PLANET INSPIRED

FINMECCANICA ANNUAL REPORT 2009

“Nature is full of infinite causes that have never occurred in experience”.

LEONARDO DA VINCI

Nature and its “infinite causes” hold endless lessons for our human “experience” to absorb through inquisitiveness and a dose of humility. Among these, the drive for self-preservation and an ability to evolve are stunningly embodied in the animal kingdom.
It is with a deep sense of respect, therefore, that we have decided this year to pair images evoking that kingdom with the various aspects of Finmeccanica’s activities, every one of which is geared to make the world a safer place, and reflects a will to evolve in order to improve.
For us, to be **Planet Inspired** is an attitude rooted in technology, whose most amazing advances were often sparked – and continue to be sparked – by the observation of nature’s intelligence at work. Yet it goes much further than that. It means paying attention to every facet of life on Earth: the environment and its diverse requirements, society and its needs, individuals and their aspirations in the many, many countries in which we operate.

CONTENTS

ACCOUNTING STATEMENTS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2009

ATTACHMENTS

LETTER TO SHAREHOLDERS

Pier Francesco Guarguaglini
CHAIRMAN/CHIEF EXECUTIVE OFFICER

Dear Shareholders, 2009 was a difficult year, characterised by a serious worldwide financial and economic crisis. Nevertheless, starting in the second half of the year, many of the largest countries began coming out of the recession, thanks to significant support measures put into place by governments, avoiding the systemic collapse of the world economy and reestablishing a certain degree of trust in people and companies. Emerging economies showed the first signs of improvement, driven mainly by internal spending, while Western countries were stimulated by public money and, later on, by industrial production.

The first months in 2010 confirmed this positive trend, but significant difficulties remain: the job market is weak and world GDP will not return to pre-crisis levels before 2012-2014. In other words, the situation is improving but there is still the risk of a relapse. To remain competitive in a constantly evolving scenario that is difficult to predict, Your Group has made all necessary efforts to adapt itself quickly to the changes. The uncertainty that characterises the current situation requires great flexibility to meet the challenges and, if possible, take advantage of them: one must be able to implement production, business and organisational strategies that permit reaching established short- and medium-term objectives, but at the same time ensure sustainable growth in the long term. Therefore, carefully planning investments in new technologies and products is fundamental, in order to be ready to take advantage of the opportunities presented by the upturn in demand. It is for this reason, despite the difficult economic situation, that we have increased research and development expenditure to €mil. 1,928, up 10% from the previous year, concentrated mainly in the three strategic pillars of defence and security electronics, aeronautics and helicopters.
Today the economy is mainly sustained by public funding. Aided mainly by stimulus packages put into effect by governments, civilian demand is growing strongly. The United States is an interesting example from this point of view. The measures approved by Congress for a total value of US$bil. 787, include significant funding for infrastructures, among which railways. More in general, the guided transport market is among those that will benefit most from the public investments for sustaining the economy. In this context, Ansaldo STS

and AnsaldoBreda will be able to take advantage of interesting opportunities, particularly for the development of high-speed rail.
The situation in the energy sector is similar, also because of the growing attention towards diversifying energy sources and reducing environmental impact. The exploitation of renewable energy and the relaunch of nuclear energy production programmes in many countries, including Italy, present favourable scenarios for Ansaldo Energia's business. In the defence sector, despite the effects of the crisis, it can be foreseen that for the next few years budgets will remain, except for a few exceptions, substantially stable in Western countries, while they will grow in some emerging countries.
On the other hand, the lack of growth in defence budgets in the traditional markets will be compensated by greater investment in the security sector, which should rise by 7% each year worldwide, particularly pushed by the request for internal security, border control and critical infrastructure protection systems. In the United States, we are seeing a redefinition of the main programmes, with attention being shifted from traditional systems towards products and equipment that better meet the new operating requirements imposed by asymmetric threats. The acquisition of DRS Technologies is a step precisely in this direction. The operation is producing the foreseen results and the contribution of DRS to the 2009 results is considerable, both regarding revenue as well as EBITA. DRS' capability of quickly meeting the American Armed Forces' requests has shown itself to be a winning hand. In the future, we must complete the integration process between DRS and the rest of the Group, with two complementary objectives: on one hand, DRS must benefit from Finmeccanica's international size, significantly increasing its share of exports; on the other, Finmeccanica must take advantage of the acquisition of DRS to consolidate the presence of other Group companies in the United States, becoming a permanent part of the industrial and technological base of that country. The situation in the UK is more difficult. The country has felt the effects of the financial crisis more than others. The new government will have to redefine defence policy priorities through the revision of the Strategic Defence Review. Nevertheless, Your Group boasts a solid presence in the British defence industry and, through its subsidiaries, is directing its activities towards supporting out of theater operations, taking advantage of the opportunities offered both by the urgent operational requirements, and towards the logistic support in the helicopter sector, thanks to integrated operational support contracts that are considered a reference model for collaboration between the British Ministry of Defence and industry. As regards Italy, despite the reduced size of the defence budget, it has been possible to launch several important programmes such as Forza NEC. On the other hand, Your Group has been able to take advantage of opportunities in areas contiguous to that of the military, like for example the security sector, developing an increasingly closer

interaction with institutional players, such as the Ministry of Justice, the Ministry for the Environment and the Department of Civil Protection.
The challenging situation in the traditional reference markets – European or trans-Atlantic – has been compensated by the increase in demand from emerging countries, that are responding more effectively to the crisis and show, in many cases, a more marked upturn. Alongside the consolidated players such as China and India, others are coming to the fore – or returning – on the international scene: Brazil, Saudi Arabia, South Korea, United Arab Emirates, Russia, Libya, Turkey and, in Europe, Poland, just to name the most important. The approach to new contexts requires however great adaptability because market conditions change considerably from country to country.
It is especially important to take into account the fact that emerging countries are willing to open their markets to Western companies only when the latter are disposed to investing in the country and transferring technology and expertise. Your Group is aware of these needs and is taking action to establish itself as a credible industrial partner in a certain number of countries, chosen according to a clear strategic plan, that is based on concrete market opportunities.
It is from this point of view that some of the main operations carried out during 2009 must be interpreted. As regards Asia, the memorandum of understanding between AgustaWestland and Tata Sons – an Indian industrial group working in ICT, engineering, materials, services and energy – calls for the creation of a joint venture for the final assembly of the AW119 in India. In addition, Alenia Aeronautica signed an agreement with MAS Aerospace Engineering, a subsidiary of Malaysia Airlines, for the supply of maintenance and support services for commercial aircraft, with a reference market that includes Southeast Asia and India. Lastly, AnsaldoBreda has signed a memorandum of understanding with Chinese companies for programmes for developing train fleets for the metro system in the city of Chongqing. In Kazakhstan, Finmeccanica has signed an agreement with the Samruk-Kazyna sovereign fund for developing industrial collaboration in the transport, defence and security electronics and helicopter sectors, with the possibility of forming a joint venture for the building of a maintenance and training centre for civilian helicopters. In Russia, SELEX Sistemi Integrati has completed an agreement with Scartel LLC and Russian Electronics OJSCo to set up a consortium that will work in systems for large-event security management and protection of critical infrastructures, while Alenia Aeronautica has finalised the acquisition of 25% plus one share of the Sukhoi Civil Aircraft Joint Stock Company that designs, develops and manufactures the new-generation regional jet SuperJet 100. In the Mediterranean basin, the memorandum of understanding between Finmeccanica and the Libya Africa Investment Portfolio will allow the development of strategic cooperation in the Middle East and North Africa, through the establishment of a 50-50 joint venture in the aerospace,

electronics, transport and energy sectors. Lastly, taking a look at Eastern Europe, AugustaWestland's acquisition of PZL Swidnik, a Polish company working in the production of helicopters and aerostructures, has the objective of consolidating Your Group's presence in the region that may become a valid alternative to the traditional markets in the Old Continent. It is important to point out that none of these operations will have a negative impact on business or employment levels in Italy; to the contrary, a more extensive presence of the companies on the international scene allows us to diversify business opportunities to the benefit of the entire Group. In fact, if one looks at the order backlog, greater than €bil. 45 and equal to nearly two and a half years of production, it is possible to appreciate the fact that nearly half the total comes from outside the three domestic markets (Italy, the United Kingdom and the United States).
This new international dimension and the growing complexity has induced us to start a thorough reorganisation of the Group. First of all, we have partially centralised the acquisition process. In addition, we are preparing an action plan for the aeronautics sector, aimed at rationalising the organisation in order to deal with the decrease in demand in the commercial segment, and an action plan for the transport sector that will improve the capability to fulfil contracts, leading to an increase in production capacity and new export opportunities. The two action plans should guarantee significant savings starting in 2011. The reorganisation of several activities in the defence and security electronics and space segments will be kicked-off within 2010 and the first benefits will already be seen at the beginning of 2011. Lastly, our constant engagement to contain the structural costs, which already provided good results in 2009 (the ratio between costs and revenues actually decreased from about 10% in 2008 to 9.4%), will continue in 2010 bringing further benefits.
Alongside this, the reorganisation process in AnsaldoBreda will continue with the objective of rapidly bringing the company to an adequate level of profitability.
These interventions on the structure and organisation are accompanied by the evolution and constant improvement in the personnel training system, organised on different levels of training, that follows the Group employees throughout their entire work lives. The timely execution of strategy, the progressive internationalisation and the updating of organisational tools has allowed Your Company to be, in recent years, the aerospace, defence and security, railway transport and energy industrial group with the highest percentage growth as regards revenue.
Furthermore, thanks to an astute investment policy and market differentiation, Finmeccanica has been negatively affected to a limited extent by the recession that has hit the world economy: in 2009, earnings exceeded €bil. 18, up 21% from the previous business year, with a net profit of €mil. 718, up 16% from 2008.

Finally, despite the fact that two of the primary effects of the crisis are the less available capital and a growing difficulty to access credit, Finmeccanica has completed the optimisation process of the debt structure extending the average life to more than 10 years, strengthening its equity and guaranteeing adequate financial flexibility through the availability of long-term resources.
For these reasons, the rating agencies continue to acknowledge that Your Group has good financial soundness (BBB, BBB+ and A3 respectively from Standard & Poor's, Fitch and Moody's). Therefore, despite the unfavourable economic situation, the results achieved in 2009 and the structural solidity of the Group allow the Board of Directors to propose to the Shareholders' Meeting the payment of a dividend of 41 cents per share, equal to that of last year, but at 2009 constant prices returning 4.3% more compared to 2008.
Management transparency and precise controls are necessary to work effectively in the interests of all stakeholders in a situation as complex as that described above in an extremely competitive context.
The Board of Directors has ensured that both these needs were met by Your Company through an effective communication policy, attentive relations with investors, the publication of a sustainability report and constant vigilance over Group business.

for the Board of Directors
the Chairman and Chief Executive Officer
(Pier Francesco Guarguaglini)

BOARDS AND COMMITTEES

BOARD OF DIRECTORS

(for the 2008-2010 term)
appointed by the Shareholders' Meeting of 6 June 2008

PIER FRANCESCO GUARGUAGLINI (1)
Chairman / Chief Executive Officer

PIERGIORGIO ALBERTI (2) (3)
Director

ANDREA BOLTHO von HOHENBACH (1)
Director

FRANCO BONFERRONI (2) (3)
Director

GIOVANNI CASTELLANETA (1)
Director (*)

MAURIZIO DE TILLA (2)
Director

DARIO GALLI (1) (3) (**)
Director

RICHARD GRECO (1)
Director

FRANCESCO PARLATO (1) (3)
Director

NICOLA SQUILLACE (1) (2)
Director

RICCARDO VARALDO (3)
Director

GUIDO VENTURONI (1)
Director

BOARD OF STATUTORY AUDITORS

(for the 2009-2011 term)
appointed by the Shareholders' Meetings of 29 April 2009

LUIGI GASPARI
Chairman

GIORGIO CUMIN, MAURILIO FRATINO, SILVANO MONTALDO, ANTONIO TAMBORRINO
Regular Statutory Auditors

MAURIZIO DATTILO, PIERO SANTONI
Alternate Statutory Auditors

(*) Director without voting rights appointed by Ministerial Decree on 26 June 2008, pursuant to Decree-Law 332/94, converted with amendments into Law 474/94.
(**) Member of the Remuneration Committee since 4 February 2009.

(1) Member of the Strategy Committee.
(2) Member of the Internal Auditing Committee.
(3) Member of the Remuneration Committee.

BOARD OF STATUTORY AUDITORS
(up to 29 April 2009)

LUIGI GASPARI
Chairman

GIORGIO CUMIN, FRANCESCO FORCHIELLI, SILVANO MONTALDO, ANTONIO TAMBORRINO
Regular Statutory Auditors

MAURIZIO DATTILO, PIERO SANTONI
Alternate Statutory Auditors

LUCIANO ACCIARI
Secretary of the Board of Directors

INDEPENDENT AUDITORS
(for the 2006-2011 term)

PRICEWATERHOUSECOOPERS SpA

REPORT ON OPERATIONS

AT 31 DECEMBER 2009

GROUP RESULTS AND FINANCIAL POSITION

Highlights

€ millions	2009	2008	Change
New orders	21,099	17,575	20%
Order backlog	45,143	42,937	5%
Revenues	18,176	15,037	21%
Adjusted EBITA (*)	1,587	1,305	22%
Net profit	718	621	16%
Adjusted net profit	700	664	5%
Net capital invested	9,612	9,513	1%
Net financial debt	3,070	3,383	(9%)
FOCF (*)	563	469	20%
ROS (*)	8.7%	8.7%	0 p.p.
ROI (*)	16.7%	21.4%	(4.7) p.p.
ROE (*)	11.0%	10.5%	0.5 p.p.
EVA (*)	290	376	(23%)
Research & development	1,982	1,809	10%
Workforce (no.)	73,056	73,398	(0.5%)

(*) Refer to the following section for definitions of the indicators.
p.p.: percentage points.

For the fourth straight year, the Finmeccanica Group's (the Group) consolidated results were significantly better than the targets contained in the financial statements and the outlooks of previous years.
Despite the economic and financial crisis, the results for 2009 confirm the Group's solid growth as compared with 2008, with improvements in all aspects examined: *commercial,* with the increase in new orders across almost all divisions and the movement towards new markets; *performance,* with growth in all the principal indicators; *financial,* with improved cash generation, resulting in the reduction in net financial debt, and growth in all the *value-chain indicators*, taking into account the increase in net capital invested following the acquisition of the US group DRS Technologies (DRS).

Before turning to examine the results at 31 December 2009 in detail, it should be noted that, on 22 October 2008, the Group completed the purchase of 100% of the American group DRS, a leader in providing integrated products, services and support in the Defence and Security Electronics sector.

In line with strategic, industrial, market and financial policies, the acquisition of DRS allowed the Group in general, and the Defence and Security Electronics division in particular, to gain a position on the US market, a market that is very difficult to enter in any other manner due to the high barriers to entry that US procurement policy imposes on foreign companies and groups, especially in the defence sector. For DRS, integration with the Group offered a strategic opportunity to expand its position in non-American markets.

With regard to the foregoing, it therefore creates a framework within which the benefits resulting from the integration of DRS and the other companies can only be quantified at the Group level.

To provide an appropriate assessment of the Group's results, comments have been provided, from time to time, that take into account the changes in the scope of consolidation (where these effects can be largely isolated) and the performance of Finmeccanica overall (only where this has significant informational value).

With regard to the main Group indicators, revenues increased by about 21% over the previous year and adjusted EBITA rose by roughly 22%. Return on sales (ROS) came to 8.7%, in line with the previous year. New orders grew by about 20% compared with the figure at 31 December 2008.
Return on investment (ROI) and EVA also reflect the entire impact of the acquisition of DRS in the calculation of average net capital invested. Compared with the previous year, ROI stood at 16.7% (21.4% at 31 December 2008), return on equity (ROE) came to 11.0% (10.5% in 2008) and EVA came to a positive €mil. 290 (positive €mil. 376 in 2008). It should be specified, with regard to EVA, that, due to the changes in the macroeconomic scenario, the increase in the cost of money and risk premiums, Finmeccanica recently increased the Group's cost of capital by around one percentage point, compared with that used up through 31 December 2008. Based on the cost of capital used for 2009, EVA at 31 December 2008 would have been positive €mil. 329, rather than €mil. 376.

The Group's net profit at 31 December 2009 amounted to €mil. 718, compared with €mil. 621 at 31 December 2008, for an increase of €mil. 97 (16%).

The primary changes contributing to this result are attributable to the improvement in EBIT (€mil. 182), despite higher net finance costs (€mil. 75) deriving from a higher average amount of net financial debt compared with the previous year, resulting mainly from the acquisition of DRS overall. Taxes remained substantially in line with the previous year (up €mil. 10).
The effective tax rate at 31 December 2009 was 34.4%, compared with 37.1% at 31 December 2008. The 2.7 percentage point decline is mainly the result of several events that occurred in 2009 that had a positive impact on the Group's tax burden. Specifically, the recognition of tax receivables for R&D and reimbursements for the regional tax on productive activities (IRAP) for the years 2004-2007, both of which were not subject to taxation during the period.

Income Statement

€ millions	Notes	2009	2008
Revenue		**18,176**	**15,037**
Raw materials and consumables used and personnel costs	(*)	(16,125)	(13,188)
Depreciation and amortisation	36	(575)	(506)
Other net operating income (expenses)	(**)	111	(38)
Adjusted EBITA		**1,587**	**1,305**
Non-recurring income (costs)		(92)	20
Restructuring costs		(23)	(41)
Impairment of goodwill		-	(40)
Amortisation of intangible assets acquired through a business combination	36	(80)	(34)
EBIT		**1,392**	**1,210**
Net finance income (costs)	(***)	(297)	(222)
Income taxes	40	(377)	(367)
NET PROFIT (LOSS) BEFORE DISCONTINUED OPERATIONS		**718**	**621**
Result of discontinued operations			-
NET PROFIT (LOSS)		**718**	**621**

Notes on the reconciliation between the reclassified income statement and the statutory income statement:
(*) Includes “Raw materials and consumables used and personnel costs” and “Purchase of services” (excluding “Restructuring costs”, “Work performed by the Group and capitalised” and “Change in inventories of work in progress, semi-finished and finished goods”).
(**) Includes “Other operating income” and “Other operating expenses” (excluding restructuring costs, impairment of goodwill, non-recurring income (costs) and impairment).
(***) Includes “Finance income”, “Finance costs” and “Share of profit (loss) of equity accounted investments”.

Primary Finmeccanica Group indicators by segment

The primary changes that marked the Group’s performance compared with 31 December 2008 are described below. A deeper analysis can be found in the section covering the trends in each business segment.

€ millions

2009	New orders	Order backlog	Revenues	Adj. EBITA	ROS %	R&D	Workforce at 31 Dec. (no.)
Helicopters	3,205	9,786	3,480	371	10.7%	328	10,343
Defence and Security Electronics	8,215	12,280	6,718	698	10.4%	711	30,236
Aeronautics	3,725	8,850	2,641	241	9.1%	474	13,146
Space	1,145	1,611	909	47	5.2%	87	3,662
Defence Systems	1,228	4,010	1,195	130	10.9%	235	4,098
Energy	1,237	3,374	1,652	162	9.8%	36	3,477
Transportation	2,834	5,954	1,811	65	3.6%	110	7,295
Other Activities	113	172	410	(127)	n.a.	1	799
Eliminations	(603)	(894)	(640)				
	21,099	**45,143**	**18,176**	**1,587**	**8.7%**	**1,982**	**73,056**

€ millions

2008	New orders	Order backlog	Revenues	Adj. EBITA	ROS %	R&D	Workforce at 31 Dec. (no.)
Helicopters	5,078	10,481	3,035	353	11.6%	273	10,289
Defence and Security Electronics	4,418	10,700	4,362	442	10.1%	619	30,330
Aeronautics	2,720	8,281	2,530	250	9.9%	508	13,907
Space	921	1,383	994	65	6.5%	64	3,620
Defence Systems	1,087	3,879	1,116	127	11.4%	258	4,060
Energy	2,054	3,779	1,333	122	9.2%	32	3,285
Transportation	1,595	4,858	1,798	117	6.5%	5	7,133
Other Activities	75	348	386	(171)	n.a.	-	774
Eliminations	(373)	(772)	(517)	-	-	-	-
	17,575	**42,937**	**15,037**	**1,305**	**8.7%**	**1,809**	**73,398**

Change (delta %)	New orders	Order backlog	Revenues	Adj. EBITA	ROS % (delta p.p.)	R&D	Workforce
Helicopters	(37%)	(7%)	15%	5%	(1.0) p.p.	20%	1%
Defence and Security Electronics	86%	15%	54%	58%	0.3 p.p.	15%	n.s.
Aeronautics	37%	7%	4%	(4%)	(0.8) p.p.	(7%)	(5%)
Space	24%	16%	(9%)	(28%)	(1.4) p.p.	36%	1%
Defence Systems	13%	3%	7%	2%	(0.5) p.p.	(9%)	1%
Energy	(40%)	(11%)	24%	33%	0.7 p.p.	13%	6%
Transportation	78%	23%	1%	(44%)	(2.9) p.p.	100%	2%
Other Activities	51%	(51%)	6%	(26%)	n.a.	n.a.	3%
	20%	**5%**	**21%**	**22%**	**0 p.p.**	**10%**	**n.s.**

From a commercial perspective, the Group reported an increase in new orders across nearly all divisions, except for *Helicopters* and *Energy.* **New orders** amounted to €mil. 21,099 at 31 December 2009, compared with €mil. 17,575 at 31 December 2008, for an increase of €mil. 3,524 (20%).
With regard to the divisions that contributed to the improvement in the results, the following should be noted:

- *Defence and Security Electronics:* due to the contribution of DRS for €mil. 3,004, with significant new orders across all business segments and, in particular, to the start-up of important programmes for major integrated defence and security systems; includes orders for support services for avionics and communications equipment installed on the Eurofighter and work on the programme for building the TETRA (TErrestrial Trunked RAdio) network for secured interforce digital communications; there were also significant orders for electro-optical equipment and tactical systems from the US Army;
- *Aeronautics:* primarily due to increased orders in the military segment, in relation to the EFA and M346 programmes;
- *Space:* due to the contract to provide an earth observation satellite system (GokTurk) to Turkey and to good performance in the commercial telecommunications satellites segment;
- *Defence Systems:* particularly in land, sea and air weapons systems with the receipt of the order from the Italian Army for another instalment of the VBM Combat programme;
- *Transportation:* due to increased orders across all segments.

With regard to the segments in which performance suffered:

- *Helicopters:* mainly due to postponement until 2010 of receipt of a number of important contracts in the international governments market;
- *Energy:* due to delays in the receipt of a number of significant contracts, mainly in the plants and components segment.

The **order backlog** at 31 December 2009 amounted to €mil. 45,143, an increase of €mil. 2,206 over 31 December 2008 (€mil. 42,937).
The net change is mainly due to order acquisition which, as with the previous year, exceeded the volume of revenues generated during the period, and to the effect deriving from the translation of financial statements expressed in foreign currencies as a result of exchange rate trends at the end of the period (less favourable euro/dollar and more favourable euro/pound sterling exchange rates).
The order backlog, based on workability, guarantees coverage of over 2.5 years of production.

Revenues at 31 December 2009 came to €mil. 18,176, compared with €mil. 15,037 for the same period of 2008, an increase of €mil. 3,139 (21%).
Production volumes increased across all division with the exception of *Space*, as a result of lower production in the manufacturing segment, partly in relation to temporary work stoppages (financial difficulties in the Globalstar programme, damage to the L'Aquila facility caused by the earthquake on 6 April 2009 rendering it unfit for use).
The following should be noted with regard to the sectors that contributed positively towards the improvement in revenues:

- *Helicopters:* due to increased volume in the civil-government helicopters segment;
- *Defence and Security Electronics:* includes the contribution of DRS for €mil. 2,852, the activity relating to major integrated defence and security systems and, to a lesser extent, activity in avionics and electro-optical systems;
- *Aeronautics:* due to greater activity in the military segment, particularly increased production for the EFA and C27J programmes and the start-up of the M346 programme;
- *Energy:* mainly due to work on orders for plants and to flow agreements (maintenance, spare parts and solutions).

Revenues in the *Transportation* and *Defence Systems* divisions remained substantially in line with the previous year, with varying performance in individual segments.

Adjusted EBITA at 31 December 2009 came to €mil. 1,587, compared with €mil. 1,305 for 2008, an increase of €mil. 282 (22%).
The growth in adjusted EBITA is attributable to the *Helicopters, Defence and Security Electronics* and *Energy* divisions, largely due to higher production volumes, while the following divisions experienced a decrease:

- in *Space*, due to the impact of lower production volumes and cost overruns for a number of manufacturing activities, in addition to lower profitability in the satellite services segment as a result of a different production mix;
- in *Transportation*, due to the decline in the vehicles segment, mainly as a result of the higher costs connected with the stabilisation of certain products, that offset the improvement in signalling and transport systems as a result of higher production volumes.

Finally, the adjusted EBITDA for the *Aeronautics* and *Defence Systems* divisions was substantially in line with that of 2008.

Research and development costs at 31 December 2009 amounted to €mil. 1,982, up €mil. 173 compared with 2008 (€mil. 1,809).

Research and development costs in the *Aeronautics* segment amounted to €mil. 474 (about

24% of the Group total), reflecting the commitment to programmes being developed in the civil and military segments.

In *Defence and Security Electronics,* R&D costs totalled €mil. 711 (roughly 36% of the Group total) and related in particular to:

- in the *avionics and electro-optical systems* segment: the continuation of development for the EFA programme and new electronic-scan radar systems for both surveillance and combat;
- in the *integrated communications networks and systems* segment: the continuation of development of TETRA technology and wideband data link products and software design radio;
- in the *radar and command and control systems* segment: the continuation of the 3D Kronos radar surveillance system and of the active one, upgrading of the current SATCAS products, the programme to develop capabilities and technologies for architectural design and construction of major systems for the integrated management of operations by armed ground forces (Combined Warfare Proposal - CWP).

Finally, in the *Helicopters* segment, R&D costs came to €mil. 328 (about 17% of the Group total) and mainly concerned the development of technologies primarily for military use (AW149) and of multi-role versions of the BA 609 convertiplane for national security.

The **workforce** at 31 December 2009 came to 73,056, a decrease of 342 from 73,398 at 31 December 2008, due mainly to the sale of the stake in Global Aeronautica LLC and to positive turnover.
The geographical distribution of the workforce at the end of 2009 was substantially the same as that at 31 December 2008, breaking down into 59% of the workforce in Italy and 41% in foreign countries (largely the United States, the United Kingdom and France).

Balance Sheet

€ millions	Notes	31.12.2009	31.12.2008
Non-current assets		12,956	13,113
Non-current liabilities	(*)	(2,639)	(2,655)
		10,317	10,458
Inventories	16	4,662	4,365
Trade receivables	(**) 18	8,481	8,329
Trade payables	(***) 28	(12,400)	(12,134)
Working capital		**743**	**560**
Provisions for short-term risks and charges	25	(595)	(632)
Other net current assets (liabilities)	(****)	(853)	(873)
Net working capital		**(705)**	**(945)**
Net invested capital		**9,612**	**9,513**
Capital and reserves attributable to equity holders of the Company		6,351	5,974
Minority interests in equity		198	156
Shareholders' equity	23	**6,549**	**6,130**
Net financial debt (cash)	24	**3,070**	**3,383**
Net (assets) liabilities held for sale	(*****)	**(7)**	-

Notes on the reconciliation between the reclassified balance sheet and the statutory balance sheet:
(*) Includes all non-current liabilities except "Non-current borrowings".
(**) Includes "Contract work in progress".
(***) Includes "Advances from customers".
(****) Includes "Income tax receivables, "Other current assets" and "Derivative assets", excluding "Income tax payables", "Other current liabilities" and "Derivative liabilities".
(*****) Includes the net amount of "Non-current assets held for sale" and "Liabilities directly connected with assets held for sale".

At 31 December 2009 the consolidated **net invested capital** came to €mil. 9,612, compared with €mil. 9,513 at 31 December 2008, for a net increase of €mil. 99.
More specifically, there was a €mil. 240 increase in **net working capital** (negative €mil. 705 at 31 December 2009, compared with negative €mil. 945 at 31 December 2008). As to **capital assets**, there was a decrease of €mil. 141 (€mil. 10,317 at 31 December 2009 compared with €mil. 10,458 at 31 December 2008).

The **Free Operating Cash Flow** (FOCF) at 31 December 2009 was positive (generation of cash) in the amount of about €mil. 563, compared with a positive €mil. 469 at 31 December 2008, a net improvement of €mil. 94.
This improvement between the two periods compared correlates to cash generated from operations of €mil. 1,028 (€mil. 1,419 at 31 December 2008), used to support cash flow from ordinary investing activities for €mil. 465 (€mil. 950 at 31 December 2008).
In 2009, ordinary investment activity, needed for product development, was less than that for 2008 due to the reduced commitment of resources in certain sectors. Specifically, ordinary investments were largely concentrated in the Aeronautics (36%), Defence and Security Electronics (22%) and Helicopters (13%) divisions.

€ millions	2009		2008	
Cash and cash equivalents at 1 January	**2,297**		**1,607**	
Gross cash flow from operating activities	2,222		1,968	
Changes in other operating assets and liabilities and provisions for risks and charges (*)	(706)		(380)	
Funds From Operations (FFO)		**1,516**		**1,588**
Changes in working capital	(488)		(169)	
Cash flow generated from (used in) operating activities	1,028		1,419	
Cash flow from ordinary investing activities	(465)		(950)	
Free Operating Cash Flow (FOCF)		**563**		**469**
Strategic operations	(10)		(2,207)	
Change in other investing activities (**)	(3)		(22)	
Cash flow generated from (used in) investing activities	(478)		(3,179)	
Capital increases	-		1,206	
Net change in borrowings	66		1,444	
Dividends paid	(256)		(187)	
Cash flow generated from (used in) financing activities	(190)		2,463	
Exchange gains (losses)	(27)		(13)	
Cash and cash equivalents at 31 December	**2,630**		**2,297**	

(*) Includes the amounts of “Change in other operating assets and liabilities”, “Finance costs paid”, “Income taxes paid”, and “Change in provisions for risks and charges”.
(**) Includes “Other investing activities”, dividends received from subsidiaries and loss coverage for subsidiaries.

Group **net financial debt** (payables higher than financial receivables and cash and cash equivalents) at 31 December 2009 came to €mil. 3,070 (€mil. 3,383 at 31 December 2008), a net decrease of €mil. 313.
The following graph shows the most significant movements that contributed to the change in net financial debt between the two periods being compared.

Net financial debt at 31 December 2009

€ millions	31 Dec. 2009	31 Dec. 2008
Short-term borrowings	913	1,144
Medium/long-term borrowings	4,476	3,995
Cash and cash equivalents	(2,630)	(2,297)
BANK DEBT AND BONDS	**2,759**	**2,842**
Securities	(11)	(1)
Financial receivables from related parties	(34)	(26)
Other financial receivables	(763)	(653)
FINANCIAL RECEIVABLES AND SECURITIES	**(808)**	**(680)**
Borrowings from related parties	679	652
Other short-term borrowings	312	469
Other medium/long-term borrowings	128	100
OTHER BORROWINGS	**1,119**	**1,221**
NET FINANCIAL DEBT (CASH)	**3,070**	**3,383**

Once again for December 2009, consistent with the approach adopted in the presentation of the accounts over the last few years, the net debt figure does not include the net fair value of derivatives at the date the accounts were closed (positive balance of €mil. 105).

The year 2009 confirmed the ordinary pattern of cash flows and related debt, with considerable uses of cash during the period and a significant recovery during the latter part of the year, which was characterised, as usual, by important cash flows by all Group companies also through the sale of receivables.

FOCF for the year, amounting to €mil. 563, was better than that for 2008 (€mil. 469), having benefited from several unusual payments of trade receivables, as well as the payment of a number of extraordinary receivables, such as that of €mil. 64 as the balance on the receivable owed to Finmeccanica by ENEA, resulting from the settlement of a dispute between the two parties in December 2008 for a total of €mil. 371 (of which an initial payment of €mil. 307 was made the previous year).

The net debt figure for the year includes, among other things, the effects of the following transactions:

- the payment of €mil. 237 relating to the ordinary dividends paid out by the Group Parent to its shareholders for 2008;
- the payment of €mil. 16 relating to the minority interest portion of the ordinary dividends paid out by Ansaldo STS to its shareholders for 2008;
- the payment of roughly €mil. 154 for the purchase of 25% plus one share of the Russian company SCAC (Joint Stock Company Sukhoi Civil Aircraft) by Alenia Aeronautica, a transaction described in more detail elsewhere in this document;
- the receipt of €mil. 172 from the sale of the remaining 33,707,436 shares of STMicroelectronics NV (STM), held indirectly by Finmeccanica through STMicroelectronics Holding NV (STH), to Cassa Depositi e Prestiti SpA (CDP) for €5.10 per share.

Moreover, in January 2009, the relevant Group companies made a second reimbursement payment of €mil. 80 (total initial debt of €mil. 389) to the Ministry for Economic Development (MED) as a result of the decisions made concerning the methods for complying with the scheduled repayment plans and the corresponding finance costs related to programmes funded by Law 808/85. The first reimbursement payment of €mil. 297 was made in May 2008.

Finally, in December 2009, the Group obtained the refund of the 1992 IRPEG (corporate income tax) receivables from the Tax Authorities. Despite the fact that Finmeccanica had already transferred the receivables, they were recognised as part of the Group's debt under the contract used at the time to convert them. The payment from the Tax Authorities therefore improved the Group's debt position by €mil. 106.

As with the previous year, the debt figure benefited from the offsetting effect of the consolidated taxation mechanism, with lower outlays for the period of about €mil. 45.

In 2009, the Group made assignments of non-recourse receivables totalling around €mil.1,851 (€mil. 1,006 at 31 December 2008). This instrument was used more uniformly throughout the course of the entire year (as of September, assignments totalling €mil. 716 had already been made), leading to a better debt trend profile and favourably affecting the passive cycle.

As regards the composition of the debt items, with particular regard to bank debt and bonds, which went from €mil. 2,842 at 31 December 2008 to €mil. 2,759 at 31 December 2009, the main changes were as follows:

- short-term borrowings fell from €mil. 1,144 at 31 December 2008 to €mil. 913 at 31 December 2009 mainly due, in addition to the recognition of the coupon for the bond issues maturing over the next 12 months, to the following:
  - the prepayment, for nearly the full amount, of the DRS bond issues (about €mil. 868) in January 2009, classified as current borrowings since they contained change of control clauses requiring the accelerated repayment of the principle (put option) (see the "Financial transactions" section);
  - the recognition of €mil. 490 for the exchangeable bonds maturing in August 2010;
- medium/long-term borrowings rose from €mil. 3,995 at 31 December 2008 to €mil. 4,476 at 31 December 2009, mainly due to:
  - the bond issues placed on the financial markets by Finmeccanica Finance in February, April and October 2009 for a total nominal amount of €mil. 1,300;
  - the roughly €mil. 900 (US$mil. 1,300 nominal value) in bonds issued by Meccanica Holdings USA in July and October 2009;
  - the amount of the Senior Term Loan Facility to be repaid that was reduced from €mil. 1,762 to €mil. 625 using a portion of the proceeds from the above bond issues;
  - the reclassification of the amount relating to the exchangeable bonds (maturity August 2010) to short-term borrowings;
- also of importance is the increase in cash and cash equivalents from €mil. 2,297 in December 2008 to €mil. 2,630 in December 2009. This high amount is the result of the significant net cash flows recognised during the year by the Group companies, also through the sale of receivables, particularly during the final quarter. The figure includes, among other things, the proceeds from the bond issues carried out in 2009, not already allocated to the repayment of existing loans, and the €mil. 172 received from the sale of the investment in STM (refer to the "Financial transactions" section for more details). As usual, a portion of cash and cash equivalents comes from the cash surpluses that a number of Group companies outside of the cash pooling system pay directly to Finmeccanica as its share or pay through Finmeccanica Finance under treasury agreements signed between the parties. The balancing entry is found under "other financial debts" described later on. Finally, as described above, the figure also incorporates the payment of €mil. 80 to the MED.

The item "financial receivables and securities" equal to €mil. 808 (€mil. 680 at 31 December 2008) includes the amount of €mil. 708 (€mil. 628 at 31 December 2008) in respect of the portion of financial receivables that the MBDA and Thales Alenia Space joint ventures hold vis-à-vis the other partners in implementation of existing treasury agreements. In accordance with the consolidation method used, these receivables, like all the other joint venture items, are included in the Group's scope of consolidation on a proportionate basis.

The item “borrowings from related parties” amounting to €mil. 679 (€mil. 652 at 31 December 2008) includes the debt of €mil. 646 (€mil. 570 at 31 December 2008) of Group companies in the above joint ventures for the unconsolidated portion, and the debt of €mil. 23 (€mil. 62 at 31 December 2008) to the company Eurofighter, of which Alenia Aeronautica owns 21%. In regard to this, under a treasury agreement signed in 2008 by the partners, surplus cash and cash equivalents available at 31 December 2009 were used with the partners.

Moreover, as part of the centralisation of its financial operations, Finmeccanica has credit lines and guarantees to meet the Group needs. Specifically, it holds a medium-term revolving credit line of €mil. 1,200 agreed in 2004 with a pool of domestic and foreign banks (current maturity 2012). At 31 December 2009, this credit line was entirely unused. Also on that date Finmeccanica had additional short-term credit lines for cash amounting to around €mil. 1,205, of which €mil. 660 is unconfirmed and €mil. 545 is confirmed, that were also unused at the end of 2009. There are also unconfirmed guarantees of around €mil. 1,964.

Thanks to constant monitoring of capital markets, in 2009 Finmeccanica was able to complete the scheduled refinancing of its debt, particularly with regard to the €bil. 3.2 taken and used to purchase DRS, an amount that has been reduced to €mil. 639 (nominal value at 31 December 2009), by issuing bonds on all its reference markets (refer to the “Financial transactions” section) with maturities that have made it possible to extend the average life of its debt to over 10 years. This makes the Group’s financial structure compatible with the medium and long-term financial returns from the significant investments required to develop products.

"NON-GAAP" 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, adjusted EBITA is used as the primary indicator of profitability, since it allows us to analyse the Group's marginality by eliminating the impact of the volatility associated with non-recurring items or items unrelated to ordinary operations.
As required by Communication CESR/05-178b, below is a description of the components of each of these indicators:

- **EBIT**: i.e. earnings before interest and taxes, with no adjustments. EBIT also does not include costs and income resulting from the management of unconsolidated equity investments and other securities, nor the results of any sales of consolidated shareholdings, which are classified on the financial statements either as "*finance income and costs*" or, for the results of equity investments accounted for with the equity method, under "*share of profit (loss) of equity accounted investments*".
- **Adjusted EBITA:** it is arrived at by eliminating from EBIT (as defined above) the following items:
  - › any impairment in goodwill;
  - › amortisation of the portion of the purchase price allocated to intangible assets in relation to business combinations, as required by IFRS3;
  - › restructuring costs that are a part of significant, defined plans;
  - › other exceptional costs or income, i.e. connected to particularly significant events that are not related to the ordinary performance of the business.

Adjusted EBITA is then used to calculate return on sales (ROS) and return on investment (ROI), which is calculated as the ratio of adjusted EBITA to the average value of capital invested during the two periods being compared, net of investments in STM for the year 2008. The figures associated with DRS Technologies (DRS) were not used in calculating ROI for 2008.
A reconciliation of EBIT and adjusted EBITA for the periods concerned is shown below:

€ millions	For the year ended 31 December 2009	2008	Notes
EBIT	1,392	1,210	7
Non-recurring (income) costs	92	20	7
Amortisation of intangible assets acquired through a business combination	80	34	7
Restructuring costs	23	41	7
Adjusted EBITA	**1,587**	**1,305**	**21,099**

In particular in 2009, non-recurring costs related to:

- › the settlement reached during 2009 with the Danish customer in relation to a contract for the supply of trains. This contract entailed a strong technical/productive commitment for redefining the configuration of the whole vehicle fleet already produced (Transportation division, vehicles segment, €mil. 72);
- › changed conditions in the reference market of alternative energies applied to fuel cells, which brought to a decrease in the order backlog compared with the original estimate and to the definitive interruption of a part of the technological developments made so far (Energy division, alternative energies segment, €mil. 20).

- **Adjusted net profit:** this is arrived at by eliminating from net profits the positive and negative components of income that are the effects of events which, due to their scale and departure from the Group's usual performance, are treated as extraordinary.
  The reconciliation of net profit and adjusted net profit for the periods concerned is shown below:

€ millions	For the year ended 31 December 2009	2008	Notes
Net profit	718	621	6
Net gain from ENEA	-	(20)	6
Impairment related to STM	-	111	38
Net gain on sale of STM shares	(18)	(56)	6/38
Adjusted earnings before taxes	**700**	**656**	
Tax effect of the adjustments	-	8	
Adjusted net profit	**700**	**664**	

This adjusted net profit is used to calculate return on equity (ROE), which is based on the average value of equity for the two periods being compared. The effects of the acquisition of DRS and the Finmeccanica capital increase completed in November 2008 were not used in calculating ROE for 2008.

- **Free Operating Cash Flow (FOCF)**: this is the sum of the cash flow generated by (used in) operating activities and the cash flow generated by (used in) investment and divestment of intangible assets, property, plant and equipment, and equity investments, net of cash flows from the purchase or sale of equity investments that, due to their nature or significance, are considered "*strategic investments*". The calculation of FOCF for the periods concerned is presented in the reclassified statement of cash flows shown in the previous section.
- **Funds From Operations (FFO)**: this is cash flow generated by (used in) operating activities net of changes in working capital (as described under Note 42). The calculation of FFO for the periods concerned is presented in the reclassified statement of cash flows shown in the previous section.
- **Economic Value Added (EVA)**: this is calculated as adjusted EBITA net of taxes and the cost (comparing like-for-like in terms of consolidated companies) of the average value of invested capital (excluding the investments in STM for the year 2008) for the two periods concerned and measured on a weighted-average cost of capital (WACC) basis.
- **Working capital**: this includes trade receivables and payables, contract work in progress and advances received.
- **Net working capital**: this is equal to working capital less current provisions for risks and charges and other current assets and liabilities.
- **Net invested capital**: this is the algebraic sum of non-current assets, non-current liabilities and net working capital.
- **Net financial debt**: the calculation model complies with that provided in paragraph 127 of Recommendation CESR/05-054b implementing EC Regulation 809/2004. For details on its composition, refer to Note 24.
- **Research and development costs**: the Group classifies under R&D all internal and external costs incurred relating to projects aimed at obtaining or employing new technologies, knowledge, materials, products and processes. These costs may be partly or entirely reimbursed by customers, funded by public institutions through grants or other incentives under law or, lastly, be borne by the Group. From an accounting standpoint, R&D costs can be categorised differently as indicated below:
  - if they are reimbursed by the customer pursuant to a contract, they are classified under "work in progress";

› if they relate to research – or if they are at a stage at which it is not possible to demonstrate that the activity will generate future economic benefits – they are taken to profit or loss in the period incurred;
› finally, if they relate to a development activity for which the technical feasibility, the capability and the willingness to see the project through to the end, as well as the existence of a potential market for generating future economic benefits can be shown, they are capitalised under "intangible assets". In the case in which a grant is given towards these expenses, the carrying value of the intangible assets is reduced by the amount received or to be received.

- **New orders:** this is the sum of contracts signed with customers during the period that satisfy the requirements for being recorded in the order book.
- **Order backlog:** this figure is the difference between new orders and invoiced orders (income statement) during the reference period, excluding the change in contract work in progress. This difference is added to the backlog for the preceding period.
- **Workforce:** the number of employees reported on the last day of the period.

TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties concern activities in the ordinary course of business and are carried out at arm's length (where they are not governed by specific contractual conditions), as is the settlement of interest-bearing payables and receivables.
These mainly relate to the exchange of assets, the performance of services and the generation and use of net cash from and to associated companies, held under common control (joint ventures), consortiums, and unconsolidated subsidiaries.
There are no transactions qualifying as atypical and/or unusual[1].

Below are the amounts of transactions with related parties (a breakdown is shown in Notes 14 and 31) for 2009 and the previous year.

(€ millions)

31 Dec. 2009	Unconsolidated subsidiaries	Associates	Joint ventures (*)	Consortiums (**)	Total
Non-current receivables					
- financial		2	10		**12**
- other					
Current receivables					
- financial	11	1	21	1	**34**
- trade	6	268	127	122	**523**
- other	1		6	2	**9**
Non-current payables					
- financial					
- other					
Current payables					
- financial	1	30	648		**679**
- trade	18	37	32	12	**99**
- other		5	8		**13**
Guarantees			281		**281**

1. As defined in CONSOB Communication DEM/6064293 of 28 July 2006.

(€ millions)

2009	Subsidiaries	Associates	Joint ventures (*)	Consortiums (**)	Total
Revenue	17	1,299	257	102	**1,675**
Other operating income			1		**1**
Costs	(34)	(55)	(21)	(15)	**(125)**
Finance income		5	1		**6**
Finance costs		(2)	(5)		**(7)**

(€ millions)

31 Dec. 2008	Unconsolidated subsidiaries	Associates	Joint ventures (*)	Consortiums (**)	Total
Non-current receivables					
- financial		2	11		**13**
- other					
Current receivables					
- financial	13	1	7	5	**26**
- trade	8	284	126	100	**518**
- other	1	1	11	1	**14**
Non-current payables					
- financial					
- other					
Current payables					
- financial	1	73	578		**652**
- trade	16	41	19	8	**84**
- other	1	29	4		**34**
Guarantees		12	528	1	**541**

(€ millions)

2008	Subsidiaries	Associates	Joint ventures (*)	Consortiums (**)	Total
Revenue	13	1,297	262	133	**1,705**
Other operating income		1			**1**
Costs	(29)	(90)	(19)	(9)	**(147)**
Finance income			2		**2**
Finance costs		(4)	(22)		**(26)**

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

Within the Group rules of corporate governance, specific conduct guidelines were identified to ensure that transactions with related parties are carried out in compliance with methods of procedural and substantial fairness (see also section "Corporate Governance Report and Shareholder Structure").

CONSOB Market Regulation, Art. 36.

With regard to the CONSOB regulations referred to in the Market Regulation and with specific regard to Article 36 of the relevant Resolution 16191/2007, Finmeccanica made the checks on the subsidiaries that were incorporated and are governed under the laws of non-EU Member States and that, as a result, became significantly relevant based on the requirements under Article 151 of the Issuers' Regulations adopted with CONSOB Resolution 11971/1999.

The identification of the scope analysed in the materiality analysis (under Article 151 of CONSOB Regulation 11971/1999) involved 100 non-EU subsidiaries of the Finmeccanica Group.

As regards the non-EU foreign subsidiaries (Meccanica Holdings USA Inc. DRS Technologies Inc., Agusta Aerospace Corp. USA and AgustaWestland Bell LLC) identified based on the above regulations and in compliance with the regulations of local laws, these checks revealed the existence of an adequate administrative and accounting system and the additional requirements envisaged in said Article 36.

Reaching you everywhere in the world.

EURO MILLIONS	31.12.2009	31.12.2008
New orders	**3,205**	**5,078**
Order backlog	**9,786**	**10,481**
Revenues	**3,480**	**3,035**
Adjusted EBITA	**371**	**353**
ROS	**10.7%**	**11.6%**
Research & development	**328**	**273**
Workforce (no.)	**10,343**	**10,289**

HELICOPTERS

HIGHLIGHTS

New orders: down 37% from 31 December 2008. This is due mainly to the postponement of a number of orders in the important international government contracts market until 2010. Among the most important new orders received were the order to supply the Italian Army with sixteen ICH-47F Chinook helicopters and related logistical support for around €bil. 1; and the order worth about €mil. 480 from the UK Ministry of Defence for the integrated operational support contract for the 67 Apache AH-MK1 helicopters used by the British Army.

Revenues: up 15% over 31 December 2008; this increase is largely due to higher production volumes in the civil-government helicopters segment.

Adjusted EBITA and ROS: up 5% from 31 December 2008; this increase, however, was negatively affected (€mil. 8) by the translation of financial statements in foreign currencies into euros. The improvement was due to increased volumes in the helicopters segment that partially offset the lower contribution of certain product support contracts. As a result, ROS decreased by one percentage point.

Finmeccanica, through the AgustaWestland NV group, is a world leader in the civil and military helicopter industry.

The helicopter **market** – which was worth about €bil. 13 in 2009 with regard to the delivery of new machines – is expected to grow over the medium and long term, driven primarily by the helicopters for military use segment, which represents roughly 75% of the total. However, over the short term, due to the economic crisis, investments are focusing on those programmes that have already begun and cannot be halted and programmes deemed vital for national security. Investment in more innovation applications is being deferred while global uncertainty persists and we expect funds to be partially reallocated from new orders to providing support for and extending the life of current fleets.

Therefore, the international crisis has not had an impact on the military market, which remains one of the few growing markets. This conclusion is supported by the heavy emphasis placed on helicopters by the recent US *Quadriennal Defense Review*, especially for use in international stabilisation and anti-terrorism operations. As a result, the total value of the military market over the next decade is expected to be almost €bil. 150, taking into account support and technical services, support for research and development, upgrading and modernisation programmes, in addition to the value of new orders.

The greatest opportunities in the **military market** are to be found in the United States where, thanks to the versatility of the helicopter displayed in the operational theatres of Iraq and Afghanistan, a net increase in funding for helicopters is expected, driven by the Hawk family and the new CH-47F programme. In Europe, too, helicopters are viewed as an important component of strategic and operational defence. Demand will largely be driven by the Tiger and NH90 programmes.
One of the most promising segments over the next few years will be the light-twin helicopter segment, with the AW109, EC135 and EC145. Longer term, there should be increased market interest in new unmanned combat armed rotorcaft (UCAR) models, an area where recent targeted acquisitions by Boeing and Sikorsky have reinforced their existing strong technological expertise in developing unmanned aircraft.

By contrast, in the **civil market**, there has been a short-term decline in demand, particularly in the Corporate/VIP segment, due to the turbulence in the international markets after several years (2005-2008) of market expansion. However, we expect demand to rebound after 2012, driven by the public sector, for helicopters used for border protection defence and maritime patrols and by the private offshore sector. The total market value over the next 10 years is projected to be around €bil. 40.

Partnership agreements concerning technology and delocalisation of production in newly industrialised nations are continuing to play an increasingly important role internationally. Potential collaborations in Turkey, India and, with regard to the civil segments only, Russia and China, are of particular interest.
With regard to technology, significant programmes are being conducted into high-speed flight innovation, with the roll-out of the convertiplane, which could revolutionise how resources are used in the military segment. This could also potentially stimulate new areas of demand in the civil segment for protecting helicopters (in hostile operating environments and electronic countermeasures), in achieving full operational capacity (all weather/day-night), in using propulsion systems and materials with a low environmental impact (green technology).

The total volume of **new orders** at 31 December 2009 came to €mil. 3,205, a 37% decrease from 2008 (€mil. 5,078), and breaks down into 50% for helicopters (new helicopters and upgrading), 42% for support (spare parts and inspections) and 8% for engineering. Despite the current international recession, the government and military helicopter lines posted positive results, up around 10% over the previous year, while the civil helicopter segment fell from 31 December 2008.

The most important new orders received in the *military segment* were:

- the orders from the UK Ministry of Defence for:
  - twelve Lynx Mk 9 helicopters, a variant of the Super Lynx helicopter used by the UK armed forces, in order to ensure support to military operations prior to the entry into operation of the new Future Lynx helicopter. The contract is worth €mil. 62 (Q1);
  - integrated operational support contract for the 2010-2014 period worth €mil. 480 for 67 Apache AH-MK1 helicopters used by the British Army (Q3);
- the order from the Air Force Armaments Department (ARMAEREO) to supply the Italian Army with sixteen ICH-47F Chinook helicopters and related logistical support, with an option for an additional four helicopters. The contract was entered into following the signing in July 2008 of the partnership agreement between AgustaWestland and Boeing Company for the joint production of the helicopter, with AgustaWestland acting as prime contractor and responsible for systems integration, final assembly and delivery to the Italian Army. The contract is worth about €mil. 1,000 (Q2);
- the order for two AW139 helicopters for the United Arab Emirates (UAE) armed forces (Q2).

In *the civil and government segment*, new orders for 97 helicopters were received at 31 December 2009, worth a total of about €mil. 900. Of note in that regard are the following:

- the order from the Cypriot Justice Ministry for two AW139 helicopters for use in search and rescue and public order operations (Q1);
- the order from the Malaysian fire department for two AW139 helicopters for use in fire-fighting and search and rescue operations (Q1);
- the order for seven Grand and one AW139 VIP configuration helicopters from Fittipaldi Aircraft (Q3);
- the order for one additional AW139 helicopter from the Los Angeles fire department (Q3);
- the order for five AW139 and one AW109 Power helicopters for the Oman Royal Police (Q4);
- the order for three AW139 helicopters for the Bristow Group Inc. (off-shore operator) (Q4);

The value of the **order backlog** at 31 December 2009 came to €mil. 9,786, substantially in line with the same figure at 31 December 2008 (€mil. 10,481) and is sufficient to guarantee coverage of production for an equivalent of 2.5 years.

The **order backlog** at 31 December 2009 breaks down into 73% for helicopters, where the T-129 Atak and NH90 programmes account for 40%, 23% for support activities, where about 55% is represented by integrated support contracts (IOS) for the UK Ministry of Defence, and the remaining 4% for engineering activities.

With regard to progress made on the order for the **helicopter for the President of the United States of America**, at 31 December 2009 the nine helicopters provided for under the contract (Increment 1), four Test Vehicles (TV) and five pilot production vehicles (PP), had been delivered to the American partner Lockheed Martin System Integrator Ltd.
On 3 June 2009 AgustaWestland was formally notified, through Lockheed Martin System Integrator Ltd acting as prime contractor, of the "termination for convenience" process for the programme, which effectively put an end to activity pertaining to this supply contract. Under the contract, AgustaWestland has the right to termination costs. This procedure is rather complex and, as of today, it is difficult to estimate the amount to be received and how long the process will take.

Revenues at 31 December 2009 came to €mil. 3,480, up 15% from the figure at 31 December 2008 (€mil. 3,035). This increase is largely due to higher production volumes in the civil-government helicopters segment.
In particular, there was an increase in AW139 and AW101 volumes with programmes in Algeria, Japan and the MK3A UK in full production, while volumes declined for the AW109 (Power and LUH). The T-129 Atak programme is proceeding on schedule, with the maiden flight of the prototype taking place in September 2009.

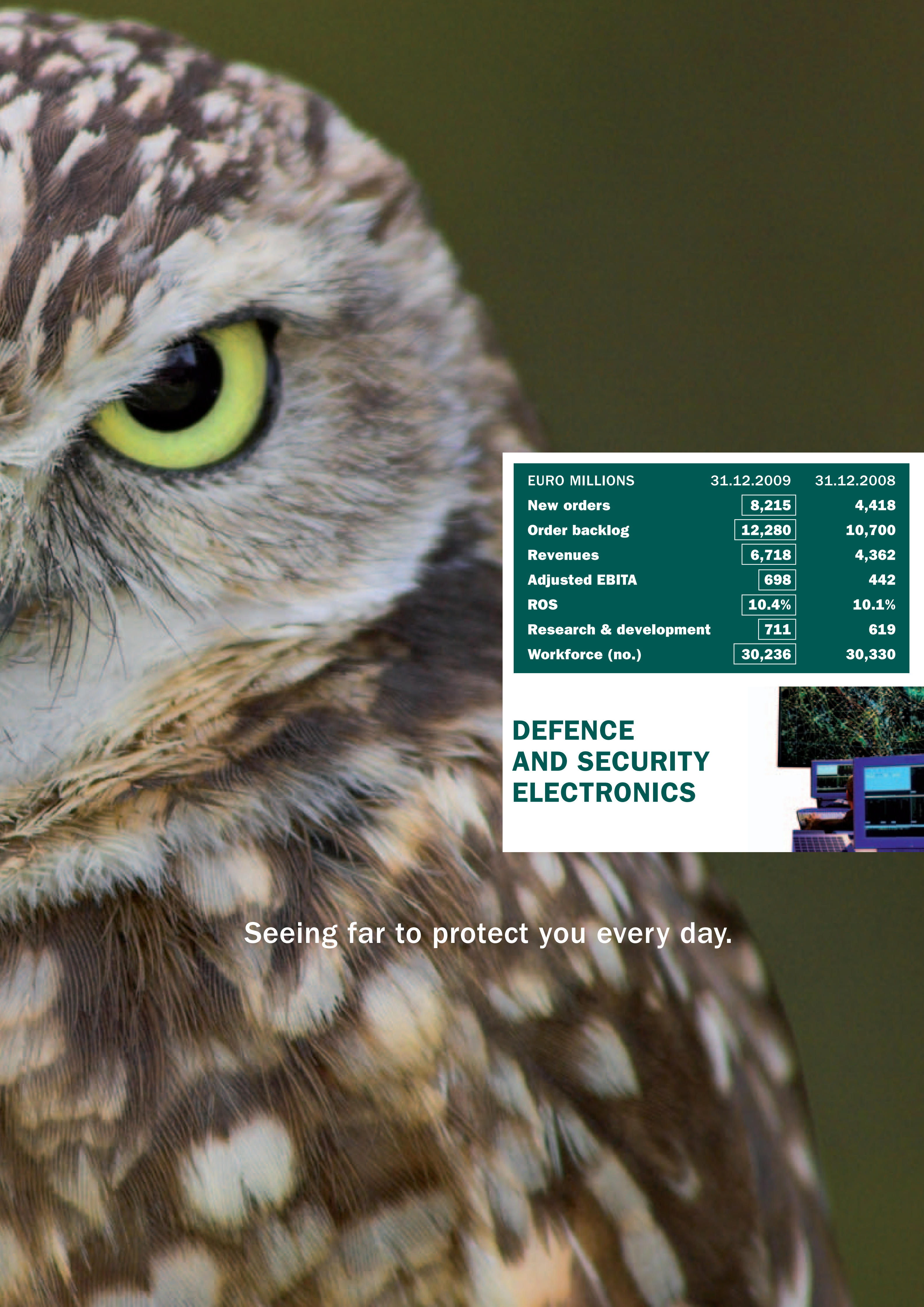
There was also good performance in product support, up 8% compared with 31 December 2008, including the IOS contracts for the UK Ministry of Defence.

Adjusted EBITA at 31 December 2009 came to €mil. 371, up about 5% from the €mil. 353 reported at 31 December 2008. This increase, however, was negatively affected (€mil. 8) by the translation of financial statements in foreign currencies into euros and lower profitability resulting from the different mix of revenues. As a result, **ROS** came to 10.7% compared with 11.6% at 31 December 2008.

Research and development costs at 31 December 2009 came to €mil. 328 (€mil. 273 at 31 December 2008) and concerned:

- the development of technologies primarily for military use for a new helicopter of the 6/7-tonne class named the AW149, of which the maiden flight of the prototype was made on 13 November;
- the development of multi-role versions of the BA 609 convertiplane for national security;
- the start of the development and certification phase for the AW109SP version, as part of product improvement research, initially to satisfy the needs of Rega, the Swiss air rescue firm.

The **workforce** at 31 December 2009 came to 10,343, a 54 employee increase over 31 December 2008 (10,289), due largely to turnover.



EURO MILLIONS	31.12.2009	31.12.2008
New orders	8,215	4,418
Order backlog	12,280	10,700
Revenues	6,718	4,362
Adjusted EBITA	698	442
ROS	10.4%	10.1%
Research & development	711	619
Workforce (no.)	30,236	30,330

DEFENCE AND SECURITY ELECTRONICS

Seeing far to protect you every day.

HIGHLIGHTS

In part thanks to the acquisition of DRS Technologies (DRS) in October 2008, the division reported new orders of €mil. 8,215 and revenues of €mil. 6,718, confirming a rather high expected profitability of 10.4%.

New orders: significant new orders across all segments, up with respect to last year due, in particular, to the start up of important programmes for major integrated systems for defence and security, orders for support for avionics and communications equipment on Eurofighter aircraft and the continuation of the programme to build the TETRA (TErrestrial Trunked RAdio) secured interforce digital communications network; also important orders for electro-optical devices and tactical systems for the US armed forces.

In line with strategic, industrial, market and financial policies, the acquisition of DRS has allowed the Group in general and the Defence and Security Electronics division in particular to gain a position on the US market, a market that is very difficult to enter in another manner due to the high barriers to entry that US procurement policy imposes on foreign companies and groups, especially in the defence sector. For DRS, integration with the Group offers a strategic opportunity to expand its position in the non-domestic market.

The division covers activities relating to the creation of major integrated systems for defence and security based on complex architectures and network-centric techniques, manufacture of avionics and electro-optical equipment and systems, unmanned aircraft, radar systems, land and naval command and control systems, air traffic control systems, communications systems and integrated networks for land, naval, satellite and avionic applications, and activities for private mobile radio communications systems, value-added services and IT and security activities.

Finmeccanica has a number of companies that are active in the Defence and Security Electronics industry, including: the SELEX[1] Galileo group, the SELEX Sistemi Integrati group, the Elsag Datamat Group, the SELEX Communications group, SELEX Service Management SpA, Seicos SpA and the Vega group (which has been under the control of the UK subsidiary SELEX Sistemi Integrati SpA since 2 January 2009). On 22 October 2008, Finmeccanica also successfully completed the acquisition of DRS Technologies, the American group that is a leader in the supply of integrated products, services and support for military forces and governmental agencies in the Defence and Security Electronics sector. DRS specialises in defence technologies, developing, producing and supplying assistance for a vast range of systems conceived to satisfy the requirements of mission critical and military support operations, in addition to homeland security systems.

