being done, especially by the Corporate area. The result reported for *Helicopters* was in line with that posted in 2013, despite the extraordinary gain recognised in 2013 from the closure of the VH-71 programme, excluding which the result for *Helicopters* would have risen considerably.

EBIT showed a significant improvement (€mil. 706) compared to 2013 as a result of the improvement in EBITA (+€mil. 202) and, especially, the lesser impact of restructuring costs (reduction of €mil. 174) and non-recurring costs, which decreased significantly as compared with 2013 (€mil. 331), during which they amounted to €mil. 423, mainly due to provisions accrued for the Fyra programme in the *Transportation* sector.

The **net result before extraordinary transactions** finally showed a profit (€mil. 70 compared with a loss of €mil. 649 in 2013). This is the result of the improvement in EBIT, only partly offset by the consequent increase in taxes, and the reduction in losses reported by companies valued at equity, with financial expense remaining essentially unchanged. Overall, the Group posted a net profit (€mil. 20), despite significant costs associated with the sale of the wheeled-transport business (€mil. 50), completed at the end of the year with effect as from 1 January 2015, while the profit shown for 2013 reflected the contribution of discontinued operations (Ansaldo Energia) and the gain on the disposal of Ansaldo Energia and part of Avio, totalling €mil. 723.

Below is shown the income statement for the two periods compared:

(€ millions)	*Note*	*2014*	*2013 (restated)*	*Change*	*% Change*
Revenues		14,663	13,690	973	7.1%
Purchase and personnel expense	*(*)*	(13,093)	(12,480)		
Other net operating income/(expenses)	*(**)*	(31)	114		
Equity-accounted strategic JVs		153	171		
EBITDA		**1,692**	**1,495**	**197**	**13.2%**
Amortisation, depreciation and impairment losses	*(***)*	(612)	(617)		
EBITA		**1,080**	**878**	**202**	**23.0%**
Non-recurring income/(expenses)		(92)	(423)		
Restructuring costs		(212)	(386)		
Amortisation of intangible assets acquired as part of business combinations		(84)	(83)		
EBIT		**692**	**(14)**	**706**	**n.a.**
Net financial income/(expense)	*(****)*	(443)	(495)		
Income taxes		(179)	(140)		
Net result before extraordinary transactions		**70**	**(649)**	**719**	**n.a.**
Net result related to discontinued operations and extraordinary transactions	*(*****)*	(50)	723		
Net result		**20**	**74**	**(54)**	**(73.0%)**

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

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

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

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

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

(*****) Includes "Profit (loss) from discontinued operations" and "Gains (losses) relating to extraordinary transactions (acquisitions and disposals)".

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Financial performance

Cash flows in 2014 were significantly affected by the enforcement of the guarantees for the Indian contract in the *Helicopters* sector, for an overall amount of €mil. 256. Despite such effect, the FOCF was considerably higher than in 2013 (negative €mil. 137 compared with negative €mil. 220 in 2013) and better than forecast. Excluding the enforcement of the guarantees on the Indian contract, the FOCF would have been positive €mil. 119, an improvement of €mil. 339 compared with 2013, attributable in large part to higher generation of cash in *Aerospace, Defence & Security* and, to a lesser extent, to the less poor performance of the *Transportation* sector, in which Ansaldo STS, although still reporting a significant loss in the *vehicles* segment, showed improved cash generation. In addition to the partial recovery from the negative impact of the Indian contract by the *Helicopters* segment, the growth in the *Aerospace, Defence & Security* sector is attributable to the better results posted by SES and the Corporate area, proof of how well the restructuring plan is going for SES and the effectiveness of cost cutting by the Parent. With regard to developments in the India matter, as described in more detail in Note 20, the case against Finmeccanica was dismissed and the ruling was issued by the Judge for Preliminary Investigations of the Court of Busto Arsizio with regard to AgustaWestland SpA and AgustaWestland Ltd. The same Court also recently issued a ruling that, *inter alia*, acquitted, at the trial court level, those persons charged with the offence of international corruption.

The total Group Net Debt, essentially in line with 2013, benefitted from the inflow of cash from Avio, most of which came from the proceeds (€mil. 239) from the sale of its engine business, but was negatively affected by the exchange rate fluctuations with a consequent revaluation of the indebtedness in US dollars. The movement in cash flow is broken down below:

(€ millions)	*2014*	*2013 (restated)*	*Change*	*% Change*
Funds From Operations (FFO)	**1,311**	**925**	**386**	**41.7%**
Change in working capital	(830)	(339)		
Cash flows from ordinary investing activities	(618)	(806)		
Free Operating Cash Flow (FOCF)	**(137)**	**(220)**	**83**	**37.7%**
Strategic transactions	239	274		
Change in other investing activities (*)	(28)	(74)		
Net change in loans and borrowings	(54)	(340)		
Dividends paid	(19)	(18)		
Net increase (decrease) in cash and cash equivalents	**1**	**(378)**		
Cash and cash equivalents at 1 January	1,455	1,870		
Exchange rate differences and other changes	39	(37)		
Cash and cash equivalents at 31 December	**1,495**	**1,455**		

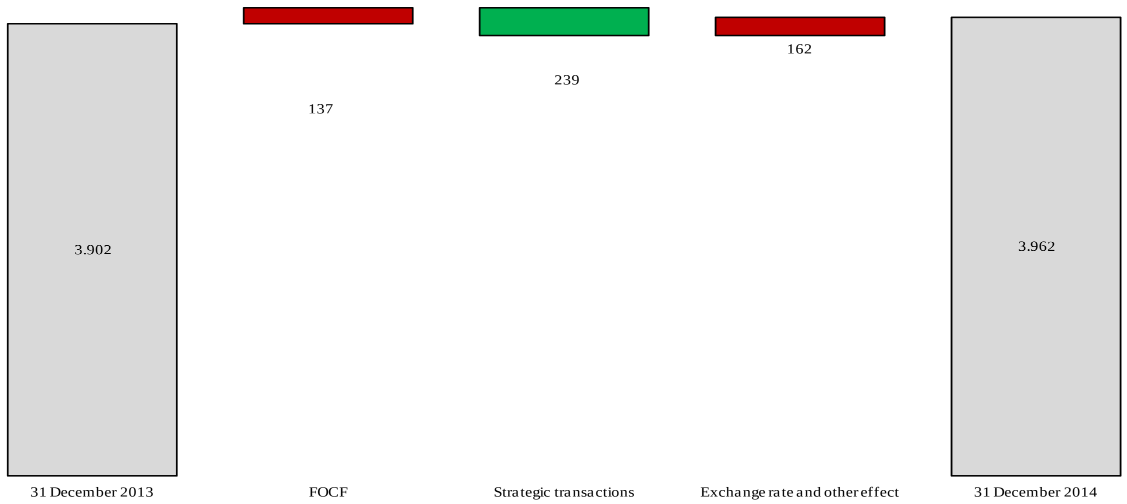
(*) Includes "Other investing activities", net of dividends received.

The strategic transactions are related to the abovementioned cash inflow received by Avio, while the figure for 2013 included the cash received on the sale of Ansaldo Energia in 2013.

Excluding the effects related to the Indian contract, the cash flow from operations would have been the following:

(€ millions)	**2014 (pro forma excluding India)**	**2013 (restated)**	**Change**	**% Change**
Funds From Operations (FFO)	**1,311**	**925**	**386**	**41.7%**
Change in working capital	(574)	(339)		
Cash flows from ordinary investing activities	(618)	(806)		
FOCF (pro forma excluding India)	**119**	**(220)**	**339**	**n.a.**

During the year, Net Financial Debt changed as follows:



Net capital invested rose slightly compared with 31 December 2013, consistent with the seasonal fluctuation in cash flows described earlier, as reported below:

(€ millions)	*Note*	31 December 2014	31 December 2013 (restated)	Change	% Change
Non-current assets		12,518	12,185		
Non-current liabilities		(3,434)	(3,165)		
Capital assets	*(*)*	**9,084**	**9,020**	**64**	**0.7%**
Inventories		4,578	4,754		
Trade receivables	*(**)*	7,676	7,254		
Trade payables	*(***)*	(11,705)	(11,524)		
Working capital		**549**	**484**		
Provisions for short-term risks and charges		(749)	(1,007)		
Other net current assets (liabilities)	*(****)*	(1,082)	(916)		
Net working capital		**(1,282)**	**(1,439)**	**157**	**10.9%**
Net invested capital		**7,802**	**7,581**	**221**	**2.9%**
Equity attributable to the Owners of the Parent		3,511	3,381		
Equity attributable to non-controlling interests		343	298		
Equity		**3,854**	**3,679**	**175**	**4.8%**
Group Net Debt		**3,962**	**3,902**	**60**	**1.5%**
Net (assets)/liabilities held for sale	*(*****)*	**(14)**	**-**	**(14)**	**n.a.**

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

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

(**) Includes "Contract work in progress", adjusted to take into account the effects of the settlement agreement related to the Fyra contract.

(***) Includes "Progress payments and advances from customers", adjusted to take into account the effects of the settlement agreement related to the Fyra contract.

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

(*****) Includes the net amount of "Non-current assets held for sale" and "Liabilities associated with assets held for sale".

Group net financial debt breaks down is as follows:

(€ millions)	**31 December 2014**	*of which current*	**31 December 2013 (restated)**	*of which current*
Bonds	4,761	*131*	4,305	*83*
Bank debt	472	*110*	544	*134*
Cash and cash equivalents	(1,495)	*(1,495)*	(1,455)	*(1,455)*
Net bank debt and bonds	**3,738**		**3,394**	
Fair value of the residual portion in portfolio of Ansaldo Energia	(124)		(117)	
Securities	-	-	-	-
Current loans and receivables from related parties	(161)	*(161)*	(125)	*(125)*
Other current loans and receivables	(45)	*(45)*	(61)	*(61)*
Current loans and receivables and securities	**(330)**		**(303)**	
Hedging derivatives in respect of debt items	(24)	*(24)*	(9)	*(9)*
Effect of transactions involving Fyra contract	41	*41*	86	*86*
Related-party loans and borrowings	431	*425*	629	*616*
Other loans and borrowings	106	*73*	105	*77*
Group Net Debt	**3,962**		**3,902**	

The reconciliation with the net financial position required by CONSOB Communication no. DEM/6064293 of 28 July 2006 is provided in Note 19 to the consolidated financial statements

The average value of the Group's Net Debt, calculated on a quarterly basis, came to €mil. 4,803 in 2014 (€mil. 4,996 in 2013). The highest value during the last twelve months was recorded on 30 September 2014 (€mil. 5,582), while the lowest value was reported on 31 December 2014, in line with the usual seasonal movement in the Group's cash flow.

The Group factored receivables without recourse during the period for a total carrying value of approximately €mil. 1,421 (€mil. 1,233 in 2013).

To meet the financing needs for ordinary Group activities, Finmeccanica obtained a revolving credit facility with a pool of Italian and international banks in September 2010 for €mil. 2,400 (final maturity in September 2015). Finmeccanica, taking advantage of the favourable financial market situation in terms of liquidity and applicable rates, refinanced its credit facility ahead of schedule on 9 July, and, at the same time, paid off the previous loan, reducing the amount of the credit facility to €bil. 2.2 and extending its maturity date to 9 July 2019. The terms and conditions of this agreement are described in the section "Financial Transactions".

At 31 December 2014 the credit line was entirely unused, in line with 31 December 2013 and the seasonal fluctuation in the Group's cash flow. Finmeccanica had additional unconfirmed short-term lines of credit of €mil. 590, which also were entirely unused at 31 December 2014, as well as unconfirmed, unsecured lines of credit of approximately €mil. 2,796 at such date.

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

December 2014	New orders	Order backlog	Revenues	EBITA	ROS %
Helicopters	4,556	12,249	4,376	543	12.4%
Defence and Security Electronics	5,074	8,765	4,980	207	4.2%
- of which: DRS	*1,464*	*1,499*	*1,413*	*22*	*1.7%*
- of which: SES	*3,612*	*7,285*	*3,577*	*185*	*5.2%*
Aeronautics	3,113	7,730	3,144	237	7.5%
Space	-	-	-	52	n.a.
Defence Systems	209	1,005	495	89	18.0%
Eliminations/Other	*(350)*	*(686)*	*(446)*	*(120)*	*n.a.*
Total Aerospace, Defence & Security	**12,602**	**29,063**	**12,549**	**1,008**	**8.0%**
December 2013 (restated)	**New orders**	**Order backlog**	**Revenues**	**EBITA**	**ROS %**
Helicopters	4,386	11,834	4,049	547	13.5%
Defence and Security Electronics	4,932	8,485	4,871	218	4.5%
- of which: DRS	*1,499*	*1,326*	*1,667*	*147*	*8.8%*
- of which: SES	*3,457*	*7,182*	*3,214*	*71*	*2.2%*
Aeronautics	3,422	7,716	2,816	199	7.1%
Space	-	-	-	55	n.a.
Defence Systems	583	1,320	515	111	21.6%
Eliminations/Other	*(335)*	*(790)*	*(427)*	*(142)*	*n.a.*
Total Aerospace, Defence & Security	**12,988**	**28,565**	**11,824**	**988**	**8.4%**
Change %	**New orders**	**Order backlog**	**Revenues**	**EBITA**	**ROS %**
Helicopters	3.9%	3.5%	8.1%	(0.7%)	(1.1) p.p.
Defence and Security Electronics	2.9%	3.3%	2.2%	(5.0%)	(0.3) p.p.
- of which: DRS	*(2.3%)*	*13.0%*	*(15.2%)*	*(85.0%)*	*(7.1) p.p.*
- of which: SES	*4.5%*	*1.4%*	*11.3%*	*n.a*	*3.0 p.p.*
Aeronautics	(9.0%)	0.2%	11.6%	19.1%	0.4 p.p.
Space	n.a.	n.a.	n.a.	(5.5%)	n.a.
Defence Systems	(64.2%)	(23.9%)	(3.9%)	(19.8%)	(3.6) p.p.
Eliminations/Other	*(4.5%)*	*13.2%*	*(4.4%)*	*15.5%*	*n.a.*
Total Aerospace, Defence & Security	**(3.0%)**	**1.7%**	**6.1%**	**2.0%**	**(0.4) p.p.**

Helicopters

In 2014, commercial performance was positive and business performance was outstanding, with EBITA posting significantly higher figures than in 2013, excluding the proceeds from the closure of the VH-71 programme that boosted the numbers for 2013. Revenues rose and profitability was undoubtedly excellent.

New orders. The slight increase is mainly attributable to the greater contribution made by Product Support, thanks in part to the contract signed with the UK Ministry of Defence to provide maintenance and support for 5 years for its fleet of Apache AH Mk1 helicopters. Overall, new orders for a larger number of helicopters (+27 on 2013), along with the contract to upgrade the fleet of 25 AW101 Merlin helicopters under the UK Ministry of Defence Merlin Life Sustainment (MLSP) programme, offset the effect of the major contract received from the Royal Air Force of Norway for 16 AW101 in 2013.

Revenue. The increase in revenue was primarily due to the growth in activity on the new AW189 aircraft and on the CH47 programme for the Italian Army, for which the first 10 and 5 deliveries, respectively, were made during the year, as well as to the greater contribution from Product Support and the higher revenues posted for the AW101 line of helicopters, which was affected in 2013 by the stoppage on work for the India programme. These positive changes more than offset the forecast decline in revenues from the AW139 line.

EBITA. This was essentially in line with 2013. Excluding the proceeds from the closure of the VH-71 programme in 2013, the figure increased significantly as a result, in particular, of higher revenues.

Outlook. We expect the excellent performance posted in 2014 to basically continue in 2015, with the growing commercial success of the new AW169 and AW189 helicopters and the important contribution to be made by Product Support orders. We forecast revenues of around €bil. 4.5 and profitability firmly in the double digits.

Defence and Security Electronics

SES – The results for 2014 show a net improvement over 2013, buoyed by higher production volumes and the pursuit of initiatives related to the restructuring and integration plan launched last year. This plan is proving to be more effective than budget forecasts had shown due to the revision of staff-reduction procedures and an acceleration in the timetable for cutting controllable costs.

New orders: New orders were somewhat higher than in 2013 as a result of the good performance reported in the first half of the year especially, during which time important domestic and export contracts were signed, mainly in the area of *Airborne and Space Systems*. These include the renewal of the Avionics Maintenance Center (CMA) contract for the Italian Air Force's Typhoon aircraft and the supply of avionic radar for 60 Gripen aircraft of the Swedish Air Force. In addition, there was the contract, received in the final part of the year, from the European consortium Eurofighter GmbH to develop the electronically scanned Captor-E radar to be installed on the Typhoon. Other new orders include the contract for the second development phase of the SI.CO.TE. project for territorial monitoring and support for the investigations of the Italian Carabinieri in the *Security & Smart Systems* segment.

Revenues: These were up as compared with 2013 and in line with expectations. The increased activity in the *Airborne and Space Systems* segment benefitted from the receipt of important contracts such as for the Captor-E, and in the *Land and Naval Systems* segment from the start of major programmes acquired at the end of 2013.

EBITA: There was a considerable increase in EBITA due to higher volumes and the benefits associated with the restructuring plan, with ROS up from 2.2% in 2013 to 5.2% in 2014. The performance in 2014 also confirms the gradual recovery of margins on certain business areas, the results for which had been penalised in 2013 by the review of the estimates for specific programmes (in particular ATC).

Outlook: We expect the positive performance posted in 2014 to continue in 2015, with a further improvement in business and financial results spurred by the gradual recovery in industrial profitability in specific business areas and by the growing benefits associated with the restructuring plan under way. This will be furthered by the initial effects of additional streamlining and efficiency-enhancement efforts in production and engineering outlined in the Industrial Plan.

DRS – The key performance indicators are provided below in US dollars in order to more clearly illustrate the changes that occurred:

	New orders	Revenues	EBITA	ROS %
DRS (USDmil.) 2014	1,945	1,877	31	1.7%
DRS (USDmil.) 2013	1,991	2,213	194	8.8%

The performance in 2014 was affected by technical issues that arose during the first half of the year within a programme in the *Business Training, Control, Avionics & Irregular Warfare* line in relation to the development and production of a cargo handling and transport system for aircraft. This led to a review of the assumptions about the recoverability of certain investments made in terms of development and non-recurring activities, as well as an increase in the estimated costs for the production of the systems in question. The costs reported for this programme, along with the forecast decline in volumes of revenue, resulted in a notable drop in results as compared with 2013.

New orders. These were essentially in line with 2013. The most significant new orders included: a supply contract with the US Army relating to ground and satellite telecommunication services in support of the armed forces engaged in theatres of operations; a logistics and maintenance support contract for a transport system for the US Air Force; an additional contract with the US Air Force under the Tunner Cargo Loader programme; the order from Lockheed Martin relating to sub-systems for the production of MK41 missile launch systems.

Revenues. There was a decrease attributable to the expected cuts in the US defence budget, and particularly to fewer deliveries of products in the Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance business line.

*EBITA***.** In spite of the significant savings arising from the efficiency-enhancement and streamlining actions in progress, the result reflects the costs associated with the abovementioned programme and lower production volumes in highly profitable business lines.

Outlook. Despite the persistent challenging environment, with budget tightening by major clients and rising competitive pressures on prices, we expect DRS to quickly regain ground in 2015, spurred by industrial profitability returning to adequate levels and by the benefits associated with efficiency-enhancement and streamlining efforts under way. Given this, the company is also considering reviewing and better focusing the scope of its business, which may lead to the elimination of certain non-core business lines. Excluding the effect of this, we expect new order acquisition and production volumes in 2015 to remain at the same levels as 2014, marking the end of the gradual decline in growth experienced by DRS in recent years.

Aeronautics

In line with the results reported for the first half of 2014, the performance for the year was good from a production standpoint, particularly for the B787, ATR and M346 programmes, for which the first 8 aircraft (of which 5 in Q4) were delivered to Israel. This resulted in the recognition at 31 December 2014 of significant revenues, higher than forecast and than reported in 2013, spurred in particular by the rise in production rates for aerostructures and for the B787 programme, for which deliveries equivalent to 113 fuselage sections (31 in Q4) and 82 horizontal stabilisers (compared with 75 fuselages and 76 stabilisers delivered in 2013) were made.

The year 2014 also confirmed the Group's good commercial performance, with a substantial volume of orders and important contracts in both the *civil (*B787 and ATR) and *military* (completion of export contracts for M346 and C27J aircraft) segments.

Finally, efforts continued to improve industrial processes, making it possible to strengthen production efficiency and improve production rates, optimise engineering and reduce procurement and overhead costs.

*New orders***.** The drop is mainly due to fewer new orders for defence aircraft and the B787, which, in 2013, saw significant new orders for the EFA programme and the reaching of a new agreement with Boeing, in part offset by the increase in new orders for the ATR (145 fuselages compared with 110 and 2013), for the supply of eight M346 aircraft and logistical support to the Polish Ministry of Defence and for three additional M346 aircraft to the Italian Air Force.

Revenues. These were up mainly due to higher revenues in the *civil* segment generated by the increase in activity for the B787 and the ATR programmes, with deliveries of 92 fuselages (25 in Q4) compared with 69 in 2013. The increase in revenues for defence aircraft and trainers in the *military* segment was due to the rising volume of activity surrounding the JSF and M346 aircraft.

*EBITA***.** The improvement is attributable to the increased margins in the *militar*y segment as a result of the higher revenues and improved profitability of the EFA and M346 product lines and to cuts in overhead costs.

Outlook. We expect the profitability levels for 2015 to be essentially the same as those for 2014, driven by additional efficiency-enhancement and cost containment actions that will offset the lower contribution of high-margin programmes. Production volumes are expected to fall in 2015 as compared with 2014 due to the expected transfer of work packages to Boeing under agreements for the B787 programme.

Space

Although production volumes during the year were essentially in line with those of 2013, the result of operations declined due to lower sales of satellite capacity and, especially, the costs associated with the restructuring plan launched at the start of 2014 by Thales Alenia Space. Noteworthy events in 2014 include the launch of the Athena Fidus satellite in the first quarter, and the subsequent telemetry operations and testing to verify the proper functioning of on-board equipment, as well as the continuation of production on numerous satellite systems, including the Galileo navigation system, the Gokturk observation satellite, the Cosmo2G observation system and the Exomars Missione 2016 space exploration system.

Outlook. Revenues are forecast to rise in 2015 due mainly to the manufacturing segment, specifically production on government and export programmes. There are also launch operations scheduled for the year in the satellite services segment.

As a result, business performance is expected to improve, despite a decline in industrial profitability which reflects an unfavourable mix of activity and growing competitive pressure on prices.

Defence Systems

In line with what was reported for the first nine months of 2014, the year saw a general decline compared with 2013 due to fewer new orders and lower revenues, in addition to the expected deterioration in profitability, largely reflecting the completion of major, profitable programmes in the *missile systems* segment.

New orders. The decrease affected the *land, sea and air weapons systems* segment and the *underwater systems* segment. The main new orders during the period included a contract for light torpedoes from a Navy in the Mediterranean area, three orders from a Navy in the Far East relating to integration activities for heavy torpedoes and countermeasure systems and a stabilised base for heavy torpedoes, the sale of four 76/62 SR guns to Egypt through DCNS, “completion” contract of the Hitrole turrets MNUR for the Italian Army, ammunition and logistics contracts from various countries.

Revenues. A decrease was recorded in particular in the *land, sea and air weapons systems* associated with the gradual completion of certain orders.

EBITA. There was a decrease attributable to the *underwater systems* segment, which reported a lower volumes of revenues and charges relating to the settlement of a dispute, and to the *missile systems* segment as a result of the completion of deliveries on an important, profitable programme in the Middle East.

Outlook: We expect a partial recovery of the sector in 2015, with performance moderately better than in 2014 as a result of major deliveries of missile systems and rising production volumes for new orders to be signed during the year for *land and sea weapons systems* and *underwater systems*.

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

December 2014	New orders	Order backlog	Revenues	EBITA	ROS %
Transportation	3,005	9,208	2,025	66	3.3%
Eliminations/Other	*111*	*195*	*201*	*6*	*n.a.*
Total Transportation	**3,116**	**9,403**	**2,226**	**72**	**3.2%**
December 2013 (restated)	**New orders**	**Order backlog**	**Revenues**	**EBITA**	**ROS %**
Transportation	1,908	8,213	1,766	(115)	(6.5%)
Eliminations/Other	*322*	*281*	*195*	*5*	*n.a.*
Total Transportation	**2,230**	**8,494**	**1,961**	**(110)**	**(5.6%)**
Change %	**New orders**	**Order backlog**	**Revenues**	**EBITA**	**ROS %**
Transportation	57.5%	12.1%	14.7%	n.a	9.8 p.p.
Eliminations/Other	*(65.5%)*	*(30.6%)*	*3.1%*	*20.0%*	*n.a.*
Total Transportation	**39.7%**	**10.7%**	**13.5%**	**n.a**	**8.8 p.p.**

Transportation

Sector performance reflected the improvement in AnsaldoBreda, which, while its business results were still negative, showed considerable improvement over 2013. Commercial performance was also especially positive, with orders up over 2013 for both AnsaldoBreda and Ansaldo STS, which had even posted the important order for the Riyadh metro in 2013.

<u>*New orders*</u>. These were up 57% compared with 2013, in particular as a result of the acquisition in the first half of the year of the project for the driverless metro in Lima (Peru) and the finalisation of the order for Line 4 of the Milan metro in the fourth quarter, as well as the acquisition, by AnsaldoBreda, of the global maintenance service contract for Trenitalia's new ETR1000 trains, also in the fourth quarter.

<u>*Revenues*</u>. The increase is attributable to both AnsaldoBreda, mainly due to the rise in work on the Milan Expo metro programme for ATM, on the ETR1000 and Vivalto for Trenitalia and on the TSR for Ferrovie Nord Milano, and to Ansaldo STS, specifically for the progress made on projects received from Saudi Arabia and Denmark.

<u>*EBITA*</u>. The increase in mainly attributable to AnsaldoBreda, the result for which, in addition to enjoying higher volumes and improved productive efficiency, had been particularly penalised in 2013 by cost overruns and contractual charges on certain programmes. Ansaldo STS also posted improved results, mainly due to higher revenues.

Other performance indicators

	2014	2013 (*)	Change
FFO	1,311	925	41.7%
EBITDA	1,692	1,495	13.2%
Research and development expenses	1,560	1,545	1.0%
Net Interest	(306)	(285)	(7.4%)

(*) The comparative figures restated following the adoption of IFRS 11

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

The section "Finmeccanica and sustainability" contains a more detailed description of Research and Development expenses.

"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 impacts of the volatility associated with non-recurring items or items unrelated to ordinary operations.

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

- **New orders**: this includes contracts signed with customers during the period that satisfy the contractual requirements for being recorded in the order book.
- **Order backlog**: this figure is the sum of the order backlog for the preceding period and new orders, less revenues during the reference period.
- **EBITA**: it is arrived at by eliminating from EBIT, as defined below, the following items:
  - any impairment in goodwill;
  - amortisation and impairment, if any, of the portion of the purchase price allocated to intangible assets as part of business combinations, as required by IFRS 3;
  - restructuring costs that are a part of defined and significant plans. This item includes personnel costs as well as any and all other costs deriving from the reorganisation (e.g. impairment of assets, costs for the closure of sites, relocation costs, etc.);
  - other exceptional costs or income, i.e. connected to particularly significant events that are not related to the ordinary performance of the business.

  EBITA is then used to calculate return on sales (ROS) and return on investment (ROI).

  A reconciliation of Income before tax and financial expense, EBIT and EBITA is shown below (the reconciliation by segment is reported in Note 8):

(€ millions)	2014	2013
Income before tax and financial expenses	539	(185)
Equity-accounted strategic JVs	153	171
EBIT	**692**	**(14)**
Amortisation of intangible assets acquired as part of business combinations	84	83
Restructuring costs	212	386
Non-recurring (income) expense	92	423
EBITA	**1,080**	**878**

Non-recurring expenses are mainly related to writedowns which reflect management's estimates in respect of the Group's exposure in countries considered at risk. At 31 December 2013, the item chiefly included expenses accrued for the Holland-Belgium and Denmark contracts and charges reported in the revamping business within the Vehicles segment of the Transportation sector, as well as criticalities in respect of other orders in *Defence and Security Electronics, Defence Systems and Helicopters* in relation to pending disputes or ongoing renegotiations with customers.

Restructuring costs refer to ongoing proceedings chiefly relating to *Defence and Security Electronics* and *Aeronautics*

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

- **EBIT**: this is obtained by adding to EBIT (defined as earnings before "financial income and expense", "share of profit (loss) of equity-accounted investees", "income taxes" and "result from discontinued operations") the Group's share of profit in the results of its strategic Joint Ventures (ATR, MBDA, Thales Alenia Space and Telespazio), reported in the "share of profits (losses) of equity-accounted investees".

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

(€ millions)	2014	2013
Net result	20	74
Net result of Discontinued Operations	-	(632)
Effect on extraordinary transactions	50	(91)
Net result before extraordinary transactions	**70**	**(649)**

- ***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. An improvement factor of this indicator is that this item includes the measurement of the residual interest in Ansaldo Energia, which is classified under non-current assets in consideration – and assuming the exercise as well as in light of the creditworthiness of the other party – of the put & call rights based on which this amount will be paid by Fondo Strategico Italiano to Finmeccanica.

Conversely, a factor which worsens the net debt is the effect of the settlement agreement regarding AnsaldoBreda's Fyra contract with the Dutch railways. The reconciliation with the net financial position required by the Consob communication no. DEM/6064293 of 28 July 2006 is reported in Note 19 to the consolidated financial statements.

- ***Free Operating Cash-Flow (FOCF***): this is the sum of the cash flows generated by (used in) operating activities (excluding the changes in the Group Net Debt), the cash flows generated by (used in) ordinary investing activities (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") and dividends. The calculation of FOCF 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 before extraordinary transactions for the financial period to the average value of equity in the two comparative periods.
- ***Workforce:*** the number of employees recorded in the register on the last day of the period.
- ***Funds From Operations (FFO)***: this is cash flow generated by (used in) operating activities net of changes in working capital. The FFO also includes dividends received.
- ***EBITDA***: this is given by EBITA before amortisation, depreciation and impairment losses (net of those relating to goodwill or classified among "*non-recurring costs*").
- ***Research and Development expenditure:*** the Group classifies under R&D all internal and external costs incurred relating to projects aimed at obtaining or employing new technologies, knowledge, materials, products and processes. The item includes:
  - development costs capitalised even if covered by grants;
  - research costs, whose activity is at a stage at which it cannot be demonstrated that the activity will generate future economic benefits, or development costs for which the accounting requirements for capitalisation do not obtain, are expensed as incurred;
  - research and development costs reimbursed by the customer as part of existing contracts (which fall under the scope of work in progress from an accounting viewpoint).
- ***Net interest:*** this is calculated as the sum of the items "Interest", "Premiums (paid) received on IRSs" and "Commissions on borrowings" (see the Note on "Financial income and expense" of the consolidated financial statements");

- ***Change in working capital***: this is equal to the change in trade receivables/payables, contract work in progress and progress payments and advances from customers and inventories, net of changes relating to the Fyra contract held by AnsaldoBreda. The reconciliation is as follows:

(€ millions)	**2014**	**2013**
Change in trade receivables/payables, work in progress/progress payments and inventories	(875)	(339)
Payments on Fyra contract	45	-
Change in working capital	**(830)**	**(339)**

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

	2013 reported	**Deconsol. JV (-)**	**Share of results/ dividends from JV (+)**	**2013 restated**
New orders	17,571	(2,512)	-	15,059
Order backlog	42,697	(5,866)	-	36,831
Revenue	16,033	(2,343)	-	13,690
EBITA	949	(161)	90	878
EBIT	46	(150)	90	(14)
Group Net Debt	3,316	586	-	3,902
FOCF	(307)	(18)	105	(220)

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Effects of the adoption of IFRS 11 on reclassified statements

Below are the effects deriving from the adoption of IFRS 11 on the reclassified income statement, reclassified statement of financial position and reclassified statement of cash flows with reference to 31 December 2013:

(€ millions)	*2013*	*IFRS 11 effect*	*2013 restated*
Revenues	16,033	(2,343)	13,690
Purchase and personnel expense	(14,506)	2,026	(12,480)
Other net operating income/(expenses)	121	(7)	114
Equity-accounted strategic JVs		171	171
EBITDA	**1,648**	**(153)**	**1,495**
Amortisation, depreciation and impairment losses	(699)	82	(617)
EBITA	**949**	**(71)**	**878**
Non-recurring income/(expenses)	(423)	-	(423)
Restructuring costs	(394)	8	(386)
Amortisation of intangible assets acquired as part of business combinations	(86)	3	(83)
EBIT	**46**	**(60)**	**(14)**
Net financial income/(expense)	(505)	10	(495)
Income taxes	(190)	50	(140)
Net result before extraordinary transactions	**(649)**	**-**	**(649)**
Net result related to discontinued operations and extraordinary transactions	723	-	723
Net result	**74**	**-**	**74**

(€ millions)	**31.12.2013**	**IFRS 11 effect**	**31.12.2013 restated**
Non-current assets	12,501	(316)	12,185
Non-current liabilities	(3,529)	364	(3,165)
Capital assets	**8,972**	**48**	**9,020**
Inventories	5,128	(374)	4,754
Trade receivables	8,072	(818)	7,254
Trade payables	(13,298)	1,774	(11,524)
Working capital	**(98)**	**582**	**484**
Provisions for short-term risks and charges	(1,072)	65	(1,007)
Other net current assets (liabilities)	(807)	(109)	(916)
Net working capital	**(1,977)**	**538**	**(1,439)**
Net invested capital	**6,995**	**586**	**7,581**
Equity attributable to the Owners of the Parent	3,381	-	3,381
Equity attributable to non-controlling interests	298	-	298
Equity	**3,679**	**-**	**3,679**
Group Net Debt	**3,316**	**586**	**3,902**
Net (assets)/liabilities held for sale	**-**	**-**	**-**

(€ millions)	**2013**	**IFRS 11 effect**	**2013 restated**
Funds From Operations (FFO)	**1,001**	**(76)**	**925**
Change in working capital	(441)	102	(339)
Cash flows from ordinary investing activities	(867)	61	(806)
Free Operating Cash Flow (FOCF)	**(307)**	**87**	**(220)**
Strategic transactions	274	-	274
Change in other investing activities	(30)	(44)	(74)
Net change in loans and borrowings	(298)	(42)	(340)
Dividends paid	(18)	-	(18)
Net increase (decrease) in cash and cash equivalents	**(379)**	**1**	**(378)**
Cash and cash equivalents at the beginning of the period	2,137	(267)	1,870
Cash and cash equivalents at 1 January of discontinued operations	(194)	194	-
Exchange rate differences and other changes	(37)	-	(37)
Cash and cash equivalents at the end of the period	**1,527**	**(72)**	**1,455**

Outlook

The Group forecasts an overall growth in the markets of Aerospace, Defence & Security (CAGR of 4% in the 2014 - 2023 period) over the next years. This will be mainly driven by civil and military aviation, increased defence spending from emerging economies and demand for systems for protection from asymmetric threats.

In this market environment, the Industrial Plan of Finmeccanica aims to achieve important targets, both in terms of profits and cash generation. The basis for achieving these goals is through actions being taken not only to reduce overhead and administrative costs, but, above all, also to improve efficiency and ensure greater effectiveness of the main operational processes (engineering, production and supply chain).

The forecasts for the next financial years no longer include operations in the Transportation sector. This follows the agreement reached at the end of February, which provides for the sale to the Hitachi group of the Finmeccanica's businesses in the sector (excluding some minor operations) upon the fulfilment of standard conditions laid down for this type of transaction. The 2014 Group's main KPIs have been provisionally restated, in order to eliminate the contribution from the operations involved in the agreement with Hitachi and allow a better comparison with the outlook for 2015.

Specifically, the main reference assumptions for the 2015 forecasts are as follows:

- the completion of the transaction involving the Transportation sector on the agreed terms and conditions, with an estimated overall positive impact of €bil. 0.6 on the Group's Net Debt, including the deconsolidation of negative cash flows from operations in the Transportation sector in 2015;
- organic growth in revenues, in particular in *Helicopters* and SES, offset by the expected transfer of some "pass-through" work packages in relation to B787 programme for about €mil. 300 and by an expected exit from certain constituent businesses within DRS by an additional €mil. 200*;*
- meaningful improvement in operating profits, mainly driven by the improvement of SES, DRS's return to its underlying profit margins and cost cutting initiatives, all supported by a strong profitability in the *Helicopters* segment;
- improved cash generation capacity driven by the above factors, paying constant attention to the selection of investments and working capital reduction measures.

Following the completion of the transaction in the Transportation sector, the businesses outside the *Aerospace, Defence & Security* perimeter are limited in materiality.

So, on the basis of the above assumptions, Finmeccanica confirms guidance for the 2015 financial year as the guidance shown for the *A,D&S* sector at the time of the presentation of the Industrial Plan in January:

	2014 amounts		2015 Outlook
	Reported	Pro forma	
New orders (€bil.)	15.6	12.6	12.0 – 12.5
Revenues (€bil.)	14.7	12.7	12.0 – 12.5
EBITA (€mil.)	1,080	980	1,080 – 1,130
FOCF (€mil.)	(137)	65	200 - 300
Group Net Debt (€bil.)	4.0		ca 3.4 (*)

(*) *Exchange rate assumptions: €/USD 1.27; €/GBP 0.80*

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 in the course of 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 Parties Transactions" (hereinafter referred to as the "Procedure") pursuant to CONSOB Regulation no. 17221 of 12 March 2010, as amended (hereinafter referred to as the "Regulation"), as well as in implementation of Article 2391-bis of the Italian Civil Code. The abovementioned Procedure is available on the Company's website (www.finmeccanica.com, under *Governance* area, *Related Parties* section).

Pursuant to Article 5.8 of the Regulation, the following transactions of greater importance, 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 2014 by Finmeccanica through its subsidiaries. In accordance with Article 13.3.c)ii) of the Regulation, these transactions qualified for the exemption for regular transactions carried out under market terms.

Parties involved	Relationship	Purpose of the transaction	Transaction amount
Ansaldobreda SpA	A wholly-owned subsidiary of Finmeccanica, a company in which 30.204% of the share capital is held by the MEF	Full service maintenance agreement for the fleet of ETR1000 high-speed trains	€mil. 249
Trenitalia SpA	A wholly-owned subsidiary of Ferrovie delle Stato Italiane SpA, a company in which 100% of the share capital is held by the MEF		

Furthermore, note the following transactions of greater importance, which benefitted from the exemption provided for by Article 14.2 of the Regulation and by Article 11.2.e) of the abovementioned Procedure for transactions entered into by Finmeccanica with subsidiaries and which did not have an impact on the consolidated financial position, income statement or consolidated results as at 31 December 2014.

Parties involved		Relationship	Purpose of the transaction	Transaction amount
Finmeccanica Finance SA	Finmeccanica SpA	Subsidiary (100%)	Granting of financing by Finmeccanica Finance SA to Finmeccanica SpA	€mil. 250
Finmeccanica SpA	Finmeccanica Finance SA	Subsidiary (100%)	Issue of a financial guarantee	Up to a maximum amount of €mil. 250

Further, it should be noted that, in implementing the corporate rationalisation and reorganisation programme, focusing on the financial activities performed by Finmeccanica Finance SA for Finmeccanica SpA, the process of transferring Finmeccanica Finance SA's assets and liabilities to Finmeccanica SpA was begun in 2014 and completed in early 2015. Details on the transactions conducted in 2014 are described in Note 16 of Finmeccanica SpA's separate financial statements.

No other transactions of greater importance were carried out in 2014, nor were there any transactions with related parties that materially impacted the financial positions or results of the Finmeccanica Group or of Finmeccanica SpA. Furthermore, no changes or developments took place in relation to the related party transactions described in the Directors' Report on Operations at 31 December 2013.

CONSOB Market Regulation, Article 36

In accordance with CONSOB provisions contained in the Market Regulation and specifically Article 36 of Resolution 16191/2007, Finmeccanica performed the verifications on the subsidiaries that were incorporated and are governed under the laws of non-EU Member States and that, as a result, were deemed "material" 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) identified based on the above regulations and in compliance with the provisions of local laws, these verifications 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

By resolution of the Board of Directors 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 transactions of greater importance (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 trends emerging at the macro-economic level (expansive measures in Europe leading to the depreciation of the euro, the drop in oil prices, the strengthening of the US economy, the slowdown in the growth rates of newly industrialised countries) are having a strong impact on the industrial sectors in which the Group operates, with persistent pressure being exerted on public investment budgets and stagnation in the processes of consolidating products internationally.

Overall, the trend in the markets in which the Group operates (Aerospace, Defence & Security) is one of growth, with average growth rates of 4% over the next decade.

Defence budgets should remain essentially stable (around €bil. 1,300 per year), with the newly industrialised areas (Asia-Pacific, the Middle East, the Gulf States) expected to gradually gain in importance. By contrast, investment in new weapons systems (including research and development costs) is recovering (from €bil. 290 in 2014 to more than €bil. 330 forecast for 2018), with the so-called "mature" countries (the United States and Western Europe), where the major programmes for new-generation systems (multi-role aircraft, unmanned systems, integrated command, control and communication systems, cyber warfare, etc.) are concentrated, still playing a significant role. As to the Group's primary geographical markets, the United States continues to be the major national market in the world; after the deep budget cuts made in connection with the gradual withdrawal of troops from "out-of-theatre" operations (Iraq, Afghanistan), spending on new investments should rise over the next few years at a rate of about 2% per year, thanks to the launching of programmes to develop new weapons systems and the allocation of funds for international counter-terrorism operations (approximately €bil. 40 between 2015 and 2017). A similar trend came be seen in the UK, which has also been gradually cutting spending in recent years; over the next five years, the budget is expected to remain essentially stable or to increase slightly, with the continuation of a process of focusing and optimising investment, which will include introducing new procurement models (service level agreement). Italy, however, is continuing to gradually reduce its spending, (-4% on average per year over the next five years), even where funding apart from that provided by the Ministry of Defence is made available for certain important international programmes by the Ministry for Economic Development. Internationally, there are significant commercial opportunities available connected with upgrading programmes in Eastern Europe, South America and in the abovementioned countries in the Asia-Pacific area and in the Middle East. A large part of these opportunities can only be pursued through 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), which requires – for the major defence industries in the world – the identification of the key technological capabilities in which to invest in order to maintain a competitive advantage over the gradual emergence of new competitors.

Aeronautics. The *civil aircraft* segment will continue to show stable growth (around 2.5% on average per year) thanks to strong demand for transport, especially from newly industrialised geographic areas (both business and private transport), particularly from Asia, the Middle East and the Gulf States, to the better financial stability of the major airlines (furthered, *inter alia*, by low fuel costs), to the gradual availability of new technological solutions (advanced materials, propulsion systems with reduced environmental impact) and to the need to replace less-efficient previous-generation aircraft. Within the *commercial aircraft* segment, which in the most important segment, market dynamics are most interesting for the wide-body aircraft (i.e., aircraft with two aisles) sub-segment thanks to the production ramp up on the latest generation of aircraft (B787, A350XWB). Demand in the narrow-body aircraft (i.e., aircraft with a single aisle) sub-segment will be satisfied for another few years yet by current models, refitted with 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, although less advantageous, applicative niche as compared with the recent past due to the drop in fuel prices. Over the next few years, the introduction of a new generation of engines will, in any case, lead to the development of new aircraft for regional transport with propeller propulsion, equipped with features (operating range, transport capacity, speed) superior to those of current-generation aircraft. From an industrial standpoint, we have seen confirmation of the tendency on the part of prime contractors to increasingly outsource the design and production of structural components, particularly composites. This is reflected in the vigorous expansion of the market for outsourcing the supply of aerostructures, with growth rates of around 4% per year over the next ten years. The *military aircraft* segment, in part due to delays in recent years on a number of important orders and that are highly cyclical, presents an interesting growth trend over the next 10 years of around 8% per year and overall value of new deliveries of just under €bil. 500. The most important segment is the multi-role aircraft segment, in which the entry into production of the JSF F-35 programme and possible new export orders for the Rafale and the Eurofighter are very important, but in which there are also interesting prospects for the advanced training aircraft segment (with the development of protected versions) and transport aircraft. Over the medium/long term, there are interesting opportunities in Europe for the development of a new generation of unmanned vehicles (UAS – Unmanned Aerial Systems) for long-persistence strategic surveillance, protection and monitoring, and reconnaissance and combat applications, even if hampered by the lack of agreement on a clear common European standard, the overlapping of numerous national initiatives and the delay in defining regulations for navigation in non-segregated airspace, especially for civil-military dual-use applications. Overall, around 50% of worldwide demand for military aircraft (manned and unmanned) comes from the United States and Western Europe, where the greatest technological and industrial capabilities are concentrated, although there is a gradual (but still quite limited) process under way of transferring technology to newly industrialised countries interested in developing their own offering (India, China, Turkey).

Helicopters. The market should decline slightly over the next ten years, with an average annual value (referring to new helicopter deliveries) of around €bil. 18-19, with moderate growth in the *civil* segment and a contraction in the *military* segment, due to the completion of production programmes under way and the lack of new programmes. Numerous drivers explain these different dynamics: in the *civil* segment, demand is driven by growing requests for aircraft equipped with the most advanced operational capabilities (speed, range and altitude), especially for oil & gas applications (connections with off-shore platforms, pipeline monitoring) emergency, security and police services, VIP/Corporate transport, the latter strongly on the upswing following the crisis associated with the economic downturn in recent years. The *military* segment, by contrast, depends heavily upon the developments in the US market, which experienced a peak in demand in 2014 due to significant orders for the replacement and upgrading of fleets in operation (almost entirely directed towards domestic industries). Over the next few years, the gradual completion of important European programmes (most notably the NH-90 programme) and the stasis of the US market in expectation of the development of a new standard will lead to a downturn in the cycle, only partly offset by growing demand in export markets. Over the medium/long term, the American JMR programme to develop and produce a new generation of helicopters able to meet the most advanced operational requirements (speed, range, altitude) will become particularly important. The main solutions proposed will be based upon new technologies, such as the convertiplane and hybrid propulsion engine, while the economic impact of this project should lead to a consolidation in the US industrial structure and to a competitive repositioning of the European industry, in the absence of an analogous multinational project in Europe. From a technological standpoint, there has been a movement towards the development of dual-use platforms through the installation of various on-board electronic equipment for civil and military applications. 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 operating costs and in the industrialisation of different versions, has become increasingly important. The gradual growth in the number of operational helicopters is consolidating the logistics market, including maintenance, upgrading and other services.

Defence and Security Electronics. The defence electronics market is highly segmented and is enormous overall, with orders of €bil. 90-100 per year, with an additional €bil. 40-50, approximately, per year for homeland security systems. Over the next ten years, the sector is expected to expand as a result, in addition to the electronic content of the major aeronautical, naval and land platforms, of demand for services and applications, including support, training and simulation, and to the development of complex, dual-use architectures, such as traditional defence and security, particularly that of critical domestic infrastructures (electricity production and distribution networks, transportation, etc.). Within the *defence electronics* segment, the demand for airborne systems is driven by the positive trend in the multi-role and advanced training aircraft sector, as well as the development of new applications for maritime and overland surveillance (including components for unmanned tactical and strategic surveillance systems). Instead, the demand in the *naval systems* segment is driven by the development of new applications connected to "out-of-theatre" operations (inshore operations, combating piracy, controlling straits and areas of economic interest) and by the availability of new technological solutions for integrating the most advanced on-board sensors and complex combat systems. Finally, the *land systems* segment is showing slightly higher growth rates than the other segments, thanks to the development of integrated battlefield control systems and general air defence (including threats from ballistic and cruise missile or from small unmanned platforms) and to the availability of new secured communications systems. With regard to the related security systems market, demand is rising at a high rate (7-8% on average per year) and is increasingly focused on finding advanced, integrated solutions for border surveillance, protection systems for critical infrastructures and major events, including cyber-security solutions driven by the need to make ICT systems more resistant to attempts to access and damage data and information. Within this sector, the integration of satellite services for environmental monitoring, preventing and managing natural disasters and connectivity in the event of emergencies is of growing importance.

Space. The demand in the space systems and services sector is worth around €bil. 90 per year, about 70% of which consists of manufacturing (satellites and probes, launch and space access systems, orbiting infrastructures). The development trend in the sector is interesting, with growth rates of about 2% for manufacturing, supported by civil and military government investment programmes, and of 6-7% for services. The stagnation in manufacturing linked to the private sector makes support from national (e.g. NASA, Italian Space Agency, Ministry of Defence) and international (ESA, EU) entities ever more crucial, although a growing portion of demand for services is attributable to often small or medium-sized commercial customers. It is interesting to observe that the so-called "space club" is continuing to expand, spurred on by defence or security needs, involving a process of transferring technology of great strategic importance, which involves countries such as Israel, India, China, Turkey, South Africa, Vietnam, Thailand, South Korea, and more. Demand in the *military* segment is therefore driven by the supply of new satellites used for earth observation and secure communications, while the expansion of the *civil systems* market centres around programmes for replacing and upgrading in-orbit telecommunications satellite capacity and the development of new scientific, meteorological and navigation applications. The development of dual-use (civil and military) architectures, systems and sensors is of growing importance, since it makes it possible to optimise investments by reducing the number of space platforms and thereby expand the pool of potential customers. More specifically, in the *space services* segment, there has been growing verticalisation between network integrators and operators with their own satellite capacity, a rising integration between service suppliers and manufacturers, the development of integrated applications based upon the acquisition and processing of data from a variety of sources (satellites, traditional and unmanned aircraft, ground-based systems) or based upon different technologies (broadband satellite communications, digital terrestrial, communication networks, etc.).

Defence Systems. Despite having strong cycles tied to trends in procurement programmes and to the development of new platforms, the *land and naval vehicles and weapons* segment is experiencing moderate growth, being worth around €bil. 14-15 per year over the next ten years. The rise in demand, which is expected to grow by about 4% per year on average, is driven by continuing demand for technology to protect military personnel in "out-of-theatre" operations in asymmetric warfare situations. This will lead to the development of lighter vehicles – both wheeled and tracked - that can be used more quickly and flexibly, including so-called "protected vehicles" that are able to provide a high level of protection against light fire and landmines. In addition, new technological solutions (robotic and unmanned vehicles using new materials) are being developed.

In the *naval weapons* segment, the greatest opportunities are tied to the development of guided munitions systems to be used, above all, with medium calibre weapons, which are particularly effective in coastal operations, and missiles with considerable cost advantages over equally efficient missiles.

In the *underwater systems* segment as well, 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, particularly rotary wing aircraft) missiles, there is growing demand for unmanned systems and integrated solutions for protecting coastlines, ports and underwater networks (communications systems and pipelines). The overall market, valued at around €bil. 2.5 per year, will grow slightly over the next few years, with more sustained demand 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, the *missile systems* market will experience a slight increase, worth an estimated total 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 new aeronautics platforms and, to a lesser extent, helicopter platforms. The greatest 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 stable at a global level with average annual values of about €bil. 45, including both the supply of new vehicles and service activities (maintenance, spare parts, upgrades and revamping of operational fleet). The demand trend in the market for new rolling stock is more stable in the regional and urban transport (mass transit) sector, thanks to the rising demand for public transport in densely populated regions both in Europe and in newly-industrialized countries, particularly Brazil and China. 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.

Industrial and financial transactions

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

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

On 9 October 2014, Finmeccanica and Fincantieri signed a partnership agreement in the military shipbuilding sector with the aim of increasing their competitiveness on domestic and international markets through a more effective and efficient integrated offering of the two companies' products. In particular, their partnership will consist of leveraging technical and commercial synergies between the "Naval Vessels" business unit of Fincantieri and the Finmeccanica Group companies (the subsidiaries Selex ES, Oto Melara and WASS as well as the joint venture MBDA Italia) which have core competencies in combat systems, electronics and sea and underwater weapon systems.

In the Aeronautics sector, in December 2014, the Cameri (Novara) military base was officially recognised, under the JSF programmes, as the sole structure in Europe to provide logistics and high-tech maintenance, repair and operations (MRO) for the F-35s operating in the European/Mediterranean area.

Rationalisation of company portfolio and disposals. With regard to the bus sector, on 23 December 2014, the formation of Industria Italiana Autobus ("IIA") was completed by King Long Italia (KLI), holding 80%, and Finmeccanica with 20%. The KLI business complex and a business unit of BredaMenarinibus (including all its industrial activities, except for certain prior contracts) were transferred to the new entity.

On 24 February 2015, Hitachi and Finmeccanica SpA signed a binding agreement for the sale of AnsaldoBreda's current business (excluding certain revamping activities and certain residual contracts), as well as Finmeccanica's entire stake in Ansaldo STS (40%), as described in beginning of this Report.

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

With regard to all the bond issues placed on the market by the Luxembourg subsidiary Finmeccanica Finance, it should be noted that Finmeccanica SpA, as part of the process to gradually centralising all its financial activities, replaced Finmeccanica Finance SA as issuer of the outstanding bonds, taking advantage of this option provided for by the Euro Medium Term Programme (EMTN) under which the bonds were issued. The replacement, duly resolved and communicated to the markets in November 2014, was completed upon the deadline for each interest payment, the final one occurring on 21 January 2015. As of today, Finmeccanica SpA is the issuer of all the bonds denominated in euros and pound sterling placed on the market under the EMTN programme. More detailed information regarding outstanding issues can be found in the note on “Loans and Borrowings” in the notes to the financial statements.

All the bonds issued by Meccanica Holdings are irrevocably and unconditionally secured by Finmeccanica. The Group’s bond issues are governed by rules with standard legal clauses for these types of corporate transactions on institutional markets that 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 qualify 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.

On 9 July 2014, Finmeccanica refinanced its revolving credit facility ahead of schedule, extending its maturity to 2019. The new agreement was signed with a pool of Italian and international banks on the following conditions:

- period of interest: 1, 2, 3 or 6 months at the borrower’s option;
- interest rate: Euribor plus a margin of 180 bps. This margin could be reduced to a minimum of 75 bps if Finmeccanica returns to an investment grade rating or could be increased to a maximum of 270 bps if Finmeccanica’s debt is given a rating below BB or if it is given no rating at all*;*

- utilization fees: 15 bps, 30 bps and 60 bps based upon the percentage utilisation, respectively from zero to 33%, up to 66% and over 66%;
- commitment fees: 35% of the margin on the portion utilisable at any given time;
- up-front fees: 90 bps, 75 bps and 60 bps to be paid to the members of the pool on the basis of the amounts of the commitments they have subscribed.

Under the new Revolving Credit Facility, Finmeccanica must comply with two covenants (the ratio of Group net debt - excluding payables to the joint ventures MBDA and Thales Alenia Space - to EBITDA must be no higher than 3.75 and the ratio of EBITDA to net interest must be no lower than 3.25) tested annually based upon the consolidated data at the end of the year. These covenants, in accordance with contractual provisions providing for this option, have also been extended to the EIB loan, currently outstanding in the amount of €mil. 371. Based on the results for 2014, there was full compliance with the covenants (the two ratios being 2.1 and 5.5, respectively).

Outstanding bond issues 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, compared to those preceding the last change, were as follows:

Agency	**Last update**	**Updated**		**Previous**	
		Credit Rating	*Outlook*	*Credit Rating*	*Outlook*
Moody's	September 2013	Ba1	negative	Baa3	negative
Standard&Poor's	October 2014	BB+	negative	BB+	stable
Fitch	July 2013	BB+	negative	BBB-	negative

As previously noted, there are no default clauses linked to the credit ratings. The only possible effects deriving from further changes, if any, to the credit ratings refer to higher or lower finance costs on certain payables of the Group, especially with reference to the Revolving Credit Facility.

The interest rates applied to the utilisations of such credit line could be reduced or increased by the aforementioned bps if Finmeccanica returns to an investment grade rating or if Finmeccanica's debt is given a rating below BB or if it is given no rating at all. Finally, it should be noted that the Funding Agreement between MBDA and its shareholders provides, *inter alia*, that any downgrade of the rating assigned to the shareholders will result in a gradual increase in the margins. Additionally, under a pre-set rating limit (for at least two out of three rating agencies: BB- from Standards & Poor's, BB- from Fitch and Ba3 from Moody's) MBDA is entitled to determine the applicable margin each time. Finally, the agreement provides for rating limits the achievement of which allows MBDA to request the issue of a bank guarantee of its own liking from its shareholders, without which MBDA can suspend the subsequent disbursement of funds.

Finmeccanica and risk management

RISKS		ACTIONS
In 2014 the Group returned to the profit before before extraordinary transactions, after having reported significant losses in previous periods. Returning to a fully sustainable financial position is connected to the success of the restructuring plan launched by management	The new Board of Directors has launched a plan to thoroughly revamp the Group – in order to recover industrial efficiency and reduce debt – as outlined in the Industrial Plan approved on 27 January 2015. This plan, which is deeply focused on the reduction of costs (also thanks to the adoption of the new organisational and operational model) and on the structural improvement of the supply chain, engineering and production processes, is designed to provide the Group the capability to operate successfully on the global market, ensuring at the same time the necessary economic and financial stability. To this end, the industrial plan provides for quitting non-core sectors and discontinuing insufficiently profitable business lines. 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 reorganisation plans and of the actions aiming to restore the efficiency of the Group's processes is constantly monitored by management. Moreover, the year 2014 and the first months of 2015 saw the continuation of the expected plan to concentrate on the Aerospace, Defence and Security by way of the arrangements regarding the sale of the businesses in the Transportation sector (both wheeled and tracked), which came after the final sale of the stake in Ansaldo Energia in 2013.
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 is 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 significant changes, with impacts not only on volumes and results, but also on the Group debt, due to lower amounts received as advances or down payments on new orders.	The Group continues pursuing an international diversification policy, which leads the same to compete not only in its main markets (Italy, the UK and the US) but also in emerging markets marked by high growth rates, especially 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.
Cuts in public budgets could affect also grants for the Research and Development	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. 1.6 in 2014, considering the unavoidable need to	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

activities of the Group and, as a consequence, also the Group ability to successfully compete in global markets	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, represent the indispensable funding for the research activities in the sector. Even if new grants have been provided thanks to the 2012 Stability Law, a non-compliance of the granting 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.	efficient programmes with the highest potential of return.
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 governments, which represent a significant portion of the Group's customers, but also significantly affects civil markets, in particular helicopters and civil aeronautics, 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. Other adverse effects could derive from the fall in the oil price, which could impact the spending capability of customers affected by such decrease.	The Group's goal is to improve its industrial efficiency and its ability to perform contracts, while reducing overhead costs with a view to enhance its competitive capacity.
Certain Group companies have been involved in judicial investigations	As more fully explained in paragraph " Provisions for risks and contingent liabilities" of the notes to the consolidated financial statements, certain Group companies and the Parent Company itself have been involved in judicial investigations, some of which are still underway. 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 to date. However, further developments presently unforeseeable and indefinable, together with the possible consequential impact on Finmeccanica's reputation, could significantly affect the Group's performance and financial position, as well as on its relationships with customers.	The Group has taken all steps necessary to more thoroughly examine any irregularities and to prevent employees, directors and suppliers from repeating 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.
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	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, Finmeccanica controls the main performance and financial

	actions to be undertaken to 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.	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. 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 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. 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.
During the current activity, the Finmeccanica Group is exposed to liability risks to customers or associated third parties in connection with the proper performance of contracts, also because of activities pertaining to sub-suppliers	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) 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.	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
The Group's debt position was affected by the acquisition of DRS in 2008 and by the negative	At 31 December 2014, the Group Net Debt came to €bil. 4.0. 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	The Group has implemented a financial strategy allowing it to significantly extend the remaining life of its debt to approximately 8 years, and to reduce its exposure to interest rate fluctuations by issuing fixed-rate bonds.

cash flow of the Transportation sector. This debt could have an impact on the Group's operational and financial strategies

its impact through a successful capital increase and the selling off of assets, and proceeded with the rescheduling of its debts. However, the inadequate cash flow levels obtained by the Group 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.

During 2014 the Group also renewed its revolving credit line totalling €bil. 2.2 until July 2019 with 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 non-core assets. In this respect, it is worth mentioning the agreement reached for the sale of the businesses in the Transportation sector, as already described in other sections of this document.

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, BB+ with a negative outlook from Fitch and BB+ with a negative outlook from Standard and Poor's. The downgrading experienced from 2011 is attributable to the deterioration in the Group's financial and economic 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.

As noted previously, the Group is actively engaged in implementing actions identified under the industrial 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 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.

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

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

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

consolidated assets are denominated in US dollars and pound sterling	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).	activities denominated in currencies other than the euro individual positions are hedged at the Group level
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, Defence and Security area are MBDA, held at 25% (with partners BAE Systems and Airbus Group), 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 Airbus Group). 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.
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 2014, this amounted to €mil. 333. 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.
The Group operates in particularly complex markets, where disputes are settled after a considerable period of time and following extremely	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 that cannot be quantified – are not covered by the provision.	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

convoluted procedures. The Group also operates numerous industrial facilities and is therefore exposed to environmental risks	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.	contamination event.
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 impacts 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.
A significant portion of the consolidated assets relates to intangible assets, specifically goodwill	At 31 December 2014 the Group reported intangible assets of €bil. 6.8, of which €bil. 3.8 relate to goodwill (14% of total assets) and €bil. 1.9 to development costs. The recoverability of these amounts is linked to the realization 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 adequacy 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 its own system of internal rules that comply with 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 & Security sector that voluntarily report on the sustainability of their performance in the financial, environmental and social fields in accordance with the "Sustainability Reporting Guidelines" set down in 2011, version 3.1, by the Global Reporting Initiative (GRI). The Sustainability Report of the Finmeccanica Group has been prepared in accordance with the A+ application level of the GRI and assured by KPMG.

This section contains a summary of the main information on various aspects of sustainability (Environment, Human Resources, Research & Development) and seeks to explain how "**human capital**", "env**ironmental capital**" and "**intellectual capital**" are managed, protected and developed. Please refer to the Sustainability Report, available on Finmeccanica's website, for more detailed information.

Thanks to the development and circulation of the governance tools described in the paragraphs below, and to its desire to communicate to all its stakeholders in a clear manner, Finmeccanica voluntarily reports its sustainability activities and services on an annual basis using three main instruments:

- *Sustainability Report*, available on Finmeccanica's website, 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 2014 the Group was included in the prestigious indexes of the DJSI family (both Europe and World) (for more information, refer to: http://www.sustainability-indices.com);
- participation in the Carbon Disclosure Project (CDP). For the seventh 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 organizations that combat food waste from a corporate social responsibility perspective.

Finmeccanica and Human Resources

Employees

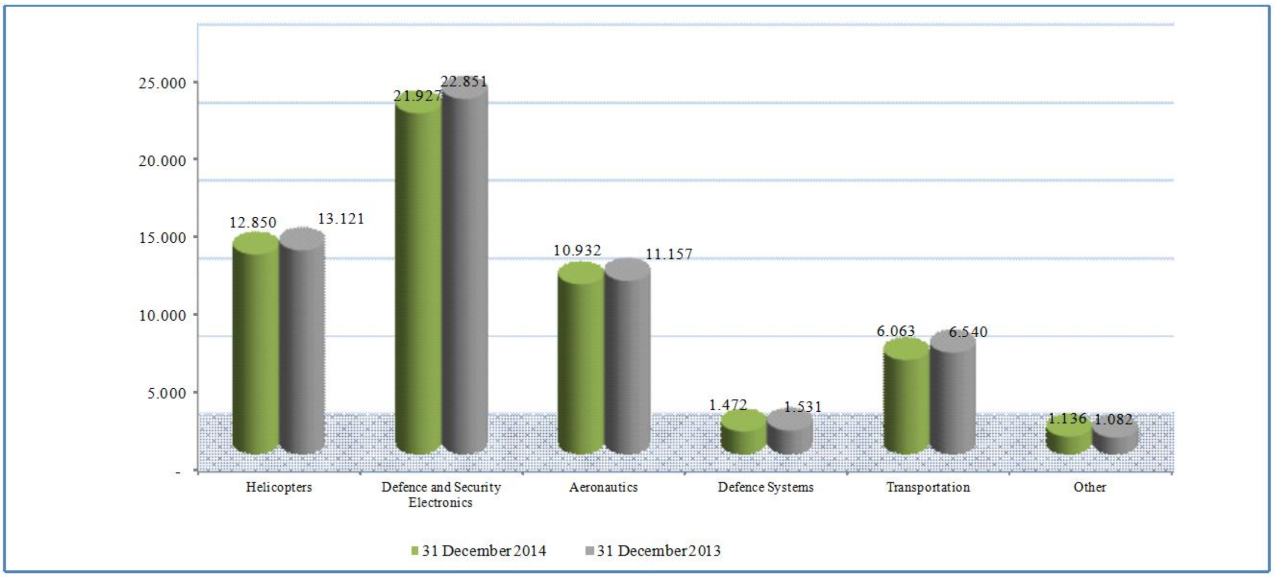
The rationalisation of the Group's workforce continues: at 31 December 2014 the Group had 54,380 employees, with a significant presence of subordinate employees in 20 countries and 15 Italian regions.

More than 95% of the Group's staff are concentrated in markets that are considered "domestic" (Italy, the UK, the USA and Poland).

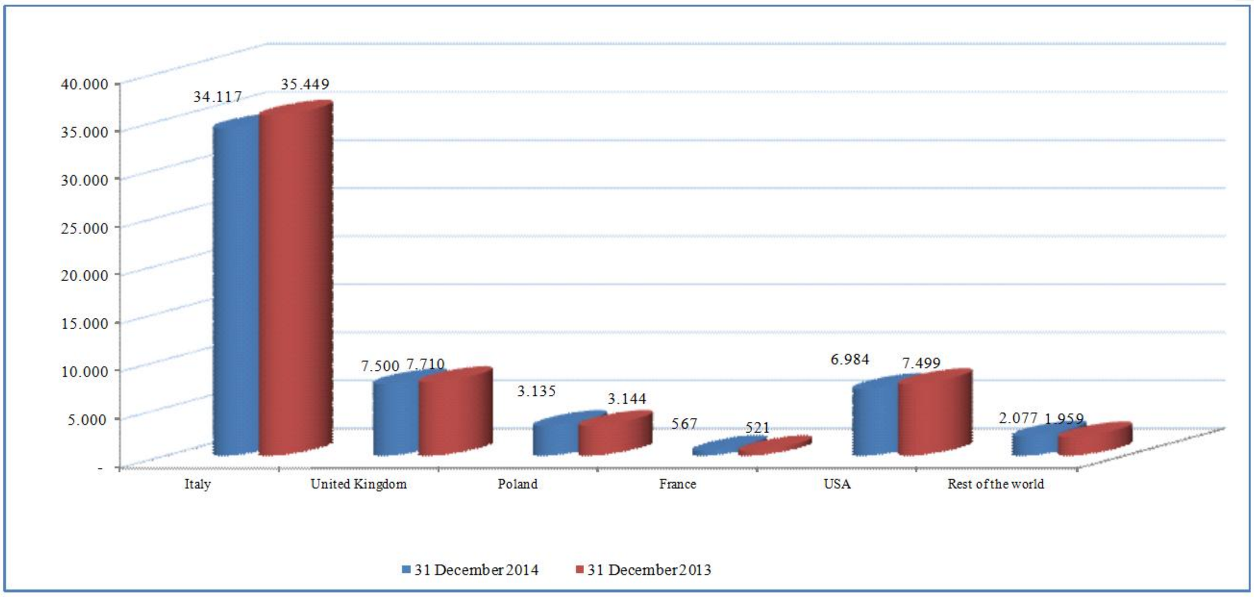
The Group's workforce decreased by 1,902 (3.4%) compared with 31 December 2013 (56,282[1] employees), of which 1,332 in Italy and 570 abroad. The decrease mainly occurred in the Defence and Security Electronics (Selex ES and DRS Technologies) and Transportation sectors, as a result of the considerable restructuring and reorganisation processes under way. The reduction was also the result of the transfer of 272 employees by BredaMenarinibus to Industria Italiana Autobus as part of the transaction described in more detail in the section "Industrial and Financial Transactions" of the Report on Operations.

A thorough, structured rationalisation of management personnel was also launched: in 2014 the number of Group senior managers/executives fell by 158, a 9.8% decrease compared with 31 December 2013.

The break down by segment and geographically is as follows:



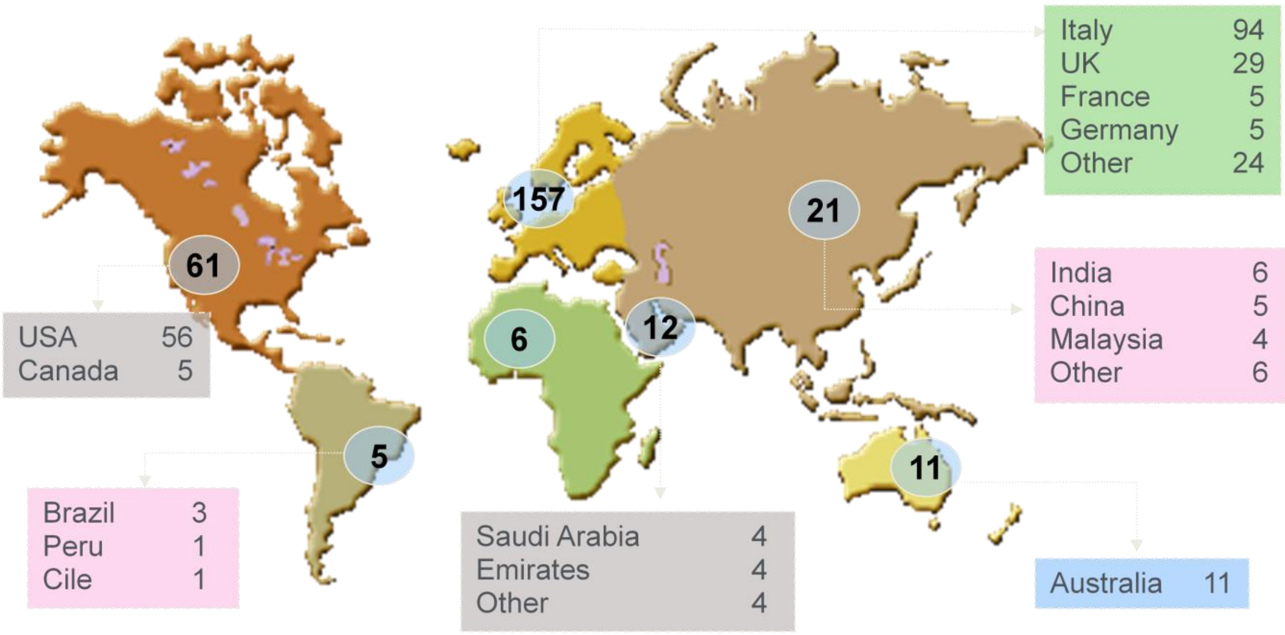
[1] Figure restated following the adoption of IFRS 11



The Finmeccanica Group workforce worldwide

At the end of 2014, the Group operated through a worldwide structure encompassing 273 offices/facilities, located primarily in foreign countries (65.6% of the total), of which 120 are production sites (56 in Italy).

In addition to the "deconsolidation" of 60 sites belonging to the joint ventures, which are no longer consolidated as of 1 January 2014, a significant rationalisation of company offices/branches (affecting mainly DRS Technologies and Alenia Aermacchi in the United States and Selex ES in Italy) reduced the total number of Group sites by further 29 compared to the end of 2013. Overall, the reduction as compared with 2013 affected 62 sites abroad and 27 in Italy. The breakdown of Group sites by country is as follows:



Organisation

Following the creation of the new senior executive position (Chief Executive Officer and General Manager - CEO), starting in May 2014 changes were made in the primary top management responsibilities of the Parent Company. Thereafter, starting from October 2014, the new organisational structure of Finmeccanica SpA was developed, with related allocation of responsibilities. The primary organisational changes as compared with the previous structure related to:

- the formation of new top-tier organisational units: Risk Management and National and European Funding Programmes;
- the separation of the ICT and Security areas into two, distinct organisational units;
- the inclusion of the "Market Coordination" unit under "Strategy, Markets and Business Development";
- the elimination of the Industrial Performance and Competition unit.

The following responsibilities assigned to the Chairman were confirmed: Government Relations, Security and Internal Audit supervision and functional coordination, although this latter organisational unit (Group Internal Audit) reports to the Board of Directors.

Furthermore, in December 2014, the process of establishing the organisation and responsibilities of the second-tier within the centralised structures (Support Functions) began.

Also in 2014, work continued on revising and strengthening the **internal regulation system** (architecture and hierarchy of company regulations), which includes the following types of documents:

- **Guidelines of the Board of Directors**, contain instructions regarding strategic areas or value-related, social and ethical issues that are important to the Group, issued by the Board of Directors of Finmeccanica SpA in order to promote and develop fundamental, binding principles that are also set out in the Charter of Values and in the Code of Ethics of Finmeccanica and of the companies, in line with the reference standards for national and international organisations;
- **Group Directives**, define the principles and general mandatory rules on topics of importance across the organisation, identifying the procedures/mechanisms for coordinating and determining the flow of information between the Parent Company and the companies;
- **Corporate Procedures**, define the operational and managerial procedures for corporate processes, identifying the roles and responsibilities of the organisational units and of the bodies/entities (committees, oversight bodies, etc.) involved in the structured flow of activity, in a manner consistent with the relevant Directives, making the adjustments needed to account for the organisation of the companies and their specific business requirements;

- **Policy, manuals and operational instruments**, set out the policies and operating procedures with particular regard to functional topics concerning a specific organizational/professional area (for example, in-depth analysis and focus on specialist topics, work instruments and methodologies, etc.).

Finally, in June 2014, the guidelines for the multi-year plan to transform the divisions within the Group (relating to the scope of the Aerospace, Defence & Security area) were developed with an eye to creating a single, integrated structure in 2015.

Management and Development of Human Resources

In 2014 new policies concerning the basic Management and Development of Human Resources processes were established to provide support for the profound transformation and significant change that the Finmeccanica Group is undergoing. Of the strategic objectives for addressing the complex, wide-ranging challenges that affect the Group, greater emphasis was placed on specific values that guide and direct the behaviour of our employees. Meritocracy, transparency and ethics form the values underlying a coherent development of Management and Development of Human Resources processes, through appropriate performance, potential and skills evaluation systems.

A number of important initiatives aimed at certain target groups of employees were introduced in order to give immediate effect to a new system that permits us to make organisational and management decisions based upon these values.

Management Appraisal - In June 2014, a process was launched in partnership with a leading consulting firm, with the goal of gaining a better understanding of the Group's management personnel and to ensure them an objective evaluation consistent with the new management model. The appraisal campaign allowed us to identify key resources to play critical roles in supporting the Group's business, through precise recommendations concerning the performance and the potential development of the persons involved.

The first phase of the programme involved around 80 top managers drawn from the uppermost levels of Finmeccanica SpA, and the CEOs, the upper management and the heads of the business units of the operating companies. The campaign to obtain an accurate evaluation of the remaining categories of management personnel will continue in 2015.

High-potential resources - In 2014, an initiative was launched to identify and develop the Group's high-potential resources. The project fully represents the new strategic and values-based policy that Finmeccanica has adopted, focusing on identifying a pool of resources demonstrating excellence that are capable of supporting the Group's long-term development, offering those identified the opportunity to demonstrate the best professional and personal characteristics. Indeed, the initiative is an expression of the Company's willingness to invest in merit-based processes, assigning appropriate responsibilities within the pool of existing expertise and professional skills through a transparent and coherent communication of shared opportunities.

As of today, about 300 high-potential resources have been identified from among management and non-management personnel, chosen based upon their potential for growth, performance excellence and willingness to relocate and change position within the organisation.

In order to guarantee the greatest degree of consistency with the stated objectives, the resources will undergo individual assessments in 2015, conducted with the support of a group of HR professionals within the companies to ensure that the assessment decisions are consistent with corporate strategy for internally developing the expertise need to assess personnel. The final purpose of the initiative is to adopt management and development policies that can, at a systematic level, make Talent Management the core of the management processes, identifying at the same time specific development actions to be taken to support the improvement of elite resources.

Compensation systems - Specifically as to the existing medium/long-term incentive plans, it was decided to conclude the existing plan cycles and to not launch any new ones, in light of the need to revamp the entire system.

The Performance Cash Plan 2012-2014 (PCP, incentives granted in cash, payable against the achievement of certain financial-operational results of the Group and of the operating companies, in line with business strategies and objectives) and the Long-Term Incentive Plan restricted to the Group's top management (LTIP, rolling cash incentive schemes, payable against the achievement of certain financial-operational results of the Group) will be allowed to reach their natural termination dates in 2014 (PCP) and 2015 (LTIP).

With regard to the short-term incentive system (MBO for 100% of Group senior managers and executives), its underlying rationales, general structure and operational mechanisms, aimed at ensuring a strict correlation between the incentives and "excellence" in operating performance, were confirmed for 2014.

In 2014, basic guidelines were developed for the gradual review of the Group's remuneration system. Special distinctive features will be added in support of Finmeccanica's new strategy, while at the same time ensuring that there will be increasingly better alignment with shareholders' expectations and the best market practices.

The architecture of the new compensation systems structure will be scrutinised by Finmeccanica's management bodies, which will be asked to approve them, following the procedure set out in current governance rules, thereby making it possible to subsequently implement them.

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

Preventive medicine initiatives - During 2014 screenings were carried out, in an effort to protect the mental well-being of employees, in the form of psychoanalytical clinical interviews. The fifth cycle of semi-individual postural training lessons by a physiotherapist was also conducted. 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 Knowledge Management Systems - In order to define the general principles underlying the planning, management and monitoring of the Group companies' training and development processes, in 2014 the "Directive on the Training and Development of Professional Staff" was issued, in accordance with the Quality Management System for Finmeccanica's training and development processes. This system received, for the seventh straight year, the UNI EN ISO 9001:2008 Quality Certification awarded by the international body Globe Certification.

The initiatives pursued during the year sought:

- to enhance Finmeccanica's Intellectual Capital, promoting the strengthening and transmission of "key" skills through a partnership between the HR Professional Family and the line;
- to forge a distinctive Finmeccanica identity, inspired by values shared by all employees worldwide;
- to contribute to making processes and tools for measuring results more efficient, including by sharing a common system of Macro-Roles and Competences (Finmeccanica CMS - Competence Management System).

The main initiatives pursued in 2014 can be categorised as follows:

1. training courses at various organisational levels, with emphasis on brilliant young persons with up to 15 years of professional seniority;

2. Initiatives aimed at reinforcing Group Culture to promote:

- on-going development of employee's professional skills in Finmeccanica's core competencies, such as, for example, Programme Management and Supply Chain Planning and Execution (Business Culture and Knowledge Management);
- the sharing of know-how and good practices among the Group companies by identifying and accrediting a short list of internal "experts" for each Professional Family;
- the involvement of and listening to Finmeccanica employees from all over the world, in order to identify the expectations of the various target groups, the distinguishing characteristics and the areas for improvement of the different entities, and the support needed for communication processes and the recognition of the Group as an Employer of Choice (Group Identity and Employer Branding);
- support for youth employment and the promotion of the technical trades in Italy, through projects aimed at boosting the culture of "know-how";

3. Specialist Training Paths intended for the personnel of Finmeccanica Spa, in particular as regards occupational health and safety.

Due to its constant focus on its staff, the multi-cultural aspect of its activities and the quality of its working conditions, the Group was recognised by those outside the organisation through receipt of "Top Employer" certification in its four domestic markets. In 2014, this recognition was expanded to encompass Poland and the United States, in addition to the previous recognition, in 2011, of its activities in Italy and the United

Kingdom. The certification is conferred by CRF Institute, the international organisation that analysed and awards virtuous companies that demonstrate excellence in improving their Human Capital.

Industrial Relations and Social Affairs

With respect to labour laws, the Group focused a great deal of attention on assessing the impact of Decree-Law no. 34 of 2014 (the so-called “Poletti Decree”, ratified by Law no. 78 of 2014) containing measures for promoting employment and for simplifying the obligations imposed on businesses, as well as of Decree-Law no. 183 of 2014 (the “Jobs Act”), which delegates responsibilities to the government for reforming social safety nets, job training and placement services, as well as for reorganising the system of employment contracts, workplace inspections and the protection and balancing of personal and professional obligations.

Once again in 2014 Finmeccanica was also able to uphold its tradition of unified Industrial Relations, a hallmark of collaborating to find solutions to problems, despite the difficult organised labour situation, following FIOM-CGIL’s failure to sign the national collective bargaining agreement of 5 December 2012.

Give this situation, Finmeccanica maintained its commitment at the institutional level, particularly within the trade union-employee system, including by enhancing the positions undertaken at various levels.

Particularly important during the year were the negotiations associated with the restructuring, reorganisation and revitalisation processes involving the Group companies. Following is a brief description of the main actions taken in each sector and it should be noted that the monitoring of redundancy procedures (with the requirement that those covered be near the minimum pension age and that it be done in accordance with the principle of “non-opposition to being made redundant” by the workers affected) reveals that staff reductions achieved at all the companies involved were in line with the targets set.

Aeronautics. In 2014, under the restructuring agreements signed with the trade unions starting from November 2010, 454 non-executive employees and 23 executives left employment. This brought the cumulative total for 2010-2014 to 2,342, with a staff reduction more effective than contemplated in the agreements.

Specifically, in February, a further agreement was signed with the trade unions calling for application of the pension contributions provided for by Article 4 of Law no. 92 of 2012 (the so-called “Fornero Reform”) in order to facilitate the termination of 160 employees, who may sever their employment relationship 48 months prior to reaching pension age or meeting early-retirement requirements. The agreement also calls for structured training assistance and mentoring processes to ensure continuity in the professions and trades that characterise the business and implementation of so-called “generational turnover” of know-how.

Defence and Security Electronics. At Selex ES in 2014 agreements were signed with the trade unions regarding the closing of minor sites, with the transfer of staff to other facilities, thereby making it possible to reduce and rationalise the productive structure. Trade union procedures were also undertaken pursuant to Article 47 of Law no. 428 of 1990, as amended, in relation to the merger of Sistemi Software Integrati, Selex

ES MUAS, E-Security and SESM s.c.a.r.l. into Selex. The application of so-called "defensive" Solidarity Contracts was extended, starting from 1 January 2015, to the employees of these companies by the agreement of 16 December 2014.

The process of managing social shock absorbers, begun in previous years with the signing of agreements concerning the use of the Extraordinary Wages Guarantee Fund (CIGS, Cassa Integrazione Guadagni Straordinaria), "defensive" Solidarity Contracts, redundancy and pre-pension incentives pursuant to Article 4 of the Fornero Reform resulted in:

- the application of the CIGS to an average of 309 employees on an annual basis;
- a total reduction of 1,217,000 hours worked, corresponding to an average reduction in the workforce of 725 full-time employees on an annual basis;
- the termination of the employment relationship with 614 employees, of which 353 under the redundancy program;
- the termination of 55 senior managers, of which 28 with access to the measures provided for by Article 4 of the Fornero Reform.

There was also a significant reduction in the foreign workforce, amounting to 611 terminations. The reorganisation process, begun in 2013, continued at DRS Technologies. During 2014, 800 employment relationships were terminated, of which 550 as a result of the restructuring processes. The incentive policy provides for paying two weeks' pay, plus one week's pay for each year of service.

Helicopters. In January, an agreement was signed with the trade unions, which, by offering early retirement incentives to those employees near to meeting pension-eligibility requirements, aimed at improving the professional mix of employees and at redefining internal competencies in line with business targets. The agreement calls for the termination of 545 employees at the company's various Italian sites.

Defence Systems. In April, WASS signed a supplemental agreement for employees on board the vessel Whitehead Seconda, which ratifies that application of the national collective bargaining agreement for the engineering industry to those posted on board and defines and institutionalises the out-of-office availability and multi-functional nature of the positions therein, thereby lessening any potential labour disputes. At OTO Melara, in December the process to apply a redundancy scheme at the La Spezia site, begun in October 2013, was completed with the staff reduction targets being fully reached. The termination of 70 employees resulted in a better mix of direct/indirect workforce without forgetting the significant generational turnover.

Transportation. In December the procedure of providing information and consulting with the trade union concerning the sale of the BredaMenarinibus business unit, as part of the plan to form the new company Industria Italiana Autobus (IIA), the leading domestic player the industry, in which Finmeccanica holds 20%, was completed.

At Ansaldo STS a trade union agreement was signed in January for application of the redundancy procedure over a time period lasting until 31 December 2014, for up to 85 employees at the Genoa, Naples, Piossasco (Turin) and Tito (Potenza) sites. This agreement allowed for the option, for workers whose termination was formalised during the period, to receive redundancy benefits from the National Social Security Institute (INPS) for a maximum period of 36 months in Northern Italy and 48 months in Southern Italy. At the end of 2014, 67 employees had terminated their employment relationships, of whom 58 through redundancy.

AnsaldoBreda continued efforts to contain costs and enhance its competitiveness in 2014. More specifically, it undertook, including through trade union agreements, a series of actions aimed at rationalising its workforce in alignment with budget targets, as follows:

- mobility procedure pursuant to Articles 4 and 24 of Law 223/1991, for 35 employees at the Naples site for the October-December 2014 period;
- incentives to encourage employees who no longer possess skills required by the companies to resign;
- pre-pension incentives, for the 2014-2018 period, for up to 14 senior managers, as provided by for Article 4 the Fornero Reform.

Overall the action resulted in 81 terminations.

In addition, it also implemented operational initiatives to improve performance and contain costs, which involved the application of CIGO in rotation for all employees of the Carini plant (Palermo).

The Environment

Once again in 2014, Finmeccanica reaffirmed its commitment to sustainable and responsible environmental action. In line with the contents of the Directive on Environmental Protection and in the Group's Environmental and Health and Safety Policy, it indeed confirmed its commitment to pursuing on-going, comprehensive improvement in environmental performance involving all the Group companies, in every part of the world and within an ever-evolving international scenario.

Strategic guidelines and management approach

The environment is an asset to be preserved, protected and safeguarded for present and future generations. Based upon this, the Group takes an integrated, two-pronged approach: that of verification and assessment, and that of management and control, which form the pillars of Finmeccanica's environmental and risk management strategies and policies. This is demonstrated by the ever-rising number of Group companies that have voluntarily chosen to adopt certified Environmental Management Systems (EMSs) and Occupational Health and Safety Management Systems (OHSMSs). One excellent example is AgustaWestland, which, during the year, achieved the important objective of obtaining ISO 14001certification for the EMSs at all its Italian sites.

The main tool used to verify and assess the Group's environmental practices is the environmental audit, conducted by Finmeccanica Global Services, after which follow-up plans containing actions to be taken to resolve the problems identified and the timelines for such actions were prepared. In 2014, 23 audits were conducted to identify potential problems related to past and current usage of the areas surrounding the facilities in an effort to comply with current environmental regulations and to prevent and manage environmental risks.

In addition to performing environmental audits, Finmeccanica Global Services is responsible for the annual report on environmental, health and safety performance and environmental indicators (including those for carbon management) through a special centralised platform.

The environmental report is an invaluable archive of data and information crucial for defining specific performance indicators and, as a result, those initiatives, programmes and projects aimed at improving environmental performance in the short, medium and long term by both the individual companies and the Group. With a view to this, in early 2014, the "Progetto SPA" concerning environmental strategies and policies was developed and launched to define a series of proposals on environmental management practices that would benefit the Group.

Finmeccanica's commitment to sustainable and responsible environmental action was further confirmed by the approach adopted with respect to the management of contaminated sites (environmental surveys, securing sites, characterisation, risk analysis, reclamation and environmental remediation).

The reclamation of contaminated soil and water is a complicated activity that involves a variety of risks: environmental, social, financial, legal and to corporate image. In this circumstance, Finmeccanica has not been found definitively liable for causing environmental damage. In addition, there have been no definitive penalties imposed on the Group for environmental damage or violations.

The identification of technical and operational solutions that are compatible with the activities carried out at these sites, appropriate from the point of view of controlling risks to the environment and to public health and sustainable from a financial standpoint, makes it possible for Finmeccanica to transform these risks into opportunities for the development and creation of value for the company, the Group and the territory.

Relevant environmental issues and Group performance

The following issues, in particular, were addressed:

- the Group companies have long been working on carefully managing waste, which is, inter alia, covered by Group guidelines, dedicated corporate procedures and periodic inspections and reviews, including at the central level. Reducing the amount of waste produced, better waste sorting and the adoption of corporate policies aimed at reusing production scraps have always formed the basis of a sustainable management that is mindful of the environment. Waste is monitored during all phases of operation (storage, transport, treatment, disposal/recovery) in accordance with current applicable regulations;

- 13 sites located throughout Italy covered by the application of the Emission Trading Directive, the instrument for implementing the Kyoto Protocol for reducing greenhouse gas emissions. These sites all received certification of their emissions by a body accredited by the Ministry for the Environment, Land and Sea. In addition, certain flights of Group companies operating in the aeronautics and helicopters sectors fall under the scope of application of the Aviation Emission Trading Scheme (ETS), which extends the European CO_2 emissions trading system to certain flight activities;
- in their productive processes the Group companies use certain types of hazardous substances, the use of which is monitored and is the subject of efficiency-enhanced actions undertaken to control and reduce the risks to worker health and to the environment to a minimum. The sustainable management of hazardous substances is the subject of Group guidelines, dedicated corporate procedures and periodic inspections and reviews, including at the central level;
- some of the Group sites, due to the amounts of substances 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) to reduce their environmental impact;
- the topic of managing ozone-depleting substances (ODS) and fluorinated greenhouse gases (F-gases) is the subject of Group guidelines, dedicated corporate procedures and periodic inspections and reviews, including at the central level. Regulations (EC) nos. 2037/2000 and 1005/2009 established the dates and procedures for eliminating those refrigerants that are most damaging to the ozone layer. More specifically, the use and sale of virgin hydrochlorofluorocarbons (HCFCs), including Gas R22, for maintaining systems was banned starting from 1 January 2010. The use of recycled or reclaimed Gas R22 was permitted only until 31 December 2014. Given this, the Group companies some time ago activated plans to remove and replace systems and equipment containing these substances.

Innovation and disclosure of best practices

The growing attention of stakeholders to environmental issues and the Group’s new organisational scenarios require more detailed and elaborate management of such issues.

With regard to risk gate, a mathematical IT instrument conceived, developed and tested by Finmeccanica Global Services to allow staff at Group industrial sites in Italy to assess environmental risk themselves, a training programme is being developed for those staff members responsible for completing the form.