However, to provide a representation of the division’s performance, where appropriate, the differences between the two periods compared are presented excluding the effect of the results of DRS, as previously reported in another part of the document.

Within the broader defence sector, the Defence and Security Electronics market is the largest in terms of value, with higher growth opportunities over the next several years. Specifically, the market for Defence Systems Electronics (including the development of major integrated systems and the production of components and sub-systems) is estimated to be worth around €bil. 70 per year, while the electronic systems for security market (homeland security) is worth around €bil. 55. The diversification of the threat from international terrorism and the more widespread media acceptance, for psychological and social reasons, of systems for border protection, maritime traffic surveillance, protection of sensitive locations and infrastructures, and managing security for large events are at the root of the strong development trend in the homeland protection sector.

1. In particular, Galileo Avionica SpA changed its corporate name to SELEX Galileo SpA and SELEX Sensors and Airborne Systems Ltd into SELEX Galileo Ltd.

Over the next few years, based on the more advanced operational requirements for military operations, especially "out-of-theatre" operations and asymmetrical war and the increasing pervasiveness of electronics in major integrated systems for defence and security and in most types of platforms (airplanes, helicopters, naval vessels, ground vehicles), the average growth rate (2009-2018) for the sector is estimated at around 7%, which is higher than the expected growth rates for the entire defence sector. Specially, the demand for homeland protection and security systems, driven by a heightened awareness of the creation of integrated systems for internal security and for protecting borders from a variety of threats, presents interesting business opportunities. The major applications will relate to the development of solutions and systems for border control, maritime security, protection of sensitive locations and infrastructures, and monitoring and managing security for large events.

With regard to military applications, the United States is far and away the largest market in the world (about 50% of the total). However, over the medium and long term, its dominance should gradually decrease given the higher growth rates expected for a number of newly industrialised areas (China, India, Middle East, etc.). The economic crisis has not had a significant impact on these projections. The cutbacks in defence budgets expected in the short term for some countries (including Western Europe and the United States, although the most recent US government reports indicate that the total budget should increase slightly in 2010) should not have a negative impact on the electronic systems sector, which finds itself in a preferred position compared with more traditional segments grounded in the development and production of platforms.

The Defence and Security Electronics systems sector is distinguished by several interesting features:

- growing focus on technological developments in components and sub-systems (nanotechnologies, microelectronics, active modules for radar antennas, advanced materials) and in complex systems (aerial surveillance systems, integrated payloads for unmanned aircraft, secured communications networks, integrated systems for national defence and security, etc.);
- technologically-driven element coming from the civilian world across the entire communications and information technology segment, with the development of applications for military customers and governments based on the use of Commercial Off-The-Shelf (COTS) components;
- rising demand for high value-added services, starting with scenario modelling and simulation, through training and taking part in operating zone logistics;
- development by the major competitors throughout the world of capabilities for offering themselves as solution providers and Systems of Systems based on a multi-platform (for example, fleets of manned and unmanned aircraft), cross-field (for example, ground, air and space-based surveillance systems) approach;
- an integrated approach to logistics, which is no longer thought of as post-supply maintenance of equipment and systems, but rather as a fundamental component that spans the product's operating life (Through-Life Management Capability).

In this sector, Finmeccanica is present in the major product segments (sensors, communications, command and control, information technology, etc.) for a variety of applications (air, land, sea and satellite), including adjacent markets linked to homeland security. Finmeccanica has distinguished itself for the excellence of its radar and electro-optical sensor systems, its command and control systems and equipment for the security ("encryption") of strategic and tactical communication networks.

In the Defence and Security Electronics sector, **new orders** at 31 December 2009 totalled €mil. 8,215 (€mil. 4,418 at 31 December 2008). The contribution of DRS to the receipt of new orders during the period amounted to €mil. 3,004 (€mil. 251 at 31 December 2008, limited to the contribution for the last two months of the year), for a total increase for the sector of 86%.

Specifically, significant new orders were received in the fourth quarter in relation to the start up of major integrated systems for defence and security programmes, logistics for Eurofighter (EFA) aircraft, and the continuation of the TETRA interpolice programme in the communications segment.

The main new orders received in the various segments include the following:

- in *avionics and electro-optical systems*: orders for five-year contracts to provide integrated support services for the fleet of Eurofighter aircraft owned by the Italian Air Force and from BAE Systems to provide support for the Captor radar system and the Defensive Aids Sub System (DASS) for its partners' aircraft (Q4); additional orders for the European EFA programme relating, in particular, to simulators, to logistics and to DASS combat radar; orders for countermeasure systems; the order from the Italian Navy to supply Airborne Tactical Observation and Surveillance Systems (ATOS) for ATR72 aircraft (Q2); space programme orders and customer support activity;
- in *major integrated systems for defence and security*: the start up of the Forza NEC programme to digitalise the Italian national forestry service (Q4); the order from Libya to build a major border control system (Q4); the order from the Italian Department of Civil Protection to build the management system for the G8 event held in L'Aquila (Q1);
- in *radar and command and control systems*: the contract to supply the entire system for monitoring the airspace of north western Italy (Q4); the order to develop the Ads-B (Automatic Dependent Surveillance Broadcast) surveillance network in order to complete the national system for monitoring aircraft flying in areas where traditional radar coverage is not available (Q4); the signing of a rider to the contract to supply Fixed Air Defence Radar (FADR) to NATO countries (Q1); the order to supply air traffic control systems for the Blaise Diagne international airport of Dakar (Q2); two contracts to supply command and control systems to the navy of the United Arab Emirates for new swift patrol boats (Q2) and radar and a Combat Management System for the Baynunah class frigate (Q4); orders for consultancy services for the UK Ministry of Defence (Q1-Q2); the order to upgrade the multifunctional radar for use on FREMM ships (Q3); orders from Malaysia to upgrade airports (Q3);
- in *integrated communication systems and networks*: completion of the order from the Region of Sardinia under the programme to build the TETRA secured interforce digital communications network for the Ministry for the Interior (Q4); additional orders for EFA communication systems; the order from Libya to build the professional communications network for its new railway line (Q3); the order from the Italian Ministry for the Interior for a video surveillance system for the Region of Sicily (Q3);
- in *information technology and security*: the order from INPS for software development, re-engineering, applications maintenance and professional services as part of its Welfare programme (Q1-Q2-Q3); the maintenance contract for the electromechanical baggage handling systems at Rome's Fiumicino Airport (Q4); the contract to provide routers and multi-media set top boxes to Fastweb (Q4); the order from Poste Italiane to supply PDAs for letter carriers (Q1); the maintenance contract for the electromechanical baggage handling systems at Milan's Malpensa Airport (Q3); the order to supply the Egyptian railways with a ticket booking and management system for passenger traffic (Q2); various orders from Vitrociset to provide technical support and management of complex systems relating to the computerised logistics system (Q2-Q4);
- in the *DRS group*: orders from the US Army to supply Military Rugged Tablet computers (MRT) that comprise a platform integrated with keyboards, fixed workstations and peripherals to support the Movement Tracking System (MTS) (Q1-Q2); additional activities related to the Thermal Weapon Sight (TWS) system issued to soldiers (Q1); order to supply rugged servers and displays for JV-5 vehicles (Q3); additional activity on the target acquisition sub-systems for the Bradley fighting vehicle (Q3-Q4); the order to supply Driver's Vision Enhancers (DVE) for combat and tactical-wheeled vehicles (Q3); logistics, support and spare parts for the Mast Mounted Sight (MMS) system for Kiowa Warrior helicopters (Q1); the provision of Tactical Quiet Generators (TQG) (Q1); the production of 270 M1000 Heavy Equipment Transporter (HET) trailers (Q3); the order from the US Navy's Space and Naval Warfare Systems Center

(SPAWAR) to supply satellite Internet communication services and a Voice over Internet Protocol (VoIP) network to support personnel deployed in operational scenarios (Q3).

The **order backlog** came to €mil. 12,280 at 31 December 2009, compared with €mil. 10,700 at 31 December 2008 (+15%), one-third of which related to the avionics and electro-optical systems segment, and one-fifth to the activities of DRS.

Revenues at 31 December 2009 amounted to €mil. 6,718 (€mil. 4,362 at 31 December 2008). The contribution of DRS to revenues during the period amounted to €mil. 2,852 (€mil. 551 at 31 December 2008), for a total increase for the sector of 54%, despite the negative change due to the translation of the financial statements denominated in a foreign currency. There was increased activity in major integrated systems for defence and security and, to a lesser extent, in avionics and electro-optical systems, compared with 31 December 2008.

Revenues resulted mainly from the following segments:

- in *avionics and electro-optical systems*: the continuation of activities relating to DASS production and the production of avionics equipment and radar for the EFA programme; systems for countermeasures; devices for the helicopter and space programmes; activities relating to Tornado aircraft for the British Air Force and logistics;
- in *major integrated systems for defence and security:* start up of the Forza NEC programme and activities under the contract with the Italian Department of Civil Protection for the emergency management system;
- in *radar and command and control systems*: the continuation of activities relating to air traffic control programmes both in Italy and, above all, abroad; contracts for Orizzonte, FREMM and upgrading; the Medium Extended Air Defense System (MEADS) international cooperation programme; the programme to supply Fixed Air Defence Radar (FADR) for the domestic customer;
- in *integrated communication systems and networks*: the continuation of activities relating to the construction of the national TETRA network; the development and manufacture of equipment for the EFA and the NH90; the provision of communication systems for the military both in Italy and the UK; the continuation of activities relating to the FREMM programme;
- in *information technology and security*: activities relating to postal automation and industrial services for domestic customers, the combat system for the FREMM, the management of the G8 event and ICT services for government agencies;
- in *the DRS group*: activities to supply Thermal Weapon Sights (TWS) under the new bridge contract; additional deliveries for programmes to upgrade the target acquisition sub-systems for Bradley fighting vehicles; activity pertaining to the repair and provision of spare parts for the Mast Mounted Sight (MMS) system helicopters; deliveries of Tactical Quiet Generators (TQG); provision of services and products for the Rapid Response contract; significant deliveries of rugged computers and displays for vehicles; satellite communications services.

Adjusted EBITA reached €mil. 698 at 31 December 2009, compared with €mil. 442 at 31 December 2008. The contribution of DRS came to €mil. 323 (€mil. 51 at 31 December 2008), for a total increase for the sector of 58%, despite the negative change due to the translation of financial statements denominated in a foreign currency. The improvement compared with 31 December 2008 is due to the aforementioned increase in production volumes, and especially to growth in the major integrated systems for defence and security segment, which offset the deterioration seen in the information technology and security segment. As a result, calculated in this way, **ROS** came to 10.4% (10.1% at 31 December 2008).

Research and development costs at 31 December 2009 totalled €mil. 711, up about €mil. 92 compared with 31 December 2008, and related in particular to:

- in the *avionics and electro-optical systems segment:* development for the EFA programme, new electronic-scan radar systems for both surveillance and combat, improvements to avionics suites to satisfy the demands of the new fixed and rotary-wind platforms;

- in the *integrated communications systems and networks segment:* the development of TETRA technology products, new avionics products and wideband data link and software design radio products;
- in the *integrated, radar and command and control systems segment:* the continuation of the 3D Kronos radar surveillance system and the active one, upgrading of the current SATCAS products and of the programme to develop capabilities and technologies for architectural design and construction of major systems for the integrated management of operations by armed ground forces (Combined Warfare Proposal-CWP).

The **workforce** at 31 December 2009 came to 30,236 as compared with 30,330 at 31 December 2008, a decrease of 94, mainly due to turnover.

Able to fly in any condition.

EURO MILLIONS	31.12.2009	31.12.2008
New orders	**3,725**	**2,720**
Order backlog	**8,850**	**8,281**
Revenues	**2,641**	**2,530**
Adjusted EBITA	**241**	**250**
ROS	**9.1%**	**9.9%**
Research & development	**474**	**508**
Workforce (no.)	**13,146**	**13,907**

AERONAUTICS

Please note that the data related to the GIE-ATR joint venture are consolidated with the proportional method at 50%.

HIGHLIGHTS

New orders: good commercial performance with considerable new orders amounting to €mil. 3,725 at 31 December 2009, up €mil. 1,005 (+36.9%) over the €mil. 2,720 posted for 2008. This increase is mainly due to higher orders in the *military segment* for the EFA programme, with the order for the third lot received in last July 2009, and for the M346 trainer, with the first lot of six craft ordered by the Italian Air Force. There was also growth in the *civil segment* with orders from Boeing for the B787 programme, which offset the decline in other programmes springing from the crisis in the air transport sector.

Revenues: up 4.4% from 31 December 2008 due to greater activity in the *military segment*, with increased production of EFA and C27J aircraft and the start of production of the M346.

The Aeronautics division includes Alenia Aeronautica SpA (production of military aircraft for combat, transport and special missions, as well as civil applications such as aerostructures and regional turboprop aircraft) and its subsidiaries, including: Alenia Aermacchi SpA (production of military training aircraft and engine nacelles for civil aeronautics); Alenia Aeronavali SpA (cargo aircraft conversions and maintenance – merged with Alenia Aeronautica as from 1 January 2010); and the GIE-ATR consortium (final assembly and marketing of ATR aircraft), in which a 50% equity stake is held Alenia North America Inc. which operates in the American market through a joint venture and SuperJet International SpA in which a 51% equity stake is held (sale and assistance for Superjet aircraft).

Like much of the defence sector, the world's **military** aeronautics **market** as of yet has not directly felt the impact of the economic crisis, but it could suffer over the next two or three years from possible budget cutbacks in the United States and other industrialised nations. The military aeronautics market is projected to be worth a total of €bil. 580 over the next decade, including activities such as modernisation, maintenance and logistics. The market should essentially remain stable from 2010 to 2012, to gradually rise thereafter across all the major segments:

- in multi-role helicopters, which is confirmed to be most important sector given the enormity of a number of production (EFA, Rafale, F-22) and development (JSF) programmes. The most significant event in 2009 in this sector was the formal submission of the order for the third lot of the EFA in late July;
- in special missions aircraft, where there are interesting opportunities in particular for maritime patrols and tactical transport applications also for non-military government clients;
- in trainers, where there are important opportunities in Europe, the US and numerous newly industrialised nations;
- in transport helicopters, especially tactical craft, given the growing operational demands of out-of-theatre operations and foreign missions.

Over the long term, there will be trend towards the gradual introduction of new-generation unmanned helicopters, for both strategic surveillance (Unmanned Air Systems-UAS) and combat applications (Unmanned Combat Air Vehicles-UCAV). It is estimated that the market for these systems could grow from the current level of €bil. 6 per year to over €bil. 20, with the production of over 2,000 platforms, a large portion of which for the United States.

Important technological developments, based on new operational requirements linked to out-of-theatre operations and asymmetrical war, are being made in the military aeronautics sector in the United States and in various European countries.

Finmeccanica is active in all segments of the military aeronautics industry: combat (with participation in important programs such as EFA and JSF); advanced trainers (M346 trainer); tactical transport (with the C27J aircraft); aircraft for special missions, particularly for surveillance and patrol with the military version of the ATR family; and unmanned aircraft.

In the global **civil** aeronautics **market**, the drop in demand for passenger and goods air transport has led to a consistent decline in orders for new aircraft, both commercial and regional, although it should be noted that in recent years demand had reached the peaks of the upward cycle. In 2009, there were orders for just over 400 aircraft, compared with 1,439 units in 2008. The slow recovery of demand and the persistent financial problems plaguing the major airlines – traditional and low-cost – lead us to believe that the civil aeronautics sector will begin to experience moderate growth starting in 2012. According to the most recent projections, over the next ten years the market should be worth more than €bil. 500 for commercial aircraft and €bil. 60 for regional aircraft. These values are about 8-10% lower than what had been projected for the same period before the effects of the economic crisis became apparent.
The main trends in the various segments are confirmed, such as greater development of wide-body craft compared with narrow-body planes, the shift in demand in the regional jet market towards the high-end of the market and the solidity of the turboprop segment. The trend towards increasingly outsourcing the production of components and structural sub-systems should continue although delays and problems in managing the B787 programme have led Boeing to modify, at least in part, its global strategy for outsourcing these types of production. The civil aerostructures market continues to attract great interest and remain highly competitive, with an average medium and long-term growth trend of around 7%, higher that the growth expected for the entire civil aircraft sector (average growth of around 3% over the next 10 years).

Finmeccanica is active in the civil aeronautics industry in aerostructures, regional transport craft, both turboprop (through the joint venture with EADS, GIE-ATR) and jets (with the joint venture SuperJet International SpA in which Sukhoi holds a 49% stake and through the Russian company Sukhoi Civil Aircraft Company in which Finmeccanica has held 25% plus one share since April 2009) and passenger-to-cargo transformations.

New orders at 31 December 2009 came to €mil. 3,725, up €mil. 1,005 (+36.9%) from the €mil. 2,720 reported at 31 December 2008. This increase is mainly due to higher orders in the *military segment* for the EFA and M346 programmes. There was also growth in the *civil segment* with the orders from Boeing for the B787 programme, which offset the decline in other programmes springing from the crisis in the air transport sector. The main orders received in 2009 included the following:

- in the *military segment*: the order for the third lot of the EFA programme, received in late July 2009 for the production of the first lot of 112 aircraft (of which 21 are for the Italian Air Force) and orders to provide logistics support; the first order for the M346 trainer for a lot of six aircraft for the Italian Air Force (Q4); the order for seven more C27J aircraft for the US (Q1) and orders for logistics support for Tornado aircraft;
- in the *civil segment*: orders from Boeing for the B787, from GIE-ATR for 36 aircraft; further orders for the A380 and A321 programmes, engine nacelles and customer service activities for ATR craft.

The **order backlog** at 31 December 2009 came to €mil. 8,850, up €mil. 569 from the €mil. 8,281 reported at 31 December 2008. It is expected to continue expanding over the medium/long term. The breakdown revealed a significant portion for the following programmes: EFA (50.5%), B787 (about 20.4%), C27J (5.3%) and special versions of the ATR (about 4.9%).

The following is of note with regard to the performance of the leading programmes:

- for the **Eurofighter Typhoon (EFA)** programme, the aircraft orders in three distinct lots by four programme partners (Germany, Great Britain, Italy and Spain) came to 472 craft at 31 December 2009. To these are added foreign orders from Austria (15) and Saudi Arabia (72), bringing the total to 559 aircraft ordered.

The agreement reached by the four partner nations on the third lot requires that production be divided into two smaller lots. The first lot of 112 aircraft was ordered in July 2009, with initial deliveries to be made starting in 2013.
Activities in 2009 mainly related to the second lot, specifically, production of the first nine aircraft and development relating to modifications. We also continued to provide logistical support;

- for the **C27J**, at 31 December 2009 there were total orders for 54 aircraft for the air forces of: Italy (12), the USA (13), Greece (12), Bulgaria (3), Lithuania (3), Romania (7) and Morocco (4). Furthermore, the aircraft was selected for use by the Slovak Air Force and is currently being used in tenders in various countries, including Egypt, India and Oman.
  In 2009, eight aircraft where completed and four were delivered (two to the Italian Air Force, one to the US Army and one to Lithuania). At the end of 2009, a total of 35 aircraft had been produced;
- for the **B787** programme, production, which is carried out at the new Grottaglie facilities (central sections of the fuselage), the Foggia facilities (horizontal tail wings) and the Pomigliano D'Arco facilities (design and testing), slowed and there was a decline in activity due to delays in programmes announced by Boeing. Despite the lower production, total revenues for 2009 were still higher than those for 2008.
  In 2009, delivery was made of 12 fuselage sections and 11 horizontal tail wings, for a total of 23 fuselage sections (21 series + 2 test articol) and 18 horizontal tail wings (16 series + 2 test articol). Development and production also continued in line with the new plan for production, which, despite a number of postponements in short-term production rates, confirms the gradual increases in production over the coming years and the achievement of a rate of 10 series per month.
  Discussions are currently under way with Boeing concerning programme status and new financial terms. In December 2009, Alenia North America Inc. sold its 50% interest in Global Aeronautica LLC, located in Charleston (South Carolina) and responsible for the integration of fuselage sections, to Boeing Commercial Airplanes Charleston South Carolina Inc., which held the other 50%;
- for the **M-346** trainer, production began on the six aircraft ordered by the Italian Air Force. The order includes an integrated training system and a number of infrastructures. Test flights of three prototypes and development and qualification activities have also continued.
  Following the announcement by the government of the United Arab Emirates on 25 February 2009, negotiations for the purchase of 48 M346 aircraft began and are expected to be concluded in 2010. Marketing and sales efforts were also intensified internationally. The aircraft is currently being used in a tender held by the government of Singapore. The air forces of various countries have also shown interest, including Austria, Greece, Poland, the US and Algeria.

Revenues at 31 December 2009 came to €mil. 2,641, an increase of €mil. 111 (4.4%) over the €mil. 2,530 reported at 31 December 2008. Growth was due to greater activity in the *military segment*, specifically to increased production for the EFA and C27J programmes and the start of production of the M346. In the *civil segment*, which is beginning to feel the effects of the crisis in the air transport market, production on aerostructures and engine nacelles dipped slightly.

In 2009, production in the *military segment* mainly regarded:

- *aircraft*: continuation of development and production for the EFA programme and logistics support; production of C27J aircrafts for the Italian Air Force, the United States and a number of export markets; the continuation of upgrades to the Tornado aircraft and the modification and upgrading of the avionics for Operational Logistical and Capacity Upgrade (ACOL) of the AMX aircraft; activities relating to the reconditioning of used G222 aircraft commissioned by the US Air Force;
- *trainers*: upgrading of MB339 aircraft for the Italian Air Force and production of craft for the Royal Malaysian Air Force; start up of activity for the production of the new M346 aircraft ordered by the Italian Air Force;

- *transformations:* service and logistics support for AWACS craft and production for the B767 Tanker programme.

Production in the *civil segment* in 2009 mainly related to orders for the following customers:

- Boeing: production of sections of fuselages and horizontal tail wings for the new B787 aircraft and production of control surfaces for the B767 and B777 aircraft;
- Airbus: production of components for the central section of the fuselage of the A380, of a fuselage section for the A321, and of the tail cone and mechanical wing components for the A340;
- GIE-ATR: the production of the ATR 42 and ATR 72 turboprops;
- Dassault Aviation: production of the fuselage section for the extended-range version of the Falcon 2000 and the engine nacelles for the Falcon 900EX .

Moreover, orders for other customers included:

- work on the assembly and sale of ATR craft by GIE-ATR, with the delivery of 54 aircraft (55 in 2008) during 2009;
- production of engine nacelles and cargo transformations of the MD10 and MD11 aircraft.

Adjusted EBITA came to €mil. 241 at 31 December 2009, substantially in line with the €mil. 250 reported for 2008. Profitability was slightly down, with a **ROS** of 9.1%, compared with 9.9% at 31 December 2008, due to the impact of provisions for charges related to a number of export contracts and the different mix of products.

Research and development costs for 2009 totalled €mil. 474 (€mil. 508 in 2008). This result reflects the commitment to programmes being developed: B787, C27J, M346, ATR ASW, UAV, A380 and engine nacelles.
Furthermore, development on important military programmes (EFA, JSF, Tornado and Neuron) that have been commissioned by customers and research and development into technologies for innovative aerostructures using composite materials and system integration also continued.

The **workforce** at 31 December 2009 numbered 13,146, a decrease of 761 from the 13,907 employees at 31 December 2008. This decrease is due, for 382 employees, to the sale of the Group’s stake in Global Aeronautica LLC, with the remaining as the result of rationalisation stemming from technical production requirements.

Communicating in the universe.

EURO MILLIONS	31.12.2009	31.12.2008
New orders	**1,145**	**921**
Order backlog	**1,611**	**1,383**
Revenues	**909**	**994**
Adjusted EBITA	**47**	**65**
ROS	**5.2%**	**6.5%**
Research & development	**87**	**64**
Workforce (no.)	**3,662**	**3,620**

SPACE

Please note that the data refer to the two joint ventures (Thales Alenia Space SAS and Telespazio Holding Srl) consolidated with the proportional method at 38% and 67% respectively.

HIGHLIGHTS

New orders: up around 24% from 2008, thanks to the new order from Turkey for the earth observation satellite system called GokTurk and the good performance of the commercial telecommunications satellite segment.

Revenues: down about 9% from 2008 due to a lower level of production in the manufacturing segment, partly in relation to temporary work stoppages (financial difficulties in the Globalstar programme and damage to the L'Aquila facility caused by the earthquake on 6 April 2009 rendering it unfit for use), in addition to delays in receiving new orders in the satellite services segment.

Adjusted EBITA: down 28% compared with the figure posted in 2008 due to lower production volumes, cost overruns in a number of manufacturing activities, and to lower profitability in satellite services due to a different product mix.

Finmeccanica operates in the space industry through the **Space Alliance** between Finmeccanica and Thales through two joint ventures in the space industry dedicated, respectively, to satellite services (Telespazio Holding Srl, which is based in Italy and has its main industrial facilities in Italy, France, Germany and Spain and in which Finmeccanica SpA holds 67% and Thales 33%) and to manufacturing (Thales Alenia Space SAS, which is based in France and has its main industrial facilities in France, Italy, Belgium and Spain, in which Finmeccanica SpA holds 33% and Thales 67%). More specifically, Telespazio Holding Srl focuses on satellite services in the following segments: networks and connectivity (fixed and mobile telecommunications services, network services, TV, defence and security services, value-added services), satellite operations (in-orbit satellite control, earth centre management, telemetry services, command and control and Launch and Early Operation Phase-LEOP services), earth observation (data, thematic maps, operational services) and navigation and infomobility (Galileo services). Thales Alenia Space SAS focuses on manufacturing (design, development and production) in the following segments: telecommunications satellites (commercial, governmental and military), scientific programmes, earth observation systems (optical and radar), satellite navigation, orbital infrastructures and transport systems, equipment and devices.

For 2009, the **space systems market** was valued at roughly €bil. 77, of which 56% related to manufacturing (€bil. 21 for the civil and government segment, €bil. 18 for military and roughly €bil. 4 for commercial applications), 23% to satellite services and the remaining for general space agency spending. Government programmes are the driving factor in the market, accounting for almost 90% of manufacturing. The predominance of the United States is significant, accounting for over 50% of the global government budgets in the civil segment and nearly 90% of the budgets in the military segment. However, a number of emerging nations have launched important programmes to acquire their own space-access capabilities (India, China). In the background there remains the great technological capability of Russia, particularly in the telecommunications and research sector.
Though the space sector is feeling the effects of the current financial crisis, which appear to be short term due to delays in a number of government programmes, its long-term growth potential remains unchanged. In fact, 1,000 new satellites are expected to be placed into orbit over the next ten years, considerably more than over the past decade. There has been confirmation of continuation of all current science programmes (including the ExoMars programme in which Italy is playing a leading role), activities dedicated to ensuring European access to space (Ariane 5, Vega, etc.), earth observation programmes, (Global Monitoring for Environment and Security, GMES-Kopernicus; Meteosat), the Galileo global satellite navigation programme and advanced communications programmes (ARTES, EDRS, etc.).
As to the application segments, growth is expected in navigation and global positioning systems, communication systems for defence and security and earth observation and homeland security systems. In all of these segments, Europe tends to play a significant role with programmes that are characterised by a high degree of dual-purpose (military and civil)

applications, such as Galileo (navigation), GMES-Kopernicus, COSMO-SkyMed, Pleiades and SAR-Lupe (earth observation).
The only area where there remains a substantial separation between military and civil applications is in telecommunications, where a large part of the new systems originate from commercial customers. There are, however, in Europe new initiatives to launch dual-use programmes, such as the Italian and French Athena-Fidus programme, co-funded by the French (CNES) and Italian (ASI) space agencies.
The launch systems segment is also showing signs of slight growth over the next few years, both for heavy-payload launching systems (where Europe is a world leader thanks to the Ariane programme) and for launching systems for putting smaller satellites into orbit, the segment in which the Vega programme is found.
The space industry is like a pyramid, with a low number of global players, essentially in the US and Europe, and a large number of sub-vendors that are becoming increasingly specialised.

The **space services** segment, which is based on the use of telecommunications, earth observation, navigation and global positioning satellite platforms, was worth about €bil. 18 in 2009 and is expected to grow at a rate of around 5% for the period 2008-2018. The most dynamic markets are North America, Western Europe and Pacific Asia, representing almost 75% of the global market.
These figures do not include the television broadcasting segment, which has its own peculiar end-user dynamics. The market has reached maturity, although there are new needs related to the provision of high-definition programmes and mobile entertainment.
The greatest demand in the space services segment is for networking and connectivity applications, particularly for innovative solutions based on terrestrial mobile platforms and dual-purpose (civil and military) systems, as well as for earth observation and, over the longer term, navigation and infomobility applications, particularly for critical safety systems in air, land and sea transport.
The demand for telecommunications systems, largely commercial, has remained substantially stable, but within this segment the growth of military programmes has been more steady. The quest to overcome the digital divide has received a lot of attention, especially in Europe, where government institutions are implementing policies to support the expansion of the network, including its satellite component, to make it easier for their citizens to access the global Internet and interact with government agencies. The UK and France have already initiated programmes of this type, and even Italy is focusing on analogous government initiatives, such as the programme to build the Sigma satellite system, funded by the Italian space agency (ASI), aimed at bolstering connectivity and satellite services available to citizens and government agencies.
In the earth observation segment, government use is predominant, while navigation, global positioning programmes and scientific applications, although expanding, are almost always for government clients.

From a commercial perspective, in 2009, the Group acquired **new orders** in the amount of €mil. 1,145, up €mil. 224 from 2008 (€mil. 921) due to the good performance of the commercial telecommunications satellite segment and the new order from Turkey for the GokTurk earth observation satellite system.
The most significant new orders for the period related to the following segments:

- in the *commercial telecommunications* segment: the contracts for the provision of the W3C satellite (Q1) and launch services for the W3B satellite (Q1) for Eutelsat; the additional lots for the second-generation Globalstar constellation (Q2) and the Yahsat programme (Q1); contracts to supply Apstar 7 and OverHorizon (Q4) satellites and the payloads for the Arabsat 5A (Q4), 5C (Q1), and 6B (Q4), Yamal (Q1), Telkom 3 (Q2) Arsat-1 (Q3) and Hispasat AG1 (Q4) satellites; new orders for satellite TV capacity and services (Q1, Q2) and telecommunications satellite services;
- in the *military and government telecommunications* segment: the first lot of the order relating to Phase B of the CSO (post-Helios) programme (Q1); the additional lot for the Syracuse 3 programme (Q3); new orders for military telecommunications satellite services based on the capacity of the Sicral 1B (Q2, Q3 and Q4);

- in the *earth observation* segment: the contract from Turkey for an earth observation satellite system called GokTurk (comprised of a satellite equipped with high-resolution optical sensors and the entire ground segment of the system) and those with ESA for the second models of the "Sentinel" series, Sentinel 1B and 3B (Q4), relating to the GMES-Kopernikus programme; the order from 4C Satellite for Cosmo data in the Middle East, North Africa and Southeast Asia (Q2); orders for monitoring and territorial management services based on the GeoDataBase platform (Q2, Q4);
- in the *satellite navigation* segment: further orders relating to the In Orbit Validation (IOV) phase of the Galileo programme (Q1, Q3) and the Egnos programme (Q2, Q3);
- in the *orbital infrastructure* segment: the order from Orbital Science Corporation to provide NASA (CYGNUS COTS programme) with nine pressurised modules for transport connected with the International Space Station (Q2); the contract with ESA to develop the Expert programme (Q4);
- in the *science programmes* segment: additional lots for the Herschel-Planck, launched in March (Q1), the Bepi-Colombo (Q2, Q3) and the Exomars (Q2,Q3) programmes;
- in the *equipment and devices* segment: new orders for onboard equipment.

The following should be noted with regard to the main programmes:

- the **Galileo** programme, the largest project ever conceived by the European Union and the ESA, aims to build the first global navigation and positioning infrastructure for civil use that is entirely independent of other existing (GPS, GLONASS, etc.) or future systems.
  The project is currently in the "development and validation" phase (In Orbit Validation-IOV, 2005-2011, worth around €bil. 1.5), which covers the production and launch, starting in 2010, of the first four operational satellites of the constellation, and a significant portion of the ground infrastructure and the in-orbit validation of the system. This phase, financed by the EU and the ESA, is being overseen by the ESA in its dual role as programme leader and customer of the lead companies involved, including Thales Alenia Space.
  The subsequent "deployment" phase (Fully Operational Capability-FOC, 2010-2016, worth an estimated €bil. 3.6), which comprises the production of all the space and ground infrastructures and preparations for the operational phase, entirely funded by the EU, is at the start-up stage. The entire development was broken down into 6 main "segments", of which procurement officially began on 1 July 2008 and has been completed for some of the segments. Specifically, at the start of 2010, Thales Alenia Space Italia was awarded the contract to provide system support services until 2016, while Telespazio is vying for the operations contract for the Galileo system as part of a joint venture with the German space agency (DLR). The final contracts are expected to be awarded in early 2010;
- the **Sicral 1B** military telecommunications satellite, built by Thales Alenia Space as the lead contractor, was successfully launched on 20 April. Telespazio was responsible for the launch services and placing it in orbit, and oversaw the construction of the earth system segment.
  Telespazio has also invested directly in the development of the programme, contributing to covering the programme's direct costs and ensuring that it has access to satellite capabilities for providing telecommunications services to the European and American defence markets and NATO;
- the **COSMO-SkyMed** programme, which is being funded by the Italian Ministry of Defence and the Italian Space Agency (ASI), is the first worldwide earth observation satellite radar system for dual-use applications (civil and military). It represents the Italian contribution to the European GMES-Kopernikus system.
  The first three satellites in the constellation were launched in June 2007, December 2007 and October 2008, respectively. The fourth and final satellite is expected to be launched by mid- 2010.
  A total investment of roughly €bil. 1 was required to build the system, developed entirely in Italy by Telespazio as concerns the ground segment (civil and military) and by Thales Alenia Space Italia as concerns the space segment.
  Telespazio also manages in-orbit operations of the constellation through the control centre

located in Telespazio's Fucino space centre, and is responsible for collecting and processing data at its Matera space centre. The COSMO-SkyMed data is being marketed by the company e-GEOS, formed by ASI and Telespazio, in which Telespazio is the majority shareholder.

The **order backlog** at 31 December 2009 came to €mil. 1,611, an increase of €mil. 228 over the same figure at 31 December 2008 (€mil. 1,383), due to both the manufacturing and, in particular, satellite services segments. The order backlog, based on workability, guarantees coverage of 72% of production expected for next year (about 70% by the manufacturing segment and 30% by satellite services). The backlog at 31 December 2009 is composed of manufacturing activities (52% satellites and payloads, 9% infrastructures and equipment) for 61% and satellite services for the remaining 39%.

Revenues in 2009 came to €mil. 909, a decrease of €mil. 85 from the corresponding period of the previous year (€mil. 994) due to a lower level of production in the manufacturing segment, partly in relation to temporary work stoppages caused by financial difficulties in the Globalstar programme and damage to Thales Alenia Space's L'Aquila facility caused by the earthquake on 6 April 2009 rendering it unfit for use, in addition to delays in receiving new orders in the satellite services segment.
Production mainly related to the continuation of activities in the following segments:

- in the *commercial telecommunications* segment for the Yahsat, Globalstar, Rascom 1R, W3B, W3C and W2A (launched on 4 April from the Baikonur Cosmodrome in Kazakhstan with an ILS rocket) satellites for Eutelsat, Palapa-D (launched on 31 August using the Chinese Long March 3B launcher), Alphasat, Nilesat satellites; development of the payloads for the Arabsat 5A/5B satellites; the provision of telecommunications satellite services and the resale of satellite capacity;
- in the *military telecommunications* segment for the Sicral 1B (which was launched on 20 April using a Sea Launch Zenit-3SL rocket), Syracuse 3, SMOS (launched on 2 November from the Russian Cosmodrome in Plesetsk, using a Rockot SS-19 launcher), Helios 2B (launched on 18 December 2009 from the Kourou base in French Guiana, with an Ariane 5 launcher) and Satcom BW satellites;
- in the *earth observation* segment for the COSMO-SkyMed programme, the satellites for the Sentinel 1 and 3 missions (GMES programme) and the GOCE satellite (which was launched on 17 March from the Plesetsk base in Russia with a Rockot rocket), earth monitoring services;
- in the *science programmes* segment for the Herschel-Planck (deep-space observation satellites launched on 14 May 2009 from the Kourou base in French Guiana, with an Ariane 5 launcher), Bepi-Colombo, Exomars and Alma programmes (one of the largest radio telescopes on Earth for astronomy, which should be installed in the Atacama desert in Chile by the spring of 2010);
- in the *satellite navigation* segment for the Galileo (IOV phase) and Egnos programmes;
- in the *orbital infrastructure segment* for the programmes connected with the International Space Station (CYGNUS COTS, Node 3 "Tranquillità" and "Cupola", successfully launched on the Space Shuttle Endeavour on 8 February 2010);
- in the *equipment and devices* segment for the development of onboard equipment.

Adjusted EBITA at 31 December 2009 came to €mil. 47, a decrease of €mil. 18 compared with the figure posted at 31 December 2008 (€mil. 65), specifically due to the aforementioned lower production volumes, cost overruns in a number of manufacturing activities, including those tied to the Globalstar programme and the earthquake in L'Aquila, and to lower profitability in satellite services due to a different product mix. As a result, **ROS** came to 5.2%, compared with the 6.5% reported at 31 December 2008.

Research and development costs for 2009 came to €mil. 87, an increase of €mil. 23 over the figure posted for the same period of 2008 (€mil. 64).

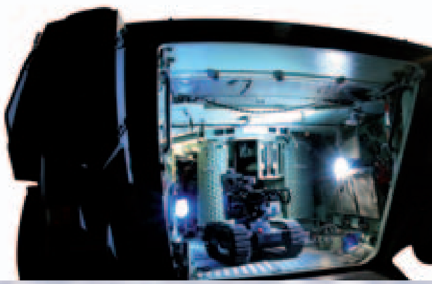
Activities in this area included the development of systems and solutions for security and emergency management and for navigation/infomobility services (Galileo); homeland security communications systems, solutions and applications (GMES); web-based GIS platforms (GeoDataBase) and processing systems for earth observation SAR data (COSMO-SkyMed); flexible payloads for military telecommunications applications (UHF band), experimental payloads in the Q-V band and for earth observation (Sentinel 1 and Sentinel 3); Phase A studies for the second-generation COSMO-SkyMed system; solutions for aerial communications (IRIS/SESAR); studies on landing systems and robotics for planetary exploration, on technologies required for “inflatable” orbiting structures and life-support systems, and on treating space debris.

The **workforce** at 31 December 2009 came to 3,662, for an increase of 42 employees over the 3,620 at 31 December 2008, particularly in the satellite services segment.

Controlling and protecting, our natural talents.

EURO MILLIONS	31.12.2009	31.12.2008
New orders	1,228	1,087
Order backlog	4,010	3,879
Revenues	1,195	1,116
Adjusted EBITA	130	127
ROS	10.9%	11.4%
Research & development	235	258
Workforce (no.)	4,098	4,060

DEFENCE SYSTEMS



Please note that the data related to the MBDA joint venture are consolidated with the proportional method at 25%.

HIGHLIGHTS

New orders: positive commercial performance, with an increase in new orders and the order backlog compared with 2008, which, however, benefited from significant orders for the FREMM programme. Of note is the new order for an additional lot of the combat MAV programme from the Italian Army.

Revenues and adjusted EBITA: growing volume of activity and a slight improvement in adjusted EBITA over the previous year, despite the decline in industrial profitability in missile systems and underwater systems.

Defence Systems includes the activities of MBDA, the joint venture with BAE Systems and EADS in which Finmeccanica holds a 25% stake, in missile systems; the Oto Melara group in land, sea and air weapons systems; and WASS SpA in underwater weapons (torpedoes and countermeasures) and sonar systems.

In **land, sea and air weapons systems,** the market – estimated in 2009 at around €bil. 15 – is expected to remain substantially stable over the next ten years, with a total value of around €bil. 160, including programmes for upgrading and logistic support. The value of the market in 2008 and 2009 peaked in the land weapons systems sector (particularly in the wheeled-vehicles segment), due to significant new orders from the United States and other countries for mine resistant vehicles for use in asymmetrical war operations (Iraq, Afghanistan) capable of guaranteeing high levels of protection of military personnel from landmines or attacks with explosives. Customers needs have changed, with greater emphasis on operational requirements, leaning towards modular configurations of platforms, versatility in their use, a high degree of interoperability between different armed forces and, as a result, logistics and support activities for the entire operating life.
The major development programmes in the primary western nations were therefore conceived based on completely digitalised network-centric architectures (Forza NEC in Italy, FRES in Great Britain, etc.), integrating new electronic capability platforms (command and control, optoelectronic systems, etc.) for a variety of operating and application environments. The assessment of the impact of the cancellation of the American Future Combat System (FCS) programme is of enormous importance, both in terms of the overall size of the market and due to the potential opportunities offered by the upgrading and modernisation programmes that will replace it (Bradley and Stryker upgrade, Unmanned Ground Vehicles, Ground Sensors, Tactical UAVs).

In the naval systems segment, despite the continuing reduction in the number of new platforms produced, the weapons systems for surface vessels market should remain stable in all product areas over the next ten years. In fact, small calibre cannons are the ideal armament for protecting naval units against asymmetrical threats and piracy, thanks to their fast shooting rate and greater range, while medium and large calibre cannons are moving towards an integrated cannon-guided munitions system capable of ensuring greater flexibility and of providing accuracy comparable to the most expensive missile systems. The conventional and guided munitions segment is expected to post the highest growth, with greater demand for systems that are capable of improving vehicle protection (thank in part to the precision of the munitions), in addition to guaranteeing offensive action.

The **underwater weapons systems** segment, while limited in overall size, is expected to grow over the next 10 years to a value of around €bil. 25, including logistics. Specifically, while the light torpedoes section has remained substantially stable (partly in consideration of budget cuts by navies worldwide), the heavy torpedoes section offers attractive opportunities over the medium term, particularly with regard to newly industrialised countries.
Some potential opportunities include:

- new requirements for protecting civil and military underwater port infrastructures, as part of more complex homeland security systems;

- rising demand for anti-torpedo protection systems for major surface and submarine naval units, both electronic and those based on a torpedo/anti-torpedo approach;
- continuing modernisation of the torpedo fleets of the major international navies.

There are significant, ongoing collaboration programmes in Europe for both torpedoes and countermeasure systems. These programmes form the basis of negotiations for strategic collaboration agreements or agreements to form joint ventures among a number of the major operators in the sector.

Finally, in the **missile systems** segment, with a total market value of around €bil. 10 for 2009, demand is expected to grow over the next few years in consideration of the gradual replacement of the international missile “parks” and the gradual introduction of more advanced systems that are more effective in out-of-theatre operating scenarios and asymmetrical battle operations. The most promising sector is surface-to-air missile systems (land and ship), particularly the development of anti-ballistic missile and cruise missile capabilities.

New orders at 31 December 2009 came to €mil. 1,228, up 13% from 31 December 2008 (€mil. 1,087), which, however, benefited from significant orders for the FREMM programme. The increase is related mainly to *land, sea and air weapons systems* due to the order for an additional lot of the combat medium armoured vehicle (MAV) programme from the Italian Army.

The most important new orders in the three segments include:

- in the *missile systems* segment: the order from France for production of the naval version of the SCALP cruise missile (Q4); the order for Marte anti-ship missiles for United Arab Emirate Navy patrol boats, an important order in part because it represents the first order for these systems for naval platforms (Q2); the extension of the order from the UK Ministry of Defence to study and pre-assess new missile projects (Q3-Q4); the first order for the ground-based configuration of the Vertical Launch Mica short-range air defence system from a Middle Eastern nation (Q2); export orders for the Storm Shadow cruise missile and the Exocet anti-ship missile (Q2); the order from the UK Ministry of Defence for the upgrading of the Brimstone air-to-surface missile systems (Q1) and various orders for customer support;
- in the *land, sea and air weapons systems* segment: orders from the Italian Army for a further 71 combat MAVs and 81 Hitrole light turrets (Q4); the order from Turkey for four 40/70 mm machine gunners (Q1); the order for two 76/62SR cannons and four 30 mm machine gunners from the Greek Navy (Q1); orders for four 76/62SR cannons from the Norwegian, Moroccan, Thai (Q2) and Turkish (Q3) navies; the order for three more 120 mm Hitfact turrets from Oman (Q2); four 30 mm Marlin cannons for the Malaysian Navy (Q3); and various logistics orders;
- in *underwater weapons systems* segment: the order for the Gaeta sonar for the Italian Navy (Q4); the order for ship-based sonar and countermeasures (Q2), and for eight A244 Mod. 3 torpedoes (Q2-Q3), 24 Black Shark heavy torpedoes (Q4) and 16 A184/3 torpedoes (Q4) from foreign customers.

The **order backlog** at 31 December 2009 came to €mil. 4,010 (€mil. 3,879 at 31 December 2008), corresponding to 3 years of activity, of which two-thirds related to missile systems.

Revenues at 31 December 2009 came to €mil. 1,195, up 7% from 31 December 2008 (€mil. 1,116).
Revenues were the result of the following activities in the various segments:

- in *missile systems*: activities for the production of Aster and Mistral surface-to-air missiles; as to domestic programmes, activities for the production of Taurus cruise missiles and Seawolf naval air defence missiles; activities relating to the development of the air defence system in connection with the tri-national *Medium Extended Air Defense System* (MEADS) programme in which the US, Germany and Italy participate; deliveries of *Storm Shadow* cruise missiles and

Mistral anti-ship missiles; activities under contracts with the UK Ministry of Defence for the pre-assessment phases for new Defence Industrial Strategy programmes; and customer support activities;
- in *land, sea and air weapons systems*: the production of MAVs and PZH 2000 howitzers for the Italian Army; Hitfist turrets kits for Poland; 76/62SR cannons for various foreign customers; the production of SampT missile launchers and logistics;
- in *underwater weapons systems*: activities relating to the Black Shark heavy torpedo; to the MU90 light torpedo and to countermeasures and activities relating to the FREMM programme.

Adjusted EBITA at 31 December 2009 totalled €mil. 130, slightly up from the figure reported for 2008 (€mil. 127). The impact of the increase in revenues offset the lower industrial profitability of *underwater weapons systems* and the less favourable mix of activities in *missile systems*, which have been penalised due to the completion of particularly profitable orders in 2008. As a result, **ROS** amounted to 10.9% at 31 December 2009, slightly lower than that at 31 December 2008.

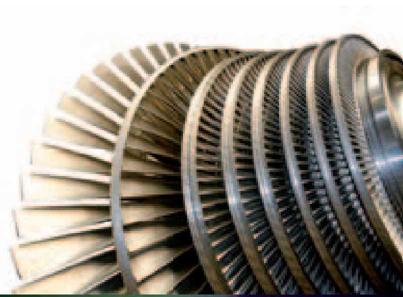
Research and development costs at 31 December 2009 came to €mil. 235, down about 9% from the €mil. 258 reported at 31 December 2008, mainly attributable to *underwater weapons systems* and *land, sea and air weapons system*. Some of the key activities included those for the MEADS air defence programme mentioned above; the pre-evaluation programmes with the UK Ministry of Defence, the naval version of the SCALP missile and the continuation of development of the Meteor air-to-air missile in the *missile systems* segment; activities for the development of the 127/64 LW cannon in *land, sea and air weapons system*; and activities relating to the Black Shark heavy torpedo and the upgrading of the A244 light torpedo in the *underwater weapons systems* segment.

The **workforce** at 31 December 2009 came to 4,098, an increase of 38 from 31 December 2008 (4,060), mainly due to the *missile systems* segment.


Giving energy to your life.

EURO MILLIONS	31.12.2009	31.12.2008
New orders	**1,237**	**2,054**
Order backlog	**3,374**	**3,779**
Revenues	**1,652**	**1,333**
Adjusted EBITA	**162**	**122**
ROS	**9.8%**	**9.2%**
Research & development	**36**	**32**
Workforce (no.)	**3,477**	**3,285**

ENERGY



HIGHLIGHTS

New orders: down 40% due to a number of delays in receiving important contracts, mainly in the plants and components segment.

Revenues: the 24% increase is mainly due to higher production on plant orders and flow-type service contracts (maintenance, spare parts and solutions).

Adjusted EBITA: up 33% on the figure for the previous year, attributable to the increase in production volumes and the greater industrial profitability of a number of orders in the plants segment.

Ansaldo Energia and its subsidiaries make up the division of Finmeccanica specialising in providing *plants and components* for generating electricity (conventional thermal, combined-cycle and simple-cycle, cogeneration and geothermal power plants), post-sale *service* and *nuclear* activities (plant engineering, services, decommissioning). The scope of the companies directly controlled by Ansaldo Energia includes Ansaldo Nucleare SpA, Ansaldo Ricerche SpA (merged with Ansaldo Energia starting from 22 June 2009), Ansaldo Fuel Cells SpA, Asia Power Projects Private Ltd, Ansaldo ESG AG and the Ansaldo Thomassen BV group.
With regard to the world energy market, the demand for new plants depends on electricity consumption trends, both industrial and private, which are, in turn, linked to a number of macroeconomic and geopolitical variables, such as industrial production, population increase and urbanisation. In addition to these factors, technological developments related to improved flexibility, increased efficiency and the need to reduce the plants' impact on the environment also have to be considered.
Despite the financial crisis, which caused a contraction in the market in 2009, it is estimated that the global demand for energy over the next 10 years will be substantially stable, with an average annual market value of around €bil. 300. Over the last two years, the market has been dominated by coal-fuelled power plants, especially in China and India, while the market in Europe and Middle East has been driven by gas-fuelled plants.
A massive replacement of obsolete plants in North America is expected in the medium term, as is a reorganisation plan in countries such as Russia and Eastern Europe.
Reduced investment in China and India should be offset by rising spending in other emerging economies in Southeast Asia, Africa and Latin America.
The demand for technologies having a lower environmental impact is leading to a growing trend over the next decade in the nuclear and renewable energies markets.
While overall there has been a slight decline in the area of fossil fuel plants, demand will continue to focus on high-efficiency plants (natural gas combined-cycle plants).
The rising demand for flexibility, advanced technologies, along with the need to maintain plants over the long term is driving up the growth rate (about 4%) for the service segment.
The demand for such activities is, of course, stronger in areas where larger numbers of less recent plants are installed (the United States and Europe). The value of the services market was estimated to be around €bil. 24 for 2008.
In this sector, thanks to an installed fleet of over 180 GW, Finmeccanica is developing Original Equipment Manufacturer (OEM) service activity as well as becoming, as a result of recent orders, an Original Service Provider (OSP) for turbines supplied by other OEMs.

From the commercial standpoint, the 2009 financial year closed with **new orders** worth €mil. 1,237, down 40% from 2008 (€mil. 2,054), due to a number of delays in receiving important contracts, mainly in the plants and components segment.
As of 31 December 2009, plants and components accounted for 43% (67% in 2008) of new orders, service-related activities for 52% (31% in 2008) and nuclear work processes for 5% (2% in 2008).

Turning to the service segment, orders stood at €mil. 643 at 31 December 2009. Although this

figure is in line with the previous year (€mil. 639), the product mix distribution showed major growth in long-term service agreements (LTSA), up 35% over 2008 (€mil. 258).
In absolute terms, LTSA contracts were worth €mil. 348 at 31 December 2009 and accounted for 54% of new orders, whereas flow solution contracts stood at €mil. 295 and accounted for 46% of service segment orders.

Lastly, nuclear generation orders stood at €mil. 67 at 31 December 2009, a sharp increase over 2008 (€mil. 41), with a geographical distribution heavily in favour of Italy (67%) (21% in 2008), as the result of an important decommissioning order for the ITREC plant of Trisaia (Matera). The remaining 33% of new orders came from abroad, split between Eastern Europe (including ENEL business in the Slovak Republic) and North America (including business for Westinghouse in China).

The most significant new orders received include:

- in the *plants and components* segment*:* a turbogroup with a V94 turbine and the related balance-of-plant (BOP) equipment for the Torino Nord site (Q1); a turbogroup with a V94.2 turbine for the Priolo Gargallo site (Syracuse) (Q1); a reservation fee from Energy Plus to build a 400-MW turnkey combined-cycle plant for the Salerno site (Q1); a contract from Sorgenia to supply an 800-MW combined-cycle plant for the Aprilia site (Latina) (Q3);
- in the *service* segment: new LTSA for the Torino Nord site (Q1); new solution contracts (changing parts of the turbine) from ENEL for the Brindisi site (Q2) and from Edipower for the Turbigo site (Milan)(Q2); new LTSA for the Aprilia site (Latina) (Q3); numerous spare parts contracts;
- in the *nuclear* segment: as regards the power station side, new engineering contracts from China as part of the partnership with Westinghouse on the Sanmen project (Q1) and new engineering orders from ENEL for the completion of the Mochovce power station in the Slovak Republic (Q1-Q2); on the service-related side, the Superphoenix reactor support contract for the Creyes Malville power station in France (Q1-Q2-Q3); variants to the IAMS Chernobyl project (Q3); service contract for the Embalse (Argentina) power station (Q1); in the waste and decommissioning area, new orders from Sogin for the Phadec power station (Caorso) (Q2), and for the new waste tank facility in Salluggia (Vercelli) (Q2) and an order for the storage of cemented nuclear waste at the ITREC plant in Trisaia (Matera) (Q4).

The **order backlog** at 31 December 2009 came to €mil. 3,374, compared with €mil. 3,779 at 31 December 2008. The composition of the backlog at 31 December 2009 is attributable for 43% to plant and manufacturing-related activities, 55% to service activities (largely scheduled maintenance contracts), and the remaining 2% to nuclear work processes.

At 31 December 2009, **revenues** came to €mil. 1,652, a 24% increase over the same period of the previous year (€mil. 1,333). The growth in production volumes is mainly due to work on orders for combined-cycle plants (specifically Turano, San Severo, Bayet) and to flow-type service contracts.

Plants and components accounted for 72% of output, service-related business for 26% and the nuclear sector for 2%.

Turning to manufacturing, 51 machines were completed and delivered in 2009 (45 in 2008), including those for three turn-key plants (Turano, San Severo, Bayet) and one power block (Marcinelle), whereas four turn-key plants are currently at the planning stage on the plant engineering business front.

With regard to the service segment, the positive production trend recorded over recent years was confirmed, with a particular increase in the solution (revamping, upgrading and turbine parts modification) section, which has shifted the centre of gravity of service-related business towards large-scale contracts comparable to new machinery/plant supplies. Last but not least, there is the contribution made by LTSA to production, which, thanks to the good size of the order backlog, makes it possible to plan work efficiently.

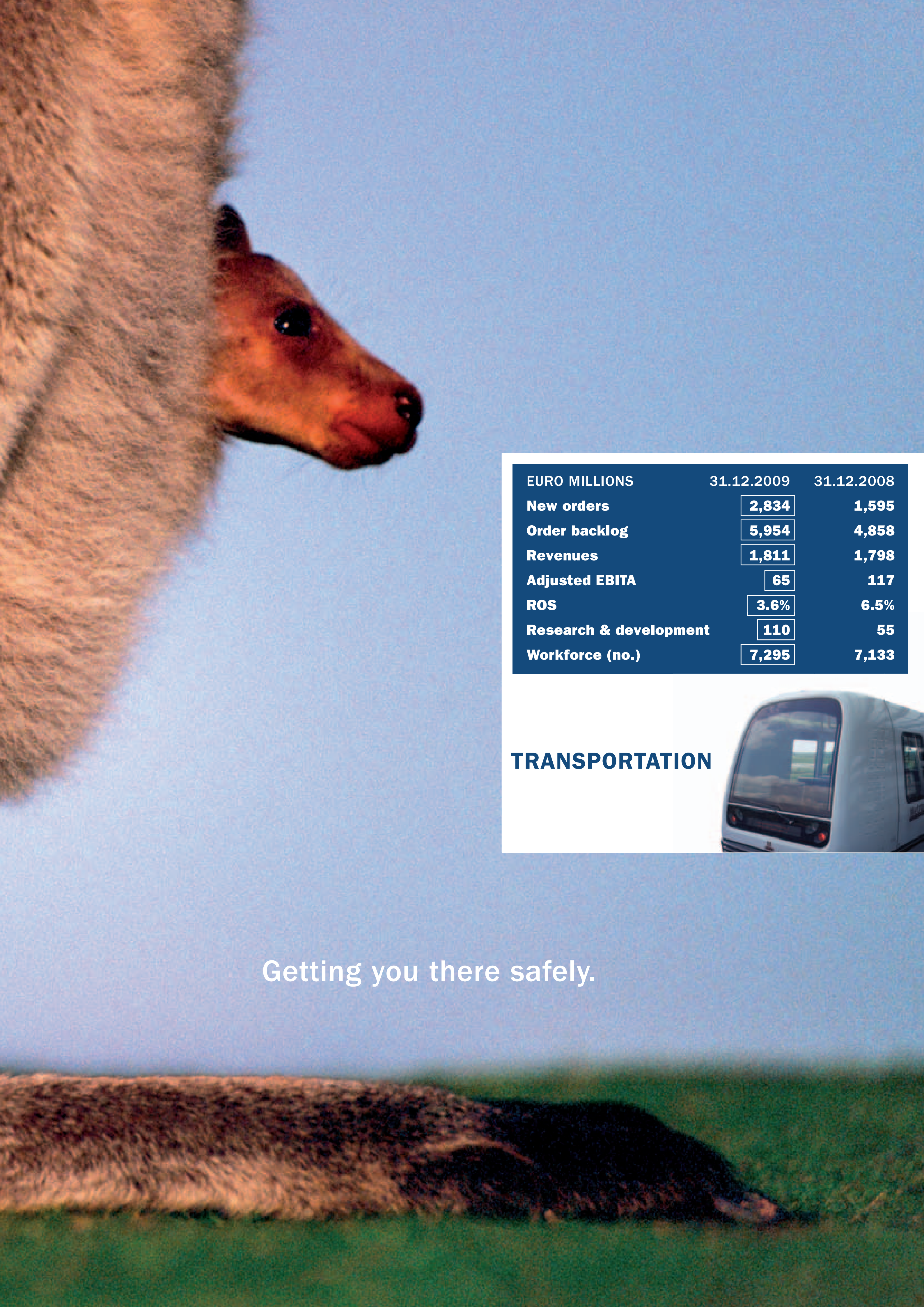
An increase in output in the region of 9% over the previous financial year was recorded in the nuclear segment owing to engineering work on the Sanmen project in China with Westinghouse, on phases 3 and 4 for the Mochovce power station in the Slovak Republic, as well as waste and decommissioning business, which accounted for over 30% of output.

Adjusted EBITA at 31 December 2009 amounted to €mil. 162, up more than 33% on the figure for 2008 (€mil. 122). This result is chiefly attributable to the aforementioned increase in production volumes and the greater industrial profitability of a number of orders in the plants and components segment.
ROS at 31 December 2009 thus stood at 9.8%, up 0.6 percentage points on the 2008 financial year (9.2%).

Research and development costs at 31 December 2009 came to €mil. 36, up 13% over 2008 (€mil. 32).

Research and development activities focused primarily on the following items in 2009:
- *gas turbines*: AE94.3A turbine development projects to raise power, efficiency and operational flexibility, while complying with requirements on pollutants in exhaust gas, and projects to retrofit the AE94.2 turbine to increase the power and extend the life of the Class E turbine;
- *steam turbines*: international projects investigating the behaviour of special materials (extremely high temperature steels and super alloys) with a view to developing the “ultrasupercritical” turbine (with a power rating in excess of 300 MW);
- *generators*: development work on the new air-cooled 400-MVA model intended to complement the large, high-performance gas turbines.

The **workforce** stood at 3,477 at 31 December 2009 compared with 3,285 at 31 December 2008. The increase of 192 employees was due to routine turnover.



EURO MILLIONS	31.12.2009	31.12.2008
New orders	**2,834**	**1,595**
Order backlog	**5,954**	**4,858**
Revenues	**1,811**	**1,798**
Adjusted EBITA	**65**	**117**
ROS	**3.6%**	**6.5%**
Research & development	**110**	**55**
Workforce (no.)	**7,295**	**7,133**

TRANSPORTATION

HIGHLIGHTS

New orders: up 78% from 2008 due to increased new orders in all segments. The most important new orders for the period include the order for Libya in the signalling and transport systems segment, the order for the double-decker cars for Trenitalia in the vehicles segment and joint orders by the signalling and transport systems segment and the vehicles segment relating to the driverless metros for Taipei and Riyadh.

Adjusted EBITA: down €mil. 52 from 2008, mainly attributable lower production volumes in the vehicles segment, due largely to higher costs associated with the stabilisation of certain products, which more than offset the improvement in the signalling and transport systems segment as a result of higher production volumes.

The Transportation division comprises the Ansaldo STS group (signalling and transport systems), AnsaldoBreda SpA and its subsidiaries (vehicles), which since the end of 2009 include AnsaldoBreda France SAS and BredaMenarinibus SpA (buses); the latter has been included in the Transportation division starting from 1 January 2009 (data at 31 December 2008 have been reclassified accordingly).

In reference market terms, over the last few years the **vehicles** segment has presented an average value of roughly €bil. 36 and an average annual growth rate of 3%.

The railed-transport market (urban and railways) has shown stable growth, thanks to higher demand for mass transit in densely populated urban and interurban areas. The sector has also benefited from stimulus packages that countries like the USA and China have enacted to encourage investment in infrastructures.

In the urban transport sector (equal to about 20% of the total), there have been significant orders for metro systems (traditional and driverless) and high expected growth rates for tram systems.

Western Europe has traditionally been the most important geographical area, in terms both of size of demand (roughly one-third of the world total) and of the technical features of the products called for and the level of technological innovation, which has been sustained by major investment programmes.

In the railway sector, the most important segments are for high-speed and regional trains in terms of market trends and expected volumes (they represent around 40% of the total market).

Turning to **signalling and transport systems**, demand is tending to grow at a higher rate than for vehicles.

This market is driven by growth in world trade, increasing urbanisation and the ever-increasing trend in the direction of enormous urban centres. Major programmes are under way worldwide to build new transportation infrastructures providing interoperability among various forms and standards and marked by high safety, efficiency and reliability requirements.

It is estimated that the signalling market is worth about €bil. 6.5-7, with an average growth rate of about 6%, while the transport systems market is worth an estimated €bil. 5, with an average growth rate of around 10%. Western Europe, the United States and Asia will sustain this growth in the short term.

New orders at 31 December 2009 came to €mil. 2,834, up €mil. 1,239 compared with 31 December 2008 (€mil. 1,595), due to increased new orders across in all segments.

The following were the most important new orders for the period:

- in the *signalling and transport systems* segment:
  - in *signalling:* the contract to supply signalling, telecommunications and power supply systems for the Ras Ajdir-Sirt coastal line and the Al-Hisha-Sabha inland line in Libya (Q3); maintenance contract for the Madrid-Lleida high-speed line in Spain (Q1); the order from Rete Ferroviaria Italiana for the ACC computer-based interlocking system for the Palermo station in Italy (Q1); the order from Siemens for the Level 2 on-board European Rail Traffic Management System (ERTMS) in Germany (Q1); the contract for the Lexington Avenue and Fifth Avenue stations of the New York metro (Q1), the contract from Long Island Railroad (LIRR) to upgrade the interlocking systems for the Harold and Point stations (Q2), and the order from the Port Authority Trans-Hudson Corporation (PATH) for a new system for the traffic supervision and control centre (Q3), in the United States of America; new orders relating to the Mumbai monorail in India (Q2); orders from Australian Rail Track Corporation (ARTC) in Australia; changes to the order for the high-speed line in Italy; various components orders;
  - in *transport systems:* the first phase of the project for the driverless circular line of the Taipei metro (Q1); the order for Naples Line 1 (Q1); the order for the driverless metro system for the Riyadh University for Women in Saudi Arabia (Q2); new orders relating to the Rome Metro Line C project (Q3 and Q4);
- in *vehicles*: double-decker cars for Trenitalia (Q4); trains for the circular line of the Taipei metro (Q1); Sirio trams for the cities of Kayseri in Turkey (Q1) and Goteborg in Sweden (Q4); trains for the metro for the Riyadh University for Women (Saudi Arabia) (Q2); trains for the Fortaleza metro in Brazil (Q3); a contract to revamp the trains in San Francisco (Q3); and service orders;
- in *buses*: 45 trolley buses and related two-year maintenance activity for the city of Rome (Q1); 54 buses for the city of Madrid (Q2) and 45 buses for the town of Kocaeli in Turkey (Q2).

At 31 December 2009 the **order backlog** amounted to €mil. 5,954, up €mil. 1,096 compared with 31 December 2008 (€mil. 4,858). The order backlog at 31 December 2009 breaks down as follows: 63% for transport systems and signalling, 36% for vehicles and 1% buses.

Revenues at 31 December 2009 were equal to €mil. 1,811, substantially in line with 2008 (€mil. 1,798). The increase in production volumes in signalling and transport systems, particularly in transport systems and buses, offset the decline in revenues from the vehicles segment.
Major orders include:

- in *signalling and transport systems* segment:
  - *in the signalling* segment*:* high-speed train orders and orders for automated train control systems (SCMT), both wayside and on-board, for Italy; orders for ARTC in Australia; the Cambrian Line in the UK; the Shitai line and the high-speed Zhengzhou-Xi'an line in China; orders for the Bogazkopru-Ulukisla-Yenice and Mersin-Toprakkale lines and for the Ankara metro in Turkey; the Union Pacific Railroad project; the Seoul-Busan high-speed line in Korea; various orders for components;
  - in the *transport systems* segment: the metro systems of Naples Line 6, Rome Line C, Copenhagen, Genoa, Milan Line 5 and Brescia; the Alifana regional line; high-speed rail orders in Italy;
- in the *vehicles* segment: trains for regional service for Ferrovie Nord of Milan; trains for the Dutch and Belgian railways; trains for the Milan, Brescia and Rome Line C metros; trains for the Danish railways; trams for the city of Los Angeles; various Sirio orders and service orders;
- in the *bus* segment*:* revenues were generated by a number of orders for vehicles (79%) and for the post-sales services.

Adjusted EBITA stood at €mil. 65 at 31 December 2009, down €mil. 52 from the previous year (€mil. 117), mainly attributable to the decline in the vehicles segment, largely due to higher costs associated with the stabilisation of certain products.

By contrast, there was an improvement in the signalling and transport systems segment mostly as a result of higher production volumes. **ROS** for the sector came to 3.6%, compared with 6.5% at 31 December 2008.

Research and development costs at 31 December 2009 were equal to €mil. 110 (€mil. 55 at 31 December 2008) and mainly regarded:

- in *signalling and transport systems:* projects in the signalling segment on systems based on the European traffic control standards (European Rail Traffic Management System - ERTMS) and the communications based train control (CBTC) system, for metro railway applications;
- in *vehicles:* the development of a number of products in the railways market aimed at seizing medium/long-term market opportunities through the creation of platforms and the completion of the products portfolio.

The **workforce** stood at 7,295 at 31 December 2009 for a 162 person increase over 31 December 2008 (7,133 employees), mainly attributable to the vehicles segment, particularly to the inclusion of the newly-formed AnsaldoBreda France SAS – and its 125 person workforce – within the scope of consolidation.

EURO MILLIONS	31.12.2009	31.12.2008
New orders	**113**	**75**
Order backlog	**172**	**348**
Revenues	**410**	**386**
Adjusted EBITA	**(127)**	**(171)**
ROS	**n.a.**	**n.a.**
Research & development	**1**	**-**
Workforce (no.)	**799**	**774**

OTHER ACTIVITIES

The division includes: the Elsacom NV group, which manages satellite telephony services; Finmeccanica Group Services SpA, the Group services management company; Finmeccanica Finance SA, Aeromeccanica SA and Meccanica Holdings USA Inc, which provide financial support to the Group; Finmeccanica Group Real Estate SpA, which manages, rationalises and improves the Group's real estate holdings; and So.Ge.Pa. - Società Generale di Partecipazioni SpA, which manages the pre-winding-up/winding-up and rationalisation processes of companies falling outside the activity sectors through transfer/repositioning transactions. Beginning from 1 January 2009, BredaMenarinibus SpA (buses), previously included in this sector, is included in the Transportation division (data at 31 December 2008 have been reclassified accordingly).

The division also includes **Fata SpA**, which operates in the area of plants for processing aluminium and steel flat-rolled products and engineering design in the electricity generation area for engineering, procurement and construction (EPC) activities.

From a commercial standpoint, Fata SpA received **new orders** totalling €mil. 113, up €mil. 38 from the same period of 2008 (€mil. 75). This improvement is entirely traceable to the acquisition of the Torino Nord order, relating to the construction of a combined-cycle plant in partnership with Ansaldo Energia.

Revenues of **Fata SpA** at 31 December 2009 came to €mil. 275, down €mil. 33 over the previous year
(€mil. 308).
Production broke down as follows: 79% attributable to the *Smelter* line, 7% to the *Hunter* line, 2% to the *Power* line and 12% to *Logistics*.

Specifically, progress was made on the Hormozal, Hormozal phase 2 and Qatalum orders (*Smelter* line), on the Chinese, Korean and Romanian orders (*Hunter* line) and on the Moncalieri order (Power line). Logistics activities carried out by Fata Logistic SpA are primarily for Group companies.
Fata SpA's **workforce** at 31 December 2009 totalled 291 employees, compared with 285 employees at 31 December 2008.

This division's figures also include those of **Finmeccanica SpA**, which for some years has been undergoing an extensive transformation process, altering its focus from a financial company to that of an industrial company. This process received a boost during the preceding fiscal year with a commitment from management to press on with a series of actions concerning industrial, technological and commercial integration. The Group will then be able to benefit from an additional impetus in improving its own productivity through processes to increase efficiency and rationalisation.

The efficiency of policy and coordination activities within the Group Parent was further strengthened in its goal of reaching the above-cited objectives over the medium term with a broad-based management-by-objectives (MBO) policy, which involved top management and key resources from all Group companies. The correct application and monitoring of the promotion of these objectives will represent one of the principal ways of achieving its goals.

RECONCILIATION OF NET PROFIT AND SHAREHOLDERS' EQUITY OF THE GROUP PARENT WITH THE CONSOLIDATED FIGURES AT 31 DECEMBER 2009

€ millions	Shareholders'equity	of which: **Net profit for the year**
Parent Company shareholders' equity and net profit at 31 December 2009	**6,545**	**251**
Excess of shareholders' equities in the financial statements compared with the carrying amounts of the equity investments in consolidated companies	(3,669)	946
Consolidation adjustments for:		
› difference between purchase price and corresponding book equity	5,876	(78)
› elimination of intercompany profits	(1,851)	(52)
› deferred tax assets and liabilities	228	53
› dividends from consolidated companies	-	(466)
› exchange gains/losses	(769)	-
› other adjustments	(9)	-
Group shareholders' equity and net profit at 31 December 2009	**6,351**	**654**
Minority interests	198	64
Total shareholders' equity and net profit at 31 December 2009	**6,549**	**718**

SIGNIFICANT EVENTS IN 2009 AND EVENTS SUBSEQUENT TO CLOSURE OF THE ACCOUNTS

Industrial transactions

In the ***Helicopters*** division, on 12 February 2009, AgustaWestland and **Tata Sons** – an Indian business group active in the ICT, engineering, materials, services and energy sectors – signed a Memorandum of Understanding to form an Indian joint venture for the final assembly of the AW119 helicopter. The new joint venture will be responsible for AW119 final assembly, customisation and delivery worldwide, while AgustaWestland will remain responsible for worldwide marketing and sales and will provide shipsets for assembly and compliance with customer requirements on location.

On 18 August 2009, AgustaWestland signed an agreement to purchase 87.61% of **PZL - Swidnik**, a Polish company which produces helicopters and aerostructures. This stake is in addition to the 6.2% already held by AgustaWestland. The transaction was completed on 29 January 2010, after anti-trust approval was obtained.

In the ***Defence and Security Electronics*** division, following the successful acquisition of the British **Vega group**, on 2 January 2009, Finmeccanica – as part of the process of strengthening its subsidiary SELEX Sistemi Integrati role as a system integrator – transferred the entire share capital of Vega Group (renamed Vega Consulting Services) to SELEX Systems Integration (a UK subsidiary of SELEX Sistemi Integrati). The systems business belonging to Vega Consulting Services was also transferred to SELEX Systems Integration. Only the highly-specialised consulting services targeted at the UK Ministry of Defence in the Defence and Government divisions and customer care services remain with Vega Consulting Services.

On 7 April, 2009, SELEX Sistemi Integrati and the Russian companies **Scartel LLC** and **Russian**

Electronics OJSCo, which belong to the **Russian Technologies** public group, reached an agreement to form a consortium in the future in the security sector to design and produce systems for the management of the security of large events and the protection of critical infrastructures (such as industrial and oil plants, ports, airports, train stations, etc.). This agreement was followed on 3 December 2009 by an Agreement of Intent between the Finmeccanica's shareholders on one hand and Russian Technologies State Corporation on the other to possibly form a joint venture between SELEX Sistemi Integrati and the two above-said Russian companies for the implementation of security civil systems.

On 29 April 2009, Finmeccanica, **Elettronica** (a subsidiary of Finmeccanica active in electronic warfare systems) and **Havelsan** (a Turkish company involved in C4ISR systems and simulation products) signed a Memorandum of Understanding to jointly pursue industrial, technological and commercial opportunities in command and control systems, naval systems, air defence, electronic warfare and homeland security in the Turkish, Italian and third-country markets.

On 20 May 2009, DRS Signal Solutions, a subsidiary of **DRS Technologies Inc.**, signed the final agreements to acquire **Soneticom Inc.**, a US company active in the military telecommunications sector. The purchase was completed on 10 September 2009, following receipt of the approval of the Committee for Foreign Investments in United States (CFIUS), which is a normal condition to the sale (even indirect) of a US company operating in a sector deemed crucial to homeland security to a foreign company.

On 2 July 2009, Finmeccanica transferred its 49% stake in **Orizzonte - Sistemi Navali**, an Italian joint venture with Fincantieri operating in the naval systems sector, to its subsidiary SELEX Sistemi Integrati. New shareholders agreements governing the relationship between the partners in Orizzonte - Sistemi Navali also took effect along with the transfer.

On 20 November 2009, SELEX Sensor & Airborne Systems Ltd (now SELEX Galileo Ltd) and its US subsidiary SELEX Galileo Inc. signed with the listed American company **Pressteck** the final agreements for the purchase of the US company **Lasertel**, a company active in the production and marketing of electro-optical components (i.e. laser diodes). The transaction will be completed through a reverse triangular merger which allows the forced purchase even of the capital held by a small minority. The completion of the transaction will be subject to the obtainment of certain regulatory authorisations, including the approval of the Committee for Foreign Investments in United States (CFIUS), which was obtained on 5 February 2010.

In the ***Space*** division, in June 2009, Telespazio completed the sale of its going concern "*Osservazione della Terra*" to **e-GEOS** (owned at 80% by Telespazio and at 20% by Agenzia Spaziale Italiana - ASI) through a share capital increase of e-GEOS, a company active in the supply of satellite services and applications for earth observation.

On 28 October 2009, Telespazio completed the purchase of 49% of **Eurimage** from the Astrium (EADS) group, selling to it at the same time its 7.7% stake in the French company SpotImage.

In the ***Aeronautics*** division, on 14 May 2009, based on preliminary agreements signed in 2007, Alenia Aeronautica acquired a 25% stake plus one share of **Joint Stock Company Sukhoi Civil Aircraft** (SCAC), a company that designs, develops and produces the Sukhoi SuperJet 100, the programme for a new-generation regional jet with 75-100 seats in which Alenia Aeronautica acts as Program Strategic Partner. In 2007 Alenia Aeronautica and Sukhoi Holding formed the SuperJet International joint venture (51% Alenia Aeronautica, 49% Sukhoi Holding), based in Venice, which is responsible for marketing, sales and delivery for the European, North and South American, African, Japanese and Oceania markets, as well as worldwide after-sales support.

On 17 June 2009, Alenia Aeronautica and **MAS Aerospace Engineering** (MAE), a subsidiary of Malaysia Airlines, signed an agreement calling for the creation of a joint venture to provide maintenance, repair and overhaul services for ATR commercial aircraft and turboprop aircraft in general. MAE will hold the majority interest in the joint venture, which will be based in Malaysia. The joint venture could start operations as early as 2010, in a market that will include other Southeast Asian countries in addition to Malaysia, as well as India, with plans to expand into other areas in the near future.

Following the irrevocable offer presented in July to Alitalia Servizi SpA by Finmeccanica, along with Manutenzioni Aeronautiche Srl and Alitalia - Compagnia Aerea Italiana SpA, on 19 November 2009 the acquisition of 10% of the share capital in **Atitech** was completed, a company active in the maintenance of civil and military aircraft. At the same time, the remainder of the share capital was acquired by Alitalia - Compagnia Aerea Italiana SpA (15%) and Manutenzioni Aeronautiche Srl (75%).

On 21 December 2009, Alenia North America Inc. sold its 50% stake in **Global Aeronautica**, a US joint venture active in the B787 aircraft production and assembly, to the other shareholder Boeing.

Also in December, the rationalisation process of the Aeronautics division was completed with the merger by takeover of the two subsidiaries Alenia Composite SpA and Alenia Aeronavali SpA into Alenia Aeronautica SpA, with date of efficacy 1 January 2010.

In the ***Energy*** division, on 23 December 2009, Finmeccanica completed the sale to the shareholder Rolls Royce of its 49% stake in **Europea Microfusioni Aerospaziali** - EMA, a company active in the sector of casting for the production of components intended for aeronautics, military and civil engines and those for gas turbines in the energy industry.

In the ***Transportation*** division, the merger of Ansaldo Trasporti - Sistemi Ferroviari SpA (ATSF) and Ansaldo Segnalamento Ferroviario SpA (ASF) with Ansaldo STS (ASTS) became effective starting 1 January 2009. The merger of the Dutch subsidiary Ansaldo Signal NV (in liquidation) with ASTS was completed as part of the process to rationalise and simplify the Ansaldo STS group. The civil, accounting and fiscal date of efficacy of the merger was 1 October 2009. As a result, some of the foreign operating companies, such as Ansaldo STS France and the US company Union Switch & Signal (renamed Ansaldo STS USA starting from 1 January 2009), passed under the direct control of ASTS.

On 6 July 2009, AnsaldoBreda and the Chinese company **Chongqing Chuanyi Automation Corporation** signed a Memorandum of Understanding with the customer Chongqing Rail Transit General Co. for programmes to develop the fleet of vehicles for the Chongqing metro system (China).

On 3 December 2009, Finmeccanica signed a Memorandum of Understanding with the **Saint Petersburg Governorate** for the development of long-term collaboration in the Transportation division. In particular, Finmeccanica, through its company AnsaldoBreda, will make available its technological know-how and expertise in the designing and implementation of integrated solutions for urban transportation, in order to develop a modern network of city mobility by involving local transportation companies.

On 28 July 2009, **Finmeccanica**, the **Libyan Investment Authority** ("LIA") – the Libyan sovereign wealth fund – and **Libya Africa Investment Portfolio** ("LAP") – an Investment Fund owned by LIA – signed a Memorandum of Understanding for the development of a strategic cooperation in Libya and other countries in the Middle East and Africa. Under this Memorandum investment opportunities will be pursued in the aerospace, electronics, transportation and energy sectors for commercial applications.

The Memorandum envisages the creation within a year of a joint venture company, 50% held by each of Finmeccanica and LAP.

The joint venture company will be the main vehicle of the joint business initiatives and will be able to invest in the specific commercial and industrial initiatives by setting up dedicated companies in the relevant countries. Finmeccanica can involve the joint venture company as preferred business partner in initiatives in which Finmeccanica will take a direct leading role.

On 5 November 2009, the Kazakh company **Sovereign Wealth Fund Samruk-Kazyna** (a State company for industrial and financial management) and Finmeccanica signed a Memorandum of Understanding for the development of industrial collaboration with the companies of the Group in the Transportation, Defence and Security Electronics (electro-optical) and the Helicopters divisions.

In particular, in the Transportation division, Finmeccanica, **Ferrovie dello Stato** and the company **Temir Zholy** (Kazakhstan's railway company) signed a Memorandum of Understanding for a broad cooperation for the development of the local railway sector. At the same time **Ansaldo STS** and the company Temir Zholy signed an agreement for the creation of a joint venture in railway signalling, electrification systems and for the implementation of command and control centres for the railway stations in Kazakhstan and the neighbouring countries.

In the Defence and Security Electronics division, the company **KazEngineering** and **SELEX Galileo** signed a collaboration agreement for the development of civil and military applications, also envisaging the use of the electro-optical systems of SELEX Galileo.

A possibility is also under consideration for the joint venture between **AgustaWestland** and Sovereign Wealth Fund Smaruk-Kazyana for the implementation of a maintenance and training centre for civil helicopters, as well as a joint venture for the assembly of natural gas buses with **BredaMenarinibus**.

On 30 November 2009, Finmeccanica signed a Memorandum of Understanding with **Belarus** for the development of collaboration agreements in civil operations, in particular in the Transportation, Energy and Space divisions and in the postal automation, security and, more generally, the high-tech sectors.

With regard to the Transportation divisions, the Memorandum provides for the possibility to develop common projects for the production, in Belarus, of natural gas buses for urban transportation and for the implementation of automated control systems in the railway and urban transportation sectors.

In the homeland security sector, Finmeccanica will provide Belarus, through **SELEX Sistemi Integrati**, with its technologies on an exclusive basis to ensure security in the **Minsk** area and for the 2014 Hockey World Championship.

In the post sector, the agreement provides for the cooperation between **Elsag Datamat** and the Belarusian national company **BelPostha** for the implementation of postal automation systems.

Finmeccanica will also provide through **Ansaldo Energia** consulting services to Belarus on both conventional and nuclear Energy matters and the relevant security systems.

With regard to the cooperations in the Memorandum, Finmeccanica provides for the possibility of creating joint ventures or constructing local industrial infrastructures to promote common projects and develop products.

Financial transactions

The year 2009 was marked by considerable provisioning of funds in the euro, pound sterling and US dollar bond markets with a variety of new issues to refinance maturing debt and extending the average life to over 10 years and, as a result, further strengthening the Group's capital structure. Descriptions of specific transactions follow:

In January an early redemption was made on the major portion of the bonds of DRS Technologies (DRS), which initially possessed the following characteristics:

- Senior Subordinated Notes with a nominal value of US$mil. 550, maturity 2013;
- Senior Notes with a nominal value of US$mil. 350, maturity 2016;
- Senior Subordinated Notes with a nominal value of US$mil. 250, maturity 2018.

All three bond issues contained change of control clauses that gave the bondholders a put option in the event of a change of control of the issuer. The acquisition of DRS by Finmeccanica triggered the change of control clause, resulting in the early redemption of most of the outstanding bonds, as stated above. The amounts remaining for the three issues at 31 December 2009 total US $mil. 20, partially as a result of subsequent redemptions made in 2009.

DRS paid the amounts owed using an intercompany loan granted by Finmeccanica, which has been partly repaid from the proceeds of the dollar-denominated bonds issued by Meccanica Holdings USA on the US market, as described below.

Additional repayments were made during the year on the Senior Term Loan Facility totalling €bil. 3.2, entered into in June 2008 to finance the purchase of DRS (this transaction is described in greater detail in the 2008 Report on Operations). At 31 December 2009, roughly €mil. 639 (nominal value) of this loan was still outstanding. Since the amount remaining has fallen below the threshold of 20% of the initial nominal amount, a number of clauses, including the requirement that early repayment be made in the event of new bond issues, as well as several financial covenants originally contained in the loan facility, are no longer in effect. As explained more fully below, the remaining amount of €mil. 639 was converted into a revolving credit facility for an equivalent amount and duration.

In February 2009, the subsidiary Finmeccanica Finance, after completing the €mil. 750 bond issue (€mil. 750, maturity 2013) undertaken in December 2008 as part of the Euro Medium Term Note (EMTN) programme, re-opened the bond issue, issuing additional bonds totalling €mil. 250 and bringing the total value to €bil. 1.
The bonds were issued with a yield to maturity of 7.121% and a gross re-offer price of 103.930% (with an annual coupon of 8.125%). The bonds were placed with institutional investors on the international Eurobond market. Banca IMI, BNP Paribas, Merrill Lynch International, UBS Investment Bank and UniCredit Group served at joint bookrunners, while Banca Finnat Euramerica acted as co-manager. The bond issue, listed on the Luxembourg exchange, is secured by Finmeccanica.

In April 2009, Finmeccanica Finance, as part of EMTN programme, issued a fixed-rate bond with maturity at 16 December 2019 (10-year) for a nominal amount of GBPmil. 400.
The bonds, with a coupon of 8.00% paid every 6 months, were placed with a gross re-offer price of 99.022%. The bonds were placed with institutional investors by Barclays Capital, Deutsche Bank and Royal Bank of Scotland. The bond issue, listed on the Luxembourg exchange, is secured by Finmeccanica.

In early July, the subsidiary Meccanica Holdings USA issued a bond on the US institutional investor market, in accordance with Rule 144A and Regulation S of the US Securities Act.
The bonds, totalling US$mil. 800, are divided into two tranches of US$mil. 500 with a 10-year maturity (2019) and a coupon of 6.25%, and of US$mil. 300 with a 30-year maturity (2039) and a coupon of 7.375%.

The gross re-offer price is 99.224% for the 10-year bond and 98.728% for the 30-year bond. The coupon is paid every 6 months.
The bonds are listed on the Luxembourg exchange and secured by Finmeccanica. The bonds were placed by Bank of America, Merrill Lynch, Citi, JP Morgan and Morgan Stanley, and by Barclays Capital, Royal Bank of Scotland and Société Générale.

On 21 October 2009, Finmeccanica Finance, again as part of EMTN programme, completed a new bond issue on the European market. The bond issue is listed on the Luxembourg exchange and secured by Finmeccanica. The issue, targeted at institutional investors, has a nominal amount of €mil. 600, with maturity at 21 January 2022 (12+ years) and a coupon of 5.25% payable annually. The re-offer price of the bonds is 99.191%. The issue was placed by a pool of banks including Banca IMI, BNP Paribas, Deutsche Bank, Société Générale CIB and UniCredit Group as joint bookrunners, and BBVA, CALYON, Commerzbank, MPS Capital Services and Natixis as co-managers.

Finally, on 27 October 2009, Meccanica Holdings USA issued bonds on the US institutional investors market in accordance with Rule 144A and Regulation S of the US Securities Act. The US$mil. 500 bond has a maturity of 30 years (2040) and a coupon of 6.25%. The gross re-offer price is 99.836% and the coupon is paid every 6 months. The bonds are secured by Finmeccanica and listed on the Luxembourg exchange.The bonds were placed by Bank of America Merrill Lynch, Citi, JP Morgan, Morgan Stanley, Goldman Sachs and by UBS Investment Bank, Nomura and Santander.

With this transaction Finmeccanica substantially completed its debt structure optimisation plan, aimed at strengthening its capital structure and guaranteeing adequate financial flexibility through the availability of long-term financial resources. In less than a year after the completion of the DRS acquisition, which required the use of short-term funding, Finmeccanica has extended the average life of its debt to over 10 years, repaying a large portion of the Senior Term Loan Facility.

As more fully described in the footnotes on the individual bond issues reported below, a series of rate transactions have been undertaken to convert a portion of the interest rate exposure from fixed-rate to floating-rate, thereby making it possible to minimise the total cost of the debt.

Below is a list of bonds outstanding at 31 December 2009, which shows, respectively, the euro-denominated bonds issues by Finmeccanica and by the subsidiary Finmeccanica Finance, the pound sterling-denominated bond issue by Finmeccanica Finance, the remaining amounts of the dollar-denominated bond issues by DRS, as well as the new 10-year and 30-year bonds issued by Meccanica Holdings USA for the US market:

Issuer	Year of issue	Maturity	Nominal amount (€mil.)	Annual coupon	Type of offer	IAS recog. amts (€mil.) (11)
Finmeccanica Finance SA (1)	2003	2010	501	0.375%	European institutional	490
Finmeccanica Finance SA (2)	2003	2018	500	5.75%	European institutional	498
Finmeccanica SpA (3)	2005	2025	500	4.875%	European institutional	514
Finmeccanica Finance SA (4)	2008	2013	1,000	8.125%	European institutional	1,009
Finmeccanica Finance SA (5)	2009	2022	600	5.25%	European institutional	598

Issuer	Year of issue	Maturity	Nominal amount (GBPmil.)	Annual coupon	Type of offer	IAS recog. amts (€mil.) (11)
Finmeccanica Finance SA (6)	2009	2019	400	8.000%	European institutional	445

Issuer	Year of issue	Maturity	Nominal amount US$mil.	Annual coupon	Type of offer	IAS recog. amts (€mil.) (11)
DRS Technologies Inc. (7)	2003	2013	3	6.875%	American institutional	2
DRS Technologies Inc. (7)	2006	2016	12	6.625%	American institutional	9
DRS Technologies Inc. (7)	2006	2018	5	7.625%	American institutional	4
Meccanica Holdings USA Inc. (8)	2009	2019	500	6.25%	American institutional Rule 114A/Reg. S	351
Meccanica Holdings USA Inc. (9)	2009	2039	300	7.375%	American institutional Rule 114A/Reg. S	210
Meccanica Holdings USA Inc. (10)	2009	2040	500	6.25%	American institutional Rule 114A/Reg. S	346

1. Exchangeable bonds with a maximum number of 20,000,000 shares in STMicroelectronics NV (STM) at a conversion price of €25.07 per share. Starting from the third anniversary of the issue, Finmeccanica Finance can ask for the loan to be converted if the average price recorded during the 30 business days prior to the date of notice to bondholders exceeds 125% of the conversion price. At the maturity date Finmeccanica Finance can repay in cash or, upon 15-business days prior notice, through a combination of STM shares valued at the average prices recorded in the prior 5 business days. Transaction authorised pursuant to Article 129 of Legislative Decree 385/93. Bonds are listed on the Luxembourg Stock Exchange.
2. Bonds issued as part of the EMTN programmes for a maximum of €bil. 3.8. The entire issue was converted from a fixed-rate issue to a floating-rate one for the first two years of the loan. The transaction was authorised pursuant to Article 129 of Legislative Decree 385/93. Bonds listed on the Luxembourg Stock Exchange.
   Rate derivative transactions were made on these bonds and led to benefits throughout 2005 from low floating rates with an effective cost of some 3.25%. During 2006, the effective cost of the loan returned to a fixed rate equal to an average value of some 5.8%.
3. Bonds issued as part of the EMTN programmes for a maximum of €bil. 3.8. The transaction was authorised pursuant to Article 129 of Legislative Decree 385/93. Bonds listed on the Luxembourg Stock Exchange. The amount of €mil. 250 of this issue was converted to a floating rate to hedge against increases in the interest rate.
4. Bonds issued as part of the EMTN programmes for a maximum of €bil. 3.8. Bonds listed on the Luxembourg Stock Exchange. Of the issue, €mil. 750 was converted to a floating rate, with a benefit of over 2 percentage points. The proceeds of the issues (the US dollar equivalent) were originally used to refinance (through an intercompany loan agreement) the DRS bonds redeemed early in January 2009.
5. Bonds issued as part of the EMTN programmes for a maximum of €bil. 3.8. Bonds listed on the Luxembourg Stock Exchange. No rate transactions on the issue were made. The proceeds of the issue were partly used to repay the Senior Loan Facility up to the current remaining amount of €mil. 639 (nominal value).
6. Bonds issued as part of the EMTN programmes for a maximum of €bil. 3.8. Bonds listed on the Luxembourg Stock Exchange. The proceeds of the issue were translated into euros and were completely used to partially repay the Senior Loan Facility. Rate transactions were made to optimise the total cost of the debt. The exchange rate risk arising from the transaction was fully hedged. Finmeccanica does not rule out the possibility of re-converting the bond into pound sterling to partially hedge strategic investments in Great Britain.
7. DRS requested and received permission to delist all the bond issues on regulated US markets in December 2008. Therefore, the outstanding DRS bonds are no longer covered by the US Securities Act of 1933 and are no longer registered with the Securities and Exchange Commission (SEC).
8. Bonds issued under Rule 144A and Regulation S of the US Securities Act. No rate transactions on the issue were made.
9. Bond issued under Rule 144A and Regulation S of the US Securities Act. The proceeds of this issue, as well as of that referred to in footnote (8), were entirely used by Meccanica Holdings USA to finance the purchase of DRS, partially replacing Finmeccanica in the intercompany loan granted by Finmeccanica in January 2009. Finmeccanica in turn used this amount to partially repay the Senior Term Loan Facility. No rate transactions on the issue were made.
10. Bond issued under Rule 144A and Regulation S of the US Securities Act. The proceeds were entirely used by Meccanica Holdings USA to finance the purchase of DRS, as described in footnote (9). No rate transactions on the issue were made.
11. The difference between the face value of bonds and book value is due to interest rates being classified as to increase debt and to discounts being recognised to decrease debt. Furthermore, as regards the issue of exchangeable bonds in footnote (1) above, IAS 39 provides for the separation of the financial debt component and the call option sold. The debt component is measured by applying the market interest rate at the issue date in place of the nominal interest rate, while the option component, excluded from the financial position, is subject to periodic measurement at fair value.
    At 31 December 2009, this valuation method led to posting a debt €mil. 11 less than the face value of the bond. This differential will gradually come down as the maturity date draws near.

All the bond issues of Finmeccanica Finance, DRS and Meccanica Holdings, are, as mentioned, irrevocably and unconditionally secured by Finmeccanica, and are given a medium-term financial credit rating by the three international rating agencies: Moody's Investors Service, Standard and Poor's and Fitch. More specifically, at the date of this report, these credit ratings were: A3 (Moody's), BBB+ (Fitch, which upgraded the credit rating from BBB on 22 July) and BBB (Standard and Poor's).

All the bonds above are governed by rules with standard legal clauses for this type of corporate transaction. In the case of the issues, these clauses do not require any undertaking with regard to compliance with specific financial parameters (financial covenants) but they do require negative pledge and cross-default clauses.

Based on negative pledge clauses, Group issuers, Finmeccanica SpA and their material subsidiaries (companies whose issuer or guarantor owns more than 50% of share capital or represents at least 10% of total revenues) are expressly prohibited from pledging collateral security to secure financial transactions to the partial benefit of one or more creditors, without prejudice to the generalities of the foregoing. 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.

The cross-default clauses give the bondholders the right to request early redemption of the same (i.e. default) in the event that, for any loan or, more generally, any financial obligation of the Group, there should be a failure to make payment beyond preset limits or other default events.

Furthermore, on 13 May 2009, the EMTN programme was extended for a further 12 months. The amount was increased up to €bil. 3.8 of which a total of around €mil. 3,045 was already used at 31 December 2009. The programme allows Finmeccanica and Finmeccanica Finance, secured by Finmeccanica, to act as issuer on the European bond market.

On 24 July 2009, Finmeccanica signed a €mil. 500 loan agreement with the European Investment Bank (EIB). The loan is intended for Alenia Aeronautica (100%-owned by Finmeccanica) to be used for the production and development of technologically innovative aeronautical components. Specifically, the loan will be used to expand production facilities in Campania (Pomigliano d'Arco) and Puglia (Foggia and Grottaglie) and to finance research and development activities. Repayment of the 12-year loan will begin in the third year. The loan will be disbursed by 31 January 2011, upon demand by Finmeccanica. The interest rate may be either variable or fixed, at the prior discretion of Finmeccanica.

In January 2010, Finmeccanica's Board of Directors authorised the issue of a guarantee, up to €bil. 1, to support the issuance of "commercial paper" up to the same amount, with maturities of between one day and one year, and for amounts divisible based on the issuer's needs and the market's receptiveness. The commercial paper, which may be listed on the Luxembourg Stock Exchange, will be placed by Finmeccanica Finance on Euro market and/or with French institutional investors. This programme augments the range of short-term financing sources for covering the Group's financial requirements. Similar to the practice for bond issues, the programme must be assigned a credit rating and the documentation must be updated annually.

In February 2010, Finmeccanica repurchased roughly €mil. 51 (nominal value) of bonds exchangeable for STM shares out of the August 2003 issue of €mil. 501, maturity in August 2010. The purchase price was equal to 99.40% of the bond's nominal value. This transaction, just one of the actions taken to optimise treasury resources, will make it possible to cancel a corresponding amount of the correlated debt.

Finally, in February 2010, Finmeccanica completed the transformation, begun in December 2009, of the remaining portion (€mil. 639) of the Senior Term Loan Facility (tranche C) into a

revolving credit facility (same maturity June 2011), with a margin of 80 basis points over the Euribor for the period and a commitment fee of 32 basis points on the unused amount.
Also in February the loan was partially repaid.
The transformation of the loan into a revolving credit facility usable and repayable based on the Group's financial needs for the entire duration of the loan, will give the Group greater flexibility in structuring its debt, and will negate the clause contained in the Senior Term Loan Facility requiring early repayment out of proceeds from the sale of assets.

Other transactions

On 22 December 2009 the sale to Cassa Depositi e Prestiti SpA of the 33,707,436 remaining shares of STMicroelectronics NV (STM) indirectly held by Finmeccanica was completed at a price of €5.10 per share. The sale contract also envisages an earn-out mechanism – on 29,768,850 shares – equal to 50% of the positive difference between the average price of the STM stock, calculated in the 66 days prior to 17 March 2011, and €7.00. As a result of this transaction, the Group does no longer hold STM shares.

FINMECCANICA AND RISK MANAGEMENT

RISKS		ACTIONS
The economic crisis may reduce Group profitability and its ability to generate cash	The global economic crisis not only involves cuts to the annual budgets of public authorities, which represent a significant part of Group customers, but also significantly affects civil markets, in particular in sectors such as helicopters, civil aeronautics and energy, 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 at worse conditions than in the past, even financially, may reduce Group profitability and increase the Group financial requirements during the performance of such orders.	The Group continued the actions aimed at increasing its industrial efficiency and in performing contracts on time, reducing at the same time structure costs, while maintaining adequate investment levels selected through strict procedures evaluating their potential returns and strategy, in order to maintain its own competitiveness in the current situation and in the long term.

RISKS		ACTIONS
The Group is strongly dependent on the level of expenditure of national governments and public institutions which, in the reference sectors of the Group, may be affected by the further cuts made necessary by the financial crisis	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. 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 global economy now, the Group's industrial plans, as well as the financial resources necessary to their implementation, might be affected by changes, even relevant ones. The worsening of the reference economic scenario, with a possible negative review of the expense budgets of public authorities that are intended for the sectors in which the Group operates, might affect not only the volumes and results developed, but also Group debt, due to lower amounts received as advance or down payments on new orders. Moreover, cuts to the defence budget, if any, in domestic markets might have an impact on the financing of R&D activities, which are functional to successfully compete on the reference market.	The Group is pursuing an international diversification policy, which led to the identification of three "domestic markets" (Italy, Great Britain and the USA), in order to be less dependent on cuts that may be made by individual countries and to competition in emerging markets marked by high growth rates, in particular in the aeronautics and defence markets. Moreover, under the Group strategy performances in the major countries are constantly monitored, in order to ensure a timely alignment of activities planned with customer needs.

RISKS		ACTIONS
The Group operates significantly on long-term contracts at a given price	In order to recognise revenue 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 performances, including risks for delays and additional activities to implement to mitigate the risks of non-performance and (ii) checking the state of progress of the activities. Given their nature, these are both subject to the 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	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 timely implement the mitigation actions

RISKS		ACTIONS
<<<	reduction in profitability or a loss, if these costs exceed the revenues deriving from the contract.	identified. Under these procedures, all significant risks must be identified from the offering stage and monitored while the programme is being carried out, also by making a constant comparison between physical progress and accounting progress of the programme. These tests enlist top management, programme managers and the quality, production and finance functions ("phase review"). The results are weighted in determining the costs necessary to complete the programme on an at least quarterly basis.

RISKS		ACTIONS
During the current activity, the Finmeccanica Group is exposed to liability risks to customers or associated third parties	As part of its activities, the Group may be held liable in connection with (i) the delay in or non-supply of the products or the services indicated in the contract, (ii) the non-compliance of these products or services with the customer's requests, due to designing and implementation defects of products and services, for example, and (iii) defaults and/or delays in the 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 which act as providers or sub-contractors of the Group.	Group companies usually take out insurance policies available on the market to cover the damages that may have been caused. However, it cannot be excluded that there may be damages that are not covered by insurance policies exceeding the limit of liability insured or that insurance premiums may be increased in the future. Moreover, the Group continuously monitors the performance of programmes through the above-said Lifecycle Management techniques.

RISKS		ACTIONS
Group debt significantly rose due to the acquisition of DRS. This debt might affect the financial and operating strategy of the Group	At 31 December 2009, the Group has net debt of €mil. 3,070, equal to 47% of Group equity at the same date. This high level of debt is due to the acquisition of DRS in October 2008, which led to a cash outlay of €mil. 2,372 and undertaking financial payables, almost fully reimbursed, of €mil. 1,250. Later the Group completed a share capital increase of €mil. 1,206, sales of non-core assets for €mil. 172 and bond issues on European, US and UK markets totalling €mil. 2,186. This strategy allowed the repayment of DRS's payables and the reduction of the bridge loan to €mil. 639. As a result of the partial repayment of the bridge loan, the covenants in this loan ceased to exist; however, the high level of debt, not only reduced Group profitability due to greater financial expense and exposed the Group to future interest rate variations regarding the floating-rate portion, but could also affect the Group strategy, also in consideration of the current conditions of the reference markets, which could determine growth in the Group financial requirements, at least in some periods. These	The financial strategy initiated by the Group allowed, on one hand, to extend significantly the useful life of debt to more than 10 years (and to 30 years for nominal US$mil. 800) and, on the other hand, to reduce its exposure to interest rate performance through fixed-rate issues. The nearest maturity to be refinanced is the repayment of the exchangeable bonded loan for a nominal amount of €mil. 501 in August 2010 (formerly repurchased and cancelled in the amount of €mil. 51 in February 2010): the Group already has the necessary resources to cope with this maturity. The remaining amount of the bridge loan (€mil. 639),

RISKS		ACTIONS
<<<	elements may also determine a worsening in the Group credit rating. Potential future liquidity crisis might also affect the Group's ability to repay its own debts.	maturing June 2011, was converted into a revolving credit line which was drawn down in February 2010 to partially repay the loan. Moreover, the expected level of cash outflow, the existing credit lines and the market success achieved so far by the existing financial transactions lead us to believe that the Group will have the necessary resources to meet all of its obligations.

RISKS		ACTIONS
The Group realises part of its revenue in currencies other than the currencies in which costs are incurred, exposing to the risk of exchange rate fluctuations. A part of consolidated assets are denominated in US$ and GBP	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 bring 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 euros and dollars and euros and sterling pounds might have a negative impact, also in the translation of the financial statements of foreign subsidiaries, on the Group balance sheet and income statement (translation risk).	The Group applies continuously an organised hedge policy for the transaction risk on all the contracts using the financial instruments available on the market. The changes of the US$ and GBP exchange rates also determine translation differences recognised in Group equity that were partially mitigated through the above-said issues in GBP and US$. Moreover, in intercompany financing activities denominated in currencies other than the euro individual positions are hedged centrally.

RISKS		ACTIONS
The Group operates in some segments through joint ventures, in which the control is shared with other partners	The major joint ventures in the Aerospace and Defence area are MBDA, held at 25% (with partners BAE Systems and EADS), Thales Alenia Space, held at 33%, and Telespazio, held at 67% (both with partner Thales) and GIE-ATR, held at 50% (with EADS). These joint ventures, which are consolidated in the Group results on a line-by-line basis, jointly generated 12% of the revenues consolidated in 2009. The operativity of the joint ventures is 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 to solve any conflicts as may arise between them regarding 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, this may have to share or transfer technological skills or know-how that were originally transferred.	The Group constantly follows, also through the involvement of its own Top Management, the performance of these activities, in order to timely identify and manage critical issues.

RISKS		ACTIONS
The Group is a sponsor in defined-benefit schemes both in the UK and in the USA, in addition to other minor schemes in Europe	In defined-benefit plans, the Group is required to ensure that the participants get a given level of future benefits, taking the risk that the plan assets (stocks, bonds, etc.) are not sufficient to hedge the promised benefits. In case plan assets are lower than the benefits promised in terms of value, the Group regularly recognises as a liability an amount equal to the deficit; at 31 December 2009, this amount was €mil. 371. Should the value of plan assets reduce significantly, for example due to the particular volatility of stock and bond markets, the Group should compensate this diminution in value to the benefit of the plan participants, with subsequent negative effects on the financial statements.	The deficits of plans and investment strategies are constantly followed by the Group and regularly followed by the Trustees. Corrective actions are timely implemented.

RISKS		ACTIONS
The Group operates in particularly complex markets, in which the settlement of any dispute may be extremely complex and can complete only in the long-term. The Group also operates through numerous industrial sites and is therefore exposed to environmental risks	The Group is a party to legal, civil and administrative proceedings, for some of which a specific provision for risks and charges is recognised in the consolidated financial statements to cover potential liabilities that may arise (equal to €mil. 198 at 31 December 2009). Some of the proceedings in which the Finmeccanica Group is involved for which an unlikely or unquantifiable outcome is expected are not included in the provision. The Group activities are subject to laws and regulations protecting environment and health that limit emissions into the atmosphere and discharge in waters and soil and govern the treatment of hazardous waste and the remediation of polluted sites. Under applicable laws, the owners and managers of polluted sites are responsible for their pollution and, therefore, may be required to pay for the assessment and remediation costs, regardless of the causes of pollution. In performing the production activities, the Group is therefore exposed to the risk of an accidental contamination of the environment and may have to pay for the expenses for the remediation of polluted sites, if any.	The Group regularly monitors the status of the existing and potential disputes, taking the necessary corrective actions and adjusting its provisions for risks posted on a quarterly basis. With regard to environmental risks, the Group has an existing monitoring and environmental assessment, plus insurance coverage in order to mitigate the consequences of a polluting event.

RISKS		ACTIONS
The Group operates in particularly complex markets which require compliance with specific provisions	The Group designs, develops and produces products in the defence segment. These products are particularly relevant in terms of protection of interests of national security and, therefore, their exporting abroad is subject to the obtainment of specific 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 the exportation of products might determine negative relevant effects on the activity and on the Group financial statements. Moreover, the non-compliance of these regulations may involve the withdrawal of the authorisations.	The Group monitors, through specific structures, the constant update with the relevant regulations, and commercial actions are subject to the control of the compliance with limitations and the obtainment of the necessary authorisations.

RISKS		ACTIONS
A significant portion of consolidated assets relates to intangible assets, in particular goodwill	At 31 December 2009 the Group reported intangible assets of €mil. 8,367, of which €mil. 5,821 relates to goodwill (19% of total assets) and €mil. 1,169 to development costs. The recoverability of these amounts is linked to the realisation of future plans of the reference businesses/products.	The Group constantly monitors performance against the expected plans, implementing the necessary corrective measures in the case of unfavourable trends. These updates are reflected, when the consistency of the amounts posted is assessed, on the expected flows used for the impairment tests.

FINMECCANICA AND THE ENVIRONMENT

Strategic guidelines and management approach

"Finmeccanica considers it important to integrate management of environmental aspects in the business objectives for the long-term maintenance of the levels of sustainability, profitability and competitiveness of the Group".
This statement, taken from the Group's Environmental Policy, opens the Finmeccanica Group's 4th Environmental Report, a reporting tool that the Group has used since 2005 to demonstrate the concern it shows to the environmental impact of its activities.
This accounting of the Group's environmental performance[1] is set to become an increasingly important strategic tool for Finmeccanica and its stakeholders in achieving business objectives and in the continually creating value.

Therefore, in line with the objectives stated in the Environmental Policy, the Group companies are implementing measures aimed at continuously improving their own environmental performance. These measures are presented annually in a Report (www.finmeccanica.com - Communication Section/Environmental Report) that is audited and certified by an independent certification body.

In the Environmental Report, Finmeccanica Group Real Estate, a Group company, is identified as the Process Owner. Specifically, its Environment, Health and Safety Service (EHS) implemented and manages the Environmental Information System for collecting, filing and processing environmental data. The EHS Service also ensures the performance of a consistent and methodical environmental check-up of industrial and other sites of different business areas operating in various countries, updating a Group environmental database and processing environmental indicators included in the Report.

The commitment of the Finmeccanica Group to eco-compatible development of its business has grown over the last few years as corporate policy and goals have developed. The choices made have required a considerable dedication of resources and an immense organisational effort, but have also led to the introduction of innovative industrial processes that are becoming ever-more environmentally sustainable and of management methods that reflect a growing environmental responsibility. Every year Finmeccanica invests significant resources to boost its own environmental performance, to improve plant safety and to protect worker health.
A significant percentage of the Group's production units already have environmental policies in place and are developing or have developed environmental management systems, some of which are ISO 14001 certified. Several sites have received Eco Management and Audit Scheme (EMAS) registration. Over the last few years, the number of Group sites with ISO 14001

1. Refer to the Finmeccanica Group's Environmental Report 2008 for information on the scope of companies included.

certification has risen (49 sites certified in early 2009).
Over the last few years, OHSAS 18001 (Occupational Health and Safety Assessment Series) certification within the Group has risen significantly, proving the growing attention paid by companies to employee health and safety in the workplace.
This is borne out by the receipt of the Aerospace Industries Association Safety Award by DRS Technologies in 2009 for its programmes to improve workplace health and safety introduced between 2007 and 2008.
Finally, during the year, Finmeccanica decided to develop a model for managing "climate-altering" emissions (CO_2-based) and to establish a method for calculating its carbon footprint. These tools will be used to identify possible greenhouse gas reduction targets.

Innovation and spreading best practices

The growth of a technological culture capable of pursuing strategic business targets and of progressively broadening horizons is at the apex of Finmeccanica's research and development activity.
Finmeccanica believes that environmental and technological improvement is the fruit of the sharing of knowledge, the dissemination of best practices in the environmental field and the planning and implementation of projects that, after the experimental "pilot" phase, can be extended on a large scale within the Group.
Based on this premise and in line with the Group's Environmental Policy and the objectives stated in the Environmental Report, the Group undertook projects/programmes such as the Environmental Dashboard of SELEX Communications, the Recycling Process of Alenia Aeronautica (a project that won the 2008 edition of the Innovation Award), and the Waste Minimisation Programme run by the SELEX Galileo team at the Luton (UK) location, which received the prestigious Green Apple Award.

Communication, education and training

Together with ongoing, global training and professional development projects, training in environmental, health and safety matters is fundamental to maintaining and strengthening Finmeccanica's role as industrial leader in the international landscape.
Just some of the examples of Finmeccanica's efforts in this area include training courses on waste management, workshops and information and training sessions dealing with the REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) Regulation, and a special workshop held for the Group's EHS Managers. The purpose of these initiatives is to provide, at all levels and in a consistent manner, highly specialised training. Information is also provided through the infragroup Portal devoted to the Group's EHS Managers (EHS InPortal), with over 150 registered users and with more than 100 documents available, such as guidelines, best practices, case studies, technical presentations and regulations pertaining to EHS.
Moreover, understanding that communication and environmental responsibility are not exhausted within a single plant, but become even more valuable if extended beyond the plant walls and incorporated into daily life, and that any innovative industrial project can be created and developed while maintaining the utmost respect for the environment, Alenia Aeronautica sponsored the "Naturally.in school: environmental and technology education" project, with the support of UNESCO and the Ministry for Education. Its aim is to educate young people about environmental protection and technological innovation.
The primary goal of the project is to make young people aware of environmental sustainability issues, reinforcing in students, especially, the idea of how actions taken in their daily lives can contribute to protecting the environment.

Energy issues

For several years the Finmeccanica Group has taken a proactive stance in order to consolidate the sustainable management of energy resources and to promote the diversification and optimisation of the provisioning of commodities, including through solutions involving self-

generation from renewable sources. This approach arises from the desire to pursue the international objectives of environmental sustainability using the voluntary introduction of best practices in support of production activities so as to guarantee a responsible evolution of industrial development and to minimise business risk.
In promoting the efficient use of infrastructures at the sites and offices of the Group companies, Finmeccanica, through its subsidiary Finmeccanica Group Services, has developed an integrated management of energy resources able to act simultaneously on provisioning conditions and on requirements by optimising the relationship between internal demand and the market, in line with the industrial development of the different companies.
In particular, in promoting and disseminating advanced models for managing commodities and infrastructures, Finmeccanica Group Services coordinates the Energy Efficiency Programme, started in 2005, with a set of specialised studies conducted on the Group's principal plants. The Programme's goal is to cut demand for electricity by 5% by 2012. It also calls for numerous plant intervention measures, largely regarding general plant systems, for the replacement of equipment and components, the review of system scaling, the installation of automated devices that regulate consumption based on demand, measures for insulating and recycling energy vectors, as well as measures for optimising tuning and conduction systems.
Moreover, in an attempt to diversify supply sources by introducing solutions involving high-efficiency self-generation at the Group's sites, work on the installation of plants powered by renewable sources continued in 2009. These improvements formed the basis for a Plan for the Diffusion of Renewable Sources, which will be developed over the next three-years.
The performance of the first self-generation plants prompted Finmeccanica to confirm again in 2009 that it would focus on renewable sources in the provisioning phase. As part of the process of centrally negotiating the procurement of commodities for Group offices and sites, Finmeccanica Group Services annually requests bids specifically for the supply of electricity generated from renewable sources.
Finally, as occurred in 2008 and in keeping with constant measures for making employees and plant managers aware of the issue, on 30 November 2009, Finmeccanica, in collaboration with Finmeccanica Group Services, and supported by the Ministry for the Environment, the Ministry for Economic Development, FIRE (*Fondazione Italiana per l'uso Razionale dell'Energia*) and ENEA, organised the second edition of Energy Day, the day that focuses on ways to save electricity. This year the event was also extended to locations in the United States and Great Britain.

Relevant environmental issues and Group performance

Below are some of the most significant aspects of Finmeccanica's activities that have a direct relation to the environment. For more details, please refer to Finmeccanica's Environmental Report, published annually on the corporate website.

Green areas and protection of the soil and subsoil

The Group's Environmental Policy states that "The principles aimed at environmental protection are applied during the lifecycle of each industrial site". With this view, Finmeccanica's commitment is not limited to managing just its industrial or office sites, but also its lands covered with vegetation. Last year, the total surface area of Group sites came to approximately 1,200 hectares, about 40% of which consisted of green areas, such as gardens, treed areas or areas covered with spontaneous vegetation. In line with the principles set out in the Group Policy, in recent years Finmeccanica has undertaken numerous environmental surveys, initiating the proper safety procedures and/or reclamation actions where necessary.
In some cases, Group companies have initiated environmental characterisation processes since they are located within sites of national interest (SNI). Environmental characterisation is the description of the characteristics of the environmental components both within the site and the area affected by it and involves conducting surveys and chemical analysis of the soil, subsoil and ground water. The purpose is to identify potential sources of contamination of the environmental receptors in order to eliminate them and to reclaim and improve potentially contaminated areas.

In addition to the above-mentioned activities, when purchasing and/or selling any industrial site, Finmeccanica performs an in-depth assessment of existing or potential environmental risks using internationally recognised methods (ASTM 1527-05; ISO 14015:2001).

Water resources management

To the Finmeccanica Group, water is an essential element for ensuring site functionality and continuity of production. Most of the water is obtained in the form of ground water through wells, while the remaining portion comes from aqueducts. Water drawn from sites is used for industrial processes and as a thermal vector, in addition to being used for drinking, hygiene/sanitary purposes, fire-fighting and irrigation of green areas.
Finmeccanica's careful focus on safeguarding the consumption of non-renewable resources has been demonstrated, over the years, by the gradual reduction in water consumption by the Group, in line with the targets contained in the Environmental Policy.
Wastewater produced by the sites is classifiable as either domestic and similar wastewater or industrial or process wastewater. Both are disposed of in compliance with applicable laws.

Production and management of extraordinary waste

For Finmeccanica, waste production holds significant environmental importance and it is an area to which the Group has, again in 2009, devoted considerable attention, in line with the objectives set out in its Environmental Policy. This is shown by the repeated recognition of efforts by SELEX Galileo of Luton (UK) under its Waste Minimisation Programme, for which it also received the Green Apple Award in 2008.
Although the total quantity of extraordinary hazardous and non-hazardous waste produced by the Group companies is affected by production trends reported by the various divisions, the Group is still committed to minimising the waste generated and increasing the proportion that can be recovered.
The Group continued to provide training and information on waste management through the EHS InPortal in 2009.

Energy consumption, CO_2 emissions and Emission Trading

The Group uses the following energy resources for production and operating purposes:

- electric power from the grid;
- natural gas;
- diesel fuel for the production of energy and heat;
- other fuels.

As mentioned before, Finmeccanica is constantly seeking to optimise the consumption of its resources and to that end introduced, in 2005, an energy efficiency plan that provides for energy audits and plant improvements. Moreover, a percentage of energy acquired comes from renewable sources.
Likewise, the Group considers the reduction of greenhouse gas emissions to be an integral part of the commitment undertaken in its Environmental Policy. As of today, the reduction of CO_2 emissions is mainly pursued through the aforementioned energy efficiency improvement measures.
The accounting the Group's CO_2 emissions is in line with The Greenhouse Gas Protocol, an accounting standard for greenhouse gas emissions developed by the World Business Council for Sustainable Development and by the World Resources Institute. It divides emissions into: direct (Scope 1), deriving from sources owned by or under the control of the company; indirect (Scope 2), relating to the production of electricity purchased by the company; indirect (Scope 3), a category whose reporting is defined as optional in the Protocol and that are the consequences of the company's activity, but derive from sources not controlled by the company (emissions deriving from the mining of raw materials, emissions from air travel by employees, etc.).

One of the major sources of atmospheric emissions generated by the Group's plants is certainly energy consumption.
As mentioned previously, the Group, aware of the importance of the issue of climate change, decided to develop a carbon management system for all the Group companies. With this system, it will be possible to more accurately calculate the greenhouse gas emissions caused directly by Group activities and even a portion of those caused indirectly (for example, connected to the consumption of raw materials). In the future, the Carbon Management System will make it possible to manage, following the logic of environmental management systems, all aspects related to greenhouse gas emissions.

The Emission Trading Directive (Emission Trading Scheme - ETS) (Directive 2003/87/EC), an instrument for implementing the Kyoto Protocol for the reduction of CO_2 emissions, affected 6 Group companies for a total of 12 plants located in Italy.
The ETS is specifically aimed at activities that involve the generation of enormous quantities of CO_2 (energy combustion, production and processing of ferrous metals, processing of mining products, production of pulp for paper and cardboard, etc.). The activities carried out at the Finmeccanica Group sites are only marginally included among those defined under the Directive and only large plants for heat generation are concerned. The sites to which the ETS Directive applies are defined as "Group A", i.e. those characterised by amounts of CO_2 emissions less than the other groups identified in the Directive.
All the Group's sites included within the scope of the Emission Trading Directive and required to provide an accounting of their quotas underwent an audit in 2009 and the pertinent CO_2 emissions were duly certified.

Other atmospheric emissions

In addition to carbon dioxide, emissions of NO_x, SO_2, Volatile Organic Compounds (VOC), Volatile Inorganic Compounds (VIC) and heavy metals (Pb, Hg, Cd, Cr, As, Co, Ni) represent another significant element of monitoring environmental performance.
These emissions generally derive from production activities and from the use of diesel oil and natural gas in the Aeronautics and Helicopters sectors, especially.
Authorised emission sources are subject to the periodic measurement of pollutants pursuant to the relevant regulations and specific authorisations.
To improve the registration, calculation and traceability of environmental data, especially with reference to VOC, VIC, and particulates emitted into the atmosphere, during the prior year a standard protocol was shared, spread and implemented at the sites covered by the Environmental Report. This protocol was fine-tuned in 2009 for the registration and automatic calculation of on-site annual emissions.

Management of hazardous substances, companies at major accident hazard and IPPC

Reducing the consumption of hazardous substances, in conformity with the needs of the production processes and applicable regulations, particularly the REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) Regulation, is one of Finmeccanica's priorities. In this area, the Group has been able to consistently cut consumption of substances classified as R40 (Substance with possible carcinogenic effects - Insufficient proof), R45 (Substance that may cause cancer) and R49 (Substance whose inhalation may cause cancer) according to the "31st adaptation of Council Directive 67/548/EEC to technical progress" concerning the classification, packaging and labelling of dangerous substances.
The Group's use of hazardous substances is closely connected to processes for the surface treatment of materials, painting and gluing. These are typical of production processes used in the Aeronautics, Helicopters and Defence and Security Electronics sectors in particular, and have long been the subject of a continuous search for less hazardous or non-hazardous substitute products, as well as training of the workforce in environmental, health and safety matters in order to reduce the risks of handling these substances to a minimum.

Several Group sites (12 plants belonging to 6 companies in 2008) have been classified as at Major Accident Hazard (MAH) and therefore fall within the scope of application of Legislative Decree 334/99, as amended and interpreted (Directive 96/82/EC).
These sites fall within the scope of application of the Directive due to the quantity of substances and compounds used in typical processes in the Aeronautics and Defence Systems sectors and because of the sizes of the galvanisation tanks used to surface-treat metals.
Finally, 13 Group sites belonging to 7 companies (2008 figures) are subject to the Integrated Pollution Prevention and Control (IPPC) Regulation.
The aim of this regulation is to minimise pollution caused by various sources located throughout the European Union, requiring that all the types of plants listed in Annex 1 of the Directive obtain Integrated Environmental Authorisations (IEA) from the competent authorities of the various countries. The concept of integrated environmental authorisation means that the authorisations must take into account the environmental performance of the plants as a whole, i.e. the impact that the activities have on various environmental matrices.
All sites subject to Integrated Environmental Authorisation must consider the use of Best Available Techniques (BAT) in their processes in order to reduce their environmental impact.

Ozone depleting substances

At Finmeccanica Group locations, ozone depleting substances are mainly found in the refrigeration and air-conditioning systems.
A survey of these substances is currently in progress. At sites where ozone depleting substances have been detected, these substances are gradually being replaced with substances that are less damaging to the ozonosphere, in accordance with the provisions found in applicable international agreements and regulations in force.

Electromagnetic fields

The matter of electromagnetic fields mainly concerns the Group companies operating in sectors involving the production of systems/equipment for radar, air traffic control and telecommunications, where sources of electromagnetic fields are present, such as radar and transmitting antennas.
The emissions of electromagnetic fields are the subject of constant measurement both at the sites, where the sources of electromagnetic fields are produced and tested, and at places where sources are installed.
The measurement of electromagnetic fields and the adoption of the relevant prevention and protection measures are carried out in compliance with the applicable laws on the protection of the health and safety of workers in the workplace and environmental protection (protection of the population).

FINMECCANICA AND RESEARCH AND DEVELOPMENT

Once again in 2009 Finmeccanica initiated new Research and development (R&D) programmes featuring highly innovative content and continued programmes already under way, with an emphasis on containing risks, focusing on strategic objectives and on consolidating the results achieved. The gradual integration of the most recently acquired companies led to a more profound analysis of the synergies achievable within the Group, including in the area of R&D.

Aerospace, Defence and Security

In the Aerospace, Defence and Security sectors it is particularly clear that innovation must be planned along varying timeframes to ensure that the Group maintains its competitive position and creates new products.