Innovation also spreads through the constant circulation and sharing of good environmental, health and safety practices and the study of how these are replicated in different company contexts. As stated previously, in early 2014, the Group developed and presented the "Progetto SPA" on environmental strategies and policies in order to:

a) provide an overview of the activities carried out and a preliminary analysis of the risks facing Group sites in Italy;
b) propose environmental strategies and policies aimed at improving environmental risk management (including necessary training) and the level of environmental sustainability within the Group, presently communicated through the Sustainability Report;
c) propose the implementation of methods and systems for risk management, control and environmental reporting activities;
d) propose innovative approaches to managing a series of environmental factors;
e) propose technical and commercial approaches, related to the provision of a series of services to Group companies.

With regard to points d) and e), the document describes in detail a number of specific projects that could also generate financial benefits.

An additional tool used by the Group to circulate, discuss and delve deeper into good environmental practices is the EHS Community, which periodically holds workshops, roundtables and meetings. At present, over 170 persons have taken part throughout the world and are, in turn, actively involved in spreading the culture of sustainability and focus on the environment within their productive sites and along the supply chain.

Communication, education and training

The Group companies and the Parent Company continued to carry out environmental communication, training and education initiatives in 2014. In addition, a series of Procedures were developed aimed at verifying, assessing, managing and exercising operational control over environmental matters relating to waste, ozone-depleting substances and fluorinated greenhouse gases, reclamation of contaminated or potentially contaminated sites, waste water, emissions into the atmosphere, environmental risk assessments for protected areas, unused lands and management of environmental factors.

Ideas and the best know-how on environmental and health and safety topics were circulated and shared within the Group using two instruments:

- dedicated email, thanks to which, in 2014, over 60 Group communications were sent concerning regulatory changes and best practices as well as documents containing in-depth discussion of topics, analysis and information;
- the Group's EHS WEB Community, more than 250 documents are available to and can be consulted by employees (existing regulations, guidelines, technical documents, studies, scientific articles, etc.).

Energy issues

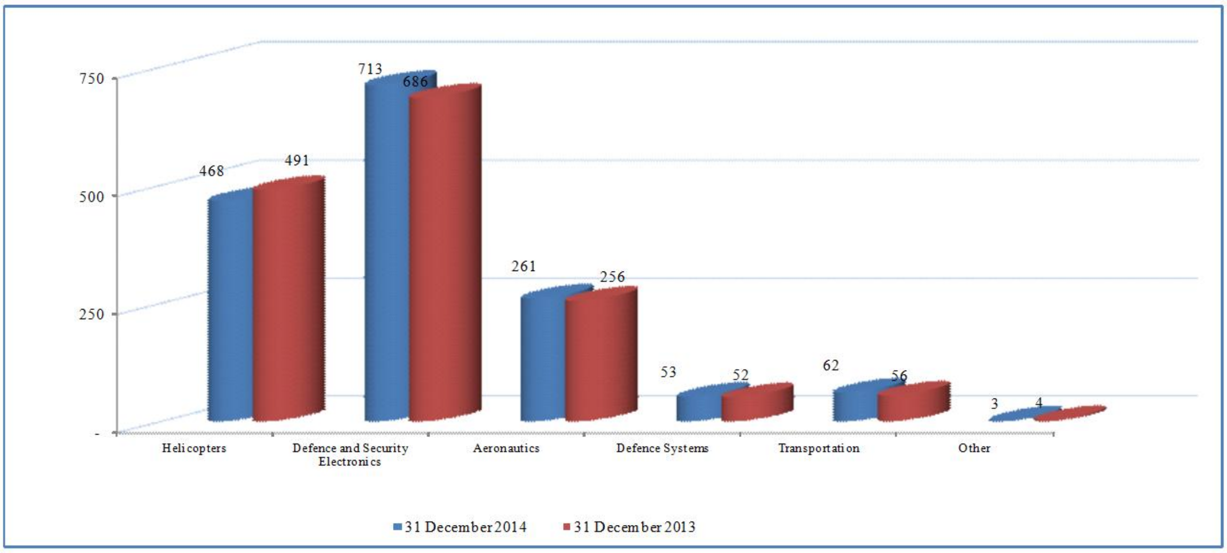
Since 2003 Finmeccanica Global Services, in collaboration with the operating companies, has developed and managed the Energy Management model for the Group, with the aim of timely handling all issues related to energy costs through intervention in two macro-areas:

- ***Energy supply.*** Centralised management of energy procurement, through the implementation of a portfolio management model based upon spreading out electricity and gas purchases over time and on mitigating the risk associated with market volatility. The model allows us to plan procurements in advance, containing the fluctuations in annual expenditure on energy within continually monitored parameters. This model allowed us to take advantage of the particularly good prices for energy products reported from between the end of 2014 and the beginning of 2015. Through its use, the Group companies have already purchased a portion of the volumes for 2016 at much lower prices than those obtained for 2015;
- ***Energy Demand***. Structural reduction in energy demand, through the reinvestment of savings from negotiations in efficiency improvement initiatives. In the second half of 2014 a new Group Energy Efficiency Audit campaign was launched which will provide, in 2015, a current profile of the performance of Finmeccanica's main industrial sites. This study will contribute to a structured planning and prioritisation of new investments, consistent with the actions already undertaken in cooperation with the companies.

All the energy management activities are periodically shared by Finmeccanica Global Services with the energy managers of the Group companies and with the competent structures of Finmeccanica Corporate, in order to promote the spread of best practices and to sponsor new projects associated with the knowledgeable, responsible and sustainable use of energy resources.

Research and Development

The Group's activities are directed towards technological research of a highly strategic nature and over a medium/long time horizon, as well as research applied to new products or to improving existing projects, 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 (data in €mil.):



Group Governance of Technologies and Products

Group Technology Governance aims at improving the technological positioning of the various companies and seeking technological synergies by implementing dedicated processes and mechanisms such as the Innovation Board, which involves all Chief Technical Officers (CTOs) and Engineering and R&D managers of the various Group companies. The Board, coordinated by the CTO of Finmeccanica, has the mission of managing the strategies for technological innovation of the companies at the Group level by coordinating the Product and Technology Innovation Plans of the individual companies, 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. 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 2014, the initiatives to come out of the MindSh@re® communities continued in the form of workshops, theme-based encounters and joint technological research projects in which a number of Group companies participated.

[2] *MindSh@re®* is a registered trademark of Finmeccanica SpA

Of particular importance were the collaborative relationships with leading universities and research centres in Italy (e.g. Genoa, Federico II of Naples, Pisa, La Sapienza and Tor Vergata in Rome, Politecnico of Turin, Politecnico of Milan, Florence, the Italian National Research Council-CNR, the Italian Aerospace Research Centre-CIRA and others) and in Europe (University of Edinburgh, Fraunhofer Institute, the German Aerospace Centre-DLR, the National Aerospace Laboratory of the Netherlands-NLR, the Netherlands Organisation for Applied Scientific Research-TNO, etc.) in the fields of aeronautics, helicopters, radar, security, transportation and communications. Also under way are the framework agreements between Finmeccanica and/or one of its companies with CNR, the University of Trento, the Politecnico of Milan, the Politecnico of Turin, the University of Pisa, Federico II University of Naples, the University of Genoa, Sant'Anna School of Advanced Studies of Pisa concerning research and other collaborations in the field of innovative technologies and the training of high-specialised personnel.

Around 70% of the collaborative relationships were aimed at developing technologies/expertise rather than at development of new products and services (25%) or conducting basic research (5%).

The Group takes part in regional, domestic and European research and innovation initiatives and funding programmes. The regional and 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 Regional Technology Districts and the following technologies:

- ACARE Italy, which aims to guide R&D efforts in aeronautics,
- 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,
- SEcurity Research in ITaly (SERIT), which aims to develop a technology roadmap in the field of security.

With regard to European initiatives, 2013 saw the conclusion of the Seventh Framework Programme (FP7), and in 2014 the new European Research and Innovation Funding programme, called Horizon 2020, was launched. During the year, Finmeccanica submitted its first project proposals, mainly in the areas of: Space, ICT, Transport (the Aeronautics sector is included under transport) and Secure Society.

The Group companies also continued to participate in research and innovation efforts through the following joint technology initiatives (JTIs):

- Clean Sky (which focuses on the development of the most appropriate technologies to reduce the environmental impact of aircraft);
- SESAR (focusing on the development of the new European ATM system),
- ECSEL (Electronic Components and Systems for European Leadership) resulting from the unification of the ARTEMIS JTI and ENIAC programmes to develop new components and electronic systems, including embedded systems;

- Participation in private-public partnerships (PPPs), such as, for example, SPARC (the PPP for innovation in the field of robotics);
- in the rail transport sector, the JTI, known as SHIFT2RAIL, begun in 2014, for which Finmeccanica was among the main promoters and founding partners.

Finally, research and innovation initiatives promoted within NATO and the European Defence Agency (EDA) continued successfully.

Patents

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

- In the Helicopter segment, the implementation 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;
- Development is under way on mini-rotary unmanned aerial vehicle (RUAV) systems (from 100-300 kg) and on optionally piloted vehicles (OPVs) based upon the SW42 and AW119 platforms;
- In the Aeronautics sector, development continued on the M346-Master military trainer and the Basic Turbofan M345 HET model trainer;
- Research has begun on technology modules for regional turboprop transport (90-100 seats) in order to strengthen our position of leadership in the regional aircraft segment;
- Beginning of participation in the European MALE2020 programme for the unmanned medium-altitude long-endurance vehicle, in collaboration with Airbus Defence and Space and Dassault Aviation;
- 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. Among the projects in this sector is the development under way on a C and X dual band radar system;
- In the field of electro-optics, completion of development of the HORIZON Medium Wave Infra-Red (MWIR) thermal imaging camera, which employs state-of-the-art focal plan array (FPA) technologies with advanced long-range surveillance and target identification capabilities;

- 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 beyond-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;
- Project on new transmit-receive modules based on gallium nitride components for next-generation radar devices (COSMO-Skymed and Compact/Export SAR).
- Definition of the G2G (Galileo Second Generation) system, definition of the satellite (platform with electrically-powered propulsion platform and payload); definition and development of proto-type of the new signal generation system for Galileo (E-NSGU);
- In the “Space Exploration” area, development of enabling technologies in support of present and future space missions, autonomous rover navigation, rendezvous and docking mechanisms, inflatable modules;
- 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;
- Studies for exploration missions involving near-Earth objects (NEO), small celestial bodies at risk of collision with our planet, and the development of applications and value-added services in the navigation segment (EGNOS/Galileo/GAL PRS);
- Operational testing of heavy torpedoes with warheads, testing LiPo battery for heavy torpedoes;
- Completed development on dual-purpose (protection, surveillance and monitoring of marine environments, etc.) unmanned underwater vehicles (UUVs);
- Activities for the new naval deck gun, specifically studying the new system of automatic loading and lightening the weight of the entire system;
- Continued research in the field of guided ammunition (Vulcano), along with the development of advanced guidance and control systems;
- In the Transportation sector, 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:

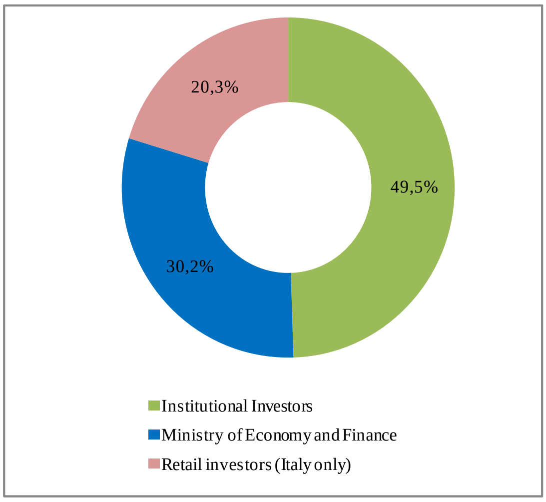
- *ISIN Code: IT0003856405*
- *Reuters: SIFI.MI*
- *Bloomberg: FNC IM*

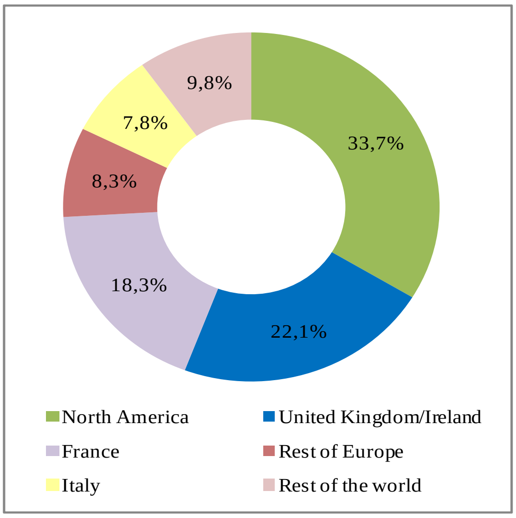
Finmeccanica boasts an on-going dialogue with the national and international financial community – financial analysts and institutional investors - and rating agencies through continuous communication by Investor Relations & Sustainable Responsible Investors (SRI) Unit with the stock and the bond markets.

More information is available in the Investor Relations section of the Company’s website.

Major shareholders

Below is the last Shareholder Analysis performed in January 2015 showing the geographical distribution of the Finmeccanica’s share capital and the total shareholder composition:

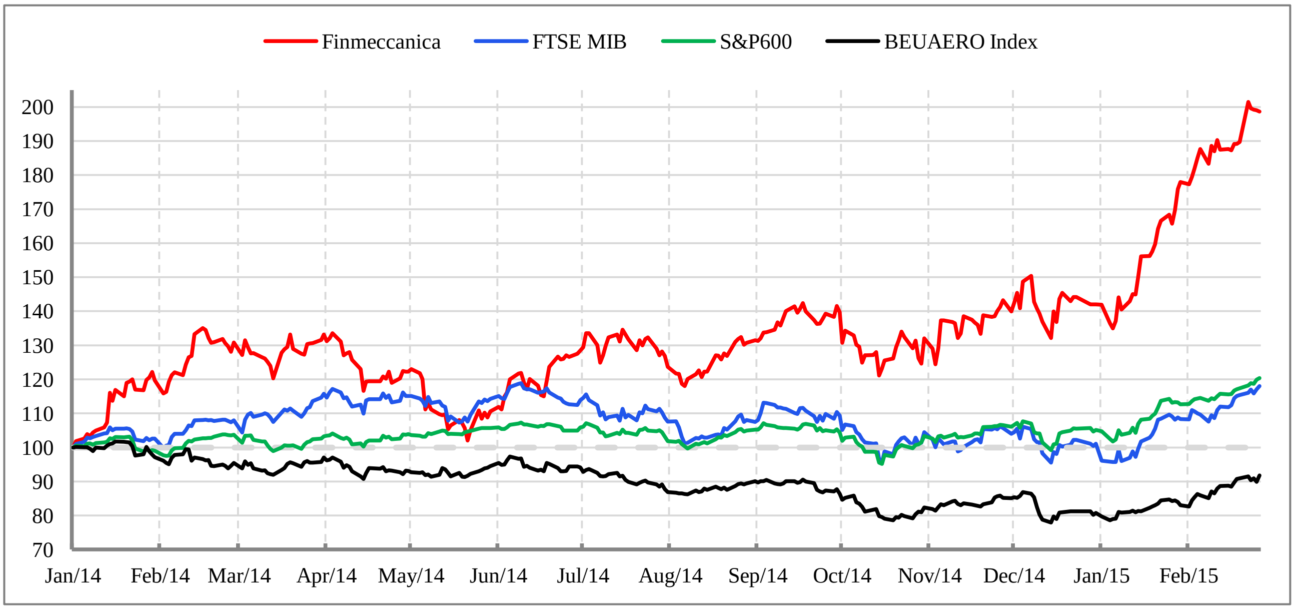




For more information, please refer to the page "Shareholding Structure" of Investor Relations section at Finmeccanica's website (www.finmeccanica.com).

Performance of Finmeccanica stock in the Bloomberg Europe Aerospace&Defense (BEUAERO)and the leading Italian and European indexes (02/01/2014 = 100)

Below is Finmeccanica's stock performance from the beginning of 2014 to 27 February 2015, the index of the major listings in the Milan Stock Exchange (FTSEMIB), the index composed of the 600 top listings in Europe (S&P600) and the index Bloomberg Europe Aerospace&Defense (BEUAERO) rebased 02/01/2014 = 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 is in line with the application criteria and principles laid down in the Corporate Governance Code (approved in March 2006 and finally updated in July 2014) the Company adheres to. This model is aimed at maximising value for shareholders, at controlling business risks and ensuring greater transparency to the market, as well as ensuring integrity and correctness of decision-making processes.

This model has been subject to subsequent updates, which have been aimed at adopting the guidelines laid down from time to time in the Corporate Governance Code. Currently these guidelines are incorporated in the document named "Rules of Procedure of the Board of Directors", which was finally updated on 31 July 2014, in order to implement the contents of the Code and bring it into line with the changes made to the organisational structure of the Company.

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 the Corporate Governance Committee (http://www.borsaitaliana.it/comitato-corporate-governance/codice/2014clean.pdf).

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 approval of the draft 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 Financial Report.

The Company's Governance structure is summarized below. For more information on the corporate governance structure of Finmeccanica, the main updates that took place in 2014, 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 that was approved by the Board of Directors on 18 March 2015 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 15 May 2014 for the three-year period 2014-2016; the related mandate will expire at the time of the next Shareholders' Meeting called to approve the 2016 Financial Statements;
- **Chairman of the Board of Directors**. On 15 May 2014, the Board appointed Mr. 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, Group Safety - to be exercised in coordination with the Chief Executive Officer - and Group Internal Audit;
- **Chief Executive Officer and General Manager**. The Board of Directors' meeting held on 15 May 2014 granted the Chief Executive Officer and General Manager, Mauro Moretti, 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 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.** Following the renewal of the Board of Directors by the Shareholders' Meeting held on 15 May 2014, on this same date the Board of Directors appointed the Director Paolo Cantarella as Lead Independent Director (in place of Admiral Guido Venturoni, who held this role until expiry of his mandate), 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 2016 financial statements are approved;

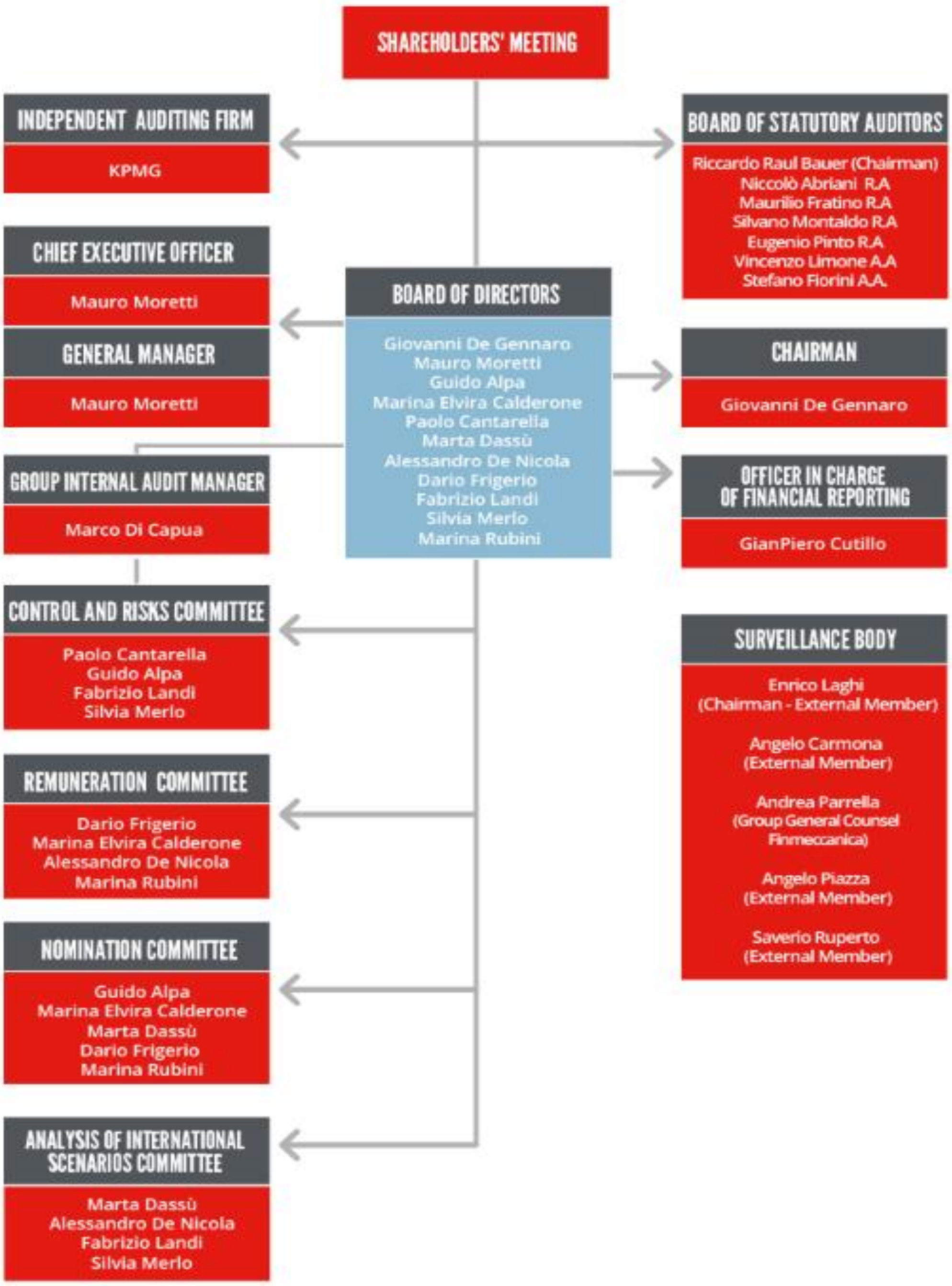
- **Committees**. The Board of Directors of Finmeccanica has established the following internal Committees, which are provided for in the Corporate Governance Code, with advisory and consulting functions: the Control and Risks Committee (which also perform duties as Committee for Transactions with Related Parties), the Remuneration Committee and the Nomination Committee. On 19 June 2014 the Board of Directors also established the Analysis of International Scenarios 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 15 May 2014, 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 confirmed Gian Piero Cutillo (the Company's Chief Financial Officer), in this position since 14 June 2012, 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
- Rules of Analysis of International Scenarios Committee
- Procedure for Related Parties 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 2014 financial year closed with a loss of €mil. 141, essentially due to the operating result, which was structurally negative as a result of personnel expenses and costs for services that were not offset by revenue (generated solely by leasing and management fees). There was a decline in EBITA as compared with 2013 due to the reversal of provisions in 2013 amounting to €mil. 74, excluding which there would have been a significant reduction in costs.

The net result also benefited from a reduction in impairment of equity investments, which amounted to €mil. 438 (€mil. 126 in 2014), mainly due to the lower writedown with regard to AnsaldoBreda.

(€ millions)	*Note*	*2014*	*2013*	*Change*	*% Change*
Revenues		64	67	(3)	(4.5%)
Purchase and personnel expense	*(*)*	(127)	(153)		
Other net operating income/(expenses)	*(**)*	(1)	79		
Amortisation, depreciation and impairment losses	*(***)*	(11)	(16)		
EBITA		**(75)**	**(23)**	**(52)**	**n.a.**
Restructuring costs		(26)	-		
EBIT		**(101)**	**(23)**	**(78)**	**n.a.**
Net financial income/(expense)	*(***)*	(43)	(355)		
Income taxes		3	23		
Net result before extraordinary transactions		**(141)**	**(355)**	**214**	**60.3%**
Net result		**(141)**	**(355)**	**214**	**60.3%**

Notes to the reconciliation between the reclassified income statement and the statutory income statement:
(*) Includes "Purchases and Personnel expense" (net of restructuring costs).
(**) Includes the net amount of "Other operating income" and "Other operating expenses" (net of restructuring costs).
(***) Includes "Financial income" and "Financial expense".

The following table compares the balance sheets at 31 December 2014 and at 31 December 2013:

(€ millions)	*Note*	*31 December 2014*	*31 December 2013*	*Change*	*% Change*
Non-current assets		7,770	8,157		
Non-current liabilities		(262)	(230)		
Capital assets	*(*)*	**7,508**	**7,927**	**(419)**	**(5.3%)**
Trade receivables		76	60		
Trade payables		(85)	(82)		
Working capital		(9)	(22)		
Provisions for short-term risks and charges		(97)	(155)		
Other net current assets (liabilities)	*(**)*	(297)	(225)		
Net working capital		**(403)**	**(402)**	**(1)**	**(0.2%)**
Net invested capital		**7,105**	**7,525**	**(420)**	**(5.6%)**
Equity		**3,734**	**3,876**		
Net Debt		**3,371**	**3,649**	**(278)**	**(7.6%)**

Notes on the reconciliation between the reclassified balance sheet and the statutory balance sheet:
(*) Includes all non-current liabilities net of "Fair Value of the residual stake in Ansaldo Energia", and all non-current liabilities, net of "Non-current loans and borrowings", respectively.
(**) Includes "Income tax receivables", "Other current assets" (excluding "Hedging derivatives in respect of debt items"), net of "Income tax payables" and "Other current liabilities" (excluding "Hedging derivatives in respect of debt items").

The "net invested capital" decreased with respect to the prior year, as a result of a decline in capital assets (mainly due to the impairment of equity investments).The net financial debt fell by €mil. 277 compared to 31 December 2013, mainly as a result of the positive cash flow for the period and of strategic transactions (cash-in of €mil. 234 as part of the sale of the motor engine business by Avio). A breakdown follows:

(€ millions)	***31 December 2014***	*of which current*	**31 December 2013 (restated)**	*of which current*
Bonds	2,130	*24*	515	*19*
Bank debt	374	*50*	421	*50*
Cash and cash equivalents	(744)	*(744)*	(761)	*(761)*
Net bank debt and bonds	**1,760**		**175**	
Fair value of the residual portion in portfolio of Ansaldo Energia	(124)		(117)	
Current loans and receivables from related parties	(2,773)	*(2,773)*	(2,467)	*(2,467)*
Current loans and receivables and securities	**(2,897)**		**(2,584)**	
Hedging derivatives in respect of debt items	(15)	*(15)*	(9)	-
Related-party loans and borrowings	4,523	*4,523*	6,066	*3,191*
Other loans and borrowings	-	-	1	*1*
Net Debt	**3,371**		**3,649**	

The cash flow for the year is summarised below:

(€ millions)	***2014***	***2013***	***Change***	***% Change***
Funds From Operations (FFO)	**50**	**(138)**	**188**	**n.a.**
Change in working capital	(11)	34		
Cash flows from ordinary investing activities	(6)	(5)		
Free Operating Cash Flow (FOCF)	**33**	**(109)**	**142**	**n.a.**
Strategic transactions	234	276		
Change in other investing activities (*)	(129)	(358)		
Net change in loans and borrowings	(165)	(259)		
Net increase (decrease) in cash and cash equivalents	**(27)**	**(450)**		
Cash and cash equivalents at 1 January	761	1,219		
Exchange rate differences and other changes	10	(8)		
Cash and cash equivalents at 31 December	**744**	**761**		

Notes on the reconciliation between the reclassified cash flow and the statutory cash flow:

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

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 2014

(€ millions)	*2014*	
	Patrimonio netto	**di cui: Risultato esercizio**
Group Parent equity and net profit (loss)	3,735	(141)
Excess of shareholders' equities in the financial statements compared with the carrying amounts of the equity investments in consolidated companies	(2,675)	376
Consolidation adjustments for difference between purchase price and corresponding book equity		
Consolidation adjustments for:	3,750	(83)
- elimination of intercompany profits	(1,554)	6
- deferred tax assets and liabilities	473	55
- dividends from consolidated companies	-	(243)
- Translation differences	(204)	-
- other adjustments	(14)	(1)
Group equity and net profit (loss)	**3,511**	**(31)**
Non-controlling interests	343	51
Total consolidated equity and net profit (loss)	**3,854**	**20**

Proposal to the Shareholders' Meeting

Separate Financial Statements at 31 December 2014; Report of the Board of Directors, Report of the Board of Statutory Auditors and Independent Auditors' Report. Resolutions related thereto. Presentation of the Consolidated Financial Statements at 31 December 2014

Dear Shareholders,

the 2014 separate financial statements, which we submit for your approval, close with a loss of Euro 141,327,847.07, that we propose covering through the use of the retained earnings.

In light of the foregoing, we submit the following proposed resolution for your approval:
"The Ordinary Shareholders' Meeting of "FINMECCANICA - Società per azioni":

- considering the Report of the Board of Directors;
- considering the Report of the Board of Statutory Auditors;
- having examined the financial statements at 31 December 2014;
- having acknowledged the report of KPMG S.p.A..

resolves

- to approve the Directors' Report on operations and the financial statements at 31 December 2014;
- to approve the proposal posed by the Board of Directors of covering the 2014 loss of Euro 141,327,847.07 by using the retained earnings."

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

Consolidated financial statements at 31 December 2014

Consolidated accounting statements

Separate consolidated income statement

(€ millions)	*Note*	***2014***	*of which with related parties*	***2013 (restated*)***	*of which with related parties*
Revenue	*25*	14,663	*2,858*	13,690	*2,549*
Other operating income	*26*	653	*18*	783	*9*
Purchase and personnel expense	*27*	(13,329)	*(151)*	(12,847)	*(217)*
Amortisation, depreciation and impairment losses	*28*	(751)		(723)	
Other operating expenses	*26*	(697)	*(2)*	(1,088)	*(3)*
Income before tax and financial expenses		**539**		**(185)**	
Financial income	*29*	260	*6*	387	*4*
Financial expense	*29*	(749)	*(9)*	(732)	*(7)*
Share of profits/(losses) of equity-accounted investees	*11*	149		112	
Operating profit (loss) before income taxes and discontinued operations		**199**		**(418)**	
Income taxes	*30*	(179)		(140)	
Profit (loss) from discontinued operations	*31*	-		632	
Net profit/(loss) for the period attributable to:		**20**		**74**	
- owners of the parent		*(31)*		*28*	
- non-controlling interests		*51*		*46*	
Earnings/(losses) per share	*32*	*(0.054)*		*0.048*	
- basic and diluted from continuing operations		*(0.054)*		*(1.045)*	
- basic and diluted from discontinued operations		*n.a*		*1.093*	

Comparative data has been restated following the adoption of IFRS 11 (see Note 5)

Consolidated statement of comprehensive income

(€ millions)	*Note*	***2014***		***2013 (restated*)***	
Profit (loss) for the period			**20**		74
Other comprehensive income (expense):					
Comprehensive income/expense which will not be subsequently reclassified within the profit (loss) for the period:					
- Measurement of defined-benefit plans:	*18*		6		52
- revaluation		15		50	
- exchange rate gains (losses)		(9)		2	
- Tax effect	*18*		2		(16)
			8		36
Comprehensive income/expense which will or might be subsequently reclassified within the profit (loss) for the period:					
- Changes in cash flow hedges:	*18*		(108)		22
- change generated in the period		(147)		30	
- transferred to the profit (loss) for the period		39		(8)	
- exchange rate gains (losses)		-		-	
- Translation differences	*18*		325		(120)
- change generated in the period		325		(120)	
- transferred to the profit (loss) for the period		-		-	
- Tax effect	*18*		27		(3)
			244		(101)
Current portion of "Other comprehensive income (expense)", equity-accounted investees			(80)		(2)
Total other comprehensive income (expense), net of tax:			**172**		**(67)**
Total comprehensive income (expense), attributable to:			**192**		**7**
- *Owners of the parent*			129		(29)
- *Non-controlling interests*			63		36
Total comprehensive income (expense), attributable to Owners of the parent			**129**		**(29)**
- from continuing operations			129		(666)
- from discontinued operations			-		637

Comparative data has been restated following the adoption of IFRS 11 (see Note 5)

Consolidated statement of financial position

(€ millions)	*Note*	**31 December 2014**	*of which with related parties*	**31 December 2013 (restated*)**	*of which with related parties*
Intangible assets	*9*	6,781		6,292	
Property, plant and equipment	*10*	2,955		2,945	
Investments accounted for under equity method	*11*	1,023		1,134	
Receivables	*12*	438	*22*	516	*292*
Deferred tax assets	*30*	1,165		1,094	
Other non-current assets	*12*	280	-	321	-
Non-current assets		**12,642**		**12,302**	
Inventories	*13*	4,578		4,754	
Contract work in progress	*14*	3,087	-	2,788	-
Trade receivables	*15*	4,548	*928*	4,380	*921*
Income tax receivables		156		157	
Loans and receivables	*15*	206	*161*	186	*125*
Other assets	*16*	1,137	*6*	681	*11*
Cash and cash equivalents	*17*	1,495		1,455	
Current assets		**15,207**		**14,401**	
Non-current assets held for sale	*30*	47		-	
Total assets		**27,896**		**26,703**	
Share capital	*18*	2,525		2,525	
Other reserves		986		856	
Equity attributable to the owners of the parent		**3,511**		**3,381**	
Equity attributable to non-controlling interests		343		298	
Total equity		**3,854**		**3,679**	
Loans and borrowings (non-current)	*19*	5,031	*6*	4,673	*13*
Employee benefits	*21*	795		703	
Provisions for risks and charges	*20*	1,281		1,288	
Deferred tax liabilities	*30*	299		291	
Other non-current liabilities	*22*	1,059	-	883	-
Non-current liabilities		**8,465**		**7,838**	
Progress payments and advances from customers	*14*	7,437	-	7,654	-
Trade payables	*23*	4,268	*148*	3,870	*190*
Loans and borrowings (current)	*19*	739	*425*	910	*616*
Income tax payables		74		77	
Provisions for short-term risks and charges	*20*	749		1,007	
Other current liabilities	*22*	2,277	*146*	1,668	*107*
Current liabilities		**15,544**		**15,186**	
Liabilities associated with assets held for sale	*30*	33		-	
Total liabilities		**24,042**		**23,024**	
Total liabilities and equity		**27,896**		**26,703**	

Comparative data has been restated following the adoption of IFRS 11 (see Note 5)

Consolidated statement of cash flows

(€ millions)	*Note*	***2014***	*of which with related parties*	***2013 (restated*)***	*of which with related parties*
Gross cash flows from operating activities	*33*	1,700		1,438	
Change in trade receivables/payables, work in progress/progress payments and inventories	*33*	(875)	*(62)*	(339)	*43*
Change in other operating assets and liabilities and provisions for risks and charges	*33*	(197)	*40*	(95)	*69*
Interest paid		(264)	*(3)*	(332)	*(5)*
Income taxes paid		(185)	-	(209)	-
Cash flows used in operating activities		**179**		**463**	
Sale of Ansaldo Energia		-		274	
Cash in from Avio		239		-	
Investments in property, plant and equipment and intangible assets		(629)		(964)	
Sales of property, plant and equipment and intangible assets		11		158	
Other investing activities		229	-	49	-
Cash flows used in investing activities		**(150)**		**(483)**	
Bond issue		250		684	
Bond redemption		-		(748)	
Net change in other loans and borrowings		(259)	*(226)*	(276)	*(188)*
Dividends paid		(19)		(18)	
Cash flows generated from financing activities		**(28)**		**(358)**	
Net increase (decrease) in cash and cash equivalents		1		(378)	
Exchange rate differences and other changes		39		(37)	
Cash and cash equivalents at 1 January		1,455		1,870	
Cash and cash equivalents at 31 December		**1,495**		**1,455**	

Comparative data has been restated following the adoption of IFRS 11 (see Note 5)

Consolidated statement of changes in equity

(€mil.)	Share capital	Retained earnings	Cash flow hedge reserve	Revaluation reserve of defined-benefit plans	Translation reserve	Equity attributable to owners of the parent	Non-controlling interests	Total equity
1 January 2013	**2,525**	**1,468**	**18**	**(204)**	**(401)**	**3,406**	**305**	**3,711**
Profit (loss) for the period	-	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**
Dividends resolved						-	(18)	(18)
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**
Profit (loss) for the period	-	(31)	-	-	-	(31)	51	20
Other comprehensive income (expense)	-	-	(104)	(46)	310	160	12	172
Total comprehensive income (expense)	**-**	**(31)**	**(104)**	**(46)**	**310**	**129**	**63**	**192**
Dividends resolved						-	(19)	(19)
Total transactions with owners of the parent, recognised directly in equity	**-**	**-**	**-**	**-**	**-**	**-**	**(19)**	**(19)**
Other changes	-	2	-	1	(2)	1	1	2
31 December 2014	**2,525**	**1,473**	**(57)**	**(226)**	**(204)**	**3,511**	**343**	**3,854**

Notes to the consolidated financial statements at 31 December 2014

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, currently 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 2014 were prepared in accordance with the international accounting standards (IFRS) endorsed by the European Commission, pursuant to Regulation (EC) 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 2013, except for what indicated below (Note 5). In particular, comparative data have been restated following the application of IFRS 11, whose effects are detailed in Note 5.

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 2014 of the Finmeccanica Group were approved by the Board of Directors on 18 March 2015 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 2014 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

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 the right to earn the variable profits deriving from its relations with those same entities, impacting on such profits and exercising its power on the company, also 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 DDS, 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.

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 Jointly controlled entities and Other equity investments

Joint Arrangements, based on which joint control over an arrangement is assigned to two or more parties, are classified as either a Joint Operation (JO) or a Joint Venture (JV), on the basis of an analysis of the underlying contractual rights and obligations. In particular, a JV is a joint arrangement whereby the parties, whilst holding control over the main strategic and financial decisions through voting mechanisms requiring the unanimous consent on such decisions, do not hold legally significant rights to the individual assets and liabilities of the JV. In this case joint control regards the net assets of the joint ventures. This form of control is reflected in the financial statements using the equity method, as described below. A Joint Operation is a joint arrangement whereby the parties have rights to the assets, and obligations for the liabilities. In this case, individual assets and liabilities and the related costs and revenues are recognised in the financial statements of the party to the arrangement on the basis of the rights and obligations to each asset and liability, regardless of the interest held. After initial recognition, the assets, liabilities and related costs are valued in accordance with the reference accounting standards applied to each type of asset/liability.

The Group’s joint arrangements are all classified as joint ventures.

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), and Joint Ventures (as qualified above) are accounted for using the equity method. When the equity method is applied, 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. In the event the Group has evidence of an impairment loss of the investment, in excess of the amount accounted for under the equity method, the Group will proceed with calculating the impairment to be recorded in the income statement which is determined as the difference between the recoverable amount and the carrying amount of the investment.

Any value losses in excess of book value are recorded in the provision for risks on equity investments, to the extent that there are legal or implicit obligations to cover such losses, which are in any case within the limits of the book equity.

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.

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 upon the full or partial disposal of the equity investment that results in loss of control .

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 2014 has been marked by the following changes in the euro against the main currencies of interest for the Group:

	31 December 2014		**31 December 2013**		**% Change**	
	average	final	average	final	average	final
US dollar	1.3285	1.2141	1.3281	1.3791	n.s.	(12.0%)
Pound sterling	0.8061	0.7789	0.8493	0.8337	(5.1%)	(6.6%)

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 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 it exceeds 5 years on average. 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:

	Anni
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, according to a specific procedure approved each year by the Board of Directors, 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, joint ventures 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 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, derivatives, which are discussed in the next section, as well as assets designated as such upon initial recognition. 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 hedge

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 hedge

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 of assets and liabilities and their value for tax purposes, as well as on fiscal losses. 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, including those deriving from tax losses, are recognised to the extent that, based on the company plans approved by the directors, it is probable the company will post future taxable income in respect of which such assets can be utilised.

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

3.20 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 Costs

Costs are recorded in compliance with the accrual principle.

3.22 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.

3.23 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

3.24 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 within one year. If these conditions are met after the year-end, the non-current asset (or disposal group) is not classified as held for sale. However, if these conditions are met after the year-end but before the financial statements are approved for publication, appropriate information is provided in the explanatory notes thereto.

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.

3.25 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 19 *amendment*	Defined benefit plans: Employee contributions	The amendment simplifies the accounting treatment of certain cases of contributions to defined benefit plans from employees or third parties. No significant effects are forecast for the Group. The Group will apply this standard as from 1 January 2015.
IFRS 11 *amendment*	Accounting for acquisitions of interests in joint operations	The amendment regulates the accounting treatment of acquisitions of interests in joint operations in which the activity constitutes a business. No significant effects are forecast for the Group. The Group will apply this standard as from 1 January 2016.
IAS 16 *amendment* and IAS 38 *amendment*	Property, Plant and Equipment and Intangible Assets	The amendments clarify that the use of revenue-based methods is not appropriate to calculate the depreciation of an asset. The effect on the Group deriving from the application of such standard is currently under analysis. The Group will apply this standard as from 1 January 2016.
IFRS 9	Financial instruments	The standard significantly amends the accounting treatment of financial instruments and in its final version, will replace IAS 39. At present, the IASB has modified the requirements for the classification and measurement of financial assets that are currently in the scope of IAS 39 and has published a document on the principles for the measurement of financial instruments at amortised cost and for recognising impairment, if any. The new overall approach to financial instruments is currently under discussion by the various competent bodies and for the time being the date of adoption is not foreseeable. The current version of IFRS 9 will be applicable, subject to the endorsement by the European Union, as from 1 January 2018.

IFRS 15	Revenue from contracts with customers	The standard redefines how to account for revenue, which shall be recognised when the control of goods and services is transferred to customers, and envisages additional disclosures to be provided. The effect on the Group deriving from the application of such standard is currently under analysis. The Group will apply this standard as from 1 January 2017.

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.

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 the programmes other than national security programmes, the funds received are recognised as “Other liabilities”, making a distinction between the current portion and the non-current portion, based on the date of repayment. In both cases, non-recurring costs are carried among 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, for which the Ministry has not yet issued the related granting decree, is shown separately under “other non-current assets”, pending the fulfilment of the legal requirements for the recognition of the amount receivable from the Ministry. The related amount 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 29. 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.

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 2014 the Group has adopted the following new accounting standards:

- IAS 27 Revised (separate financial statements): the standard has been revised, with the approval of IFRS 10, which limits the scope of its application to the separate financial statements;
- IAS 28 Revised (Investments in Associates and Joint Ventures): the standard has been revised and outlines how to apply, with certain limited exceptions, the equity method;
- IAS 32 Amendment (Financial Instruments - Presentation): the standard provides guidance on when financial assets and liabilities can be offset;

- IFRS 10 (Consolidated financial statements): this standard provides guidance on whether or not to include an entity in the consolidated financial statements, clarifying the concept of control and its application in case of actual control, potential voting rights, complex investment structures, etc..;
- IFRS 11 (Joint Arrangements): the standard has eliminated the possibility of consolidating the joint arrangements classified as joint ventures under the proportionate method and made it mandatory to use the equity method. Vice versa the consolidated financial statements include the joint operator's relevant share of costs, revenue, assets and liabilities in the joint operations;
- IFRS 12 (Disclosure of Interests in Other Entities): the standard requires a wide range of disclosures in the explanatory notes regarding any interests an entity may hold in other entities, including associates, joint ventures, special purpose vehicles, and other unconsolidated structured entities;
- IAS 36 (Recoverable Amount Disclosures for Non-Financial Assets): the standard requires disclosures in the explanatory notes about the recoverable amount of impaired assets, in the event that the same has been determined based on fair value less sales costs and costs of disposal.

The figures in the separate income statement, the statement of comprehensive income, the statement of financial position and the statement of cash flows as at 31 December 2013 have been restated to include the effects deriving from the application of IFRS 11.

For the purpose of a correct application of IFRS 11, joint arrangements to which the Group is a party have been analysed in order for them to be classified and evaluated; in consideration of the corporate structure of existing joint arrangements and based on an in-depth analysis of the terms and conditions of the relevant contracts, they have been all classified as "joint ventures".

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

The effects of these changes are summarized in the tables below

Separate consolidated income statement (€mil.)	*2013*	*IFRS 11 effect*	*2013 restated*
Revenue	16,033	(2,343)	13,690
Other operating income	874	(91)	783
Purchase and personnel expense	(14,883)	2,036	(12,847)
Amortisation, depreciation and impairment losses	(808)	85	(723)
Other operating expenses	(1,170)	82	(1,088)
Income before tax and financial expenses	**46**	**(231)**	**(185)**
Financial income	405	(18)	387
Financial expense	(761)	29	(732)
Share of profits/(losses) of equity-accounted investees	(58)	170	112
Operating profit (loss) before income taxes and discontinued operations	**(368)**	**(50)**	**(418)**
Income taxes	(190)	50	(140)
Profit (loss) from discontinued operations	632	-	632
Net profit (loss)	**74**	**-**	**74**

Consolidated statement of comprehensive income (€mil.)	*2013*	*IFRS 11 effect*	*2013 restated*
Profit (loss) for the period	**74**	**-**	**74**
Other comprehensive income (expense):			
Comprehensive income/expense which will not be subsequently reclassified within the profit (loss) for the period:			
- Measurement of defined-benefit plans:	46	6	52
- *revaluation*	*42*	*8*	*50*
- *exchange rate gains (losses)*	*4*	*(2)*	*2*
- Tax effect	(18)	2	(16)
	28	**8**	**36**
Comprehensive income/expense which will or might be subsequently reclassified within the profit (loss) for the period:			
- Changes in cash flow hedges:	33	(11)	22
- *change generated in the period*	*41*	*(11)*	*30*
- *transferred to the profit (loss) for the period*	*(8)*	-	*(8)*
- Translation differences	(122)	2	(120)
- *change generated in the period*	*(120)*	-	*(120)*
- *transferred to the profit (loss) for the period*	*(2)*	*2*	-
- Tax effect	(6)	3	(3)
	(95)	**(6)**	**(101)**
Current portion of "Other comprehensive income (expense)", equity-accounted investees		(2)	(2)
Total other comprehensive income (expense), net of tax:	**(67)**	**-**	**(67)**
Total comprehensive income (expense)	**7**	**-**	**7**

Consolidated statement of financial position (€mil.)	***31.12.2013***	***IFRS 11 effect***	***31.12.2013 restated***
Intangible assets	7,154	(862)	6,292
Property, plant and equipment	3,259	(314)	2,945
Investments accounted for under equity method	148	986	1,134
Receivables	527	(11)	516
Deferred tax assets	1,207	(113)	1,094
Other non-current assets	323	(2)	321
Non-current assets	**12,618**	**(316)**	**12,302**
Inventories	5,128	(374)	4,754
Contract work in progress	3,146	(358)	2,788
Trade receivables	4,840	(460)	4,380
Income tax receivables	159	(2)	157
Loans and receivables	617	(431)	186
Other assets	999	(318)	681
Cash and cash equivalents	1,527	(72)	1,455
Current assets	**16,416**	**(2,015)**	**14,401**
Total assets	**29,034**	**(2,331)**	**26,703**
Total equity	**3,679**	**-**	**3,679**
Loans and borrowings (non-current)	4,704	(31)	4,673
Employee benefits	957	(254)	703
Provisions for risks and charges	1,350	(62)	1,288
Deferred tax liabilities	316	(25)	291
Other non-current liabilities	906	(23)	883
Non-current liabilities	**8,233**	**(395)**	**7,838**
Progress payments and advances from customers	8,576	(922)	7,654
Trade payables	4,722	(852)	3,870
Loans and borrowings (current)	796	114	910
Income tax payables	86	(9)	77
Provisions for short-term risks and charges	1,072	(65)	1,007
Other current liabilities	1,870	(202)	1,668
Current liabilities	**17,122**	**(1,936)**	**15,186**
Total liabilities	**25,355**	**(2,331)**	**23,024**
Total liabilities and equity	**29,034**	**(2,331)**	**26,703**

Consolidated statement of cash flows (€mil.)	*2013*	*IFRS 11 effect*	*2013 restated*
Gross cash flows from operating activities	1,773	(335)	1,438
Change in working capital	(441)	102	(339)
Change in other operating assets and liabilities and provisions for risks and charges	(210)	115	(95)
Interest paid	(331)	(1)	(332)
Income taxes paid	(231)	22	(209)
Cash flows used in operating activities	**560**	**(97)**	**463**
Sale of Ansaldo Energia	274	-	274
Investments in property, plant and equipment and intangible assets	(1,057)	93	(964)
Sales of property, plant and equipment and intangible assets	175	(17)	158
Other investing activities	(15)	64	49
Cash flows used in investing activities	**(623)**	**140**	**(483)**
Bond issue	684	-	684
Bond redemption	(748)	-	(748)
Net change in other loans and borrowings	(234)	(42)	(276)
Dividends paid	(18)	-	(18)
Cash flows generated from financing activities	**(316)**	**(42)**	**(358)**
Net increase (decrease) in cash and cash equivalents	(379)	1	(378)
Exchange rate differences and other changes	(37)	-	(37)
Cash and cash equivalents at 1 January	2,137	(267)	1,870
Cash and cash equivalents at 1 January of discontinued operations	(194)	194	-
Cash and cash equivalents at 31 December	**1,527**	**(72)**	**1,455**

6. SIGNIFICANT NON-RECURRING EVENTS OR TRANSACTIONS

We report no significant non-recurring transactions during 2014. With reference to the comparative year, we recall the sale of the 39.55% stake in Ansaldo Energia to Fondo Strategico Italiano ("FSI") for a total amount of €mil. 277, while the remaining 15% will be transferred 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. At closing of the transaction Finmeccanica cashed in €mil. 277 from FSI, posting a total profit €mil. 604 (also including the fair value adjustment of the residual portion in portfolio) recognised under the discontinued operations.

7. SIGNIFICANT POST BALANCE SHEET EVENTS

On 24 February 2015, Finmeccanica reached an agreement with the Japanese Hitachi group for the sale of Finmeccanica's businesses in the rail transport sector. The agreement, which marks the completion of Finmeccanica's disposal plan in place since 2011, requires that Finmeccanica transfers its stake in Ansaldo STS (equal to 40% of the share capital) and AnsaldoBreda's businesses in the rolling stock segment (excluding revamping activities, and other remaining contracts, which will remain within the Group) to Hitachi. Once the usual conditions for these types of transactions are met, Finmeccanica will receive a payment of around €mil. 810, subject to a price adjustment, which is at present expected to reduce the

Group's net debt by an estimated €bil. 0.5 or so to which is added further benefits arising from the deconsolidation of the higher debt such activities would have generated in 2015, amounting to an estimated additional €bil. 0.1. As a result of this transaction, Finmeccanica will recognise in its consolidated financial statements a capital gain, whose final amount will be determined based on the results of the price adjustment mechanism at the closing and of the compensation and variable fees as assessed. The agreement will make it possible for Finmeccanica to focus on its core Aerospace, Defence and Security sectors – the performance and financial results for which were heavily affected by those of AnsaldoBreda – and will also allow the businesses sold to become part of a global group with expertise in their sectors. Once the transaction is completed, as required by the applicable legislation, Hitachi will launch a takeover bid for the remainder of Ansaldo STS (approximately 60% of the share capital).

Specifically, the transaction will regard Ansaldo STS, a branch of business of AnsaldoBreda and related production sites. At 31 December 2014 the assets and liabilities under the agreement included in the consolidated financial statements and the main operating indicators (please note that the accounting scope of the branch of business is currently being defined) were as follows:

	Proforma
Intangible assets	57
Property, plant and equipment	168
Other non-current assets	162
Trade receivables	934
Trade payables	(745)
Net contract work in progress and inventories	(12)
Provisions for short-term risks and charges	(10)
Other net current assets (liabilities)	(51)
Employee benefits	(50)
Net invested capital (*)	**453**
Net debt	**(293)**

	Proforma
Revenues	1,941
Purchase and personnel expense	(1,708)
Other operating income (expenses)	(133)
EBITA	**100**
Restructuring costs	(5)
EBIT	**95**

*: *net equity includes €mil. 347 of non-controlling interests relating to the assets under the agreement*

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).

For a correct interpretation of the figures, we point out that the results of the strategic joint ventures have been included within the EBITA of the sectors they belong to, which instead do not reflect the relevant portion of revenue of the joint ventures, which are no longer consolidated on a proportional basis.

The results for each segment at 31 December 2014, as compared with those of the same period of the previous year, are as follows:

31 December 2014	**Helicopters**	**Defence and Security Electronics**	**Aeronautics**	**Space**	**Defence Systems**	**Transportation**	**Other Activities**	**Elimin-ations**	**Total**
Revenues	4,376	4,980	3,144	-	495	2,025	326	(683)	**14,663**
Inter-segment revenue (*)	(8)	(476)	(6)	-	(24)	(1)	(168)	683	**-**
Third party revenue	4,368	4,504	3,138	-	471	2,024	158	**-**	**14,663**
EBITA	543	207	237	52	89	66	(114)	-	**1,080**
Investments	236	180	280	-	10	25	60	-	**791**
Non-current assets	3,143	3,785	1,800	-	69	155	784	-	**9,736**

31 December 2013 restated	**Helicopters**	**Defence and Security Electronics**	**Aeronautics**	**Space**	**Defence Systems**	**Transportation**	**Other Activities**	**Elimin-ations**	**Total**
Revenues	4,049	4,871	2,816	-	515	1,766	333	(660)	**13,690**
Inter-segment revenue (*)	(2)	(460)	(10)	-	(14)	-	(174)	660	**-**
Third party revenue	4,047	4,411	2,806	-	501	1,766	159	-	**13,690**
EBITA	547	218	199	55	111	(115)	(137)	-	**878**
Investments	331	191	373	-	11	21	50	-	**977**
Non-current assets	2,872	3,600	1,746	-	70	157	792	-	**9,237**

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

The portion of Non-current assets relates to intangible assets, property, plant and equipment and investment property attributable to the business segments at 31 December 2014 and 31 December 2013.

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:

2014	Helicopters	Defence and Security Electronics	Aeronautics	Space	Defence Systems	Transportation	Other Activities	Total
EBITA	**543**	**207**	**237**	**52**	**89**	**66**	**(114)**	**1,080**
Amortisation of intangible assets acquired as part of business combinations	(8)	(76)	-	-	-	-	-	**(84)**
Restructuring costs	8	(94)	(74)	-	(1)	(16)	(35)	**(212)**
Non-recurring income/expense	(54)	(7)	(8)	-	-	(11)	(12)	**(92)**
EBIT	**489**	**30**	**155**	**52**	**88**	**39**	**(161)**	**692**
Equity-accounted strategic JVs	-	-	(63)	(52)	(38)	-	-	**(153)**
Income before tax and financial expenses	**489**	**30**	**92**	**-**	**50**	**39**	**(161)**	**539**
2013 restated	**Helicopters**	**Defence and Security Electronics**	**Aeronautics**	**Space**	**Defence Systems**	**Transportation**	**Other Activities**	**Total**
EBITA	**547**	**218**	**199**	**55**	**111**	**(115)**	**(137)**	**878**
Amortisation of intangible assets acquired as part of business combinations	(8)	(75)	-	-	-	-	-	**(83)**
Restructuring costs	(28)	(306)	(32)	-	(5)	(14)	(1)	**(386)**
Non-recurring income/expense	(50)	(59)	-	-	(12)	(302)	-	**(423)**
EBIT	**461**	**(222)**	**167**	**55**	**94**	**(431)**	**(138)**	**(14)**
Equity-accounted strategic JVs	-	-	(57)	(55)	(59)	-	-	**(171)**
Income before tax and financial expenses	**461**	**(222)**	**110**	**-**	**35**	**(431)**	**(138)**	**(185)**

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

	Revenues		*Non-current assets*	
	2014	*2013*	*31 December 2014*	*31 December 2013*
Italy	2,903	2,598	5,399	5,212
United Kingdom	1,828	1,399	1,208	1,111
Rest of Europe	3,762	3,795	997	958
North America	3,304	3,337	2,113	1,941
Rest of the world	2,866	2,561	19	15
	14,663	**13,690**	**9,736**	**9,237**

9. INTANGIBLE ASSETS

	Goodwill	Development costs	Non-recurring costs	Concessions, licences and trademarks	Acquired through business combinations	Other intangible assets	Total
1 January 2013							
Cost	5,712	1,126	1,583	493	1,186	665	**10,765**
Amortisation and impairment losses	(2,076)	(583)	(661)	(91)	(408)	(476)	**(4,295)**
Carrying amount	**3,636**	**543**	**922**	**402**	**778**	**189**	**6,470**
Investments	-	107	328	4	-	53	**492**
Sales	-	(134)	-	-	-	-	**(134)**
Amortisation	-	(88)	(55)	(15)	(83)	(62)	**(303)**
Impairment losses	-	-	(35)	-	-	-	**(35)**
Other changes	(80)	2	7	(100)	(20)	(7)	**(198)**
31 December 2013	**3,556**	**430**	**1,167**	**291**	**675**	**173**	**6,292**
broken down as follows:							
Cost	5,398	1,101	1,899	398	1,149	685	**10,630**
Amortisation and impairment losses	(1,842)	(671)	(732)	(107)	(474)	(512)	**(4,338)**
Carrying amount	**3,556**	**430**	**1,167**	**291**	**675**	**173**	**6,292**
Investments	-	95	253	2	-	58	**408**
Sales	-	-	-	-	-	-	**-**
Amortisation	-	(63)	(69)	(20)	(84)	(59)	**(295)**
Impairment losses	-	(3)	-	-	-	(2)	**(5)**
Other changes	244	55	(5)	29	51	7	**381**
31 December 2014	**3,800**	**514**	**1,346**	**302**	**642**	**177**	**6,781**
broken down as follows:							
Cost	5,868	1,231	1,913	421	1,246	766	**11,445**
Amortisation and impairment losses	(2,068)	(717)	(567)	(119)	(604)	(589)	**(4,664)**
Carrying amount	**3,800**	**514**	**1,346**	**302**	**642**	**177**	**6,781**
31 December 2013							
Gross value			4,690				
Grants			3,523				
31 December 2014							
Gross value			5,006				
Grants			3,660				

Goodwill

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 2014 and 2013 is as follows:

	31 December 2014		*31 December 2013*	
Helicopters		**1,307**		**1,278**
DRS	*1,321*		*1,163*	
SES	*1,074*		*1,017*	
Defence and Security Electronics		**2,395**		**2,180**
Transportation (Ansaldo STS)		**38**		**38**
Aeronautics		**60**		**60**
		3,800		**3,556**

The increase compared to December 2013 is exclusively due to foreign currency translation differences on goodwill denominated in US dollars and Pound starling. 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 directors 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 provided for in the plans adjusted to exclude the effects of future business restructurings, not yet approved, or future investments for improving future performance. Specifically, these cash flows are those generated 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 (for Italy the gross 10-year yield was used). The drop in these rates justifies the overall decrease of WACCs compared with 2013;
- the market premium was calculated using a 5.5% value (increased from 2013 to consider the effect deriving from the drop in rates), except for the Defence and Security Electronics sector for which the risk premium was raised by one point, to take account of the performance of the reference markets in the recent years, which required impairments in both financial years 2011 and 2012;
- 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, 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. The g-rates used for the purposes of the impairment test were equal to 2%, consistently with the actions taken in previous financial years, even in the presence of higher expected growth rates in some sectors.

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

	Helicopters	SES	DRS	Aeronautics
WACC	X	X	X	X
g-rate	X	X	X	X
ROS as per the plan	X	X	X	X
Flat trend in real terms of the Defence budget in domestic markets	X	X	X	X
Limited growth in expenditure for structural investments				
Growth in production rates of mass production of particular importance	X			X
Performance of costs of raw materials	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 2014 and 2013:

	31 December 2014		31 December 2013	
	Wacc	***g-rate***	**Wacc**	***g-rate***
Helicopters	9.1%	2.0%	9.8%	2.0%
DRS	7.6%	2.0%	7.7%	2.0%
SES	9.0%	2.0%	9.0%	2.0%
Aeronautics	9.1%	2.0%	9.6%	2.0%

Testing revealed no signs of impairment. The Group recognized impairment losses in both of the CGUs in the *Defence and Security Electronics* sector in 2011 and 2012, particularly in DRS (totalling €mil. 1,639). The headroom for DRS (i.e. the positive margin calculated during impairment testing) is still lower than that for the other GCUs, however, it is estimated that the US defence budget, which is DRS's main source of revenue, will expand over the next few years as compared with the current situation, which has been significantly affected by defence spending cuts and the sequestration process.

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. 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 post sensitivity		
	Margin (base case)	**Wacc**	***g-rate***	**ROS TV**
Helicopters	2,621	2,248	2,333	2,449
DRS (USD millions)	248	26	77	126
SES	899	636	699	760
Aeronautics	4,269	4,098	4,135	4,166

Other intangible assets

“Development costs” rose due to the net effect of investments during the period, especially in the Aeronautics (€mil. 24), Helicopters (€mil. 35) segments and the European entities of Defence and Security Electronics (€mil. 32), and to amortisation for the year. Investments attributable to “non-recurring costs” related to the Helicopters (€mil. 134), Aeronautics (€mil. 64) and Defence and Security Electronics (€mil. 55) segments. As regards programmes that benefit from the provisions of Law 808/85 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 under other non-current assets (Note 12). Receivables for grants assessed by the grantor in relation to capitalised costs (shown here net of the related grants) are illustrated in Note 26.

Total research and development costs, including also the “development” and “non-recurring costs” just mentioned, amount to €mil. 1,560, of which €mil. 246 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 (Nota 22). The change during the period is mainly attributable to the decline in amortisation during the period and the increase resulting from the effect of foreign exchange transactions.

Intangible assets acquired in the course of business combinations mainly decreased as a result of the amortisation and include the following items:

	31 December 2014	**31 December 2013**
Know-how	73	74
Trademarks	45	45
Backlog and commercial positioning	524	556
	642	**675**

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, and intangible assets in progress and advances.

The most significant investments were made in the Helicopters (€mil. 174), Aeronautics (€mil. 113) and Defence and Security Electronics (€mil. 97) segments.

Commitments are in place for the purchase of intangible assets for €mil. 14 (€mil. 16 at 31 December 2013).

10. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant and machinery	Equipment	Other tangible assets	Total
1 January 2013					
Cost	1,658	1,412	1,641	1,292	6,003
Amortisation, depreciation and impairment losses	(545)	(969)	(878)	(775)	(3,167)
Carrying amount	**1,113**	**443**	**763**	**517**	**2,836**
Investments	15	27	146	297	485
Sales	(1)	(1)	(9)	(10)	(21)
Depreciation	(57)	(100)	(100)	(74)	(331)
Impairment losses	-	(4)	-	(1)	(5)
Other changes	34	68	28	(149)	(19)
31 December 2013	**1,104**	**433**	**828**	**580**	**2,945**
broken down as follows:					
Cost	1,687	1,398	1,804	1,399	6,288
Amortisation, depreciation and impairment losses	(583)	(965)	(976)	(819)	(3,343)
Carrying amount	**1,104**	**433**	**828**	**580**	**2,945**
Investments	11	27	107	238	383
Sales	(2)	(12)	-	(6)	(20)
Depreciation	(55)	(93)	(143)	(67)	(358)
Impairment losses	-	-	-	(5)	(5)
Other changes	76	145	37	(248)	10
31 December 2014	**1,134**	**500**	**829**	**492**	**2,955**
broken down as follows:					
Cost	1,788	1,586	1,923	1,370	6,667
Amortisation, depreciation and impairment losses	(654)	(1,086)	(1,094)	(878)	(3,712)
Carrying amount	**1,134**	**500**	**829**	**492**	**2,955**

Property, plant and equipment includes €mil. 7 of assets held under contracts that can be qualified as finance leases in relation to plant and machinery, equipment and other assets.

"Other tangible assets" also include the value of assets under construction (€mil. 217 at 31 December 2014 vs €mil. 318 at 31 December 2013).

The most significant investments amounted to €mil. 167 for Aeronautics (mainly for progress on the B787 programme), €mil. 83 for Defence and Security Electronics, €mil. 62 for Helicopters, €mil. 50 for Other Activities.

Purchase commitments of property, plant and equipment are recorded in the amount of €mil. 131 (€mil. 145 at 31 December 2013).

11. EQUITY INVESTMENTS AND SHARE OF PROFITS (LOSSES) OF EQUITY-ACCOUNTED INVESTEES

	2014			2013		
	Equity investments	**Risk provisions**	**Total**	**Equity investments**	**Risk provisions**	**Total**
Material joint venture	768		768	916		916
Joint venture not individually material:	82	(20)	62	85	-	85
- Aviation Training Int. Ltd	*26*	-	*26*	*21*	-	*21*
- Rotorsim Srl	*24*	-	*24*	*20*	-	*20*
- Advanced Acoustic Concepts LLC	*20*	-	*20*	*20*	-	*20*
- Balfour Beatty Ansaldo syst. JV SDNBHD	*5*	-	*5*	*5*	-	*5*
- Rotorsim USA LLC	*7*	-	*7*	*6*	-	*6*
- Closed Joint Stock Company Helivert	-	-	-	*10*	-	*10*
- Superjet International SpA	-	*(20)*	*(20)*	*3*	-	*3*
	850	(20)	830	1,001	-	1,001
Associates	173	-	173	133	(11)	122
	1,023	**(20)**	**1,003**	**1,134**	**(11)**	**1,123**

The Finmeccanica Group operates in certain sectors also through entities jointly controlled with third parties and valued under the equity method, since they qualify as joint ventures.

Below are reported the joint ventures considered material in terms of volumes and from a strategic viewpoint for the Group:

Company name	**Nature of the relation**	**Main operating location**	**Registered office**	**% ownership**	**Fair value**
Telespazio Group	JV with Thales, among the main global providers of satellite services	Rome, Italy	Rome, Italy	67%	n.a.
Thales Alenia Space Group	JV with Thales, among the main European leaders in the satellite systems and at the forefront of orbit infrastructures	Toulouse, France	Cannes, France	33%	n.a
GIE ATR	JV with Airbus Group, among the global leaders in regional turboprop aircraft with a capacity of between 50 and 70 seats	Toulouse, France	Toulouse, France	50%	n.a
MBDA Group	JV with Airbus Group and BAE Systems, among the world leaders in missiles and missile systems	Paris, France	Paris, France	25%	n.a

We provide below a summary of the financial data of the aforementioned material joint ventures (the fair value of which is not available since they are not traded in any active market), as well as a reconciliation with the data included in these consolidated financial statements:

	31 December 2014					
	Telespazio	Thales Alenia Space	MBDA	GIE ATR	Other JV not individually material	**Total**
Non-current assets	319	1,838	1,969	120		
Current assets	409	1,383	3,466	844		
- of which cash and cash equivalent	*23*	*8*	*140*	*(5)*		
Non-current liabilities	49	290	1,129	97		
- of which non-current financial liabilities	*9*	*-*	*13*	*7*		
Current liabilities	406	1,286	4,202	630		
- of which current financial liabilities	*11*	*5*	*21*	*-*		
NCI net equity (100%)	15	-	1	-		
Group net equity (100%)	258	1,645	103	237		
Revenue (100%)	658	2,006	2,673	1,399		
Amortisation, depreciation and impairment losses (100%)	33	47	81	16		
Financial income (expense) (100%)	(3)	(8)	4	1		
Income taxes (100%)	(16)	(43)	(65)	-		
Profit (loss) from continuing operations (100%)	19	115	150	127		
Profit (loss) from discontinued operations, net of taxes (100%)	-	-	-	-		
Other comprehensive income (expense) (100%)	(1)	(81)	(201)	-		
Total comprehensive income (expense) (100%)	**18**	**34**	**(51)**	**127**		
% Groups' interest in equity at 1 January	**176**	**662**	**77**	**94**	**83**	**1,092**
% Groups' interest in profit (loss) from continuing operations	13	38	38	63	4	156
% Groups' interest in profit (loss) from discontinued operations, net of taxes	-	-	-	-	-	-
% Groups' interest in other comprehensive income (expense)	(1)	(27)	(50)	-	-	(78)
% Groups' interest in total comprehensive income (expense)	**12**	**11**	**(12)**	**63**	**4**	**78**
Dividends received	(15)	(131)	(38)	(50)	(10)	(244)
Exchange differences	1		1	12	4	18
Other changes	(1)	1	(2)	(1)	(1)	(4)
% Groups' interest in equity at 31 December	**173**	**543**	**26**	**118**	**80**	**940**
Consolidation adjustments	13	(221)	116		2	(90)
Equity investments at 31 December	**186**	**322**	**142**	**118**	**82**	**850**
% Groups' interest in profit (loss)	13	38	38	63	3	155
Consolidation adjustments	(1)	2	-	-		1
Share of profits (losses) of equity-accounted investees	**12**	**40**	**38**	**63**	**3**	**156**
	153					

	31 December 2013					
	Telespazio	Thales Alenia Space	MBDA	GIE ATR	Other JV not individually material	**Total**
Non-current assets	331	1,779	1,840	105		
Current assets	434	1,725	3,750	699		
- of which cash and cash equivalent	*25*	*10*	*63*	*3*		
Non-current liabilities	51	249	990	68		
- of which non-current financial liabilities	*6*	*-*	*12*	*7*		
Current liabilities	437	1,247	4,290	548		
- of which current financial liabilities	*4*	*15*	*9*	*-*		
NCI net equity (100%)	*15*		*1*			
Group net equity (100%)	262	2,008	309	188		
Revenue (100%)	569	1,982	2,976	1,236		
Amortisation, depreciation and impairment losses (100%)	34	46	81	20		
Financial income (expense) (100%)	(6)	(13)	3	2		
Income taxes (100%)	(17)	(36)	(104)	(3)		
Profit (loss) from continuing operations (100%)	19	126	235	114		
Profit (loss) from discontinued operations, net of taxes (100%)	-	-	-	-		
Other comprehensive income (expense) (100%)	(3)	5	(16)	(2)		
Total comprehensive income (expense) (100%)	**16**	**131**	**219**	**112**		
% Groups' interest in equity at 1 January	**167**	**650**	**49**	**83**	**353**	**1,302**
% Groups' interest in profit (loss) from continuing operations	13	41	59	57	(5)	165
% Groups' interest in profit (loss) from discontinued operations, net of taxes	-	-	-	-	-	-
% Groups' interest in other comprehensive income (expense)	(2)	2	(4)	-	1	(3)
% Groups' interest in total comprehensive income (expense)	**11**	**43**	**55**	**57**	**(4)**	**162**
Dividends received	(2)	(32)	(28)	(42)	(7)	(111)
Acquisitions	-	-	-	-	42	42
Disposals	-	-	-	-	(277)	(277)
Exchange differences	-	-	-	(4)	(1)	(5)
Other changes		1	1		(23)	(21)
% Groups' interest in equity at 31 December	**176**	**662**	**77**	**94**	**83**	**1,092**
Consolidation adjustments	13	(222)	116	-	2	(91)
Equity investments at 31 December	**189**	**440**	**193**	**94**	**85**	**1,001**
% Groups' interest in profit (loss)	13	41	59	57	(5)	165
Consolidation adjustments	(1)	2	-	-	-	1
Share of profits (losses) of equity-accounted investees	**12**	**43**	**59**	**57**	**(5)**	**166**
	171					

Below is provided a summary of the aggregate financial data of the associates, inasmuch as there are no associates which are individually material for the Group:

	Associates not individually material	
	31 December 2014	31 December 2013
% Groups' interest in equity at 1 January	**133**	**183**
% Groups' interest in profit (loss) from continuing operations	9	(56)
% Groups' interest in profit (loss) from discontinued operations, net of taxes	-	2
% Groups' interest in other comprehensive income (expense)	-	-
% Groups' interest in total comprehensive income (expense)	**9**	**(54)**
Dividends received	(13)	(13)
Acquisitions	89	17
Disposals	(7)	
Exchange differences	(40)	(6)
Other changes	2	6
% Groups' interest in equity at 31 December	**173**	**133**
Consolidation adjustments	-	-
Equity investments at 31 December	**173**	**133**
% Groups' interest in profit (loss)	9	(54)
Consolidation adjustments		
Share of profits (losses) of equity-accounted investees	**9**	**(54)**

12. RECEIVABLES AND OTHER NON-CURRENT ASSETS

	31 December 2014	*31 December 2013*
Financing to third parties	32	30
Guarantee deposits	12	12
Deferred grants under Law no. 808/85	18	41
Defined benefit plan assets, net (Note 21)	272	120
Related party receivables (Note 34)	22	292
Other non-current receivables	82	21
Non-current receivables	**438**	**516**
Prepayments - non-current portion	18	7
Equity investments at cost	51	39
Non-recurring costs pending under Law no. 808/1985	87	158
Fair value of the residual portion in portfolio of Ansaldo Energia	124	117
Non-current assets	**280**	**321**

The decrease in the items is mainly due to the cash-in of €mil. 239 from BCV Investment and Avio SpA, as part of the process of disposal by the latter of the engine business, which resulted in the liquidation of BCV (the holding company which held Avio's shares), the termination of the participating instruments previously in place (classified at 31 December 2013 under receivables from related parties) and the transfer of Avio's shares directly to its shareholders. This decrease is partially offset by the higher value of the UK pension plan assets.

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 2014	*31 December 2013*
Raw materials, supplies and consumables	2,201	2,098
Work in progress and semi-finished goods	1,650	1,772
Finished goods and merchandise	88	120
Advances to suppliers	639	764
	4,578	**4,754**

Inventories are shown net of impairment charges of €mil. 766 (€mil. 730 at 31 December 2013).

14. CONTRACT WORK IN PROGRESS AND PROGRESS PAYMENTS AND ADVANCES FROM CUSTOMERS

	31 December 2014	*31 December 2013*
Contract work in progress (gross)	6,490	7,278
Final losses (positive wip)	(92)	(109)
Progress payments and advances from customers	(3,311)	(4,381)
Contract work in progress (net)	**3,087**	**2,788**
Progress payments and advances from customers (gross)	11,778	11,695
Contract work in progress	(4,971)	(4,737)
Final losses negative wip)	630	696
Progress payments and advances from customers (net)	**7,437**	**7,654**
Net value	**(4,350)**	**(4,866)**

"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 2014	*31 December 2013*
Cost incurred and margins recognised, net of losses	10,739	11,210
Progress billings	(15,089)	(16,076)
Net value	**(4,350)**	**(4,866)**

15. TRADE AND FINANCIAL RECEIVABLES

	31 December 2014		*31 December 2013*	
	Trade	**Financial**	**Trade**	**Financial**
Receivables	4,018	68	3,777	61
Cumulative impairments	(398)	(23)	(318)	-
Related party current receivables (Note 34)	928	161	921	125
	4,548	**206**	**4,380**	**186**

The ageing of receivables together with an analysis of how the Group manages credit risk is reported under Note 35.

16. OTHER CURRENT ASSETS

	31 December 2014	*31 December 2013*
Derivatives	488	111
Prepaid expenses - current portion	107	97
Receivables for grants	97	92
Receivables from employees and social security	67	68
Indirect tax receivables	238	143
Deferred receivables under Law no. 808/85	3	5
Other related party receivables (Note 34)	6	11
Other assets	131	154
	1,137	**681**

The increase in this item is the result of higher indirect taxes receivables and derivatives in connection with the greater volumes of hedges against the exchange risk and the volatility of the US dollar and the Pound sterling versus the euro. The table below provides detail of the asset and liability positions related to derivative instruments.

	31 December 2014		*31 December 2013*	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Forward forex instruments	457	535	91	49
Derivatives covering debt items	26	2	9	-
Embedded derivatives	2	1	7	
Interest rate swaps	3	4	4	3
	488	**542**	**111**	**52**

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

	Fair value at					
	31 December 2014			*31 December 2013*		
	Assets	**Liabilities**	**Net**	**Assets**	**Liabilities**	**Net**
Interest rate swaps						
Trading	3	(4)	**(1)**	4	(3)	**1**
Fair value hedge	-	-	**-**	-	-	**-**
Cash flow hedge	-	-	**-**	-	-	**-**
Currency forward/swap/option						
Trading	2	-	**2**	3	(1)	**2**
Fair value hedge	26	(2)	**24**	9	-	**9**
Cash flow hedge	455	(535)	**(80)**	88	(48)	**40**
Embedded derivative (trading)	2	(1)	**1**	7	-	**7**

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 2014 include €mil. 103 of term deposits (€mil. 105 at 31 December 2013). 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 2013	**578,117,945**	**2,544**	**-**	**(19)**	**2,525**
Outstanding shares	578,150,395	2,544	-	(19)	2,525
Treasury shares	(32,450)	-	-	-	-
31 December 2014	**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 2014 the Ministry of Economy and Finance owned around 30.204% of the share capital, Deutsche Bank Trust Company Americas 3.600% and Libyan Investment Authority 2.010% of the shares. Moreover, Fmr LLC owned 2.113% of the shares on a discretionary fund management basis.

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

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

The reserve increased in consequence of the following revaluations:

	2014	2013
US dollar	183	(64)
Pound sterling	146	(43)
Other currencies	(19)	(3)
	310	**(110)**

Overall, the reserve is negative mainly for the translation differences on the components denominated in Pound sterling (negative €mil. 260 generated by AgustaWestland and Selex ES)

Tax effects on the gain and loss items recognised in equity

	Group - consolidated entities			Group - equity accounted investments		
	Amount before taxes	Tax effect	Net amount	Amount before taxes	Tax effect	Net amount
2014						
Revaluation of defined-benefit plans	9	1	10	(72)	16	(56)
Changes in cash-flow hedges	(110)	28	(82)	(34)	12	(22)
Foreign currency translation difference	312	-	312	(2)	-	(2)
Total	**211**	**29**	**240**	**(108)**	**28**	**(80)**
2013						
Revaluation of defined-benefit plans	51	(16)	35	(6)	(2)	(8)
Changes in cash-flow hedges	21	(3)	18	11	(3)	8
Foreign currency translation difference	(108)	-	(108)	(2)	-	(2)
Total	**(36)**	**(19)**	**(55)**	**3**	**(5)**	**(2)**

Below is a breakdown of the tax effects on the gain and loss items recognised in equity of Non-controlling interests:

	Non-controlling interest		
	Amount before taxes	Tax effect	Net amount
2014			
Revaluation of defined-benefit plans	(3)	1	(2)
Changes in cash-flow hedges	2	(1)	1
Foreign currency translation difference	13	-	13
Total	**12**	**-**	**12**
2013			
Revaluation of defined-benefit plans	1	-	1
Changes in cash-flow hedges	1	-	1
Foreign currency translation difference	(12)	-	(12)
Total	**(10)**	**-**	**(10)**

19. LOANS AND BORROWINGS

	31 December 2014			*31 December 2013*		
	Non-current	**Current**	**Total**	**Non-current**	**Current**	**Total**
Bonds	4,630	131	4,761	4,222	83	4,305
Bank loans and borrowings	362	110	472	410	134	544
Related party loans and borrowings (Note 34)	6	425	431	13	616	629
Other loans and borrowings	33	73	106	28	77	105
	5,031	**739**	**5,770**	**4,673**	**910**	**5,583**

Changes in loans and borrowings are as follows:

	1 January 2014	**Issues**	**Repayments/Payment of coupons**	**Other net increase (decrease)**	**Exchange differences and other movements**	**31 December 2014**
Bonds	4,305	249	(211)	261	157	**4,761**
Bank loans and borrowings	544	-	(46)	(25)	(1)	**472**
Related-party loans and borrowings	629	-	-	(198)	-	**431**
Other loans and borrowings	105	-	-	(14)	15	**106**
	5,583	**249**	**(257)**	**24**	**171**	**5,770**

	1 January 2013	**Issues**	**Repayments/Payment of coupons**	**Other net increase (decrease)**	**Exchange differences and other movements**	**31 December 2013**
Bonds	4,421	684	(1,020)	272	(52)	**4,305**
Bank loans and borrowings	601	-	(46)	(23)	12	**544**
Related-party loans and borrowings	814	-	-	(185)	-	**629**
Other loans and borrowings	110	-	-	(5)	-	**105**
	5,946	**684**	**(1,066)**	**59**	**(40)**	**5,583**

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 increase in bonds is the result of the additional €mil. 250 placed on the €mil. 700 bond issued in December 2013, finalised in January 2014 (together with the accrued interest), and of the exchange differences on the issues denominated in USD and GBP (€mil. 157). This increase is partially offset by the reduction in related-party loans and borrowings for the cash surplus of the joint ventures which fell during the year, especially with regard to the Space sector, to cover the dividends paid to Finmeccanica and other shareholders.

The item mainly included the loan executed with the European Investment Bank (EIB) (€mil. 374 compared to €mil. 421 at 31 December 2013), aimed at implementing development activities in the Aeronautic segment.

Bonds

Below is the detail of the bonds at 31 December 2014 which shows the bonds issued by Finmeccanica ("FNM"), Finmeccanica Finance ("FinFin") (for which Finmeccanica SpA finally replaced FinFin in January

2015, as largely commented on in section "Industrial and Financial Transactions" of the Report on Operations) and Meccanica Holdings USA ("MH"):

Emittente		**Anno di emissione**	**Scadenza**	**Valuta**	**Importo nominale outstanding (mil.)**	**Coupon annuo**		**Tipologia di offerta**
FNM (originally Fin Fin)	(*)	2003	2018	€	500	5.750%	(1)	European institutional
FNM	(*)	2005	2025	€	500	4.875%		European institutional
FNM (originally Fin Fin)	(*)	2009	2019	GBP	400	8.000%	(2)	European institutional
FinFin	(*)	2009	2022	€	600	5.250%		European institutional
MH	(**)	2009	2019	USD	500	6.250%		American institutional Rule 144A/Reg. S
MH	(**)	2009	2039	USD	300	7.375%		American institutional Rule 144A/Reg. S
MH	(**)	2009	2040	USD	500	6.250%		American institutional Rule 144A/Reg. S
FNM (originally Fin Fin)	(*)	2012	2017	€	600	4.375%		European institutional
FinFin	(*)	2013	2021	€	950	4.500%		European institutional

(*) 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 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 2014	**New borrowings**	**Interest**	**Repayments/ Repurchases**	**Payments of coupons**	**Effect of exchange rate**	**31 December 2014**	***Fair value***
€mil. 500 FNM 2018 *	499		30		(29)		**500**	578
€mil. 500 FNM 2025 *	515		24		(24)		**515**	555
€mil. 1,000 Fin Fin 2013 *	-						-	
GBPmil. 400 FNM 2019 *	476		41		(40)	34	**511**	600
€mil. 600 Fin Fin 2022 *	623		32		(31)		**624**	677
USDmil. 500 MH 2019 *	322		20		(20)	43	**365**	449
USDmil. 300 MH 2039 *	220		17		(17)	30	**250**	252
USDmil. 500 MH 2040 *	369		24		(24)	50	**419**	399
€mil. 600 FNM 2017 *	595		27		(26)		**596**	647
€mil. 950 Fin Fin 2021 *	686	249	46			-	**981**	1,029
	4,305	**249**	**261**	**-**	**(211)**	**157**	**4,761**	**5,186**

	1 January 2013	New borrowings	Interest	Repayments/ Repurchases	Payments of coupons	Effect of exchange rate	31 December 2013	*Fair value*
€mil. 500 FNM 2018 *	499		29		(29)		**499**	544
€mil. 500 FNM 2025 *	515		24		(24)		**515**	498
€mil. 1,000 Fin Fin 2013 *	754		57	(811)			**-**	-
GBPmil. 400 FNM 2019 *	486		38		(38)	(10)	**476**	537
€mil. 600 Fin Fin 2022 *	623		32		(32)		**623**	617
USDmil. 500 MH 2019 *	335		21		(19)	(15)	**322**	378
USDmil. 300 MH 2039 *	230		17		(17)	(10)	**220**	207
USDmil. 500 MH 2040 *	385		24		(23)	(17)	**369**	307
€mil. 600 FNM 2017 *	594		28		(27)		**595**	620
€mil. 950 Fin Fin 2021 *		684	2			-	**686**	693
	4,421	**684**	**272**	**(811)**	**(209)**	**(52)**	**4,305**	**4,401**

(*) Maturity date of bond.

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

	Bonds		*Bank loans and borrowings*		*Related party loans and borrowings*		*Other loans and borrowings*		**Total**	
31 December 2014	Floating	Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed	**Floating**	**Fixed**
Within 1 year	-	131	79	31	425	-	73	-	**577**	**162**
2 to 5 years		1,956	105	109	6	-	32	-	**143**	**2,065**
Beyond 5 years	-	2,674	66	82	-	-	1	-	**67**	**2,756**
Total	**-**	**4,761**	**250**	**222**	**431**	**-**	**106**	**-**	**787**	**4,983**

	Bonds		*Bank loans and borrowings*		*Related party loans and borrowings*		*Other loans and borrowings*		**Totale**	
31 December 2013	Floating	Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed	**Floating**	**Fixed**
Within 1 year	-	83	103	31	616	-	76	1	**795**	**115**
2 to 5 years		1,094	115	109	13	-	25	-	**153**	**1,203**
Beyond 5 years	-	3,128	77	109	-	-	3	-	**80**	**3,237**
Total	**-**	**4,305**	**295**	**249**	**629**	**-**	**104**	**1**	**1,028**	**4,555**

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

	31 December 2014	*of which with related parties*	*31 December 2013*	*of which with related parties*
Liquidity	**(1,495)**		**(1,455)**	
Current loans and receivables	**(206)**	*(161)*	**(186)**	*(125)*
Current bank loans and borrowings	110		134	
Current portion of non-current loans and borrowings	131		83	
Other current loans and borrowings	498	*425*	693	*616*
Current financial debt	**739**		**910**	
Net current financial debt (funds)	**(962)**		**(731)**	
Non-current bank loans and borrowings	362		410	
Bonds issued	4,630		4,222	
Other non-current loans and borrowings	39	*6*	41	*13*
Non-current financial debt	**5,031**		**4,673**	
Net financial debt	**4,069**		**3,942**	

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

	Note	*31 December 2014*	*31 December 2013*
Net financial debt com. CONSOB n. DEM/6064293		**4,069**	**3,942**
Fair value of the residual portion in portfolio of Ansaldo Energia	*12*	(124)	(117)
Hedging derivatives in respect of debt items		(24)	(9)
Effect of transactions involving Fyra contract		41	86
Group net debt (KPI)		**3,962**	**3,902**

20. PROVISIONS FOR RISKS AND CHARGES AND CONTINGENT LIABILITIES

	Guarantees given	**Restructuring**	**Penalties**	**Product guarantees**	**Other provisions**	**Totale**
1 January 2013						
Current	96	32	123	111	426	**788**
Non-current	50	307	81	79	792	**1.309**
	146	**339**	**204**	**190**	**1.218**	**2.097**
Allocations	1	248	24	65	595	**933**
Uses	(2)	(139)	(15)	(15)	(34)	**(205)**
Reversals	(69)	-	(4)	(35)	(280)	**(388)**
Other changes	52	(204)	143	1	(134)	**(142)**
31 December 2013	**128**	**244**	**352**	**206**	**1.365**	**2.295**
Broken down as follows:						
Current	16	171	30	102	688	**1.007**
Non-current	112	73	322	104	677	**1.288**
	128	**244**	**352**	**206**	**1.365**	**2.295**
Allocations	4	114	8	37	212	**375**
Uses	(6)	(94)	(11)	(10)	(75)	**(196)**
Reversals	(1)	(6)	(8)	(55)	(141)	**(211)**
Other changes	31	(17)	25	7	(279)	**(233)**
31 December 2014	**156**	**241**	**366**	**185**	**1.082**	**2.030**
Broken down as follows:						
Current	16	128	48	82	475	**749**
Non-current	140	113	318	103	607	**1.281**
	156	**241**	**366**	**185**	**1.082**	**2.030**

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

- the provision for contractual risks and charges of €mil. 506 (€mil. 881 at 31 December 2013) mainly relates to the Aeronautics and Transportation business segments. The decrease is due to the reclassification, included within Other changes, of the provisions made to cover the Fyra matter to adjust the inventory of the 19 V-250 trains returned in the hands of AnsaldoBreda;
- the provision for risks on equity investments of €mil. 23 (€mil. 13 at 31 December 2013), which includes the accruals for losses exceeding the carrying amounts of unconsolidated equity-accounted investments. In particular, the balance includes the provision accrued for Superjet International SpA (€mil. 20);
- the provision for taxes of €mil. 121 (€mil. 120 at 31 December 2013);
- the provision for litigation with employees and former employees of €mil. 38 (€mil. 35 at 31 December 2013);
- the provision for litigation underway of €mil. 61 (€mil. 64 at 31 December 2013).

With regard to risks, below is a summary of the criminal proceedings that are currently underway against a number of Group companies and certain former directors as well as executives of Group companies or of Finmeccanica S.p.a. itself, with specific reference to the events that occurred in 2014 and in early 2015:

- 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.

  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 violations pursuant to Articles 110, 319, 319-*bis*, 320 and 321 of the Criminal Code in relation to Article 322-*bis*, paragraph 2(2) of the Criminal Code (corruption of foreign public officials). 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. The main hearing is under way;
- with regard to the criminal proceedings 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) against Finmeccanica Spa, AgustaWestland SpA and AgustaWestland Ltd and against other individuals pursuant to Article 25 of Legislative Decree no. 231/2001 (corruption), in relation to the offences under Articles 110, 112, paragraph 1, 319, 321 and 322-bis of the Italian Criminal Code (corruption of foreign public officials) in the form of immediate trial (*giudizio immediato*) described more fully hereinafter - on 25 July 2014 the Public Prosecutor, in accordance with Article 58 of Legislative Decree no. 231/2001, dismissed the case against Finmeccanica, determining, based upon investigations conducted, that there were no factual or legal grounds to find that the Company was

involved. Furthermore, the Public Prosecutor also acknowledged that, since 2003, the Company has adopted, implemented, and regularly updated a Compliance Model that, in the abstract, is suited to preventing the types of crimes alleged, focusing on aspects of compliance to ensure that there are appropriate standards of honest and ethical behaviour.

With regard to this investigation, on the same date, AgustaWestland SpA and AgustaWestland Ltd, along with the Public Prosecutor, requested the application of administrative penalties pursuant to Articles 63 of Legislative Decree no. 231/2001 and 444 et seq. of the Criminal Procedure Code. On 28 August 2014, the Judge for Preliminary Investigations (GIP, *Giudice delle Indagini Preliminari*) of the Court of Busto Arsizio – in granting the motions put forth by the companies – imposed administrative penalties amounting to €thous. 80 for AgustaWestland SpA and €thous. 300 for AgustaWestland Ltd, through a decision issued under Article 444 of the Criminal Procedure Code, and ordered the confiscation of the equivalent of €mil. 7.5, both amounts recognised in the consolidated financial statements at 31 December 2014.