The subdivision of R&D into the areas of **technological research and development** (*a*) and **research and development applied to products** (*b*) allows for proper planning and containment of risk by optimising the incorporation of new technologies in Group products so that they are able to be commercially successful and remain competitive over time.

a) Technological research and development

These are technological developments that are sometimes described as "basic", in that they are highly strategic and long-term, and that by nature require highly-qualified staff and specialised facilities.

Significant progress was made in developing materials and technologies to be used for microelectronic integration, ranging from the individual component to miniaturised, hybrid analogue/digital SiPs (**S**ystem in **P**ackage), involving several of the Group's major companies (**SELEX Sistemi Integrati, SELEX Galileo, SELEX Communications** and the **MBDA** and **Thales Alenia Space** joint ventures). Their distribution and application enable "quality" radio frequency processing components to be miniaturised, reducing costs and producing benefits for satellites and radars, and for missile systems and avionics systems, and in general all those applications where a small footprint, minimal power absorption and thermal dissipation are key factors.

In the area of advanced on-chip integration, development continued on ***G**allium **N**itride* (GaN)-based solutions for creating high-powered, highly efficient **M**onolithic **M**icrowave **I**ntegrated **C**ircuits (MMIC) for radar and active array applications. With regard to multi-chip integration, development continued on ceramic substrate technologies using innovative solutions that replace the traditional component of *aluminium oxide* (Al_2O_3) with *aluminium nitride* (AlN) to build high thermal conductive ceramic substrates. There was increased activity in the area of **M**icro **E**lectro-**M**echanical **S**ystems (MEMS) for electronic and sensor applications. With regard to materials for electro-optical applications, **M**etal **O**rganic **V**apour **P**hase **E**pitax (MOVPE) technologies for producing infrared sensors in the next generation bi-dimensional dual-band arrays components having been consolidated, further development is being carried out on technology for dual-band detector arrays for advanced thermal imaging cameras (**SELEX Galileo**) as fruit of the collaboration between **DRS Technologies** (DRS) and SELEX Galileo. The two companies are also focusing on optimising methods for integrating sensors with electronic scanners.

SELEX Sistemi Integrati continues to make advances in the innovative phototonic field with the development of prototypes of extremely high frequency analogue/digital (AD) samplers and direct synthesis waveform generators in collaboration with **SELEX Galileo**, and network architectures for broadcasting digital and analogue signals using active array antennas.

Collaboration between **Alenia Aeronautica** and **SELEX Sistemi Integrati** continues in the field of multi-functional structures with the integration of aeronautical structures using fibre optic sensors, especially those made of composite materials. A project was begun to expand the use of these fibre optic sensors in detecting chemical, biological and explosive (CBE) threats (**SELEX Sistemi Integrati**, **SELEX Galileo**). **Elsag Datamat**'s expertise in the quantum optics sector is contributing to research into the use of cutting-edge infrared sensors for detecting CBE threats, based on innovative plasmonic concepts and nanotechnologies. **WASS** is also developing phototonic technologies for underwater uses as part of its research into the application of sensor and fibre optic networks for static monitoring of maritime areas and for advanced sonar equipment.

Activity in the area of nanotechnologies has progressed on several fronts: in the field of microelectronics on the use of carbon nanotubes for the manufacture of nano-electronic devices such as nanovalves and nanotransistors (**SELEX Sistemi Integrati**), cold cathode emitters for tubes operating in the range of GHz to THz, and of material with high thermal conductivity for microelectronic packaging (**Thales Alenia Space** and **SELEX Sistemi Integrati**) and, in the aeronautics field, the use of nanotechnologies in composite materials and nanostructuring of metal alloys (**Alenia Aeronautica**). **MBDA** is currently conducting studies of high-resistance nano-structured ceramics to create radomes operating in the millimetric band. **Thales Alenia Space** is researching high-resistance shields to be used on re-entry vehicles and hypersonic flights. The Group companies are also cooperating in the area of nanotechnologies through developments that take a multi-scale approach to design.

In addition, new materials and structures technologies stimulate future development and production capabilities, both with low infrared and electromagnetic footprints and those with high resistance thanks to the use of composite materials and specific welding treatments also intended for use on future national security projects (**AgustaWestland** with the ELIMAT project, **Alenia Aeronautica**, **Alenia Aermacchi** and **Oto Melara**).

SELEX Sistemi Integrati and **SELEX Galileo** are exploring new frontiers in extremely high frequency technologies (TeraHertz) to determine their potential in applications for sensors against CBE threats, security imaging and with research on basic devices, such as, for example, the “slow” travelling wave amplifier with a cavity configuration.

There has been constant development in the field of sensor networks – “smart” networks of low-cost sensor nodes – relating to networks and their interoperability, and sensor nodes (**SELEX Communications**, **Elsag Datamat**, **SELEX Sistemi Integrati**).

b) Research and development applied to products

All of our companies are heavily involved in maintaining, improving and streamlining their range of products to maintain and increase their competitiveness and customer satisfaction ratings thanks to basic research and development. The Group is conducting technological and systems development primarily in the following areas:

- in **radar**, with modern electronic phased-array scanning systems with integrated personal mobile radio module arrays for detection and aerial defence, including those used for air traffic control (**SELEX Sistemi Integrati**). In the field of onboard radar for airborne platforms (fixed-wind or rotary-wing), development and production continues on the active transmit/receive module, a fundamental building block for the entire family of products of **SELEX Galileo**, which range from highly-compact PICOSAR surveillance radar, specifically designed for use with UAVs (Unmanned Air Vehicles) and advanced SEA SPRAY radars, to a multiple-mode avionic radar called VIXEN-E with active electronic scanning, that will form the future system for combat aircraft (**SELEX Galileo**). Meanwhile, **SELEX Galileo** and **SELEX Sistemi Integrati** have continued making developments to revamp the exciter receiver processor which, using new digital technologies, will improve performance with regard to mechanical scanning radars (which have retained a level of market penetration) and to new electronic scanning radars. Following the excellent results achieved in the development of transmit/receive modules for C-band naval and land radar, using gallium arsenide microcircuits, produced in its own foundry and integrated using advanced microelectronic technologies, **SELEX Sistemi Integrati** completed the phase of integrating and testing the C-band active array antenna. **SELEX Sistemi Integrati** made significant progress in the development of a man portable radar (LYRA) for battlefield observation and has completed the production phase, and is beginning to develop coastal and perimeter surveillance systems;
- the electronic warfare segment of **defence electronics** continues to be part of **SELEX Galileo**’s core business. With its variety of systems for electromagnetic defence against radars and missiles, the Group’s product range has expanded, allowing Finmeccanica to complete its integrated onboard defence and surveillance range for all air platforms. In 2009, the Group continued to upgrade its avionics products, expanding its catalogue with new high-performance, more compact solutions, particularly suitable for use on UAVs, and new interesting development began on land applications. These developments include the continual upgrading of **SELEX Communications**’s counter-improvised explosive devices (IED) product. In the area of applied research, initial results have been achieved in the studies being conducted on new localisation techniques based on the use of networked systems;
- in **electro-optics** for battlefield applications and for both land and sea integrated weaponry systems, and fixed-wing and rotary-wing aircraft applications (**SELEX Galileo** and **SELEX Communications**), development is in a final stage for a new generation of **D**irect **I**nfra**R**ed **C**ounter **M**easures (DIRCM) for active protection against shoulder-fired missiles for both military and civil aircraft by **SELEX Galileo** in cooperation with a well-known American company. **SELEX Galileo** is also continuing to develop products based on active imaging observation

systems using **B**urst **I**lluminator **L**asers (BIL) techniques combining a laser source with a thermal imaging camera, allowing long-distance, high-resolution night time surveillance. Development still continues on the EO Hyperspectral system for avionics applications. Thanks to the analysis of the high-resolution image captured, this system, also designed for space applications, using hundreds of channels in the visible and infrared bands, even permits determination of the type of material of which the object observed is made from a distance (**SELEX Galileo**).
DRS has begun to develop a family of smaller (less than 10” diameter) stabilisation platforms capable of holding more electro-optic sensors and several types of lasers. These systems are being designed for use on small unmanned aircraft and well as for applications on land-based platforms;

- in **land weapons systems**, **Oto Melara** has intensified efforts to make developments geared towards solutions applicable in asymmetric scenarios. These include the wheeled and tracked **U**nmanned **G**round **V**ehicle (UGV) families, which represent the cutting-edge technology and market for the sector.
In the field of electronics for land-based vehicles, **DRS** is developing an electric generator and an energy conversion system integrated into a scalable architecture. Based on the specific configuration of the vehicle, this scalable architecture can provide between 20 kW and 200 kW of electricity to power various onboard electronic systems.
DRS is strengthening its line of laptop and tablet computers for vehicles to take advantage of the latest technological advances made in the commercial sector. It is seeking, in particular, to boost the capabilities of military IT products for land-based vehicles by improving the security and interoperability of different communication channels and in relation to networks for military applications;
- in **missiles systems**, with special reference to advanced seeker missiles, both infrared (**SELEX Galileo**) and radar, and to active proximity fuses and related command and control systems (**MBDA**), developments have continued in the application of new digital receivers to improve existing seekers (Aster Meteor) and the use of passive phased array antennas for missile-based applications (**MBDA**);
- the area of architectures for major systems for land, naval and air traffic management (ATM) **command and control systems** (**SELEX Sistemi Integrati**), and that of specialised avionics systems based on advanced processing, presentation and control devices for fixed-wing and rotary-wing aircraft (**AgustaWestland, Alenia Aermacchi, Alenia Aeronautica, SELEX Communications** and **SELEX Galileo**). In this segment, the simulation aspect is taking on a great deal of importance, particularly with the activities of **SELEX Galileo,** which continued to develop a new generation of flight simulators, and of **SELEX Sistemi Integrati**, with the development of a modular simulator for major systems integration.
As to naval systems, development is being completed on the new **C**ombat **M**anagement **S**ystem (CMS) which will provide modular solutions for the new generation command and control systems market (**SELEX Sistemi Integrati**).
Following the completion of the feasibility study on the Forza NEC project conducted by the Integrated Project Office consisting of Defence and Industrial segment companies (**AgustaWestland, Alenia Aeronautica, Elsag Datamat, SELEX Galileo, MBDA, Oto Melara, SELEX Communications** and **SELEX Sistemi Integrati**), the detailed architectural plan was completed. Forza NEC is a project launched by the Italian Army to make its components network-centric, in order to provide an effective response to the commitment needs of the Italian Army in the face of a continuing increase in missions outside of Italy and to the demand for interoperability with other Coalition Forces operating internationally;
- in **security** (homeland security), the Group continues to strengthen its ability to offer major system products. **SELEX Sistemi Integrati** has been given the mission of coordinating the Group companies in developing joint, integrated solutions for territorial control systems, maritime traffic control systems, maritime and land border control systems, civil protection and crisis management systems, as well as port and critical infrastructures security systems. Among **SELEX Sistemi Integrati**’s achievements, those that deserve particular mention are the studies, feasibility analyses and testing conducted in the following areas:

› application of very high-frequency photonic and circuit technologies to innovative sensor systems (detecting illegal or hazardous substances, locating persons in inaccessible environments following a calamity, etc.);
› power enhancement of the latest generation, small X-band radar ("LYRA" model), developed for coastline, territorial and border security applications;
› development of maritime security and counter-piracy solutions and systems. Ground-based - projects involve the testing of an integrated port protection system and developing security functionality in the VTS system, while vessel-based projects relate to the development of prototypes of consoles and advanced command and control systems for small patrol boats;
› designing of network-centric and data fusion architectures for the construction of domestic, maritime and land surveillance centres capable of integrating heterogeneous surveillance systems, resources and expertise for protecting large areas and borders;
› reorganisation and reinforcement of the major systems centre of excellence in order to test and demonstrate the potential of major defence and homeland security systems.

Also in the area of homeland security, **DRS** is continuing to develop command and control and situational awareness systems for the protection of borders, forces and critical infrastructures. These systems use a wide variety of data from surveillance systems consisting of distributed radar, electro-optical sensors, sonar and unguarded ground sensors, blended into a single operating vision using a service-based distributed architecture. Progress is also being made in the development of innovative functions for products in the area of intelligent sensors for security (biometric sensors, license plate readers, 360-degree video surveillance cameras, multi-functional palmtop computers for use by the armed forces), in video analysis for the purpose of identifying suspicious behaviours, and in systems for protecting access to IT networks (**Elsag Datamat**). Thanks to collaboration between **Elsag Datamat** and **Ansaldo STS**, the software for managing metro and railway security centres has been developed and is being used by Metro Campania and by RFI (Rete Ferroviaria Italiana). Finally, redoubled effort is being made on the interoperability of diverse communication systems, permitting security organisations to communicate with one another, based on the needs that arise in a variety of operating situations. Data security-related issues in this area resulted in the start-up of R&D on new codes and on issues related to multi-level security, which plays a crucial role for heterogeneous communication systems (**SELEX Communications**);

• in naval, land, aeronautics and satellite **communications**, particularly secure tactical and strategic communications networks, work continued in the field of architectures for future communications networks and network-centric services and in the development of the family of solutions based on the software defined radio (SDR) paradigm, an essential aspect of the emerging, irresistible need for integrated global communications (**SELEX Communications).**
In the area of *avionics communication,* **SELEX Communications** continues efforts to expand its portfolio of equipment, systems and solutions for developing an integrated communications, identification and navigation sub-system for fixed-wing and rotary-wing platforms. Specifically, progress continues to be made on avionics SDR, MIDS-JTRS (**M**ultifunctional **I**nformation **D**istribution **S**ystem - **J**oint **T**actical **R**adio **S**ystem), on new families of HF (HFDR) and V/UHF (SRT 651) military radio, civil and military laser obstacle avoidance systems (LOAM), wideband data links (LOS - **L**ine **O**f **S**ight and satellite) and support solutions for air traffic management (ATM) programmes. **DRS** continues to develop miniaturised radio-frequency synthesizers for communications and signal intelligence on air and land platforms and that are man portable.

DRS is also working on the integration of high-performance computers, on networking and on signal processing capacity within an intelligence communications sub-system capable of, among other things, performing functions such as locating the source of the signal and its processing, for air and land applications and for troops.

In the area of *military and space (ground terminals) communications*, efforts continue to strengthen the Group companies' role as a telecommunication system provider by fully introducing ALL IP (Internet protocol) solutions-version 6 of Internet protocol convergence (IPv6), which will make it possible to create and manage networks dynamically, flexibly, and in an open and mobile environment. Also in this sector, **SELEX Communications** is continuing to develop handheld, vehicle, manpack and naval-based SDR, Satcom On The Move (mesh ground terminal) communications satellites, as well as network-centric solutions for Future Soldier and Forza NEC (Network Enabling Capability) forces.

In *professional secured communications*, work continued, as part of the TETRA (**TE**rrestrial **T**runked **RA**dio) project, on creating the Interpolice network, offering greater operational interoperability capabilities between institutions such as the police force, the *Carabinieri*, fire department, civil protection using new-generation solutions and equipment. From a technological standpoint, the development of the TETRA system is mainly based on: switching to full IP support; the availability of TEDS (**T**ETRA **E**nhanced **D**ata **S**ervice) basic trunked radio equipment; the release of advanced functions for secure communications; the release of special advanced functions for the Interpolice (PIT) project.
In the area of **D**igital **M**obile **R**adio (DMR, the Simulcast version is currently available), the system is being installed and activated in Italy and the first important foreign contracts are starting to arrive. The cornerstones of the development of the product in this case are: porting all the features and configurations developed for the previous analogue model to the digital platform; using IP lines to connect the system components; commercial-grade encryption capabilities; extended frequency bands; and increased RF power (**SELEX Communications**).

In the area of *professional communications for transportation,* efforts are being made to develop the new generation of GSM-R (GSM-**R**ailway) for onboard (RaCE2500) and handheld (RGG200 and ROG100LF) applications. Analysis has also begun on new potential areas for development (e.g. railway security, advanced diagnostics, transition towards **L**ong **T**erm **E**volution-LTE protocols, etc.) by taking advantage of the collaboration with **Ansaldo STS**, to further refine innovative functions, particularly in the railway sector.
Activity continues in the *information and intelligence protection* area on projects involving the new family of ciphers for IP infrastructure networks, while the production phase for the new ciphers for military avionics applications has been completed (**SELEX Communications**);

- in the area of **satellite communications**, research and development has essentially focused on completing development of flexible payloads for dual applications and for UHF military applications (studies of integrated TX/RX antennas) and the development of experimental payloads in the Q-V band (**Thales Alenia Space**). In addition, **Telespazio** has initiated a line of research into emergency communications at several levels: the first on new brief scenario planning and simulation systems for complex events, the second on the development of a new access system to optimise the use of the communication channel band, and the third on the introduction of new functionalities for the Full IP satellite networks;
- in **orbital infrastructures and transport systems,** where studies have continued on the technologies required for inflatable structures. In the field of life support systems for planetary missions, research has continued into the analysis of air and water regeneration systems and waste treatment systems. An experimental set-up for growing plants in a regenerative environment has been built. The focus of studies on systems for protecting the planetary environment has been on acquiring the technologies needed to monitor particulates and their abatement using knowledge gained in developing ventilation and filtration systems (**Thales Alenia Space**);
- in **earth observation,** in which development has continued on the Sentinel-1 and Sentinel-3 satellites, Sentinel-1 related activities have focused on the platform and its onboard computer, the antenna with the active C-band transmit/receive modules and the onboard data recording and high-speed ground-link transmission system. With regard to the Sentinel-3, development of the microwave radiometer has continued. A fruit of the

collaboration between the Italian Space Agency and the Argentine Space Agency (CONAE) was the completed development of L-band transmit/receive modules (**Thales Alenia Space**). A study has been begun on the COSMO SkyMed for Phase A of the second-generation system and there was further development of **S**ynthetic **A**perture **R**adar (SAR) images, with particular focus on spotlight modes. Studies were also carried out on high-speed transmission systems for observation missions using the K-band rather than the X-band (**Thales Alenia Space**). As to observation, **Telespazio** (now developed by e-GEOS) optimised SAR-signal processing, specifically with regard to several high value-added functions, such as interferometry to increase resolution. In addition, e-GEOS began a project with a wider scope on the automatic classification of SAR images and developed a method for eliminating the need for the corner reflector for the referentiation of images in largely inaccessible areas using a combination of interferometry, medium-resolution optic images and the associated 3D model of the terrain (patent pending);

- in **space exploration**, where the study focusing on **E**ntry **D**escent and **L**anding (EDL) systems and robotics for planetary exploration continued. The main focus was on integrating the image-processing algorithms with the **G**uidance, **N**avigation and **C**ontrol (GNC) system. Development continued on centralised control systems, intra-satellite communications systems and laser metrology systems for measuring the distance between satellites and for the characterisation of micropropulsors (**Thales Alenia Space**). **Telespazio** also began analysing the feasibility of large, ground-based interferometers in view of potential international cooperation opportunities, with the possibility that they may also be used in relation to problems pertaining to space debris;
- in the **orbital and space services management sector**, including the monitoring of sensitive areas using differential radar interferometry (**Telespazio**). Important research began on navigation and infomobility, which will generate significant returns in the areas of logistics and telecommunications (**Telespazio**). There has continued to be focus on studies for conceiving of new aeronautic systems (IRIS, SESAR) and to develop professional applications including those targeted to defence and security sector (**Thales Alenia Space**). Another business line that was consolidated during the year was the development of a web platform using GIS technology based on aerial and satellite imagery for providing value-added monitoring services. **Telespazio** has also begun to develop analysis and planning tools for large-scale space operations, which could include trips to the moon and to Mars over the next several years;
- with respect to **aeronautical platforms**, **AgustaWestland**, in the helicopters division, completed the development of the AW139 and continues testing of the prototype of the BA609, the first convertiplane using cutting-edge systems and technologies to be used for national security. In the military sector, development has begun on the AW149 medium-class multi-purpose vehicle, equipped with an advanced integrated mission system, capable of responding to the most modern operational demands. Research continues on “all weather” helicopter technologies including recent experiments with the **E**nhanced **V**ision **S**ystem (EVS), to improve platform comfort (internal noise and vibration reduction), the onboard electrical system (innovative generation and distribution), on avionics and Fly by Wire flight controls and on **H**ealth and **U**sage **M**onitoring **S**ystems (HUMS), as well as eco-compatible propulsion systems.

Alenia Aermacchi is continuing to make developments regarding training aircraft, especially relating to the ultra-modern M346-Master military trainer, which has completed the final qualification stages. **Alenia Aeronautica** is continuing to develop aerostructure technologies that are contributing greatly to the success of the components of the new A380. Concurrently production has begun on some of the main components of Boeing’s 787 aircraft (the Dreamliner), with several examples of the fuselage having been assembled. It also continues in its commitment to build and organise facilities and technological development support infrastructures, such as the Sky-Light Simulator, the Anechoic Chamber and the New Laboratory in Pomigliano (also to provide services to other Group and external companies). Work also continues on the Future Technology for Aerial Refueling

(**FTAR**) project (**Alenia Aeronautica, SELEX Galileo**).
Activities by **Alenia Aeronautica** to design the Neuron prototype (technologies for UCAV, with first flight scheduled for 2011) and the Sky-Y (a **M**edium **A**ltitude **L**ong **E**ndurance - MALE UAV are at an operational stage. Alenia Aeronautica has already integrated and tested different payloads as well as advanced automated flight functions on the Sky-X (an advanced UCAV prototype), thus completing work done in past years. The purpose of these prototypes is to obtain advanced expertise in all the technological areas that relate to UAV applications, making other solutions available that could lay the groundwork for future European UAV programmes, through collaboration with other companies and nations interested in the project.
The development of the Falco **M**edium **A**ltitude **E**ndurance (MAE) UAV system (**SELEX Galileo**) for surveillance and tactical observation (Maximum Take-Off Weight <500 kg class) is in the final verification stage. It has already been placed in operation with a foreign customer.
Other important initiatives include the TIAS (***T****ecnologie* ***I****ntegrazione* ***A****ero***S***trutture*) project for coordinating the development of innovative aerostructural technologies to create one of the top centres in the world; the collaboration between **Alenia Aeronautica** and **Alenia Aermacchi** in researching systems for protecting aircraft and engine nacelles from ice; and work continues on the Alenet project (**Alenia Aeronautica**) for implementing the Extended Enterprise.

Transportation and Energy

Companies that operate in the civil sector also continue to carry out significant research and development, in addition to those described above, in part in collaboration with companies operating in the Defence and Security sector. Specifically, important activities are being carried out in the following areas:

- in **transportation**, development activities primarily regarded tracked transportation systems for city, suburban and heavy railway vehicles and related signalling and traffic controls systems (**Ansaldo STS).** The main projects were:
  - the development and installation of components for management, comfort and safety, including through the SAFEDMI (**SAFE D**river **M**achine **I**nterface for ERTMS-European Rail Traffic Management System automatic train control project - **AnsaldoBreda, Ansaldo STS**);
  - the research and development of integrated solutions, targeted at reducing electricity consumption and minimising environmental impact, particularly within a regional urban context. In Naples on **AnsaldoBreda's** test ring, Ansaldo STS conducted extensive testing on the TRAMWAVE catenary-free pick-up system (magnetic ground power supply system) developed by the two companies for trams. Work continues on the implementation and integration of systems that accumulate braking energy through the use of distinct or mixed devices (onboard and off-board);
  - the construction and functional testing of the axial-flow permanent magnet motor for "electric-wheel" tram applications (**AnsaldoBreda**), and development of techniques for controlling the converters and the permanent magnet motors;
  - developments, in the signalling field, focusing on the implementation of the new generations of ERTMS wayside and onboard systems for high-speed lines and CBTC (Communications Based Train Control) for light railway lines. There was also development of dual-use security/safety components (**Ansaldo STS**), including the multi-function diagnostic portal for checking that trains running up to 300 km/h are operating properly, and the fine-tuning of a tunnel-fire simulation tool (**AnsaldoBreda** and **Ansaldo STS**) with a final test run on a fire on a metro car (in cooperation with the Rome metro operator and the local fire department);
  - determination of developments (**Ansaldo STS**), derived from ERTMS to the extent possible, required for innovative applications for satellite localisation, based on new distancing systems: PTC/HS (Positive train control/High Speed) for the US market, ATMS (Advanced Train Management System) for the Australian market and similar products for the Russian market;

- › developments in the field of entirely automated (i.e. driverless) subway systems have confirmed their effectiveness (**AnsaldoBreda** and **Ansaldo STS**);
- › cross-over technologies regarding which **AnsaldoBreda** has activities involving predictive diagnostics for carriages, basic architectures for traction converters, (European) equipment standardisation projects, polymers/thermoplastics and structural adhesives, high-performance electric motors, and manufacturing processes;

- **energy**, (**Ansaldo Energia**) where the initial results of the reorganisation and bolstering of R&D activities have been seen, culminating at the end of 2008 in the formation of an Innovation and Product Development Department.

Specifically, with regard to the development of *gas turbines* featuring Ansaldo technology, the primary programme undertaken concerns further development of the "AE94.3A4", an F class (~280 MW) model, in order to optimise it and improve its performance in terms of power and efficiency. These improvements will be seen in simple-cycle and in combined-cycle (gas-steam) plants.

This programme reached a significant milestone in 2009 with the completion of development and commercial release of the "AE94.3A4+" version of the gas turbine, featuring an improved combustion system using VeLoNox (Very Low NO_x) technology and a higher temperature in the combustion chamber.

Ansaldo has also begun *gas turbine* development programmes centred around more flexible use of new fuels (included liquefied natural gas - LNG, low heating values gas, impure gas).

In response to new electricity market demand in 2009, programmes are also being pursued to inject flexibility in gas and steam turbines and along the entire combined cycle in order to satisfy the consumers' need to be able operate plants in a variety of situations.

New programmes were undertaken in the *service* area to expand the portfolio for serving third-party machinery through the Business OSP (Original Service Provider) line, which includes **Ansaldo Thomassen** and **Ansaldo ESG**. These developments relate largely to the reverse engineering of combustion systems and turbine components (i.e. blades).

Also in the *OSP line,* Ansaldo is collaborating with **Elsag Datamat** to develop a new control system for ST (steam turbines), GT (gas turbines) and DCS (distributed control systems).

In the field of *steam turbines* (ST), work continued on projects begun in 2008 to determine the characteristics and the applications of special materials (extremely high temperature steels and super alloys) in the development of "ultra-supercritical" turbines.

Significant strides are also being made in the area of *electric generators*. The range of air-cooled generators has been extended to 400 MVA and innovative design methods have been developed and new insulating materials have been tested.

In 2009, **Ansaldo Fuel Cell** worked on developing fused carbonate *fuel cells,* primarily to be used to remove CO_2 from smoke discharged by thermal power plants.

Ansaldo Nucleare has continued research into Generation IV fast nuclear reactors, among other projects.

Finally, along with forming the *distributed renewable energies* business line, in 2009 the Group began research into thermodynamic solar energy, biomass gasification and urban solid waste. To speed up product development and to make more effective use of the vast range of scientific and technological expertise available worldwide, Ansaldo Energia launched new international partnerships in 2009.

Lastly, **DRS** is developing, in the alternative energies field, advanced systems for converting and generating electricity based on permanent magnet generators for medium-power wind turbines that are capable of providing clean electricity, with the goal of achieving power output of between 100 kW and 1000 kW.

Group Governance of Technologies and Products

The development of Inter-company **Technological Communities** (within the MindSh@re® [1] platform) is becoming a key resource and a method for sharing information and steering development, research and integration activities, with interesting collaborations in areas of Defence Administration (OPTEL Consortium for radar systems and NMP Programme in nanotechnologies). Currently, eight communities had been started and are operating with the involvement of over 700 researchers and technicians from among the company's top professionals:

- ***Radar Community***: advanced radar system technologies;
- ***Software Community***: technologies, systems and methods for avionics, naval and land-based software for military, civil and security applications;
- ***Advanced Materials and Enabling Technologies Community***: research and development on the new frontiers of basic emerging technologies, including innovative materials, microelectronics, MEMS, photonics, robotics, nanotechnologies, and the design and management of eco-compatible products;
- ***Integrated Environments for Design and Development Community***: analysis and rationalisation of mechanical, electrical, testing, packaging, prototyping, training, and materials management design support methods and tools;
- ***Simulation Technologies Community***: simulation technologies and systems and advanced training of operational personnel;
- ***Logistics and Services Community***: technologies and systems for the management of logistics systems within the scope of providing integrated services;
- ***Intellectual Property Community***: dissemination, rationalisation, management and enhancement of the Group's Intellectual Capital and Technologies (patents, trademarks, know-how, trade secrets).

  In 2009, important initiatives originating within the communities of the MindSh@re® project continued. Three new **Corporate R&D** projects (partially financed by the Group Parent), with the goal of promoting and increasing collaboration between the various Group companies and universities, research centres and end users on issues such as: applications in the THz region (imaging, sensing and spectroscopy for structural monitoring of compound materials for aeronautical use and sensor systems for security), advanced mobility with hybrid propulsion wheeled and railed vehicles for emergency operations in areas affected by crisis, the modelling of the reliability of high-power pulsed radiofrequency amplifiers. Three new projects were begun, and should proceed throughout 2010, to research and test: (i) new materials that satisfy mechanical, thermal, electrical, optical and acoustic requirements, with flammability, smoke and toxicity properties, (ii) the construction of a compact receiver/transmitter for use in digital beam forming of radar systems and seekers for space, land, sea, air and missile system applications and (iii) experimenting with new standards and technologies for low energy consumption, high-performance computational devices based on multi-core processors for the digitalisation of the armed forces and for infomobility.

Other Research and development activities - Domestic Platforms

Domestically, Finmeccanica is promoting the **SE**curity **R**esearch in **IT**aly (**SERIT**) initiative along with the National Research Council in order to support the inclusion of the Security issue in the National Research Plan and the launch of national tenders.

Finmeccanica is participating in the **TE**lecommunications **R**esearch in **IT**aly (**TERIT**) platform sponsored by the National Research Council/National Interuniversity Consortium on Telecommunications for the formation of a research and development programme into new-generation telecommunications infrastructures.

Finmeccanica also participates in the **PHORIT** (**PHO**tonic **R**esearch in **IT**aly) platform, on photonic technologies, which form the basis of highly important applications in all the Group's fields of interest.

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

Finally, many Group companies have taken a significant direct part in the **ACARE Italia** platform for guiding research and development in the aeronautics field by coordinating the action of all the Italian players in the sector, from the government to industries and to research centres and universities, in line with European strategies.

European and NATO Programmes

The Group is also involved in European research and development activities (European Commission, EDA, NATO).

- **EDA** (**E**uropean **D**efence **A**gency): the Group acquired, through **MBDA Italia**, a Research and Technology contract in response to the call for the JIP- **I**nnovative **C**oncepts and **E**merging **T**echnologies (ICET) programme. The purpose of the **SESAMO** (**SE**nsors for **S**tructur**A**l **MO**nitoring*)* project is to study innovative sensors and algorithms for use in advanced structural monitoring of materials, measuring whether deterioration occurs when the materials are under stress either during normal operation or due to an unforeseen event, thereby offering a continual overview of the structure's well-being. In June, the **MIDCAS** consortium, formed by 13 European companies – including **Alenia Aeronautica, SELEX Galileo, SELEX Communications** and **SELEX Sistemi Integrati** – was awarded a contract by EDA to supply the **MID**-air **C**ollision **A**voidance **S**ystem (MIDCAS). The contract calls for the consortium to build a sense and avoid system capable of helping unmanned aircraft systems (UAS) identify and avoid mid-air collisions. The project began in fourth quarter of 2009 and is expected to last about four years, culminating in the testing of the sense and avoid suite, first using a manned aircraft, and then an unmanned aircraft designed by Alenia Aeronautica (the Sky-Y prototype).

  The Group also received contracts for the following three category B projects:

  - **DUCAS** (**D**etection in **U**rban scenario using **C**ombined **A**irborne imaging **S**ensors), with **SELEX Galileo.** The purpose of the device is to detect potential threats in an urban environment, drawing upon information from a variety of airborne sensors (high-resolution thermal imaging cameras, synthetic aperture radar, hyperspectral sensors);
  - **TELLUS** (**T**echnology **E**nablers for **L**ight and **L**ow cost **U**rban RF **S**ystems), with **SELEX Sistemi Integrati**. The purpose of this project is to extend low-power usage, practical airborne radar technologies and electronic warfare systems to the urban environment by improving signal processing technologies, receivers, waveforms and the classification of targets;
  - **UGTV** (**U**nmanned **G**round **T**actical **V**ehicle), with **Oto Melara.** The Phase 1 objective is to demonstrate the potential, on a real prototype, of an automatic control system for a land-based vehicle already being produced.
- **NATO**: Finmeccanica took part in the operational phase of the Research and Technology Organisation's Long Term Scientific Study on Joint Operations 2030 that concluded with the development of research scenarios in support of NATO joint operations expected beyond 2030. In addition, a number of NATO Industrial Advisory Group (NIAG) studies were completed and new ones were proposed for 2010, among the more interesting ones were those for Transatlantic Cooperation, industry-led interoperability and the new NATO planning process. Activities relating to BELCOAST09 (Demonstration of CINAD POW 10 - Critical Infrastructures Protection devices and systems) continued up through participation in the event held in Belgium in October 2009, in which **SELEX Galileo, SELEX Sistemi Integrati, SELEX Communications** and **Oto Melara** took part.
- **ETAP**: **Alenia Aeronautica** completed activity related to the integrated development environment for future integrated modular avionics and began development on low observable aperture integration with **SELEX Galileo**.
- ***Seventh Framework Programme - Security*** (2007-2013): in 2009, the results of the second call for Security were announced, an area in which Finmeccanica's strategy has been consolidated, with broad initiatives on defining programmes and on potential consortiums.

  Finmeccanica is the coordinator for the following projects:

  - **SeaBILLA** (**Sea B**order Surve**ILLA**nce), coordinated by **SELEX Sistemi Integrati**, on the integration of maritime, land, air and satellite assets for maritime surveillance, especially detecting, tracking and identifying non-cooperative vessels or vessels that display unusual behaviour;

› **PROTECTRAIL** (The Railway-Industry Partnership for Integrated Security of Rail Transport), of which **Ansaldo STS** is the coordinator, addressing the issue of railway security by taking an integrated approach;

› **CUSTOM** (Drugs And Pre**CU**rsor **S**ensing By Complemen**T**ing Low C**O**st **M**ultiple Techniques), of which **SELEX Sistemi Integrati** is the coordinator, for identifying drug precursors, hidden on trucks or in baggage, using fluorescence-based methods, integrated with optic and laser technologies;

› **DIRAC** (Portable system for rapid detection of illicit **D**rugs and key precursors by **I**nfra-**R**ed **A**bsorption spectroscopy and gas **C**hromatography), coordinated by the **CREO** consortium. The purpose is to identify drugs and drug precursors using gas chromatography and infrared spectroscopy-based technologies.

Finmeccanica played a significant role in three support actions, one for defining an UAS-based architectural solution for border security and analysing both the technological and legislative aspects; a second on the involvement and role of SMEs in the security market; and the final one relating to the creation of a roadmap of NBCRE (**N**uclear, **B**acteriological, **C**hemical, **R**adiological and **E**xplosive)-type technologies.

- ***Seventh Framework Programme - ICT*** (2007-2013).
Finmeccanica actively participates in the Joint Technology Initiative Artemis programme for research into embedded systems technologies. In the second call for the programme, Finmeccanica played a significant role in four projects, one relating to architectures for avionics applications, a second relating to applications for logistics, a third on multi-core platforms for high-density traffic, and a fourth relating to a gateway for patient record management and assistance (embedded systems for medical and healthcare applications).
- ***Seventh Framework Programme - Space*** (2007-2013).
In the second call, Finmeccina is coordinating the following projects:

› **ULISSE** (**U**SOCs Know**L**edge **I**ntegration and dissemination for **S**pace **S**cience **E**xperimentation) with **Telespazio**, the goal of which is to encourage use of the data gathered from space science experiments through a widely available preservation and access system;

› **NEWA** (**N**ew **E**uropean **WA**tcher), with **Thales Alenia Space**, relating to a study to identify the methods and technologies needed to develop satellite capacity capable of identifying a moving object for security and dual-use applications.

- ***Seventh Framework Programme - Energy*** (2007-2013).
In 2009, **Ansaldo Nucleare** was awarded the LEADER project for preparing the detailed design of the prototype of a lead cooled fast reactor system for generating power and burning minor actinides. This project is a follow-up to the nearly completed ELSY project of which Ansaldo Nucleare has always been the project coordinator, the goal of which was to develop the reference configuration for this technology.
- ***Seventh Framework Programme - Transportation, including Aeronautics*** (2007-2013).
Group companies are providing committed, experienced participation in research in the aeronautics field, an area to which European funding has been allocated, particularly to the **Clean Sky** and **SESAR** Joint Technology Initiatives:

› the **Clean Sky** Joint Technology Initiative seeks to develop the most suitable technologies for drastically reducing the environmental impact of aircraft. Finmeccanica is co-leader of two of the six ITD (integrated technology demonstrators): the Green Regional Aircraft (**Alenia Aeronautica**) and the Green Rotorcraft (**AgustaWestland** in cooperation with Eurocopter). **Avio**, **SELEX Galileo** and **SELEX Sistemi Integrati** are also involved, along with many other companies, research centres and Italian universities;

› the **SESAR** Programme, instead, will allow the development of the new European ATM system for efficient air traffic management by 2020 and **SELEX Sistemi Integrati** and **Alenia Aeronautica** (top-level leaders), **SELEX Galileo**, **SELEX Communications** and **Telespazio** are actively involved.

Finmeccanica, with **Telespazio**, successfully took part in the call for the Galileo Programme under the Seventh Programme Framework - Transportation. In the second GS call, Telespazio coordinates the **SCUTUM** (**S**e**CU**ring the EU GNSS adop**T**ion in the dangero**U**s **M**aterial transport) project with the goal of demonstrating the use and benefits (in terms of security and quality of position services) of EGNOS and of Galileo, in support of monitoring and controlling the transport of hazardous goods.
Additionally, with regard to rail transport, Ansaldo STS is taking part in the **TRiOTRAIN** (Total Regulatory Acceptance for the Interoperable Network) project, the scope of which is to develop a certification process for railway vehicles in order to cut the times and costs in cross-border rail transport of goods and people.

Finally, partnerships continued with leading **Italian universities** (**Genoa, Federico II of Naples, Parma, Sant'Anna of Pisa, La Sapienza** and **Tor Vergata of Rome, Politecnico of Turin, Politecnico of Milan, IUSS of Padua** and **others**) in the fields of aeronautics, radar, security and communications.

FINMECCANICA: HUMAN RESOURCES

Organisation

The intensive revision and adjustment of our Group's organisation, aimed at meeting the new challenges of our competitive environment, continued in 2009, particularly during the first part of the year: consolidation of international business; integration of strategic assets; and leveraging of international acquisitions and partnerships concluded in previous years in terms of greater productivity and synergies, cultural and industrial conversion based on the global competitor model.

The year saw confirmation of the general macro-organisational trend in which Group companies are the driving force behind a gradual shift from an organisational structure that is basically "functional" to one better characterised as "divisional", with business units (however they may be called) that are more modular, focused on specific activity segments and on taking charge of the entire "life-cycle" of orders.

Following are some of the most significant organisational developments during 2009.

In the first half of the year

SELEX Sistemi Integrati made a number of changes at the upper management level (Engineering, Operations, Defence Systems Business Unit, etc.) and created the new Major Systems Business Unit and the new Intangible Capital Management Department.

SELEX Communications completely overhauled its top management positions (chief executive officer and chief operating officer) and completed the review of its organisational structure, reorganising the company into five business units, in response to a changing market climate, in order to achieve greater operational flexibility and overall management efficiency.

Alenia Aeronautica appointed a new chief operating officer and revamped the responsibilities attached to upper management positions. It created the new Military Airlift Division (military transport aircraft, such as the C27J programmes, and so-called refurbished aircraft, such as the G222), which reports to the Chief Executive Officer, and it placed the Special Missions Aircraft unit under the control of the Chief Operating Officer.

SELEX Galileo made significant changes in its upper management positions. Specifically, its UK activities were reorganised with the creation of the Chief Business Officer position (responsible for oversight and coordination).

To improve its competitiveness in its key markets, **AnsaldoBreda** completed its reorganisation around four business units that focus on different rail and urban rail transport segments, with corporate facilities specialising in certain types of production.

Telespazio inaugurated its new organisational structure and made several important changes in upper management, with the creation of five business lines that report directly to the Chief Operating Officer.

Ansaldo Energy made a number of significant changes in upper management positions.

In the second half of the year

Finmeccanica Group Services unveiled a new organisational structure that, among other things, combines the responsibilities of the Chief Executive Officer and Chief Operating Officer into a single top position.

WASS made changes to its organisational structure and replaced its Chief Operating Officer.

The mission and major areas of responsibility of the **Finmeccanica Group Real Estate**, the company responsible for managing and coordinating the improvement of the Group's real estate holdings, were redefined.

Ansaldo STS and **Elsag Datamat** also drew up plans for a new organisational model in 2009, to be implemented in early 2010.

Specifically, **Ansaldo STS**, at the completion of its complex Fast Forward Driven by Business (FFbB) project, established its new "global" structure featuring strong central coordination, thereby transitioning from a "regional confederation" to a "centralised division" model built around two business units (Signalling and Transportation Solutions), a product and platform and system architecture standardisation unit (SPP) and a unit responsible for innovation and competitiveness area.

Elsag Datamat retained its three-division structure, revamped the governance principles and mechanisms of its main subsidiaries and reorganised and rationalised its policy, coordination, audit and support functions.

The most significant organisational changes at the **Group Parent** in 2009, resulting from the "rolling maintenance" of its structure, were, in brief:

- the elimination of the **Transportation Department** (March);
- the reorganisation of the **Commercial Department** (March, October and December);
- the appointment of the Senior Advisor for Human Resources International Affairs (December), within the Human Resources Unit;
- the formation of the **International Affairs Department** (December), within the External Relations Unit.

Finally, Finmeccanica Group premises throughout the world were upgraded. At the end of 2009, the Group operated through **388 sites**, of which 243 around the world (62.6% of the total) and 145 in Italy. There were 168 so-called "operational" sites (manufacturing plants and other sites used mainly for production), or roughly 43.3% of the total. In the United States, Group companies operate 78 sites (20% of the total).
A census of Group sites is updated every six months with the cooperation of the human resources staff of the operating companies.

To provide support for the analysis and in-depth study required to increase the system's overall awareness of several select macro-indicators (hours worked, overtime, absences, etc.), starting in early 2009, the compilation of the **"Business Scorecard" for monitoring workforce productivity and efficiency** on a quarterly basis was introduced. Based on the early findings, two cycles of one-to-one meetings were held throughout the year with a number of the Group companies to gain a deeper mutual understanding and, especially, to initiate a systematic "cross-field" comparison on key issues (orders and workloads, direct/indirect labour ratio, category mix dynamics, temporary employment contract, etc.) in this increasingly important area, particularly given the current economic, financial and business climate.

Management Review, Succession Plans, Compensation and Incentive Systems

At the end of 2009, one-to-one meetings with the Group companies were held within the scope of the now entrenched **Management Review** process, begun in 2002 and continually evolving with regard to structure and content involving the strategic management of human resources, becoming, in the process, a true "backbone" of the Finmeccanica Group's management system.

In fact, the Management Review meetings constitute a fundamental opportunity for analysing, sharing and verifying the company's policies and activities in managing, rewarding and developing human resources as well as the primary occasion, along with the periodic Professional Family workshops, for planning, sharing and implementing special projects and other group-wide activities in the human resources area.

Roughly 2,000 Group executives are involved in the Management Review process. A parallel process, the People Review, was created, to offer a new avenue of communication between Finmeccanica and the Group companies, this time targeted at certain non-managerial employee classes. Adjusting the range of participants should make the Management Review process more effective through the shared creation of a more structured approach to carrier path planning and pursuit, moving away from the rather short-term “emergency” approach to managing mobility processes.

To maintain continuity with practices implemented in 2008, the Management Review meetings centred around analysing and discussing the **Succession Plans** for all the top management positions and the top organisational level of the main Group companies. Centralising all information on potential candidates for “critical” positions in the Group companies at the Group Parent level is an absolute priority in terms of business and leadership continuity while, at the same time, being essential to overcoming the single-company approach that, if not adequately supplemented and enriched using a Group perspective, thanks in part to the contribution of the Professional Families system, could prove to be an obstacle to the complete optimisation of the Group’s human capital.

In 2009, continued efforts were made to strengthen and systemise reporting and feedback to the operating companies, in order to make the Management Review process more dynamic and interactive, by establishing strong continuity features with the cycle of meetings that will be held in 2010. Moreover, in the months prior to the initiation of the 2009 Management Review meetings cycle, the **dedicated IT platform** was extended to all the companies following the positive pilot programme experience of the prior year. Extending the platform will make it possible to firmly consolidate significant benefits in terms of managing and sharing the most important information.

In the area of **Compensation**, the main challenge continued to be the need to establish incentive policies and systems that are standard across the Group and that respond to company-specific needs and the needs of the various relevant markets, and, particularly in 2009, in line with shareholder expectations and the expectations of the markets and the financial community.

The scope of the beneficiaries of the **MBO System**, which is targeted at over 95% of Group senior managers and executives and represents a significant component of the overall compensation package, remained substantially the same in 2009. The 2009 MBO System guidelines were established by adapting the policies of previous years. The underlying operating strategies, general structure and mechanisms aimed at ensuring a strict correlation between the incentives and the achievement of financial and operational results and “excellence” in operating performance remain unchanged. The mix of financial and performance indicators was partially revised to be consistent with industrial performance and company profitability priorities and targets.

Under the 2009 MBO System, given the general attention to the overall quality of corporate and individual performance, the mechanism of correlating objectives (performance gate), used to perhaps eliminate potential benefits in the event of significant under-performance in relation to even just one target, as well as the GEAR objectives were proposed once again.

With regard to **long-term incentive systems**, specifically to the **Performance Share Plan 2008-2010** (share grant plan, the guidelines for which were approved by the Ordinary Finmeccanica Shareholders’ Meeting of 30 May 2007 and subsequently implemented by the Board of Directors of the Company on 18 December 2007), once it was verified that the pre-determined performance targets (EVA and New orders) were achieved, allocation and delivery free of charge of the second instalment of Finemeccanica shares up to 25% of the total shares granted under the Plan was made in 2009.

A significant portion of the Plan participants identified based on the results of the Management Review process is comprised of young management employees who, although they do not currently hold positions that have a high impact on corporate business, represent strategic Group assets based on their medium/long-term development potential.

In 2009, the **2009-2011 cycle of a Cash Incentive Plan** targeted at the top management of Finmeccanica SpA and the main Group subsidiaries, based on the achievement of ambitious Group targets, using an entirely self-financed logic, was initiated. Under the traditional rolling-scheme approach, this Plan runs concurrently with the 2006-2008 and 2007-2009 three-year cycles, with the goal of maintaining a high level of focus on and motivation towards the joint achievement of medium/long-term performance levels that are significantly higher than the performance and financial targets in the budget and in terms of the appreciation of the value of Finmeccanica shares on the stock market.

Training, Human Resource Development and Knowledge Management Systems

Finmeccanica has long had the goal of making its Education & Development System ever-more effective in responding to business needs, promoting the optimisation of the Group's Intellectual Capital and the growth of persons within their individual roles.

Since the achievement of performance matching expectations involves constant attention to existing **quality control processes and methods**, in 2009 Finmeccanica again applied for and received ISO 9001:2000 quality certification for "The Finmeccanica Group's Processes for Designing, Carrying Out and Managing Human Resources Training and Development Projects" from the international certifying body, Globe Certification.

The qualification and certification of individual initiatives provided a further boost to integration and cooperation between the Group Parent and the Group operating companies, resulting in a more refined establishment of common methods and tools. The quality of the training and development system is also ensured by the fact that Finmeccanica addresses these issues within the context of an international panel comprised of 1,450 companies located in Europe and the United States.

Benchmarking shows Finmeccanica's ranking with respect to a set of internationally-established indicators (Learning & Development Key Performance Indicators) and analyses its performance, particularly with regard to a very short list of industrial operators comparable by sector of activity, size of workforce and geographical distribution. In 2009, the Group was in line with the reference panel average, demonstrating a positive trend compared to last year.

There was an increase in the volume of training activity in 2009 compared with 2008 (participants up 115%), in view of a considerable improvement in efficiency, in part thanks to the achievement of economies of scale and scope and to the significant increase in the use of professional training funding (+75% from 2008). Total funding used in 2009 amounted to over €mil. 2.5.

The main initiatives pursued under the 2009 Business Plan, all of which share Talent Powered Organisation approach, can be categorised as follows:

1. **Development initiatives**, focused on identifying and developing "excellent" resources, i.e. **elite** candidates who may eventually constitute the Group's new management class, within the Group at all levels and job categories. The process began during the year with the initial results expected in early 2010.

2. **Dedicated courses** (**the Young People Programme and the Executive & Middle Manager Programme**) for specific target populations within the Company, to support the professional development of personnel with a view towards life-long learning. They were conducted continuously, focusing on clusters of employees deemed strategic (from recently hired young persons to top management), with an approach designed to develop individual strengths and to spread new common values.
3. Initiatives aimed at reinforcing **Group Culture** to promote:
   a) the reinforcement of the **Business Culture** of personnel, of their ability to manage increasingly complex programmes/projects in which the Group is involved, ensuring acceptable profitability and quality levels, with respect to financial and time restrictions, factors that have assumed even greater importance as a result of the 2009 financial crisis (**Business Culture & Knowledge Management**);
   b) the integration of different international experiences and the establishment of a distinctly Finmeccanica identity (**Group Identity**);
   c) employee well-being and the protection of the safety and dignity of workers in a workplace setting (**Occupational Safety**).

1. Development initiatives

Of the 2009 development initiatives, the **Elite Management** programme led to the launch of the **Project Management Professional Community** in which the Group has invested a great deal in recent years through training and professional skills development programmes.
The Elite Management process will make use of the wealth of information gained from the former Project Management Programme and the best practices followed in the different Group companies in order to focus on identifying employees with potential and preparing them for more complex roles.

The programme was initiated in Italy and the United Kingdom and the methodology used will be extended to other Professional Families in 2010.

The new **People Review** initiative, launched in late 2009, is a process meant to complement that of the Management Review (aimed at executives) by focusing more heavily on middle managers and young persons with a great deal of potential (Rockets), the population from which participants in future development actions will be drawn.

One of the initiative's priorities will be to identify a pool of qualified Group employees capable of meeting, in a planned manner, the specific needs for business growth. Thanks in part to IT support that will improve its usability, in 2010 the People Review will be presented as a "forum for exchange" where the best Group resources will come together and be validated.

The process requires the strong cooperation of the line structures and an analysis of all employees who could potentially be involved. Selective assessment criteria (international experience, management skills, willingness to relocate) and merit-based standards are applied in identifying persons with the greatest development potential in line with the Group's needs. Once shared with the companies, the results will be used in the short-term to promote domestic inter-company transfers and, over the medium term, to craft personalised development programmes and dedicated training initiatives.

In 2009, the first pilot edition of the Finmeccanica **Assessor Academy**, an international qualification and certification process for Human Resources Professional Family **Internal Assessors**, was held.

The goal is to internalise the core skills needed to analyse and assess the potential of candidates, standardising the tools and the methods in order to create a "Finmeccanica model" for identifying and developing the Group's talent pool even further.

Assessors will receive the “Finmeccanica Assessor” certification, requiring an annual refresher to remain current. The programme is targeted at young persons with less than 10 years professional experience.

The first edition drew roughly **30 participants from 15 different companies.** A second edition, for which about the same number of participants is expected, is being planned for 2010.

A web community offering a forum for Assessors to compare and share their experiences has been created so that a reference model of excellence and a common assessment culture may be maintained.

2. Dedicated courses

2.1 Young People Programme

The Young People Programme is a training and development programme dedicated to all the Group’s young people which aims to initially instruct them in the complex world of Finmeccanica and its distinctive values and to later develop specific professional and managerial skills.

The first step of the programme consists of the **FHINK Master**, the Finmeccanica Master in International Business Engineering, the **fourth edition** of which was held in 2009. Reflecting its international scope, the initial on-line recruitment phase took a “tri-polar approach”, focusing on the Group’s main domestic markets (Italy, the United Kingdom, the United States of America) and attracted (between May and July 2009) more than 7,100 applications from recent university graduates in 130 nations. The subsequent selection phase resulted in a class of **31 students from 14 countries, with an average age of 25 years.**

The Masters programme, which involves the collaboration of international university partners such as the Imperial College London, the Politecnica de Valencia, Kellogg Business School, etc., combines “traditional” training methods with soft skills sessions, project work, case studies and applied research activities. The programme includes 1,500 hours of classroom learning and students and staff also have access to a new web portal for consulting educational material and which provides an environment for collaboration.

In order to foster personal as well as professional development, foreign students are also required to take a course in basic Italian during the eight months of classroom training in order to ease their insertion into the Italian cultural and relationship system.

Also under the Young People Programme, all recent graduates newly hired by the companies take part in **FLIP**, the Finmeccanica Learning Induction Programme. Since 2005, about 1,000 young persons have taken part. Its goal is to guide, engage and familiarise young people with the Group’s One Company philosophy, consistent with Finmeccanica’s managerial skills model (GEAR). Participants are invited, during their training, to become more proactive, to make a personal contribution in analysing management skills, in using more innovative collaborative learning tools and in continuing to meet and work in teams.

The programme is unusual in that it takes a blended learning approach, effectively combining traditional and innovative methods based on a mix of classroom learning, e-learning and work groups (virtual and in person).
In 2009, the academic model underwent a major innovation. FLIP was transformed from an “edition” concept into a true *Virtual Campus* on which 284 participants from four countries (the United Kingdom, the United States, Italy and France) launched a new international community.

In 2009, the Group’s Chairman and Chief Executive Officer began directly communicating and exchanging ideas with the young participants via an email account to which FLIP participants were invited to write and by which the Chairman responded in one of three ways: an *individual response* (if the issue is “personal”), a *collective response* (on the FLIP platform, if of interest to the entire community) and a *massive response* (on Finmeccanica’s main internal communications channels, if of interest to the entire corporate workforce).

Another important step in the programmes for young people is **BEST** (Business Education Strategic Ten), Masters in General Management, targeting brilliant university graduates from all Group companies who have been with the Company around three years and also includes both on-line and in-class training. It was again in 2009 the only programme in Italy to receive the prestigious ASFOR (Italian Management Training Association) accreditation as an **e-learning corporate MBA programme**, thus becoming an Italian case study.

Since 2002, the BEST Masters programme has attracted about 650 young people from 17 Group companies to its 32 editions. In 2009, three editions were held attracting 57 participants.
Other features introduced in 2009 were the business English area and an international seminar, also attended by Master FHINK participants.

The 2009 edition (December 2009 - March 2010) of **Future L.I.F.E.** (Learning Intensive Finmeccanica Experience) was also begun during the period. Future L.I.F.E. is a new training experience that, in addition to rewarding the winners of the BEST Masters, is also an essential step in developing and grooming young talent for management positions within the Group.
The goal is to give them an opportunity to interact with "excellent role models" at the international level.
The programme provides for:

- the involvement of an SME (Subject Matter Expert) who will provide useful suggestions for in-depth study and academic work;
- offering a well-rounded view of the subject identified by involving suppliers, customers, universities and local institutions.

The 2009 edition gave 19 participants the chance to engage in an intense training experience within the world of Finmeccanica, culminating in an interactive live session in Toulouse (early 2010).

The Young People Programme also encompasses the **NEW CHANGE** Project (Challenge Hunters Aiming at New Generation Excellence), a completely revised initiative intended to leverage skills and develop **Rockets**, excellent Group resources (middle managers and 7th level employees or foreign equivalent) with about 10 years of seniority, identified by their companies, with international visibility who have clear growth potential.
The Project, entirely in English and divided into three separate editions, involves prior assessment of all participants in order to verify that the young people fit the Group's management model and have the necessary energy and motivation.

The first two editions of the redesigned programme were initiated in 2009, with roughly 130 young persons from different companies attending. During the two "launch" days, outside and in-house Group experts took part in special round tables on "Technological innovation, Internationalisation and Value Creation". During the next month, using e-learning tools, participants worked on creating five work projects on the subjects of *Innovation*, *Value Creation, Technological/Operational Development, Multiculturalism* and *Internationalisation*.
Each work group was assisted by a mentor, chosen from among the CEOs of some of the companies, who is an expert in the particular issue analysed and studied in-depth.

The best work projects on each topic, once assessed by each mentor, will be presented to Finmeccanica's top management and to some of the Group CEOs at a final event in order to create a ranking of excellent employees to receive targeted development plans.

2.2 Executive & Middle Manager Programme

The **Management Training** programme aims to develop the professional skills of the Group's executive and management class and to promote the formation of a management culture based on **Finmeccanica's leadership style.**

Using the Group's management skills model (GEAR) as a basis, in 2009 the Group launched the **Competency Lab-CLab for Executives and Middle Managers Project,** a continuous learning system for developing management skills. The initiative sprang from the most successful experiences in this area and is designed around Group characteristics (international integrating, governance shared with the companies and measurability of results).

About 150 executives and 500 middle managers are involved in the pilot phase (November 2009-September 2010) of the project financed by Fondirigenti (€thou. 430) and Fondimpresa (€thou. 853). The model will be extended to all Group managers worldwide in the future.

The training courses, structured around the seven GEAR skills, follow a modular design based on the level of complexity of each skill and can be taken using a number of methods and channels. A web learning environment on an advanced dedicated platform will be used to support the entire training process.
Each CLab course is designed to include:

- **Self assessment**: short questionnaires designed to analyse the extent to which the individual skill is mastered and to identify training options based on individual needs.
- **Learning pathway** encompassing:
  - › classroom and on-line learning (**LEARNING LAB**);
  - › options for further study through reading and video (**LIBRARY**);
  - › opportunities to meet within a global management network (**COMMUNITY**).
- **Stage of verifying satisfaction** with the process, the extent to which **learning was acquired** and whether such knowledge can be **transferred** to real professional settings, to provide feedback on the quality of the system and for continuing development.

Between November and December 2009, initial training on "Making the most of human capital" was held for a total of 43 executives and 129 middle managers from all of the Group companies.

Another well-established management training initiative is "**From Technology to Values**", the international seminar aimed at high-potential managers at all Group companies that seeks to develop the management qualities required to play a role in handling business complexities and processes of change.

In 2009, two editions of the seminar were held, with 40 managers of various nationalities (Italian, English, French, Spanish, German and Australian) attending. The Community now has 270 members.

Since a continuous dialogue between the members of the Community must be maintained, as well as a further understanding of the most important issues for the Group, in November the fourth "**Focus On**" meeting was held at Palazzo Ducale in Genoa to more thoroughly consider the issues of competitiveness, the complexity of the situation, and leadership.

2.3 Training by Finmeccanica SpA

In 2009, **training activities dedicated to employees of Finmeccanica SpA** were also carried out:
a. Legislative training/information initiatives:

› the training course for employees and managers who handle personal information, in compliance with Italian Legislative Decree 196/03 and the corporate Security Policy Statement (SPS), continued. This course was created in WBT fashion and was made available on the corporate Intranet starting in December 2009 (roughly 130 participants expected) and should be completed in 2010;

› the training/information programme on administrative liability (Legislative Decree 231/01) was conducted via 15 individual information sessions with corporate top managers and three management training editions for executives for a total of 80 persons trained. This programme will be completed in 2010 with the updating of the on-line course on the "Organisational, Management and Control Model" adopted by Finmeccanica in accordance with Italian Legislative Decree 231/01 (roughly 200 middle managers and employees);

› the creation of a training course in compliance with Italian Legislative Decree 81/2008, as amended and supplemented by Legislative Decree 106/2009 and by the corporate Security Policy Statement. This course was created in WBT fashion and will be available on the corporate Intranet starting in 2010 (roughly 250 participants expected).

› the Information Security Awareness Programme (ISAP), a training and information course targeted at all Finmeccanica and Finmeccanica Group Services employees, was held through nine informational seminars and a management training event. In 2009, 370 employees of Finmeccanica and Finmeccanica Group Services took part.

b. Language Training:

The process of internationalising the Group has, in recent years, been more heavily focused on certain geographical areas, affecting Finmeccanica personnel in particular.
Therefore, a project has been undertaken to improve the participants' understanding of the business foreign language and to develop international qualities.

3. Group Culture

3.1 Business Culture & Knowledge Management

Once again in 2009, the Group made a considerable investment in reinforcing its business culture in order to improve new order management by sharing experiences of excellence achieved in the different sectors in which the Group operates.

A new stage of the Group training programme, the **Project Management Programme** (PMP), was launched. While the underlying principles remained the same, this time the programme was geared towards more efficiently and effectively using the resources employed. The 2009 PMP aimed to:

- reinforce, align and update key Project Management skills through training courses of excellence;
- organise Group Project Management methods into an integrated framework to create a shared language;
- launch the *Finmeccanica Project Management Professional Community* and provide adequate support to professionals in this area by sharing best practices among companies through the Group's Knowledge Management System;
- assist a select number of candidates in receiving their Project Management certification from the most accredited international certifying bodies: PMI (USA), APM (UK), IPMA (Switzerland).

In 2009, the **initiative's participants** (specifically Programme Managers, Project Managers, Risk Assessors, Project Controllers, Contract Managers) totalled **630, from 22 operating companies and representing 11 different nationalities.**
Added to this are the roughly **120 participants chosen from among the best performers of the 2008 edition of the PMP**, selected with the goal of conducting training designed to share experiences and, especially, to contribute to the development of a culture geared towards "talent management".

The experience gained with the PMP was engineered to replicate the model in other processes/skill areas that are as much a priority for the Group's activities.
As in the previous edition, the 2009 PMP involved a careful assessment of the individual's

skills upon starting the programme and the determination of personalised training courses based on the individual's needs.