In the course of the same investigation, the Judge for Preliminary Investigations of Busto Arsizio granted the Public Prosecutor's request for dismissal of the case against certain persons involved (a manager and a former manager of AgustaWestland SpA and the former head of Finmeccanica's office in India).

Immediate trial

On 3 May 2013, the GIP of the Court of Busto Arsizio, issued, at the request for the Public Prosecutor's Office, an order for immediate trial 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 no. 78/2000.

The main trial phase has ended and at the hearings of 1 and 3 July 2014, the Public Prosecutor presented closing arguments. The defendants presented their conclusions at the hearings of 30 September, 1 and 2 October 2014. On 9 October 2014 the Court sentenced the former Chairman and Chief Executive Officer of Finmeccanica Spa and the former Chief Executive Officer of AgustaWestland SpA to a prison term of two years for having committed violations pursuant to Article 2 of Legislative Decree no. 74/2000 (having submitted fraudulent tax returns using invoices or other documents from non-existent transactions) – limited to the May 2009 – June 2010 tax period, and ordering that the amount equivalent to such non-payment of taxes (on a taxable amount of €mil. 3.4) be confiscated from AgustaWestland SpA, considered in determining the provisions for risks. In the same decision, the Court found the defendants not guilty of having committed the violations pursuant to Articles 110, 112, paragraph 1, 319, 321 and 322-*bis*, paragraph 2(2) of the Criminal Code (corruption of foreign public officials), due to lack of evidence. The decision is being appealed. The effects on the consolidated financial statements that might derive from the aforesaid order, appear insignificant, considering the immateriality of taxes allegedly evaded by AgustaWestland.

The Indian Judicial Authority (CBI) also opened its own criminal investigation in late February 2013 into this matter involving 13 persons and six companies, including Finmeccanica and AgustaWestland. As part of this, the deputy head of the New Delhi office of Finmeccanica was served with a demand to produce documents.

- 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 (ATI) made up of companies that do not belong to the Finmeccanica Group.

  On 14 February 2014, the notice of conclusion of preliminary investigations was served with regard to the former Chief Executive Officer and the former Vice-Chairman of the company for violations pursuant to Articles 110 and 646 of the Criminal Code and Article 8 of Legislative Decree no. 74/2000 and to the former Chief Financial Officer of the company for violations pursuant to Article 110 of the Criminal Code and Article 8 of Legislative Decree no. 74/2000. Following the motion for committal for trial presented by the Public Prosecutor against the former Chief Executive Officer, the former Vice-Chairman and the former Chief Financial Officer of the company, the GIP of the Court of Rome scheduled the preliminary hearing for 23 October 2014. At that hearing the GUP – after having removed the former Chief Executive Officer from the matter, with the return of the official documentation to the Public Prosecutor, for defective service – permitted Bredamenarinibus SpA to bring a civil action as a party injured by the violations pursuant to Articles 110 and 646 of the Criminal Code, ordering the committal of the defendants for trial. The first trial hearing is scheduled for 3 February 2016.

  Also with regard to this matter, the company was under investigation for violations pursuant to Article 25 of Legislative Decree no. 231/2001, but was removed as a party and the charges against it were dismissed on 2 July 2014;

- criminal proceedings 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 connection with the construction of Line 6 of the Naples metro. On 24 October 2014, the former Chief Executive Officer and two employees of Ansaldo STS were notified that the preliminary investigation with regard to offences under Articles 113 and 449 of the Criminal Code relating to Article 434, paragraphs 1 and 2, of the Criminal Code and violations of Articles 113 and 676, paragraphs 1 and 2, of the Criminal Code have been completed;

- with regard to the two criminal proceedings 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, on 22 October 2014, the Court ordered the proceedings joined.

Under the joined proceedings, the former Chief Executive Officer of Electron Italia, the former Chief Executive Officer and an employee of the then-Elsag Datamat are charged with violations under Articles 326, 353 and 416 of the Criminal Code, and an employee of the then-Elsag Datamat and an employee of Electron Italia with violations under Articles 353 and 326 of the Criminal Code, as well as Selex ES and Electron Italia for having committed administrative offences under Article 24-*ter*, paragraph 2, of Legislative Decree no. 231/2001.

At the hearing of 27 January 2015, Selex ES SpA and Electron Italia, following service of civil summons issued by the Court at the request of the civil-suit party, filed an appearance in the civil action. The case is now in the trial phase;

- 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", on 26 March the GIP of the Court of Rome dismissed the case against all persons charged. Those involved 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 no. 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;

- criminal proceedings are pending before the Court of Trani concerning a tender launched by the Municipality of Barletta for the construction of access control systems for the limited traffic area, involving a former employee of Elsag Datamat SpA (now Selex ES SpA), who is currently an employee of Finmeccanica Global Services, for violations under Articles 353 and 356 of the Criminal Code. The proceeding is now in the trial phase;
- 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.

  At the hearing on 30 October 2014, Selex ES SpA, following service of civil summons issued by the Court at the request of the civil-suit party, filed an appearance in the civil action. The proceeding is now in the trial phase;
- with regard to the criminal proceedings being conducted by the Public Prosecutor's Office of Florence regarding the construction of the technological communication network named "Tetra", on 3 November 2014 the GIP of the Court of Florence dismissed the case against all persons charged.

In connection with this, the former Chairman and former Chief Executive Officer of the then-Selex Elsag and three employees of the company were under investigation for violations pursuant to Article 16, paragraph 1, of Legislative Decree no. 96/2003;

- 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 ("P.I.A. Innovazione"), on 7 April 2014 the GIP of the Court of Milan dismissed the case against all persons under investigation. Involved in this matter were Selex Galileo SpA for administrative violations pursuant to Article 24 of Legislative Decree no. 231/2001, two former Chief Executive Officers 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;

- four criminal proceedings concerning the awarding of the contract for the construction and management of the Control System for Waste Tracking (SISTRI) are pending.

  Immediate trial – Bringing of civil action (Selex Service Management)

  In the immediate trial before the Court of Naples against certain suppliers and sub-suppliers of Selex Service Management, at the hearing on 7 November 2013, the company brought a civil action against the defendants. The case has now entered the trial phase.

  Abbreviated trial - Bringing of civil action (Selex Service Management)

  In the abbreviated trial before the Court of Naples against the company's former Chief Executive Officer, for the offences under Article 416, paragraphs 1, 2 and 5, of the Criminal Code and Articles 81-paragraph 2, 110, 319, 320 and 321 of the Criminal Code and Articles 2 and 8 of Legislative Decree no. 74/2000, and a supplier of Selex Service Management, the company brought a civil action against the defendants at the hearing of 21 November 2013.

  On 18 July 2014, the Court sentenced the former Chief Executive Officer of Selex Service Management to a prison term of 2 years and 6 months and ordered him to pay damages to Selex Service Management.

  Immediate trial – Bringing of civil action (Finmeccanica and Selex Service Management)

  With regard to the immediate trial before the Court of Naples of the former External Relations Officer of Finmeccanica, the former Chief Operations Officer and a supplier of Selex Service Management, with respect to crimes established by Article 416, paragraphs 1, 2 and 5, of the Criminal Code and Articles 81-paragraph 2, 110, 319, 320 and 321 of the Criminal Code, at the hearing of 8 October 2014, the Court allowed Finmeccanica Spa and Selex Service Management SpA to bring a civil action. At the subsequent hearing of 12 November 2014, the Court of Naples found that it lacked territorial jurisdiction and ordered the file transferred to the Rome Public Prosecutor's Office.

  Immediate trial – Bringing of civil action (Finmeccanica Selex and Service Management)

With regard to the immediate trial before the Court of Torre Annunziata of the former Chairman and Chief Executive Officer of Finmeccanica, with respect to crimes established by Article 416, paragraphs 1, 2 and 5, of the Criminal Code and Articles 81-paragraph 2, 110, 319, 320 and 321 of the Criminal Code, on 12 November 2014 the Court permitted Finmeccanica SpA and Selex Service Management SpA to bring a civil action and accepted the objections raised by the parties, voiding the order for immediate trial and ordered the file forwarded to the GIP of the Court of Naples. On 18 November 2014, the GIP issued a new order for immediate trial, scheduling the first trial hearing before the Court of Naples for 13 January 2015.

At that hearing, the Court of Naples found that it lacked territorial jurisdiction and ordered the file transferred to the Rome Public Prosecutor's Office;

- 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 (now in liquidation) for the offences under Article 8 of Legislative Decree no. 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.
- criminal proceedings are being conducted by the Public Prosecutor's Office of Turin concerning the disclosure of the designs and technical specifications of a competitor of FATA SpA. On 30 May 2014, FATA SpA was served notice of conclusion of the preliminary investigations with regard to the offences pursuant of Articles 5 and 25-*bis*, paragraph 1 of Legislative Decree no. 231/2001. This notice was also served on the former Chairman and a manager, with respect to crimes established by Articles 110 and 513 of the Criminal Code, and on the Chief Operations Officer, for violations pursuant to Articles 81, 615-*ter* and 623 of the Criminal Code;

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 8 July 2014, Selex Service Management was notified of the conclusion of the preliminary investigation relating to the administrative office established by Article 25 of Legislative Decree no. 231/2001, with reference to Articles 110 and 321 of the Criminal Code.

The preliminary hearing was scheduled for 13 May 2015 to address the motion for committal for trial submitted by the Public Prosecutor's Office of Rome.

In relation to these proceedings, the former Chief Operations Officer of Selex Service Management, the former Chairman and Chief Executive Officer and former External Relations Officer of Finmeccanica were also charged with respect to crimes established by Articles 81-paragraph 2, 110, 326, 353, paragraphs 1 and 2, of the Criminal Code, as well as the former Chief Executive Officer of Selex Service Management with respect to crimes established by Articles 110, 319 and 321 of the Criminal Code and Articles 81-paragraph 2, 110, 326, 353, paragraphs 1 and 2, of the Criminal Code.

- criminal proceedings are pending before the Court of Roma involving the Chief Executive Officer of the then-Selex Systems Integration Gmbh (now Selex ES Gmbh), with respect to crimes established by Articles 110 and 223, paragraph 2(2), of the Criminal Code, with regard to Articles 216 and 219, paragraphs 1 and 2(1), of Royal Decree no. 267/42, in connection with the bankruptcy of a supplier. The proceeding is now in the trial phase.
- criminal proceedings are being conducted by the Public Prosecutor's Office of Turin concerning the provision of helicopters to the armed forces, police and other government entities by AgustaWestland, involving certain directors of Finmeccanica (serving from 1994 to 1998) and certain directors of AgustaWestland (serving from 1999 to 2011) with respect to crimes established by Article 449 of the Criminal Code for violation of the regulations on the use of asbestos.
- criminal proceedings are being conducted by the Public Prosecutor's Office of Pistoia involving the manager of the AnsaldoBreda SpA's Pistoia factory with respect to crime established by Article 256, paragraph 1, letter b, of Legislative Decree no. 152/2006.
- criminal proceedings are pending before the Court of Milan involving certain directors of the then-Breda Termomeccanica SpA, subsequently Ansaldo SpA, who served during the period 1973-1985, charged with having committed the crimes established by Article 589, paragraphs 1, 2 and 3, Article 40, paragraph 2, Article 41, paragraph 1, of the Criminal Code, Article 2087 of the Civil Code and Article 590, paragraphs 1, 2, 3, 4 and 5, of the Criminal Code, for violation of the rules governing the prevention of work-related illness.

  At the hearing of 3 December 2014, Finmeccanica, following service of civil summons issued by the Court at the request of the civil-suit parties, filed an appearance in the civil action. The proceeding is now in the trial phase.

Based upon 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, tax 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 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 timely filed appeals that were fully accepted by the Rome Provincial Tax Commission. The Tax Office appealed the decision in favour of the company, which has responded to defend its arguments;
- 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 due to the lack of jurisdiction of the Court involved. On 11 May 2007, Reid served Finmeccanica and So.Ge.Pa. 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.

For the appearance before the Court, Finmeccanica filed 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 and So.ge.pa. 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 was completed in December 2013 and on 20 November 2014 the Court issued its decision on the question of jurisdiction, rejecting the objection raised by Finmeccanica and So.Ge.Pa.. The case will proceed on the merits. However, it should be noted that there was a finding of the inexistence of the rights claimed by the plaintiff and that the case is currently pending before the Court of Appeal of Rome;

- the dispute commenced before the Santa Maria Capua Vetere Court in February 2011 by G.M.R. SpA, as the sole shareholder of Firema Trasporti against Finmeccanica and AnsaldoBreda, 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.

  At the hearing held on 22 April 2014, the plaintiff pleaded the existence of another legal action brought before the Court of Naples by Firema Trasporti in Extraordinary Administration, against the directors, statutory auditors and independent auditors of Firema Trasporti SpA asking that they be found liable and convicted – each with regard to their position – for the harm caused to the company and be ordered to pay damages in the amount of around €mil. 51. In the course of such proceedings, the two former directors, Giorgio and Gianfranco Fiore, in turn, brought a third-party action against AnsaldoBreda and Finmeccanica, accusing them of abusing their power of management and coordination based upon the arguments put forth by GMR in the matter brought before the Court of Santa Maria Capua Vetere. Given these circumstances, GMR has requested that the two actions be joined. AnsaldoBreda and Finmeccanica opposed this request and urged the Court to grant its previous motion that the Court lacks jurisdiction.

On 28 October 2014, the Court of Santa Maria Capua Vetere granted the motion put forth by Finmeccanica and AnsaldoBreda, finding that it lacked jurisdiction and that instead the Court of Naples was the competent forum.

With regard to the action brought before the Court of Naples by Firema Trasporti in Extraordinary Administration, on 19 November 2014 the Court issued a decision finding the claims made by Giorgio and Gianfranco Fiore against Finmeccanica and AnsaldoBreda to be inadmissible and therefore they were removed from the lawsuit. Last 2 March 2015, GMR, as third-party intervener, appealed against the aforesaid order of removal from the lawsuit;

- an arbitration procedure commenced in September 2011 by the French company DCNS before the Paris ICC against WASS following suspension by the latter of the performance of the agreement for the development of the F21 heavy torpedo for the French Navy Ministry due to the suspension of the export licence by the Italian Ministry of Foreign Affairs. In the context of this arbitration procedure, DCNS requested that the agreement be declared terminated due to WASS' default and claiming damages that have been lately quantified in €mil. 67. 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. 78. The award was handed down on 6 May 2014 whereby WASS was ordered to pay DCNS about €mil. 6.

- the action brought in February 2013 before the Civil Court of Nola by Simmi SpA, subject to a composition with creditors, 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 stated 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. Since the action was not reinstated within the term provided, it was dismissed;

- the proceedings instituted on 4 March 2013 before the Court of Rome by Mr. Pio Maria Deiana, on his own account and in his capacity as Director of Janua Dei Srl and of Società Progetto Cina Srl against Finmeccanica in order to ask the Court to establish the invalidity of the settlement agreement signed in December 2000 by 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). The aforementioned agreement had settled, by way of conciliation, the action brought 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. A minority shareholder of Società Progetto Cina Srl and a minority shareholder of Società Janua Dei Italia Srl intervened in the case, respectively, at the hearings of 14 May 2014 and 25 September 2014. Next hearing has been scheduled for 16 July 2015;
- the dispute between Ansaldo STS and Selex Es against the Russian company ZST relating 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.

  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 execution of the contract was suspended following the well-known events that occurred in Libya in early 2011. The precautionary proceedings concluded with the Court granting the injunction only as to the amounts corresponding to the value of the activities performed up until the works were interrupted (equal to €mil. 29 for Ansaldo STS and to €mil. 3 for Selex ES). The bank therefore proceeded to make payment of the remaining amount.

  Once the precautionary proceedings were concluded, ZST initiated arbitration proceedings before the Vienna International Arbitral Centre against Ansaldo STS and Selex ES seeking repayment of the full amount paid in compensation. The arbitration panel was appointed and the companies duly made appearances. The calendar of hearings and the deadlines for the filing of briefs have been set, with the hearing on the issues scheduled for 7 and 11 September 2015;

- the arbitration proceedings brought on 25 October 2013 by Officine Ferroviarie Veronesi S.p.A. against AnsaldoBreda to obtain 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 challenged certain delays on the part of AnsaldoBreda in the performance of its portion of the order that apparently resulted in the application of penalties by the customer and has sought 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. While the board of arbitration was being formed, the Court of Verona ruled the opening of Officine Ferroviarie Veronesi S.p.A.'s extraordinary management procedure and, accordingly, took steps to appoint the Judge in charge of the Proceedings (*Giudice Delegato*) and the Receiver (*Commissario Giudiziale*). In November 2014 a settlement agreement was reached in virtue of which the parties withdrew from the arbitration proceedings.

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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 five-year contract, signed between the Ministry for the Environment, Land and Sea and Selex Service Management in December 2009 in relation to the design, management and maintenance of the System for Waste Tracking until 30 November 2014, subject to the criminal proceedings described above.

  The performance of the contract was affected by a number of legislative acts aimed at postponing the time at which it was to come into force, at a drastic reduction of the categories of persons under an obligation to adopt the system, at introducing simplification and/or optimisation measures of the system and at indefinitely postponing the applicable penalties. Such legislative acts had a significant impact on the financial stability of the contract, which was further impaired by the non-payment of a large part of the amounts due to the company.

Moreover, on 8 May 2014 the then Italian Public Contracts Regulator (Autorità di Vigilanza dei Contratti Pubblici) concluded the procedure that it had opened in July 2012 by resolution no. 10 whereby the Regulator ruled that the award of the Sistri contract did not comply with Article 17 of the Italian Code of Public Contracts in the matter of contracts subject to a secrecy classification and ordered the papers of the case to be sent to the Ministry and to the Court of Auditors, as well as to the DDA (Direzione Distrettuale Antimafia) organised crime unit at the Naples Public Prosecutor's office. The company appealed against this Resolution before the Lazio Regional Administrative Court, challenging its lawfulness under various aspects. In the wake of this resolution, the Ministry blocked a number of payments owed to the Company and asked the State Legal Advisory Service (Avvocatura dello Stato) for an opinion on the matter. Partial payments were made in December 2014 in response, we assume to the confirmation by the State Legal Advisory Service that the contract is valid and legal.

On 21 July 2014 Selex Service Management informed the Ministry that it was not its intention to continue with the management of the system beyond the time-limit of 30 November 2014 set in the contract, forewarning that it would take steps to protect its interests in order to recoup the capital invested and obtain compensation for damages.

Afterwards, Law no. 116 of 11 August 2014 as amended which converted Law Decree no. 91 of 24 June 2014, by introducing certain significant changes to the wording of article 11 of law decree no. 101 of 31 August 2013 (which had provided, inter alia, (i) that the payment of the amounts due would be subject to an audit of the fairness of the final costs through 30 June 2013 and to the availability of the amounts paid by users at that date and (ii) a financial rebalancing of the contract, which was then not carried out), extended the effective date for the contract with Selex Service Management to 31 December 2015, granting Selex Service Management the compensation for the production costs calculated up until the aforesaid date, subject to the fairness assessment by the Agency for Digital Italy (Agenzia per l'Italia digitale), to the maximum extent of the fees paid by the operators.

Finally, said Law provided that within 30 June 2015 the Ministry for the Environment, Land and Sea shall commence the procedures for the award of the service under concession in accordance with the provisions and methods set out in the Italian Code for Public Contracts.

On 30 January 2015, Selex Service Management initiated arbitration proceedings against the Ministry, under the terms of the arbitration clause contained in the contract, seeking a declaration that the contract had expired on 30 November 2014, payment of amounts owed of approximately €mil 153, compensation for additional activities carried out at the request of the Ministry or required by intervening legislative action totalling around €mil 15, as well as compensation for all damages suffered. However, with acknowledgement and receipt and refusal of jurisdiction of the arbitration panel served on SEMA on 19 February 2015, the State Legal Advisory Service, on behalf of the Ministry, decided, based upon the provisions set out in Article 241, paragraph 1, of the Public

Contracts Code, as amended by Law no. 190/2012, to not authorise recourse to arbitration, for which preparations have begun to transfer the claims already brought forth in arbitration to the ordinary jurisdiction of the civil Court.

Whether the assets recognized in relation to the programme (in addition to the €mil. 43 receivables assigned to factors) can be recovered will depend upon the outcome of the pending proceedings.

- 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 the Indian authorities and also asked the ministry to initiate bilateral discussions to settle the matter.

  Not having received any 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 judge of the Supreme Court of India.

  On 7 August 2014 la International Chamber of Commerce of Paris appointed William W. Park, Professor of Law at the Boston University, to act as the umpire in the controversy.

  On 28 October 2014, the Indian Ministry of Defence filed a defence brief raising a number of preliminary objections challenging, among other things, whether the case could be referred to arbitration. The company, in addition to challenging such objections, will, once the decision on the preliminary questions is issued, restate the fundamental validity of its claims, also in light of the ruling of the Court of Busto Arsizio issued on 9 October 2014 in the context of the immediate trial against the former Chairman and Chief Executive Officer of Finmeccanica Spa and against the former Chief Executive Officer of AgustaWestland SpA.

It should be recalled that, on 23 May 2014, in the framework of the proceedings pursuant to Article 700 of the Italian Code of Civil Procedure brought by AgustaWestland SpA and AgustaWestland International Ltd to prevent the enforcement of the guarantees, the Court of Milan - in partial acceptance of the complaint submitted by the Indian Ministry of Defence - partially amended the order it had previously handed down and revoked its injunction with regard to the whole amount of the Performance bond equal to about €mil. 28 and up to an amount of about €mil. 200 as regards the Advance Bank Guarantees. Therefore, as only about €mil. 50 of the guarantees cannot be enforced (corresponding to the reduction that, according to the contract, was to be made from the Advance Bank Guarantees after the customer accepted three of the helicopters), the remaining sum of about €mil. 228 was paid, with a total P&L impact on 2014 of €mil. 256.

The remaining inventory related to the programme can be entirely shifted to other contracts. As to the portion of the delivery already made (3 helicopters already delivered, plus spare parts and support), which is only partially covered by the advances received and not subject to the enforceability of the guarantees, the recoverability of the net assets recognised in the Group's financial statements (€mil. 110), 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 2014			*31 December 2013*		
	Liabilities	**Assets**	**Net**	**Liabilities**	**Assets**	**Net**
Severance pay provision	437	-	437	427	-	427
Defined-benefit plans	333	272	61	251	120	131
Defined contribution plans	25	-	25	25	-	25
	795	**272**	**523**	**703**	**120**	**583**

The net liabilities for defined-benefit retirement plans are broken down below:

	31 December 2014	*31 December 2013*
GBP area	(63)	58
Euro area	20	16
USD area	84	42
Other	20	15
	61	**131**

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

	31 December 2014	*31 December 2013*
Present value of obligations	2,492	1,966
Fair value of plan assets	(2,431)	(1,835)
Plan deficit	**(61)**	**(131)**
of which, related to:		
- net liabilities	(333)	(251)
- net assets	272	120

The decreased net deficit mainly relates to the remeasurement of the surplus of the UK pension plan referable to Selex ES (€mil. 153), due to the revaluation of the Pound sterling and the good results in the year from the plan assets. The decrease in the overall deficit in the UK plan was partially offset by the increase in the deficit of the US plans of DRS.

Changes in the defined-benefit plans are shown below:

31 December 2014	**Present value of obligations**	**Fair value of plan assets**	**Net liability defined benefit plans**
Opening balance	1,966	1,835	131
Costs of benefits paid	61		61
Net interest expense	88	83	5
Remeasurement	260	325	(65)
Actuarial losses (gains) through equity - demographic assumption	*9*	-	*9*
Actuarial losses (gains) through equity - financial assumptions	*283*	-	*283*
Actuarial losses (gains) through equity resulting from adjustments based on the experience	*(32)*	*325*	*(357)*
Expected return on plan assets (no interest)	-	-	-
Contributions paid	-	77	(77)
Contributions from other plan participants	14	14	-
Exchange rate differences	163	155	8
Benefits paid	(60)	(58)	(2)
Other changes			-
Closing balance	**2,492**	**2,431**	**61**
of which, related to:			
- net liabilities	1,937	1,604	333
- net assets	555	827	(272)

31 December 2013	**Present value of obligations**	**Fair value of plan assets**	**Net liability defined benefit plans**
Opening balance	1,914	1,746	168
Costs of benefits paid	58	-	58
Net interest expense	79	74	5
Remeasurement	-	22	(22)
Actuarial losses (gains) through equity - demographic assumption	*7*	-	*7*
Actuarial losses (gains) through equity - financial assumptions	*22*	*(8)*	*30*
Actuarial losses (gains) through equity resulting from adjustments based on the experience	*(29)*	*24*	*(53)*
Expected return on plan assets (no interest)	-	*6*	*(6)*
Contributions paid	-	72	(72)
Contributions from other plan participants	13	13	-
Exchange rate differences	(46)	(41)	(5)
Benefits paid	(52)	(51)	(1)
Other changes			-
Closing balance	**1,966**	**1,835**	**131**
of which, related to:			
- net liabilities	1,475	1,224	251
- net assets	491	611	(120)

The amount recognised in the income statement for defined-benefit plans (including severance pay) was calculated as follows:

	2014	*2013*
Current service costs	63	61
Current for past services	1	-
Curtailments and settlements	(2)	(2)
Costs booked as "personnel expenses "	62	59
Net interest expense	14	16
Costs booked as "financial expenses "	14	16
	76	**75**

Changes in severance pay provision are shown below:

	31 December 2014	*31 December 2013*
Opening balance	**427**	**490**
Costs of benefits paid	1	1
Net interest expense	9	11
Remeasurement	50	(28)
Actuarial losses (gains) through equity - demographic assumption	-	*(11)*
Actuarial losses (gains) through equity - financial assumptions	*47*	*(15)*
Actuarial losses (gains) through equity resulting from adjustments based on the experience	*3*	*(2)*
Benefits paid	(47)	(47)
Other changes	(3)	-
Closing balance	**437**	**427**

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 2014	*31 December 2013*	*31 December 2014*	*31 December 2013*
Discount rate (annual)	1.2%	3.0%	3,6%-4,0%	4,5%-4,8%
Rate of salary increase	n.a.	n.a.	3,5%-4,0%	4,0%-4,9%
Inflation rate	1.6%	2.0%	2,0%-4,9%	2,7%-4,9%

The discount rate utilised to discount the defined benefits 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			
	31 December 2014		31 December 2013		31 December 2014		31 December 2013	
	-0.25%	*+0.25%*	*-0.25%*	*+0.25%*	*-0.25%*	*+0.25%*	*-0.25%*	*+0.25%*
Discount rate (annual)	9	(9)	10	(10)	112	(110)	80	(82)
Rate of salary increase	n.a.	n.a.	n.a.	n.a.	(15)	16	(21)	20
Inflation rate	(6)	6	(7)	6	(78)	79	(65)	64

The average duration of the severance pay is 10 years while that of the other defined-benefit plans is 20 years.

Assets of defined-benefit plans include:

	31 December 2014	*31 December 2013*
Cash and cash equivalents	101	54
Shares	586	501
Debt instrument	775	623
Real properties	18	10
Derivatives	173	225
Investment funds	778	422
	2,431	**1,835**

22. OTHER CURRENT AND NON-CURRENT LIABILITIES

	31 December 2014		*31 December 2013*	
	Non-current	**Current**	**Non-current**	**Current**
Employee obligations	55	401	48	400
Deferred income	85	67	90	75
Amounts due to social security institutions	5	192	5	201
Payables to MED (Law no. 808/85)	338	44	272	60
Payables to MED for royalties (Law no. 808/85)	154	23	118	30
Other liabilities (Law no. 808/85)	183	-	169	-
Indirect tax liabilities	-	183	-	122
Derivatives	-	542	-	52
Other liabilities	239	679	181	621
Other payables to related parties (Note 34)	-	146	-	107
	1.059	**2.277**	**883**	**1.668**

The item increased mainly as a result of the higher value of derivatives (€mil. 490), due to the revaluation of the US dollar and the Pound sterling, and the increase in other liabilities under Law 808 and in indirect tax liabilities. The payables to the Ministry for Economic Development (MED) relate to monopoly 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 non-current payable due to Bell Helicopter amounting to €mil. 207 (€mil. 191 at 31 December 2013), deriving from 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.

23. TRADE PAYABLES

	31 December 2014	*31 December 2013*
Suppliers	4.120	3.680
Trade payables to related parties (Note 34)	148	190
	4.268	**3.870**

24. 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 2014		*31 December 2013*	
	Operat. lease as lessee	*Operat. lease as lessor*	*Operat. lease as lessee*	*Operat. lease as lessor*
Within 1 year	93	5	88	1
2 to 5 years	181	11	204	5
Beyond 5 years	166	-	137	-
	440	**16**	**429**	**6**

Guarantees

At 31 December 2014, the Group had the following outstanding guarantees:

	31 December 2014	*31 December 2013*
Guarantees in favour of third parties	20.237	21.143
Other unsecured guarantees given to third parties	537	672
Unsecured guarantees given	**20.774**	**21.815**

25. REVENUE

	2014	*2013*
Revenue from sales	9.317	8.529
Revenue from services	2.828	3.300
Change in work in progress	(340)	(688)
Revenue from related parties (Note 34)	2.858	2.549
	14.663	**13.690**

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

26. OTHER OPERATING INCOME (EXPENSES)

	2014			*2013*		
	Income	**Expenses**	**Net**	**Income**	**Expenses**	**Net**
Grants for research and development costs (*)	68	-	68	67	-	67
Other operating grants (*)	5	-	5	6	-	6
Gains/losses on sales of intangible asset, property, plant and equipment	2	(1)	1	3	-	3
Reversals (accruals) to provisions for risks and final losses on orders and reversal of impairment of receivables	366	(351)	15	444	(758)	(314)
Exchange rate difference on operating items	126	(131)	(5)	92	(93)	(1)
Insurance reimbursements	8	-	8	59	-	59
Restructuring costs	-	(48)	(48)	-	(75)	(75)
Indirect taxes	-	(53)	(53)	-	(50)	(50)
Other operating income (expenses)	60	(111)	(51)	103	(109)	(6)
Other operating income (expenses) from/to related parties (Note 34)	18	(2)	16	9	(3)	6
	653	**(697)**	**(44)**	**783**	**(1.088)**	**(305)**

(*) To which receivables for grants assessed by the grantor in relation to capitalised costs of €mil. 64 (€mil. 15 at 31 December 2013) are added, plus the assessment of "Non-recurring costs pending under Law 808/1985" (Note 12) equal to €mil. 68 (€mil. 39 at 31 December 2013).

The item shows an improvement of €mil. 261; this is mainly the result of lower accruals set aside for contract costs, which in 2013 included, among other things, sizeable charges for the Fyra contract and other activities of AnsaldoBreda.

Restructuring costs also include costs incurred and accruals to the "Restructuring provision". Costs and accruals relating to personnel are found under personnel expense (Note 27).

27. PURCHASES AND PERSONNEL EXPENSE

	2014	2013
Purchase of materials from third parties	5.151	4.881
Change in inventories of raw materials	(82)	(18)
Costs for purchases from related parties (Note 34)	15	68
Purchases	***5.084***	***4.931***
Services rendered by third parties	4.513	4.372
Costs of rents and operating leases	146	164
Royalties	9	6
Software fees	12	13
Rental fees	32	35
Services rendered by related parties (Note 34)	136	149
Services	***4.848***	***4.739***
Wages and salaries	2.721	2.778
Social security contributions	585	583
Costs related to defined-contribution plans	116	131
Costs of severance pay provision (Note 21)	1	1
Costs related to other defined-benefit plans (Note 21)	61	58
Restructuring costs - net	134	264
Other personnel expenses	86	72
Personnel expenses	***3.704***	***3.887***
Change in finished goods, work in progress and semi-finished products	***183***	***(197)***
Personnel expenses	(163)	(151)
Materials	(136)	(159)
Other costs	(191)	(203)
Internal work capitalised	***(490)***	***(513)***
Total purchases and personnel expenses	**13.329**	**12.847**

The decrease in personnel expense in comparison with the prior year is mainly due to the lower average workforce, as shown below, and lower restructuring costs and other early retirement incentives, above all in the *Defence and Security Electronics* and *Helicopters* sectors.

Restructuring costs equal to €mil. 134 (€mil. 264 in 2013) mainly related to *Defence and Security Electronics* (€mil. 49), *Aeronautics* (€mil. 47), *Transportation* (€mil. 16) and *Other Activities* (€mil. 27) for costs incurred and provisions allocated against on-going reorganisation activities at various Group companies.

The table below shows the workforce broken down by position. The significant decrease mainly refers to the reorganisation processes in the *Defence and Security Electronics* segment (763 resources abroad at DRS and 607 resources at SES, of which 496 in Italy), in the *Transportation* segment (237 resources, of which 176 in Italy), in *Helicopters* (197 resources, of which 29 in Italy) and in the *Defence Systems* (37 resources, of which 31 in Italy), vis-à-vis a growth in *Aeronautics* and in *Other Activities* (an increase of 244 and 90 average units, respectively, compared with 2013, of which 220 and 90 in Italy). In addition to the aforementioned restructuring processes, the decrease was also due to the significant reductions in the *Aeronautics* sector and the inclusion of 272 resources into the business line of Bredamenarinibus being disposed of.

In particular, the reduction on the foreign component is about 72% of the total decrease.

	Average Workforce			Total Workforce		
	31 December 2014	*31 December 2013*	*Change*	*31 December 2014*	*31 December 2013*	*Change*
Senior managers (*)	1.571	1.700	(129)	1.495	1.660	(165)
Middle managers	5.992	6.038	(46)	5.997	6.163	(166)
Clerical employees	31.721	32.818	(1.097)	31.868	32.863	(995)
Manual labourers (**)	15.168	15.403	(235)	15.020	15.596	(576)
	54.452	**55.959**	**(1.507)**	**54.380**	**56.282**	**(1.902)**

(*) *Includes pilots.*

(**) *Includes senior manual labourers*

28. AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES

	2014		2013	
Amortisation of intangible assets		295		303
Development costs	*63*		*88*	
Non-recurring costs	*69*		*55*	
Acquired through business combinations	*84*		*83*	
Concessions, licences and trademarks	*20*		*15*	
Other intangible assets	*59*		*62*	
Depreciation of property, plant and equipment		358		331
Impairment of operating receivables		88		49
Impairment of other assets		10		40
		751		**723**

29. FINANCIAL INCOME AND EXPENSE

Below is a breakdown of financial income and expense:

	2014			*2013*		
	Income	**Expenses**	**Net**	**Income**	**Expenses**	**Net**
Interest	7	(294)	(287)	19	(311)	(292)
Premiums received (paid) on IRS	6	(6)	-	48	(25)	23
Commissions on borrowings	-	(19)	(19)	-	(16)	(16)
Other commissions	1	(20)	(19)	1	(37)	(36)
Income (expense) from equity investments and securities	-	(50)	(50)	92	-	92
Fair value gains (losses) through profit or loss	23	(26)	(3)	11	(38)	(27)
Premiums (paid) received on forwards	6	(7)	(1)	8	(11)	(3)
Exchange rate differences	203	(224)	(21)	193	(212)	(19)
Interest cost on defined-benefit plans (Note 21)	-	(14)	(14)	-	(16)	(16)
Financial income (expense) - related parties (Note 34)	6	(9)	(3)	4	(7)	(3)
Other financial income and expense	8	(80)	(72)	11	(59)	(48)
	260	**(749)**	**(489)**	**387**	**(732)**	**(345)**

The item worsened as a consequence of the different effects arising from the extraordinary transactions; in 2013, these transactions had generated proceeds of € mil. 91 (sale of the aviation engines division of Avio SpA) while in 2014 brought to charges in the amount of €mil. 50 (Bredamenarinibus transaction).

- Expense from equity investments and securities refer to the adjustment to the sale price of the activities included in the business unit of Bredamenarinibus, which was sold to third parties effective from January 2015;

- net interest expenses mainly include €mil. 262 (€mil. 273 in 2013) of interest on bonds, €mil. 10 (€mil. 11 in 2013) related to the interest on the Parent's EIB;
- commissions on borrowings essentially relate to (€mil. 19 compared to €mil. 16 in 2013) expense concerning the revolving credit line, renewed in July 2014;
- the 2014 balance of premiums received (paid) on interest-rate swaps (IRS) was equal to zero. The remaining operations refer to the interest-rate swaps relating to the issue with maturity in 2018 and to options relating to the issue maturing in 2025. In 2013 this caption had benefitted 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 realized;
- net income arising from the application of fair value to the income statement breaks down as follows:

	2014			2013		
	Income	**Expenses**	**Net**	**Income**	**Expenses**	**Net**
Exchange rate swap	1	(1)	-	1	(1)	-
Interest rate swaps	-	(2)	(2)	1	(23)	(22)
Ineffective portion of hedging swap	22	(17)	5	9	(13)	(4)
Embedded derivatives	-	(6)	(6)	-	(1)	(1)
	23	**(26)**	**(3)**	**11**	**(38)**	**(27)**

  As previously reported, income and expenses deriving from fair value on interest-rate swaps no longer show a sizeable amount because of the remarkable reduction in the underlying positions. Vice versa, in 2013 expenses reflected the natural term of this instrument hedging the bond issue expired in 2013 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.

30. INCOME TAXES

Income tax expense can be broken down as follows:

	2014	*2013*
IRES (corporate income tax)	(8)	(10)
IRAP (reg. tax on production)	(74)	(78)
Other income taxes (foreign)	(125)	(117)
Tax related to previous periods	2	6
Provisions for tax disputes	(26)	(47)
Deferred tax - net	52	106
	(179)	**(140)**

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, on an optional basis, 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. Following is an analysis of the difference between the theoretical and effective tax rate for 2014 and 2013:

	2014	*2013*
Profit (loss) before income taxes	**199**	**214**
Percentage impact of Italian and foreign taxes		
IRES (net of tax receipts)	4.0%	4.7%
IRAP (reg. tax on production)	37.2%	36.4%
Other income taxes (foreign)	61.8%	54.7%
Substitute taxes		
Tax related to previous periods		(2.8%)
Provisions for tax disputes	13.1%	21.9%
Deferred tax - net	(26.1%)	(49.5%)
Effective rate	**90.0%**	**65.4%**

Deferred taxes and their related receivables and payables at 31 December 2014 were the result of the following temporary differences. In this regard we note that a part of deferred tax assets are related to tax losses valued on the basis of the expected taxable base under the company plans; specifically, these assets stem from (€mil. 200) the national tax consolidated mechanism (in relation to which around €bil. 1 losses remain not measured).

	2014			**2013**		
	Income statement			**Income statement**		
	Income	**Expences**	**Net**	**Income**	**Expences**	**Net**
Deferred tax assets on tax losses	49	32	17	57	8	49
Property, plant and equipment and intangible assets	43	23	20	51	25	26
Severance and retirement benefits	3	4	(1)	-	6	(6)
Provision for risks and impairment	166	125	41	164	139	25
Other	13	38	(25)	39	27	12
Deferred taxes recognised through profit or loss	**274**	**222**	**52**	**311**	**205**	**106**

	31 December 2014			***31 December 2013***		
	Balance sheet			**Balance sheet**		
	Assets	**Liabilities**	**Net**	**Assets**	**Liabilities**	**Net**
Deferred tax assets on tax losses	301	-	301	295	-	295
Property, plant and equipment and intangible assets	51	322	(271)	60	334	(274)
Severance and retirement benefits	16	14	2	17	13	4
Financial assets and liabilities	5	1	4	-	-	-
Provision for risks and impairment	766	-	766	715	-	715
Other	53	35	18	79	31	48
Offsetting	(133)	(133)	-	(131)	(131)	-
Deferred taxes recognised through balance sheet	**1,059**	**239**	**820**	**1,035**	**247**	**788**
Cash-flow hedge derivatives	18	4	14	1	16	(15)
On actuarial gains and losses	88	56	32	58	28	30
Deferred taxes recognised through equity	**106**	**60**	**46**	**59**	**44**	**15**
	1,165	**299**	**866**	**1,094**	**291**	**803**

31. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

During 2014 there were no effects arising from discontinued operations. In 2013 this item included the values related to the Energy group:

	2014	2013
Profit (loss) for the period	-	28
Capital gain on disposal of Ansaldo Energia	-	335
Fair Value adjustment on the residual portion in portfolio of Ansaldo Energia	-	269
	-	**632**

"Assets held for sale" and "Liabilities directly associated with assets held for sale" include assets and liabilities of the branch of business of BMB being transferred to IIA (for details on this transaction see section "Industrial and financial transactions" of the Report on Operations), in addition to a fixed asset owned by Finmeccanica Global Services in Casoria. Below is a breakdown:

	31 December 2014	31 December 2013
Non-current assets	18	-
Current assets	79	-
Assets	**97**	**-**
Adjustment to selling price	(50)	-
Assets held for sale	**47**	**-**
Non-current liabilities	(2)	-
Current liabilities	(31)	-
Liabilities associated with assets held for sale	**(33)**	**-**

32. 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.

	2014	*2013*
Average shares outstanding during the reporting period (in thousands)	578,118	578,118
Earnings for the period (excluding non-controlling interests) (€ millions)	(31)	28
Earnings from continuing operations (excluding non-controlling interests) (€ millions)	(31)	(604)
Earnings from discontinued operations (excluding non-controlling interests) (€ millions)	-	632
Basic and Diluted EPS (€)	**(0.054)**	**0.048**
Basic and Diluted EPS from continuing operations (€)	*(0.054)*	*(1.045)*
Basic and Diluted EPS from discontinued operations (€)	*n.a*	*1.093*

33. CASH FLOWS FROM OPERATING ACTIVITIES

	2014	*2013*
Net result	20	74
Amortisation, depreciation and impairment losses	751	723
Share of profits/(losses) of equity-accounted investees	(149)	(112)
Income taxes	179	140
Cost of Severance pay provision and other defined-benefit plans	62	59
Net financial expense /(income)	489	345
Net allocations to the provisions for risks and inventory write-downs	323	792
Profit from Discontinued Operations	-	(632)
Other non-monetary items	25	49
	1,700	**1,438**

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:

	2014	*2013*
Inventories	158	(191)
Contract work in progress and progress payments and advances from customers	(981)	185
Trade receivables and payables	(52)	(333)
Change in trade receivables/payables, work in progress/progress payments and inventories	**(875)**	**(339)**

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:

	2014	*2013*
Payment of pension plans	(126)	(120)
Changes in provisions for risks and other operating items	(71)	25
changes in other operating assets and liabilities	**(197)**	**(95)**

34. 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 2014	Non-current loans and receivables	Other non-current receivables	Current loans and receivables	Trade receivables	Other current receivables	Total
Unconsolidated subsidiaries						
Other with unit amount lower than €mil. 10			10	2	1	13
Associates						
Eurofighter Jagdflugzeug GmbH				99		99
NH Industries SAS				168		168
Iveco - Oto Melara Scarl				33		33
Orizzonte - Sistemi Navali SpA				26		26
Metro 5 SpA		16	5	41		62
Abruzzo Engineering Scpa (in liq.)				14		14
Società di Progetto Consortile per Azioni M4			22			22
Macchi Hurel Dubois SAS				18		18
Agustawestland Aviation Services LLC				10		10
Joint Stock Company Sukhoi Aircraft				10		10
Other with unit amount lower than €mil. 10			3	27		30
Joint Venture						
GIE ATR				72		72
Closed Joint Stock Company Helivert				58		58
MBDA SAS				30	1	31
Superjet International SpA			108	37	3	148
Thales Alenia Space SAS			1	24	1	26
Telespazio SpA	6		6	4		16
Rotorsim Srl				14		14
Balfour Beatty Ansaldo Systems JV SDN BHD						-
Other with unit amount lower than €mil. 10				11		11
Consortiums						
Saturno				21		21
Other with unit amount lower than €mil. 10			3	33		36
Companies subject to the control or considerable influence of the MEF						
Ferrovie dello Stato				98		98
Other			3	78		81
Total	**6**	**16**	**161**	**928**	**6**	**1,117**
% against total for the period	***15.8%***	***13.8%***	***78.2%***	***20.4%***	***1.5%***	

RECEIVABLES at 31 December 2013	**Non-current loans and receivables**	**Other non-current receivables**	**Current loans and receivables**	**Trade receivables**	**Other current receivables**	**Total**
Unconsolidated subsidiaries						
Other with unit amount lower than €mil. 10			8	4	1	13
Associates						
Eurofighter Jagdflugzeug GmbH				187		187
NH Industries SAS				111		111
BCV Investment SCA	272			1		273
Iveco - Oto Melara Scarl				51		51
Metro 5 SpA		10	3	26		39
Abruzzo Engineering Scpa (in liq.)				22		22
Macchi Hurel Dubois SAS				11		11
Other with unit amount lower than €mil. 10		2	9	55	1	67
Joint Venture						
Superjet International S.p.A.			90	10	2	102
GIE ATR				54		54
Closed Joint Stock Company Helivert				53		53
MBDA SAS				30		30
Thales Alenia Space SAS			4	28	1	33
Rotorsim Srl				14		14
Other with unit amount lower than €mil. 10	8		9	13	4	34
Consortiums						
Ferroviario Vesuviano				14		14
Other with unit amount lower than €mil. 10			2	31	2	35
Companies subject to the control or considerable influence of the MEF						
Ferrovie dello Stato				114		114
Other				92		92
Total	**280**	**12**	**125**	**921**	**11**	**1,349**
% against total for the period	***90.3%***	***16.2%***	***67.2%***	***21.0%***	***3.4%***	

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

PAYABLES at 31 December 2014	**Non-current loans and borrowings**	**Other non-current borrowings**	**Current loans and borrowings**	**Trade payables**	**Other current payables**	**Total**	**Guarantees**
Unconsolidated subsidiaries							
Other with unit amount lower than €mil. 10			1	23	1	25	
Associates							
Eurofighter Jagdflugzeug GmbH			68			68	
Consorzio Start SpA				14		14	
Iveco Fiat/Oto Melara S.c.a.r.l.				11	6	17	
Other with unit amount lower than €mil. 10			3	13	2	18	
Joint Venture							
MBDA SAS			345	14	1	360	62
GIE ATR				1	108	109	
Rotorsim Srl				17		17	
Thales Alenia Space SAS				3		3	1
Telespazio SpA				2	5	7	237
Superjet International SpA				1	16	17	7
Other with unit amount lower than €mil. 10			1	8		9	
Consortiums							
Other with unit amount lower than €mil. 10				3	1	4	
Companies subject to the control or considerable influence of the MEF							
Ferrovie dello Stato				27		27	
Other	6		7	11	6	30	
Total	**6**	**-**	**425**	**148**	**146**	**725**	**307**
% against total for the period	***0.1%***	***n.a.***	***57.5%***	***3.5%***	***8.8%***		

PAYABLES at 31 December 2013	**Non-current loans and borrowings**	**Other non-current borrowings**	**Current loans and borrowings**	**Trade payables**	**Other current payables**	**Total**	**Guarantees**
Unconsolidated subsidiaries							
Other with unit amount lower than €mil. 10			6	13	2	21	
Associates							
Eurofighter Jagdflugzeug GmbH			69	13		82	
Consorzio Start SpA				26		26	
Other with unit amount lower than €mil. 10			2	31	6	39	
Joint Venture							
MBDA S.A.S.			363	15	1	379	62
Thales Alenia Space SAS			160	3		163	1
GIE ATR				22	73	95	
Rotorsim Srl				14		14	
Telespazio SpA				1	4	5	218
Superjet International SpA				2	14	16	6
Other with unit amount lower than €mil. 10				8		8	
Consortiums							
Other with unit amount lower than €mil. 10				6	1	7	
Companies subject to the control or considerable influence of the MEF							
Ferrovie dello Stato				24		24	
Other	13		16	12	6	47	
Total	**13**	**-**	**616**	**190**	**107**	**926**	**287**
% against total for the period	***0.3%***	***n.a.***	***67.7%***	***4.9%***	***6.9%***		

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

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

Current loans and receivables from related parties mainly refer to receivables from joint ventures.; the same is for trade payables.

Borrowings from related parties include in particular the amount of €mil. 345 (€mil. 523 at 31 December 2013) due by Group companies to the joint venture MBDA (at 31 December 2013 the payable chiefly related to the JVs MBDA and Thales Alenia Space), and payables of €mil. 68 (€mil. 69 at 31 December 2013) to Eurofighter, of which Alenia Aeronautica owns 21%. As regards the latter, under a cash pooling agreement its surplus cash and cash equivalents are distributed among the partners.

Income statement transactions at 31 December 2014	**Revenue**	**Other operating income**	**Costs**	**Other operating costs**	**Financial income**	**Financial expenses**
Unconsolidated subsidiaries						
Finmeccanica UK Ltd			11			
Other with unit amount lower than €mil. 10	1		13			
Associates						
Eurofighter Jagdflugzeug GmbH	868					
NH Industries SAS	444	12				
Orizzonte - Sistemi Navali SpA	203					
Iveco-Oto Melara Scarl	121		10	1		4
Macchi Hurel Dubois SAS	47					
Metro 5 SpA	23	1				
Consorzio Start SpA			13			
Other with unit amount lower than €mil. 10	37		16		1	1
Joint Venture						
GIE ATR	304					
MBDA SAS	87					4
Thales Alenia Space SAS	51		3			
Telespazio SpA			16		1	
Superjet International SpA	20				2	
Closed Joint Stock Company Helivert	15	1	1			
Balfour Beatty Ansaldo SY. JV SDN BHD	10					
Rotorsim Srl		2	20			
Other with unit amount lower than €mil. 10	5	1	7		1	
Consortiums						
MM4	20					
Saturno	19					
Other with unit amount lower than €mil. 10	5		7			
Companies subject to the control or considerable influence of the MEF						
Ferrovie dello Stato	470					
Other	108	1	34	1	1	
Total	**2,858**	**18**	**151**	**2**	**6**	**9**
% against total for the period	***19.5%***	***2.8%***	***1.1%***	***0.3%***	***2.3%***	***1.2%***

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

Income statement transactions at 31 December 2013	**Revenue**	**Other operating income**	**Costs**	**Other operating costs**	**Financial income**	**Financial expenses**
Unconsolidated subsidiaries						
Finmeccanica UK Ltd			10			
Other with unit amount lower than €mil. 10	1		13			
Associates						
Eurofighter Jagdflugzeug GmbH	882					
N.H. Indutries S.a.r.l.	313					
Orizzonte Sistemi Navali S.p.A.	188					
Iveco-Oto Melara S.c.a.r.l.	126		5	2		4
Metro 5 SPA	36					
Macchi Hurel Dubois S.a.S.	31					
Advanced Air Traffic Syst. SDH BHD	12					
Euromids S.a.S.	10		1			
Consorzio START S.p.A.	1		16			1
Automation Integrated Solution S.p.A			9			
Altre inferiori a €mil.10	25	1	18			
Joint Venture						
Gie Atr	234		55			
MBDA S.a.S.	72		3			2
Thales Alenia Space S.a.S.	37		2			
Closed Joint Stock Company Helivert	29	1	1			
Balfour Beatty Ansaldo Syst. JV SDN BHD	16					
Superject International Spa	13				1	
Aviation Training International Ltd.						
Telespazio SpA	3		23		1	
Rotorsim SRL	2	6	22			
Rotorsim USA	2		9			
Other with unit amount lower than €mil. 10		1	1		1	
Consortiums						
Saturno	8		2			
Other with unit amount lower than €mil. 10	13		5			
Companies subject to the control or considerable influence of the MEF						
Ferrovie dello Stato	364		4			
Other	131		18	1	1	
Total	**2,549**	**9**	**217**	**3**	**4**	**7**
% against total for the period	***18.6%***	***1.1%***	***1.7%***	***0.3%***	***1.0%***	***1.0%***

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

The most significant trade receivables and revenues 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.

35. 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. 5,770 at 31 December 2014 the fixed-rate percentage amounted to around 87%, while the floating-rate percentage is around 13%

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.

At 31 December 2014, the outstanding transactions were the following:

- *interest-rate swap 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 2014 is as follows:

	Notional		Underlying	Fair value	Changes			Fair value
	2014	**2013**	**(maturity)**	**01.01.2014**	**Income**	**Expense**	**CFH Reserve**	**31.12.2014**
IRS fixed/floating/fixed	200	200	Bond 2018	4	-	-	-	4
Options	200	200	Bond 2025	(3)	-	(2)	-	(5)
IRS fixed/floating/fixed	-	-	Bond 2013	-	-	-	-	-
Other (net)	-	-		-	-	-	-	-
Total notional	**400**	**400**		**1**	**-**	**(2)**	**-**	**(1)**

	Notional		Underlying	Fair value	Changes			Fair value
	2013	**2012**	**(maturity)**	**01.01.2013**	**Income**	**Expense**	**CFH Reserve**	**31.12.2013**
IRS fixed/floating/fixed	200	200	Bond 2018	5	-	(1)	-	4
Options	200	200	Bond 2025	(4)	1	-	-	(3)
IRS fixed/floating/fixed	-	750	Bond 2013	22	-	(22)	-	-
Other (net)	-	225		-	-	-	-	-
Total notional	**400**	**1,375**		**23**	**1**	**(23)**	**-**	**1**

The table below shows the effects of the sensitivity analysis for 2014 and 2013 deriving from the 50-basis-point shift in the interest-rate at the reporting date:

Effect of shift of interest rate curve	**31 December 2014**		**31 December 2013**	
	Increase of 50 bps	Decrease of 50 bps	Increase of 50 bps	Decrease of 50 bps
Net result	-	-	(1)	-
Equity (*)	-	-	(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 4.2).

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 2014, the Finmeccanica Group had outstanding foreign exchange transactions totalling €mil. 6,362 (notional amount) (an increase of around 21% over the year-earlier period) as reported in the table below. Overall, the average euro/US dollar exchange rate for hedging purposes is 1.31 on sales and about 1.32 on purchases, relating in particular to Alenia Aermacchi, whose exposure represents about 70% of the Group's portfolio hedging transaction risk.

	Notional			Fair value	Changes			Fair value
	Sales	Purchases	Total	01.01.2014	Income	Expense	CFH Reserve	31.12.2014
Swap and forward transactions	3,419	2,943	**6,362**	**50**	23	(23)	(105)	**(55)**

	Notional			Fair value	Changes			Fair value
	Sales	Purchases	Total	01.01.2013	Income	Expense	CFH Reserve	31.12.2013
Swap and forward transactions	2,291	2,970	**5,261**	**7**	10	(16)	49	**50**

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

	31 December 2014				31 December 2013			
	Notional Receipts		Notional Paymens		Notional Receipts		Notional Paymens	
	USD	GBP	USD	GBP	USD	GBP	USD	GBP
Cash-flow and fair-value hedges								
Within 1 year	2,582	6	1,355	1,345	2,224	13	1,253	1,476
2 to 3 years	1,480	12	725	13	368		447	4
4 to 9 years	301	8	3	6	130		22	2
Total	**4,363**	**26**	**2,083**	**1,364**	**2,722**	**13**	**1,722**	**1,482**
Hedging transactions which cannot be classified as hedging transactions	458	10	474	3	207	7	216	
Total transactions	**4,821**	**36**	**2,557**	**1,367**	**2,929**	**20**	**1,938**	**1,482**

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 (USD) and the pound sterling (GBP) and, 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 2014 (1.2141 and 0.7789, respectively), and 31 December 2013 (1.3791 and 0.8337, respectively.

	31 December 2014				31 December 2013			
	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 50 bps	Decrease of 50 bps	Increase of 50 bps	Decrease of 50 bps	Increase of 50 bps	Decrease of 50 bps	Increase of 50 bps	Decrease of 50 bps
Net result	5	(5)	(4)	7	-	1	(3)	3
Equity (*)	(1)	1	49	(52)	(6)	8	27	(29)

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

<u>*Translation risk*</u>

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 19.

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 optimizing 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 "Financial Transactions" section of the Report on Operations). As a result of this new issue, the average maturity of the bond debt is about 8 years.

Following said last transaction, at 31 December 2014 the EMTN (Euro Medium Term Program) program, 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. 3,664, 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.

With regard to all the bond issues placed on the market by the Luxembourg subsidiary Finmeccanica Finance, it should be noted that Finmeccanica SpA, as part of the process to gradually centralising all its financial activities, replaced Finmeccanica Finance SA as issuer of the outstanding bonds, taking advantage of this option provided for by the Euro Medium Term Programme (EMTN) under which the bonds were issued. The replacement, duly resolved and communicated to the markets in November 2014, was completed upon the deadline for each interest payment, the final one occurring on 21 January 2015. As of today, Finmeccanica SpA is the issuer of all the bonds denominated in euros and pound sterling placed on the market under the EMTN programme.

Furthermore, Finmeccanica, in order to finance its own ordinary and extraordinary operations, can use the cash and cash equivalents of €mil. 1,495 reported at 31 December 2014, related to the Parent Company Finmeccanica (€mil. 745), to Group companies that, for different reasons, do not fall within the scope of the treasury centralization (€mil. 346) and for the remaining part, to cash amounts of the companies falling, directly or indirectly, within the scope of the treasury centralization (also as a result of collections made in the very last days of the period), and to deposits made for different reasons.

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). Finmeccanica, taking advantage of the favourable financial market situation in terms of liquidity and applicable rates, refinanced its credit facility ahead of schedule on 9 July 2014, and, at the same time, paid off the previous loan, reducing the amount of the credit facility to €mil. 2,200 and extending its maturity date to 9 July 2019. At 31 December 2014 the credit line, regulated by the financial covenants described in the “Financial Transactions” section, was entirely unused.

Finmeccanica had additional unconfirmed short-term lines of credit of €mil. 590, which also were entirely unused at 31 December 2014.

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 2014 Finmeccanica had unconfirmed credit lines for an amount of about €mil. 2,800 at banks. Finally, as reported in the following paragraph, owing to the nature of the Group’s customers, which involves longer collection times than in other sectors, the Group enters into factoring transactions typically under terms which enable the derecognition of the receivables sold.

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. When possible, the Group hedges against potential defaults of its customers by entering into insurance policies with leading Export Credit Agencies (ECAs) internationally and with major Italian agencies (eg. SACE).

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 2014, we note the following relations with countries exposed to credit risk according to the international institutions:

€mil.	**Libya**	**Pakistan**	**Other countries**	**Total**
Assets	266	29	16	311
Liabilities	248	-	15	263
Net exposure	**18**	**29**	**1**	**48**

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 2014 and 2013, with most of the balance claimed, as indicated, from public-sector contractors or contractors belonging to public institutions:

(€ billions)	**31 December 2014**	**31 December 2013**
Portion due	2.6	2.5
- of which: for more than 12 months	*0.8*	*0.5*
Portion not yet due	1.9	1.9
Total trade receivables	**4.5**	**4.4**

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. 244 (€mil. 496 at 31 December 2013) include €mil. 38 (€mil. 310 at 31 December 2013) classified as “non-current” and consequently excluded from the net financial position. In particular, the non-current portion relates to the cash-in of €mil. 239 of the hybrid financial instruments issued by the investees BCV Investment and Avio SpA, as part of the process of disposal by the latter of the motor engine business which resulted in BCV being put into liquidation and the transfer of Avio's shares to the shareholder Finmeccanica, while the current portion mainly refers to the financing to other related parties, as shown in the table below:

Loans and receivables

	31 December 2014	31 December 2013
Loans and receivables from related parties	6	280
Other loans and receivables	32	30
Non-current loans and receivables	**38**	**310**
Loans and receivables from related parties	161	125
Other loans and receivables	45	61
Current loans and receivables	**206**	**186**
Total loans and receivables	**244**	**496**

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 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 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 2014			31 December 2013		
	Level 2	Level 3	**Total**	Level 2	Level 3	**Total**
Other non-current assets	-	124	124	-	389	389
Other assets	488	-	488	111	-	111
Other non-current liabilities	-	207	207	-	168	168
Other current liabilities	542	-	542	52	40	92

36. REMUNERATION TO KEY MANAGEMENT PERSONNEL

Remuneration paid to persons who have strategic power and responsibility of the Parent is €mil. 10 (€mil. 4 at 31 December 2013), of which €mil 6 as indemnity paid for termination of employment.

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 and Manager with strategic responsibility) came to €mil. 1 for 2014 and 2013. 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 AAS SA	Grace Hollogne (Belgium)	EUR	500,000		100	100
AGUSTAWESTLAND AUSTRALIA PTY LTD	Sydney (Australia)	AUD	400,000		100	100
AGUSTAWESTLAND DO BRASIL LTDA	Sao Paulo (Brazil)	BRL	11,817,172		100	100
AGUSTAWESTLAND ESPANA SL	Madrid (Spain)	EUR	3,300		100	100
AGUSTAWESTLAND HOLDINGS LTD	Yeovil, Somerset (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 PHILADELPHIA CO	Wilmington, Delaware (USA)	USD	20,000,000		100	100
AGUSTAWESTLAND POLITECNICO ADVANCED ROTORCRAFT CENTER SC A RL	Milan	EUR	400,000		80	80
AGUSTAWESTLAND PORTUGAL SA	Lisbon (Portugal)	EUR	100,000		100.00	100.00
AGUSTAWESTLAND PROPERTIES LTD	Yeovil, Somerset (UK)	GBP	100		100	100
AGUSTAWESTLAND SPA	Rome	EUR	702,537,000	100		100
ALENIA AERMACCHI SPA	Rome	EUR	250,000,000	100		100
ALENIA AERMACCHI NORTH AMERICA INC	Wilmington, Delaware (USA)	USD	44		100	100
ANSALDO RAILWAY SYSTEM TRADING (BEIJING) LTD	Beijing (China)	USD	1,500,000		100	40
ANSALDO STS AUSTRALIA PTY LTD	Birsbane (Australia)	AUD	5,025,885		100	40
ANSALDO STS BEIJING LTD	Beijing (China)	EUR	836,945		80	32.05
ANSALDO STS CANADA INC	Kingstone, Ontario (Canada)	CAD	-		100	40.07
ANSALDO STS DEUTSCHLAND GMBH	Munich (Germany)	EUR	26,000		100.00	40.07
ANSALDO STS DO BRASIL SISTEMAS DE TRANSPORTE FERROVIARIO E METROPOLITANO LTDA	Fortaleza (Brazil)	BRL	1,000,000		100	40.06
ANSALDO STS ESPANA SAU	Madrid (Spain)	EUR	1,500,000		100	40.07
ANSALDO STS FRANCE SAS	Les Ulis (France)	EUR	5,000,000		100.00	40.07
ANSALDO STS HONG KONG LTD	Hong Kong (China)	HKD	100,000		100	40.07
ANSALDO STS IRELAND LTD	Tralee (Ireland)	EUR	100,309		100	40.07
ANSALDO STS MALAYSIA SDN BHD	Petaling Jaya (Malaysia)	MYR	3,000,000		100	40.07
ANSALDO STS SOUTHERN AFRICA (PTY) LTD	Gaborone (Botswana)	BWP	100		100	40.07
ANSALDO STS SWEDEN AB	Solna (Sweden)	SEK	4,000,000		100	40.07
ANSALDO STS TRANSPORTATION SYSTEMS INDIA PRIVATE LTD	Bangalore (India)	INR	4,212,915,050		100	40.07
ANSALDO STS UK LTD	London (UK)	GBP	1,000,000		100	40.07
ANSALDO STS SPA	Genoa	EUR	80,000,000	40		40.07
ANSALDO STS USA INC	Wilmington, Delaware (USA)	USD	1		100	40.07
ANSALDO STS USA INTERNATIONAL CO	Wilmington, Delaware (USA)	USD	1,000		100.00	40.07
ANSALDOBREDA ESPANA SLU	Madrid (Spain)	EUR	3,010		100	100.00
ANSALDOBREDA INC	San Francisco (USA)	USD	5		100	100.00
ANSALDOBREDA SPA	Naples	EUR	55,839,139	100		100.00
AUTOMATISMES CONTROLES ET ETUDES ELECTRONIQUES SAS (ACELEC)	Les Ulis (France)	EUR	167,694		100	40
BREDAMENARINIBUS SPA	Bologna	EUR	1,300,000	100		100
CISDEG SPA	Rome	EUR	120,000		100	100
DRS C3 & AVIATION COMPANY	Wilmington, Delaware (USA)	USD	1		100	100.00
DRS CONSOLIDATED CONTROLS INC	Wilmington, Delaware (USA)	USD	1		100	100
DRS DEFENSE SOLUTIONS LLC	Wilmington, Delaware (USA)	USD	-		100.00	100.00
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 NETWORK & IMAGING SYSTEMS LLC ex DRS RSTA 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 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 LIMITED	Farnham, Surrey (UK)	GBP	1,000		100	100
DRS TECHNICAL SERVICES GMBH & CO KG	Stuttgart (Germany)	EUR	-		100	100
DRS TECHNICAL SERVICES INC	Baltimore, 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	100
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		100.00	100.00
DRS TRAINING & CONTROL SYSTEMS LLC	Tallahassee (USA)	USD	510		100	100
DRS TSI INTERNATIONAL LLC	Wilmington, Delaware (USA)	USD	-		100	100
DRS UNMANNED TECHNOLOGIES INC	Wilmington, Delaware (USA)	USD	1		100	100
ED CONTACT SRL	Rome	EUR	600,000		100	100
ELECTRON ITALIA SRL	Rome	EUR	206,582		100	100
ENGINEERED COIL COMPANY	Jefferson City (USA)	USD	1,000		100	100
ENGINEERED SUPPORT SYSTEMS INC	Jefferson City (USA)	USD	1		100	100
E - SECURITY SRL	Chieti (Perugia)	EUR	128,000		100	100
ESSI RESOURCES LLC	Frankfort (USA)	USD	-		100	100
FATA ENGINEERING SPA	Pianezza (Turin)	EUR	1,092,000		100	100
FATA GULF CO WLL	Doha (Qatar)	QAR	200,000		49	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	100.00		100.00
FINMECCANICA FINANCE SA	Luxembourg (Luxembourg)	EUR	12,371,940	100		100
FINMECCANICA GLOBAL SERVICES 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	100.00		100.00
MECCANICA REINSURANCE SA	Luxembourg (Luxembourg)	EUR	4,000,000		100	100
OTO MELARA IBERICA SAU	Loriguilla, Valencia (Spain)	EUR	120,000		100	100
OTO MELARA NORTH AMERICA LLC ex (INC.)	Wilmington, Delaware (USA)	USD	10,000		100	100
OTO MELARA SPA	Rome	EUR	92,307,722	100		100
PCA ELECTRONIC TEST LTD	Grantham, Lincolnshire (UK)	GBP	1		100	100
PIVOTAL POWER INC	Halifax, Nova Scotia (Canada)	CAD	-		100	100
REGIONALNY PARK PRZEMYSLOWY SWIDNIK SP Z OO	Mechaniczna 13 - U1, Swidnik (Poland)	PLN	7,072,000		74	73
SELEX ELSAG LTD	Basildon, Essex (UK)	GBP	25,800,100		100	100
SELEX ES DO BRASIL LTDA	Rio de Janeiro (Brazil)	BRL	5,686,457		100	100

SELEX ES GMBH	Neuss (Germany)	EUR	2,500,000		100.00	100.00
SELEX ES INDIA PRIVATE LTD	New Delhi (India)	INR	30,100,000		100	100
SELEX ES INTERNATIONAL LTD	Basildon, Essex (UK)	GBP	60,000,000		100	100
SELEX ES LTD	Basildon, Essex (UK)	GBP	270,000,100		100	100
SELEX ES MUAS SPA	Ronchi dei Legionari (Gorizia)	EUR	150,000		100	100
SELEX ES ELKTRONIK TURKEY AS	Ankara (Turkey)	TRY	45,557,009		100	100
SELEX ES INC ex SELEX SYSTEMS INTEGRATION INC	Wilmington, Delaware (USA)	USD	1		100	100
SELEX ES ROMANIA SRL	Bucharest (Romania)	RON	42,370		100	100
SELEX ES SPA	Rome	EUR	1,000,000	100		100
SELEX ES SAUDI ARABIA LTD (EX SELEX GALILEO SAUDI ARABIA COMPANY LTD)	Riyadh (Saudi Arabia)	SAR	500,000		100	100
SELEX GALILEO INC	Wilmington, Delaware (USA)	USD	17,750,000		100	100
SELEX SERVICE MANAGEMENT SPA	Rome	EUR	3,600,000		100	100
SELEX SISTEMI INTEGRATI SPA (IN LIQ.)	Rome	EUR	143,110,986		100	100
SELEX SYSTEMS INTEGRATION LTD	Basildon, Essex (UK)	GBP	71,500,001		100	100
SC ELETTRA COMMUNICATIONS SA	Ploiesti (Romania)	RON	10,847,960		100	100
SIRIO PANEL SPA	Montevarchi (Arezzo)	EUR	447,228		100	100
SO.GE.PA. - SOCIETA` GENERALE DI PARTECIPAZIONI SPA	Rome	EUR	1,000,000	100		100
SISTEMI SOFTWARE INTEGRATI SPA	Taranto	EUR	1,664,000		100.00	100.00
T - S HOLDING CORPORATION	Austin, Texas (USA)	USD	280,000		100	100
TECH-SYM LLC	Reno, Nevada (USA)	USD	10		100	100
TTI TACTICAL TECNOLOGIES INC (ex 8841845 CANADA INC.)	Ottawa (Canada)	CAD	2,500,001		100	100
UNION SWITCH & SIGNAL INC	Wilmington, Delaware (USA)	USD	1,000		100	40
VEGA CONSULTING SERVICES LTD	Welwyn Garden City, Herts (UK)	GBP	1,098,839		100	100
VEGA DEUTSCHLAND GMBH	Cologne (Germany)	EUR	25,700		100	100.00
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	Rome	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		95	95
WYTWORNIA SPRZETU KOMUNIKACYJNEGO ``PZL-SWIDNIK`` SPOLKA AKCYJNA	Aleja Lotnikow, Swidnik (Poland)	PLN	86,006,050		98	98
ZAKLAD OBROBKI PLASTYCZNEJ SP Z OO	Kuznicza 13 - U1, Swidnik (Poland)	PLN	3,800,000		100.00	98.46

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

Company name	*Registered office*	*Currency*	*Share capital*	*% Group ownership* *Direct*	*Indirect*	*% Group shareholding*
ADVANCED MALE AIRCRAFT LLC	Al Ain, Muwaiji (United Arab Emirates)	AED	200,000		49.00	49.00
AGUSTAWESTLAND UK PENSION SCHEME (TRUSTEE) LTD	Yeovil, Somerset (UK)	GBP	1		100	100
ANSALDOBREDA FRANCE SAS (IN LIQ)	Marseille (France)	EUR	200,000		100	100
CCRT SISTEMI SPA (IN FALL)	Milan	EUR	697,217		30.34	30.34
ELSACOM - UKRAINE JOINT STOCK COMPANY	Kiev (Ukraine)	UAH	7,945,000		49.00	49.00
INDUSTRIE AERONAUTICHE E MECCANICHE RINALDO PIAGGIO SPA (AMM.STR.)	Genoa	UAH	7,945,000		49.00	49.00
INMOVE ITALIA SRL (EX SPA)	Naples	EUR	264,000	18.94	18.94	25.19
SAITECH SPA (IN FALL)	Passignano sul Trasimeno (Perugia)	EUR	2,582,284		40.00	40.00
SEL PROC SRL (IN LIQ.)	Rome	EUR	300,000		100.00	100.00
SESM - SOLUZIONI EVOLUTE PER LA SISTEMISTICA E I MODELLI - SC A RL	Giuliano in Campania (Na)	EUR	323,440		100	100
CHONGQING CHUANYI ANSALDOBREDA RAILWAY TRANSPORT. EQUIP.CO.LTD	Chongqing (China)	CNY	50,000,000		50.00	50.00

List of companies consolidated using the equity method (amounts in foreign currency)

Company name	*Registered office*	*Currency*	*Share capital*	*% Group ownership* *Direct*	*Indirect*	*% Group shareholding*
A4ESSOR SAS	Neuilly Sur Seine (France)	EUR	100,000		21.00	21.00
ABRUZZO ENGINEERING SCPA (IN LIQ)	L'Aquila	EUR	1,100,000		30.00	30.00
ABU DHABI SYSTEMS INTEGRATION LLC	Abu Dhabi (United Arab Emirates)	AED	1,150,000		43.04	43.04
ADVANCED ACOUSTIC CONCEPTS LLC	Wilmington, Delaware (USA)	USD	-		51.00	51.00
ADVANCED AIR TRAFFIC SYSTEMS SDN BHD	Kuala Lumpur (Malaysia)	MYR	5,000,000		30.00	30.00
AGUSTAWESTLAND AVIATION SERVICES LLC	Abu Dhabi (United Arab Emirates)	AED	10,000		30.00	30.00
ALENIA NORTH AMERICA-CANADA CO	Halifax, Nova Scotia (Canada)	CAD	1		100	100
ALIFANA DUE SCRL	Naples	EUR	25,500		53.34	21.37
ALIFANA SCRL	Naples	EUR	25,500		65.85	26.38
AMSH BV	Rotterdam (the Netherlands)	EUR	36,296,316	50.00		50.00
ANSALDO-EMIT SCRL (IN LIQ)	Genoa	EUR	10,200		50.00	50.00
AVIO SPA	Turin	EUR	40,000,000	14.32		14.32
CONSORZIO ATR GIE e SPE	Toulouse (France)	USD	-		50.00	50.00
AUTOMATION INTEGRATED SOLUTIONS SPA	Pianezza (Turin)	EUR	100,000		40.00	40.00
AVIATION TRAINING INTERNATIONAL LTD	Sherborne (UK)	GBP	550,000		50.00	50.00
BALFOUR BEATTY ANSALDO SYSTEMS JV SDN BHD	Kuala Lumpur (Malaysia)	MYR	6,000,000		40.00	16.03
BRITISH HELICOPTERS LTD	Yeovil, Somerset (UK)	GBP	6		100	100
CARDPRIZE TWO LIMITED	Basildon, Essex (UK)	GBP	1		100	100
CLOSED JOINT STOCK COMPANY HELIVERT	Moscow (Russia)	RUR	10,000		50.00	50.00
COMLENIA SENDIRIAN BERHAD	Selangor Darul Ehsan (Malaysia)	MYR	1,500,000		30.00	30.00
CONSORZIO START SPA	Rome	EUR	100,000		43.96	43.96
DATTILO - DISTRETTO ALTA TECNOLOGIA TRASPORTI E LOGISTICA S.C. A R.L.	Naples	EUR	100,000		24.00	15.61
DEVELOPMENT & INNOVATION IN TRANSPORT SYSTEMS SRL	Rome	EUR	40,000		24.00	16.81
DISTRETTO TECNOLOGICO AEROSPAZIALE SC A RL	Brindisi	EUR	150,000		24.00	24.00
E - GEOS SPA	Matera	EUR	5,000,000		80.00	53.60
ECOSEN CA	Caracas (Venezuela)	VEF	1,310,000		48.00	20.23
ELETTRONICA SPA	Rome	EUR	9,000,000	31.33		31.33
ELSACOM NV (IN LIQ.)	Amsterdam (the Netherlands)	EUR	4,537,802		100	100
EUROFIGHTER AIRCRAFT MANAGEMENT GMBH	Hallbergmoos (Germany)	EUR	127,823		21	21
EUROFIGHTER INTERNATIONAL LTD	Farnborough (UK)	GBP	2,000,000		21.00	21.00
EUROFIGHTER JAGDFLUGZEUG GMBH	Hallbergmoos (Germany)	EUR	2,556,459		21.00	21.00
EUROFIGHTER SIMULATION SYSTEMS GMBH	Hallbergmoos (Germany)	EUR	260,000		24.00	24.00
EUROMIDS SAS	Paris (France)	EUR	40,500		25.00	25.00
EUROSYSNAV SAS	Paris (France)	EUR	40,000	50.00		50.00
EUROTECH SPA	Amaro (Udine)	EUR	8,878,946	11.08		11.08
FATA HUNTER INDIA PVT LTD	New Delhi (India)	INR	500,000		100	100.00
FATA (SHANGHAI) ENGINEERING EQUIPMENT CO. LTD	Shanghai (China)	CNY	100,000		100.00	100.00
FINMECCANICA DO BRASIL LTDA	Brasilia (Brazil)	BRL	1,203,200	100.00		100.00
FINMECCANICA NORTH AMERICA INC	Dover, Delaware (USA)	USD	1,000	100		100
FINMECCANICA UK LTD	Yeovil, Somerset (UK)	GBP	1,000	100		100
GAF AG	Munich (Germany)	EUR	256,000		100	54
IAMCO - INTERNATIONAL AEROSPACE MANAGEMENT COMPANY SCRL	Mestre (Venice)	EUR	208,000		25	25
ICARUS SCPA	Turin	EUR	10,268,400		49	49
IMMOBILIARE CASCINA SRL	Gallarate (Varese)	EUR	46,800		100	100.00
INDIAN ROTORCRAFT LTD	Hyderabad (India)	INR	429,337,830		26	26.00
INTERNATIONAL METRO SERVICE SRL	Milan	EUR	700,000		49.00	19.63
IM INTERMETRO SPA (IN LIQ)	Rome	EUR	2,461,320		33.33	23.34
IVECO - OTO MELARA SC A RL	Rome	EUR	40,000		50	50

JIANGXI CHANGHE AGUSTA HELICOPTER CO LTD	Zone Jiangxi Province (China)	USD	6,000,000		40.00	40.00
JOINT STOCK COMPANY SUKHOI CIVIL AIRCRAFT	Moscow (Russia)	RUB	13,132,381,000	5.90	5.90	
KAZAKHSTAN TZ-ANSALDOSTS ITALY LLP	Astana (Kazakhstan)	KZT	22,000,000		49.00	19.63
LIBYAN ITALIAN ADVANCED TECHNOLOGY CO	Tripoli (Libya)	EUR	8,000,000	25.00	25.00	50.00
LMATTS LLC	Wilmington, Delaware (USA)	USD	100		100.00	100.00
MACCHI HUREL DUBOIS SAS	Versailles (France)	EUR	100,000		50.00	50.00
MBDA SAS	Paris (France)	EUR	53,824,000		50.00	25.00
METRO 5 SPA (*)	Milan	EUR	50,000,000		31.90	17.16
METRO BRESCIA SRL	Brescia	EUR	1,020,408		24	13
METRO DE LIMA LINEA 2 SA	Lima (Peru)	PEN	166,200,000		28.50	18.37
MUSINET ENGINEERING SPA	Turin	EUR	520,000		49.00	49.00
N2 IMAGING SYSTEMS LLC	Wilmington, Delaware (USA)	USD	-		30.00	30.00
NHINDUSTRIES (SAS)	Aix en Provence (France)	EUR	306,000		32.00	32.00
NGL PRIME SPA	Turin	EUR	120,000	30.00		30.00
ORIZZONTE - SISTEMI NAVALI SPA	Genoa	EUR	20,000,000		49.00	49.00
OTO MELARA DO BRASIL LTDA	Rio de Janeiro (Brazil)	BRL	1,500,000		100.00	100.00
PEGASO SCRL (IN LIQ.)	Rome	EUR	260,000		46.87	18.78
RARTEL SA	Bucharest (Romania)	RON	468,500		61.06	40.91
ROTORSIM SRL	Sesto Calende (Varese)	EUR	9,800,000		50.00	50.00
ROTORSIM USA LLC	Wilmington, Delaware (USA)	USD	12.607.452		50	50
SAPHIRE INTERNATIONAL AVIATION & ATC ENGINEERING CO LTD	Beijing (China)	USD	800,000		65.00	65.00
SELEX ES AUSTRALIA PTY LTD	Canberra (Australia)	AUD	2		100.00	100.00
SELEX ES ELECTRO OPTICS (OVERSEAS) LTD	Basildon, Essex (UK)	GBP	15,000		100.00	100.00
SELEX ES INFRARED LTD	Basildon, Essex (UK)	GBP	2		100.00	100.00
SELEX ES (PROJECTS) LTD	Basildon, Essex (UK)	GBP	100		100.00	100.00
SELEX PENSION SCHEME (TRUSTEE) LTD	Basildon, Essex (UK)	GBP	100		100.00	100.00
SEVERNYJ AVTOBUS ZAO	Saint Petersburg (Russia)	RUB	84,000		35	35
SIRIO PANEL INC	Dover, Delaware (USA)	USD	10,000		100	100
SISTEMI DINAMICI SPA	Pisa	EUR	200,000		40	40
SOCIETA' DI PROGETTO CONSORTILE PER AZIONI M4	Milan	EUR	120,000		34	24
SPACEOPAL GMBH	Munich (Germany)	EUR	500,000		50	34
SUPERJET INTERNATIONAL SPA	Tessera (Venice)	EUR	6,424,411		51	51.00
CONSORZIO TELAER	Rome	EUR	103,291		100.00	67.52
CONSORZIO TELAER - SISTEMI DI TELERILEVAMENTO AEREO	Rome	EUR	120,000		62	47
TELESPAZIO ARGENTINA SA	Buenos Aires (Argentina)	ARS	9,900,000		100.00	66.96
TELESPAZIO BRASIL SA	Rio de Janeiro (Brazil)	BRL	58,724,000		98.77	66.18
TELESPAZIO FRANCE SAS	Toulouse (France)	EUR	33,670,000		100.00	67.00
TELESPAZIO HUNGARY SATELLITE TELECOMMUNICATIONS LTD	Budapest (Hungary)	EUR	100,000		100.00	67.00
TELESPAZIO IBERICA SL	Barcelona (Spain)	EUR	2,230,262		100	67.00
TELESPAZIO NORTH AMERICA INC	Dover, Delaware (USA)	USD	10		100.00	67.00
TELESPAZIO SPA	Rome	EUR	50,000,000	67		67.00
TELESPAZIO VEGA DEUTSCHLAND GMBH	Darmstadt (Germany)	EUR	44,150		100.00	67.00
TELESPAZIO VEGA UK LTD	Luton (UK)	GBP	30,000,100		100	67.00
TELESPAZIO VEGA UK SL	Madrid (Spain)	EUR	3,100		100	67.00
THALES ALENIA SPACE SAS	0	EUR	979,240,000	33		33.00
WIN BLUEWATER SERVICES PRIVATE LIMITED	New Delhi (India)	INR	12,000,000		100	99.99
XAIT SRL (IN LIQ.)	Ariccia (Rome)	EUR	50,000		100	100.00
ZAO ARTETRA	Moscow (Russia)	RUB	353,000		51	51.00

(*): shares under pledge

Below are the main changes in the scope of consolidation at 31 December 2014 in comparison with 31 December 2013:

COMPANY	EVENT	MONTH
Companies which entered the scope of consolidation:		
Ansaldo STS Do Brasil Sistemas De Transporte Ferroviari	newly established	February 2014
Metro De Lima Linea 2 SA	newly established	April 2014
8841845 Canada Inc.	newly established	August 2014
Chongqing Chuanyi Ansaldobreda Railway Trans.Eq.CO.Ltd	newly established	September 2014
Companies which left the scope of consolidation:		
SELEX Sistemi Integrati De Venezuela SA (in liq.)	deconsolidated	January 2014
Net Service Srl	sold	April 2014
Elsacom Hungaria KFT (in liq.)	deconsolidated	June 2014
Ansaldo STS Sinosa Rail Solutions South Africa (PTY) Ltd	became a minority stake	August 2014
Elsacom SpA (in liq.)	deconsolidated	November 2014
Merged companies:		
AgustaWestland N.V.	AgustaWestland Spa	January 2014
Elsag North America LLC	Selex ES Inc.	January 2014
Selex Communications Inc.	Selex ES Inc.	January 2014
Orangee Srl	Selex ES Spa	January 2014
Cyberlabs Srl	Selex ES Spa	January 2014
AgustaWestland Tilt Rotor Company Inc.	AgustaWestland Philadelphia Co.	December 2014
Ansaldo STS USA International Projects CO..	Ansaldo STS USA International CO..	December 2014

Companies which changed their name:

Old name	New name	Month
Selex Systems Integration Inc.	Selex ES Inc.	January 2014
Selex Sistemi Integrati Spa	Selex Sistemi Integrati Spa (in liq.)	March 2014
Oto Melara North America Inc.	Oto Melara North America LLC	April 2014
Xait Srl	Xait Srl (in liq.)	May 2014
Sel Proc Srl	Sel Proc Srl (in liq.)	May 2014
Grupo Aurensis S.A. De C.V.	Grupo Aurensis S.A. De C.V.(in liq.)	May 2014
Servicios Tecnicos Y Specializados Y De Informacion S.A. De C.V.	Servicios Tecnicos Y Specializados Y De Informacion S.A. De C.V. (in liq.)	May 2014
Elsacom NV	Elsacom NV (in liq.)	June 2014
8841845 Canada Inc.	TTI Tactical Technologies Inc.	December 2014
Selex Galileo Saudi Arabia Company Ltd.	Selex Es Saudi Arabia Ltd.	December 2014

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

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

Statement on the consolidated financial statements pursuant to art. 154-bis, paragraph 5 of Legislative Decree 58/98 as amended

1. The undersigned Mauro Moretti Chief Executive Officer and General Manager, and Gian Piero Cutillo as the Officer in charge of Financial Reporting for Finmeccanica 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 2014.

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, 18 March 2015

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

Independent Auditors' Report on the consolidated financial statements at 31 December 2014

(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 2014, 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 included in the prior year consolidated financial statements. We audited such financial statements and issued our report thereon on 31 March 2014. We have examined the methods used to restate the prior year corresponding figures and related disclosures for the purposes of expressing an opinion on the consolidated financial statements at 31 December 2014.

3 In our opinion, the consolidated financial statements of the Finmeccanica Group as at and for the year ended 31 December 2014 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 2014, 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 consolidated financial statements with regard to the judicial investigations involving certain subsidiaries of Finmeccanica S.p.a., as well as certain former directors and managers of those companies and of Finmeccanica S.p.a..

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 shareholding structure, published in the "*Governance"* section of Finmeccanica S.p.a.'s 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 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 shareholding structure 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 shareholding structure are consistent with the consolidated financial statements of the Finmeccanica Group as at and for the year ended 31 December 2014.

Rome, 25 March 2015

KPMG S.p.A.

(signed on the original)

Renato Naschi
Director of Audit

Separate financial statements at 31 December 2014

Finmeccanica – Società per azioni

Accounting statements to the separate financial statements as at 31 December 2014

Separate income statement

Euro	*Note*	***2014***	*of which with related parties*	***2013***	*of which with related parties*
Revenue	*22*	63,965,218	*63,511,035*	67,017,120	*66,260,554*
Other operating income	*23*	13,951,547	*9,935,373*	94,241,671	*12,055,485*
Purchase and personnel expense	*24*	(153,362,664)	*(40,774,852)*	(153,202,995)	*(46,400,444)*
Amortisation, depreciation and impairment losses	*25*	(10,806,422)		(15,760,251)	
Other operating expenses	*23*	(14,888,850)	*(78,725)*	(15,410,555)	*(368,429)*
Income before tax and financial expenses		**(101,141,171)**		**(23,115,010)**	
Financial income	*26*	481,301,544	*124,037,307*	766,298,279	*110,624,837*
Financial expene	*26*	(524,645,361)	*(208,744,640)*	(1,121,858,890)	*(224,694,265)*
Operating profit (loss) before income taxes and discontinued operations		**(144,484,988)**		**(378,675,621)**	
Income taxes	*27*	3,157,141		23,257,501	
Net profit/(loss) for the period		**(141,327,847)**		**(355,418,120)**	

Statement f comprehensive income

Euro	*Note*	**2014**	**2013**
Profit (loss) for the period		**(141,327,847)**	**(355,418,120)**
Other comprehensive income (expense):			
Comprehensive income/expense which will not be subsequently reclassified within the profit (loss) for the period:			
- Measurement of defined-benefit plans - revaluation	*18*	(578,515)	271,664
Comprehensive income/expense which will or might be subsequently reclassified within the profit (loss) for the period:		-	-
Total other comprehensive income (expense), net of tax:		**(578,515)**	**271,664**
Total comprehensive income		**(141,906,362)**	**(355,146,456)**

Statement of financial position

Euro	*Note*	***31 December 2014***	*of which with related parties*	***31 December 2013***	*of which with related parties*
Intangible assets		5,298,393		3,023,483	
Property, plant and equipment	*8*	47,451,451		56,970,138	
Investment property	*8*	106,396,157		99,520,829	
Equity investments	*9*	7,493,570,346		7,456,125,593	
Receivables	*10*	68,778,123	*67,872,172*	219,697,231	*219,697,231*
Deferred tax assets	*27*	36,255,230		36,255,230	
Other non current assets	*10*	136,214,276	-	402,044,389	-
Non-current assets		**7,893,963,976**		**8,273,636,893**	
Trade receivables	*11*	75,753,960	*75,065,661*	59,603,786	*56,984,315*
Income tax receivables	*12*	92,305,985		91,540,915	
Loans and receivables	*11*	2,772,570,191	*2,772,530,422*	2,467,226,132	*2,467,188,937*
Other assets	*13*	532,580,035	*27,510,261*	276,710,905	*59,213,665*
Cash and cash equivalents	*14*	744,832,302		761,151,435	
Current assets		**4,218,042,473**		**3,656,233,173**	
Total assets		**12,112,006,449**		**11,929,870,066**	
Share capital		2,524,859,141		2,524,859,141	
Other reserves		1,209,590,853		1,350,745,545	
Total equity	***15***	**3,734,449,994**		**3,875,604,686**	
Loans and borrowings (non current)	*16*	2,430,146,077	-	3,741,716,048	*2,875,075,955*
Employee benefits	*18*	3,536,569		4,143,719	
Provisions for risks and charges	*17*	145,491,540		122,085,823	
Other non-current liabilities	*19*	112,481,237	-	104,217,665	-
Non-current liabilities		**2,691,655,423**		**3,972,163,255**	
Trade payables	*20*	84,947,442	*51,727,257*	81,871,404	*32,920,648*
Loans and borrowings (current)	*16*	4,597,078,969	*4,523,027,671*	3,261,297,342	*3,190,796,350*
Income tax payables	*12*	15,494,411		17,054,520	
Provisions for short-term risks and charges	*17*	97,244,690		154,900,187	
Other current liabilities	*19*	891,135,520	*490,969,103*	566,978,672	*386,128,999*
Current liabilities		**5,685,901,032**		**4,082,102,125**	
Total liabilities		**8,377,556,455**		**8,054,265,380**	
Total liabilities and equity		**12,112,006,449**		**11,929,870,066**	

Statement of Cash flows

Euro	*Note*	***2014***	*of which with related parties*	***2013***	*of which with related parties*
Gross cash flows from operating activities	*28*	(74,740,505)		(75,895,204)	
Change in working capital		(11,470,137)	*722,262*	33,595,214	*20,530,214*
Change in other operating assets and liabilities and provisions for risks and charges		84,329,008	*152,229,488*	113,524,164	*30,632,000*
Interest paid		(146,125,028)	*(78,414,473)*	(167,749,591)	*(132,603,760)*
Income taxes paid		(1,085,425)	-	(7,835,361)	-
Cash flows used in operating activities		**(149,092,087)**		**(104,360,778)**	
Sale of Ansaldo Energia		-		273,822,889	
Cash in from Avio		233,745,362		-	
Investments in property, plant and equipment and intangible assets		(5,739,747)		(8,897,393)	
Sales of property, plant and equipment and intangible assets		30,920		-	
Dividends received	*26*	243,242,110		216,201,271	
Other investing activities		(184,331,513)	-	(567,854,519)	-
Cash flows used in investing activities		**286,947,132**		**(86,727,752)**	
Repayment of EIB loan		(46,320,346)		(46,320,346)	
Net change in other loans and borrowings		(118,942,104)	*(131,149,850)*	(213,280,745)	*(234,640,713)*
Dividends paid		-		-	
Cash flows generated from financing activities		**(165,262,450)**		**(259,601,091)**	
Net increase (decrease) in cash and cash equivalents		(27,407,405)		(450,689,621)	
Exchange rate differences and other changes		11,088,271		(7,645,284)	
Cash and cash equivalents at 1 January		761,151,436		1,219,486,341	
Cash and cash equivalents at 31 December		**744,832,302**		**761,151,436**	

Statement of changes in equity

Euro	Share capital	Retained earnings	Revaluation reserve of defined-benefit plans	Other reserves	Total equity
1 January 2013	**2,524,859,141**	**1,701,283,728**	**554,217**	**4,054,056**	**4,230,751,142**
Profit (loss) for the period		(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)**
Dividends resolved					-
Total transactions with owners of the parent, recognised directly in equity	**-**	**-**	**-**	**-**	**-**
Other changes					-
31 December 2013	**2,524,859,141**	**1,345,865,608**	**825,881**	**4,054,056**	**3,875,604,686**
1 January 2014	**2,524,859,141**	**1,345,865,608**	**825,881**	**4,054,056**	**3,875,604,686**
Profit (loss) for the period		(141,327,847)			(141,327,847)
Other comprehensive income (expense)			(578,515)		(578,515)
Total comprehensive income (expense)	**-**	**(141,327,847)**	**(578,515)**	**-**	**(141,906,362)**
Dividends resolved	-	-	-	-	-
Total transactions with owners of the parent, recognised directly in equity	**-**	**-**	**-**	**-**	**-**
Other changes	-	745,543	-	6,127	751,670
31 December 2014	**2,524,859,141**	**1,205,283,304**	**247,366**	**4,060,183**	**3,734,449,994**

Notes to the separate financial statements at 31 December 2014

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, currently 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 at 31 December 2014 were prepared in accordance with the international accounting standards (IFRS) endorsed by the European Commission, pursuant to Regulation (EC) 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, drawn up under the going-concern assumption, are the same that were used in the preparation of the separate financial statements at 31 December 2013 except for what indicated below (Note 4).