Between May and December 2009, **78 editions** of courses were held in **four countries**: Italy, the United Kingdom, the United States and, for the first time, Australia. Roughly 40,000 training hours were conducted, for an average of 50 hours per participant. About **5,500** distance (e-learning) training hours were conducted by exploiting the new platform in support of the PMP professional community.
Roughly 70 participants have received and/or will receive in early 2010 their Project Management **certification** from one of the most prominent independent international certifying bodies, i.e. the *PMI-Project Management Institute* (United States) and the *IPMA-International Project Management Association* (Switzerland).

Once again in 2009 most of the training activities in Italy were funded by Fondimpresa (€thou. 1,270) which allowed us to offer this training initiative on a broader scale.

The initiative's high quality and its international dimension were maintained in 2009 through continuing partnerships with 10 leading universities and training and consulting firms on relevant subject matter, including the *Politecnico di Milano*, which acted as the initiative's Global Educational Partner, responsible for design and delivery quality assurance.
Finally, Finmeccanica organised, in cooperation with IPMA and PMI, a **professional skills refresher workshop on the topic of Project-based Organisations** aimed at 100 Projects Managers certified under the PMP in 2008. This workshop, held in July, was attended by the top management of the Group and the operating companies and, among other speakers, the worldwide chairman of IPMA.

An analogous workshop was held in November at the offices of Finmeccanica North America in Washington DC and was attended by about 45 Project Managers from the US-based companies.

In an effort to reinforce the Group's business culture and given the changing environment, in 2009 the new version of the **Finmeccanica Economics Programme** was launched. It aims to improve economic and financial management skills.
The new version (called **Finmeccanica Economics Programme 2.0**) is blended, i.e. it uses advanced distance-learning training methods based on Web 2.0 technologies. The web-based component (eight on-line modules available in Italian and English) is supplemented by two days of classroom learning using an experience-based approach built on business simulation in which tools for creating value are applied to a real contract. In the final quarter of 2009, about 136 professionals from all of the Group companies (in addition to roughly 260 participants in the PMP) were involved.

Regarding **Knowledge Management**, in concert with the Finmeccanica Group ICT Department, the Group Knowledge Management System architecture was released. This architecture, based on the MS SharePoint platform, made it possible to implement the **PMP 2009** and the **Economics Programme 2.0** on a pilot basis.

3.2 Group Identity

The results of the second Finmeccanica Corporate Climate and Culture Survey, conducted in 2008 under the **Business Culture Project**, were reported to all Group employees in 2009. Almost 29,000 persons (51% of the pool) from 272 Finmeccanica site throughout the world took part in the survey.
Four areas requiring Group action were revealed by an analysis of the results. Each company drew up an Action Plan to address the issues expressed by personnel. In total **85 Improvement Actions** were implemented and monitored by a like number of **Champions** with the support of the **228 members** of the individual work groups forms. A communications plan was introduced in December 2009 aimed at providing all Group employees with information about the status of the Action Plans (details of which are available on the Group's portal and on each of the

company Intranets), in part in preparation for the next survey (June 2010). It is interesting to note that an average of 54% of the improvement actions have been completed and that the average duration of a project is about 10 months.

Starting in 2009, Finmeccanica's "listening" experience was evaluated in relation to the best practices of the global market, leading to the creation of an **international benchmark for the Engagement indicator.**
The results of the 2008 survey were also interpreted in light of the **specific target groups of respondents**, with particular **focus** on *young people* and *blue collar workers*.
The responses to the questionnaire by **young people** were shared and evaluated further – including from a qualitative standpoint – as part of the BEST Masters programme's "Multiculturalism and Interculturalism" modules. Information provided by **blue collar workers** was used in planning targeted actions to be instituted in 2010.

Also in 2009, the **In-House Communicators Network** (50 persons from different Group companies) was involved in optimising the effectiveness and coverage of the flow of communication within the Group, as well as providing information for and updating the Group's primary in-house communication tools (Group portal, Finmeccanica Bulletin Boards, Finmeccanica Magazine, Internet site).

In order to stimulate and leverage the skills, abilities and technologies of the various companies, Finmeccanica has, since 2004, sponsored the **Innovation Award**, an international award open to all employees of the Group who present innovative ideas and projects for corporate business areas. Over the years, the project has attracted a growing participation, involving **more than 13,000 participants** worldwide, for **a total of almost 4,400 innovative projects submitted**.
Again in 2009, each company managed their own Innovation Awards. The three winners from each company took part in the **Group Innovation Award,** now in its sixth edition. This year's Award attracted **1,254 innovative projects**, 36% of which were contributed by employees of the Group's foreign offices. Compared to the previous editions, **participation rose by 28% overall, with a 37%** increase in participation from foreign offices.

In addition to the increase in quantity there has been, over the years, **an improvement in the quality of the projects submitted,** with growing concern for their "protection".
As of 2008, 15% of the projects **submitted in the prior edition of the Innovation Award (2007)** generated **patent** applications.

To promote the further spread of a customer-oriented culture and to reward and encourage best practices, this year Finmeccanica held the second edition of the **Customer Satisfaction Award**. All Group companies took part by submitting specific customer satisfaction-oriented programmes. A Customer Satisfaction Board judged the programmes submitted based on the information provided by the various companies and announced the winner during the 2009 Management Convention.

In 2009, roughly **1,700 Group personnel** were involved in activities intended to support the **Professional Families** by identifying and developing professional traits and core skills, creating a common language and a sharing of knowledge among the companies, through:

- a start-up workshop for the **Commercial Professional Family** involving the commercial vice presidents of all the companies;
- an **Internal Audit** Professional Community Day that led to the creation of a Professional Family newsletter containing contributions from all its members throughout the world;
- a five-day training course for the **Security Community** aimed at new Group employees and a three-day *professional skills refresher workshop* designed to develop security risk analysis skills, especially to gain an understanding of the risk-assessment tool MIGRA;
- six two-day professional skills refresher workshops for the **Tax Community.**

The **Procurement Professional Family** completed development of its **Professional System**. A work group conducted an accurate survey, for each company, of the personnel belonging to the Professional Family, their roles and associated skills leading it to define **seven professional roles** at the Group level to ensure accurate "transcodification" of corporate positions into a Finmeccanica standard, and **31 Core Skills** of the Professional Family.
Based on this, a skill assessment of roughly 1,400 employees operating within the Professional Family was conducted, broken down into the following stages:

1. **Self-assessment** of individuals as to the extent they possess technical and expert knowledge;
2. **Validation** of the respective **supervisors**;
3. **Assignment of position and level of seniority** to each employee;
4. **Skill gap assessment** between expected and actual skills;
5. **Feedback interviews** between the supervisor and the employee.

The results were shared with the Human Resources and Procurement Units of all the companies and led to the designing of training programmes targeted at areas requiring "priority" action (to be carried out in 2010).

Finally, at the end of 2009, an integrated training and development system (Future Leader, Professional System Construction, Elite Management, dedicated training courses, etc.) was developed for the **Human Resources Professional Family** for programmes that will be conducted in 2010 to analyse currently possessed skills and to encourage the growth of the Unit as a whole.

3.3 Occupational Safety

Finmeccanica's concern for the health, safety and general well-being of its employees plays a central role in crafting strategies and courses of action and that is why the Group has made a constant commitment to these issues.

In 2009, Finmeccanica collaborated with the training arms of the three major national unions (IAL CISL, FIOM CGIL and UILM UIL) on two training programmes, introduced in 2008, on issues related to health, safety and the environment. The programmes were eligible for a total of €thou. 360 in funding from Fondimpresa based on Notice 1/2008 (Maturity II):

1. **"Safety & the Environment – a multi-dimensional approach within the Finmeccanica Group companies"**, aimed at key safety employees (facility heads, supervisors, prevention and protection service managers (RSPP), prevention and protection service employees (ASPP), and worker safety representatives (RLS);
2. **"Training in good health and safety practices within the Finmeccanica Group"**, aimed at employees responsible for workplace safety and those who are involved in some way with health, safety and the environment issues and who work in the areas of research and development, design, production, human resources, external relations, legal affairs and procurement.

Between March and July **962 Group employees** (755 and 207 under the two plans, respectively) took part in the first programme for a total of **2,093 training hours.**

A total of **40 editions** were held for **142 days of classroom learning** throughout the Group companies' primary sites. The courses used a largely multi-company classroom format alternating with group exercises and comparison of different corporate experiences.

The goal of the second training programme was to assess the transferability, based on the successful experiences in the areas of prevention and safety and a number of good practices already implemented by Group companies, of the programme to other business settings.
This programme adopted a *laboratory* format, described as a community of learning, led by a moderator and with the participation of experts on three special topics: promoting health and psychosocial risks, ergonomic approaches and management systems.

In all 207 employees took part in 15 laboratories for a total of 957 hours.

Industrial Relations and Social Affairs

Finmeccanica took an active role in the Federmeccanica's President's Council, its Negotiations Delegation, and its Experts' Committee in all stages of the negotiations for the renewal of the metal-working and engineering industry national collective bargaining agreement, signed on 15 October 2009 in accordance with the Framework Agreement between the Government and the Unions reforming the structure agreed under the contract of 22 January 2009 and with the resulting Interfederation Agreement of 15 April 2009.

In 2009, Finmeccanica found itself, and still finds itself, having to manage a difficult organised labour situation due to CGIL's failure to support the labour-structure reform and FIOM-CGIL's failure to sign the national collective bargaining agreement.

Despite this, Finmeccanica has been able to uphold its tradition of unified Industrial Relations, a hallmark of collaborating to find solutions to problems.

This led to the signing of several important collective agreements:
On 23 February 2009, pursuant to the national collective bargaining agreement of 20 January 2008, Finmeccanica began introducing the new employee classification (5ªS) which had been postponed until 1 March 2009 under the agreement, standardising it with previous supplemental second-tier agreements signed by the Group companies, and thereby significantly containing labour costs.
On 18 June 2009, at the International Paris Air Show - Le Bourget, Finmeccanica signed a letter of intent with the trade unions setting out the guidelines for handling Group Industrial Relations in order to pursue technological development, industrial and employment expansion, improved and more efficient production, and advances in the established workplace protection policy.

As a result of these agreements, Finmeccanica, in conjunction with Federmeccanica, initiated a project to develop a new common employee classification scheme for the Group companies that, taking into account the unique situations at each company, should improve professional development programmes and promote a more efficient use of workers in the production process.

Finmeccanica also continued to show its commitment within Federmeccanica in 2009 by, among other things, making a greater contribution through the positions it held at various levels: the Vice-Presidency of Federmeccanica with responsibility for European Affairs, the Presidency of the Council of European Employers of the Metal Engineering and Technology-Based Industries (CEEMET), membership on the Board of Directors of the supplementary pension fund COMETA, and the Vice-Presidency of the metal-working section of the Rome Industrialist Association. In particular, as part of its Presidency of CEEMET, Finmeccanica was involved in the relaunch of the "know how" culture through educational campaigns and the involvement of the leading players in the worlds of industry and the European educational system.

In the wake of the memorandum of understanding signed with national trade unions and the Group policy issued by the Group Parent, the Group continued to implement, monitor and improve the skills of corporate middle managers to achieve its goal of increasing the professional abilities of these managers and helping them identifying with Finmeccanica's business goals and values.

Of special importance is the support that Finmeccanica guaranteed to a number of companies involved in restructuring/reorganisation/realignment.

These actions involved a series of initiatives both within the Group and with the trade unions in order to assist the individual companies in managing the various processes, and with regard to the possible impact on an employment and corporate level.
Specifically, the implementation of the reorganisation plan for Alenia Aeronavali (merged into

Alenia Aeronautica in early 2010), with the support of FIOM-CGIL, which had not signed the previous agreement in 2008; the effective management of the reorganisation plan for SELEX Communications, which received the additional eight persons placed in early retirement (*"Mobilità Lunga")* reassigned to Finmeccanica process in 2009; the management of the obligations to RITEL with regard to manufacturing and the research and development laboratory; support of AgustaWestland in its acquisition of PZL-Swidnik; participation in the agreement signed by the government with the unions to relaunch Atitech; support of the Extraordinary Wages Guarantee Fund at Elsacom; the initiation of the plan to improve the rationalisation, efficiency and competitiveness of AnsaldoBreda.

The Group also introduced selective control in hiring, with quarterly monitoring to improve its efficiency. This is intended to restrict hiring from without the Group and to verify that the proper types of employment contracts are being used for new employees.
Simultaneously, Finmeccanica has coordinated and managed the intra-group employee transfer processes (the so-called "compensation pool") to maximise the effectiveness of managing such processes.

In terms of corporate agreements, activities continued on the renewal of second-tier bargaining, which resulted, in particular, in the definition of supplemental agreements and related performance bonuses for Ansaldo STS, Alenia Aermacchi and SELEX Galileo as well as signing a number of temporary agreements on performance bonuses for 2009 (Finmeccanica, Finmeccanica Group Services, Elsag Datamat, MBDA, SELEX Sistemi Integrati). In all cases, containing labour costs was a primary concern.
Despite the rather bitter organised labour situation, throughout all the negotiations conducted, and those still in progress, the Group has maintained well-balanced relationships with the all the trade unions.

Consistent with the guidelines established the previous year and from an increasing business internationalisation perspective, closer scrutiny was given to integration processes concerning employment-related organisational, regulatory and contractual matters.
Specifically, with regard to the UK area, work continued to standardise employee benefits, implementing synergies between the structures of operating companies, encouraging the formation of centralised Human Resources Shared Services and the establishment of standardised employee benefits policies.
The United States also received attention in this area with an analysis of potential synergies at the Group level that should continue into 2010.
Among the important activities relating to the UK Pension Funds, the new Group Future Planner Plan, which currently includes all the new enrolees of the UK companies, was implemented.
The Group also reviewed its treatment of personnel transferred abroad. Its goal is to ensure that benefits are standardised at the global level and that best practices are better aligned.

On a regulatory level, a work group was formed, consisting of the regulatory affairs officers of several of the companies, in order to coordinate the companies' activities and to monitor any regulatory changes, leading to common guidelines for ensuring that there is a steady flow of information, that new rules are properly applied and that useless duplication of activity is avoided.

Work continued on promoting and implementing social services. Finmeccanica employee healthcare services were also strengthened and coordinated by uniting the traditional healthcare activities (ambulatory physician and check-ups) with a series of preventive medicine initiatives.

As to the Group Parent, the well-received medical screening initiatives were continued as were programmes to provide information and spread awareness about ophthalmology, posturology (with an appropriately equipped gym), and especially, the prevention of cardio-vascular diseases.

The *Health and Safety Coordination Committee* continued its work in 2009. It is responsible for reporting and monitoring with regard to regulatory, organisational, training, occupational health and environmental oversight, in accordance with Legislative Decree 81/2008, as amended by Legislative Decree 106/2009.
Specifically with regard to occupational medicine, the health oversight programmes at all the Group companies were strengthened and the role of the occupational health physician was expanded to provide greater attention to the problems related to workplace health and safety.

Other important initiatives included the organisation of a workshop on the topic of *"Ways to ascertain alcohol dependence or drug use by employees with certain job responsibilities",* which led to the preparation of a set of guidelines and technical specifications; providing information on the *"AH1N1 Pandemic"* for all Group companies; and offering an analysis of *"Safety procedures for employees who travel abroad for work"*.

FINMECCANICA: SECURITY POLICY STATEMENT (SPS)

"Information provided pursuant to Italian Legislative Decree 196 of 30 June 2003 (Personal Data Protection Code)"

Pursuant to Section 26 of the Technical Regulations on minimum security measures, which constitutes Annex B to Legislative Decree 196 of 30 June 2003 (the Italian Personal Data Protection Code), the **Security Policy Statement (SPS)** on the handling of personal data was updated during the year 2009.

The Security Policy Statement contains the information required by Section 19 of the Technical Regulations and describes the security measures adopted by the Company to minimise the risk of even accidental destruction or loss of personal data, unauthorised access, unauthorised handling of information, or use for any purpose other than that for which it was gathered.

Information security management system

On 29 July 2009, the ISO/IEC 27001:2005[1] certification concerning the security management system for the electronic mail service was renewed for other three years. The inspection consisted in a full revision of the system for the "Management and provision of the electronic mail service of Finmeccanica" and was carried out between May and July 2009 by the certification body DNV (Det Norske Veritas).

During 2009, the Information Security Awareness Programme (ISAP), started in the last quarter of 2008, was carried on at Finmeccanica's premises to raise the awareness and knowledge of all employees about security in using Information and Communication Technology (ICT) resources.

In May 2009, Finmeccanica commenced its Business Continuity Management project as a continuation of the Business Impact Analysis (BIA) project started in 2008. Its purpose is to develop and implement crisis management, business continuity and IT disaster recovery plans within the Parent Company.

1. ISO/IEC 27001:2005 sets out the guidelines and related controls that companies must follow in implementing an ISMS (Information Security Management System), essentially to achieve the objective of protecting corporate information and data.

INCENTIVE PLANS (STOCK-OPTION AND STOCK-GRANT PLANS)

2002-2004 Long-Term Incentive Plan

On 16 May 2003, the Ordinary and Extraordinary Shareholders' Meeting resolved to approve a Long-Term Incentive Plan (Stock-Option Plan) for the key resources of Finmeccanica - Società per azioni and its subsidiaries, based on the granting of subscription and purchase options for ordinary shares of Finmeccanica - Società per azioni, subject to the attainment of specific objectives.

When the Plan was created, up to 7,500,000 (150,000,000 prior to the reverse split) shares, made available by issuing new shares and/or by purchasing treasury shares, were allocated, leaving the Board of Directors with the power to choose one or the other instrument in light of how the stock was performing at the time the grant was made and on its performance outlook. Once granted, options were exercisable through 31 December 2009.

There were 271 Plan beneficiaries including almost all the Group's executives or directors.

Each option grants the right to purchase/subscribe a Finmeccanica - Società per azioni share at a price not less than the "normal value" to ensure that the Plan is tax efficient. That value was set at €14.00 (€0.70 prior to the reverse split).

The Plan, following the Shareholders' resolution, was established by the Board of Directors on 12 November 2003 and was entrusted to the management of the Remuneration Committee.

As contained in the Plan Regulations, the Remuneration Committee took steps to verify whether the performance objectives had been attained, based upon the draft individual and consolidated 2004 financial statements approved by the Board of Directors, and calculated the number of options effectively exercisable for each participant.

Upon completion of the verification process, it was discovered that the objectives had been reached, thus permitting the Group to release for the period 60% of the options originally granted, for a total of 3,993,175 (79,863,500 prior to the reverse split) exercisable options, at the fixed price of €14.00 each.

In relation to the capital increase carried out in 2008, the exercise price was adjusted by the Remuneration Committee on 15 October 2008 to €12.28 each for options not yet exercised at the start date of the capital increase, although the number of options granted remained unchanged. The foregoing was carried out in accordance with the Plan Regulations to offset the dilutive effects on the capital.

On 21 April 2005, the Board of Directors resolved a paid capital increase of a nominal maximum of €16,432,108.00 through the issuance of a maximum number of 3,734,570 shares (74,691,400 prior to the reverse split), to be offered for subscription at €14.00 (€0.70 prior the reverse split) each (with allocation of the difference to the share premium reserve) to the executives of Finmeccanica - Società per azioni and its subsidiaries, as established by the Remuneration Committee on 4 April 2005.

For the remaining 258,605 options (5,172,100 prior to the reverse split) granted to persons not employed by the company, the Shareholders' Meeting of 1 June 2005 had extended for a further 18 months the authorisation to purchase/sell the corresponding number of treasury shares, taking into consideration that the company already held 193,500 such shares (3,870,000 prior to the reverse split). In order to ensure that the Incentive Plan was adequately serviced, the Company had purchased 65,105 (1,302,100 prior to the reverse split) shares of treasury stock.

Under the Plan, of the 3,993,175 options granted (79,863,500 prior to the reverse split), 3,334,474 ordinary Finmeccanica - Società per azioni shares have effectively been subscribed, with a resulting capital increase of €14,671,685.60, while 91,790 options to purchase treasury stock have been exercised.

The Finmeccanica - Società per azioni Shareholders' Meeting of 16 January 2008 revoked the authorisation to purchase and make available the shares approved on 30 May 2007 resulting from the unexercised options, however it guaranteed the availability of the same number of shares to service the Plan – as well as the shares still required for other plans – within the scope of a broader treasury share buy-back programme.

On 17 December 2009 the Board of Directors of Finmeccanica - Società per azioni approved the extension of the option exercise period through 31 December 2011 and authorised the use of treasury shares to service the exercise of any options.

2008-2010 Long-term Incentive Plan

The ordinary Shareholders' Meeting of 30 May 2007 approved a proposed Incentive Plan for the three-year period 2008-2010 for key members of the Finmeccanica Group's Management. Under the Plan, beneficiaries are given the right to receive free shares that the Company (thus, a stock-grant plan) bought back on the market, and the related request for authorisation to buy back 7,500,000 ordinary shares of Finmeccanica - Società per azioni for a period of 18 months from the date of the resolution pursuant to Article 2357 of the Civil Code.

On 20 April 2007, the Board of Directors of the Company approved the general guidelines for the proposal. The proposed Plan is substantially the same as the Plan created for the 2005-2007 period, which, during the period it was implemented, proved to be a valid incentive and loyalty tool which also ensured an optimum level of correlation between management compensation and the Company's financial results over the medium term. Based on the experience, the Board of Directors decided to propose to the Shareholders' Meeting that the Plan be confirmed for a further three-year period.

The Plan – called the Performance Share Plan 2008-2010 – consists of awarding Plan beneficiaries the right to receive free ordinary Finmeccanica - Società per azioni shares through a "closed" cycle of three years, from 1 January 2008 to 31 December 2010, subject to achieving set performance targets for the 2008-2010 three-year period and for each year thereof.

Specifically, the objectives refer to two performance indicators, New orders (and related EBIT) and EVA, and the relative targets set under the 2008-2010 Budget/Plan for the Group and the subsidiaries, based on the operating situation of each beneficiary.

As mentioned above, the Finmeccanica - Società per azioni Shareholders' Meeting of 16 January 2008 revoked the authorisation given on 30 May 2007 to purchase and make available its treasury shares, however it guaranteed the availability of the required number of shares to service the Plan through a specific resolution on a broader treasury share buy-back programme which will include the purchase of the shares needed for Performance Share Plan 2008-2010.

At its 18 December 2007 meeting, the Board of Directors adopted a resolution formally creating the 2008-2010 Stock Incentive Plan (called the Performance Share Plan), and instructed the Remuneration Committee to oversee all aspects of Plan management.

At its 28 February 2008 meeting, the Remuneration Committee allocated the right to receive shares of the Company without cost to 562 beneficiaries for a total of 4,579,483 shares.

The number of shares granted is calculated (according to the usual market practices for such a transaction and consistently with the grants made under the previous 2005-2007 Plan) on the basis of the individual beneficiary's annual gross remuneration (AGR), which depends upon both the position held in the company and on the assessment made during the annual Management Review. For this purpose, the unit value of the share is taken to be €20.44, which is the average price of the share from 1 October 2007 through 31 December 2007, the same value on which the performance of Finmeccanica - Società per azioni stock is measured throughout the long-term cash incentive plan cycles for the top management of Finmeccanica - Società per azioni.

Under the Plan, the granting of shares is conditional on achieving certain objectives set out in the Regulations. These objectives regard New orders (while maintaining expected margins) for 40% of the shares and economic value added (EVA) for 60% of the shares. Shares would be granted as follows: 25% for achieving targets in each of 2008 and 2009 and 50% for 2010 targets. Under the Regulations, achievement of the latter could enable "recovery" of share rights that had not been allocated in previous years.

The Remuneration Committee shall provide that, following the conclusion of each accounting period (2008, 2009 and 2010) and the approval of the relative individual and consolidated financial statements by the Board of Directors of Finmeccanica - Società per azioni – based upon the representations and the data provided by the Company's departments that are duly certified in accordance with Group procedures – an assessment shall be made of the degree to which the assigned performance objectives have been reached and shall calculate the number of shares to be allocated to each person, providing that notice of such be given to the participants.

In relation to the capital increase carried out in 2008, on 22 May 2009 the Remuneration Committee adjusted the number of total options granted under the Plan by increasing them by an amount equal to 31% of the original options granted and setting the number of shares at 6,098,662.

In accordance with the Plan Regulations, this adjustment was made to offset the dilutive effects of the abovementioned capital increase for all Plan participants. The number of options to be adjusted was calculated according to the usual market practices.

The total number of options granted also reflects the changes in the scope of Plan participants that occurred after 28 February 2008, the date that the Remuneration Committee formally instituted the Plan. Based on the findings of the annual Management Review, on 22 May 2009, the Chairman and Chief Executive Officer presented a proposal to the Remuneration Committee for granting 80 Group managers the right to receive up to a total of 445,223 Finmeccanica - Società per azioni shares (339,865 prior to adjustment) at no cost, following the removal of 31 persons from the scope of Plan participants and the "recovery" of 263,881 shares. This change was accepted by the Remuneration Committee in managing the Plan.

Also on that date, the Committee conducted a review to verify whether the performance targets had been achieved at the Group and company levels on the basis of the draft consolidated and statutory financial statements for 2008, and calculated the number of shares to be granted to each of the beneficiaries for 2008. Upon completion of the review, the Committee approved the granting of a total of 1,233,712 shares (941,788 prior to the adjustment) equal to about 84% of the total attributable to 2008. Due to a number of minor changes in the scope of beneficiaries that occurred subsequent to the date of the Committee meeting above, the total number of shares awardable declined to 1,213,088.

On 1 September 2009, Finmeccanica - Società per azioni sent written notice to each of the beneficiaries of the shares to be granted based upon the results achieved in 2008.

Throughout 2009 up to the end of July 2009, the Company bought back a further 1,348,000 shares to add to 447,209 held at the end of 2008 to service the Plan and the remaining obligations under the 2002-2004 Long-Term Incentive Plan.

On 1 December 2009, effective delivery was made of the shares awarded for 2008. Of the 1,213,088 total shares available, 651,132 shares were transferred into individual deposit securities indicated by the beneficiaries, while the remaining 561,956 shares were withheld, at the beneficiaries' discretion, to cover tax and social security obligations arising under the Plan.

Taking into account the shares already delivered based on the 2008 results and as a result of the changes in the scope of the Plan beneficiaries that occurred during its period of application, a total of 4,885,573 Finmeccanica - Società per azioni shares may be granted to the 600 Plan participants in the event the targets for 2009 and 2010 are fully reached.

EQUITY INVESTMENTS HELD BY MEMBERS OF ADMINISTRATIVE AND CONTROL BODIES, BY THE GENERAL MANAGER AND MANAGERS WITH STRATEGIC RESPONSIBILITIES

SURNAME AND NAME	INVESTEE COMPANY	Number of shares held at previous year-end	Number of shares acquired	Number of shares sold	Number of shares held at current year-end
Guarguaglini Pier Francesco	Finmeccanica	121,993 (*)	45,411 (1)	0	167,404
Greco Richard Jr.	Finmeccanica	600	1,750	0	2,350
Venturoni Guido	Finmeccanica	24,994	0	0	24,994
Zappa Giorgio	Finmeccanica	128,941	10,099 (2)	0	139,040
Managers with strategic responsibilities	Finmeccanica	20,578	20,987 (3)	0	41,565

(*) Of which no. 14,748 of spouse.
(1) Of which no. 20,549 + 4,862 of spouse assigned free of charges.
(2) Of which no. 10,099 assigned free of charge.
(3) Of which no. 9,487 assigned free of charge.

FINMECCANICA AND FINANCIAL COMMUNICATION

Relations with the financial market

Finmeccanica keeps a constant dialogue with the national and international financial community – financial analysts, institutional and individual investors – through continuous communication from the Investor Relations Function with both the stock market and the bond market. Investor Relations provides the quality and quantity information on the expected financial and economic performance and the Group commercial and industrial performance so that the financial market perceives and assesses the Company consistently with the intrinsic value of the stock of the Group.

To that regard, during the year, Investor Relations organises various events aiming at improving the financial market's knowledge of Finmeccanica, by presenting economic and financial results, their outlook and the business areas in which the Group operates and the relevant outlook.

The major events organised during the year include:

- institutional roadshows with the Group Top Management, usually when the annual and half-year results are published; these are held through the major European and North American financial centres. Deal roadshows are also included, organised when extraordinary transactions are made (such as share capital increases, bond issues and similar);
- the Investor Day, organised on average once a year (in Europe and/or North America) with Finmeccanica's Top Management and top managers from the Group operating companies. This is entirely devoted to gaining insight on the Group activities and their outlook, focussing on segments and/or geography depending on the event edition; traditionally Investor Day comes with a visit to the production sites of the Group operating companies. In 2009 the first North American Investor Day was held in New York, following a visit to the plants of DRS Technologies in Johnstown (Pennsylvania). We had exceptional attendance for the event;
- Conference calls, when the first and the third quarter results are published, as well as when significant transactions are announced.

Moreover, each year, at the International Aerospace and Defence Exhibition (which is held one year at Farnborough, UK and one year at Le Bourget, France), Investor Relations organises numerous meetings between the financial community and the Top Management of Finmeccanica and of the major Group companies.

More information on the shareholder activities performed by Finmeccanica's Investor Relations is also available in the section Investor Relations of the institutional site www.finmeccanica.com, especially: economic and financial data, market presentations, financial statements and prospectuses on financial transactions, shareholding structure and information on Corporate Governance.

Shareholders can reach Investor Relations at this e-mail address:
investor_relations@finmeccanica.com

Performance of the Finmeccanica stock in the Italian S&P/MIB index and the European segment index Morgan Stanley A&D (02/01/2009 = 100)

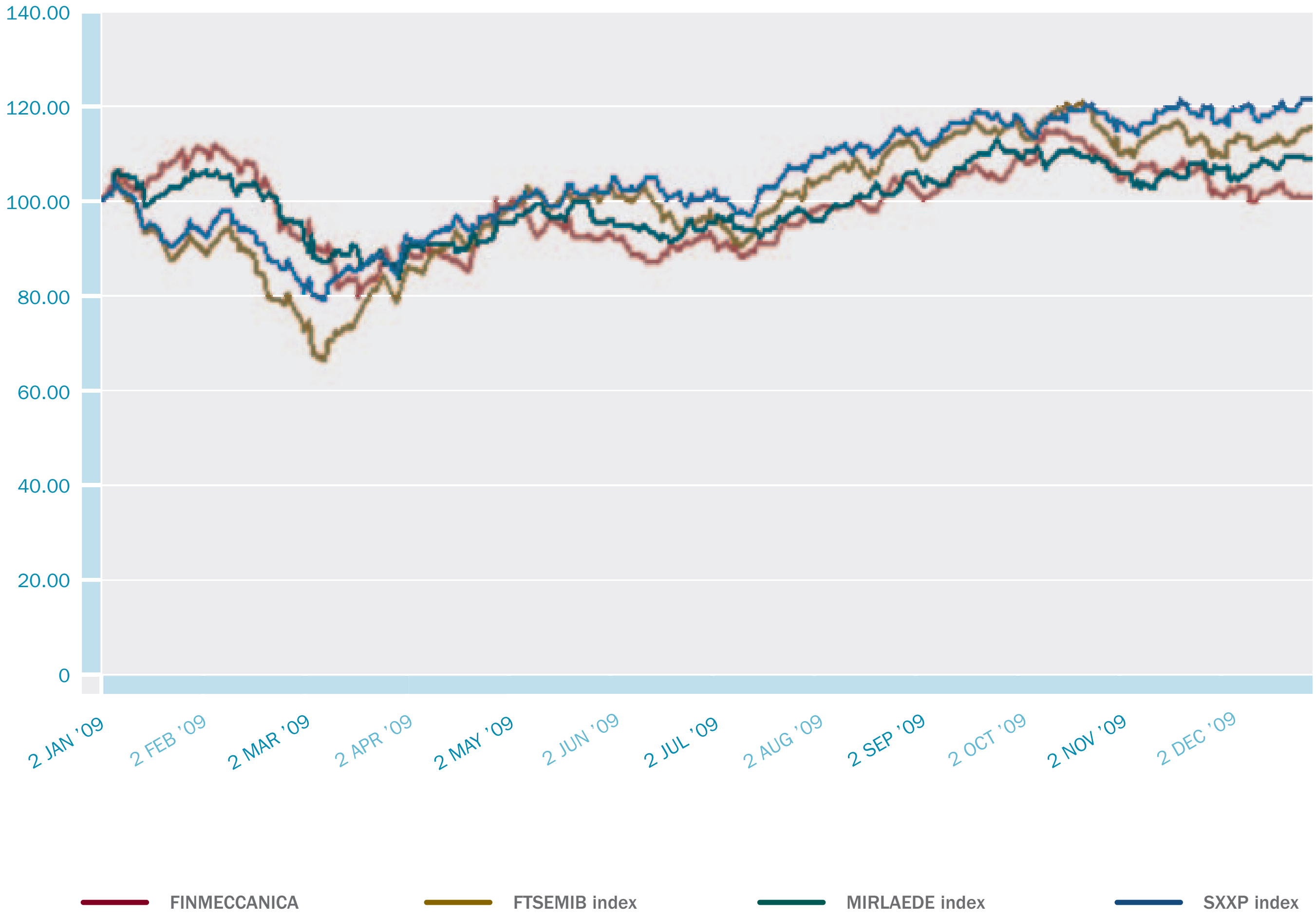
The year 2009 was marked by a serious economic and financial crisis at an international level. The sub-prime mortgage crisis, bankruptcies and the heavy restructuring of several investment banks in the last months of 2008 had strong repercussions on financial markets worldwide throughout 2009 with a very marked domino effect.

It started out as a financial crisis and it later spreaded out to the real business, causing a violent contraction – with a mid-year peak – in the gross domestic product of the major industrialised countries, with clearly adverse effects on the industrial sector of the major economies. Only in the second half of 2009, thanks to complex and devised structural actions in support of the crisis by Governments and Central Banks, a turnaround was recorded that led to a widespread economic recovery.

The performance of stock indices worldwide and segment stock indices followed a similar trend. The year started out weak and hard. Earlier in March stock markets hit an all-time low since 1996 and then progressively started recovering – with strong profit-taking in summer – until the end of the year. At the end of December stock indices reached a year high; however the levels of 2008 could never be recovered.

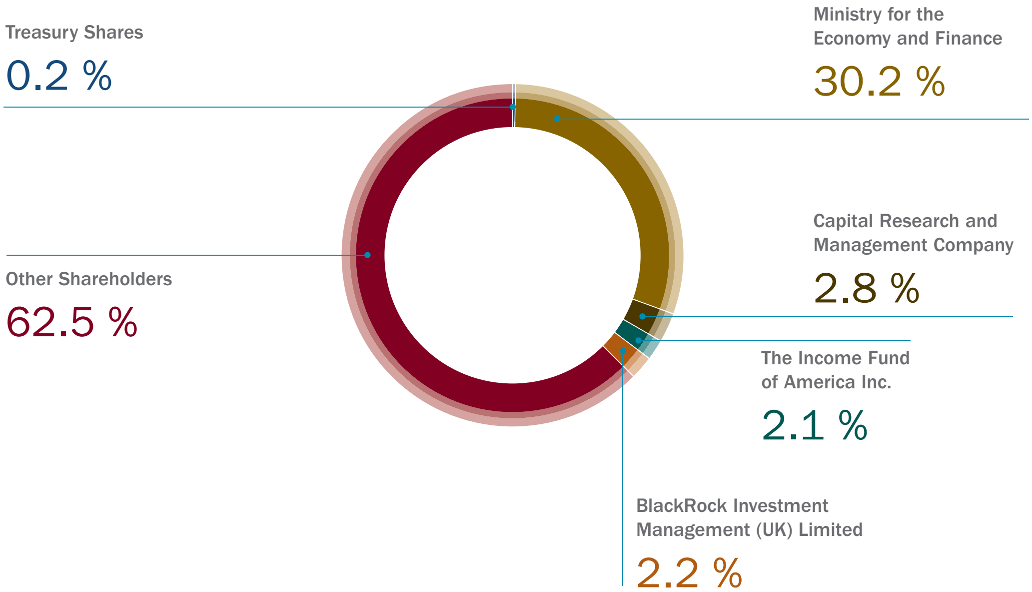
The European performance of the stock indices of the industrial sector (SXXP, S&P 600) and of the Aerospace and Defence sub-sector (MIRLAEDE, Morgan Stanley Aerospace & Defence Europe Index) was the same. This is the scenario in which the Finmeccanica stock performed. Although it controlled the negative performance of the stock indices, the Finmeccanica stock was strongly affected by the market volatility and closed the year with a limited profit.

Below is Finmeccanica's stock performance for the year 2009 according to the index of the major listings in the Milan Stock Exchange (FTSEMIB), the index composed of the 600 major listings in Europe (S&P 600) and the Morgan Stanley A&D Europe Index, with 100 basis at 2 January 2009.



Major Shareholders

At 31 December 2009 Finmeccanica's share capital is divided into 578,150,395 ordinary shares, broken down as follows:



At 31 December 2009, in addition to the Ministry for the Economy and Finance, Treasury Shares and Minority Shareholders, Finmeccanica's share capital is held by two institutional investors holding an interest of more than 2% each, totalling more than 7% of the share capital. More in particular: Capital Research and Management Company, which together with The Income Fund of America (an investee of Capital) owns 4.9%, and BlackRock Investment Management, which owns approximately 2.2%.

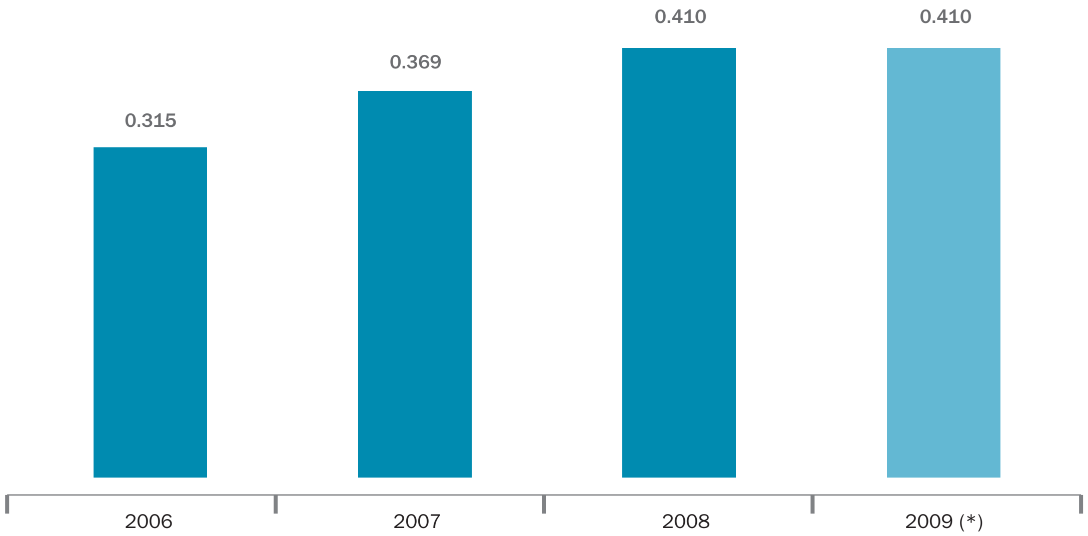
For further details on the shareholding structure, reference should be made to the page "SHAREHOLDING STRUCTURE*" in the section "Investor Relations" on the institutional site of Finmeccanica (www.finmeccanica.com).

* navigation tree is being reviewed by External Relations and menu items may change.

Main data per share (2006-2009)

Earnings per share (in euros)	2009	2008	2007	2006
Basic EPS	1.134	1.294	1.140	2.353
Diluted EPS	1.133	1.293	1.138	2.344

Dividend per share (in euros)



Dividends for years from 2006 through 2007 have been restated to reflect the share capital increase on 21 November 2008.
(*) Dividend proposed by the Board of Directors to the Shareholders' Meeting.

CORPORATE GOVERNANCE REPORT AND SHAREHOLDER STRUCTURE

SECTION 1: ISSUER PROFILE AND SHAREHOLDER STRUCTURE

Introduction

The purpose of this Report, pursuant to Art. 123-*bis* of the Consolidated Law on Financial Intermediation (Legislative Decree 58/1998), as well as the current laws and regulations governing disclosures concerning compliance with codes of conduct, is to provide the necessary periodic and analytical description of Finmeccanica SpA's corporate governance system and its shareholder structure.

Specifically, the section information about the shareholder structure was prepared in accordance with paragraph 1 of the aforementioned Art. 123-*bis*.

Concerning the information required by Art. 123-*bis*(2), the section information on corporate governance was prepared based on the Corporate Governance Code for Listed Companies, approved in March 2006 by the Corporate Governance Committee and supported by Borsa Italiana SpA. The Company declares that it is compliant with the Code.

The aforementioned Corporate Governance Code can be found on the Borsa Italiana website (www.borsaitaliana.it).

1. Issuer Profile

The following is a brief profile of the Company. A fuller description is provided in later sections of this Report.

Share Capital

The share capital of Finmeccanica, totalling €2,543,861,738.00, is represented by 578,150,395 shares and consists solely of ordinary shares with a par value of €4.40 each.

The State's participation is governed by the terms of the Prime Minister's Decree of 28 September 1999, which states that the publicly owned stake may not fall below a minimum threshold of 30% of the Company's share capital, a requirement confirmed by Art. 59 of Law 133 of 6 August 2008.

The table below shows the Issuer's shareholder structure at the date of approval of this Annual Report, with the relative holdings indicated pursuant to Art. 120 of the Consolidated Law on Financial Intermediation.

SHAREHOLDERS	NUMBER OF ORDINARY SHARES	%
Ministry for the Economy and Finance	174,626,554	30.204%
Capital Research and Management Company * °	28,207,583	4.879%
BlackRock Investment Management (UK) Limited*	12,984,252	2.246%
Minority Shareholders	361,187,929	62.473%
Treasury Shares	1,144,077	0.198%
TOTAL	**578,150,395**	**100.000%**

* Shares held as a managed investment.
° As manager, among other things, of The Income Fund of America Inc. which already held a significant stake in Finmeccanica and currently holds 2.145% of the share capital.

Special Powers

In accordance with Law 474 of 30 July 1994, as amended by Law 350 of 24 December 2003 (the 2004 Finance Act), the Minister for the Economy and Finance, jointly with the Minister for Productive Activities (now the Minister for Economic Development), holds "special powers" (the so called "golden share") in a number of State-owned companies, including Finmeccanica. Following the changes introduced by the law and in implementation or the provisions of Ministerial Decree 3257 of 1 April 2005, the Ministry for the Economy and Finance set out the exact content of the clauses in the Bylaws that attribute special powers in Finmeccanica. This was incorporated in the Company's Bylaws as Article 5.1-*ter* by resolution of the Board of Directors on 21 April 2005.

Specifically, according to this clause, the "special powers", described in detail in Section 2, letter d.1), include the rights:

- to oppose the acquisition of material shareholdings (at least 3%) in the Company;
- to oppose the signing of agreements or contracts in which at least 3% of the share capital is represented;
- to veto, if duly justified in view of the harm that would be done to State interests, decisions to wind up the Company, sell the business, conduct mergers or demergers, relocate the Company's registered office to a different country or change its business purpose;
- to appoint a Director without voting rights.

Company Organisation

The organisation of the Company, based on the traditional model, is consistent with the applicable laws provided for listed issuers and is as follows:

- Board of Directors, which 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 Bylaws. The current Board of Directors was appointed by the Shareholders' Meeting on 6 June 2008 for the 2008-2010 term.
- Board of Statutory Auditors, which has the task of monitoring: (a) compliance with the law and Bylaws and observance of the principles of proper business administration; (b) the adequacy of the Company's organisational structure, internal audit system and administrative and accounting system, and also the latter's reliability as a means of accurately reporting business operations; (c) the adequacy of the Company's instructions to subsidiaries with regard to disclosures. The current Board of Statutory Auditors was appointed by the Shareholders' Meeting on 29 April 2009 for the 2009-2011 term.
- Shareholders' Meeting, which has the power to pass resolutions in ordinary and extraordinary sessions on the matters reserved to it by law or under the Bylaws.
- Independent Auditors: the Shareholders' Meeting of 23 May 2006 appointed PricewaterhouseCoopers SpA to audit the Company's accounts for the period from 2006 to 2011.
- Officer in charge of preparing the Company's accounting documents:
  On 26 June 2008, pursuant to Art. 154-*bis* of the Consolidated Law on Financial Intermediation, the Board of Directors appointed Alessandro Pansa, Co-General Manager of the Company, as the Officer in charge of preparing the Company's accounting documents until the expiry of the term of office of the Board of Directors.

Objectives and Corporate Mission

Finmeccanica intends to maintain and enhance its role as the leading Italian industry in the high technology field, developing a synergetic and integrated portfolio of activities primarily focused on Aerospace, Defence and Security by means of which it can meet the needs of domestic customers effectively, take part in work on European and international programmes and compete selectively on the global market. To date, the Company operates also in the Energy and Transportation sectors.

Finmeccanica pursues its mission by rigorously pursuing its objective of creating value for its Shareholders and aiming to protect and enhance Italian expertise in its different business areas.

2. Information about the Shareholder Structure

A) Structure of the share capital

The Company's share capital consists exclusively of common shares with a par value of €4.40 each, all accompanied by the same rights and obligations and having the same voting rights at both ordinary and extraordinary Shareholders' Meetings.

B) Restrictions on share ownership

In accordance with the laws on privatisation, the Company Bylaws (Art. 5.1-*bis*) provide as follows:

"Under Art. 3 of Decree-law 332 of 31 May 1994, converted with amendments into Law 474 of 30 July 1994, no one, except for the State, public bodies or entities controlled thereby and any other party authorised by law, may possess, on any basis, shares in the Company that constitute a shareholding of more than 3% of the share capital represented by shares with voting rights. The maximum shareholding limit is also calculated in consideration of the total holding of the controlling undertaking, which may be a natural person, legal person or corporation, by direct or indirect subsidiaries and by the subsidiaries of a single controlling undertaking, by affiliated undertakings and by relatives within the second degree of consanguinity or affinity or spouses, provided that the spouses are not legally separated.

With also reference to parties other than companies, the term "control" is held to be within the meaning of Art. 93 of Legislative Decree 58 of 24 February 1998. The term "affiliation" is held to be within the meaning of Art. 2359(3) of the Italian Civil Code, and is also deemed to exist between parties who, directly or indirectly, through their subsidiaries, other than those which manage mutual funds, sign, with third parties or otherwise, agreements relating to the exercise of voting rights or the transfer of shares, belonging to third parties or otherwise, or other agreements or contracts with third parties or otherwise, as referred to in Art. 122 of the aforesaid Legislative Decree 58 of 24 February 1998, if such agreements or contracts concern at least 10% of the voting capital for listed companies or 20% of the voting capital for unlisted companies.

For the purposes of calculating the aforesaid shareholding limit (3%), consideration is also given to shares held through trust companies and/or intermediaries or by third parties in general".

C) Material shareholdings

Based on information received by the Company pursuant to Art. 120 of the Consolidated Law on Financial Intermediation and other available information, at the date of approval of this Annual Report, the following entities, either directly or indirectly, have a material shareholding (exceeding 2% of the share capital):

- **Ministry for the Economy and Finance**
  with 174,626,554 shares, equivalent to approximately 30.20% of the ordinary shares;
- **Capital Research and Management Company**
  with 28,207,583 shares, equivalent to approximately 4.88% of the ordinary shares;
- **BlackRock Investment Management (UK) Limited**
  with 12,984,252 shares, equivalent to approximately 2.25% of the ordinary shares.

D) Holders of securities that confer special rights

No securities have been issued conferring special rights.

D.1) Special powers of the Italian Ministry for the Economy and Finance

The special powers conferred upon the Minister for the Economy and Finance by Art. 5.1-*ter* of the Bylaws provides that pursuant to Art. 2(1) Decree-law 332 of 31 May 1994, converted with amendments into Law 474 of 30 July 1994, as replaced by Art. 4(227) of Law 350 of 24 December 2003, the Italian Minister for the Economy and Finance, jointly with the Italian Minister for Productive Activities (now Minister for Economic Development), has the following special rights:

a) "the right to oppose the acquisition, by parties subject to the shareholding limit, as referred to in Art. 3 of Decree-law 332 of 31 May 1994, converted with amendments into Law 474 of 30 July 1994, of material shareholdings, this being understood to mean shareholdings that – as laid down by Decree of the Italian Minister for the Treasury, Budget and Economic Planning of 8 November 1999 – represent at least 3% of the share capital composed of shares with voting rights at Ordinary Shareholders' Meetings. The objection shall be raised within 10 days from notification, to be issued by the directors when entry in the shareholders' register is requested, if the Minister considers that the operation could harm the vital interests of the State. During the period in which the right of opposition may be exercised, the voting right and any other rights not relating to equity pertaining to shares representing the material shareholding shall be suspended. If the right of opposition is exercised, in the form of a ruling duly justified by the actual harm caused by the operation to the vital interests of the State, the shareholder concerned may not exercise the voting rights or rights not relating to equity pertaining to the shares representing the material shareholding and shall transfer these shares within a period of one year. In case of non-compliance, the court, upon the request of the Italian Minister for the Economy and Finance, shall order the sale of the shares representing the material shareholding in accordance with the procedures set out in Art. 2359-*ter* of the Italian Civil Code. The ruling by which the right of opposition is exercised may be challenged by the shareholder concerned within 60 days before the Regional Administrative Court of Lazio";

b) "the right to oppose the signing of pacts or agreements as set out in Art. 122 of the Consolidated Law on Financial Intermediation, Legislative Decree 58 of 24 February 1998, in the event that – as laid down by Decree of the Italian Minister of the Treasury, Budget and Economic Planning of 8 November 1999 – such pacts or agreements represent at least 3% of the share capital composed of shares with voting rights at Ordinary Shareholders' Meetings. So that the right of opposition may be exercised, CONSOB shall inform the Italian Minister for the Economy and Finance of any material agreements and contracts within the meaning of the present article of which it has been informed under said Art. 122 of the Consolidated Law on Financial Intermediation, Legislative Decree 58/1998. The right of opposition must be exercised within 10 days from the date of notification by CONSOB. During the period in which the right of opposition may be exercised, the voting right and any other rights not relating to equity of shareholders who signed the agreement shall be suspended. If an opposition ruling is issued, duly justified in view of the actual harm caused by said agreements or contracts to the vital interests of the State, said agreements or contracts shall be invalidated. If the behaviour at meetings of syndicated shareholders suggests that the obligations assumed under the agreements or contracts referred to in Art. 122 of the Consolidated Law on Financial Intermediation, as referred to in Legislative Decree 58/1998, still apply, resolutions adopted with the vote of the shareholders concerned may be challenged. The ruling exercising the right of opposition may be challenged within 60 days by shareholders who signed the agreements or contracts before the Regional Administrative Court of Lazio";

c) "the right of veto, duly justified in view of the actual harm caused to the vital interests of the State, resolutions to wind up the Company, transfer the business, proceed with mergers or demergers, relocate the Company's registered office to a different country, change the corporate purpose or amend the Bylaws, where such resolutions abolish or alter the powers referred to in the present article. The ruling by which the right of veto is exercised may be challenged within 60 days by dissenting shareholders before the Regional Administrative Court of Lazio";

d) "the right to appoint a director without voting rights" (see letter "L" below).

E) Employee shareholdings: voting mechanism

No provision is made for any employee shareholding scheme.

F) Voting restrictions

In accordance with the laws on privatisation (Law 474/1994), the Corporate Bylaws provide that voting rights relating to shares held above the maximum limit of 3% laid down by Art. 5.1-*bis* of the Bylaws may not be exercised.
Art. 5.1-*bis* also provides that "voting rights held by shareholders in excess of the shareholding limit shall be reduced proportionally, unless otherwise previously and jointly indicated by all the shareholders concerned. In case of non-compliance, meeting resolutions may be challenged under Art. 2377 of the Italian Civil Code if the required majority would not have been reached had the votes exceeding the maximum limit not been included. However, non-voting shares shall be included for the purposes of calculating the meeting quorum".
Note should also be taken of the contents of subsection D.1) above, with reference to Art. 5.1-*ter* of the Bylaws and, specifically, the special powers described therein.

G) Agreements notified to the company pursuant to Art. 122 of the Consolidated Law on Financial Intermediation

The Company has no knowledge of any shareholders' agreements as referred to in Art. 122 of the Consolidated Law on Financial Intermediation, regarding the shares.

H) Change of Control Clauses

Material agreements entered into by Finmeccanica or its subsidiaries and which will become effective, will be amended or extinguished in case of a change of control of the company concerned are listed below with an indication of the corresponding effects.

PARTIES		AGREEMENT	EFFECTS OF THE CHANGE OF CONTROL CLAUSE
FINMECCANICA	Banco Bilbao Vizcaya Argentaria SA, Banca Intesa SpA, Banca Nazionale del Lavoro SpA, BNP Paribas SA, Calyon Corporate and Investment Bank, Citigroup Global Markets Limited, HSBC Bank Plc, MCC SpA, SG Corporate and Investment Banking, The Royal Bank of Scotland Plc and UniCredit Banca Immobiliare SpA, UniCredit Banca d'Impresa SpA	Loan authorisation agreement	After an optional 90-day registration period, banks may request the restitution of their stake
FINMECCANICA	ING Bank NV and ING Bank NV, Milan Branch	Guarantee agreement for AnsaldoBreda	After an optional 90-day registration period, the banks may cancel the agreement and request a refund for guarantees issued
FINMECCANICA / FINMECCANICA FINANCE SA	Bayerische Hypo- und Vereinsbank AG - Milan Branch, Goldman Sachs International, Intesa Sanpaolo SpA, Mediobanca - Banca di Credito Finanziario SpA (Arrangers) plus another 36 banks under the pool agreement	Financing agreement signed as part of the acquisition of DRS and the related pool agreement	After a 90-day registration period, each bank may request the restitution of amounts disbursed and still to be repaid

PARTIES		AGREEMENT	EFFECTS OF THE CHANGE OF CONTROL CLAUSE
FINMECCANICA	BAE Systems and EADS	Shareholders' agreement relating to MBDA SAS, a company operating in the missile systems sector	In case of change of control of Finmeccanica, the other shareholders – BAE Systems and EADS – have the option of deciding whether to extinguish Finmeccanica's right to appoint certain managers and to obtain certain information about MBDA. If this is requested by the shareholders, Finmeccanica can ask these shareholders to buy its stake in MBDA at market price
FINMECCANICA	European Investment Bank	Loan agreement for Alenia Aeronautica	EIB may request early reimbursement if a party or group of parties acting in concert acquires control of Finmeccanica pursuant to Art. 2359 or if the Italian government ceases to hold at least 30% of the share capital of Finmeccanica
FINMECCANICA	Thales	A Shareholders' agreement relating to Thales Alenia Space SAS (TAS) (Finmeccanica 33%), a company operating in the satellite manufacturing sector	In case of a change in control of Finmeccanica to a competitor of Thales, Thales is entitled to buy Finmeccanica's shares in TAS at a price to be agreed by the parties
FINMECCANICA	Thales	A Shareholders' agreement relating to Telespazio Holding Srl (TPZH) (Finmeccanica 67%), a company operating in the satellite services sector	In case of a change in control of Finmeccanica to a competitor of Thales, Thales is entitled to sell to Finmeccanica its shares in TPZH at a price to be agreed by the parties
FINMECCANICA	Thales and Benigni	Shareholders' agreement relating to Elettronica SpA (Finmeccanica 31.33%), a company operating in the Defence and Security Electronics sector	In case of a change of control, the other shareholders have the right to buy Finmeccanica's shares in Elettronica on a pro-rata basis at a price to be agreed by the parties

PARTIES /SUBSIDIARIES		**AGREEMENT**	**EFFECTS OF THE CHANGE OF CONTROL CLAUSE**
Agusta SpA 100% Finmeccanica through AgustaWestland NV	General Electric Company (through the Aviation Business Unit, MA, USA - "GE")	Framework agreement relating to the supply of helicopter engines	Renegotiation of agreements if control of Agusta is acquired by a competitor of GE; Agusta is liable for any breach of confidentiality in relation to GE's proprietary information
Agusta SpA 100% Finmeccanica through AgustaWestland NV	Bell Helicopter Textron	License for the production and sale of 412, 412SP, 412HP, 412EP-SAR, 212, 206A, 206B helicopters and spare parts	Termination of the agreement in case of transfer of ownership of Agusta to a third-party helicopter manufacturer and seller, excluding intra-group transfers
Agusta SpA 100% Finmeccanica through AgustaWestland NV	Boeing Company Defence & Space Group	Agreement for the revision and sale of the CH47C and spare parts	Express cancellation clause, excluding transfer of control within the Finmeccanica Group.
Agusta SpA **Agusta US Inc.** **AgustaWestland NV** 100% Finmeccanica through AgustaWestland NV	Bell Helicopter Textron Inc.	JV Bell/Agusta Aerospace Company LLC for the development of the convertiplane project, also known as BA609	In case of *de facto* or *de jure* transfer of control to a competitor of Bell or any third party, Bell may wind up the LLC; if Bell decides to not wind up the LLC, it may stipulate that certain research projects and confidential Information /techniques cannot be transferred to third parties
Alenia Aeronautica 100% Finmeccanica	Boeing Company	General Terms Agreement concerning Alenia Aeronautica's stake in the Boeing 787 programme	Authorisation of Boeing required in the case of change of control of Alenia Aeronautica. Boeing has the right to terminate the contract in the event this clause is violated
Alenia Aeronautica 100% Finmeccanica	Abu Dhabi Uav Investment LLC	Joint venture agreement concerning the formation of a company (Advanced Male Aircraft LLC) in Abu Dhabi for the development and production of a class of remotely-piloted aircraft	Termination of the agreement at the option of the party not subject to a change in control. Termination subject to the initiation of a special amicable settlement process and not an arbitration procedure. In the alternative, the non-breaching party may demand that the breaching party sell its shares at market value less 20%, or that the breaching party purchase the shares of the non-breaching party at market value plus 20%

PARTIES /SUBSIDIARIES		AGREEMENT	EFFECTS OF THE CHANGE OF CONTROL CLAUSE
Word's Wing SA 94.94% Alenia Aeronautica **Alenia Aeronautica** 100% Finmeccanica	Oao Sukhoi Company, Oao Sukhoi Design Bureau Zao Sukhoi Civil Aircraft	Joint venture agreement concerning Sukhoi Civil Aircraft, a Russian company that produces the Sukhoi Superjet 100 regional aircraft	In the event of change of control of Alenia Aeronautica, Sukhoi Company has the right to exercise a purchase option on the shares of Sukhoi Civil Aircraft Company, held by Alenia Aeronautica through World's Wing SA, at market price, equal to the lessor of fair market value and floor value (which corresponds to the total purchase price of shareholdings in SuperJet International and in Sukhoi Civil Aircraft Company) plus the total contributions paid by Alenia under the Funding Plan, less 10%
Wing NED BV 100% Alenia Aeronautica **Alenia Aeronautica** 100% Finmeccanica	Sukhoi Company SuperJet International SpA	Joint venture agreement concerning USA SuperJet International SpA, an italian company that markets regional jets, including the Sukhoi Superjet 100	In the event of change of control of Alenia Aeronautica, Sukhoi Company has the right to exercise a purchase option on the shares of SuperJet International, held by Alenia Aeronautica through Wing NED BV, at a market price, equal to the lessor of fair market value and floor value (which corresponds to the total purchase price of shareholdings in SuperJet International and in Sukhoi Civil Aircraft Company) plus the total contributions paid by Alenia Aeronatica under the Funding Plan, less 10%
Alenia North America Inc. 100% Finmeccanica through Alenia Aeronautica SpA	L-3 Communications Integrated Systems LP	Joint venture agreement concerning US company Global Military Aircraft Systems LLC, for undertaking activity in relation to the C27J aircraft	If a stake equal to or more than 50% of the stake of the LLC or assets is transferred to a competitor of the other party, the party not involved will be entitled to a purchase option at the market value on the shareholding of the party that underwent the change of control

PARTIES /SUBSIDIARIES		**AGREEMENT**	**EFFECTS OF THE CHANGE OF CONTROL CLAUSE**
AnsaldoBreda (100% Finmeccanica) as a member of the Trevi Consortium along with: • Alstom Ferroviaria SpA • Firema Trasporti SpA • Bombardier Transportation Italia SpA	Trevi Consortium, which has a locomotive supply contract with Trenitalia SpA	Bylaws of the Trevi Consortium	The bylaws of the Trevi Consortium stipulate that the shareholders' meeting can decide to exclude a member of the consortium
AnsaldoBreda 100% Finmeccanica	Bombardier Transportation Gmbh	Cooperation Agreement concerning the joint development, manufacture and sale of the new high-speed train	In the case in which more than 50% of the share capital of one of the parties or its parent company is transferred to a competitor of the parties, or in the case of merger of one of the parties with a competitor or in the case of the transfer of the assets to a competitor, the party not involved will be entitled to terminate the contract within 6 months of the event
Ansaldo Energia SpA 100% Finmeccanica	Siemens AG	Supply contract for turbine blades	Express cancellation clause
Ansaldo STS SpA 40.065% Finmeccanica	Naples City Council	Concession agreement for the construction of Line 6 of the metro	Termination of the contract in case of the incorporation or merger with other non-Group companies
SELEX Galileo Ltd 100% Finmeccanica	Northrop Grumman	"Missile Counter Measure (Infrared)" contract	Termination of the contract or alternatively a request for additional performance guarantees, at the discretion of the party not subject to a change in control
SELEX Systems Integration Ltd 100% Finmeccanica through SELEX Sistemi Integrati SpA	Lockheed Martin IS&GS (Civil) UK	Teaming Agreement for presenting a bid for the Joint Military Air Traffic Services project	Termination of the contract at the discretion of the party not subject to a change in control
Telespazio SpA 100% through Telespazio Holding Srl (Finmeccanica 67%)	DLR GfR	Bylaws for Spaceopal Gmbh (50% Telespazio SpA; 50% DLR GfR), a company operating in the field of satellite services relating to the Galileo project	Right of the shareholder not subject to a change in control, with the prior authorisation of the shareholders' meeting, to sell its shares to a third party or another shareholder or to withdraw in exchange for a payment to be determined

PARTIES /SUBSIDIARY		**AGREEMENT**	**EFFECTS OF THE CHANGE OF CONTROL CLAUSE**
Telespazio SpA 100% through Telespazio Holding Srl (Finmeccanica 67%)	Italian Space Agency (ASI)	Shareholders' agreement relating to e-GEOS SpA (Telespazio SpA 80%, ASI 20%), a company operating in the earth observation satellite fied	Right of ASI to, at its option: • repurchase the property, plant and equipment and intangible assets contributed by ASI to e-GEOS • sale of shares to the shareholders of e-GEOS in proportion to the stakes held in the company
DRS Systems Management LLC 100% Finmeccanica through DRS Technologies Inc.	Sunrbust Management Inc.	Partnership Agreement concerning Laurel Technologies, a company operating in the circuit card and cable assembly sector	Right of the party not subject to a change of control to purchase the other party's stake at a price equal to the book value of the stake recorded by the other party
DRS C3 Systems LLC 100% Finmeccanica through DRS Technologies Inc.	Thales North Amerca Inc.	Joint venture agreement concerning DRS Sonar Systems LLC, a company operating in the sonar sector	Option of the party not subject to a change of control (i) to purchase the stake of the other party at the market price as determined by an expert, or (ii) to offer its stake at a reasonable price to the party subject to the change of control which, if it refuses the offer, will be required to sell its stake at the same price (in proportion to the percentage held) to the party not subject to a change of control
DRS Power & Control Technologies Inc. 100% Finmeccanica through DRS Technologies Inc.	Elliot Company	Joint venture agreement concerning Canopy Technologies LLC, a company operating in the magnet machinery sector	Right of the party not subject to a change of control to purchase the stake of the other party at a price equal to the shareholders' equity
DRS Radar Systems LLC 100% Finmeccanica through DRS Technologies Inc.	Thales Nederland BV Thales USA Defence & Security Inc.	Technology transfer and licence agreement	Right to terminate the contract
DRS Tecnologies Inc. and its subsidiaries 100% Finmeccanica	Finmeccanica SpA	Loan agreement	In case of change of control of DRS Technologies, accelerated repayment of the loan to Finmeccanica

I) Compensation for directors in case of dismissal or redundancy without just cause or termination of employment following a takeover bid

No compensation is proposed for directors in the case of termination following a takeover bid. As to the Chairman and Chief Executive Officer, Pier Francesco Guarguaglini, in the event his mandate is terminated early for any reason (except for voluntary resignation), he will be paid a scaled severance indemnity, equal to, respectively, 36, 24 and 12 twelfths of his annual compensation based on whether the termination occurs during the first, second or third year of his mandate.

For this purpose, annual compensation consists of a fixed portion (paid pursuant to Art. 2389 of the Italian Civil Code) and a variable portion comprised of the MBO and the incentive plans, taking as reference, for the measurement of the variable portion, the average of the compensation effectively received or accrued for the last two years.

In addition, in the event of early termination of his position on the Board for reasons other than voluntary resignation without cause, the Chairman and Chief Executive Officer will receive an amount equal to 60% of the fixed component of his gross compensation that he had the right to receive at the end of the first and the second year of his mandate and had not yet received at the date of early termination of the relationship.

L) Laws governing the appointment and replacement of directors and amendments to the Bylaws

Appointment of directors

- The directors are appointed as provided by Art. 18.4 of the Company's Bylaws: "Directors shall be appointed by Shareholders' Meetings based on lists submitted by shareholders and by the retiring Board of Directors in which the candidates are numbered consecutively.

  If the retiring Board of Directors submits its own list, this must be deposited at the registered office and published in at least three Italian national daily newspapers, two of which must be financial, at least 20 days prior to the date set for the first calling of the meeting.

  The lists submitted by shareholders must be deposited at the registered office and published in the same manner as above at least 10 days prior to the date set for the first calling of the meeting.

  Each shareholder may submit or take part in the submission of only one list and each candidate may appear on only one list, failing which he or she shall be disqualified.

  Only those shareholders who, either alone or together with other shareholders, represent at least 1% of the shares with voting rights at Ordinary Shareholders' Meetings shall be entitled to submit lists, or such lesser number as might be provided by legal or regulatory provisions, where applicable.

  In order to prove possession of the number of shares necessary for the submission of lists, shareholders must submit and/or send to the registered office, at least five days prior to the date scheduled for the first calling of the meeting, a copy of the documentation proving that they are eligible to take part in the meeting.

  At least two directors must satisfy the independence criteria as laid down for statutory auditors by law. Candidates on the lists who satisfy the independence criteria must be expressly indicated.

  All candidates must also satisfy the requirements for good repute laid down by the applicable legislation.

  Declarations must be deposited with each list, within the aforesaid time limit, in which each candidate accepts his or her candidacy and attests, under his or her own responsibility, that there are no reasons for ineligibility and that the requirements laid down by the applicable legislation for the office in question have been met, including satisfying the independence criteria, as required by these Bylaws.

  Directors nominated shall immediately inform the Company if they no longer satisfy the aforesaid independence criteria and requirements for good repute and if any reasons for ineligibility have arisen.

  Each person entitled to vote may only vote for one list.

Directors shall be elected as follows:

a) two thirds of the directors to be elected shall be taken from the list that receives the most votes from shareholders, according to the order in which they appear on the list, rounded down to the nearest whole number where necessary;

b) the remaining directors shall be taken from the other lists; for this purpose, the votes received by the lists shall be divided once, twice, three times and so on, according to the numbering of the directors to be elected. The ratios thus obtained shall be assigned in consecutive order to the candidates on each list, based on the order shown in the list. The ratios thus allocated to the candidates on the various lists shall be arranged in decreasing order in a single list. Those candidates who have obtained the highest ratios shall be elected;
If several candidates obtain the same ratio, the director shall be chosen from the list which has not yet elected a director or which has elected the fewest directors.
If none of these lists has elected a director, or if all of them have elected the same number of directors, the candidate on the list with the highest number of votes shall be elected. In case of a tied vote, where the same ratios are obtained, the entire meeting shall hold another vote and the candidate that receives the simple majority of votes shall be elected;

c) if, following the application of the aforesaid procedure, the minimum number of independent directors required by the Bylaws has not been appointed, the ratio of votes to be allocated to each candidate on the various lists will be calculated according to the method described in subparagraph b); candidates not yet elected from the lists pursuant to subparagraphs a) and b) and who satisfy the independence criteria and who have obtained the highest ratios shall be elected. They shall be sufficient in number to ensure compliance with the Bylaws and shall replace non-independent directors who have been allocated the lowest ratios. If there are insufficient candidates to fulfil the required minimum of two independent directors, the Meeting shall adopt a resolution based on the statutory majority to replace those candidates who do not satisfy the independence criteria and who have obtained the lowest ratios”.

Article 18.5 of the Bylaws also provides that “for directors not appointed in accordance with the aforesaid procedure for any reason, the meeting shall adopt a resolution based on the statutory majority. If during the financial year one or more directors should be absent, the procedure laid down by Art. 2386 of the Italian Civil Code shall be adopted, without prejudice to the powers of appointment referred to in Art. 5.1-*ter*(d). To replace directors who have left office, the meeting shall adopt resolutions based on the statutory majority by selecting replacements from the same list as that to which the departed directors belonged, provided that candidates not previously elected remain on this list. The Board of Directors shall proceed with the replacement pursuant to Art. 2386 of the Italian Civil Code by selecting replacements based on the same criteria as set out in the preceding subparagraph at the next suitable meeting after the withdrawal from office is announced”.

Art. 5.1-*ter* of the Bylaws provides, pursuant to Art. 2(1) of Decree-law 332 of 31 May 1994, converted with amendments into Law 474 of 30 July 1994, as replaced by Art. 4(227) of Law 350 of 24 December 2003, that the Minister for the Economy and Finance, jointly with the Italian Minister for Productive Activities (now the Minister for Economic Development), has the special right to appoint a director without a voting right (see subsection D.1 of section D above). Should the director thus appointed leave office, the Minister for the Economy and Finance, jointly with the Minister for Economic Development, shall appoint a replacement.

Amendments to the Bylaws

Amendments to the Bylaws are ratified by the shareholders’ meeting in accordance with the law. However, under Art. 24.1 of the Bylaws, the Board of Directors has the power to adapt the Bylaws to legislative provisions. Under Art. 22.3 of the Bylaws, any proposals to amend articles or to adopt new Bylaws are decided by the Board of Directors with the vote in favour of 7/10ths of the directors in office, excluding the director without voting rights, appointed in accordance with Art. 5.1-*ter*, letter d) of the Bylaws.

Finally, as illustrated in subsection D.1 of section D, the Minister for the Economy and Finance, jointly with the Minister for Productive Activities (now the Minister for Economic Development), has a veto over the adoption of amendments to the Bylaws that revoke or modify the powers referred to in Art. 5.1-*ter* of the Bylaws or that alter the object of the company.

M) Authorisation for capital increases and authorisation to purchase own shares

Directors have no authority to increase the share capital under Art. 2443 of the Italian Civil Code, nor do they have the power to issue equity instruments.

It should be reported that the Finmeccanica Shareholders' Meeting of 16 January 2008 ratified the share buy-back programme proposed by the Board of Directors on 21 November 2007 for up to approximately 8% of the Company's share capital (a maximum of 34 million common shares), distributed as follows:

- approximately 2.6% for stock incentive plans (a maximum of 11.1 million common shares, 7.5 million of which are intended to be assigned over the next few years), subject to the withdrawal of any unused purchase authorisations and the availability of treasury shares allocated to service the plans, and without prejudice to existing resolutions of Shareholders' Meetings concerning the ratification of these stock incentive plans;
- approximately 5.4% (22.9 million common shares) to create maximum shareholder value.

The programme provides that the shares purchased will remain available to be used to service the stock incentive plans and as part of industrial projects or extraordinary financial operations. The Shareholders' Meeting determined that the share buy-back programmes were to be implemented within 18 months, that is by 16 July 2009, and in accordance with standard market practice for this kind of operation, taking into account the Company's performance. The programme was to be financed primarily using cash flow from operations generated by the Group.

Shares to service the programme were to have been purchased, at suitable intervals, at a maximum and minimum unit price equivalent to the reference price on the Italian Electronic Stock Exchange (MTA) on the day before the purchase (plus or minus 5% for the maximum and minimum price respectively), either on the market or by buying and selling derivatives traded on regulated markets.

In 2009, and by 16 July 2009, as authorised by the Shareholders' Meeting, the Board purchased an additional 1,348,000 treasury shares to add to the 447,209 shares already held to service existing stock incentive plans. The Board limited its action to purchasing these shares as the conditions for a broader buy-back programme were not met.

During this 18-month period, Finmeccanica purchased a total of 2,573,000 shares (equal to roughly 0.4450% of the share capital), all of which will go to service the existing stock incentive plans.

As of the date of this report, Finmeccanica holds 1,144,077 treasury shares, equivalent to 0.198% of the share capital.

SECTION 2: CORPORATE GOVERNANCE AND IMPLEMENTATION OF THE RECOMMENDATIONS OF THE CORPORATE GOVERNANCE CODE

3. Compliance

At its 17 October 2006 Meeting, Finmeccanica's Board of Directors resolved to bring the Company's corporate governance model into compliance with the standards and application principles found in the new Corporate Governance Code for Listed Companies (March 2006). The model, which was in any event already substantially in line with the recommendations of the previous Code, adopted the changes introduced by the new Code, incorporating them into

the document entitled "**Rules of Procedure of the Board of Directors – Role, Organisation and Operating Procedures**" (the "**Rules of Procedure**"). The text of the Rules of Procedure may be consulted on the Company's website (Investor Relations/Corporate Documents section).
Neither Finmeccanica nor its subsidiaries with key strategic roles are subject to non-Italian laws affecting the Company's corporate governance structure.

4. Direction and Coordination

Finmeccanica is not subject to direction and coordination pursuant to Art. 2497 *et seq.* of the Italian Civil Code.

5. Board of Directors

5.1. Appointment and Composition

The Company's administrative body is a Board of Directors comprised of between 8 and 12 members who are appointed by the shareholders. The shareholders also establish the number of members and the length of their terms in office.

Article 18.4 of the Bylaws calls for the appointment of Directors via the submission of lists of candidates, as described in Section 2(L) above.

In addition to the elected Directors, there is to be one Director without voting rights appointed (in accordance with Arts. 5.1-*ter* and 18.1 of the Bylaws) by the Ministry for the Economy and Finance, together with the Ministry for Economic Development (formerly the Ministry for Productive Activities), pursuant to Law 474 of 30 July 1994 (as amended by Law 350 of 24 December 2003).

The Bylaws (Article 5.1) also expressly define the rights and obligations of this ministry-appointed Director, i.e. the same rights granted to the other Directors by law and by the Bylaws, with the exception of the right to be granted proxy or other particular positions, including on a replacement or interim basis, and this Director may not act as Chairman of the Board of Directors or as a Company representative for legal purposes.

The Bylaws – which continue to govern this specific issue as a result of the provisions of privatisation legislation (Law 474/1994) – state that the list of candidates presented by shareholders, together with related supporting documentation, must be deposited at the Company's registered office at least ten days prior to the date set for the first call of the Shareholders' Meeting and must be published in at least three Italian nationally distributed newspapers, two of which must be financial periodicals.
In compliance with the recommendation in the Corporate Governance Code, however, the Board of Directors expressly suggests that Shareholders deposit lists at least fifteen days prior to the day of the Shareholders' Meeting that is to elect candidates to the Board.

Moreover, when Shareholders' Meetings are called, the Shareholders are expressly requested to deposit résumés with exhaustive personal and professional information on each candidate (specifying whether he satisfies the requirements to qualify as independent) when they deposit the lists, so that up-to-date information can be published on the Company's website in good time.

The Shareholders' Meeting of 6 June 2008 set the number of the members of the new Board of Directors at 11. They will serve until the approval of the financial statements for the 2010 financial year.
In addition to the 11 members of the Board of Directors appointed by the shareholders, in accordance with Article 5.1-*ter*(d) of the Bylaws, Amb. Giovanni Castellaneta was appointed as Director without voting rights selected by the Ministry for the Economy and Finance, together with the Ministry for Economic Development. He may exercise the "special powers" specified by

Law 474/1994 as amended. Amb. Castellaneta is to remain in office until the end of the term of the Board of Directors as appointed by the shareholders.

The shareholders have also appointed Pier Francesco Guarguaglini as Chairman of the Board of Directors, and the Board, in its first meeting, appointed Chairman Guarguaglini to be the Company's Chief Executive Officer, granting him powers that are in line with those granted during the previous term.

The **Board of Directors** serving at 31 December 2009 is, therefore, composed as follows:

Pier Francesco Guarguaglini Chairman and Chief Executive Officer	(1)
Piergiorgio Alberti	(2)
Andrea Boltho von Hohenbach	(2)
Franco Bonferroni	(1)
Giovanni Castellaneta	
Maurizio De Tilla	(2)
Dario Galli	(1)
Richard Greco	(2)
Francesco Parlato	(1)
Nicola Squillace	(1)
Riccardo Varaldo	(1)
Guido Venturoni	(1)

(1) Directors appointed from the **majority list** submitted by the Ministry for the Economy and Finance, which holds 33.71% of the share capital.
(2) Directors appointed from the **minority list** submitted by Mediobanca SpA, which holds 1.002% of the share capital.

The summary table annexed to this Report shows the structure of the Board of Directors and its committees, specifying the members serving at 31 December 2009.

No changes in the composition of the Board of Directors have taken place since the end of the 2009 financial year.

A brief professional résumé of each member of the present Board of Directors follows.

PIER FRANCESCO GUARGUAGLINI – Chairman and Chief Executive Officer
Chairman Guarguaglini was born in Castagneto Carducci (Livorno) on 25 February 1937. He has been the Chairman and Chief Executive Officer of Finmeccanica since 24 April 2002, having been re-appointed by the Shareholders' Meetings three times, on 16 May 2003, 12 July 2005 and 6 June 2008. He received a degree in electronic engineering from the University of Pisa and a Ph.D. in electrical engineering from the University of Pennsylvania. Mr. Guarguaglini is a Lecturer at the University of Rome, a member of the General Council and Executive Committee of Confindustria; a member of the General Council and Executive Committee of Assonime; Honorary Chairman of AIAD (Italian Industries Federation for Aerospace, Defence and Security); a member of the Board of Directors of the Council for the United States and Italy; a member of the Committee for the Italian Fulbright Commission; and a member of the Advisory Board of LUISS Business School. He has held a number of positions, including General Manager and later Chief Executive Officer of Officine Galileo (1984-1994), Chief Executive Officer of Oto Melara and Breda Meccanica Bresciana (1994-1996), Head of Finmeccanica's Defence Business Sector (1996-1999), Chairman of the Board of Directors of Alenia Marconi Systems (1998-2000) and Chief Executive Officer of Fincantieri Cantieri Navali Italiani (1999-2002).

PIERGIORGIO ALBERTI – Director
Mr. Alberti was born in Sanremo on 28 March 1943. He has been a Director of Finmeccanica since 12 July 2005 and his term of office was renewed by the Shareholders' Meeting of 6 June 2008. He is a Lecturer in Administrative Law at the University of Genoa and has authored a number of monographs and articles in Italian and foreign technical journals.
He has been admitted to the bar of Italy's Supreme Court through the Senior Council of Magistrates. He is an auditor of accounts and is currently a director of Banca Carige SpA, Parmalat SpA, Gallieria Hospital in Genoa and the Ansaldo Foundation.
Mr. Alberti has served as a director of Locat SpA, Mediocredito Ligure, Sina SpA, AISCAT (Association of Italian Highway and Tunnel Concession-holders), as well as Vice-Chairman of Autostrada dei Fiori SpA, Autostrada Ligure Toscana SpA and Finligure SpA. He has also been a member of the Technical and Scientific Committee set up by the government for the application of Section V of the Constitution. He is a member of various associations (including IISA – the Italian Institute of Administrative Sciences, AIDU – the Italian Association of Town Planning Law, and AIPDA-the Italian Association of Lecturers in Administrative Law).
He is joint editor of *Economia e Diritto del Terziario*.

ANDREA BOLTHO VON HOHENBACH – Director
Professor von Hohenbach was born in Berlin on 13 October 1939. He was a Fellow and Tutor in Economics at Magdalen College of Oxford University (1977-2007), subsequently becoming an Emeritus Fellow. He has received degrees from the London School of Economics, the University of Paris and Oxford University. In 1966 he began a professional collaboration with the Economics and Statistics Department of the OECD. He has been a visiting professor at the Collège d'Europe at Bruges, the Universities of Paris, Venice, Turin, Siena as well as at the University of Rome "Tor Vergata". He also taught at the Bologna Center of Johns Hopkins University and the International University of Japan. Prof. von Hohenbach has served as a consultant to the World Bank and has collaborated with some prominent international groups such as the ABB, Arthur Andersen, Ericsson, FIAT, Generali, IBM, KPMG, Pirelli and Siemens. He has authored numerous publications on economics.

FRANCO BONFERRONI – Director
Mr. Bonferroni was born in Reggio Emilia on 10 October 1938. He has been a director of Finmeccanica since 12 July 2005 and was re-elected on 6 June 2008. He is a chartered accountant and statutory auditor of accounts. He was a Member of Parliament in the Chamber of Deputies (1979-1992) and the Senate (1992-1994). A freelance practitioner since 1976, he was a member of the Council of the Chamber of Commerce of Reggio Emilia (1966-1974), of which he was later Chairman (1974-1979). He has served as director of a number of companies, including Autostrada del Brennero SpA (1966-1974), Fidenza Vetraria SpA and Montedil SpA (Montedison group) (1977-1979), Centro Banca SpA (2007-2008), Aedes SpA (2009). Mr. Bonferroni currently sits of the boards of Alerion CleanPower SpA and Cassa di Risparmio di Bra and Cassa di Risparmio di Savigliano. From 1975 to 1989 he was the Chairman of IFOA (training and consulting centre of the chambers of commerce) and from 1989 to 1992 he held the position of Deputy Secretary of the Ministry for Industry and Commerce and of the Ministry for Foreign Trade.

GIOVANNI CASTELLANETA – Director[1]
Ambassador Castellaneta was born in Gravina Di Puglia (Bari) on 11 September 1942. He received a law degree from the University of Rome "La Sapienza" and embarked upon a diplomatic career in 1967. He has held numerous posts both in Italy and abroad. He has been, *inter alia*, Secretary-General with the Ministry for Foreign Affairs, the Press and Cultural Attaché in Paris, the Deputy Permanent Representative for Geneva-based international organisations, Head of the Press and Information Service at the Ministry for Foreign Affairs and Ambassador to Iran and Australia. He has held the post of Diplomatic Advisor to the Italian Prime Minister and has acted as the Prime Minister's Personal Representative for G7/G8 summits. He currently serves as Chairman of SACE.

1. Director without voting rights pursuant to Art. 5.1-ter, letter d), of Bylaws.

MAURIZIO DE TILLA – Director

Mr. De Tilla was born in Naples on 6 April 1941. He has been a director of Finmeccanica since 25 October 2000 and has been re-appointed three times (16 May 2003, 12 July 2005 and 6 June 2008). He is a civil law attorney admitted to practice before Italy's Supreme Court and has served as Chairman of the Cassa Nazionale di Previdenza e Assistenza Forense (national pension and welfare fund for the legal profession). He is chairman of the Organismo Unitario dell'Avvocatura (advocacy organisation for the legal profession), the Associazione degli Enti Previdenziali Privati (advocacy group for private pension funds), the Istituto Italiano di Cultura Forense (Italian legal culture institute) and EurelPro (European Association of Retirement Schemes for Liberal Professions). He has also chaired the Council of the Association of Solicitors of Naples (1993-1994) and is a former Chairman of the European Court of Arbitration for Southern Italy and current Chairman of the Naples Interdisciplinary Consultancy Board and Board of Arbiters of the Italy-USA Association of Solicitors. He has served as Chairman of Lextel and is a director of Alleanza Assicurazioni. He is a member of the General Council of Assicurazioni Generali. Mr. De Tilla contributes to a number of legal publications and newspapers and is the author of numerous publications (including *Trattato di Diritto Immobiliare*). He is the co-editor of *Immobili e Diritto* (published by *Il Sole 24 Ore*). As a journalist, he is a member of the Council of Journalists of Campania.

DARIO GALLI – Director

Born in Tradate (Varese) on 25.06.1957. He has a degree in Mechanical Plant Engineering at Politecnico of Milan, and since April 2008 he is Provincial President of Varese. He has been Member of Parliament at the Chamber of Deputies (1997-2006) and Senator (2006-2008); between 1993 and 2002 he was Mayor of Tradate. He was assistant to General Administrative Office of the company FAST in Tradate, Responsible Manager manufacturing system at the AERMACCHI in Varese and Head of production and logistics at the REPLASTIC, Milan. He is currently mechanical contractor. Furthermore, he has been professor at postgraduate course of the Chamber of Commerce of Varese.

RICHARD GRECO – Director

Mr. Greco was born in New York on 5 March 1969. He has a Degree in chemistry from Fordham University and earned an MBA in finance from the University of Chicago and a Masters degree in American Foreign Policy from Johns Hopkins University. He is the founder and Chairman of the Filangieri Advisory Corp, as well as a director of Mediware Information Systems, Boliven LLC and Performance Metals Inc. He was an associate of The Scowcroft Group (Washington, DC, 1996-1997) and practiced corporate finance at Stern Stewart & Co (1997-2002). In 2002, he was appointed by the President of the United States as a White House Fellow and was assigned to the Office of the Secretary of Defence as a special assistant. He served as Assistant Secretary of the Navy as chief financial officer. Mr. Greco has authored numerous articles on finance, education and foreign policy and was elected a lifetime member of the Council on Foreign Relations.

FRANCESCO PARLATO – Director

Mr. Parlato was born in Rome on 17 April 1961. He has been a director of Finmeccanica since 12 September 2007 and was re-appointed on 6 June 2008. He holds an Economics and Business degree from LUISS University in Rome, and since 2007 has been the Director of the General Finance and Privatisation Section of the Treasury Department, where he has led the office responsible for the privatisation of groups and companies owned by the Ministry for the Economy and Finance since January 2003. For many years prior to that, he held management positions in the IRI Finance Department. He is currently a member of the Policy Committee of Cassa Depositi e Prestiti. He has also been a director of Gestore dei Servizi Elettrici - GSE SpA, Fincantieri SpA, Tirrenia di Navigazione SpA and Mediocredito del Friuli Venezia Giulia SpA.

NICOLA SQUILLACE – Director

Mr. Squillace was born in Crotone on 6 August 1964. He holds a law degree from the University of Rome "La Sapienza" and is admitted to practice before the bar of Milan. He currently practices at the Libonati-Jaeger Law Firm in Milan in the areas of corporate finance and acquisitions. He previously worked for the law firms of Schlesinger-Lombardi and Brosio, Casati and Associates. He has been a director of Unicredit Banca per la Casa SpA, as well as a director and member of the executive committee of Milano Assicurazioni SpA. He is currently a director of Mediocredito Italiano (formerly Banca Intesa Mediocredito). Mr. Squillace has authored numerous articles on corporate and financial law and has also worked with the Corporate Law Department of the University of Milan.

RICCARDO VARALDO – Director

Professor Varaldo was born in Savona on 17 June 1935. He has been a director of Finmeccanica since 12 July 2005 and was re-appointed on 6 June 2008. He holds an economics degree from the University of Pisa and has been a professor of Business and Corporate Management since 1972. In 1987 he became a member of the staff of Scuola Superiore Sant'Anna for university and postgraduate studies. He is currently chairman of that organisation, after previously acting as Rector from 1993 to 2004. He is an honorary professor of Chongqing University, China. He has been a member of the board of the Italy Japan Business Group since 2004, as well as the Scientific Committee of the Lucchini Foundation and the Lars Magnum Ericsson Foundation. Prof. Varaldo is currently a director of Piaggio SpA (since 2006) and a member of the Supervisory Board of Intesa Sanpaolo SpA (since 30 April 2008). He has also been a director of Cassa di Risparmio di Firenze (until March 2008), Targetti Sankey (until April 2006), Oto Melara (2003-2005), Alleanza Assicurazioni, Gruppo Generali (1990-1993) and Nuovo Pignone (1989-1992). He is a member of the Society of Italian Economists and the Italian Academy of Corporate Economics. He has served in numerous capacities in government ministries and public bodies and currently sits on the committee of the Ministry for Education and Research that selects research programmes. He has authored a number of monographs and articles in Italian and foreign publications. He recently published several occasional papers with A. Di Minin for Finmeccanica's series entitled "The new entrepreneurial capitalism of research in Italy".

GUIDO VENTURONI – Director

Admiral Venturoni was born in Teramo on 10 April 1934. He has been a director of Finmeccanica since 12 July 2005 and was re-appointed on 6 June 2008. He attended the Livorno Naval Academy, where he became an officer in 1956. In 1959, he obtained a pilot's licence from the Naval Aviation Branch, which authorised him to operate from aircraft carriers. He was made a Rear Admiral in 1982 and has held positions of increasing responsibility ever since, including Head of Operations at the Navy and later at the Ministry for the Defence, Commander of the 1st Naval Division, Deputy Chief of Staff for the Navy and Commander in Chief of the Naval Squadron and of the Central Mediterranean. In 1992, he was appointed Navy Chief of Staff and 1994 became Defence Chief of Staff. He was made Chairman of the Military Committee of NATO in 1999. Admiral Venturoni completed his term in Brussels in 2002 and retired from active service after 50 years in the armed forces. He has held numerous important positions and led a number of military operations nationally and internationally, for which he was awarded many Italian and foreign medals. More specifically, he was in charge of the multinational strategic and operational campaign led by Italy in Albania in 1997. From 2002 until November 2005, he served as chairman of Selenia Communications SpA (formerly Marconi Selenia Communications SpA).

The Directors of Finmeccanica accept their appointments and remain in office because they believe that they can dedicate the necessary time to the diligent performance of their duties, taking into consideration both the number and type of the positions that they hold in the governing and control bodies of other companies listed on regulated markets (including foreign markets), of finance, banking or insurance companies or of other major companies.
In this respect, the Finmeccanica Board of Directors has expressed an opinion regarding the maximum number of positions as director or auditor that is compatible with the efficient performance of the duties involved in a directorship with the Company, deeming that this number should not be higher than five (5) positions in companies listed on regulated markets,

including foreign markets (Art. 2 of the Rules of Procedure of the Board of Directors Regulations). The Board deems that any positions held by Finmeccanica Directors in companies either directly or indirectly controlled by Finmeccanica SpA, or in which it holds an equity interest, should not count for the purposes of the calculation of the number of directorships. The members of the present Board of Directors comply with the aforesaid restrictions.

The Board of Directors, however, feels that given the current laws, the Shareholders' Meeting should, in appointing directors, consider whether to impose limitations, in the manner it deems fit, on the number of positions that a Director can hold.

Each year, the Board reviews and provides in observations in the Corporate Governance Report on the positions the Company's Directors hold as directors or auditors of other companies listed on regulated markets (including foreign markets), or in finance, banking or insurance companies or major companies.

The positions as director or auditor held by members of the Board of Directors in companies not belonging to the Finmeccanica Group are shown below.

- **Piergiorgio Alberti:**
  - Director of Parmalat SpA
  - Director of Banca Carige SpA
- **Andrea Boltho von Hohenbach**
  - Director of Oxford Economics Limited
- **Franco Bonferroni:**
  - Director of Alerion CleanPower SpA
  - Director of Cassa di Risparmio di Bra SpA
  - Director of Cassa di Risparmio di Savigliano SpA
- **Giovanni Castellaneta:**
  - Chairman of SACE SpA
- **Maurizio De Tilla:**
  - Director of Alleanza Assicurazioni SpA[2]
- **Richard Greco**
  - Director of Mediware Information Systems, Boliven LLC
- **Riccardo Varaldo:**
  - Director of Piaggio SpA
  - Member of the Supervisory Body of Intesa Sanpaolo SpA

5.2. Role of the Board of Directors

The Board of Directors is vested with the fullest powers for the management of the Company, with the authority to perform any act it considers appropriate for achieving the Company's business purpose, except for the acts reserved to the Shareholders' Meeting by law or the Bylaws.

The Board of Directors is solely responsible (obviously in addition to those matters provided by Art. 2381 of the Italian Civil Code), for the following matters, including with regard to the provisions of Art. 22.3 of the Bylaws:

1. proposals for the voluntary winding-up of the Company;
2. approving mergers or demergers involving the Company;
3. proposals to amend any clause in the Bylaws or the adoption of new Bylaws;
4. the Issuer's notice concerning takeover or share-exchange bids pursuant to Art. 39 of Resolution 11971 of 14 May 1999;
5. setting corporate strategy and organisation guidelines (including plans, programmes and budgets);

2. Position held until October 2009.

6. key strategic agreements, going beyond normal operations, with Italian or foreign operators in the sector or other companies or groups;
7. capital increases, incorporation, transformation, listing, mergers, demergers, winding-up or the execution of shareholders' agreements with regard to direct subsidiaries;
8. designation of new Directors with powers, or of directors, statutory auditors or independent auditors in direct subsidiaries;
9. the purchase, exchange or sale of real estate and leases with a duration of more than nine years;
10. medium- and long-term credit and debt financial transactions for amounts in excess of €mil. 25 per transaction;
11. issuance of guarantees for amounts in excess of €mil. 50 per transaction;
12. the engagement, appointment and dismissal of executives responsible for head office functions as defined in the organisational chart; appointing consultants on a continuous basis for a duration of more than a year involving expenditure in excess of €th. 250;
13. the acquisition of equity investments, also by exercising option rights;
14. transfers, contributions, leases and usufruct and all other acts of disposal, including those carried out in the framework of joint ventures or as a result of compliance with corporate restrictions or business segments thereof;
15. transfers, contributions, licences and all other acts of disposal, including those carried out within the framework of joint ventures or as a result of compliance with technology, production process, know-how, patent, industrial project and all other intellectual property restrictions connected with work related to defence;
16. moving research and development work related to defence outside Italy;
17. transfer of equity investments in companies, also by means of the exercise or the waiver of option rights, contributions, usufruct, pledges and all other acts of disposal, including those carried out within the framework of joint ventures or as a result of compliance with restrictions arising from the investments themselves;
18. vote in the shareholders' meetings of subsidiaries, associates or companies in which an equity investment is held (the notions of control and association are meant as understood by Art. 2359 of the Italian Civil Code) that conduct business related to defence with regard to the subject matter referred to in the preceding points 14, 15, 16 and 17).

Also falling within the sphere of responsibilities of the Board is the execution of acts and agreements for amounts in excess of €mil. 150 per transaction (the power vested in the Chairman and Chief Executive Officer for this purpose, in fact, is limited to amounts not exceeding €mil. 150 per transaction).

Resolutions on matters for which the Board of Directors is solely responsible under the Bylaws (Article 22.3), which are, in any event, included in the above list, are valid if they are adopted by the favourable vote of seven-tenths of the serving Directors (rounded off to the next lowest whole number if this ratio results in fraction).

With regard to the resolutions previously adopted regarding matters reserved to the Board, the Board of Directors approved a specific document entitled **"Guidelines and criteria for identify Significant transactions and Transactions with Related Parties"** which can be found on the Company's website (Investor Relations/Corporate Governance section).

Significant transactions, which are included among those for which the Board of Directors has sole responsibility, are identified by using both quantitative and qualitative criteria in light of the type of activity performed by Finmeccanica.

No special level of materiality is assigned to transactions with related parties, as it was thought that the criteria adopted to identify transactions for which the Board of Directors has sole responsibility already provides sufficient safeguards.

Under Art. 20 of the Bylaws, the Board of Directors meets whenever the Chairman deems it necessary, or at the written request of the majority of its members or of the Board of Statutory Auditors.

The Rules of Procedure state that executives of the Company or other persons who are believed to be able to provide a deeper understanding of the items on the agenda may attend Board meetings at the invitation of the Chairman.

The operational practice that has been followed by the Company for some time ensures that Board meetings are held regularly, at least once a month. The calendar for the following year's Board meetings is usually set in December. The schedule for 2010 calls for 11 meetings, of which 3 have already been held.

In 2009, the Board met 10 times for an average of 2 hours per meeting.

The following are the Directors' attendance records for the meetings that took place during the 2009 financial year:

Pier Francesco Guarguaglini	10 out of 10 meetings
Piergiorgio Alberti	10 out of 10 meetings
Andrea Boltho von Hohenbach	10 out of 10 meetings
Franco Bonferroni	10 out of 10 meetings
Giovanni Castellaneta	10 out of 10 meetings
Maurizio De Tilla	10 out of 10 meetings
Dario Galli	10 out of 10 meetings
Richard Greco	9 out of 10 meetings
Francesco Parlato	9 out of 10 meetings
Nicola Squillace	10 out of 10 meetings
Riccardo Varaldo	10 out of 10 meetings
Guido Venturoni	10 out of 10 meetings

All absences were excused.

As envisaged in the aforementioned Rules of Procedure, the Board of Directors:

a) examines and approves the Company's strategic, industrial and financial plans and those of the Group that it leads, its corporate governance system and the Group structure;

b) evaluates the adequacy of the general organisational, administrative and accounting structure of the Company and of its key subsidiaries as established by the Chairman and Chief Executive Officer, paying particular attention each year to the adequacy, efficacy and effective functioning of the internal audit system and of the system for managing conflicts of interests;

c) grants and revokes powers delegated to the Chairman and Chief Executive Officer, except for those reserved solely to the Board under Art. 2381 of the Italian Civil Code, as well as Art. 22.3 of the Bylaws, establishing the limitations on and manner of exercising these powers and determining the frequency with which the Chairman and Chief Executive Officer must report to the Board on the actions that have been taken pursuant to the delegation;

d) decides the remuneration and conditions of service of the Chairman and Chief Executive

Officer through the Remuneration Committee, which has been specifically delegated to do so, and those of the other Directors holding special positions, including membership in the Committees formed by the Board of Directors, in consultation with the Board of Statutory Auditors and in accordance with Art. 2389(2) of the Italian Civil Code;

e) assesses general performance, particularly taking into account the information received from the delegated bodies, and periodically comparing the results attained with those envisaged;

f) examines and approves the transactions of the Company and of its subsidiaries in advance when they are of significant strategic or financial importance or if they are materially important in terms of the Company's assets and financial position, paying particular attention to situations in which one or more Directors have interests of their own or on behalf of third parties, and, more generally, to transactions with related parties;

g) at least once a year, appraises the size, composition and functioning of the Board itself and of its Committees.

With the help of the Internal Audit Committee, the Board of Directors lays down guidelines for the internal audit system so that the main risks involving the Company and its subsidiaries are correctly identified and also satisfactorily measured, managed and monitored, also defining criteria for the compatibility of these risks with the sound and correct management of the enterprise.

Every year the Board, on the basis of reports from the Chairman of the Internal Audit Committee, appraises the adequacy, efficacy and effective functioning of the organisational, administrative and accounting structure of the Company and of its key subsidiaries.

The Board has defined as key subsidiaries those that it directly controls and that are responsible for managing the Group's areas of business – Helicopters, Defence and Security Electronics, Aeronautics, Space, Defence Systems, Energy and Transportation – having regard to all the activities these companies perform either directly or through other subsidiaries.

The Board of Directors deems that the control structure adopted by Finmeccanica is able to protect the Company from the risks typical of the activities that it carries out and to guard against them effectively, and is also able to monitor them in order to protect the Company and the Group's income statement, balance sheet and cash flow statement.

The Board has delegated the question of its administrative dealings with the Chairman and Chief Executive Officer to the Remuneration Committee, which takes the appropriate decisions in consultation with the Board of Statutory Auditors, keeping the Board fully informed.

In assessing general management performance, the Board periodically compared the results attained with those envisaged in the Budget approved by the Board and any subsequent changes.

As called for in the Corporate Governance Code and its own Rules of Procedure, the Board of Directors conducts annual assessments of the size, composition and functioning of the Board itself and of its committees, and may express opinions concerning the professional qualifications sought in Board members.
In the early part of 2010, this (self-)evaluation was repeated for the fifth consecutive time and was done, for 2009, with the help of an independent expert selected and hired by the Board and who does not have other responsibilities within the Group.

The process focused on giving the Board and its members room to reflect and on stimulating discussion of the actions that were taken during the year – with the help of Board's Secretary and the coordination of the Lead Independent Director – in order to follow up on the previous (self-)evaluation regarding the need for the members of the Board to better understand the diverse complexities of the various Finmeccanica businesses and the further improvement that can be made in a number of areas of the function of the Board.
The process calls for both structured interviews and open discussions, both individually with

each Director, with the Chairman of the Board of Statutory Auditors and with the Secretary of the Board of Directors and then, during the year, with the entire Board and with the Independent Directors alone.

As mentioned, the latest (self-)evaluation concerned the degree to which the Board follows the practices outlined in the Rules of Procedure and in the Corporate Governance Code, as well as the best practices seen in the marketplace.

This (self-)evaluation confirmed both the size and the composition of the Board, both in terms of the scope of competencies – including particular excellence in business judgement, finance and economics, and effective decision-making – and for the high number of independent directors, both foreign and Italian.
The Board also confirmed its positive assessment of the dual role as both Chairman and Chief Executive Officer played by Pier Francesco Guarguaglini, in consideration of his credibility, reputation and performance as perceived in the international marketplace. Given this dual role, the Board also continues to support the solution of introducing the Lead Independent Director.

The functioning of the Board, which also features the much appreciated involvement of the Directors, General Manager and Co-General Manager, has once again been assessed positively, as well, with the underlying processes and conduct of the Board being seen as among the most significant in Italian corporate governance, while expressing widespread satisfaction with the performance of the Board, of management, and of the Group as a whole. The functioning of the Internal Audit and Remuneration Committees was similarly appreciated.

As concerns the functioning of the committees, the process of improving the growing information exchange with the Board during the year is also seen positively.

As mentioned, the Board placed the greatest emphasis of this fifth (self-)evaluation on discussing and evaluating the actions taken in response to the previous assessment.

The actions taken engaged the Board for at least as much time as for the meetings of the Board and included: the presentation of the structure and functioning of Group governance; the assessment of Finmeccanica's internal audit system and meetings held to enhance knowledge of the Group's main businesses; the strategic scenarios possible in the various business segments; and meetings with the management of the subsidiaries that hosted meetings of the Board.

A number of changes were also made in order to improve the speed and quality of information provided to the Board, not only in terms of the issues presented, but also so as to enhance the Directors' knowledge of the Group.

This set of actions taken over the last year has been evaluated very positively by the Board, both in terms of the benefits provided, despite the high cost of the time everyone spent, and for the ability to pursue new opportunities to increase knowledge and understanding of the Group's complexities. In particular, the Board feels that these efforts have increased both its ability to understand, discuss and better assess strategic complexities and its ability to approve and monitor plans, budgets and main transactions of the Group as proposed by management, as well as its involvement as a member of the team of Finmeccanica's senior management.

Finally, the Shareholders' Meeting has not given general prior permission for any exceptions to the non-competition provision in Art. 2390 of the Italian Civil Code.
In accepting his position, therefore, each Director has stated that he does not perform any activity in competition with Finmeccanica, undertaking to inform the Board promptly of any changes to the contents of the statement that he made at the time of his/her appointment.

5.3 Delegated Bodies

The Chairman and Chief Executive Officer, who is the Company's authorised representative and signatory in accordance with the law and the Bylaws, has been delegated the following responsibilities:

- directing and running the Company, its offices and representations, resolving and performing all the acts falling within the sphere of the Company's day-to-day management;
- identifying the Company and the Group's strategy and the alliances, acquisitions and disposals policy to submit to the Board of Directors, entering into the necessary contacts with subsidiaries, associates and companies in which it holds an investment;
- executing Board of Directors' resolutions, performing the acts, including the acts of extraordinary management, authorised by the Board.

The Chairman and Chief Executive Officer have been granted the powers required to perform these duties, with some limits on their exercise, including: €mil. 150 as the maximum value of contracts that can be signed on behalf of the company, €mil. 50 limit on the issue of guarantees, €mil. 25 limit on medium and long-term credit and debt financial transactions, and €mil. 25 limit on settlement of agreements relating to each individual transaction.

The concentration of the positions of Chairman and Chief Executive Officer in a single person answers the need to provide strong leadership, so that the complex relations with international partners are managed in the best possible way. This approach also has the agreement of the majority Shareholder and is supported by a wide range of other Shareholders.

The Chairman and Chief Executive Officer is in any case assisted by a management structure that focuses on specific business areas with a high degree of professionalism, coordinated at corporate level by the General Manager, Co-General Manager and the Central Manager for External Relations, who, with the Chairman and Chief Executive Officer, make up the **Management Committee.**

The Chairman of the Board of Directors calls Board meetings, coordinates their work and directs the proceedings at meetings, ensuring that the Directors are given satisfactory information in good time so that the Board can express itself in a properly informed manner regarding the matters submitted for its attention.

In this respect, the specific rules governing the procedures involved in the functioning of these meetings, set out in the Rules of Procedure of the Board of Directors, specify the methods whereby the members of this body are assured that the utmost fairness is observed both in the phase in which prior information is supplied regarding the items on the agenda and in the methods of conducting the meetings.

Specifically, each Director and Statutory Auditor will be sent supporting documentation containing the primary information needed to understand and assess the issues on the agenda on the same day as the meeting is called, where possible, or in any case at least 3 days prior to the date set for the Board meeting (except in urgent cases).

Moreover, the Chairman, on his own initiative or at the request of the Board members, may set up special meetings in preparation for the Board meeting to explain in greater depth the documentation prepared by the Company's management when particularly complex issues are to be put forth to the Board.

The Chairman and Chief Executive Officer is also expected to provide the Board of Directors with full information regarding the main activities he has performed in the exercise of his delegated powers and regarding any atypical or unusual transactions or transactions with related parties for which the Board of Directors does not have sole responsibility. In this respect, Section 13 below should be referred to for the specific principles of conduct involved,

especially as regards transactions with related parties.
This information is provided at the same time as the periodic accounts (annual, half-year and interim financial statements and management reports) are submitted for the approval of the Board of Directors.

5.4. Other Executive Directors

The Board of Directors is exclusively composed of **Non-Executive Directors** (namely Directors without delegated operational and/or functional powers in the Company), except for the Chairman and Chief Executive Officer.

The different Company departments have arranged for sessions at which specific themes are discussed in detail in order to provide the Directors and Statutory Auditors with better knowledge of the Company, of the Group and of corporate affairs. This measure was adopted at the initiative of the Chairman and Chief Executive Officer and in consultation with the Lead Independent Director.

In addition to this, during each financial year some Board meetings are held in Group companies, also selected in consultation with the Lead Independent Director, to give the Directors the opportunity to become acquainted with these other companies' programmes, management and activities.

5.5. Independent Directors

In accordance with the Company's corporate governance model, which, as mentioned earlier, has been aligned with the recommendations of the new Corporate Governance Code, Finmeccanica's Board of Directors assesses the degree of independence of its non-executive members at the first possible meeting after their appointment. Their independence is re-assessed annually in the course of preparing the Corporate Governance Report. In assessing independence, the Board considers the information given by the individuals concerned regarding circumstances relevant to the assessment, as envisaged in the Board's Rules of Procedure.

The Board then submits its assessment of the independence of its members to the Board of Statutory Auditors, which verifies that the assessment criteria and procedures have been correctly applied.

After the assessment involving the 10 active non-executive directors appointed by the shareholders (and therefore excluding Amb. Castellaneta, the director without voting rights designated by Ministry Decree in accordance with Article 5.1-*ter*(d) of the Bylaws), the Board confirmed that the independence requirements were satisfied in the cases of all of the Directors, with the sole exception of Francesco Parlato, by virtue of his working relationship with the Ministry for the Economy and Finance, which has a shareholding of about 30.20% in the Company's share capital.

With regard to the position of Mr. De Tilla, a Director of the Company since 25 October 2000 and, therefore, for a period of more than nine years (a situation theoretically given by the Corporate Governance Code – although not in mandatory manner – as a potential cause of "non-independence"), given the profession performed and the roles held by Mr. De Tilla, the Board of Directors has decided that this period of service has in no way altered his independence or the objectivity of his views and that, conversely, it has given him a wealth of knowledge and the ability to understand and assess the challenges and any critical issues faced by the Company and by the Group.

Therefore, and given the ability – granted by the Corporate Governance Code – to make such determinations based more on substance than on form, the Board has determined that Mr. De Tilla continues to meet the requirements of an independent director.

Also on this occasion, the Board of Statutory Auditors verified that the criteria and procedures had been correctly applied by the Board of Directors.
Upon depositing the lists of candidates for positions as Directors, the candidates themselves also declared that they satisfied the independence requirements prescribed by law (Art. 148(3) of the Consolidated Law on Financial Intermediation).

It should be noted that none of the serving non-executive Directors has any substantial direct or indirect commercial, financial or professional relationship with the Company and/or its subsidiaries.

The Board of Directors has specified additional factors, set out below, in the assessment of independence, in the framework of the appraisal criteria specified in the Code and adopted in the Board's Rules of Procedure.

Persons in a position to "significantly influence" Finmeccanica are shareholders holding 10%, even indirectly, of its equity and, in any event, the Ministry for the Economy and Finance and the Ministry for Economic Development, inasmuch as they have the "special powers" envisaged in the Bylaws.

As regards professional collaboration or consultancy, the Board has stated that it will set quantitative reference parameters for assessment in these cases, while it will use its discretion in evaluating specific situations in the light of the Company's best interests, the significance of the relationship and the likelihood of its affecting the Director's independence. The Board, however, set a limit to Directors' emoluments (€th. 60), the maximum amount allowed for any professional assignments, which, in any event, must first be authorised by the Board.

Additionally, with regard to persons who are or were in the service of the Italian central government, which is a shareholder of Finmeccanica through the Ministry for the Economy and Finance, the Board of Directors appraises Directors' past or present employment by the Office of the Prime Minister, the Ministry for the Economy and Finance, the Ministry for Economic Development and the Ministry of Defence and any past or present positions held by such persons involving influence over authorities' policies or their manner of execution.

Without prejudice to all the above rules, the principle remains that each Director acts fully in conformity to his obligation to the Company to attend to his duties with the diligence called for by the nature of the position and by his specific expertise.

Independent Directors meet at least once a year, in the absence of the other Directors. Meetings are convened at the request of the independent Directors or by the Lead Independent Director.

In 2009, the independent directors met 3 times, in all cases as requested by the Lead Independent Director and without the presence of the Chairman and Chief Executive Officer or the non-independent director.

During these meetings, the independent directors selected the topics of greatest interest in enhancing their knowledge of the Group and the context in which it operates. These topics were then discussed in the meetings of the Board or on other occasions, such as during visits to the various Group companies.

As mentioned above, the independent directors also contributed to defining the programme for improving the functioning of the Board, which, as specified, was prepared based on the final observations of the (self-)evaluation process.

Also in 2009, the independent directors continued to receive information on specific topics from the various departments of the Company. These topics included the organisation and functioning of the corporate governance of the subsidiaries, the functioning of the internal audit

system, the organisation and functioning of legal and corporate affairs, and the management of human resources throughout the Group.
In addition, the Company's various internal committees, where appropriate and including for matters assigned to them and in the event of particularly important issues, consult with the other independent directors in order to obtain their opinions.

5.6. Lead Independent Director

On 26 June 2008, the Board of Directors, with the Chairman and Chief Executive Officer abstaining in accordance with the Rules of Procedure of the Board, appointed Director Guido Venturoni as Lead Independent Director. His task is to lead and coordinate the requests and contributions of the non-executive board members, specifically:

- assisting the Chairman and Chief Executive Officer in ensuring that Directors receive full and prompt information;
- convening, independently or at the request of other Board members, special meetings of independent Directors to discuss issues relevant to the functioning of the Board or the Company's operations;
- facilitating the process of the assessment of the members of the Board;
- working with the Chairman and Chief Executive Officer in drawing up the annual calendar of Board meetings;
- informing the Chairman and Chief Executive Officer of any matters to be submitted to the Board for scrutiny and appraisal.

The Lead Independent Director serves throughout the term of office of the Board of Directors, that is, until the Shareholders' Meeting held to approve the 2010 financial statements.

The Lead Independent Director meets with the Chairman and Chief Executive Officer several times throughout the year to explain the requirements of the non-executive Directors, particularly the need to enhance their knowledge of the strategic context of the specific sector in which the Group operates, in order for them to be in a better position to evaluate the transactions that are submitted for the Board's attention.

Apart from deciding the contents of the independent Directors' meetings referred to above, and chairing them, the Lead Independent Director worked with the Chairman and Chief Executive Officer in defining the measures to take in order to give Directors and Statutory Auditors a better knowledge of the Company, the Group and their performance.

6. Handling of Corporate Information

Particular care has been taken within the Company concerning the management and handling of confidential information and the methods whereby it was transmitted externally, with special regard to inside information.

For some time now, specific internal procedures have been adopted to coordinate the management and transmission of this information within the Group, in order to ensure compliance with the special restrictions and disclosure obligations imposed on listed issuers at every structural level, including subsidiaries.

These procedures were updated in more organic terms during 2007, by means of a specific directive addressed to Company executives and employees, Directors, Auditors and external advisors regarding relations with the media and, more generally, the handling of inside and confidential information.
This directive was also distributed to the subsidiaries of Finmeccanica, which must also abide by and implement its provisions.

The Company's Public Relations Department is responsible for the management of the process of announcing corporate information to the outside world.
Within the framework of the procedures for the management and announcement of corporate information and in accordance with the Internal Dealing Regulations, at its meeting on 28 March 2006 the Board of Directors resolved to adopt a **Code of Conduct for Internal Dealing**, to replace the previous Code of Ethics.
The new Code, which complies with the implementation regulations issued by CONSOB in adopting the provisions of the European Directive on Market Abuse, may be consulted on the Company's website (Internal Dealing area, accessible through the Investor Relations/Corporate Governance section).

The Code of Conduct for Internal Dealing, which became effective on 1 April 2006, regulates the flows of information on any transactions relating to shares issued by Finmeccanica and other "related financial instruments" as described by CONSOB, that may have been executed, even through a third party, by "Key Persons" of the Company and parties "closely related" to them.
For the purposes of the Code, the notion of 'Key Persons' includes the Directors, Auditors and General Manager and all persons acting as Co-General Managers.
The disclosure requirements laid down in the Code also extend to transactions carried out by "Parties closely related to Key Persons", as defined by CONSOB.

The Code sets a value threshold for transactions entered into on or after 1 April 2006 that have to be disclosed: under the new rules, only transactions with a total value of less than €th. 5 are exempt from the obligation.

As regards the deadline for disclosure to CONSOB and to the public, "Key Persons" are required to ensure that their notification reaches the Company within four trading days after the transaction, and the Company must inform CONSOB, Borsa Italiana SpA and the press agencies before the end of the trading day after receiving the information.

The Company also promptly publishes the information transmitted on its website, in the Internal Dealing area, which is accessible through the Investor Relations/Corporate Governance section.

In order to ensure that the new rules are correctly applied, the Company has laid down specific operating methods to ensure that "Key Persons" are made aware of their obligations and are provided with the help necessary for them to fulfil them.

Finally, pursuant to Art. 115-*bis* of the Consolidated Law on Financial Intermediation, the Company has created a special Register of persons who have regular or occasional access to inside information owing to their work or profession or by virtue of the functions that they perform. The Register is kept up to date in compliance with current regulations.

7. Board of Directors' Internal Committees

The Board of Directors has formed Committees from among its members, composed of Directors in accordance with the Corporate Governance Code and as laid down in its own Rules of Procedure. Among these Committees are the Internal Audit Committee and the Remuneration Committee, whose functions, work and composition are described in detail below. The Board also formed the Strategy Committee, which met twice in 2009 and two times so far in 2010, with all committee members present at each meeting.

The Committee is made up of the following members:

Strategy Committee	Attendance
Pier Francesco Guarguaglini – Chairman	2 out of 2 meetings
Andrea Boltho von Hohenbach	2 out of 2 meetings
Giovanni Castellaneta	2 out of 2 meetings
Dario Galli	2 out of 2 meetings
Richard Greco	2 out of 2 meetings
Francesco Parlato	2 out of 2 meetings
Nicola Squillace	2 out of 2 meetings
Guido Venturoni	2 out of 2 meetings

This Committee is responsible for assessing the strategy options for the Group's advancement and the relative business plans drawn up by the Chairman and Chief Executive Officer for submission to the Board of Directors.

During these meetings the Committee examined the structure and trends in the Defence and Security Electronics market and the related positioning of the Finmeccanica Group, as well as the role played by the Mediterranean and the Middle East in the Group's internationalisation process.

In January 2007, in order to gain the full support of experts and others in the international aerospace and defence industry so as to aid the Board of Directors and senior management in defining and assessing strategy for the industry, the Board approved the creation of the **Senior Defence Advisory Committee (SDAC)**, which is comprised of Prof. Christian de Boissieu (France), Sir Brian Burridge (UK), Gregory G. Johnson (USA), Sir Kevin Tebbit (UK), Gen. Peter Pace (USA), and board member Guido Venturoni (Chairman).

The Chairman of the SDAC reports periodically on the Committee's activities and on the main observations and recommendations arising from Committee meetings.

In 2009, the SDAC met with the members of the Board of Directors and Board of Statutory Auditors in order to present its observations regarding trends in the global aerospace and defence industry and the international political and economic landscape.

8. Appointments Committee

The Board of Directors has taken the decision not to form a Board committee to propose candidates for positions as Directors or to exercise its right to present its own list of candidates as to date it has not found that the Shareholders have any difficulty in submitting lists of candidates on the basis of the list voting mechanism.

With regard to the methods and procedures for the appointment of Directors, please refer to the Section 5.1 above, as well as the information on the shareholder structure covered in Section 2 of this Report.

9. Remuneration Committee

The Remuneration Committee met 6 times in 2009 and once in 2010; it is composed of the following persons:

Remuneration Committee	Attendance
Riccardo Varaldo – Chairman	6 out of 6 meetings
Piergiorgio Alberti	6 out of 6 meetings
Franco Bonferroni	6 out of 6 meetings
Dario Galli	6 out of 6 meetings
Francesco Parlato	6 out of 6 meetings

The duties of this Committee, composed of 5 non-executive Directors, 4 of whom are independent, are:

- determining the compensation and conditions of service of the Chairman and Chief Executive Officer, in consultation with the Board of Statutory Auditors where required by Article 2389 of the Italian Civil Code, based on the terms of his employment contract with the Company;
- assessing the proposals of the Chairman and Chief Executive Officer of the Company in relation to the general criteria for remuneration and incentives and considering the plans and mechanisms in place for developing the management skills of the Group's key employees and the executive Directors of Group companies;
- assisting the Company's Top Management in deciding on the best policies for the handling of the Group's management employees;
- assessing Top Management proposals for the introduction of and changes to share-based incentive or stock-option plans for Directors and executives of the Company and Group companies for submission to the Board of Directors;
- performing the functions for which it is responsible in relation to the management of the long-term incentive plan as prescribed in the appropriate Rules of Procedure.

The Committee's work is subject to specific **Rules of Procedure**, the text of which may be consulted on the Company's website (Investor Relations section in the Corporate Documents area).

Since it was formed in December 2000, the Remuneration Committee has played a role in support of the Company's Top Management with regard to some of the primary issues related to the strategic management of the Group's human resources and its salar and retention policies.

In this respect, incentive plans have been implemented based on performance and growth targets set for the Group's share price and value.

Furthermore, in line with the strategic objective of refocusing on management development and planning as one of the key priorities of Finmeccanica, the Committee has supported the creation of a qualified, structured and periodic management appraisal process, designed to select the beneficiaries of the long-term incentive programmes objectively and impartially.

More specifically, in 2009 the Committee:

- examined the 2009 Human Resources Plan prepared by the Company's Human Resources Unit and provided their observations and recommendations regarding the planned actions;
- assessed, in regard to management incentive systems, the impact of the increase in Finmeccanica capital (completed in November 2008) and the acquisition of DRS Technologies Inc. and adapted the related performance targets. As concerns the Performance Share Plan (PSP) 2008-2010, and taking account of the dilution effect of the value of the shares

granted, the Committee also adjusted the number of shares granted to each plan participant, in accordance with the related clauses of the Plan Regulations;

- with regard to the short-term and medium/long-term incentives plan for Group management, and in line with performance for 2008, saw to the settlement of amounts payable to the Chairman and Chief Executive Officer. Regarding the PSP 2008-2010, the Committee authorised the delivery of the Company's shares to Plan participants, which also includes the Chairman and Chief Executive Officer;
- expressed favour, regarding the existing short-term and medium/long-term incentives plans with granting the incentives of the 2009 MBO and of the 2009-2011 incentive plan to Group management and set the related performance targets, expressly approving those granted to the Chairman and Chief Executive Officer.

The Committee also examined the Group's human resources management and development policies, particularly in regard to the key positions and the succession plans, and assessed the status of industrial relations and relations with the trade unions.

Finally, the Committee examined the guidelines for preparing the 2010 Human Resources Plan, focusing on managing integration of the recently acquired companies, on the internationalisation of the workforce, and on evaluating and promoting management in order to face the generational change within the new framework of international growth and consolidation.

In carrying out its activities, the Committee has the support of the appropriate units within the Company, particularly the Human Resources Unit, as well as of external consultants. As a result, beyond this option to make use of external consultants, it has not been necessary to prepare a specific budget for the Committee's activities.

Committee meetings are duly minuted.

The Co-General Manager, the Director of Human Resources and the Chairman of the Board of Statutory Auditors are always asked to attend Remuneration Committee meetings.

10. Directors' Remuneration

The Board of Directors formed a special Remuneration Committee, as described in Section 9 above. This Committee is responsible, *inter alia*, for determining the salary and conditions of service of the Chairman and Chief Executive Officer of the Company, in consultation with the Board of Statutory Auditors, where required by Art. 2389 of the Italian Civil Code, based on the terms of his employment contract with the Company. The Committee makes timely reports of its determinations to the Board.

Like all the Group's key employees, the Chairman and Chief Executive Officer receives two kinds of variable payments in addition to his base salary, including the pay resolved by the Shareholders' Meeting:

1. an annual MBO and additional payments (Long-Term Incentive Plan) in respect of the three-year rolling incentive plans, all of which are linked to quantitative targets related to the Group's achieving certain performance and financial results as laid down with the approval of the Remuneration Committee;
2. the free allocation of shares, as provided for in the stock-based Long-Term Incentive Plan and approved by the Shareholders' Meeting, also linked to the attainment of Group performance and financial results as laid down with the approval of the Remuneration Committee.

These forms of variable remuneration are also paid to key executives in the Company and the Group.

As has already been pointed out, no other Director has executive duties in the Company or the Group. Non-executive Directors' remuneration is set by the Shareholders' Meeting, and is therefore not linked to the Company's results.
Furthermore, non-executive Directors are not beneficiaries of share-based incentive plans.

In consultation with the Board of Statutory Auditors, the Board of Directors has set a special fixed annual payment of €th. 2.5 for attendance at Internal Committee meetings, together with an attendance fee of €th. 2 per meeting. The Chairman of the Internal Audit Committee and the Chairman of the Remuneration Committee also receive an additional sum of €th. 5 per year. The independent Director that acts as Chairman of the Supervisory Body is paid a special additional sum of €th. 7.5 per year in addition to an attendance fee of €th. 2 per meeting. Director Guido Venturoni, who also acts as the Chairman of the Senior Defence Advisory Committee (SDAC), is paid a special fixed sum of €th. 5 per year in addition to an attendance fee of €th. 2 per meeting.