Preparation of the separate financial statements required management to make certain estimates. The main areas affected by estimates or assumptions of particular importance or that have significant effects on the balances shown are described in Notes 4.5 and 4.6 to the Consolidated Financial Statements, to which reference is made.

The Board of Directors of 18 March 2015 resolved to submit to shareholders the draft financial statements at 31 December 2014, authorizing their circulation at the same date. The Board convened the Ordinary Shareholders' Meeting for the approval thereof for 8 and 11 May 2015, 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 S.p.A.

3. ACCOUNTING PRINCIPLES 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 2014 the Company has adopted the following new accounting standards:

- IAS 27 Revised (separate financial statements): the standard has been revised, with the approval of IFRS 10, which limits the scope of its application to the separate financial statements;
- IAS 32 Amendment (Financial Instruments - Presentation): the standard provides guidance on when financial assets and liabilities can be offset;

- IFRS 12 (Disclosure of Interests in Other Entities): the standard requires a wide range of disclosures in the explanatory notes regarding any interests an entity may hold in other entities, including associates, joint ventures, special purpose vehicles, and other unconsolidated structured entities;
- IAS 36 (Recoverable Amount Disclosures for Non-Financial Assets): the standard requires disclosures in the explanatory notes about the recoverable amount of impaired assets, in the event that the same has been determined based on fair value less sales costs and costs of disposal.

5. SIGNIFICANT NON-RECURRING EVENTS OR TRANSACTIONS

We report no significant non-recurring events or transactions.

6. SIGNIFICANT POST-BALANCE SHEET EVENTS

On 24 February 2015, Finmeccanica reached an agreement with the Japanese Hitachi group for the sale of Finmeccanica's businesses in the rail transport sector. The agreement, which marks the completion of Finmeccanica's disposal plan in place since 2011, requires that Finmeccanica transfers its stake in Ansaldo STS (equal to 40% of the share capital) and AnsaldoBreda's businesses in the rolling stock segment (excluding revamping activities, which are of minor importance, and other remaining contracts, which will remain within the Group) to Hitachi. Once the usual conditions for these types of transactions are met, Finmeccanica will receive directly the payment for the Ansaldo STS's shares (€mil. 773, subject to adjustments in case the 2015 dividend is collected before the closing of the transaction), while the other subsidiaries involved in the transaction will cash €mil. 36 subject to price adjustments. As a result of this transaction, Finmeccanica will recognise in its financial statements a significant reduction of its debt and a capital gain (Ansaldo STS's shares have a carrying amount of €mil. 44), whose final amount will be determined based on the results of the price adjustment mechanism at the closing and of the compensation and variable fees as assessed. The agreement will make it possible for Finmeccanica to focus on its core *Aerospace, Defence and Security* sectors and will also allow the businesses sold to become part of a global group with expertise in their sectors. Once the transaction is completed, Hitachi will launch, as required by the current regulations, a takeover bid for the remainder of Ansaldo STS (approximately 60% of the share capital).

7. SEGMENT REPORTING

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 PROPERTY

	Property, plant and equipment				Investment property
	Land and buildings	Plant and machinery	Other tangible assets	Total	
1 January 2013					
Cost	93	7	21	121	190
Amortisation, depreciation and impairment losses	(48)	(5)	(12)	(65)	(90)
Carrying amount	45	2	9	56	100
Investments	-	-	5	5	2
Depreciation	(2)	-	(1)	(3)	(4)
Other changes	-	-	(1)	(1)	1
31 December 2013	43	2	12	57	99
broken down as follows:					
Cost	93	7	25	125	190
Amortisation, depreciation and impairment losses	(50)	(5)	(13)	(68)	(91)
Carrying amount	43	2	12	57	99
Investments	2	-	1	3	2
Depreciation	(2)	-	(1)	(3)	(5)
Other changes	(1)	(1)	(8)	(10)	10
31 December 2014	42	1	4	47	106
broken down as follows:					
Cost	95	7	17	119	201
Amortisation, depreciation and impairment losses	(53)	(6)	(13)	(72)	(95)
Carrying amount	42	1	4	47	106

Property, plant and equipment mainly relate to the building of the main office of the Company (€mil. 26). Investment property includes the buildings that Finmeccanica leased to its subsidiaries.

9. EQUITY INVESTMENTS

	2014			**2013**		
	Equity investments	**Risk provisions**	**Total**	**Equity investments**	**Risk provisions**	**Total**
1 January	**7,456**	**(121)**	**7,335**	**7,633**	**(161)**	**7,472**
Acquisitions/subscriptions and capital increases	57	121	**178**	414	155	**569**
Impairment net of transfers from provisions	(69)	(57)	**(126)**	(317)	(121)	**(438)**
Disposals			**-**	(274)		**(274)**
Other changes	50	-	**50**		6	**6**
31 December	**7,494**	**(57)**	**7,437**	**7,456**	**(121)**	**7,335**

Appendices no. 1 and 2 to these Notes provide, respectively, the changes that occurred in the year, as required by the Italian Civil Code, and detailed information on equity investments showing the total of assets and liabilities are, as required by IFRS 12.

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 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 are projected beyond the explicit time horizon covered by the plan according to the perpetuity growth method (the so-called terminal value) using growth rates ("g-rate") no greater than those forecast for the market in which the given investment operates (2% in 2014 and 2013). The cash flows used were those provided for in the plans, adjusted in order to exclude the effects of future business restructurings, not yet approved, or future investments for improving future performance. Specifically, such flows are those 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 drop in these rates justifies the overall decrease of WACCs compared with 2013:

- the risk-free rate, calculated using the gross yield of government bonds of the geographic market of the investment at 31 December 2014 (for Italy the gross 10-year yield was used). The decrease in such rates gives reasons for the total decrease in WACC compared to 2013;
- the market premium, calculated using a 5.5% value (increased from 2013 to consider the effect deriving from the drop in rates), except for the Defence and Security Electronics sector, for which the abovementioned risk premium rose to 6%, to take account of the performance of the reference markets in the last few years;
- 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:

- actions regarding AnsaldoBreda Spa (€mil. 150) and BredaMenarinibus SpA (€mil. 27) taken as a consequence of the use of the risk provision accrued at 31 December 2013 and partly following the adjustment of the book value of the equity investments;

- impairments for the period relating to BredaMenarinibus (€mil. 62), to AnsaldoBreda (€mil. 50) and to Finmeccanica Finance (€mil. 13) reduced the carrying amount of the equity investments by €mil. 69 and required accruals to the risk provision in the amount of €mil. 57 to cover the negative equity of the first two companies;
- assignment by BCV Investments S.C.A. in liquidation of the pro-quota shares held by this company in Avio SpA (14.32% owned by Finmeccanica) to shareholders.

The impairment of BredaMenarinibus became necessary not only in consequence of the negative performance of the company but also to take into account the effects of the agreement reached with Industria Italiana Autobus for the sale of the company's activities. The impairment of AnsaldoBreda was due to the negative performance of this company which, despite showing improvements from previous years, continues to post negative financial and earnings results. The writedown of Finmeccanica Finance S.A. was required following the implementation of the programme to centralise the financial operations of the Group; in 2014 this also entailed the transfer of certain credit and debit financial positions to Finmeccanica S.p.a. from Finmeccanica S.A.. This transfer will be completed in the first months of 2015 (see Note 16).

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 2014:

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 €mil.
Ansaldo STS SpA	56,091,757	8.319	467	0.781	44	7,538	423
Eurotech SpA	3,.936,461	1.648	6	1.469	6	0.18	1

10. RECEIVABLES AND OTHER NON CURRENT ASSETS

	31 December 2014	*31 December 2013*
Financing to third parties	1	1
Related party receivables (Note 29)	68	220
Non-current receivables	**69**	**221**
BCV financial instruments	-	284
Other non current assets	12	-
Fair value of the residual portion in portfolio of Ansaldo Energia	124	117
Non-current assets	**136**	**401**

The decrease is due to the termination of the financial instruments issued by the investee BCV Investments S.C.A., now in liquidation, as regards the sale of the assets related to the AVIO engine division, a company controlled by BCV, which have been partly collected during the year (€mil. 234) and partly converted in the Avio S.p.A. shares.

The fair value of 15% of the share capital of Ansaldo Energia, and the related put&call options, will be sold upon the exercise of the put&call options by the parties, at a pre-arranged price of €mil. 117 (€mil 124 at 31

December 2014) 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.

Other non-current assets mainly include pre-paid financial expenses (€mil. 12) incurred for the obtainment of the new revolving credit line of €mil. 2,200 (expiring in July 2019).

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 2014		*31 December 2013*	
	Trade	Financial	Trade	Financial
Receivables	15	-	16	-
Cumulative impairments	(14)	-	(13)	-
Related party current receivables (Note 29)	75	2,773	57	2,467
	76	2,773	60	2,467

The composition of assets by currency and geographical area is 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 2014		***31 December 2013***	
	Receivables	**Payables**	**Receivables**	**Payables**
For income taxes	92	15	91	17

Receivables mainly relate to IRES receivables under the consolidated tax mechanism for which a request for refund has been claimed (€mil. 70 at 31 December 2014). Payables for €mil. 15 relate to 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. 5, 6, 9 and 10 to these Notes.

13. OTHER CURRENT ASSETS

	31 December 2014	*31 December 2013*
Derivatives	349	149
Prepaid expenses - current portion	25	5
Receivables from employees and social security	1	1
Indirect tax receivables	116	58
Other related party receivables (Note 29)	28	59
Other assets	14	5
	533	**277**

Indirect tax receivables, equal to €mil. 116 (€mil. 58 at 31 December 2013), mainly represent VAT receivables transferred from companies participating in the Group VAT mechanism.

Prepayments include the portion of the Group’s insurance premiums, paid in advance.

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 table below provides the breakdown of derivatives.

	31 December 2014		*31 December 2013*	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Forward forex instruments	331	330	136	136
Derivatives covering debt items	15	-	9	-
Interest rate swaps	3	4	4	2
	349	**334**	**149**	**138**

“Forward instruments” include 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. Finmeccanica is the counterparty to the Group companies on forex hedging transactions, carrying out “pass-through” activities with banks on behalf of the companies (€mil. 133 at 31 December 2013). 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 that incur the related costs.

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. 3,150 and GBPmil. 400. The impact on the income statement is described in the section on Financial Risk Management (Note 31).

The portion of the changes that had an impact on the income statement is described in Note 26.

14. CASH AND CASH EQUIVALENTS

The balance of "Cash and cash equivalents" at the end of the year, equal to €mil. 745 (€mil. 761 at 31 December 2013), 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 equity broken down by available and distributable reserves is shown in appendix no. 7 to these Notes.

The composition of the share capital is as follows:

	Number of ordinary shares	Par value	Treasury shares	Costs incurred (net of tax effect)	Total
Outstanding shares	578,150,395	2,544	-	(19)	2,525
Treasury shares	(32,450)	-	-	-	-
31 December 2013	**578,117,945**	**2,544**	**-**	**(19)**	**2,525**
Outstanding shares	578,150,395	2,544	-	(19)	2,525
Treasury shares	(32,450)	-	-	-	-
31 December 2014	**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 2014 the Ministry of Economy and Finance owned around 30.204% of the share capital, Deutsche Bank Trust Company Americas 3.600% and Libyan Investment Authority 2.010% of the shares. Moreover, Fmr LLC owned 2.133% of the shares on a discretionary fund management basis.

Other reserves refer to legal reserve for €mil. 214, extraordinary reserve for €mil. 391, retained earnings for €mil. 745 and loss of the period for €mil. (141).

16. LOANS AND BORROWINGS

	31 December 2014			31 December 2013		
	Non current	Current	Total	Non current	Current	Total
Bonds	2,106	24	2,130	496	19	515
Bank loans and borrowings	324	50	374	371	50	421
Related party loans and borrowings (Note 29)	-	4,523	4,523	2,875	3,191	6,066
Other loans and borrowings	-	-	-	-	1	1
	2,430	**4,597**	**7,027**	**3,742**	**3,261**	**7,003**

Bonds

Under the programme to centralise its financial activities, in December 2014 Finmeccanica replaced its subsidiary Finmeccanica Finance SA as issuer of the following bonds, and at the same time paid off the previous loans for the same amount ahead of schedule, which loans had been raised using the proceeds from the abovementioned bond issues:

- €mil. 500 issued in 2003 with maturity of 2018 (coupon of 5.75% and IRR of 5.85%);
- GBPmil. 400 (€mil. 512) issued in 2009 with maturity of 2019 (coupon of 8.00% and IRR of 8.1%);
- €mil. 600 issued in 2012 with maturity of 2017 (coupon of 4.375% and IRR of 4.41%).

In January 2015, the following bonds were transferred, with the simultaneous elimination of the debtor position of Finmeccanica Finance.

- €mil. 600 issued in 2009 with maturity of 2022 (coupon of 5.25%);
- €mil. 950 issued in 2013 with maturity of 2021 (coupon of 4.50%).

Bank loans and borrowings

The item mainly includes the 12-year loan signed with the European Investment Bank (EIB) in 2009 (€mil. 347 compared to €mil. 421 at 31 December 2013) 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 €mil. 46 was repaid, as in 2013.

Related party loans and borrowings

These decrease mainly for the reduction of payables to the subsidiary Finmeccanica Finance SA, in relation to the above mentioned process for the centralisation of the financial activities at the parent company.

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

	Bonds		Bank loans and borrowings		Related party loans and borrowings		Other loans and borrowings		Total	
31 December 2014	variabile	fisso	variabile	fisso	variabile	fisso	variabile	fisso	variabile	fisso
Within 1 year	-	24	20	30	2,942	1,581	-		2,962	1,635
2 to 5 years		1,610	76	109					76	1,719
Beyond 5 years	-	496	57	82	-		-		57	578
Total	**-**	**2,130**	**153**	**221**	**2,942**	**1,581**	**-**	**-**	**3,095**	**3,932**

	Bonds		Bank loans and borrowings		Related party loans and borrowings		Other loans and borrowings		Totale	
31 December 2013	variabile	fisso	variabile	fisso	variabile	fisso	variabile	fisso	variabile	fisso
Within 1 year	-	19	19	31	3,178	13	1		3,198	63
2 to 5 years			76	109		1,697			76	1,806
Beyond 5 years	-	496	77	109	-	1,178	-		77	1,783
Total	**-**	**515**	**172**	**249**	**3,178**	**2,888**	**1**	**-**	**3,351**	**3,652**

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

	31 December 2014	*of which with related parties*	***31 December 2013***	*of which with related parties*
Liquidity	**(744)**		**(761)**	
Current loans and receivables	**(2,773)**	*(2,773)*	**(2,467)**	*(2,467)*
Current bank loans and borrowings	50		50	
Current portion of non-current loans and borrowings	24		19	
Other current loans and borrowings	4,523	*4,523*	3,192	*3,191*
Current financial debt	**4,597**		**3,261**	
Net current financial debt (funds)	**1,080**		**33**	
Non-current bank loans and borrowings	324		371	
Bonds issued	2,106		496	
Other non-current loans and borrowings	-	-	2,875	*2,875*
Non-current financial debt	**2,430**		**3,742**	
Net financial debt	**3,510**		**3,775**	

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

	Note	***31 December 2014***	***31 December 2013***
Net financial debt com. CONSOB no. DEM/6064293		3,510	3,775
Fair value of the residual portion in portfolio of Ansaldo Energia	*10*	(124)	(117)
Hedging derivatives in respect of debt items		(15)	(9)
Net debt (KPI)		**3,371**	**3,649**

17. PROVISIONS FOR RISKS AND CHARGES AND CONTINGENT LIABILITIES

	Taxes	Guarantees given	Disputes	Other provisions	Total
1-gen-13					
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)**
Other changes	-	-	-	-	**-**
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**
Allocations	5	-	10	64	**79**
Uses	(6)	(5)	(2)	(121)	**(134)**
Reversals	-	-	(1)	-	**(1)**
Other changes	-	22	(1)	1	**22**
31 December 2014	**11**	**123**	**24**	**85**	**243**
Broken down as follows:					
Current	10	-	14	73	**97**
Non current	1	123	10	12	**146**
	11	**123**	**24**	**85**	**243**

Provisions for the year, classified by nature on the basis of the related cost component, mainly refer to equity investments (€mil. 57 in 2014 and €mil. 121 in 2013) included in other provisions (for the related changes reference should be 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 due to the lack of jurisdiction of the Court involved. On 11 May 2007, Reid served Finmeccanica and So.Ge.Pa. 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.

For the appearance before the Court, Finmeccanica filed 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 and So.Ge.Pa. 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 was completed in December 2013 and on 20 November 2014 the Court issued its decision on the question of jurisdiction, rejecting the objection raised by Finmeccanica and So.Ge.Pa.. The case will proceed on the merits. However, it should be noted that there was a finding of the inexistence of the rights claimed by the plaintiff and that the case is currently pending before the Court of Appeal of Rome;

- the dispute commenced before the Santa Maria Capua Vetere Court in February 2011 by G.M.R. SpA, as the sole shareholder of Firema Trasporti against Finmeccanica and AnsaldoBreda, 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.

  At the hearing held on 22 April 2014, the plaintiff pleaded the existence of another legal action brought before the Court of Naples by Firema Trasporti in Extraordinary Administration, against the directors, statutory auditors and independent auditors of Firema Trasporti SpA asking that they be found liable and convicted – each with regard to their position – for the harm caused to the company and be ordered to pay damages in the amount of around €mil. 51. In the course of such proceedings, the two former directors, Giorgio and Gianfranco Fiore, in turn, brought a third-party action against AnsaldoBreda and Finmeccanica, accusing them of abusing their power of management and coordination based upon the arguments put forth by GMR in the matter brought before the Court of Santa Maria Capua Vetere. Given these circumstances, GMR has requested that the two actions be joined. AnsaldoBreda and Finmeccanica opposed this request and urged the Court to grant its previous motion that the Court lacks jurisdiction.

On 28 October 2014, the Court of Santa Maria Capua Vetere granted the motion put forth by Finmeccanica and AnsaldoBreda, finding that it lacked jurisdiction and that instead the Court of Naples was the competent forum.

With regard to the action brought before the Court of Naples by Firema Trasporti in Extraordinary Administration, on 19 November 2014 the Court issued a decision finding the claims made by Giorgio and Gianfranco Fiore against Finmeccanica and AnsaldoBreda to be inadmissible and therefore they were removed from the lawsuit.

Last 2 March 2015, GMR, as third-party intervener, appealed against the aforesaid order of removal from the lawsuit;

- the proceedings instituted on 4 March 2013 before the Court of Rome by Mr. Pio Maria Deiana, on his own account and in his capacity as Director of Janua Dei Srl and of Società Progetto Cina Srl against Finmeccanica in order to ask the Court to establish the invalidity of the settlement agreement signed in December 2000 by 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). The aforementioned agreement had settled, by way of conciliation, the action brought 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. A minority shareholder of Società Progetto Cina Srl and a minority shareholder of Società Janua Dei Italia Srl intervened in the case, respectively, at the hearings of 14 May 2014 and 25 September 2014. Next hearing has been scheduled for 16 July 2015;
- 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.

Finally, with regard to risks, a number of Group companies and certain former directors as well as executives of Group companies or of Finmeccanica S.p.a. itself were and still are the subject of criminal proceedings. The details on the proceedings relating to Group companies can be found in Note 20 of the consolidated financial statements at 31 December 2014

Below is a summary of the proceedings that are currently being conducted, with specific reference to the events that occurred in 2014 and in early 2015.

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.

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 violations pursuant to Articles 110, 319, 319-bis, 320 and 321 of the Criminal Code in relation to Article 322-bis, paragraph 2(2) of the Criminal Code (corruption of foreign public officials). 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. The main hearing is under way.

Public Prosecutor's Office of Busto Arsizio - India. with regard to the criminal proceedings 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) against Finmeccanica Spa, AgustaWestland SpA and AgustaWestland Ltd pursuant to Article 25 of Legislative Decree no. 231/2001 (corruption), in relation to the offences under Articles 110, 112, paragraph 1, 319, 321 and 322-bis of the Italian Criminal Code (corruption of foreign public officials) in the form of immediate trial (*giudizio immediato*) described more fully hereinafter - on 25 July 2014 the Public Prosecutor, in accordance with Article 58 of Legislative Decree no.

231/2001, dismissed the case against Finmeccanica, determining, based upon investigations conducted, that there were no factual or legal grounds to find that the Company was involved. Furthermore, the Public Prosecutor also acknowledged that, since 2003, the Company has adopted, implemented, and regularly updated a Compliance Model that, in the abstract, is suited to preventing the types of crimes alleged, focusing on aspects of compliance to ensure that there are appropriate standards of honest and ethical behaviour.

With regard to this investigation, on the same date, AgustaWestland SpA and AgustaWestland Ltd, along with the Public Prosecutor, requested the application of administrative penalties pursuant to Articles 63 of Legislative Decree no. 231/2001 and 444 et seq. of the Criminal Procedure Code. On 28 August 2014, the Judge for Preliminary Investigations (GIP, *Giudice delle Indagini Preliminari*) of the Court of Busto Arsizio – in granting the motions put forth by the companies – imposed administrative penalties amounting to €thous. 80 for AgustaWestland SpA and €thous. 300 for AgustaWestland Ltd, through a decision issued under Article 444 of the Criminal Procedure Code, and ordered the confiscation of the equivalent of €mil. 7.5, both amounts recognised in the consolidated financial statements at 31 December 2014.

In the course of the same investigation, on 10 July 2014 the Public Prosecutor requested that the charges against certain persons involved (a manager and a former manager of AgustaWestland SpA and the former head of Finmeccanica's office in India) be dismissed, asserting insufficient evidence of a causal link to the facts underlying the crimes charged.

Actions taken by Finmeccanica and the companies involved are described in the Corporate Governance Report.

Immediate trial

On 3 May 2013, the GIP of the Court of Busto Arsizio, issued, at the request for the Public Prosecutor's Office, an order for immediate trial 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 no. 78/2000.

The main trial phase has ended and at the hearings of 1 and 3 July 2014, the Public Prosecutor presented closing arguments. The defendants presented their conclusions at the hearings of 30 September, 1 and 2 October 2014. On 9 October 2014 the Court sentenced the former Chairman and Chief Executive Officer of Finmeccanica Spa and the former Chief Executive Officer of AgustaWestland SpA to a prison term of two years for having committed violations pursuant to Article 2 of Legislative Decree no. 74/2000 (having submitted fraudulent tax returns using invoices or other documents from non-existent transactions) – limited to the May 2009 – June 2010 tax period, and ordering that the amount equivalent to such non-payment of taxes (on a taxable amount of €mil. 3.4) be confiscated from AgustaWestland SpA. In the same decision, the Court found the defendants not guilty of having committed the violations pursuant to Articles 110, 112,

paragraph 1, 319, 321 and 322-*bis*, paragraph 2(2) of the Criminal Code (corruption of foreign public officials), due to lack of evidence.
The Indian Judicial Authority (CBI) also opened its own criminal investigation in late February 2013 into this matter involving 13 persons and six companies, including Finmeccanica and AgustaWestland.

Public Prosecutor's Office of Milan. Criminal proceedings are pending before the Court of Milan involving certain directors of the then-Breda Termomeccanica SpA, subsequently Ansaldo SpA, who served during the period 1973-1985, charged with having committed the crimes established by Article 589, paragraphs 1, 2 and 3, Article 40, paragraph 2, Article 41, paragraph 1, of the Criminal Code, Article 2087 of the Civil Code and Article 590, paragraphs 1, 2, 3, 4 and 5, of the Criminal Code, for violation of the rules governing the prevention of work-related illness.
At the hearing of 3 December 2014, Finmeccanica, following service of civil summons issued by the Court at the request of the civil-suit parties, filed an appearance in the civil action. The proceeding is now in the trial phase.
Two criminal proceedings concerning the awarding of the contract for the construction and management of the Control System for Waste Tracking (SISTRI) are pending.

Immediate trial

With regard to the immediate trial before **the Court of Naples** of the former External Relations Officer of Finmeccanica, the former Chief Operations Officer and a supplier of Selex Service Management, with respect to crimes established by Article 416, paragraphs 1, 2 and 5, of the Criminal Code and Articles 81-paragraph 2, 110, 319, 320 and 321 of the Criminal Code, at the hearing of 8 October 2014, the Court allowed Finmeccanica Spa and Selex Service Management SpA to bring a civil action.
At the subsequent hearing of 12 November 2014, the Court of Naples found that it lacked territorial jurisdiction and ordered the file transferred to the Rome Public Prosecutor's Office.

Immediate trial

With regard to the immediate trial before **the Court of Torre Annunziata** of the former Chairman and Chief Executive Officer of Finmeccanica, with respect to crimes established by Article 416, paragraphs 1, 2 and 5, of the Criminal Code and Articles 81-paragraph 2, 110, 319, 320 and 321 of the Criminal Code, on 12 November 2014 the Court permitted Finmeccanica SpA and Selex Service Management SpA to bring a civil action and accepted the objections raised by the parties, voiding the order for immediate trial and ordered the file forwarded to the GIP of the Court of Naples. On 18 November 2014, the GIP issued a new order for immediate trial, scheduling the first trial hearing before the Court of Naples for 13 January 2015.
At that hearing, the Court of Naples found that it lacked territorial jurisdiction and ordered the file transferred to the Rome Public Prosecutor's Office.

18. EMPLOYEE BENEFIT OBLIGATIONS

The severance pay provision amounting to €mil. 4 is unchanged in comparison with 2013. 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:

	31 December 2014	*31 December 2013*
Discount rate (annual)	1.0%	2.5%
Rate of salary increase	n.a.	n.a.
Inflation rate	1.6%	2.0%

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

	31 December 2014	
(€ thousands)	**-0.25%**	**+0.25%**
Discount rate (annual)	69	(66)
Rate of salary increase	n.a.	n.a.
Inflation rate	(47)	48

The average duration of the severance pay is 9 years.

19. OTHER NON CURRENT AND CURRENT LIABILITIES

	31 December 2014		*31 December 2013*	
	Non current	**Current**	**Non current**	**Current**
Employee obligations	2	17	2	15
Deferred income	102	28	102	6
Amounts due to social security institutions	-	13	-	13
Indirect tax liabilities	-	4	-	5
Derivatives	-	334	-	138
Other liabilities	8	4	-	4
Other payables to related parties (Note 29)	-	491	-	386
	112	**891**	**104**	**567**

The item increased as a result of the higher fair value of derivatives (Note 13).

“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 2014	*31 December 2013*
Suppliers	33	49
Trade payables to related parties (Note 29)	52	33
	85	**82**

21. 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:

	31 December 2014				*31 December 2013*			
	Operating lease		*Financial lease*		*Operating lease*		*Financial lease*	
	as lessee	**as lessor**	**as lessee**	**as lessor**	**as lessee**	**as lessor**	**as lessee**	**as lessor**
Within 1 year	5	9	-	4	6	10	-	3
2 to 5 years	6	29	-	15	7	23	-	15
Beyond 5 years	-	20	-	47	1	23	-	51

With regard to operating leases in which the Company is a lessee, commitments amounted to €mil. 3 with respect to subsidiaries and to other parties (€mil. 8), mainly for the lease of office space.

For those leases in which the Company acts as lessor, commitments amounted to €mil. 58 (€mil. 55 at 31 December 2013).

Financial leases in which the Company acts as lessor relate to the contract entered into with AgustaWestland SpA (Note 29).

Guarantees

	31 December 2014	*31 December 2013*
Guarantees in favour of related parties (Note 29)	16,516	18,434
Guarantees in favour of third parties	29	4
Other guarantees	7	5
Other guarantees for Finmeccanica Commitments	**213**	**211**
Unsecured guarantees given	**16765**	**18654**

Specifically:

- for €mil. 6,081 (€mil. 6,595 at 31 December 2013) 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. 5,872 (€mil. 6,172 at 31 December 2013), to associates for €mil. 1 (€mil. 1 at 31 December 2013), and to other Group companies and third parties for €mil. 207 (€mil. 422 at 31 December 2013);

- for €mil. 6,627 (€mil. 6,567 at 31 December 2013), 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. 5,395 (€mil. 4,506 at 31 December 2013) and to other Group companies and third parties for €mil. 1,231 (€mil. 2,061 at 31 December 2013);
- for €mil. 3,546 (€mil. 4,942 at 31 December 2013), 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 24 of the consolidated financial statements, for financial payables already recognised in the companies' financial statements. These refer to subsidiaries for €mil. 3,540 (€mil. 4,843 at 31 December 2013), and to other Group companies for €mil. 5 (€mil. 99 at 31 December 2013);
- for €mil. 299 (€mil.318 at 31 December 2013) relating to commitments by Finmeccanica to the Tax Authority primarily for reimbursements made by the latter to the Group. These entirely refer to subsidiaries.

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.

22. REVENUE

	2014	*2013*
Revenue from services	-	1
Revenue from related parties (Note 29)	64	66
	64	**67**

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

23. OTHER OPERATING INCOME (EXPENSES)

	2014			*2013*		
	Income	**Expenses**	**Net**	**Income**	**Expenses**	**Net**
Operating grants	-	-	-	1	-	1
Accruals/reversals to provisions for risks	1	(3)	(2)	74	(4)	70
Indirect taxes	-	(7)	(7)	-	(5)	(5)
Other operating income (expenses)	3	(5)	(2)	7	(6)	1
Other operating income (expenses) from/to related parties (Note 29)	10	-	10	12	-	12
	14	**(15)**	**(1)**	**94**	**(15)**	**79**

The item worsened compared to the prior year due to the release to the income statement in 2013 of a part of the provision for guarantees given.

24. PURCHASES AND PERSONNEL EXPENSE

	2014	*2013*
Services rendered by third parties	32	47
Costs of rents and operating leases	5	5
Rental fees	1	1
Services rendered by related parties (Note 29)	41	46
Services	**79**	**99**
Wages and salaries	41	42
Social security contributions	13	12
Costs related to defined-contribution plans	2	1
Restructuring costs - net	19	5
Other personnel expenses net of cost recovery	(1)	(6)
Personnel expenses	**74**	**54**
Total purchases and personnel expenses	**153**	**153**

The decrease in purchases (€mil. 22) is offset by the restructuring costs incurred as part of the reorganising process of the Company’s management.

The average workforce at 31 December 2014 numbered 279, as compared with 275 in 2013. The workforce at the end of 2014 numbered 286, down 3 from 289 at 31 December 2013, including 10 executives and other senior managers in secondment at other Operating Companies of the Group, Partnerships and institutional bodies.

The workforce breakdown is as follows:

	Average Workforce			**Total Workforce**		
	31 December 2014	*31 December 2013*	*Change*	*31 December 2014*	*31 December 2013*	*Change*
Senior managers	89	88	1	88	88	-
Middle managers	84	84	-	87	87	-
Clerical employees	106	103	3	111	114	(3)
Manual labourers	-	-	-	-	-	-
	279	**275**	**4**	**286**	**289**	**(3)**

25. AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES

	2014	*2013*
Amortisation of intangible assets	3	2
Depreciation of property, plant and equipment and investment properties (Note 8)	8	8
Impairment of operating receivables	-	6
	11	**16**

26. FINANCIAL INCOME AND EXPENSE

	2014			2013		
	Income	Expenses	Net	Income	Expenses	Net
Interest to/from banks	2	(21)	(19)	15	(30)	(15)
Interest and other charges on bonds	-	(30)	(30)	-	(26)	(26)
Commissions	1	(20)	(19)	1	(28)	(27)
Dividends	243	-	243	216	-	216
Premiums (paid) received on IRS	6	(6)	-	48	(25)	23
Premiums (paid) received on forwards	3	-	3	5	-	5
Income from equity investments and securities	-	-	-	57	-	57
Value adjustments on equity investments	-	(126)	(126)	186	(624)	(438)
Fair value gains (losses) through profit or loss	1	(2)	(1)	1	(23)	(22)
Exchange rate differences	100	(95)	5	141	(140)	1
Financial income (expense) - related parties (Note 29)	124	(209)	(85)	97	(225)	(128)
Other financial income and expense	1	(16)	(15)	-	(1)	(1)
	481	**(525)**	**(44)**	**767**	**(1,122)**	**(355)**

“Dividends” totalled €mil. 243 (€mil. 216 in 2013) and included dividends from the joint ventures of the Space sector for €mil. 145 (€mil. 34 in 2013) and the joint venture of the Defence sector for €mil. 38 (€mil. 28 in 2013).

Value adjustments of equity investments are described in Note 9.

Interest to banks increased by €mil. 4 mainly as a result of lower proceeds deriving from deposits compared to 2013. The decrease in “Commissions” is essentially due to costs incurred in 2013 for the assignment of tax receivables.

“Net premiums received on interest-rate swaps (IRS)” were equal to zero in comparison with €mil. 23 in 2013 which benefitted from the low interest rates on transactions entered into to diversify exposure on fixed-rate borrowings.

Fair value results through profit or loss are as follows:

	2014			2013		
	Income	Expenses	Net	Income	Expenses	Net
Exchange rate swap	1	-	1	-	-	-
Interest rate swaps	-	(2)	(2)	1	(22)	(21)
Ineffective portion of hedging swap	-	-	-	-	(1)	(1)
	1	**(2)**	**(1)**	**1**	**(23)**	**(22)**

Financial income (expense) from/to related parties (Note 31) 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 centralization. Financial expenses include, inter alia, €mil. 186 (€mil. 212 in 2013) 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.

27. INCOME TAXES

Income taxes can be broken down as follows:

	2014	*2013*
Benefit under consolidated tax mechanism	23	27
Tax related to previous periods	(15)	(6)
Provisions for tax disputes	(5)	(6)
Deferred tax - net	-	8
	3	**23**

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 to provisions for tax disputes of €mil. 5 refers to tax penalties related to previous years.

Following is an analysis of the composition of the theoretical and effective tax rates for 2014 and 2013:

	2014	*2013*
Profit (loss) before income taxes	**(144)**	**(379)**
Tax rate	2.0%	***6.1%***
Theoretical tax	40	104
Permanent differences	(1)	(2)
Timing differences	(37)	(7)
Non-deductible residual interest expense	(4)	(21)
Dividends	63	56
Revaluations of equity investments		51
Impairment of equity investments	(36)	(172)
Gains on equity investments	(2)	18
Net deferred tax assets		8
Tax provision	(5)	(6)
Previous years' tax	(15)	(6)
Total tax through profit or loss	**3**	**23**
Theoretical tax	**(27.5%)**	**(27.5%)**
Permanent differences not to reverse in subsequent years	0.7%	0.5%
Timing differences to reverse in subsequent years	25.7%	1.8%
Non-deductible residual interest expense	2.8%	5.5%
Total dividends from profit or loss	44.0%	(14.7%)
Revaluations of equity investments		(13.4%)
Impairment of equity investments	25.0%	45.4%
Gains on equity investments	1.4%	(4.7%)
Net deferred tax assets		(2.1%)
Tax provision	3.5%	1.8%
Current taxes of previous years	10.4%	1.3%
Total tax	**2.0%**	**6.1%**

The effective tax rate went from a positive 6.1 % in 2013 to 2.0% in 2014.

Net deferred tax assets reported in the balance sheet at 31 December 2014 basically refer to allocations made on previous tax losses that were transferred to the accounts under the consolidated taxation mechanism for €mil. 36 (€mil. 36 at 31 December 2013) and assessed on the basis of a prudent estimate of expectations for future taxable income on the national consolidated taxation mechanism.

28. CASH FLOWS FROM OPERATING ACTIVITIES

	2014	2013
Net result	(141)	(355)
Amortisation, depreciation and impairment losses	11	16
Income taxes	(3)	(23)
Net allocations to the provisions for risks	2	(70)
Net financial expense /(income)	44	355
Other non-monetary items	12	1
	(75)	**(76)**

The changes in other operating assets and liabilities are as follows:

	2014	*2013*
Changes in provisions for risks	(9)	(5)
Changes in other operating items	93	119
changes in other operating assets and liabilities	**84**	**114**

29. TRANSACTIONS WITH RELATED PARTIES

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 balance sheet amounts of 2014 and 2013:

RECEIVABLES at 31 December 2014	**Non-current loans and receivables**	**Current loans and receivables**	**Trade receivables**	**Receivables from consolidated tax mechanism**	**Other current receivables**	**Total**
Subsidiaries						
AgustaWestland SpA	63	92	15	12	-	182
Alenia Aermacchi SpA	-	371	21	-	-	392
Ansaldo STS SpA	-	10	1	-	-	11
AnsaldoBreda SpA	-	319	3	-	-	322
Bredamenarinibus SpA	-	87	-	-	-	87
Gruppo DRS	-	-	2	-	-	2
Fata SpA	-	-	1	-	-	1
Finmeccanica Finance SA	-	-	1	-	-	1
Finmeccanica Global Services SpA	-	154	3	1	-	158
Finmeccanica UK Ltd	-	5	-	-	-	5
Oto Melara SpA	-	-	2	-	-	2
Selex ES Ltd	-	-	2	-	-	2
Selex ES SpA	-	1,700	15	1	1	1,717
So.Ge.Pa.Società Generale di Partecipazione SpA	-	-	-	-	10	10
Whitehead Sistemi Subacquei SpA	-	25	1	-	-	26
Other with unit amount lower than €mil. 1	-	-	-	-	3	3
Joint Venture						
MBDA Group	-	-	1	-	-	1
Superjet International SpA	-	-	1	-	-	1
Thales Alenia Space Group	-	1	1	-	-	2
Telespazio Group	5	6	2	-	-	13
Consortiums						
Consorzio Creo	-	1	-	-	-	1
Companies subject to the control or considerable influence of the MEF						
Ansaldo Energia SpA	-	2	3	-	-	5
Total	**68**	**2,773**	**75**	**14**	**14**	**2,944**
% against total for the period	***98.6%***	***100.0%***	***98.7%***	***100.0%***	***10.7%***	

In addition to the above-mentioned receivables, we highlight 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 (€mil. 124 at 31 December 2014) 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.

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**
Gruppo DRS	-	-	3	-	-	**3**
Fata SpA	-	-	1	-	-	**1**
Finmeccanica Finance SA	-	-	1	-	-	**1**
Finmeccanica Global Services SpA	154	26	-	-	4	**184**
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 Partecipazione SpA	-	-	-	-	17	**17**
Whitehead Sistemi Subacquei SpA	-	32	2	-	-	**34**
Other with unit amount lower than €mil. 1	-	-	1	-	-	**1**
Joint Venture						
Thales Alenia Space Group	-	4	1	-	-	**5**
Telespazio Group	-	4	1	4	-	**9**
Other with unit amount lower than €mil. 1	-	-	1	-	-	**1**
Consortiums						
Consorzio Creo	-	1	-	-	-	**1**
Companies subject to the control or considerable influence of the MEF						
Ansaldo Energia SpA	-	-	2	-	-	**2**
Avio Spa	-	-	1	-	-	**1**
Other with unit amount lower than €mil. 1	-	-	1	-	-	**1**
Total	**220**	**2,467**	**57**	**9**	**50**	**2,803**
% against total for the period	***49.9%***	***100.0%***	***95.0%***	***100.0%***	***45.9%***	

PAYABLES at 31 December 2014	Non-current loans and borrowings	Current loans and borrowings	Trade payables	Payables from consolidated tax mechanism	Other current payables	Total	Guarantees
Subsidiaries							
AgustaWestland Ltd	-	-	-	-	-	-	1,607
AgustaWestland NV	-	-	-	-	-	-	
AgustaWestland Philadelphia Co	-	-	-	-	-	-	95
AgustaWestland SpA	-	239	1	-	93	333	2,520
Alenia Aermacchi North America Inc	-	-	-	-	-	-	25
Alenia Aermacchi SpA	-	1,669	3	9	90	1,771	1,873
Ansaldo STS SpA	-	-	-	-	-	-	1,864
AnsaldoBreda SpA	-	-	-	47	93	140	2,381
Bredamenarinibus SpA	-	-	-	4	3	7	
Gruppo DRS	-	-	5	-	-	5	69
Electron Italia Srl	-	-	-	-	1	1	1
E-Security Srl	-	-	-	1	-	1	
Fata Logistic Systems SpA	-	-	-	-	2	2	
Fata SpA	-	22	1	2	7	32	358
Finmeccanica do Brasil Ltda	-	-	-	-	-	-	
Finmeccanica Finance SA	-	1,670	-	-	-	1,670	1,550
Finmeccanica Global Services SpA	-	30	16	-	4	50	1
Finmeccanica North America Inc	-	-	3	-	-	3	
Finmeccanica UK Ltd	-	-	7	-	1	8	
Meccanica Holdings USA Inc	-	110	-	-	-	110	1,071
Oto Melara SpA	-	83	-	6	19	108	143
PZL-Swidnik	-	-	-	-	-	-	5
Selex ES Gmbh	-	-	-	-	-	-	33
Selex ES Ltd	-	234	-	-	5	239	65
Selex ES SpA	-	42	11	6	39	98	1,018
Selex Service Management SpA	-	-	1	-	5	6	42
Selex Sistemi Integrati SpA	-	-	-	-	17	17	4
Selex ES Inc	-	-	-	-	-	-	5
Sirio Panel SpA	-	-	-	1	3	4	2
So.Ge.Pa.Società Generale di Partecipazione SpA	-	11	-	1	2	14	4
Whitehead Sistemi Subacquei SpA	-	-	-	4	2	6	116
Other with unit amount lower than €mil. 1	-	68	3	-	1	72	
Joint Venture							
MBDA Group	-	345	-	-	-	345	62
Superjet International SpA	-	-	-	4	9	13	7
Thales Alenia Space Group	-	-	-	-	-	-	1
Telespazio Group	-	-	1	2	3	6	237
Companies subject to the control or considerable influence of the MEF							
Ansaldo Energia SpA	-	-	-	-	5	5	1,354
Ansaldo Nucleare SpA	-	-	-	-	-	-	3
Total	**-**	**4,523**	**52**	**87**	**404**	**5,066**	**16,516**
% against total for the period	***0.0%***	***98.4%***	***61.2%***	***100.0%***	***91.4%***		***100.0%***

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	-
Gruppo DRS	-	-	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-Swidnik	-	-	-	-	-	-	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 ES Inc	-	-	-	-	-	-	4
Sirio Panel SpA	-	-	-	-	2	2	6
So.Ge.Pa.Società Generale di Partecipazione SpA	-	22	-	1	1	24	6
Whitehead Sistemi Subacquei SpA	-	-	-	2	2	4	108
Other with unit amount lower than €mil. 1	-	-	1	1	1	3	
Joint Venture							
MBDA Group	-	-	-	-	-	-	61
Superjet International SpA	-	-	-	6	6	12	6
Thales Alenia Space Group	-	160	-	-	-	160	1
Telespazio Group	-	-	1	-	2	3	218
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 period	***76.8%***	***97.9%***	***40.2%***	***100.0%***	***89.3%***		***100.0%***

As regards the most important transactions we note:

- the non-current loans and receivables from AgustaWestland SpA of €mil. 63 (€mil. 66 at 31 December 2013), that refer to the lease agreement, recognised as a finance lease and recorded as a receivable accordingly, for the industrial complex owned by Finmeccanica;
- the non-current loans and borrowings from the Luxembourg subsidiary of the Group, Finmeccanica Finance SA (€mil. 1,669 at 31 December 2014), which were partly settled in advance after Finmeccanica replaced such subsidiary as issuer of the outstanding bonds. The remaining part (€mil. 1,550) was paid off in January 2015 when Finmeccanica replaced the Luxembourg subsidiary as the issuer of the bonds;

- current loans and borrowings, for a total of €mil. 4,523 (€mil. 3,191 at 31 December 2013), 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 their share, 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. 2,773 (€mil. 2,467 at 31 December 2013) 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. 15) and payables (€mil. 90) including those deriving from the consolidated tax mechanism and from the Group VAT mechanism (€mil. 347 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 in relation to the refund they are entitled to following the allowed deductibility of IRAP for IRES purposes (€mil. 53). Trade receivables amounted to €mil. 75 (€mil. 57 at 31 December 2013), 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 2014 and 2013:

Income statement transactions at 31 December 2014	**Revenue**	**Other operating income**	**Costs net of recoveries (1)**	**Cost recovery (2)**	**Financial income**	**Financial expenses**
Subsidiaries						
AgustaWestland Ltd	-	-	-	1	2	-
AgustaWestland SpA	17	2	-	7	22	6
Alenia Aermacchi SpA	13	-	-	9	20	15
Ansaldo STS SpA	2	-	-	1	2	-
AnsaldoBreda SpA	3	-	-	2	7	-
Bredamenarinibus SpA	-	-	-	-	2	-
Gruppo DRS	-	-	3	1	-	-
Fata SpA	1	-	1	1	1	-
Finmeccanica do Brasil Ltda	-	-	1	-	-	-
Finmeccanica Finance SA	-	-	-	-	-	186
Finmeccanica Global Services SpA	-	-	17	1	4	-
Finmeccanica North America Inc	-	-	3	-	-	-
Finmeccanica UK Ltd	-	-	9	-	-	-
Meccanica Holdings USA Inc	-	-	-	-	5	-
Oto Melara SpA	2	-	-	1	-	-
Selex ES Ltd	-	-	-	1	-	-
Selex ES SpA	14	7	5	9	54	1
Selex Service Management SpA	-	-	1	-	-	-
Whitehead Sistemi Subacquei SpA	-	-	1	2	1	-
Other with unit amount lower than €mil. 1	-	-	-	-	1	1
Joint Venture						
MBDA Group	10	-	-	-	-	-
Thales Alenia Space Group	1	-	-	-	-	-
Telespazio Group	-	-	-	2	1	-
Companies subject to the control or considerable influence of the MEF						
Ansaldo Energia SpA	1	1	-	-	2	-
Total	**64**	**10**	**41**	**38**	**124**	**209**
% against total for the period	***100.0%***	***71.4%***	***26.8%***		***25.8%***	***39.8%***

Income statement transactions at 31 December 2013	Revenue	Other operating income	Costs net of recoveries (1)	Cost recovery (2)	Financial income	Financial expenses
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	-	-	-
Gruppo DRS	-	-	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 Partecipazione SpA	-	-	-	-	1	-
Whitehead Sistemi Subacquei SpA	1	-	-	2	1	-
Other with unit amount lower than €mil. 1	-	-	-	2	-	1
Joint Venture						
MBDA Group	9	-	-	-	-	-
Telespazio Group	-	-	1	2	1	-
Consortiums						
Consorzio Creo	-	-	1	-	-	-
Companies subject to the control or considerable influence of the MEF						
Ansaldo Energia SpA	4	-	-	2	3	-
Avio Spa	1	-	-	-	-	-
Fondo strategico Italiano	-	-	-	-	14	-
Other with unit amount lower than €mil. 1	-	1	-	-	-	-
Total	**66**	**12**	**47**	**28**	**111**	**225**
% against total for the period	***98.5%***	***12.8%***	***30.7%***		***14.5%***	***20.1%***

(1) Costs are indicated with + and recoveries with -.

(2) Recoveries are indicated with + and negative differences on recoveries with -.

Costs refer to purchases of services rendered by Group companies which chiefly include the management of the Company real assets, services and information technology and the organisation of activities and commercial events.

Financial income (expense) 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 centralization. Financial expenses include, inter alia, €mil. 186 (€mil. 212 in 2013) paid to the subsidiary Finmeccanica Finance SA for loans it has granted to Finmeccanica, in view of the borrowing activities performed by Finmeccanica Finance on the bond market.

30. 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 34 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 2014 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 56%, while the floating-rate percentage is around44%.

At 31 December 2014, the outstanding transactions were the following:

- interest-rate swap 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 2014 is as follows:

	Notional		Underlying (maturity)	*Fair value 01.01.2014*	Changes			*Fair value 31.12.2014*
	2014	2013			Income	Expens e	CFH Reserve	
IRS fixed/floating/fixed	-	200	Bond 2018	4	-	(1)	-	3
Options	-	200	Bond 2025	(3)	-	(1)	-	(4)
IRS fixed/floating	-	-	Bond 2013	-	-	-	-	-
Total notional	**-**	**400**		**1**	**-**	**(2)**	**-**	**(1)**

	Notional		Underlying (maturity)	*Fair value 01.01.2013*	Changes			*Fair value 31.12.2013*
	2013	2012			Income	Expense	CFH Reserve	
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**

The table below shows the effects of the sensitivity analysis for 2014 and 2013 on IRS at 31 December 2014 deriving from the 50-basis-point shift in the interest rate curve:

Effect of shift of interest rate curve	**31 December 2014**		**31 December 2013**	
	Increase of 50 bps	**Decrease of 50 bps**	**Increase of 50 bps**	**Decrease of 50 bps**
Net result	-	-	-	(1)
Equity (*)	-	-	-	(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. 5,455 (notional amount) (up by 22% compared to the same period of the previous year), as detailed in the following table:

	Notional 2014			**Notional 2013**		
	Sales	**Purchases**	**Total**	**Sales**	**Purchases**	**Total**
Swap and forward transactions	2,906	2,549	5,455	1,826	2,645	4,471

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 2014				*31 December 2013*			
	Notional Receipts		**Notional Paymens**		**Notional Receipts**		**Notional Paymens**	
	USD	GBP	USD	GBP	USD	GBP	USD	GBP
Cash-flow and fair-value hedges					1	74	125	1,209
Within 1 year	-	45	102	567	-	-	-	-
2 to 3 years	-	-	-	513	-	-	-	480
4 to 9 years	-	-	-					
Total	**-**	**45**	**102**	**1,080**	**1**	**74**	**125**	**1,689**

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 2014 (1.2141 and 0.7789, respectively) and at 31 December 2013 (1.3791 and 0.8337, respectively):

	31 December 2014				*31 December 2013*			
	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 50 bps	Decrease of 50 bps	Increase of 50 bps	Decrease of 50 bps	Increase of 50 bps	Decrease of 50 bps	Increase of 50 bps	Decrease of 50 bps
Net result	1	(1)	1	(1)	-	-	-	-
Equity (*)	1	(1)	1	(1)	-	-	-	-

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

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 optimizing the management of financial resources.

During 2014, within the context of EMTN (Euro Medium Term) program, the subsidiary Finmeccanica Finance SA seized a favourable opportunity in the capital market to place an additional €mil. 250 of the €mil. 700 bond issue carried out in December 2013, expiring in 2021.

€mil. 46 was repaid of the principal portion of the EIB loan, which was signed by Finmeccanica in 2010. Furthermore, in order to finance its own ordinary and extraordinary operations, Finmeccanica can use the €bil. 2.2 Revolving Credit Facility signed in 2014 and regulated by the financial covenants described in the "Financial Transactions" section. In this regard, Finmeccanica, taking advantage of the favourable financial market situation in terms of liquidity and applicable rates, refinanced its credit facility ahead of schedule reducing the amount of the credit facility from the previous €bil. 2.4 to €bil. 2.2 and extending its maturity date to July 2019.

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 2014 and 2013, claimed from third parties:

	31 December 2014	*31 December 2013*
Portion due	1	1
- of which: for more than 12 months	-	-
Portion not yet due	-	2
Total trade receivables	**1**	**3**

Both trade and financial receivables are impaired individually if they are significant.

Classification of financial assets and liabilities

The table below shows the fair value hierarchy of financial assets and liabilities measured at fair value.

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 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 stake in Ansaldo Energia was calculated on the basis of the price of the sale, as established in the related agreements and increased by capitalised interest at a yearly 6% rate.

	31 December 2014			*31 December 2013*		
	Level 2	**Level 3**	**Total**	**Level 2**	**Level 3**	**Total**
Other non current assets	-	124	**124**	-	401	**401**
Other assets	19	-	**19**	16	-	**16**
Other non-current liabilities	-	-	**-**	-	-	**-**
Other current liabilities	4	-	**4**	5	-	**5**

31. REMUNERATION TO KEY MANAGEMENT PERSONNEL

Remuneration paid to persons who have strategic power and responsibility of the Parent is €mil. 10 (€mil. 4 at 31 December 2013).

The increase is due to the €mil 6 indemnities paid for termination of employment.

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 and Manager with strategic responsibility) came to €mil. 1 for 2014 and 2013. 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.

Appendices

Appendix no.1 (€ mil) - EQUITY INVESTMENTS

%		31.12.2013										31.12.2014		
		Cost	Impairment	Carrying amount	Transfers/acquisition of business unit (a)	Acquis./Subscriptions/payments of capital	Disposal (b)	Reclass. (c)	Financial Revalut./Impairment	0	Other changes (d)	Cost	Impairment	Carrying amount
	Equity investments in subsidiaries													
100	AGUSTA WESTLAND NV	2,171	-	2,171				(2,171)				-	-	-
100	AGUSTA WESTLAND SpA	-	-	-				2,171				2,171	-	2,171
100	ALENIA AERMACCHI SpA	542	-	542								542	-	542
40	ANSALDO STS SpA	44	-	44								44	-	44
100	ANSALDOBREDA SpA	509	(509)	-					(32)	32		509	(509)	-
100	BREDAMENARINIBUS SpA	36	(36)	-		12			(24)	12		48	(48)	-
100	FATA SpA	22	-	22								22	-	22
100	FINMECCANICA DO BRASIL LTDA	-	-	-								-	-	-
100	FINMECCANICA FINANCE SA	79	-	79					(13)			79	(13)	66
100	FINMECCANICA GLOBAL SERVICES SpA	497	-	497								497	-	497
100	FINMECCANICA NORTH AMERICA Inc	3	-	3								3	-	3
100	FINMECCANICA UK Ltd	-	-	-								-	-	-
100	MECCANICA HOLDINGS USA, Inc	2,389	(1,290)	1,099								2,389	(1,290)	1,099
100	OTO MELARA SpA	103	-	103								103	-	103
100	SELEX ES SpA	2,000	(214)	1,786								2,000	(214)	1,786
100	SO.GE.PA.- Società Generale di Partecipazioni SpA	14	(2)	12								14	(2)	12
67	TELESPAZIO SpA (*)	171	-	171								171	-	171
100	WHITHEAD SISTEMI SUBACQUEI SpA	25	-	25								25	-	25
		8,605	**(2,051)**	**6,554**	**-**	**12**	**-**	**-**	**(69)**	**44**	**-**	**8,617**	**(2,076)**	**6,541**
%	**Equity investments in associates**													
50	AMSH BV (*)	873	(392)	481								873	(392)	481
14	AVIO SpA	-	-	-				54				54	-	54
14	BCV INVESTMENTS SCA	4	-	4			(4)					-	-	-
31	ELETTRONICA SpA	54	(47)	7								54	(47)	7
50	EUROSYSNAV SAS	-	-	-								-	-	-
11	EUROTECH SPA	18	(12)	6								18	(12)	6
31	IND. A. E M. R. PIAGGIO SpA (Amm.strd)	31	(31)	-								31	(31)	-
25	LIBYAN ITALIAN ADVANCED TECH. Co.	2	-	2								2	-	2
30	NGL PRIME SpA	-	-	-								-	-	-
33	THALES ALENIA SPACE SAS (*)	546	(145)	401								546	(145)	401
		1,528	**(627)**	**901**	**-**	**-**	**(4)**	**54**	**-**	**-**	**-**	**1,578**	**(627)**	**951**
%	**Other companies**													
10	ATITECH SpA	1	(1)	-								1	(1)	-
20	INDUSTRIA ITALIANA AUTOBUS SpA	-	-	-		1						1	-	1
14	ITP Srl . (in fall.)	2	(2)	-							-	-	-	-
	Other companies with unit amount lower than €mil. 1	1	-	1								1	-	1
		4	**(3)**	**1**	**-**	**1**	**-**	**-**	**-**	**-**	**-**	**3**	**(1)**	**2**
	TOTAL EQUITY INVESTMENTS	**10,137**	**(2,681)**	**7,456**	**-**	**13**	**(4)**	**54**	**(69)**	**44**	**-**	**10,198**	**(2,704)**	**7,494**

(*): joint control

(b) Of which cost: (4)
(c) Of which cost: 54

Appendix no.2 (€mil.) - LIST OF EQUITY INVESTMENTS

Name	Office	Reporting date	Share capital (total)	Currency	Equity	Total Assets	Total Liabilities	Prifit (loss)	Ownership	Net equity in financial statements	Carrying amount
Equity investments in subsidiaries											
AGUSTA WESTLAND SpA (**)	Roma	31/12/14	702,537,000		2,219.0	6,604.3	4,385.6	246.0	100.0	2,219.0	2,170.9
ALENIA AERMACCHI SpA	Roma	31/12/14	250,000,000		330.0	7,154.8	6,824.9	(40.0)	100.0	330.0	541.6
ANSALDO STS SpA	Genova	31/12/14	99,999,000		355.0	1,429.0	1,074.0	33.0	40.1	142.2	43.8
ANSALDOBREDA SpA	Napoli	31/12/14	55,839,139		(28.0)	1,164.0	1,343.0	(25.0)	100.0	(28.0)	-
BREDAMENARINIBUS SpA	Bologna	31/12/14	1,300,000		(39.0)	122.0	161.0	(62.0)	100.0	(39.0)	-
FATA SpA	Pianezza - Torino	31/12/14	20,000,000		13.0	111.0	98.0	-	100.0	13.0	21.9
FINMECCANICA DO BRASIL LTDA	Brasilia (Brasile)	31/12/14	373,583		0.3	0.6	-	-	100.0	0.3	0.5
(EURO al 31.12.2014 = BRL 3,2207)			1,203,200	BRL	1.0			-			
FINMECCANICA FINANCE SA	Lussemburgo	31/12/14	12,371,940		66.0	1,695.2	1,628.9	(18.0)	100.0	66.0	66.3
FINMECCANICA GLOBAL SERVICES SpA	Roma	31/12/14	49,945,983		519.0	842.2	323.1	(7.0)	100.0	519.0	496.6
FINMECCANICA NORTH AMERICA, Inc	Delaware (USA)	31/12/14	824		3.3	4.2	0.6	-	100.0	3.3	3.4
(EURO al 31.12.2014 = $ 1,2141)			1,000	$	4.0						
FINMECCANICA UK Ltd	Yeovil (Inghilterra)	31/12/14	1,284		3.9	7.7	2.6	-	100.0	3.8	-
(EURO al 31.12.2014 = GBP 0,7789)			1,000	GBP	3.0			-			
MECCANICA HOLDINGS USA, Inc	Wilmington (USA)	31/12/14	2,965,159,378		1,240.4	7.7	2.6	5.8	100.0	1,240.4	1,099.4
(EURO al 31.12.2014= $ 1,2141)			3,600,000,001	$	1,506.0			7.0			
OTO MELARA SpA	Roma	31/12/14	92,307,722		154.0	504.0	3,450.0	26.0	100.0	154.0	102.8
SELEX ES SpA	Roma	31/12/14	350,000,000		1,062.0	5,226.6	4,164.6	(118.0)	100.0	1,062.0	1,786.0
SO.GE.PA.- Società Generale di Partecipazioni SpA	Genova	31/12/14	1,000,000		7.0	63.0	56.1	(7.0)	100.0	7.0	12.0
TELESPAZIO SpA (*)	Roma	31/12/14	50,000,000		222.0	649.6	427.5	18.0	67.0	148.7	170.9
WHITHEAD SISTEMI SUBACQUEI SpA	Roma	31/12/14	21,346,000		24.0	167.0	143.0	-	100.0	24.0	24.7
											6,540.8
Equity investments in associates											
AMSH BV (*)	Amsterdam (Olanda)	31/12/14	36,296,316		741.0	741.2	-	75.0	50.0	370.5	480.8
AVIO SpA	Torino	30/09/14	40,000,000		497.7	1,658.9	1,161.2	-	14.3	71.3	54.1
BCV INVESTMENTS SCA	Lussemburgo	30/09/14	-		5.6	11.0	5.0	(6.7)	14.3	0.8	-
ELETTRONICA SpA	Roma	31/12/14	9,000,000		83.5	516.0	432.5	19.4	31.3	26.2	7.2
EUROSYSNAV SAS	Parigi (Francia)	31/12/13	40,000		6.0	31.5	25.5	0.1	50.0	3.0	-
EUROTECH SpA	Udine	31/12/14	8,878,946		102.0	143.9	41.9	(8.0)	11.1	11.3	5.8
IND. A. E M. R. PIAGGIO SpA(Amm.strd)	Genova	31/12/13	103,567		n.d.	n.d.	n.d.	n.d.	31.0	n.d.	-
LIBYAN ITALIAN ADVANCED TECH. Co.	Tripoli (Libia)	31/12/11	9,332,205		3.2	19.4	16.2	(2.6)	25.0	0.8	2.0
(EURO al 31.12.2014= lyd 1,45389)			13,568,000	lyd	4.7	-	-	(3.8)		-	
NGL PRIME SpA	Torino	31/12/13	120,000		0.2	0.2	-	-	30.0	0.1	-
THALES ALENIA SPACE SAS (*)	Parigi (Francia)	31/12/13	979,240,000		1,337.0	1,574.0	236.5	97.0	33.0	441.2	400.9
											950.8
Consortiums											
CONS. CREO	L'Aquila	31/12/14	774,685		-	2.7	2.2	-	99.0	-	0.4
CONS. PISA RICERCHE S.c.r.l (in Fall.)	Pisa	31/12/11	1,061,613		1.0	9.6	8.7	-	7.7	0.1	-
											0.4
Other companies											
ATITECH SpA	Capodichino - Napoli	31/12/14	6,500,000		8.0	40.7	32.4	-	10.0	0.8	0.4
BCV MANAGEMENT SA	Lussemburgo	31/12/12	36,470		-	0.1	-	-	15.0	-	-
DISTRETTO LIGURE DELLE TECNOLOGIE MARINE S.c.r.l	La Spezia	31/12/13	1,100,000		1.0	1.9	0.9	(0.1)	5.3	-	0.1
EMITTENTI TITOLI SpA	Milano	31/12/13	4,264,000		7.1	7.0	0.2	1.2	3.7	0.3	0.2
EUROPEAN SATELLITE NAVIGATION INDUSTRIES GMBH (in Liq.)	Ottobrunn (Germania)	12/11/12	264,000		-	0.9	3.6	-	18.9	-	0.1
INDUSTRIA ITALIANA AUTOBUS SpA	Roma	31/12/14	4,250,000		1.0	nd	nd		20.0	0.2	0.9
SOC.INFORM ESPERIENZE TERMOID. SpA	Piacenza	31/12/13	697,820		0.8	1.2	0.4	0.2	2.2	-	-
											1.7
	TOTAL EQUITY INVESTMENTS										**7,493.6**

(*): joint control

(**) On January, 1 2014 Agustawestland NV was merged into Agustawestland S.p.A

Appensix no.3 (€ mil.)- NON-CURRENT RECEIVABLES

	31/12/13								31/12/14		
	Residual nominal amount	*Impairment*	Carrying amount	Disbursement	Reclassifications	Reimboursements	Other changes	*Impairment (-) Reversal (+)*	Residual nominal amount	*Impairment*	Carrying amount
Receivables	2		2			1			1		1
AgustaWestland SpA	66		66		(3)				63		63
Finmeccanica Global Services SpA	154		154		(154)				-		-
Telespazio SpA	-		-	7	(2)				5		5
Total receivables	**222**	**-**	**222**	**7**	**(159)**	**1**	**-**	**-**	**69**	**-**	**69**

Appensix no. 4 (€ mil.) - ASSETS BROKEN DOWN BY MATURITY

	31/12/14 Amounts due			31/12/13 Amounts due		
	from 2nd to 5th subsequent year	beyond 5th year	Total	from 2nd to 5th subsequent year	beyond 5th year	Total
Loans and receivables	1		1	1		1
Non-current loans and receivables from relates parties	21	47	68	169	51	220
Other non current assets	136		136	401		401
Total receivables and non-current assets	**158**	**47**	**205**	**571**	**51**	**622**

Appensix no.5 (€ mil.) - FOREIGN CURRENCY ASSETS

	31/12/14			31/12/13		
	In foreign currency	in Euro	Total	In foreign currency	in Euro	Total
Loans and receivables		1	1		1	1
Non-current loans and receivables from relates parties		68	68		220	220
Other non current assets		136	136		401	401
Total receivables and other non-current assets		205	205		622	622
Deferred tax assets		36	36		36	36
Total non-current assets		241	241		658	658
Loans and receivables form related parties		2,773	2,773		2,467	2,467
Trade receivables		1	1		3	3
Trade receivables from related parties		75	75		57	57
		76	76		60	60
Other assets	11	493	504	5	213	218
Other receivables from related parties		28	28		59	59
	11	521	532	5	272	277
Income tax receivables		92	92		91	91
Cash and cash equivalents	46	699	745	75	686	761
Total current assets	**57**	**4,161**	**4,218**	**80**	**3,576**	**3,656**

Appensix no.6 (€ mil.) - ASSETS BY GEOGRAPHICAL AREA

	31/12/14					31/12/13				
	Italy	Rest of Europe	North America	Rest of the world	Total	Italy	Rest of Europe	North America	Rest of the world	Total
Loans and receivables	1				1	1				1
Non-current loans and receivables from relates parties	68				68	220				220
Other non current assets	136				136	117	284			401
Total receivables and other non-current assets	205	-	-	-	205	338	284	-	-	622
Deferred tax assets	36				36	36				36
Total non-current assets	**241**	**-**	**-**		**241**	**374**	**284**	**-**		**658**
Loans and receivables form related parties	2,768	5			2,773	1,766	701			2,467
Trade receivables	1				1	3				3
Trade receivables from related parties	68	4	3		75	47	7	3		57
	69	4	3	-	76	50	7	3	-	60
Other assets	503	1			504	218				218
Other receivables from related parties	28				28	59				59
	531	1	-	-	532	277	-	-	-	277
Income tax receivables	92				92	91				91
Cash and cash equivalents	744			1	745	760			1	761
Total current assets	**4,204**	**10**	**3**	**1**	**4,218**	**2,944**	**708**	**3**	**1**	**3,656**

Appensix no.7 (€ mil.) - AVAILABLE AND DISTRIBUTABLE RESERVES

Nature/descriptiom	Amount	Possible use	Available portion
Share capital (*)	2,524,859		
Capital reserves:			
Treasury share reserve	313	B	
Revenue reserves			
Legal reserve	214,283	B	
Extraordinary reserve	391,462	A,B,C	391,462
Reserve for unexercised rights	3,630	A,B,C	3,630
Reserve for prescribed dividends	431	A,B,C	431
Reserve for actuarial gains (losses) in equity	247	B	
Retained earnings	740,553		-
Total	3,875,778		395,523

Keys:
(*) less treasury shares for € migl. 313 and costs for capital increase for € migl. 18.690
A: for capital increase
B: for loss coverage
C: for distribution to shareholders

Appensix no.8 (€ mil.) - LIABILITIES BROKEN DOWN BY MATURITY

	31/12/14			**31/12/13**		
	Amounts due			**Amounts due**		
	from 2nd to 5th subsequent year	beyond 5th year	Total	from 2nd to 5th subsequent year	beyond 5th year	Total
Other non-current liabilities	112		112	104		104
	112	-	112	104	-	104
Loans and borrowings (non current)	1,795	635	2,430	185	682	867
Non-current loans and borrowings from related parties			-	700	2,175	2,875
	1,795	635	2,430	885	2,857	3,742
Total non-current liabilities	**1,907**	**635**	**2,542**	**989**	**2,857**	**3,846**

Appensix no.9 (€ mil.) - FOREIGN CURRENCY LIABILITIES

	31/12/14			**31/12/13**		
	In foreign currency	in Euro	Total	In foreign currency	in Euro	Total
Loans and borrowings (non current)	513	1,917	2,430		867	867
Non-current loans and borrowings from related parties			-	480	2,395	2,875
	513	1,917	2,430	480	3,262	3,742
Other non-current liabilities		112	112		104	104
Total non-current liabilities	**513**	**2,029**	**2,542**	**480**	**3,366**	**3,846**
Loans and Borrowings		74	74		70	70
Related-party loans and borrowings	654	3,869	4,523	1,327	1,864	3,191
	654	3,943	4,597	1,327	1,934	3,261
Trade payables	2	31	33	2	47	49
Trade payables from related parties	16	36	52	7	26	33
	18	67	85	9	73	82
Other liabilities	11	389	400	4	177	181
Other payables to related parties		491	491	1	385	386
	11	880	891	5	562	567
Income tax payables		15	15		17	17
Total current liabilities	**683**	**4,905**	**5,588**	**1,341**	**2,586**	**3,927**

Appensix no. 10 (€ mil) - LIABILITIES BY GEOGRAPHICAL AREA

	31/12/14					31/12/13				
	Italy	Rest of Europe	North America	Rest of the world	Total	Italy	Rest of Europe	North America	Rest of the world	Total
Loans and borrowings (non current)	2,430				2,430	496	371			867
Non-current loans and borrowings from related parties					-		2,875			2,875
	2,430	-	-	-	2,430	496	3,246	-	-	3,742
Other non-current liabilities	112				112	104				104
Total non-current liabilities	**2,542**	**-**	**-**	**-**	**2,542**	**600**	**3,246**	**-**	**-**	**3,846**
Loans and Borrowings	74				74	20	50			70
Related-party loans and borrowings	2,096	2,317	110		4,523	1,431	1,638	122		3,191
	2,170	2,317	110	-	4,597	1,451	1,688	122	-	3,261
Trade payables	30	1	2		33	46	2	1		49
Trade payables from related parties	36	7	8	1	52	26	3	3	1	33
	66	8	10	1	85	72	5	4	1	82
Other liabilities	400				400	181				181
Other payables to related parties	490	1			491	385	1			386
	890	1	-	-	891	566	1	-	-	567
Income tax payables	15				15	17				17
Total current liabilities	**3,141**	**2,326**	**120**	**1**	**5,588**	**2,106**	**1,694**	**126**	**1**	**3,927**

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

Statement on the separate financial statements pursuant to Art. 154 *bis*, para. 5 of Legislative Decree no. 58/98 as amended

1. The undersigned Mauro Moretti Chief Executive Officer and General Manager, and Gian Piero Cutillo as the Officer in charge of Financial Reporting for Finmeccanica Spa, certify, in accordance with Article 154-*bis*, paragraphs 3 and 4 of Legislative Decree no. 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 2014.

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, 18 March 2015

Chief Executive Officer and General Manager Mauro Moretti	Officer in charge of Financial Reporting Gian Piero Cutillo

Independent Auditors' Report on the separate financial statements at 31 December 2014

(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 2014, 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 31 March 2014 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 2014 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 2014, 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 regard to the judicial investigations involving certain subsidiaries of Finmeccanica S.p.a., as well as certain former directors and managers of those companies and of Finmeccanica S.p.a..

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 shareholding 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 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 shareholding structure 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 shareholding structure are consistent with the separate financial statements of Finmeccanica S.p.a. as at and for the year ended 31 December 2014.

Rome, 25 March 2015

KPMG S.p.A.

(signed on the original)

Renato Naschi
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 2014, 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 (13 meetings during 2014), 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 acquired, we can report that the resolutions and transactions thus carried out were in compliance with the laws and the By-Laws, with no indication of any potential conflicts of interest with the Company, and were not manifestly imprudent, reckless, atypical or unusual, 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 2014) and also attended all the meetings of the Remuneration Committee (7 meetings during 2014) through its members.
3. For a detailed discussion of the most significant transactions in 2014, please see the Directors' Report on Operations. Specifically, worth mentioning are (i) the sale of the branch of business of Bredamenarinibus to Industria Italiana Autobus S.p.A., an entity 20% held by Finmeccanica and 80% by King Long Italia S.p.A.; (ii) the replacement of Finmeccanica Finance S.A. by Finmeccanica S.p.a. in its role of issuer of all bonds placed by the former on the market in relation to the Euro Medium Term Programme (EMTN*)*; (iii) the cash-in by Avio S.p.A. of most of the proceeds deriving from the sale by the same company of its motor-engine business.

4. The Board of Directors of Finmeccanica appointed by the Shareholders' Meeting on 15 May 2014 started a series of actions aiming at the strategic repositioning of the Group within the international scenario and a deep reorganisation with a view to improve the Group operational efficiency, also pursued by aggressively cutting costs and especially by enhancing the efficiency of engineering, production and supply chain processes, while paying special attention to the strengthening and consolidation of the Group governance in line with the structural measures undertaken by the major reference competitors.

   Within this framework, in June 2014 the Group endorsed the guidelines under the new *Organisational and Operating Model* providing for the adoption of a model in which the subsidiaries operating in the Aerospace, Defence & Security sectors become fully integrated into Finmeccanica and transformed into divisions of the Parent Company. The implementation of the new Model is underway and within this context are to be seen the relocation of the registered offices and the Chief Executive Officers' offices of the companies concerned to Finmeccanica headquarters, the rationalisation of the international commercial representative offices in key markets, a large review of the composition of the Group companies' governance bodies, and the approval of the Group's new Industrial Plan for the 2015-2019 period.
5. The Group's operations continued to take place in markets that have, even in a still critical context, room for improvement.
6. The Directors' Report on Operations provides adequate disclosure on the intercompany and related-party transactions that are all fair and in conformity with the Company's interest and carried out at arm's length. The Board of Statutory Auditors paid special attention to these transactions in order to verify the compliance with the "*Procedure for Related Parties Transactions*" adopted by the Company, which is mainly aimed at safeguarding the interest of the minorities. The impact of related party transactions on the income statement is reported in Note 29 to the separate financial statements and in Note 34 to the

consolidated financial statements; their impact on cash flows is shown directly in the statement of cash flows.

The Board of Statutory Auditors verified the prompt implementation of the Procedure, where applicable, which sees the Control and Risks Committee acting also as the Committee for Transactions with Related Parties. In particular, we recall the full-service maintenance contract for the ETR 1000 high-speed trains entered into between Ansaldobreda SpA and Trenitalia SpA, a major related-party transaction, which benefitted from the exception envisaged for ordinary transactions under terms similar to market conditions and which complied with the Procedure.

7. During financial year 2014, the Board met 20 times. The 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 the company operations, the Board obtained the required information from the corporate structures and through the independent auditing firm, and was thus assured that the commitment to expanding and improving the overall adequacy of the existing systems has continued in the current year as well.
8. During 2014 the Board of Statutory Auditors attended the hearings held by Consob (the Italian Security Regulator), answered the queries posed by the regulator in a timely fashion, carrying out the necessary analyses, and provided the notices under the Consolidated Law on Financial Intermediation.
9. As regards the monitoring activities the Board involved the competent bodies of the subsidiaries exercising, if necessary, the powers under article 151 of the Consolidated Law on Financial Intermediation.
10. The Board continued in 2014 to meet and exchange information with the Boards of Statutory Auditors of the main Finmeccanica Group companies (12 meetings during 2014). The Board has verified that the Group parent 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 Directives issued by the Group Parent 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 expressed a positive judgement relating the adequacy of their companies' organisational, management and control systems.

Furthermore, following the implementation in 2014 of the Operating Model of Interrelation (*MOI, Modello Operativo di Interrelazione*) and of the planned centralisation of the Internal Auditing function within Finmeccanica, this Board requested the Boards of Statutory Auditors of the direct subsidiaries a summary assessment of the Group Internal Audit's findings, the related remediation plans and the state of completion thereof.

Also in 2014, 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.

11. In fulfilling its duties, the Board promoted meetings aimed at obtaining useful information about the main judicial proceedings that involved the Finmeccanica Group.

With particular reference to the supply of helicopters to the Indian Government by the subsidiary AgustaWestland, the Board kept constantly abreast of the development of the judicial proceedings. Specifically:

(i) on 25 July 2014 the Public Prosecutor of the Court of Busto Arsizio dismissed the case against Finmeccanica, determining that there were no factual or legal grounds to find that the Company was involved. The Public Prosecutor also acknowledged that, since 2003, the Company has adopted, implemented, and regularly updated a Compliance Model under Legislative

Decree 231/2001 that, in the abstract, is suited to preventing the types of crimes charged, focusing on aspects of compliance to ensure that there are appropriate standards of honest and ethical behaviour;

(ii) on 28 August 2014, the Judge for Preliminary Investigations (GIP, *Giudice delle Indagini Preliminari*) of the Court of Busto Arsizio – in granting the motions put forth by AgustaWestland S.p.A. and AgustaWestland Ltd – imposed administrative penalties for the two companies, through a decision issued under Article 444 of the Criminal Procedure Code, as thoroughly reported in Note 20 to the consolidated financial statements - "*Provisions for risks and charges and contingent liabilities*";

(iii) in the course of the same investigation, the Judge for Preliminary Investigations of the Court of Busto Arsizio granted the Public Prosecutor's request for dismissal of the charges against certain persons involved, asserting insufficient evidence of a causal link to the facts underlying the crimes charged;

(iv) in the context of the immediate trial before the Court of Busto Arsizio against the former Chairman and Chief Executive Officer of Finmeccanica Spa and against the former Chief Executive Officer of AgustaWestland SpA, on 9 October 2014 these persons were sentenced for having submitted fraudulent tax returns using invoices or other documents from non-existent transactions, while the Court found them not guilty of having committed the offence of corruption of foreign public officials, due to lack of evidence. The decision is being appealed.

The Indian Judicial Authority (CBI) also opened its own criminal investigation in late February 2013 into this matter involving 13 persons and six companies, including Finmeccanica and AgustaWestland.

The updates about the developments of the authority's other investigations involving certain companies of the Finmeccanica Group are shown in the aforementioned Note 20 to the consolidated financial statements ("*Provisions for risks and charges and contingent liabilities*") that sets 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 paragraph 10, gives account of 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, with particular regard to the internal control and risk management system, also in light of the specific analyses on the legal proceedings involving the Group companies for various reasons.

    The Report also gives account of the actions taken during 2014 in relation to the internal control and risk management system, as specified below:

    - the issuance of Directives and Procedures specifically aimed at regulating sensitive activities in terms of control systems;
    - the establishment of the Investment Committee chaired by the Chief Executive Officer and General Manager, with the task of ensuring the strategic monitoring of any processes relating to the Finmeccanica Group's investments/divestments;
    - appointment of the new Head of the Group Internal Audit organizational unit of Finmeccanica and determination of his pay in line with the Recommendations of the Corporate Governance Code;
    - the activities performed as part of the Internal Control over Financial Reporting (hereinafter ICFR) system on the Group companies falling within the scope of application of Law 262/2005 in terms of update of the system and testing. It should be noted that, as in previous years, the Group Internal Audit function was entrusted with the responsibility for "independently" assessing the functioning of the ICFR by executing a testing plan developed by the Officer in charge of financial reporting;
    - the reorganisation of the Compliance Organisational Unit;
    - the establishment of the "Crimes, Ethics & Integrity", "Risk Management" and "Security" Organisational Units.

13. After the appointment of the new Board of Directors and the new top management, the following organisational changes have been made:
    - update of the composition of the Nomination Committee and the Remuneration Committee, which are internal Board Committees;
    - confirmation of the CFO as Officer in Charge of Financial Reporting;
    - change in the Company's main key responsibilities;
    - establishment of the Analysis of International Scenarios Committee, an internal Board Committee, which duty is to provide detailed and targeted studies of major geopolitical opportunities and risks in order to lay down the Company and the Group's lines of strategy, while it was decided not to renew the previous Strategy Committee;
    - establishment of the Investment Committee;
    - creation, starting from October 2014, of the new organisational structure of Finmeccanica S.p.A., with the assignment of the related responsibilities;
    - start, from December 2014, of the definition process of the second-level organisational responsibilities of the central supporting structures.
14. With reference to the Recommendations made by the Flick Committee included in the Report submitted to the Board of Directors on 31 March 2014, with regard to principles and standards of conduct to comply with in order to conform to the international best practices about business ethics, reference should be made to paragraph 15 of the Report on Corporate Governance and Shareholder Structure. In particular, in accordance with the "Recommendation no. 2", the Company established the Integrity and Anti-Corruption Committee of the Finmeccanica Group, composed of the Chairmen of the Control and Risks Committee, of the Board of Statutory Auditors and of the Surveillance Body under Legislative Decree 231/01 and chaired by the Chairman of the Finmeccanica Board of Directors. Such Committee took office on 27 November 2014.
15. The Board points out that the Control and Risks Committee acted in accordance with the provisions of the 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. The Committee examined the periodic reports of the Group Internal Audit Organisational Unit on the work carried out in 2014 and the audit reports, also reviewed the preparation of the Half-year Report and the Annual Financial Report and assessed the adequacy of the accounting principles used and their uniformity for the purposes of preparing Annual and Half-Year Reports.

16. With reference to regulations under Legislative Decree 231/2001, following the changes to such Decree, introduced by Law 186/2014 "*Disposizioni in materia di emersione e rientro di capitali detenuti all'estero, nonché per il potenziamento della lotta all'evasione fiscale. Disposizini in materia di auto riciclaggio*" (the Italian provisions concerning the disclosure and repatriation of capital held abroad, aimed at helping the fight against fiscal evasion. Provisions regarding self-laundering), the Company started the process to update its own Organisational, Management and Control Model, as shown in paragraph 10.4 of the Report on Corporate Governance and Shareholder Structure.

    On 15 May 2014, the Board of Directors confirmed the members of the Company Surveillance Body.

    During 2014, the Board of Statutory Auditors and the Surveillance Body continued the exchange of information on the activities they carried out, from which no criticality emerged in relation to the correct implementation of the Organisational Model.

17. The Board of Statutory Auditors periodically met the Officer in charge of financial reporting, the Head of the Group Internal Audit Organisational Unit, as well as the other corporate functions and the Independent Auditing Firm.

18. With regard to the provisions of Art. 36 of Consob Resolution no. 16191 of 29 October 2007 relating to the accounting information systems of material subsidiaries formed and governed by the laws of non-European Union Member States, the Group Internal Audit performed specific controls which highlighted that all the selected companies had an appropriate management and accounting system and met the additional requirements of Art. 36 of Consob Resolution

16191/2007. Therefore, no special plan is needed to bring the above-said systems into compliance.

19. During the year, the Board of Statutory Auditors received no complaints or reports pursuant to Article 2408 of the Italian Civil Code.
20. The Company complies with the Corporate Governance Code for Listed Companies. The Report on Corporate Governance and Shareholder Structure provides a description of the corporate governance system and the decisions made. The Board of Statutory Auditors verified that the Company constantly complies with the standards and criteria set out in the Corporate Governance Code, taking preventive and continuing actions in order to guarantee the actual compliance.
21. The Board of Statutory Auditors advised management to pay the necessary attention to the full compliance with the market disclosure standards and it also recommended adapting the related procedures in light of the experiences gradually gained.
22. The Board of Statutory Auditors has verified the correct application of the criteria and procedures adopted by the Board of Directors to determine whether directors meet the requirements for independence. The Board of Statutory Auditors also verified if the members of the same Board met the independence requirements, on the basis of the statements made by each member.
23. The Board oversees the statutory auditing of the accounts under Article 19 of Legislative Decree 39/2010 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. These meetings did not result in any critical or anomalous matters with significant effects on the auditors' opinion on the separate and consolidated financial statements of Finmeccanica.

    The independent auditing firm 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 2014. These are unqualified reports, which contain one only paragraph of emphasis in relation to the ongoing judicial proceedings against the parent company Finmeccanica S.p.A and certain subsidiaries, as well as some of their former directors and former executives.

With regard to the engagements assigned to the independent auditing firm, reference is made to information given pursuant to article 149-*duodecies* of the Issuer Regulation included in the Annual Financial Report. The independent auditing firm has confirmed the purposes for such tasks and has issued the statement required by Art. 17 of Legislative Decree no. 39/2010.

As regards the oversight on the independence of the independent auditors, on 18 April 2014 Finmeccanica, driven by the Board of Statutory Auditors, issued a Procedure and a Directive for the assignment of engagements to the Independent Auditing Firm of the Group, which provide for specific information and authorisation flows and ways to assign such engagements, aiming at allowing the Finmeccanica Board of Statutory Auditors to properly perform the above oversight activity.

In light of the foregoing, the Board of Statutory Auditors considers that in 2014 there were no critical issues concerning the independence of the firm engaged for the statutory audit of the accounts.

24. In compliance with the recommendations in document no. 4 of 3 March 2010 jointly issued by the Bank of Italy-CONSOB-ISVAP, the Board of Statutory Auditors acknowledged that the impairment testing procedure regulated by IAS 36 was approved by the Control and Risks Committee on 20 February 2015 and endorsed by the Board of Directors on the same date.
25. During 2014, the Board of Statutory Auditors expressed opinions on:

- the payment of the special remuneration for the Chairman of the Board of Directors in relation to some functions assigned to him;
- the special remuneration to be paid to the Board members for their participation in the activities of the Committees established by the same;
- the proposal for the appointment of the Officer in charge of financial reporting submitted to the Chief Executive Officer and General Manager;
- the proposal for the appointment of the Head of Group Internal Audit Organisational Unit submitted to the Chief Executive Officer and General Manager and the related remuneration.

26. During the Finmeccanica Board of Directors' meeting of 25 September 2014, the Board of Statutory Auditors stated no objections to the proposed amendments to the Company's By-Laws (approved during the same meeting) deriving from the entry into force on 6 June 2014 of Decree of the President of the Council of Ministers no. 108, since there was full compliance with the Law and the By-Laws.
27. Finally, in March 2015, the Board also promoted and organised the second general meeting with the Boards of Statutory Auditors of the main Group companies aimed at (i) sharing their experiences of the first application phase of the MOI issued in the last quarter of 2013, as well as the initial suggestions for improvement of the model, and (ii) analysing the contents and the application of the Directive issued by Finmeccanica on 18 April 2014 on the assignment of engagements to the Group's Independent Auditing Firm.
28. Based on the foregoing, the Board of Statutory Auditors deems that a positive opinion can be expressed on the observance of the standards of correct administration, on the adequacy of the organisational structure, of the internal control system, as well as of the administrative and accounting system, and on the reliability of such system as a means of accurately reporting business operations.

29. Concerning the loss for the year 2014, amounting to € 141,327,847, the Board of Directors has provided details on the composition of and the factors contributing to this loss 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 2014 or the Board of Directors' proposal to cover the 2014 loss by using retained earnings.

Finally, we wish to thank you for your trust and remind you that the three-year mandate and appointments assigned to us by the Shareholders' Meetings of 16 May 2012 expired with the approval of the financial statements for the year ended 31 December 2014.

Rome, 25 March 2015

THE BOARD OF STATUTORY AUDITORS

Riccardo Raul Bauer (Chairman)

Niccolò Abriani

Maurilio Fratino

Silvano Montaldo

Eugenio Pinto

Information pursuant to Art. 149 *duodecies* of the issuer regulation

The following statement reports the fees for the year 2014 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 providing the service	To	Fees for the year 2014 (€ thousands)	Note
Auditing services	KPMG SpA	Parent company	461	
	KPMG SpA	Subsidiaries	4,162	
	KPMG network	Subsidiaries	4,417	
Certification services	KPMG SpA	Parent company	118	(1)
	KPMG SpA	Subsidiaries	305	(2)
	KPMG network	Subsidiaries	54	
Tax consultino services	KPMA SpA	Parent company	-	
	KPMG network	Capogruppo	15	
	KPMG SpA	Subsidiaries	-	
	KPMG network	Subsidiaries	113	
Other services	KPMG SpA	Parent company	15	
	KPMG SpA	Subsidiaries	-	
	KPMG network	Subsidiaries	523	(3)
Total			**10,183**	

(1) Certification services mainly related to the Sustainability Report.
(2) Certification services mainly relating to the sustainability report of subsidiaries and activities connected with the certification of statements in order to tender bids
(3) Assistance to the development of non-accounting IT systems