In compliance with disclosure obligations for listed issuers, it should be noted that Finmeccanica prepares a detailed report each year on the remuneration paid for any reason and in any form, including sums paid by subsidiaries, to individual Directors and Auditors, to the General Manager and to key executives.
A table showing this information may be consulted in the notes to the financial statements.

11. Internal Audit Committee

An Internal Audit Committee has been established within the Board of Directors. During 2009, this Committee met 8 times, and from January 2010 to today, the committee has met twice.
The Committee was composed as follows during 2009:

Internal Audit Committee	Attendance
Piergiorgio Alberti – Chairman	8 out of 8 meetings
Franco Bonferroni	8 out of 8 meetings
Maurizio De Tilla	7 out of 8 meetings
Nicola Squillace	6 out of 8 meetings

The Committee is comprised of 4 non-executive Directors, all of whom are "independent". The composition of the Committee is also in line with the recommendation, found in the Corporate Governance Code, that there be at least one member with adequate experience in accounting and finance. The work of the Internal Audit Committee is governed by specific Rules of Procedure approved by the Board of Directors, the text of which has been revised in light of the changes made to the Corporate Governance Code and the introduction of the new position of Officer in charge of preparing the Company's accounting documents.
The Rules of Procedure may be found on the Company's website (Investor Relations/Corporate Documents section).

The Board of Statutory Auditors and the Internal Audit Manager are constantly involved in the Committee's work, and the Chairman and Chief Executive Officer may also take part. If appropriate, depending on the items on the agenda, Company and Group executives and employees may also be asked to attend meetings of this Committee as well as third parties who are not members.

The Committee advises advice and puts forward proposals to the Board of Directors within the course of its work.

The Committee is, in particular, responsible for verifying the functioning and adequacy of the internal audit system and observance of internal procedures, so as to ensure both the sound, effective management of various risks and their prevention as far as is possible.

The following are mentioned from among the Committee's specific duties:

a) assist the Board of Directors in setting the policies for the internal audit system, including the financial reporting process, and in assessing the adequacy, efficacy and actual functioning of the system at least once per year;

b) together with the Officer in charge of preparing the Company's accounting documents and the independent auditing firm, assess the adequacy and uniformity of the accounting principles adopted in preparing consolidated financial statements;

c) express opinions, at the request of the Executive Director in charge of the internal audit system, on specific issues pertaining to the identification of the main business risks and the design, creation and management of the internal audit system;

d) examine the working plan drawn up by the Internal Audit Manager and his periodic reports;

e) consider the proposals made by the auditing firm in applying for appointment and the working plan drawn up for the audit, and the results set out in the report and in the letter of recommendations, if any;

f) supervise the efficacy of the accounts audit process;

g) report on the work done and on the adequacy of the internal audit system to the Board of Directors at least every six months during the meetings held to approve the annual and half-year financial statements;

h) perform any additional duties assigned to it by the Board of Directors.

Committee meetings, constantly attended by the members of the Board of Statutory Auditors, are duly minuted.

In performing its duties, the Committee may seek assistance from the Internal Audit Manager and both internal employees and outside professionals, provided they are contractually bound to protect confidentiality and to abide by the Company's ethical principles.

In carrying out its work the Committee also makes use of the appropriate Company structures, from which it receives the necessary information. Consequently, while it retains the right, mentioned above, to avail itself of the services of outside professionals, it has not been necessary to arrange for a special budget for the Committee's activities. In 2009 and from January 2010 to the date of publication of this report, the Internal Audit Committee has discussed the following issues and consequently conducted periodic audits of the adequacy and functioning of the internal audit system and the Company's underlying organisation.

Specifically, during this period, the Committee:

- continued the process of verifying the level of implementation of Finmeccanica SpA directives by the subsidiaries;
- examined the report of the Audit Unit on the activities carried out in 2009, as well as all of the audit reports issued during the year;
- examined Finmeccanica SpA's procedures for managing civil and administrative disputes;
- assessed the adequacy of the organisation and the administrative and accounting functions of Finmeccanica SpA;
- analysed Finmeccanica's system of training and development as a support to business and to Group governance;
- examined the results of the group-wide audit of the Finmeccanica Group regarding the investment-approval process;
- assessed the governance of ongoing services provided by Finmeccanica SpA to the various subsidiaries;

- discussed the issue of obligations of Italian publicly listed companies that have controlling interests in companies based in non-EU countries (Art. 36 of CONSOB's Market Regulation);
- analysed the content and related implications of Auditing Standard no. 2, as approved by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (Italian board of accountants);
- examined the content and results of the assessment of Finmeccanica SpA financial risk management.

With the help of the Audit Unit, the Committee carried out activities that enabled the Board of Directors to assess the adequacy of the organisation and administration and accounting functions of the Company and of its subsidiaries of strategic importance.

The Committee also reviewed the preparation of the half-year report and the annual financial statements, meeting with the auditing firm to discuss the matter, and issued special reports to the Board of Directors on its conclusions.

The Committee was also periodically updated on the activities related to compliance with Law 262/05.

Finally, on the basis of reports from the Internal Audit Manager and the auditing firm, the Committee assessed the adequacy of the accounting principles used and their uniformity for the purposes of preparing annual and half-year financial statements.

12. Internal Audit System

The Board of Directors, with the support of the Internal Audit Committee, and also by means of the work of the executive Director responsible, defines the guidelines for the internal audit system so that the main risks relating to the Company and its subsidiaries can be correctly identified and properly measured, managed and monitored. It also determines the criteria for assessing whether these risks are compatible with the sound management of the Company.

The Internal Audit Committee Rules of Procedure adopt the internal audit principles laid down in the Corporate Governance Code, taken as the combination of rules, procedures and organisational structures whose purpose is, by means of an appropriate process of identification, measurement, management and monitoring of the main risks, to allow the enterprise to be managed on a sound and proper basis, consistent with the targets that it sets itself.

The following persons play a role in the operation and in the assessment of the effectiveness of Finmeccanica's internal audit system:

- Board of Directors;
- Executive Director in charge of the internal audit system;
- Internal Audit Committee;
- Internal Audit Manager;
- Administrative body to which powers have been delegated pursuant to Law 262/05;
- Officer in charge of preparing the Company's accounting documents pursuant to Law 262/05;
- Supervisory Body formed pursuant to Legislative Decree 231 of 8 June 2001;
- Board of Statutory Auditors.

After this assessment, the Internal Audit Committee informed the Board of Directors of the special meetings that had taken place with the subsidiaries for the purpose of examining the functioning of their respective internal audit systems. Meetings were held under the aegis of the Committee at which the procedures adopted by the subsidiaries were examined in detail together with the management of the subsidiaries concerned in order to verify that they are complete and respond to the need for the correct management of corporate activities and processes and that they conform to the Group's guidelines, after preparatory work had been done in the form of appropriate research and investigation on the part of the Internal Audit Manager.

With regard to the work performed as reported by the Chairman of the Internal Audit Committee, the Board of Directors assessed the effectiveness of the organisational, administrative and accounting structure of the Company and its main subsidiaries, determining that the control structure adopted by Finmeccanica SpA is capable of effectively protecting against and preventing the risks associated with its primary businesses as well as monitoring them to protect the Company's and the Group's financial position and performance.

12.1. Risk management system and internal controls as related to the process of financial reporting

The Internal Control over Financial Reporting (ICFR) system is defined as the set of activities aimed at identifying and evaluating the actions or events that, when occurring or failing to occur, could compromise, in whole or in part, the achievement of the objectives of reliability, accuracy and timeliness of financial reporting.

Within Finmeccanica, there is such an internal audit system governing the financial reporting process. This system is designed to ensure that the administrative and accounting procedures adopted are applied appropriately and that they guarantee, with a reasonable degree of certainty, the reliability, accuracy and timeliness of the financial information reported, in accordance with related accounting standards.

The ICFR system has been defined in accordance with the generally accepted frameworks issued by the Committee of Sponsoring Organisations (CoSO) of the Treadway Commission, as well as the Control Objectives for Information and related Technology (COBIT).

The responsibilities for establishing and maintaining the ICFR system are governed and distributed throughout the organisation.

In particular, Finmeccanica's model currently calls for the involvement of:

- **Administrative body to which authority has been delegated**
  This refers to the Chairman and Chief Executive Officer.
- **Officer in charge of preparing the Company's accounting documents**
  In accordance with Article 154-*bis* of the Consolidated Law on Financial Intermediation, the Company's incoming Board of Directors appointed Alessandro Pansa, Co-General Manager of the Company, as the Officer in charge of preparing the Company's accounting documents until the expiry of the term of office of the Board of Directors.

  In fact, under Art. 25 of the Bylaws, the Board of Directors, having previously obtained the mandatory opinion of the Board of Statutory Auditors, appoints a person to this position, whose mandate expires at the same time as the term of office of the Board of Directors that has designated him.

  The choice of an executive for this position is made from among persons who, for a period of at least three years:

  a) have performed duties of governance and control or management in companies listed on regulated markets in Italy, in other EU Member States or in OECD countries with a share capital of not less than €mil. 2; or

  b) have had legal powers of control over the accounts of companies such as those specified in section (a) above; or

  c) have been professionals or full university professors in financial or accounting matters; or

d) have performed functions as executives in public or private bodies with expertise in finance, accounting or control sectors.

Also in accordance with the Bylaws, the executive in question must satisfy the requirements of good repute laid down for the members of the Board of Directors.

In connection with his appointment by the Board of Directors, Alessandro Pansa has been formally vested, in addition to the powers already conferred on him as Co-General Manager, with all the powers necessary for the correct performance of the duties for which he is responsible by law.

For this purpose, Mr. Pansa has the express right to have access to and request all information that he considers relevant both within the Company itself and within its subsidiaries and associates; the right to avail himself, in the performance of the work assigned to him, of the services of other Company and Group departments/units and their respective staff; the right to urge the adoption of corporate procedures or directives, also by Group companies, that are helpful or necessary for the correct reporting of the Company and the Group's income statement, balance sheet and cash flow statement.

Finally, the Company has taken further steps to implement activities with the purpose of ensuring compliance with the relative legislation by defining in greater detail the administrative and accounting procedures for the preparation of the statutory and consolidated financial statements and of the interim reports.

- **Financial reporting managers**

Within the main companies of the Group[3], the boards of directors have appointed financial reporting managers (FRMs) responsible for the financial information provided to the Group Parent and for supporting the Officer in charge of preparing the Company's accounting documents by defining, within each company, the administrative and accounting procedures needed to ensure the appropriateness and reliability of annual and interim consolidated financial reporting information.

As such, the FRMs have the following responsibilities:
› ensuring that the administrative and accounting procedures underlying the financial reporting process are suited to achieving the control objectives defined by the Group Parent and are in line with the actual operations of the company concerned;
› defining and implementing any plans for improvement.

- **Audit Unit**

Finmeccanica has entrusted the Audit Unit with responsibility for “independently” assessing the functioning of the internal controls over financial reporting.

Based on indications provided by the Officer in charge of preparing the Company's accounting documents, the Audit Unit conducts tests of the actual application of the administrative and accounting procedures defined by the Group Parent and other Group companies and coordinates activities within these companies, by means of a specific plan of operations, which defines the methods for verifying the implementation of controls.

The Audit Unit is assisted by the internal auditing departments of the various Group companies, which work to ensure the actual application of existing procedures.

The heads of the various internal auditing departments share the results of the tests and any actions for improvement defined with the FRMs, so as to define the appropriate action plans in a timely manner.

3. The parameters have been established based on the specifications provided in Auditing Standard no. 2 of the Public Company Accounting Oversight Board (PCAOB). This includes both quantitative (effects on the consolidated financial statements) and qualitative aspects.

The overall results of these tests are submitted to the Audit Unit, which then prepares an executive summary that enables the Officer in charge of preparing the Company's accounting documents and the delegated administrative body to assess the adequacy and actual application of the administrative and accounting procedures followed in preparing the individual financial statements, the abbreviated half-year financial statements, and the consolidated financial statements.

12.1.1 Current risk management and internal controls as related to the process of financial reporting

The administrative and accounting procedures entail an analysis of the risk of errors, intentional or otherwise, in financial reporting processes.
As such, when defining the ICFR system, a risk assessment was conducted in order to identify and evaluate the areas of risk in which events could arise to compromise the reliability of the financial information reported.
Based on this risk assessment, the components of the ICFR system were analysed by way of:

- a summary analysis of each individual company, with a specific focus on controls related to the reliability of financial information;
- an analysis of each operating process related to significant financial statement items by way of a matrix correlating the identified risks in the processes and their related controls.

The ICFR system features the following general stages for the main companies of the Group:

- risk identification and assessment;
- assessment of the adequacy of related controls;
- testing the functioning of the system of controls;
- monitoring and improving the system of controls.

Risk identification and assessment
Risks are identified by considering the likelihood that an event will occur and its potential impact on the financial statement items, without taking account of the existence or functioning of controls aimed at eliminating the risk or reducing it to acceptable levels.

Assessment of the adequacy of related controls
Based on the risk assessment, specific controls are identified, which fall under two main categories:

- entity-level controls which, as controls that apply to the entire organisation (Group/company), are structural elements of the ICFR system;
- process-level controls[4].

Entity-level controls include controls that characterise the entire company, such as: assigning responsibilities, powers and tasks; general controls of information systems; segregating incompatible tasks, etc.
At the process level, more specific controls have been defined, such as: verifications of recognition and measurement based on supporting documentation; issuing proper authorisations; preparing reconciliations; verifying consistency.

Process-level controls (numbering some 3,200) may be classified as either manual (2,400) or automatic (800) and as "preventive" or "after-the-fact", depending on their specific characteristics.

Testing the functioning of the system of controls
In order to verify and ensure the functioning of the ICFR system, specific monitoring activities have been defined for both the process owners and for parties outside the process itself (internal auditing department).

4. The parameters have been established based on the specifications provided in Auditing Standard no. 2 of the Public Company Accounting Oversight Board (PCAOB). This includes both quantitative (significance in relation to the consolidated financial statements) and qualitative aspects.

Monitoring and improving the system of controls
In order to properly monitor the ICFR system, the design of the system itself is systematically assessed, in addition to being evaluated when significant events occur.
The functioning of the controls defined by administrative and accounting procedures is tested twice each year.

The Officer in charge of preparing the Company's accounting documents, together with the Chairman and Chief Executive Officer, provides the certifications required by Article 154-*bis*(5) of the Consolidated Law on Financial Intermediation.

12.2. Executive Director in charge of the internal audit system

The Chairman and Chief Executive Officer, Pier Francesco Guarguaglini, was chosen to oversee the internal audit system. His role is to follow the policies set by the Board in designing, implementing and managing the internal audit system.

Chairman Guarguaglini, with the support of the Internal Audit Committee and the Internal Audit Manager:

- ensured that the main corporate risks (strategic, operational, financial and compliance) were identified in light of the features of the activities carried out by the Company and its subsidiaries, periodically submitting them to the scrutiny of the Board;
- supervised the planning, creation and management of the internal audit system, constantly verifying its overall adequacy, efficacy and efficiency;
- saw that the system was adjusted in response to changes in operational conditions and the legislative and regulatory framework.

The Board of Directors appointed Giuseppe Bargiacchi, the director of the Audit Department, as the Internal Audit Manager. His compensation is consistent with the corporate policies applicable to such as position.

12.3. Internal Audit Manager

By resolution dated 15 May 2002, the Board appointed Giuseppe Bargiacchi as Internal Audit Manager, responsible for verifying that the Internal Audit System remains suitable for the task and is operating to the full extent. Mr. Bargiacchi also holds the position of director of the Audit Department.

The Internal Audit Manager, who reports to the Chairman and Chief Executive Officer, is not accountable to the managers of the operational areas, including the administration and finance area, has direct access to all the information he needs in order to perform his duties and periodically reports on his work to the Internal Audit Committee, the Board of Statutory Auditors and to the Executive Director in charge of the internal audit system.

In 2009, the Internal Audit Manager performed the following main activities:

- performed audits;
- managed and updated the Register of natural and legal persons that have access to inside information;
- coordinated the Internal Audit Managers of the companies involved in implementing Law 262/05 with regard to verifying that the proper procedures have been followed;
- provided technical support for the Supervisory Body pursuant to Legislative Decree 231/2001, including updating the Company's Organisational, Management and Control Model.

As to the Group companies, the Internal Audit Manager reported to the Internal Audit Committee that their three-year plans for risk-based audits and monitoring of activities have been coordinated.

The Internal Audit Manager reported to the Internal Audit Committee on the work done by the main Group companies with regard to Legislative Decree 231/2001. The Manager stated that the requirements of this law were being successfully and generally fulfilled, with the adoption by said companies of the Organisational, Management and Control Model and of the Code of Ethics and the appointment of a Supervisory Body by their respective Boards of Directors. In connection with this, the companies (and Finmeccanica SpA) are engaged in reviewing their Organisational, Management and Control Models as a result of the recent changes in 2009 to the text of Legislative Decree 231/2001.

The Internal Audit Manager has financial resources included in the Audit Department budget in order to carry out his duties. This Department's activities have not been outsourced.

12.4. Organisational, Management and Control Model as per Legislative Decree 231/2001

With the entry into force of Legislative Decree 231/2001 as amended, which introduces specific corporate liability for certain types of criminal offences, the Company has adopted appropriate measures to prevent it from incurring any criminal liability in accordance with the provisions of this law. Special supervisory systems have been put in place aimed at preventing the offences contemplated by this Decree, which could potentially be committed by directors, auditors, management, employees or any other party having contractual/financial/commercial relations with Finmeccanica SpA.

To that end, the Finmeccanica Board of Directors, in its meeting of 25 June 2009, approved the new Organisational, Management and Control Model as per Legislative Degree 231/2001 (the "Model"), which includes the legislative changes regarding workplace safety (Law 123/2007), money laundering (Legislative Decree 231/2007), and computer crime (Law 48/2008), which the Company adopted, by resolution of the Board, on 12 November 2003 and subsequently updated on 26 July 2007. At the same time, the Board of Directors approved the new Bylaws for the Supervisory Body and took note of the changes to the content of the rules of this body. The Model is based on the guidelines issued by Confindustria (updated in 2008).

The prevailing Model, which is also a point of reference for other Group companies in the preparation of their own protocols, is composed of:

- a "general section", essentially dealing with:
  1) the Supervisory Body, the information that has to be sent to it, and its reports on the work it has done with respect to corporate bodies;
  2) staff training and the circulation of the Model within and outside the Company;
  3) the disciplinary measures applicable in the event of failure to comply with the requirements in the Model;
- a "special section A", which covers offences against public authorities, listing areas of the Company potentially at risk from these types of crime, establishing the rules of conduct for individuals working in these areas and defining monitoring procedures;
- a "special section B", which covers corporate crimes, structured as per section A above;
- a "special section C", which covers violations of occupational health and safety laws;
- a "special section D", which covers crimes of receiving, laundering or using illegal monies or goods;
- a "special section E", which covers computer crimes and illicit data processing.

The following annexes are integral parts of Finmeccanica SpA's Model:

- the Code of Ethics;
- the Finmeccanica SpA's organisational structure;
- the system of power delegation;
- the report file for meetings with members and/or representatives of government bodies;
- the list of "Key Persons" in accordance with the Code of Conduct for Internal Dealing;
- the legislative framework;
- the clause that the Company includes in commercial, financial and consulting contracts;
- the list of nations with favourable tax regimes in accordance with Italian ministerial decrees of 21 November 2001 and 23 January 2002.

This Model can be found on the Company's website, in the Investor Relations/Corporate Governance section. In addition, it should be noted that all the Italian subsidiaries have adopted similar Organisational, Management and Control Models pursuant to Legislative Decree 231/2001, which can also be consulted on their respective websites, and that the companies have appointed related Supervisory Bodies.
In 2009, the process of revising the Model of the Italian subsidiaries, regarding the organisational and legislative changes introduced as of 2008, was nearly completed.

With regard to the legislative framework, it should be noted that, following the Finmeccanica Board of Directors Resolution of 25 June 2009, additional types of criminal offences for which the entity concerned may be answerable were introduced, by virtue of the following articles affecting Legislative Decree 231/2001:

- Art. 24-*ter*, regarding organised crime;
- Art. 25-*bis*(1), regarding commercial and industrial crime;
- Art. 25-*novies*, regarding copyright infringement;
- Art. 25-*novies*, regarding the solicitation not to testify or to provide false testimony to legal authorities.

Art. 25-*bis* was also amended, extending the existing crimes (i.e. the counterfeiting of money, credit cards or other means of payment) to the falsification of identification devices or markings.

Therefore, in regard to these changes in legislation, Finmeccanica SpA has begun a new process of analysing the potential risk and consequent revision of the Model. The following processes have begun:

- updating the corporate risk map in light of the new criminal offences introduced into Legislative Decree 231/2001 and identifying the related control points;
- identifying those responsible for the activities at risk;
- relating the different types of criminal offence to the possible methods of implementation.

These activities, which have also begun within the Group companies concerned, should be completed by the end of 2010 with the approval of the new Model by the Company's Board of Directors, unless further changes are made to applicable legislation.

Finmeccanica SpA's Supervisory Body is composed of an independent, non-executive director acting as Chairman, Mr. Maurizio De Tilla, and the current heads of the Audits and Legal & Corporate Affairs Units. The Board of Directors has decided that the Supervisory Bodies of the first-level subsidiaries should be composed in the same way; in cases where there is no independent director, a member of the Board of Statutory Auditors has been appointed as chairman of the Supervisory Body. In some companies, in view of the complexity of the Company's business and its organisation, consideration has been given to the consequent implications with regard to Legislative Decree 231/2001, and the Board of Directors has provided for the inclusion of an outside professional as the fourth member of the Supervisory Body.

The duties and functioning of this Body are governed by specific Bylaws approved by the Finmeccanica Board of Directors on 15 December 2005 and updated on 25 June 2009. The main changes from the previous version concern the broader duties assigned to the Body in monitoring the validity and efficacy of the Model. At the same time, the Board of Directors took note of the new rules for the Supervisory Body. A similar procedure was followed by the subsidiaries' boards of directors.

12.5 Independent Auditors

On 23 May 2006 the Shareholders' Meeting appointed PricewaterhouseCoopers SpA to audit the accounts during the period 2006 to 2011.
The firm's appointment, therefore, will terminate at the time of the approval of the financial statements for 2011.

The appointment envisages the auditing firm carrying out the following activities:

1. auditing of the individual financial statements of Finmeccanica pursuant to Arts. 155 *et seq*. of the Consolidated Law on Financial Intermediation, prepared in accordance with IAS/IFRS;
2. auditing of the consolidated financial statements of the Finmeccanica Group pursuant to Arts. 155 *et seq*. of the Consolidated Law on Financial Intermediation, prepared in accordance with IAS/IFR;
3. verifying, during the financial period, that the accounts are properly kept in accordance with Arts. 155 *et seq*. of the Consolidated Law on Financial Intermediation;
4. limited review of the interim consolidated financial statements pursuant to CONSOB Resolution 10867 of 31 July 1997, prepared in accordance with IAS/IFR;
5. an audit of the Company's reporting package, prepared on the basis of the IAS/IFRS adopted by the Finmeccanica Group, on 31 December each year;
6. a limited review of the Company's half-year reporting package, prepared on the basis of the IAS/IFRS adopted by the Finmeccanica Group, on 30 June each year.

13. Directors' Interests and Transactions with Related Parties

The Board of Directors has specifically approved the document that has already been mentioned, **Guidelines and Criteria for Identifying Significant Transactions and Transactions with Related Parties**, which may be consulted on the Company's website, in the Investor Relations/Corporate Governance section.

Significant Transactions, which are included among those for which the Board of Directors has sole responsibility, are identified by using both quantitative and qualitative criteria in light of the type of activity performed by Finmeccanica.

No special level of materiality is assigned to transactions with related parties, as it was thought that the criteria adopted to identify transactions for which the Board of Directors has sole responsibility already provides sufficient safeguards.

The Board of Directors pays close attention to any potential conflicts of interests and to transactions with related parties not already included among those for which the Board has sole responsibility, as previously specified. At least once each quarter, the Board of Statutory Auditors makes a disclosure of these situations, including those affecting subsidiaries in accordance with Legislative Decree 58/1998 and with Art. 24.2 of the Company's Bylaws.

In order to ensure that there is openness and fairness in connection with transactions with related parties, Finmeccanica's Board of Directors has also formally approved, together with the above guidelines, the adoption of specific principles of conduct whose purpose is to regulate the main substantive and procedural aspects of the management of such transactions, also applicable to those not falling within the sphere of the sole responsibility of the Board of Directors, in the terms set out below.

The principles that have been adopted will be included in any adjustments that may become necessary in the light of the general principles that CONSOB is called upon to hand down in accordance with Article 2391-*bis* of the Italian Civil Code.

Standards of Conduct for Transactions with Related Parties

Transactions with related parties are managed abiding by special standards of substantive and procedural fairness.

For the definition of **Related Parties**, please refer to the definition contained in IAS 24, adopted by EU Commission Regulation (EC) 2238/2004 of 29 December 2004, as provided in the Issuers' Regulations amended by CONSOB Resolution 14990 of 14 April 2005.

For the purposes of the application of the principles of conduct, typical or usual transactions, or transactions to be concluded on market conditions, are not considered to be transactions with related parties.

Typical or usual transactions are those which, by their subject or nature, are not outside the Company's normal course of business, and transactions that do not present any particular problems given the details of the transaction, the accompanying counterparty risk or the time required to complete the transaction.
Transactions carried out at arms' length are transaction carried out under conditions that do not significantly different from that applied to dealings with unrelated parties.

Transactions with Related Parties reserved solely to the Board of Directors

The Board of Directors must be provided sufficient information concerning the nature of the relationship, the manner in which the transaction is conducted, the time needed to complete the transaction and the financial terms of the transaction, the assessment process followed, the reasons for the transaction and any accompanying risks to the Company.

Each Director must give the Company all information needed to for it to determine whether the standards of conduct have been followed.
Specifically, Directors having an interest, including a potential or indirect interest, in the transaction must notify the Board of this fact promptly and provide exhaustive information on the interest and the circumstances involved.
Such interested Director must absent themselves from the Board meeting when a resolution is to be taken, unless their absence threatens the continuance of the quorum required for the Board to validly meet.

If the nature, amount or other features of the transaction so require, in order to prevent the transaction from being completed on terms that differ from those that would probably have been negotiated between unrelated parties, the Board of Directors may require the assistance of one or more independent experts in valuing the assets concerned and/or to provide the necessary financial, legal or technical support.

In selecting these experts (banks, auditing firms, law firms or other experts whose professionalism is recognised and who have specific expertise), the Board will carefully evaluate their independence, possibly using different experts for each related party in the most important cases.

Transactions with Related Parties not subject to prior Board approval

Except for those reserved exclusively to the Board of Directors, transactions with related parties are reported by the Chairman and Chief Executive Officer in his periodic report to the Board of Directors on how he has exercised the powers delegated to him, as well as to the Board of Statutory Auditors on the most significant transactions entered into by the Company and its subsidiaries, pursuant to Art. 150(1) of Legislative Decree 58/1998.

In making these periodic reports on such transactions, the Chairman and Chief Executive Officer will explain the nature of the relationships involved, the manner in which the transaction is conducted, the time needed to complete the transaction and the financial terms of the transaction, the assessment process followed, the reasons for the transaction and any accompanying risks to the Company.

14. Appointment of Statutory Auditors

As with the appointment of the members of the Board of Directors, the list voting system has also been adopted for choosing Statutory Auditors. Furthermore, Art. 28.3 of the Bylaws, which continues to remain in effect under Law 474/1994 concerning privatisations, requires that the lists submitted by the Shareholders, along with the supporting documentation, be placed on file at the Company's registered office and published in at least three national daily publications, of which two must be targeted at the business community, at least 10 days prior to the date set for the Shareholders' Meeting in first calling.

The Board of Directors, however, abiding by a recommendation in the Corporate Governance Code, expressly recommends that the Shareholders deposit these lists at least fifteen days prior to the date of the meeting that is to decide on the appointment of the Board of Statutory Auditors.

In the notice announcing the relative Shareholders' Meeting, Shareholders are also expressly asked to deposit the résumés of the candidates at the same time as the lists so that they can be published on the Company's website in good time.

Lists may only be submitted by Shareholders holding, either alone or jointly with other Shareholders, at least 1% of the share capital with voting rights at Ordinary Shareholders' Meetings, or, as already mentioned with reference to the appointment of Directors, holding lower percentages if envisaged by applicable laws or regulations. The Bylaws also require two Regular and one Alternate Auditor to be taken from the minority list and that the Chairman of the Board of Statutory Auditors be chosen from among the Auditors elected from the minority list.

In the event of the replacement of a Regular Auditor elected from the majority list during the three-year period, the Alternate Auditor elected from the same majority list takes his place, while in the event of the replacement of the Regular Auditor elected from the minority list, the Alternate Auditor elected from the same minority list takes his place.

Article 28.1 of the Bylaws also requires at least two of the Regular Auditors and at least one of the Alternate Auditors to be chosen from registered auditors of accounts for at least three years. Auditors that do not satisfy this requirement must have at least three years experience:

a) in performing duties of governance and control or management in stock companies with a share capital of not less than €mil. 2; or

b) as professionals or full university professors in legal, economic, financial or technical and scientific matters closely connected with the Company's activities; or

c) in performing functions as executives in public or private bodies in the banking, finance and insurance sectors, or in sectors closely connected with the Company's activities, intended as those that are useful for achieving the Company's business purpose.

Apart from the situations of incompatibility and ineligibility provided by law, Art. 28.3 of the Bylaws also states that persons who serve as auditors for five or more issuers, or who perform governance and control functions for a number of other companies in excess of the limit provided by current law, may not be chosen as Regular Auditors.

Finally, as also mentioned in Section 6 above, the confidentiality obligations binding Auditors – as well as Directors – of the Company are expressly governed by the specific procedures for the handling of inside and confidential information.

15. Statutory Auditors

The Board of Statutory Auditors, consisting of five Regular and two Alternate Statutory Auditors, was appointed by the Shareholders' Meeting of 29 April 2009 for the 2009-2011 term. The Board will, therefore, stand down at the next Shareholders' Meeting, held to approve the financial statements for the period ended 31 December 2011.
The Chairman of the Board of Auditors was appointed by the same meeting from the two Auditors elected by the minority.

The **Board of Statutory Auditors** serving at 31 December 2009 was composed as follows:

Luigi Gaspari Chairman	(2)
Giorgio Cumin	(1)
Maurilio Fratino	(3)
Silvano Montaldo	(1)
Antonio Tamborrino	(1)

(1) Auditors appointed from the majority list submitted by the Ministry for the Economy and Finance, which had a shareholding of 30.2% of the share capital.

(2) Auditor appointed from the minority list submitted by Arca SGR SpA, Fideuram Investimenti SGR SpA, Fideuram Gestions SA, Interfund Sicav, Monte Paschi Asset Management SGR SpA, Stichting Pensioenfonds ABP, Pioneer Asset Management SA, Pioneer Investment Management Sgrpa, Ubi Pramerica SGR SpA, BNP Paribas Asset Management SGR SpA, which had a shareholding of 1.152% of the share capital.

(3) Auditor appointed from the minority list submitted by Mediobanca SpA, which had a shareholding of 1.003% of the share capital.

Two Alternate Statutory Auditors appointed by the Shareholders' Meeting on 29 April 2009:

Maurizio Dattilo	(2)
Piero Santoni	(1)

(1) Auditor appointed from the majority list submitted by the Ministry for the Economy and Finance, which had a shareholding of 30.2% of the share capital.

(2) Auditor appointed from the minority list submitted by Mediobanca SpA, which had a shareholding of 1.003% of the share capital

The table annexed to this Report summarises the structure of the Board of Statutory Auditors, showing the Auditors serving at 31 December 2009 and those that left office during 2009.

No changes in the composition of the Board of Statutory Auditors have taken place since the end of the 2009 financial year.
In 2009, the Board of Statutory Auditors met 22 times, while 5 meetings have been held in 2010 to date.

The following table shows the attendance records of the individual Statutory Auditors at the meetings of the Board of Statutory Auditors, as well as the 10 meetings of the Board of Directors held in 2009:

	Bd of St Aud	Bd of Dir
Luigi Gaspari	22 out of 22	10 out of 10 meetings
Giorgio Cumin	20 out of 22	10 out of 10 meetings
Francesco Forchielli*	7 out of 7	2 out of 4 meetings
Maurilio Fratino**	15 out of 15	6 out of 6 meetings
Silvano Montaldo	20 out of 22	10 out of 10 meetings
Antonio Tamborrino	20 out of 22	9 out of 10 meetings

*In office until 29 April 2009.
** In office from 29 April 2009.

All absences were excused.

Brief résumés of the careers of the members of the Board of Statutory Auditors are given below.

LUIGI GASPARI – Chairman

Chairman Gaspari was born in Rome on 14 September 1956. He has been a Statutory Auditor of Finmeccanica since 16 May 2003, having been reappointed on 23 May 2006 and 29 April 2009. He has been Chairman of the Board of Statutory Auditors since 23 May 2006 and has been a practising Chartered Accountant since 1985. He is entered in the Italian Register of Auditors and has held numerous positions including as head of operations for RIA Società Nazionale di Certificazione (1980-1985) and as a consultant to Assogestioni (1985-2000). In 2001, he was a member of the steering committee for the establishment of the Organismo Italiano di Contabilità (Italian accounting body) and is currently a member of its management board. He has held and continues to hold a number of posts on boards of directors, liquidation commissions, boards of auditors and supervisory committees, and acts as a corporate consultant, company appraiser and technical consultant to legal authorities and independent parties.

GIORGIO CUMIN – Regular Statutory Auditor

Mr. Cumin was born in Milan on 7 October 1937. He has been a Statutory Auditor of Finmeccanica since 10 May 2000, having been reappointed on 16 May 2003, 23 May 2006 and 29 April 2009. He holds a degree in Economics and Business from Bocconi University of Milan. He is a member of the Order of Chartered Accountants of the Courts of Milan and Lodi, and is entered in the Italian Register of Auditors. As a freelance practitioner, he has occupied a number of directorship and auditing positions in other companies, some as chairman, and has acted as liquidator and sole commissioner of companies in liquidation and extraordinary administration. He currently serves as auditor to a number of industrial companies and liquidating commissioner to companies in extraordinary administration.

MAURILIO FRATINO – Regular Statutory Auditor

Mr. Fratino was born in Alba (Cuneo) on 15 September 1952. He has been a Regular Statutory Auditor of Finmeccanica since 29 April 2009. He holds a law degree and practices in the areas of civil, commercial and corporate law. He has been entered in the Italian Register of Auditors in 1995. An instructor of food and wine law at the University of Turin, he has held numerous positions, including: member of the Committee of Experts for the Creation of the Single Market for the Prime Minister (1989-1992); statutory auditor (1986-1989) and director (1989-1992) of Autostrade SpA; Deputy Executive Chairman of Autostrada Torino Savona SpA (1989-1993); and managing director of Riccadonna International BV (1996-2004). Current positions include member of the board of directors of Campari Italia SpA and of Banca Regionale Europea SpA (UBI group), chairman of the board of auditors of Federvini, auditor of accounts for Federalimentare, and member of the tax and trademark protection committees of Confindustria.

SILVANO MONTALDO – Regular Statutory Auditor

Mr. Montaldo was born in Laigueglia (Savona) on 25 May 1957. He has been a Regular Statutory Auditor of Finmeccanica SpA since 23 May 2006, having been reappointed on 29 April 2009. He has worked as a Chartered Accountant since 1981 and has been entered in the Italian Register of Auditors since 1995. He has served or currently does serve as statutory auditor to numerous corporations, as well as an auditor of public entities, is a member of the supervisory bodies and is a commissioner of major firms in the process of bankruptcy.

ANTONIO TAMBORRINO – Regular Statutory Auditor

He was born in Torre del Greco (Naples) on 23 September 1939. He has been a Statutory Auditor of Finmeccanica since 16 May 2003, having been reappointed on 23 May 2006 and 29 April 2009. He is a Chartered Accountant and is entered in the Italian Register of Auditors. He is a freelance practitioner, a professor of insurance company economics at the University of Lecce and has taught Masters and specialisation courses at the University of Lecce, the University of Bari and at CECCAR in Bucharest. He is a former chairman of the Order of Chartered Accountants for the Province of Lecce (1993-1996), and chairman of the National Council of Chartered Accountants from 2002 until 31 December 2007. He has occupied a number of positions as director, auditor, chairman of boards of auditors and auditors of accounts and liquidator to bodies and companies, as well as court-appointed positions (bankruptcy receiver, legal commissioner and official court consultant).

MAURIZIO DATTILO – Alternate Statutory Auditor

Mr. Dattilo was born in Milan on 19 March 1963. He holds a degree in Economics and Business from Bocconi University in Milan. He has been a member of the Order of Chartered Accountants since 1990 and entered in the Italian Register of Auditors since 1995. He works as a Chartered Accountant at the firm of Dattilo Commercialisti Associati, which provides tax consultancy services for Mediobanca and other group companies such as Compass, Selma BPM Leasing, Compage and Spafid, as well as Banca Esperia, Banca Profilo, Banca IMI, IW-Bank, Distillerie F.lli Ramazzotti, Eurofly SpA and the European Oncology Institute.

PIERO SANTONI – Alternate Statutory Auditor

Mr. Santoni was born in Rome on 3 November 1936. A graduate in Economics and Commerce, he is entered in the Italian Register of Auditors. He worked at IRI until 1987 as vice-director of the Planning and Management Control Department, then moved on to Urban Systems, where he worked as joint general manager until 1993. He has served as director and auditor for a number of IRI Group companies and is currently a statutory auditor for Isotta Fraschini Motori and Cetena, and is chairman of the board of auditors of Finsider in liquidation.

In compliance with the Corporate Governance Code, the Board of Statutory Auditors has regularly confirmed the requirements of independence for Regular Auditors, both as soon after appointment as possible (in 2009) and during the current financial year (2010).
In that regard, the Board of Statutory Auditors followed the indications of the Code regarding the concept of independence for Statutory Auditors and applied the principle of substance over form, as required by said Code.
In particular, in regard to application criterion 3.C.1(e) of the Code – based on which those serving as a Statutory Auditor for more than nine of the last twelve years are no longer considered independent – the Board of Statutory Auditors nonetheless confirmed the independence of Mr. Cumin, who began his tenth year of service in 2009. This decision was made in consideration of his ethics and professionalism, as well as of the actual manner in which he carries out his functions, as these factors enable him to perform his duties autonomously and in an unbiased manner.

With the exception of the Chairman, Luigi Gaspari (regular auditor for Banca Italease SpA) and Alternate Auditor Maurizio Dattilo (regular auditor for Gemina SpA), the members of the Board of Statutory Auditors are not members of the boards of directors or statutory auditors of other companies that are publicly listed on regulated markets in Italy.
The table provided in the annexes below also shows the total number of positions held by

Regular Auditors in companies specified under Book V, Title V, Chapters V, VI and VII of the Italian Civil Code. A detailed list of such positions is, in accordance with Article 144-*quinquiesdecies* of CONSOB's Issuers' Regulations, included with the Board of Statutory Auditors' report on supervisory activities in accordance with Art. 153(1) of the Consolidated Law on Financial Intermediation.

Any Auditor who has an interest, either on his on own account or on behalf of a third party, in a certain transaction to be carried out by the Issuer must promptly give the other Auditors and the Chairman of the Board of Directors full information concerning the nature, terms, origin and scope of the interest.

The Board of Statutory Auditors supervises the independence of the auditing firm, verifying compliance with provisions of law governing the matter and the nature and the extent of the services, other than auditing services, provided to the Issuer and its subsidiaries by the firm in question and by the other entities belonging to its network.

In performing its work, the Board of Statutory Auditors liases constantly with the Company's Audit Unit and the Internal Audit Committee. Specifically, the Board of Statutory Auditors receives the necessary operational assistance for the performance of its own auditing work from the Audit Manager, obtains all the audit reports and examines the Annual Audit Plan.
As already stated, the Board of Statutory Auditors also attends all the Internal Audit Committee meetings.

16. Shareholders' Relations

In view of the importance, emphasised by the Code, of establishing an ongoing professional relationship with the general body of Shareholders and institutional investors, a special Investor Relations Unit has been set up to conduct this activity.

The Investor Relations Unit also provides all the key information required for the financial markets to be able to gain a picture of the Company that reflects the intrinsic value of the Group's activities.
The goal, pursued in keeping not just with regulatory provisions but also with Italian and international best practice, is to develop a transparent, ongoing dialogue with the Italian and international financial community, rooted in a clear strategic view of Finmeccanica's business and prospects.

The Investor Relations Unit is in constant contact with institutional and retail investors and financial analysts, relaying information about the Group's income, financial position, assets and liabilities and its commercial performance and also providing guidance documents and carefully monitoring market consensus.

In addition to this, information regarding the composition of the Company's management bodies, résumés of their members' careers, internal dealing information and the Corporate Bylaws, as well as the Company's Annual Corporate Governance Report, may easily be found on the Company's website in the Investors Relations/Corporate Governance section. This information is always kept up to date.
The Board of Directors' reports, minutes of Shareholders' Meetings and other important corporate documents are also published in the Corporate Documents area, and a review of the press releases issued by the Company may be found in the Legal Notices area.

The Investor Relations section also publishes the Company's financial statements and presentations with the relevant broadcasts. The same section also provides a range of other data related to the retail market (the Company calendar, dividends, share capital, share price performance and shareholding structure).
In order to provide more timely, easily accessible information to the Shareholders concerning

the Issuer, the Company is in the process of reviewing and optimising the structure and content of its website. The work should be completed by the end of 2010.

The Investor Relations Unit arranges for the presentation of the financial statements data at Shareholders' Meeting, ensuring that the information provided corresponds to the disclosures conveyed through the other channels that the Unit utilises for its financial announcements.

During the year events are organised with the purpose of better acquainting the financial market with the Group and of presenting the Company's income performance and financial position and outlook (economic and financial guidance).
This is done firstly, by arranging two institutional roadshows with the Group's Top Management, preferably when the results for the year and the half year are published, in line with the best practices adopted by listed companies.
The roadshows are held mainly in Europe and North America. Traditionally, they open in London, with stops in the leading European markets such as Paris, Milan and Frankfurt. Then, the roadshows cross the Atlantic to North America, usually to New York, Boston and other US markets (California, Chicago, etc.) and to Canada.

Among the other events organised by the Investor Relations Unit is Investor Day, which takes place once a year and is deemed the ideal platform for presenting the Top Management of Finmeccanica and of the other Group companies to the financial community. This is an opportunity for financial analysts and institutional investors to find out more about the Group's operations and to gain an understanding of its performance and its commercial, industrial, income and financial prospects as well as to make direct contact with its Top Managers.

There are also conference calls with the financial markets when quarterly results are published and/or following significant extraordinary transactions; visits to Group plants (so far visits have been made to Aeronautics, Helicopters, Defence and Security Electronics sites), normally preceded by a presentation on the Company given by its Top Management; and the chance to take part in a number of sector financial conferences, especially abroad, also attended by the Investor Relations Units and the heads of some of Group companies.

Finally, during the annual International Airshow (which alternates between Farnborough in England and Le Bourget in France), meetings are arranged between the financial community and the Top Management of Finmeccanica and of the Group's main companies, with special presentations and one-to-one or small group meetings.

The Director of the Investor Relations Unit is John Douglas Stewart, who reports directly to the Co-General Manager (currently Alessandro Pansa). A Financial Disclosures Department has been created within the Investor Relations Unit, headed by Raffaella Luglini.

Contacts:
Tel +39 06 3243.290/066
Fax +39 06 32473.514
You can also contact the Unit via the following email address:
investor_relations@finmeccanica.com

17. Shareholders' Meetings

Shareholders' Meetings are convened by means of a notice published in the Italian Gazzetta Ufficiale, by an announcement in a national daily newspaper and a message published promptly on the Company's website and through Borsa Italiana's Newspaper service.

In the calling, planning and management of these events, the focus has always been on encouraging as many Shareholders as possible to attend Shareholders' Meetings and to ensuring that Shareholders are provided with the highest quality information, subject to the restrictions on the methods of disclosure of price sensitive information.

Therefore, documents regarding the items on the agenda of the Shareholders' Meetings are promptly made available to Shareholders through the Company's website and are simultaneously filed at Company's registered office and with Borsa Italiana.

Specifically, the Company's website has a special section dedicated to Shareholders' Meetings, containing the documents and information pertaining each specific meeting, with a direct link from the home page to make it even easier for Shareholders to obtain access to this section.

Under Art. 13 of the Bylaws, shareholders eligible to attend the meeting must send the Issuer notice of intention to participate in the meeting (as per Art. 2370(2) of the Italian Civil Code) through a legally authorised intermediary no later than two days prior to the date set for the meeting in question.

The aforementioned section of the Bylaws also requires that the shares for which such notification is required not be withdrawn prior to the Shareholders' Meeting.

Shareholders may pass resolutions on all issues reserved to them by applicable laws.
The Bylaws (Article 24.1) also give the administrative body, by way of the right granted under Article 2365(2) of the Italian Civil Code, the power to make decisions on the following matters:

- mergers and spin-offs, in the cases specified by law;
- the creation or elimination of branch offices;
- reductions in share capital in the event of withdrawals;
- adaptation of the Bylaws to regulatory changes;
- transfer of the Company's registered office within Italy.

During Ordinary Shareholders' Meetings, resolutions are passed by an absolute majority of those in attendance, with the exception of the matters specified under Article 22.3 of the Bylaws, for which the favourable vote equal to at least three-fourths of the capital represented at the Meeting is required (Article 16.5 of the Bylaws).
Extraordinary Shareholders' Meetings also require the favourable vote of at least three-fourths of the capital represented in order for resolutions to pass.

Finmeccanica adopted **Shareholders' Meeting Rules** some time ago, with the purpose of setting out the appropriate procedures for ensuring meetings are conducted in an orderly and constructive fashion, laying down rules for main aspects (such as the right to take part in meetings or to be present at them, rules for debate, voting methods, arrangements for voting operations, etc.) so that the proceedings are properly conducted and Shareholders are assured of the right to speak on the items on the agenda.
In order to ensure that all Shareholders are able to exercise this right correctly, the Rules contain special provisions concerning the manner in which requests to speak on the individual items on the agenda should be presented, the maximum time Shareholders are allowed to speak and the possibility of asking to be allowed to speak again and to state how they will vote if they wish to do so.

The Rules also contain provisions for special powers held by the Chairman that enable him to settle conflicts among the persons attending the meeting or to prevent them from arising and to repress abuse of any kind.
These Rules, approved by the Shareholders' Meeting itself on 10 May 2000, are always distributed to all Shareholders whenever a meeting is held, and may be viewed on the Company's website (Investor Relations/Corporate Documents section).

The Company's Board of Directors and Top Management report on the business conducted during the year and on the Issuer's future plans at Shareholders' Meeting called to approve the annual financial statements.

The Board of Directors also sees that Shareholders are given accurate and timely information regarding the items on the agenda so that all Shareholders are in a position to be well informed and have full knowledge of the facts involved in making the decisions for which the Shareholders' Meeting is responsible.

It should be noted that the percentages regarding the exercise of shares and the prerogatives safeguarding minority shareholders – particularly the requirement of ownership of a 1% stake with voting rights in Ordinary Shareholders' Meetings (or a lesser amount as established by applicable law or regulations) for the presentation of lists of candidates for the Board of Directors or Board of Statutory Auditors – are established by the Bylaws (Arts. 18.4 and 28.3) based on Art. 4 of Law 474/1994 (regarding privatisation).

The Bylaws, moreover, as already stated in this Report, contain special procedures within the list voting mechanism to ensure that some Directors and Auditors are appointed from lists presented by minority Shareholders.

TABLE 1: STRUCTURE OF THE BOARD OF DIRECTORS AND OF THE COMMITTEES

Board of Directors appointed by the Shareholders' Meeting on 6 June 2008 (°) for the 2008-2010 term						
POSITION	**MEMBERS ***	**Executive**	**Non-Executive**	**Independent (Corp. Gov. Code)**	**Independent (Consolidat. Law)**	**Attendance BoD meetings**
Chairman and Chief Executive Officer	Pier Francesco Guarguaglini	✓		==	==	10/10
Director	Piergiorgio Alberti *		✓		✓	10/10
Director	Andrea Boltho von Hohenbach *		✓	✓	✓	10/10
Director	Franco Bonferroni		✓	✓	✓	10/10
Director	*Giovanni Castellaneta*		(°)	(°)	(°)	10/10
Director	Maurizio De Tilla *		✓	✓	✓	10/10
Director	Dario Galli		✓	✓	✓	10/10
Director	Richard Greco *		✓	✓	✓	9/10
Director	Francesco Parlato		✓	==	==	9/10
Director	Nicola Squillace		✓	✓	✓	10/10
Director	Riccardo Varaldo		✓	✓	✓	10/10
Director	Guido Venturoni		✓	✓	✓	10/10

Number of meetings held during 2009:	BoD: 10	Internal Audit Committee: 8

Quorum for presentation of minority lists: 1% of share capital with voting rights at Ordinary Shareholders' Meetings
(unless provision is made for a lower percentage by laws or regulation, pursuant to Art. 18.4 of the Bylaws, where applicable).

* Asterisk indicates a Director appointed from a minority list.

** All absences from BoD or Committees meetings excused.

*** This column contains the number of positions as Director or Auditor held by the persons serving at present in other companies listed on regulated markets, in Italy and abroad, and in finance houses, banks, insurance companies or major companies. The positions are described in full in the Report.

(°) Giovanni Castellaneta was appointed a Director without voting rights by Ministerial Decree pursuant to Law 474/94 and Art. 5.1-*ter*(d) of the Bylaws.

	Internal Audit Committee		Remuneration Committee		Strategy Committee	
Other positions ***	Comp.	Attendance**	Comp.	Attendance**	Comp.	Attendance**
=					✓	2/2
2	✓	8/8	✓	5/6		
1					✓	2/2
3	✓	8/8	✓	6/6		
1					✓	2/2
1	✓	7/8				
=			✓	6/6	✓	2/2
1					✓	2/2
=			✓	5/6	✓	2/2
=	✓	6/8			✓	2/2
2			✓	6/6		
=					✓	2/2

Remuneration Committee: 6 Strategy Committee: 2 Appointments Committee: not envisaged

TABLE 2: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Board of Statutory Auditors appointed by the Shareholders' Meeting of 29 April 2009 for the 2009-2011 term				
Position	**Members ***	**Independent (Corp. Gov. Code)**	**Attendance at BoSA Meetings (°)**	**Number of other positions held****
Chairman	Luigi Gaspari *	✓	22/22	12
Regular Auditor	Giorgio Cumin	✓	20/22	17
Regular Auditor	Maurilio Fratino *	✓	15/15	22
Regular Auditor	Silvano Montaldo	✓	20/22	14
Regular Auditor	Antonio Tamborrino	✓	20/22	18
Alternate Auditor	Maurizio Dattilo *	==	=	2
Alternate Auditor	Piero Santoni	==	=	=

Number of meetings held during 2009: 22

Quorum for presentation of minority lists for the election of two Regular and one Alternate Auditors:
1% of share capital with voting rights at Ordinary Shareholders' Meetings (unless provision is made for a lower percentage by laws or regulation, pursuant to Art. 28.3 of the Bylaws, where applicable).

* Asterisk indicates an Auditor appointed from a minority list.

** This column indicated the total number of positions held by the Regular Auditors in companies specified in Book V, Title V, Parts V, VI and VII of the Italian Civil Code, and positions as directors or auditors held by the Alternate Statutory Auditors in other companies listed on regulated markets in Italy. The positions held in other companies listed on Italian regulated markets are described in full in the Report. Pursuant to Art. 144-*quinquiesdecies* of the Issuers' Regulation, the detailed list of positions held by Regular Statutory Auditors is attached to the Report of the Board of Statutory Auditors prepared in accordance with Art. 153(1) of the Consolidated Law on Financial Intermediation.

(°) All absences from Board of Statutory Auditors' meetings are excused.

TABLE 3: AUDITORS WHO STEPPED DOWN DURING THE 2009 FINANCIAL YEAR

Position	Members	Independent (Corp. Gov. Code)	Attendance at BoSA Meetings	Number of other postions held*
Regular Auditor	Francesco Forchielli (°)	✓	7/7	18

(°) In office until 29 April 2009.
Auditor appointed from minority list.
* The total number of positions held at the companies referred to in Book V, Title V, Chapters V, VI and VII of the Civil Code up to date as of April 2009.

TABLE 4: OTHER PROVISIONS OF THE CORPORATE GOVERNANCE CODE

	YES	NO	Brief account of the justification for any departures from the recommendations in the Code
System of delegated powers and transactions with related parties			
Has the BoD conferred powers specifying their: a) restrictions b) method of exercising them c) and reporting intervals?	 ✓ ✓ ✓		
Has the BoD reserved its responsibility for the scrutiny and approval of transactions significantly impacting on profitability, assets and liabilities and financial position (including transactions with related parties)?	✓		
Has the BoD laid down guidelines and criteria for the definition of "significant" transactions?	✓		
Are the above guidelines and criteria set out in the report?	✓		
Has the BoD laid down special procedures for the scrutiny and approval of transactions with related parties?	✓		
Are the procedures for the approval of transactions with related parties set out in the report?	✓		
Procedures adopted in the latest appointments of Directors and Auditors			
Were the names of the candidates for positions as Directors deposited at least ten days in advance?	✓		
Were the names of the candidates for positions as Directors supported by full information?	✓		
Were the names of the candidates for positions as Directors accompanied by a specification of whether they qualified as independent?	✓		
Were the names of the candidates for positions as Auditors deposited at least ten days in advance?	✓		
Were the names of the candidates for positions as Auditors supported by full information?	✓		
Shareholders' Meetings			
Has the company approved Rules of Procedure for Shareholders' Meeting?	✓		
Are the Rules of Procedure annexed to the report (or does the report state where they can be obtained/downloaded)?	✓		
Internal control			
Has the company appointed internal control managers?	✓		
Are the internal control managers not accountable to managers of operating areas?	✓		
Organisational unit responsible for internal control	Audit Unit		
Investor Relations			
Has the company appointed an Investor Relations Manager?	✓		
Name of the organisational unit and contacts (address/phone number/fax/e-mail) of the Investor Relations Manager: Investor Relations Unit – Head of IR Unit: John Douglas Stewart - Head of Financial Communications Service: Raffaella Luglini P. zza Monte Grappa, 4 - 00195 Rome Tel +39 06 32473.290/066 – Fax: +39 06 32473514 e-mail: investor_relations@finmeccanica.com			

OUTLOOK

The worldwide economic recession, triggered by the financial market difficulties of 2007 and the subsequent crisis of September 2008 affected, with a foreseeable time lag, the capital-intensive sectors.

With regard to Finmeccanica's activities it should be noted, in the short term, that:

- in the aeronautics and helicopters sectors there was a slowdown in demand for passenger transport and an even sharper drop in cargo transport due to lower industrial production;
- in the energy sector there was a decline in total electricity consumption coupled with a lower growth in demand for new capacity and, as a result, fewer orders for new components;
- in the defence and security sector, where there was already a gradual stabilisation in expenditure, only a reduction in growth rates in investments occurred;
- in infrastructures important investment programmes were confirmed despite lagging behind expectations on the Italian market.

A number of the Group companies could, even in the medium term, begin to suffer the effects of the crisis as a result of economic policy choices made by the governments of many countries in an attempt to shore up the banking system and stimulate demand for consumer goods. The incentives to these sectors could be partially funded by retrenching the budget that governments dedicate to the defence sector.
On the one hand, there might be a reduction in demand for investments from Western industrialised countries, on the other hand trading surpluses, the perception of new threats and a marked growth in the domestic income will boost demand for civil transportation and military equipment from the main emerging countries.

The Group will be therefore forced to cope with commercial, industrial and financial challenges and problems, including:

- the aforementioned gradual shift of demand towards emerging countries featuring high spending capacity, great competitiveness and, as a result, profitability below that of the traditional markets;
- temporary layoffs primarily due to the slowdown in the civil segments of the Aeronautics and Helicopters divisions;
- the reorganisation of the vehicles segment of the Transportation division in order to solidify efficient industrial processes and stabilise the performance of a number of important contracts;
- the need for significant investment in the development of new technologies and products across all sectors.

The Group's management, in having to contend with the minimisation of the impact of these uneven situations, has made it its primary objective to undertake several actions of reorganisation and strengthening, including:

- activity targeted at improving industrial and operational processes along the entire programme life cycle;
- reinforcing actions aimed at containing overhead costs to reduce their growth in absolute terms;
- gaining access to relevant public funding in order to mitigate the impact of the "temporary layoffs" mentioned above;
- maintaining investments at a substantial level, only after a careful analysis has been made to prioritise the development of products and technologies;
- optimising processes for stocking warehouses and supplying production lines; constantly

monitoring progress milestones for orders and carefully managing relationships with customers and suppliers in order to contain increases in working capital.

Since 2008, and especially in 2009, the Group has been committed to handling the crisis in an orderly fashion. This approach has made it possible for the Group to reach, and in some cases surpass, its revenues, adjusted EBITA and free operating cash flow targets, resulting in consistent, adequate compensation of shareholders in the form of dividends. The massive volume of new orders in 2009 (over €bil. 21) further reinforced the order backlog (which stands at over €bil. 46) ensuring that a high degree (over 80%) of expected production for 2010 will be covered.

The Group’s capital stability will soon have to contend with the uncertainty about when the economic system will recover, with the search for new, highly competitive markets and with the possibility that advances paid by customers will be reduced. This rather difficult situation urges, as of now, a certain caution in discussing the main highlights for 2010.

In fact, Group revenues are expected to be in the range of €bil. 17.8 to €bil. 18.6, with a ratio of adjusted EBITA to revenues of between €mil. 1,520 and €mil. 1,600.

Finally, we expect FOCF to generate a cash surplus of about €mil. 200, given the considerable investment in the development of products necessary to sustain growth that, as in 2009, will focus on the Helicopters, Aeronautics, and Defence and Security Electronics divisions in particular.

for the Board of Directors
the Chairman and Chief Executive Officer
(Pier Francesco Guarguaglini)

ACCOUNTING STATEMENTS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2009

CONSOLIDATED INCOME STATEMENT

€ millions	Notes	2009	of which with related parties	2008	of which with related parties
Revenue	32	18,176	1,675	15,037	1,705
Other operating income	33	771	1	702	1
Raw materials and consumables used	34	(6,855)	(18)	(5,343)	(24)
Purchase of services	34	(5,661)	(105)	(4,944)	(121)
Personnel costs	35	(4,607)		(3,928)	
Amortisation, depreciation and impairment	36	(727)		(622)	
Other operating expenses	33	(684)	(2)	(686)	(2)
Changes in inventories of work in progress, semi-finished and finished goods		217		281	
(-) Work performed by the Group and capitalised	37	762		713	
		1,392		**1,210**	
Finance income	38	1,007	6	1,017	2
Finance costs	38	(1,321)	(7)	(1,255)	(26)
Share of profit (loss) of equity accounted investments	39	17		16	
Profit before taxes and the effect of discontinued operations		**1,095**		**988**	
Income taxes	40	(377)		(367)	
(Loss) Profit from discontinued operations		-		-	
Net profit		**718**		**621**	
. equity holders of the Company		*654*		*571*	
. minority interests		*64*		*50*	
Earnings per share	41				
Basic		*1,134*		*1,294*	
Diluted		*1,133*		*1,293*	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ millions	2009		2008	
Profit (Loss) for the year		**718**		**621**
Reserves of income (expense) recognised in equity				
- Financial assets available for sale:		-		(121)
. sale of shares	-		(57)	
. fair value adjustment	-		(175)	
. impairment of stock	-		111	
- Actuarial gains (losses) on defined-benefit plans:		(177)		(151)
. plan discounting	(185)		(111)	
. exchange gains (losses)	8		(40)	
- Changes in cash-flow hedges:		51		(62)
. fair value adjustment	72		383	
. transferred to income statement	(20)		2	
. transferred to investment in DRS	-		(460)	
. exchange gains (losses)	(1)		13	
- Translation differences		41		(675)
Tax on expense (income) recognised in equity	38		53	
. fair value adjustment/measurement	40		43	
. transferred to income statement	-		3	
. exchange gains (losses)	(2)		7	
Income (expense) recognised in equity		**(47)**		**(956)**
Total comprehensive income (expense) for the year		**671**		**(335)**
Attributable to:				
- Equity holders of the Company		606		(387)
- Minority interests		65		52

CONSOLIDATED BALANCE SHEET

€ millions	Notes	31 Dec. 09	of which with related parties	31 Dec. 08	of which with related parties
Non-current assets					
Intangible assets	8	8,237		8,237	
Property, plant and equipment	9	3,124		3,099	
Investment properties	10	1		1	
Equity investments	11	343		192	
Financial assets at fair value	13	-		154	
Receivables	14;15	212	12	302	13
Deferred tax assets	40	673		648	
Other assets	15	236		480	
		12,956		**13,113**	
Current assets					
Inventories	16	4,662		4,365	
Contract work in progress	17	3,713		3,674	
Trade receivables	18	4,768	523	4,655	518
Financial assets at fair value	19	11		1	
Income tax receivables	20	142		236	
Financial receivables	18	797	34	679	26
Derivatives	29	193		243	
Other assets	21	606	9	659	14
Cash and cash equivalents	22	2,630		2,297	
		17,522		**16,809**	
Non-current assets held for sale		**7**		**-**	
Total assets		**30,485**		**29,922**	
Shareholders' equity					
Share capital		2,512		2,519	
Other reserves		3,839		3,455	
Capital and reserves attributable to equity holders of the Company		**6,351**		**5,974**	
Minority interests in equity		198		156	
Total shareholders' equity	23	**6,549**		**6,130**	
Non-current liabilities					
Borrowings	24	4,604		4,095	
Employee liabilities	26	1,136		1,027	
Provisions for risks and charges	25	364		344	
Deferred tax liabilities	40	488		553	
Other liabilities	27	651		731	
		7,243		**6,750**	
Current liabilities					
Advances from customers	17	7,789		7,399	
Trade payables	28	4,611	99	4,735	84
Borrowings	24	1,904	679	2,265	652
Income tax payables	20	126		201	
Provisions for risks and charges	25	595		632	
Derivatives	29	88		236	
Other liabilities	27	1,580	13	1,574	34
		16,693		**17,042**	
Liabilities directly correlated with assets held for sale		-		-	
Total liabilities		**23,936**		**23,792**	
Total liabilities and shareholders' equity		**30,485**		**29,922**	

CONSOLIDATED CASH FLOW STATEMENT

€ millions	Notes	31 Dec. 09	of which with related parties	31 Dec. 08	of which with related parties
Cash flow from operating activities:					
Gross cash flow from operating activities	42	2,222		1,968	
Changes in working capital	42	(488)	(4)	169	(68)
Collection of ENEA settlement	6	64		296	
Changes in other operating assets and liabilities and provisions for risks and charges	42	(198)	1	(349)	(8)
Finance costs paid		(180)	20	(127)	(24)
Income taxes paid		(392)		(200)	
Net cash generated from operating activities		**1,028**		**1,419**	
Cash flow from investing activities:					
Acquisitions of subsidiaries, net of cash acquired	12	(12)		(82)	
Acquisition of DRS	12	(13)		(2,372)	
Acquisition of SCAC and other non-consolidated equity invest.	11	(157)		(41)	
Sale of STM shares	6	172		260	
Purchase of property, plant and equipment and intangible assets		(610)		(989)	
Proceeds from sale of property, plant and equip. and intangible assets		120		23	
Other investing activities		22	-	22	(9)
Net cash used in investing activities		**(478)**		**(3,179)**	
Cash flow from financing activities:					
Share capital increase	23	-		1,206	
Repayment of DRS's convertible bond and bank payables	24	(868)		(315)	
Repayments of bonds	24	-		(297)	
Issue of bonds	24	2,186		745	
Opening of Senior Term Loan Facility	24	-		3,015	
Repayment of Senior Term Loan Facility	24	(1,197)		(1,205)	
Net change in other borrowings		(55)	(7)	(499)	108
Dividends paid to Company's shareholders	23	(237)		(174)	
Dividends paid to minority interests	23	(19)		(13)	
Net cash used in financing activities		**(190)**		**2,463**	
Net increase (decrease) in cash and cash equivalents		360		703	
Exchange losses on cash and cash equivalents		(27)		(13)	
Cash and cash equivalents at 1 January	22	2,297		1,607	
Cash and cash equivalents at 31 December	**22**	**2,630**		**2,297**	

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

€ millions	Share capital	Retained earnings and consolidation reserve	Reserve for assets available for sale	Cash-flow hedge reserve	Reserve for stock-option/ stock-grant plans	Reserve for actuarial profits (losses) posted to shareholders' equity	Translation reserve	Total capital and reserves	Minority interests in equity
1 January 2008	**1,864**	**3,224**	**121**	**71**	**32**	**167**	**(150)**	**5,329**	**103**
Dividends paid		(174)						**(174)**	(13)
Capital increases	656	550						**1,206**	10
Sale of unopted rights		3						**3**	-
Capital increases for stock options	1	1						**2**	-
Repurchase of treasury shares less shares sold	(2)							**(2)**	
Profit (Loss) for the year		571						**571**	50
Other comprehensive income			(121)	(54)		(111)	(672)	**(958)**	2
Stock-options/grant plans:									
- services rendered					19			**19**	1
- stock-grants assigned		(3)			32			**35**	(3)
Other changes		11		6		(15)	11	**13**	6
31 December 2008	**2,519**	**4,183**	**-**	**23**	**19**	**41**	**(811)**	**5,974**	**156**
Dividends paid		(237)						**(237)**	(19)
Capital increases								**-**	5
Repurchase of treasury shares, less shares sold	(5)							**(5)**	
Profit (Loss) for the year		654						**654**	64
Other comprehensive income		-		37		(122)	37	**(48)**	1
Stock options/grant plans:									
- services rendered					24			**24**	1
- stock-grants assigned		7			(22)			**(15)**	(1)
Other changes	(2)	(2)			3		5	**4**	(9)
31 December 2009	**2,512**	**4,605**	**-**	**60**	**24**	**(81)**	**(769)**	**6,351**	**198**

for the Board of Directors
the Chairman and Chief Executive Officer
(Pier Francesco Guarguaglini)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2009

1. General information

Finmeccanica is a company limited by shares based in Rome (Italy), at Piazza Monte Grappa 4, and is listed on the Milan Stock Exchange (S&P/MIB).

The Finmeccanica Group is a major Italian high technology organisation. Finmeccanica SpA, the holding company responsible for guiding and controlling industrial and strategic operations, coordinates its subsidiaries (the Finmeccanica Group or, simply, the Group), which are especially concentrated in the fields of Helicopters, Defence and Security Electronics, Aeronautics, Space, Defence Systems, Energy 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 the Finmeccanica Group at 31 December 2008 were prepared in accordance with the international accounting standards (IFRS) endorsed by the European Commission, supplemented by the relevant interpretations (Standing Interpretations Committee - SIC and International Financial Reporting Interpretations Committee-IFRIC) issued by the International Accounting Standard Board (IASB).

The general principle used in preparing these consolidated financial statements is the cost method, except for financial assets available for sale and financial liabilities and assets (including derivatives) valued at fair value through profit and loss.

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 the items. Instead, the cash flow statement 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 2008 except for the application of the revised version of IAS 1 “Presentation of financial statements” and IAS 23 “Borrowing costs” and of IFRS 8 “Operating segments”, as indicated in the following Note 5.

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

Preparation of the consolidated 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 Note 4.

The consolidated financial statements at 31 December 2009 of the Finmeccanica Group were approved by the Board of Directors authorising their dissemination on 4 March 2010.

The financial statements, prepared in accordance with IFRS, have been subject to an audit by PricewaterhouseCoopers SpA.

3. Accounting policies adopted

3.1 Standards and scope of consolidation

The consolidated financial statements include the statements at 31 December 2009 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. Below is a list of the consolidated entities and the respective shares held either directly or indirectly by the Group:

LIST OF COMPANIES CONSOLIDATED ON A LINE-BY-LINE BASIS

Name	Registered office	% Group ownership		% Group shareholding
		direct	indirect	
3083683NOVA SCOTIA LIMITED	Halifax, Nova Scotia (Canada)		100	100
ABS TECHNOLOGY SPA	Florence		60	60
AEROMECCANICA SA	Luxembourg (Luxembourg)	99.967		100
AGUSTA AEROSPACE CORP. USA	Wilmington Delaware (USA)		100	100
AGUSTA AEROSPACE SERVICES A.AS SA	Grace Hollogne (Belgium)		100	100
AGUSTA HOLDING BV	Amsterdam (The Netherlands)		100	100
AGUSTA SPA	Cascina Costa (Varese)		100	100
AGUSTA US INC.	Wilmington, Delaware (USA)		100	100
AGUSTAWESTLAND AMERICA LLC ex AGUSTAWESTLANDBELL LLC	Wilmington, Delaware (USA)		100	100
AGUSTAWESTLAND AUSTRALIA PTY LTD	Melbourne (Australia)		100	100
AGUSTAWESTLAND DO BRASIL LTDA	São Paulo (Brazil)		100	100
AGUSTAWESTLAND HOLDINGS LTD	Yeovil, Somerset (UK)		100	100
AGUSTAWESTLAND INC.	Nex Castle, Wilmington, Delaware (USA)		100	100
AGUSTAWESTLAND INTERNATIONAL LTD	Yeovil, Somerset (UK)		100	100
AGUSTAWESTLAND MALAYSIA SDN BHD	Kuala Lumpur (Malaysia)	100		100
AGUSTAWESTLAND NORTH AMERICA INC.	Wilmington, Delaware (USA)		100	100
AGUSTAWESTLAND NV	Amsterdam (The Netherlands)		100	100
AGUSTAWESTLAND PORTUGAL SA	Lisbon (Portugal)		100	100
AGUSTAWESTLAND PROPERTIES LTD	Yeovil, Somerset (UK)		100	100
ALENIA AERMACCHI SPA	Venegono Superiore (Varese)		99.998	99.998
ALENIA AERONAUTICA SPA	Pomigliano D'Arco (Naples)	100		100
ALENIA AERONAVALI SPA (1)	Tessera (Venice)		100	100
ALENIA COMPOSITE SPA (1)	Grottaglie (Taranto)		100	100
ALENIA IMPROVEMENT SPA	Pomigliano D'Arco (Naples)		98	98
ALENIA NORTH AMERICA INC.	Nex Castle, Wilmington, Delaware (USA)		88.409	88.409
ALENIA SIA SPA	Turin		100	100
AMTEC SPA	Piancastagnaio (Siena)		100	100
ANSALDO ENERGIA SPA	Genoa	100		100
ANSALDO ESG AG ex ENERGY SERVICE GROUP AG	Wurenlingen (Switzerland)		100	100
ANSALDO FUEL CELLS SPA	Genoa		94.37	94.37
ANSALDO NUCLEARE SPA	Genoa		100	100
ANSALDO STS AUSTRALIA PTY LTD	Birsbane (Australia)		100	40.0655
ANSALDO STS BEIJING LTD	Beijing (China)		80	32.0524
ANSALDO STS CANADA INC.	Burlington, Ontario (Canada)		100	40.0655
ANSALDO STS DEUTSCHLAND GMBH	Berlin (Germany)		100	40.0655
ANSALDO STS ESPANA SAU	Madrid (Spain)		100	40.0655
ANSALDO STS FINLAND OY	Helsinki (Finland)		100	40.0655
ANSALDO STS FRANCE SA	Les Ulis (France)		100	40.0655
ANSALDO STS HONG KONG LTD	Kowloon Bay (China)		100	40.0655
ANSALDO STS IRELAND LTD	CO KERRY (Ireland)		100	40.0655
ANSALDO STS MALAYSIA SDN BHD	Kuala Lumpur (Malaysia)		100	40.0655
ANSALDO STS SWEDEN AB	Solna (Sweden)		100	40.0655
ANSALDO STS TRASP. SYST. INDIA PRIV. LTD ex UNION SWIT. & SIGN. PRIV. LTD	Bangalore (India)		100	40.0655

(1) From 1 January 2010 merged into Alenia Aeronatica SpA.
(2) From January 2010 put in liquidation.

LIST OF COMPANIES CONSOLIDATED ON A LINE-BY-LINE BASIS

Name	Registered office	% Group ownership		% Group shareholding
		direct	indirect	
ANSALDO STS UK LTD	Barbican (UK)		100	40.0655
ANSALDO STS SPA	Genoa	40.0655		40.0655
ANSALDO STS USA INC.	Wilmington, Delaware (USA)		100	40.0655
ANSALDO STS USA INTERNATIONAL CO	Wilmington, Delaware (USA)		100	40.0655
ANSALDO STS USA INTERNATIONAL PROJECT CO	Wilmington, Delaware (USA)		100	40.0655
ANSALDO THOMASSEN BV ex THOMASSEN TURBINE SYSTEMS BV	Rheden (The Netherlands)		100	100
ANSALDO THOMASSEN GULF LLC ex THOMASSEN SERVICE GULF LLC	Abu Dhabi (United Arab Emirates)		48.667	100
ANSALDOBREDA ESPANA SLU	Madrid (Spain)		100	100
ANSALDOBREDA FRANCE SAS	Marseille (France)		100	100
ANSALDOBREDA INC.	Pittsburgh, California (USA)		100	100
ANSALDOBREDA SPA	Naples	100		100
ASIA POWER PROJECTS PRIVATE LTD	Bangalore (India)		100	100
AUTOMATISMES CONTROLES ET ETUDES ELECTRONIQUES ACELEC SA	Les Ulis (France)		99.999	40.0651
BREDAMENARINIBUS SPA	Bologna	100		100
DAVIES INDUSTRIAL COMMUNICATIONS LTD (2)	Chelmsford, Essex (UK)		100	100
DRS C3 & AVIATION COMPANY	Wilmington, Delaware (USA)		100	100
DRS C3&A INTERMEDIARY LLC	Wilmington, Delaware (USA)		100	100
DRS CODEM SYSTEMS INC.	Wilmington, Delaware (USA)		100	100
DRS DATA & IMAGING SYSTEMS INC.	Wilmington, Delaware (USA)		100	100
DRS ENVIRONMENTAL SYSTEMS INC.	Wilmington, Delaware (USA)		100	100
DRS HOMELAND SECURITY SOLUTIONS INC.	Wilmington, Delaware (USA)		100	100
DRS ICAS LLC	Wilmington, Delaware (USA)		100	100
DRS INTELLIGENCE & AVIONIC SOLUTIONS INC.	Cleveland, Ohio (USA)		100	100
DRS INTERNATIONAL INC.	Wilmington, Delaware (USA)		100	100
DRS MOBILE ENVIRONMENTAL SYSTEMS CO	Cleveland, Ohio (USA)		100	100
DRS POWER & CONTROL TECHNOLOGIES INC.	Wilmington, Delaware (USA)		100	100
DRS POWER TECHNOLOGY INC.	Wilmington, Delaware (USA)		100	100
DRS RADAR SYSTEMS LLC	Wilmington, Delaware (USA)		100	100
DRS RSTA INC. ex DRS SENSORS & TARGETING SYSTEMS INC.	Wilmington, Delaware (USA)		100	100
DRS SENSORS & TARGETING SYSTEMS INC.	Wilmington, Delaware (USA)		100	100
DRS SIGNAL SOLUTIONS INC.	Wilmington, Delaware (USA)		100	100
DRS SONAR SYSTEMS LLC	Wilmington, Delaware (USA)		51	51
DRS SONETICOM INC.	Tallahassee, Florida (USA)		100	100
DRS SURVEILLANCE SUPPORT SYSTEMS INC.	Wilmington, Delaware (USA)		100	100
DRS SUSTAINMENT SYSTEMS INC.	Wilmington, Delaware (USA)		100	100
DRS SYSTEMS MANAGEMENT LLC	Wilmington, Delaware (USA)		100	100
DRS SYSTEMS INC.	Wilmington, Delaware (USA)		100	100
DRS TACTICAL SYSTEMS GLOBAL SERVICES INC.	Plantation, Florida (USA)		100	100
DRS TACTICAL SYSTEMS INC.	Plantation, Florida (USA)		100	100
DRS TACTICAL SYSTEMS LTD	Farnham, Surrey (UK)		100	100
DRS TECHNICAL SERVICES GMBH & CO KG	Baden, Wurttemberg (Germany)		100	100
DRS TECHNICAL SERVICES INC.	Baltimora, Maryland (USA)		100	100
DRS TECHNOLOGIES CANADA INC.	Wilmington, Delaware (USA)		100	100
DRS TECHNOLOGIES CANADA LTD	Kanata, Ontario (Canada)		100	100

LIST OF COMPANIES CONSOLIDATED ON A LINE-BY-LINE BASIS

Name	Registered office	% Group ownership		% Group shareholding
		direct	indirect	
DRS TECHNOLOGIES UK LIMITED	Farnham, Surrey (UK)		100	100
DRS TECHNOLOGIES VERWALTUNGS GMBH	Baden, Wurttemberg (Germany)		100	100
DRS TECHNOLOGIES INC.	Wilmington, Delaware (USA)		100	100
DRS TEST & ENERGY MANAGEMENT LLC	Wilmington, Delaware (USA)		100	100
DRS TRAINING & CONTROL SYSTEMS LLC ex DRS C3 SYSTEMS INC.	Plantation, Florida (USA)		100	100
DRS UNMANNED TECHNOLOGIES INC.	Wilmington, Delaware (USA)		100	100
ED CONTACT SRL	Rome		100	100
ELECTRON ITALIA SRL	Rome		80	80
ELSACOM NV	Amsterdam (The Netherlands)		100	100
ELSACOM SPA	Rome		100	100
ELSAG DATAMAT SPA	Genoa		100	100
ELSAG NORTH AMERICA LLC ex REMINGTON ELSAG LAW ENFORCEMENT SYSTEM	Madison, North Carolina (USA)		100	100
ENGINEERED COIL COMPANY	Clayton, Missouri (USA)		100	100
ENGINEERED ELECTRIC COMPANY	Clayton, Missouri (USA)		100	100
ENGINEERED SUPPORT SYSTEMS INC.	Clayton, Missouri (USA)		100	100
E-SECURITY SRL	Montesilvano (Pescara)		79.688	79.688
ESSI RESOURCES LLC	Louisville, Kentucky (USA)		100	100
FATA ENGINEERING SPA	Pianezza (Turin)		100	100
FATA HUNTER INC.	Riverside, California (USA)		100	100
FATA LOGISTIC SYSTEMS SPA	Pianezza (Turin)		100	100
FATA SPA	Pianezza (Turin)	100		100
FINMECCANICA FINANCE SA	Luxembourg (Luxembourg)	73.639	26.358	99.997
FINMECCANICA GROUP REAL ESTATE SPA	Rome	100		100
FINMECCANICA GROUP SERVICES SPA	Rome	100		100
GLOBAL MILITARY AIRCRAFT SYSTEMS LLC	Wilmington, Delaware (USA)		51	45.089
ITALDATA INGEGNERIA DELL'IDEA SPA	Rome		51	51
LARIMART SPA	Rome		60	60
LAUREL TECHNOLOGIES PARTNERSHIP	Wilmington, Delaware (USA)		80	80
MECCANICA HOLDINGS USA INC.	Wilmington, Delaware (USA)	100		100
MECCANICA REINSURANCE SA	Luxembourg (Luxembourg)		100	100
MECFINT (JERSEY) SA	Luxembourg (Luxembourg)		99.999	99.996
MSSC COMPANY	Philadelphia, Pennsylvania (USA)		51	51
NET SERVICE SRL	Bologna		70	70
NIGHT VISION SYSTEMS LLC	Wilmington, Delaware (USA)		100	100
ORANGEE SRL	Rome		70	70
OTE MOBILE TECHNOLOGIES LIMITED (2)	Chelmsford, Essex (UK)		100	100
OTO MELARA IBERICA SA	Loriguilla, Valencia (Spain)		100	100
OTO MELARA NORTH AMERICA INC	Dover, Delaware (USA)		100	100
OTO MELARA SPA	La Spezia		100	100
PCA ELECTRONIC TEST LTD	Grantham, Lincolnshire (UK)	100	100	
PIVOTAL POWER INC.	Halifax, Nova Scotia (Canada)		100	100
QUADRICS LTD (IN LIQ.)	Bristol (UK)		100	100
SEICOS SPA	Rome	100	100	
SELENIA MARINE CO LTD (IN LIQ.)	Chelmsford, Essex (U.K.)		100	100
SELENIA MOBILE SPA	Chieti Scalo (Chieti)		100	100
SELEX COMMUNICATIONS DO BRASIL LTDA	Rio de Janeiro (Brazil)		100	100
SELEX COMMUNICATIONS GMBH	Backnang (Germany)		100	100

LIST OF COMPANIES CONSOLIDATED ON A LINE-BY-LINE BASIS

Name	Registered office	% Group ownership		% Group shareholding
		direct	indirect	
SELEX COMMUNICATIONS HOLDINGS LTD	Chelmsford (UK)		100	100
SELEX COMMUNICATIONS INC.	San Francisco, California (USA)		100	100
SELEX COMMUNICATIONS INTERNATIONAL LTD (2)	Chelmsford, Essex (UK)		100	100
SELEX COMMUNICATIONS LTD	Chelmsford, Essex (UK)		100	100
SELEX COMMUNICATIONS ROMANIA SRL	Bucharest (Romania)		99.976	99.976
SELEX COMMUNICATIONS SPA	Genoa	100		100
SELEX COMMUNICATIONS SECURE SYSTEMS LTD (2)	Chelmsford, Essex (UK)		100	100
SELEX KOMUNIKASYON AS	Golbasi (Turkey)		99.999	99.999
SELEX GALILEO LTD (3)	Essex (UK)	100		100
SELEX GALILEO SPA (4)	Campi Bisenzio (Florence)	100		100
SELEX GALILEO US INC. (5)	Wilmington, Delaware (USA)		100	100
SELEX SERVICE MANAGEMENT SPA	Rome	100		100
SELEX SISTEMI INTEGRATI SPA	Rome	100		100
SELEX SYSTEMS INTEGRATION GMBH ex SELEX SISTEMI INTEGRATI GMBH	Neuss (Germany)		100	100
SELEX SYSTEMS INTEGRATION INC. (6)	Delaware (USA)		100	100
SELEX SYSTEMS INTEGRATION LTD ex SELEX SISTEMI INTEGRATI LTD	Portsmouth, Hampshire (UK)		100	100
S.C. ELETTRA COMMUNICATIONS SA	Ploiesti (Romania)		50.5	50.4997
SIRIO PANEL SPA	Montevarchi (Arezzo)		93	93
SISTEMI E TELEMATICA SPA	Genoa		92.793	92.793
SO.GE.PA. SOC. GEN. DI PARTECIPAZIONI SPA	Genoa	100		100
SPACE SOFTWARE ITALIA SPA	Taranto		100	100
T - S HOLDING CORPORATION	Dallas, Texas (USA)		100	100
TECH-SYM LLC ex TECH-SYM CORPORATION	Reno, Nevada (USA)		100	100
UNION SWITCH & SIGNAL INC. ex TRANSCONTROL CORPORATION	Wilmington, Delaware (USA)		100	40.0655
UNIVERSAL POWER SYSTEMS INC.	Wilmington, Delaware (USA)		100	100
VEDECON GMBH ex ANITE TRAVEL SYSTEMS GMBH	Cologne (Germany)		100	100
VEGA CONSULTING & TECHNOLOGY SL	Madrid (Spain)		100	100
VEGA CONSULTING SERVICES LTD ex VEGA GROUP PLC	Hertfordshire (UK)		100	100
VEGA DEUTSCHLAND GMBH & CO KG ex ANITE DEUTSCHLAND GMBH & CO KG	Cologne (Germany)		100	100
VEGA DEUTSCHLAND HOLDING GMBH ex ANITE DEUTSCHLAND MANAG. GMBH	Cologne (Germany)		100	100
VEGA DEUTSCHLAND MANAGEMENT GMBH ex ANITE DEUTSCHL. HOLD. GMBH	Cologne (Germany)		100	100
VEGA TECHNOLOGIES SAS	Ramonville Saint Agne (France)		100	100
WESTLAND HELICOPTERS INC.	Wilmington, Delaware (USA)		100	100
WESTLAND HELICOPTERS LTD	Yeovil, Somerset (UK)		100	100
WESTLAND INDUSTRIES LTD	Yeovil, Somerset (UK)		100	100
WESTLAND SUPPORT SERVICES LTD	Yeovil, Somerset (UK)		100	100
WESTLAND TRANSMISSIONS LTD	Yeovil, Somerset (UK)		100	100
WHITEHEAD ALENIA SIST. SUBACQUEI SPA	Livorno	100		100
WING NED BV	Rotterdam (The Nerthelands)		100	100
WORLD'S WING SA	Geneva (Switzerland)		94.944	94.944

(3) Previously SELEX Sensors and Airborne Systems Ltd.
(4) Previously Galileo Avionica SpA.
(5) Previously SELEX Sensors and Airborne Systems (US) Inc.
(6) Previously SELEX Sistemi Integrati Inc.

LIST OF COMPANIES CONSOLIDATED USING THE PROPORTIONATE METHOD

Name	Registered office	% Group ownership		% Group shareholding
		direct	indirect	
THALES ALENIA SPACE SAS	Cannes La Bocca (France)	33		33
THALES ALENIA SPACE FRANCE SAS	Paris (France)		100	33
THALES ALENIA SPACE ITALIA SPA	Rome		100	33
THALES ALENIA SPACE ESPANA SA	Madrid (Spain)		100	33
THALES ALENIA SPACE ETCA SA	Charleroi (Belgium)		100	33
THALES ALENIA SPACE ANTWERP SA	Hoboken (Belgium)		100	33
THALES ALENIA SPACE NORTH AMERICA INC.	Wilmington (USA)		100	33
FORMALEC SA	Paris (France)		100	33
TELESPAZIO HOLDING SRL	Rome	67		67
TELESPAZIO FRANCE SAS	Toulouse (France)		100	67
TELESPAZIO DEUTSCHLAND GMBH	Gilching, Munich (Germany)		100	67
TELESPAZIO SPA	Rome		100	67
E - GEOS SPA	Matera		80	53.6
EURIMAGE SPA	Rome		100	60.166
TELESPAZIO ARGENTINA SA	Buenos Aires (Argentina)		100	66.958
TELESPAZIO BRASIL SA	Rio de Janeiro (Brazil)		98.774	66.1786
TELESPAZIO NORTH AMERICA INC.	Doover, Delaware (USA)		100	67
TELESPAZIO HUNGARY SAT. TELEC. LTD	Budapest (Hungary)		100	67
RARTEL SA	Bucharest (Romania)		61.061	40.911
FILEAS SA	Paris (France)		85	56.95
AURENSIS SL	Barcelona (Spain)		100	67
ISAF - INIZIATIVE PER I SISTEMI AVANZATI E FORNITURE SRL	Rome		100	67
GAF AG	Munich (Germany)		100	53.6
EUROMAP SATELLITENDATEN-VERTRIEB MBH	Neustrelitz (Germany)		100	67
AMSH BV	Amsterdam (The Nerthelands)	50		50
MBDA SAS	Paris (France)		50	25
MBDA TREASURE COMPANY LTD	Jersey (UK)		100	25
MBDA FRANCE SAS	Paris (France)		99.99	25
MBDA INCORPORATED	Wilmington, Delaware (USA)		99.9	25
MBDA ITALIA SPA	Rome		100	25
MBDA UK LTD	Stevenage (UK)		100	25
MBDA UAE LTD ex MARCONI UAE LTD	London (UK)		100	25
MATRA ELECTRONIQUE SA	Paris (Francia)		99.99	25
MBDA SERVICES SA	Paris (Francia)		99.68	24.92
LFK-LENKFLUGKORPERSYSTEME GMBH	Unterschleissheim (Germany)		100	25
BAYERN-CHEMIE GMBH	Germany		100	25
TAURUS SYSTEMS GMBH	Germany		67	16.75
TDW GMBH	Germany		100	25
AVIATION TRAINING INTERNATIONAL LIMITED	Dorset (UK)		50	50
CONSORZIO ATR GIE e SPE	Toulouse (France)		50	50
SUPERJET INTERNATIONAL SPA	Tessera (Venice)		51	51
ROTORSIM SRL	Sesto Calende (Varese)		50	50
BALFOUR BEATTY ANSALDO SYSTEMS JV SDN BHD	Ampang (Malaysia)		40	16.0262

LIST OF COMPANIES CONSOLIDATED USING THE EQUITY METHOD

Name	Registered office	% Group ownership		% Group shareholding
		direct	indirect	
A4ESSOR SAS ex 179CENTELEC SAS	Neuilly Sur Seine (France)		21	21
ABRUZZO ENGINEERING SCPA	L'Aquila		30	30
ABU DHABI SYSTEMS INTEGRATION LLC	Abu Dhabi (United Arab Emirates)		43.043	43.043
ADVANCED AIR TRAFFIC SYSTEMS SDN BHD	Darul Ehsan (Malaysia)		30	30
ADVANCED LOGISTICS TECHNOLOGY ENGINEERING CENTER SPA	Turin		51	16.83
AGUSTAWESTLAND POLITECNICO ADVANCED ROTORCRAFT CENTER SCARL	Milan		80	80
ALENIA HELLAS SA	Kolonaki, Athens (Greece)		100	100
ALENIA NORTH AMERICA-CANADA CO	Halifax, Nova Scotia (Canada)		100	88.409
ALIFANA DUE SCRL	Naples		53.34	21.371
ALIFANA SCRL	Naples		65.85	26.38
ANSALDO ARGENTINA SA	Buenos Aires (Argentina)		99.993	99.993
ANSALDO ELECTRIC DRIVES SPA	Genoa		100	100
ANSALDO – E.M.I.T. SCRL	Genoa		50	50
ANSALDO ENERGY INC.	Wilmington, Delaware (USA)		100	100
ANSERV SRL	Bucharest (Romania)		100	100
AUTOMATION INTEGRATED SOLUTIONS SPA	Pianezza (Turin)		40	40
BELL AGUSTA AEROSPACE COMPANY LLC	Wilmington, Delaware (USA)		40	40
BRITISH HELICOPTERS LTD	Yeovil, Somerset (UK)		100	100
CANOPY TECHNOLOGIES LLC	Wilmington, Delaware (USA)		50	50
CARDPRIZE TWO LIMITED	Basildon, Essex (UK)		100	100
COMLENIA SENDIRIAN BERHAD	Selangor Darul Ehsan (Malaysia)		30	30
CONSORZIO START SPA	Rome		40	40
CONTACT SRL	Naples		30	30
COREAT SCARL	Rieti		30	30
DIGINT SRL	Milan		49	49
DOGMATIX LEASING LIMITED	Mauritius Islands		100	50
DRS CONSOLIDATED CONTROLS INC.	Wilmington, Delaware (USA)		100	100
DRS DEFENSE SOLUTIONS LLC ex DRS INTEGRATED DEFENSE SOLUTIONS LLC	Wilmington, Delaware (USA)		100	100
ECOSEN CA	Caracas (Venezuela)		48	19.23
ELETTRONICA SPA	Rome	31.333		31.333
ELSACOM HUNGARIA KFT	Budapest (Hungary)		100	100
ELSACOM SLOVAKIA SRO	Bratislava (Slovakia)		100	100
ELSACOM-UKRAINE JOINT STOCK COMPANY	Kiev (Ukrain)		49	49
EURISS NV	Leiden (The Netherlands)		25	8.25
EUROFIGHTER AIRCRAFT MANAGEMENT GMBH	Hallbergmoos (Germany)		21	21
EUROFIGHTER INTERNATIONAL LTD	London (UK)		21	21
EUROFIGHTER JAGDFLUGZEUG GMBH	Hallbergmoos (Germany)		21	21
EUROFIGHTER SIMULATION SYSTEMS GMBH	Unterhaching (Germany)		24	24
EUROMIDS SAS	Paris (France)		25	25
EURO PATROL AIRCRAFT GMBH (IN LIQ.)	Monaco (Germany)		50	50
EUROSATELLITE FRANCE SA	France		100	33
EUROSYSNAV SAS	Paris (France)	50		50
EUROTECH SPA	Amaro (Udine)	11.08		11.08
FATA DTS SPA (IN LIQ.)	Pianezza (Turin)		100	100

LIST OF COMPANIES CONSOLIDATED USING THE EQUITY METHOD

Name	Registered office	% Group ownership direct	% Group ownership indirect	% Group shareholding
FATA HUNTER INDIA PVT LTD	New Dehli (India)		100	100
FINMECCANICA CONSULTING SRL	Rome	100		100
FINMECCANICA NORTH AMERICA INC.	Dover, Delaware (USA)	100		100
FINMECCANICA UK LTD	London (UK)	100		100
GROUPEMENT IMMOBILIER AERONAUTIQUE G.I.A. SA	Blagnac (France)		20	20
GRUPO AURENSIS SA DE CV	Bosque de Duraznos (Mexico)		100	67
IAMCO SCRL	Mestre (Venice)		20	20
ICARUS SCPA	Turin		49	49
IMMOBILIARE CASCINA SRL	Gallarate (Varese)		100	100
IMMOBILIARE FONTEVERDE SRL	Rome		60	48
INDRA ESPACIO SA	France		49	16.17
INTERNATIONAL LAND SYSTEMS INC.	Wilmington, Delaware (USA)		28.365	15.204
INTERNATIONAL METRO SERVICE SRL	Milan		49	19.63
I.M. INTERMETRO SPA	Rome		33.332	23.343
IVECO - OTO MELARA SCRL ex IVECO FIAT - OTO MELARA SCRL	Rome		50	50
JIANGXI CHANGE AGUSTA HELICOPTER CO LTD	Zone Jiangxi Province (China)		40	40
JOINT STOCK COMPANY SUKHOI CIVIL AIRCRAFT	Moscow (Russian Federation)		25.001	23.735
LIBYAN ITALIAN ADVANCED TECHNOLOGY CO	Tripoli (Libya)	25	25	50
LMATTS LLC	Georgia (USA)		100	88.409
MACCHI HUREL DUBOIS SAS	Plaisir (France)		50	49,99
MEDESSAT SAS	Toulouse (France)		28.801	19.296
METRO 5 SPA	Milan		31.9	17.156
MUSI NET ENGINEERING SPA	Turin		49	49
N2 IMAGING SYSTEMS LLC	Wilmington, Delaware (USA)		30	30
NAHUELSAT SA (IN LIQ.)	Buenos Aires (Argentina)	33.332		33.33
NGL PRIME SPA	Turin	30		30
N.H. INDUSTRIES SARL	Aix en Provence (France)		32	32
NICCO COMMUNICATIONS SAS	Colombes (France)		50	50
NNS - SOC. DE SERV. POUR REACTEUR RAPIDE SNC	Lyone (France)		40	40
NOVACOM SERVICES SA	Toulouse (France)		39.73	26.62
ORIZZONTE - SISTEMI NAVALI SPA	Genoa		49	49
PEGASO SCRL	Rome		46.87	18.778
POLARIS SRL	Genoa		49	49
ROXEL SAS	Le Plessis Robinson (France)		50	12.5
SAPHIRE INTERNAT. ATC ENGINEERING CO LTD	Beijing (China)		65	65
SATELLITE TERMINAL ACCESS SA (IN LIQ.)	France		21.19	6.993
SCUOLA ICT SRL	L'Aquila	20		20
SELEX PENSION SCHEME (TRUSTEE) LTD	Basildon, Essex (UK)		100	100
SELEX GALILEO ELECTRO OPTICS (OVERSEAS) LTD (7)	Basildon, Essex (UK)		100	100
SELEX GALILEO INFRARED LTD (8)	Basildon, Essex (UK)		100	100
SELEX GALILEO PROJECTS LTD (9)	Basildon, Essex (UK)		100	100
SELEX SISTEMI INTEGRATI DE VENEZUELA SA	Caracas (Venezuela)		100	100
SERVICIOS TECNICOS Y SPECIALIZADOS DE INFORM. SA DE CV	Bosque de Duraznos (Mexico)		100	67
SEVERNYJ AVTOBUZ Z.A.O.	Saint Petersburg (Russian Federation)		35	35

(7) Previously SELEX Sensors and Airborne Systems Electro Optics (Overseas) Ltd.
(8) Previously SELEX Sensors and Airborne Systems Infrared Ltd.
(9) Previously SELEX Sensors and Airborne Systems Project Ltd.

LIST OF COMPANIES CONSOLIDATED USING THE EQUITY METHOD

Name	Registered office	% Group ownership		% Group shareholding
		direct	indirect	
SISTEMI DINAMICI SPA	San Piero a Grado (Pisa)		40	40
SOGELI - SOCIETÀ DI GESTIONE DI LIQ. SPA	Rome		100	100
SPACEOPAL GMBH	Munich (Germany)		50	33.5
TELBIOS SPA	Milan		34.471	23.096
TELESPAZIO NETHERLAND BV	Enschede (The Netherlands)		100	67
THOMASSEN SERVICE AUSTRALIA PTY LTD	Canning Vale (Australia)		100	100
TRADE FATA BV	Rotterdam (The Netherlands)		100	100
TRIMPROBE SPA (IN LIQ.)	Rome	100		100
TURBOENERGY SRL	Cento (Ferrara)		25	25
WESTLAND INDUSTRIAL PRODUCTS LTD	Yeovil, Somerset (UK)		100	100
WITG L.P. INC.	Kent, Dover, Delaware (USA)		24	21.218
WITG L.P. LTD	Kent, Dover, Delaware (USA)		20	17.682
XAIT SRL	Ariccia (Rome)		100	100
ZAO ARTETRA	Moscow (Russian Federation)		51	51

LIST OF COMPANIES VALUED AT FAIR VALUE

Name	Registered office	% Group ownership		% Group shareholding
		direct	indirect	
BCV INVESTMENTS SCA	Luxembourg (Luxembourg)		14.321	14.321
BCV MANAGEMENT SA	Luxembourg (Luxembourg)		14.999	14.999

LIST OF SUBSIDIARIES AND ASSOCIATES VALUED AT COST

Name	Registered office	% Group ownership		% Group shareholding
		direct	indirect	
ADVANCED MALE AIRCRAFT LLC	Al Ain, Muwaiji (United Arab Emirates)		49	49
ALENIA NORTH AMERICA DEFENSE LLC	Wilmington, Delaware (USA)		100	88.409
ANSALDO RAILWAY SYSTEM TRADING (BEIJING) LTD ex ANSALDO RAILWAY SYSTEM TECHNICAL SERVICE (BEIJING) LTD	Beijing (China)		100	40.0655
ANSALDO STS INFRADEV SOUTH AFRICA (PTY) LTD	Johannesburg (ZA - South Africa)		50.7	20.31
ANSALDO STS SISTEMAS DE TRANSORTE E SINALIZACAO LTDA	Rio De Janeiro (Brazil)		100	40.0655
ANSALDO STS SOUTHERN AFRICA (PTY) LTD	Gaborone (Botswana - Africa)		100	40.0655
CCRT SISTEMI SPA (IN BANKRUPTCY)	Milan		30.34	30.34

LIST OF SUBSIDIARIES AND ASSOCIATES VALUED AT COST

Name	Registered office	% Group ownership		% Group shareholding
		direct	indirect	
DATAMAT SUISSE SA (IN LIQ.)	Lugano (Switzerland)		100	100
DISTRETTO TECNOLOGICO AEROSPAZIALE SCARL	Brindisi		24	24
EUROPEAN SATELLITE NAVIGATION INDUSTRIES GMBH	Ottobrunn (Germany)	18.939	18.94	25.189
FOSCAN SRL (IN BANKRUPTCY)	Anagni (Frosinone)		20	20
EUROPEAN SATELLITE NAVIGATION INDUSTRIES SA (IN LIQ.) ex GALILEO INDUSTRIES SA	Brussels (Belgium)	18.939	18.94	25.189
IND. AER. E MECC. R. PIAGGIO SPA (EXT. ADM.)	Genoa	30.982		30.982
SAITECH SPA (IN BANKRUPTCY)	Passignano sul Trasimeno (Perugia)		40	40
SELEX SISTEMI INTEGRATI DO BRASIL LTDA	Rio De Janeiro (Brazil)		99.9998	99.9998
SEL PROC SCRL	Rome		100	100
SESM - SOLUZIONI EVOLUTE PER LA SISTEMISTICA E I MODELLI - SCRL	Naples		100	100
U.V.T. SPA (IN BANKRUPTCY)	San Giorgio Jonico (Taranto)		50.614	50.614

For ease of understanding and comparability, below are the main changes in the scope of consolidation during 2009:

- DRS Technologies group, acquired on 22 October 2008, is consolidated on a line-by-line basis starting from that date;
- Elsag Eastern Europe Srl (in liquidation), valued through 31 December 2008 using the equity method, has been deconsolidated following its removal from the Business Register;
- San Giorgio SA (in liquidation), valued through 31 December 2008 on a line-by-line basis, has been deconsolidated following its removal from the Business Register;
- Sostar GmbH (in liquidation), valued through 31 December 2008 using the equity method, has been deconsolidated following its removal from the Business Register;
- Ansaldo Segnalamento Ferroviario SpA and Ansaldo Trasporti Sistemi Ferroviari SpA were merged with Ansaldo STS SpA effective for accounting purposes from 1 January 2009;
- Ansaldo Signal NV was merged into Ansaldo STS SpA on 1 October 2009;
- Ote Mosca, valued through the 2008 financial statements using the equity method, was deconsolidated upon sale to third parties starting from 1 January 2009;
- Energeko Gas Italia Srl, valued through the 2008 financial statements using the equity method, was deconsolidated upon sale to third parties starting from 1 January 2009;
- World’s Wing SA, valued through the 2008 financial statements using the equity method, was consolidated on a line-by-line basis starting from 1 January 2009;
- Elsacom Bulgaria AD (in liquidation), valued using the equity method through the 2008 financial statements, was deconsolidated starting from 1 January 2009 following its removal from the Business Register;
- Polaris Srl consolidated has been using the equity method starting from 1 January 2009;
- LMATTS LLC, valued on a proportionate basis through the 2008 financial statements, has been consolidated using the equity method starting from 1 January 2009;
- Alenia North America-Canada Co, valued on a line-by-line basis through the 2008 financial statements, has been consolidated using the equity method starting from 1 January 2009;

- HR Gest SpA, consolidated through the 2008 financial statements using the equity method, was deconsolidated upon sale to third parties starting from 1 January 2009;
- Balfour Beatty Ansaldo Systems JV SDN BHD, incorporated on 22 January 2009, has been consolidated using the proportionate method as from that date;
- Coreat Scrl, formed on 29 January 2009, has been valued using the equity method starting from that date;
- Joint Stock Company Sukhoi Civil Aircraft, acquired by World's Wing SA on 29 April 2009, has been valued using the equity method;
- MARS Srl was merged with Telespazio SpA on 5 May 2009;
- Orangee Srl, incorporated on 17 June 2009, has been consolidated on a line-by-line basis as from that date;
- Ansaldo Ricerche SpA was merged with Ansaldo Energia SpA on 22 June 2009;
- Fata Group SpA (in liquidation) was merged with SO.GE.PA. SpA on 9 July 2009 with accounting effect beginning 1 January 2009;
- Rotorsim Srl, incorporated on 5 August 2009, has been consolidated on a proportionate basis as from that date;
- AnsaldoBreda France SAS, incorporated on 7 October 2009, has been consolidated on a line-by-line basis as from that date;
- Meccanica Reinsurance SA, incorporated on 19 October 2009, has been consolidated on a line-by-line basis as from that date;
- Spaceopal GmbH, incorporated on 30 November 2009, has been consolidated using the equity method as from that date;
- AgustaWestland Politecnico Advanced Rotorcraft Center Scarl, incorporated on 18 December 2009, has been consolidated using the equity method as from that date;
- Selex Sensors Airborne Systems SpA, following its liquidation, was removed from the Business Register on 28 December 2009.

Finally it is noted that the Notes to the financial statements illustrate the new corporate names of certain Group companies modified in December 2009 but effective from January 2010. Specifically: Galileo Avionica SpA changed its name to SELEX Galileo SpA, SELEX Sensors and Airborne Systems Ltd to SELEX Galileo Ltd, SELEX Sensors and Airborne Systems Electro Optics Ltd to SELEX Galileo Electro Optics Ltd, SELEX Sensors and Airborne Systems Projects Ltd to SELEX Galileo Projects Ltd, SELEX Sensors and Airborne Systems Infrared Ltd to SELEX Galileo Infrared Ltd and SELEX Sensors and Airborne Systems US Inc. to SELEX Galileo US Inc.

Subsidiaries and entities controlled jointly

In particular, the entities over which Finmeccanica exercises a controlling power, either by directly or indirectly holding a majority of shares with voting rights or by exercising a dominant influence through the power to govern the financial and operating policies of an entity and obtain the related benefits regardless of the nature of the shareholding, have been consolidated on a line-by-line basis.

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

value of the assets, liabilities, costs and income proportional to the percentage held without, therefore, including the holdings of the other parties).

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

Business combinations are recognised using the purchase method, whereby the acquirer purchases the equity and recognises all assets and liabilities, even if merely potential, of the acquired company. The cost of the transaction includes the fair value at the date of purchase of the assets sold, the liabilities assumed, the capital instruments issued, and all other incidental charges. Any difference between the cost of the transaction and the fair value at the date of 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 as an expense immediately at the purchase date.
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.

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 consolidated entities all close their financial years on 31 December. The Group consolidated financial statements have been prepared based on the ending balances at 31 December.

Other equity investments

Investments in entities over which significant influence is exercised, which generally corresponds to a holding of between 20% (10% if listed) and 50% (equity investments in associates), are accounted for using the equity method. In the case of the equity method, the value of the investment is in line with shareholders' equity adjusted, when necessary, to reflect the application of IFRSs, and includes the recognition of goodwill (net of impairments) calculated at the time of purchase, and to account for the adjustments required by the standards governing the preparation of consolidated financial statements. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.
Any value losses in excess of book value are recorded in the provision for risks on equity investments.
The fair value of equity investments, in the event this method applies, is calculated based on the bid price of the last trading day of the month for which the IFRS report was prepared (in this case 31 December 2008), 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, Energy, Transportation and Other Activities.

3.3 Currency translation

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.

Translation of transactions denominated in a foreign currency

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

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, even if solely for comparative purposes, are translated at the end-of-period exchange rate;
- costs and revenues, charges and income presented, even if solely for comparative purposes, 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 balances of shareholders' equity at a rate different from that at the close of the period.

Goodwill and adjustments to fair value 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 2009 has been marked by significant changes in the euro against the main currencies of interest for the Group. Specifically, the currency exchange rates at 31 December 2009 and the average exchange rates for the period showed, for the main currencies, these changes from 2008: final exchange rates for the period (euro/US dollar +3.5137% and euro/pound sterling -6.7612%); average exchange rates for the period (euro/US dollar -5.166% and euro/pound sterling +11.8864%).

Below are the exchange rates adopted for the currencies that are most significant for the Group:

	At 31 December 2009		At 31 December 2009	
	average exchange rate for the year	exact	average exchange rate for the year	exact
US dollar	1.39478	1.44060	1.47076	1.39170
Pound sterling	0.89094	0.88810	0.79629	0.95250

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.

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 over the period in which the future earnings are expected to be realised for the project itself, and in any case in a period no longer than 10 years. If such costs fall within the scope of costs defined by Group standards as “non-recurring costs”, they are recognised in a specific item under intangible assets (Note 4.1).
Research costs, on the other hand, are expensed in the period in which they are incurred.

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.

Concessions, licences 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.

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 Group’s share of the sum of the values assigned, based on current values at the time of the acquisition, to the individual assets and liabilities of the given company or division. As it does not have a definite useful life, goodwill is not amortised but is subject to impairment tests conducted at least once a year, unless market and operational factors identified by the Group indicate that an impairment test is also necessary in the preparation of interim financial

statements. In conducting an impairment test, goodwill is allocated to the individual cash-generating units (CGUs), i.e. the smallest financially independent business units through which the Group operates in its various market segments.
Goodwill related to the acquisition of consolidated companies is recognised under intangible assets. Goodwill related to unconsolidated associated companies 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 capital 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 regularly revised.
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 (see 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 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 finance 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.
Contract work in progress is recorded net of any write-downs, 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 customer". 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 4.3 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.

Financial assets at fair value through profit or loss

This category includes financial assets acquired for the purpose of short-term trading transactions, as well as derivatives, which are discussed in the next section. The fair value of these instruments is determined with reference to their end-of-period bid price. For unlisted instruments, the fair value is calculated using commonly adopted valuation techniques.
Changes in the fair value of instruments in this category are recognised immediately in the

income statement. The classification of assets as current or non-current reflects management expectations regarding their trading. Current assets include those that are planned to be sold within 12 months or those designated as held for trading purposes.

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 measured 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 cumulative loss, calculated through impairment test, is removed from equity and recognised in the income statement. If the reasons for the write-down should cease to obtain, 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.

Financial assets held to maturity

These are non-derivative assets 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 cumulative loss, calculated through impairment test, is removed from equity and 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.

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 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 eligible for hedge accounting and effective in offsetting the 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 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 4.3.
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.

Fair value hedges

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

Cash flow hedges

Changes in the fair value of derivatives that have been designated and qualify as cash-flow hedges are recognised – with reference to the "effective" component of the hedge only – in a specific equity reserve ("cash-flow hedge reserve"), which is subsequently recognised in profit or loss when the underlying transaction affects profit or loss. Changes in fair value attributable to the non-effective component are immediately recognised in profit or loss 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 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.

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 rate differentials among the currencies involved.

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.

3.13 Shareholders' equity

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.

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 liabilities

Payables and other 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 (see Note 3.21).
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 tax burden is made up of current and deferred taxes. If these taxes are recognised as "income and expense recognised in equity", a balancing entry is recorded under equity instead of through profit and loss.

Current taxes are calculated in accordance with the existing fiscal legislation applicable to those countries in which the Group operates and in force at the balance sheet date. Any risks connected with a different interpretation of the positive and negative components of income, together with ongoing disputes with the tax authorities are regularly assessed, at least on a quarterly basis, in order to adjust the provisions made.
Deferred tax assets and liabilities are calculated based on temporary differences arising between the carrying amounts in the consolidated financial statements of assets and liabilities and their value for tax purposes. Deferred tax assets and liabilities are calculated by applying the tax rate in force at the time the temporary differences will be reversed. Deferred tax assets are recognised to the extent that it is probable the company will post taxable income at least equal to the temporary differences in the financial periods in which such assets will be reversed.

3.16 Employee benefits

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. For the recognition of defined-benefit plans, the Group adopts the so-called "equity option" approach. According to this option 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, directly in equity (in the "reserve for actuarial gains (losses) to equity").

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.

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.

Equity compensation benefits

The Group uses stock-option and stock-grant plans as part of its compensation of senior management. In these cases, 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 cover certain or probable losses and charges whose timing or amount was uncertain at the reporting date.
The provision is recognised only when a current obligation (legal or constructive) exists as a result of past events and it is probable that an outflow of economic resources will be required to settle the obligation. 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. 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

Group entities as lessees in a finance lease

At the date on which a lease is first recognised, the lessee records a non-current 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.

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, finance 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.

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

Revenues generated by an operation are recognised at the fair value of the amount received and receivable, inclusive of volume discounts and reductions.
Revenues also include changes in work in process, the accounting policies for which were described in Note 3.9 above. Revenues generated from the sale of goods are 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.

3.21 Finance income and costs
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.
Finance costs attributable to the acquisition, construction or production of certain assets taking a substantial period of time to get ready for their intended use or sale (qualifying assets) are capitalised together with the related asset.

3.22 Dividends
Dividends are recognised 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 recognised as liabilities for the period in which their distribution is approved by the shareholders' meeting.

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

3.24 Transactions with related parties
Transactions with related parties are carried out at arm's length.

3.25 Costs
Costs are recorded in compliance with the accrual principle.

3.26 New IFRSs 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 amendments and potential effects for the Group are summarised below:

IFRS - IFRIC INTERPRETATION		EFFECTS FOR THE GROUP
IAS 32 Amendments	Financial instruments: classification and presentation	The standard allows for the treatment as equity of rights issued on the occasion of a capital increase. The Group will apply such standard starting from 1 January 2010. No effects are expected for the Group.
IFRS1 Revised	First time adoption of IFRS	Not applicable to the Group.
IAS 27 Revised	Consolidated and separate financial statements	As of today the Group applies the "Parent Company approach", which is no longer in the scope of amended IAS 27. The effects are illustrated in Note 12. Due to such new standard, transactions with minority interests will not imply in the future the recognition of gains, nor any additional goodwill. The Group expects to apply such amendment starting from 1 January 2010.

IFRS - IFRIC INTERPRETATION		EFFECTS FOR THE GROUP
IFRS3 Revised	Business combinations	The new version of IFRS 3 envisages to expense transaction costs as incurred and provides for the elimination of the obligation to value each asset and liability of the subsidiary at fair value in subsequent step acquisitions, and the recognition at the acquisition date of liabilities for conditional payments. The Group expects to apply these changes from 1 January 2010.
IFRIC16	Hedges on a net investment in a foreign operation	The Group will apply such change starting from 1 January 2010. No significant effects are expected for the Group.
IFRIC17	Distributions of non-cash assets to owners	The Group will apply such change starting from 1 January 2010. No significant effects are expected for the Group.
IFRIC18	Transfers of assets from customers	The Group will apply such change starting from 1 January 2010. No significant effects are expected for the Group.

There are a number of standards or amendments to existing principles issued by the IASB or new interpretations of the International Financial Reporting Interpretations Committee (IFRIC) for which the revision and approval project is still under way. Among these, we note:

- IFRS9 - by this standard the IASB intends to amend significantly the treatment of financial instruments. During 2009 the IASB issued the first part of the new standard, which exclusively modifies the requirements for the classification and measurement of financial assets that are currently in the scope of IAS 39. Still in 2009 the IASB published a document on the principles for the measurement of the amortised cost of financial instruments and for recognising impairment, if any. The new overall approach to financial instruments is currently under discussion by the various competent bodies and for the time being the date of adoption is not foreseeable;
- IFRIC14 Amendment (minimum contributions to pension funds) - no significant effects are expected for the Group;
- IFRIC19 (extinguishing financial liabilities with equity instruments) - no significant effects are expected for the Group;
- IFRS2 Amendments (Group share-based payments) and IFRIC11 - no significant effects are expected for the Group;
- IFRS1 Amendment (additional exemptions for first-time adoption of IFRS, also in relation to the application of IFRS 7) - not applicable to the Group;
- IAS 24 Revised (related party transactions) - the standard only relates to the disclosures to provide for related party transactions. This will have no effects on the balance sheet, income statement and cash flows.

4. Significant issues

4.1 Non-recurring costs

The Group separately discloses as intangible assets (€mil. 545 at 31 December 2009) the costs incurred in designing, prototyping and upgrading to the technical and functional specifications of clearly identified potential clients, if they are financed under Law 808/1985 governing State aids to support the competitiveness of entities operating in the Aeronautics and Defence segments. These costs are shown excluding the benefits collected or to be collected under Law 808/1985 for programmes qualified as functional to national security and similar. The aid under Law

808/1985 is deducted from capitalised costs, and the royalties to be given to the grantor are recognised as the requirements are met (sale of products embedding the technology for which the Law permits aids). For other programmes, non-recurring costs are recognised as "non-recurring costs", and the funds received are recognised as "other liabilities" at their nominal value, making a distinction between the current portion and the non-current portion, based on the date of repayment. In both cases, non-recurring costs are suspended between intangible assets and are amortised on the units-of-production method. These costs are tested for impairment at least once a year until development is complete; after that, as soon as contract prospects change, when expected orders are no longer made or delayed. The impairment test is conducted on assumed sales plans, which in general are made for a period greater than 5 years, in light of the particularly long life of products under development. In the case of programmes that benefit from the provisions of Law 808/1985 and that are classified as functional to national security, the portion of non-recurring costs capitalised which have not been assessed yet by the issuer is shown separately, pending the fulfilment of the legal requirements for the recognition of the amount receivable from the Ministry. The amount shown in other non-current assets (€mil. 232 at 31 December 2009) is calculated based on an estimate made by management that reflects the reasonable probability 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 Financing for GIE-ATR aircraft

In order to enhance its competitive position, in certain cases GIE-ATR facilitates access to financing for its customers by providing specific guarantees to third parties (an approach taken by its direct competitors), an activity that in the past it also conducted through special purpose entities. Where, due to the effect of the guarantees provided or the content of other contractual provisions, it is felt that substantially all risks and benefits attaching to aircraft sale contracts have not transferred to customers, the sale is not recognised as such in the accounts. Rather, the entire operation is recognised as a lease, postponing the recognition of profits until such time as the risks no longer obtain by way of recognition under deferred income and carrying the aircraft among the Group's assets, undergoing normal depreciation. If, however, the operation is structured in a manner in which substantially all risks and benefits are transferred to the customer, it is booked as a loan or a finance lease, with the sale being recognised upon delivery and the financial component being recognised under finance income on an accruals basis. If contracts envisage a buy-back clause or a residual value guarantee, the operation is recognised as a sale only if the present value of the guarantees can be considered immaterial with respect to the overall value of the transaction; otherwise, the aircraft is carried under the Group's assets and depreciated. All likely risks associated with operations carried out by GIE-ATR are measured on the basis of a prudent valuation conducted by management and are either deducted directly from the carrying value of the asset or are recognised under provisions for risks and charges.

4.3 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 38. 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.

4.4 Provisions for risks and estimates of 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.
In addition, 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, making it necessary for management to estimate the outcome of such disputes. The main potential loss situations classified as "probable" or "possible" (no provision is recognised for the latter) are discussed below.

4.5 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 (€mil. 371 at 31 December 2009): however, these valuations stem from actuarial, demographic, statistical and financial assumptions that are highly volatile and hardly foreseeable. Through the JV MBDA, which is consolidated proportionally at 25%, the Group also participates in defined-benefit pension plans in the UK where the main employer is BAE Systems Plc. As envisaged by IAS 19, the Group recognises the deficit amount that is estimated to be related to MBDA (€mil. 88 at 31 December 2009), based on information provided by BAE.

4.6 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.

5. Effects of changes in accounting policies adopted

The amendments to IAS 1 and the introduction of IFRS 8 only entail different disclosures.
In particular, IAS 1 revised requires that entities present in the statement of changes in equity exclusively the changes deriving from transactions with owners. The Group opted for presenting movements from transactions with non-owners in two separate statements, i.e. the "Income statement" and the "Statement of comprehensive income".
IFRS 8 affects, on the one hand, segment information to provide, and, on the other, requires that such information be consistent with that adopted by management for operating decisions.
More specifically, the amendments to IAS 23 eliminated the option of recognising in the income statement finance costs 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). The Group exercised the right to apply the new standard prospectively starting from 1 January 2009, without significant effects in the current year.
The other changes to the accounting standards and interpretations applicable as from 1 January 2009 had no effect on these consolidated financial statements.

6. Significant non-recurring events or transactions

Refinancing of Group payables

During 2009, Finmeccanica completed its own plan for the optimisation of the Group debt structure, by taking the average life of the debt back to more than 10 years by issuing a series of bonds denominated in US Dollars (US$mil. 1,300 in two subsequent issues in July and October) and GBP (GBP mil. 400), and by reopening (in the amount of €mil. 250) the bonded loan of €mil. 750 which was placed in December 2008 and the additional issue of €mil. 600, both for the EMTN programme. These issues are more thoroughly illustrated in Note 43 and in the Report on Operations (Section Financial transactions). As a result of these transactions and of the share capital increase of November 2008, Finmeccanica also fully repaid the bond debts of DRS Technologies (DRS) and reduced to €mil. 639 (nominal value) the remaining debt on the Senior Term Facility opened in June 2008 to finance the acquisition of DRS.

Sale of STM shares

On 22 December 2009 the sale to Cassa Depositi e Prestiti SpA of the 33,707,436 remaining shares of STMicroelectronics NV (STM) indirectly held by Finmeccanica was completed at a price of €5.10 per share. The sale contract also envisages, for 29,768,850 shares, an earn-out mechanism equal to 50% of the positive difference, if any, between the average price of the STM stock, calculated in the 66 days prior to 17 March 2011 and €7.00. As a result of this transaction, the Group does no longer hold STM shares.

The effects of the transaction were as follows:

	€ millions
Sale proceeds	172
Capital gain realised	18
Tax effect	-

Settlement of the ENEA dispute

In June 2009, the Group received the remaining €mil. 64 relating to the receivable (originally set at €mil. 371) arising from the settlement of the dispute with ENEA. On 12 December 2008, a settlement agreement – accompanied by the payment of an initial instalment of €mil. 307– was signed by Finmeccanica SpA and Ente per le Nuove tecnologie e l'Ambiente (ENEA) in relation to the settlement of the dispute initiated in 1995 between the parties concerning the costs borne by Finmeccanica as a result of the settlement under Law 321/1988 of the contract for the construction of the nuclear power plant named PEC, signed in previous years between ENEA and Finmeccanica.

Financing under Law 808/1985

During the meeting of 28 October 2009, the European Commission acknowledged that the aids for research and development projects granted for some helicopter projects, pursuant to Law 808/85, relate to projects that are functional to national security and that therefore, pursuant to Article 296 of the EU Treaty, are not subject to Community regulations regarding State aids.

The following events took place in the year ended 31 December 2008:

- in November 2008 Finmeccanica successfully completed a share capital increase of 152,921,430 new shares, with net proceeds of €mil. 1,206;
- on 22 October 2008 Finmeccanica carried out the acquisition of the DRS group for an overall amount of US$mil. 3,600 (€mil. 2,342), and also undertook DRS's net financial debt, mostly bonded debt, in the amount of €mil. 1,250, which mostly envisaged put clauses in the case of change of the shareholder, exercised between October 2008 and January 2009;
- following the settlement agreement made between Finmeccanica SpA and ENEA on 12 December 2008, in the year 2008 the Group posted proceeds €mil. 296 (excluding tax charges) and recognised €mil. 14 to the income statement;
- on 26 February 2008, Finmeccanica sold to FT1CI (a company owned by Areva) 26,034,141

shares of STM, posting proceeds of €mil. 260 and a gross capital gain of €mil. 56 (€mil. 54 net of the tax effect);

- in May 2008 the borrowings made under Law 808/85 and expired as at 2007 were repaid, including financial expenses. Moreover, the European Commission had retained the right to request for further information on two helicopter projects before taking a final decision on the full compatibility of these projects with EC rules.

7. 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, Energy, 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 adjusted EBITA (see also section "Non-GAAP performance indicators" of the Report on Operations). The results for each segment at 31 December 2009, as compared with those of the same period of the previous year, are as follows:

	Helicopters	Defence and Security Electronics	Aeronautics	Space	Defence System	Energy	Transp-ortation	Other Activities	Elimin-ations	Total
31 Dec. 2009										
Revenues	3,480	6,718	2,641	909	1,195	1,652	1,811	410	(640)	**18,176**
from other segments	69	798	994	30	222	1	129	72	(640)	**1,675**
Adjusted EBITA	371	698	241	47	130	162	65	(127)		**1,587**
Investments	125	209	335	66	43	60	87	14		**939**

	Helicopters	Defence and Security Electronics	Aeronautics	Space	Defence System	Energy	Transp-ortation	Other Activities	Elimin-ations	Total
31 Dec. 2008										
Revenues	3,035	4,362	2,530	994	1,116	1,333	1,798	386	(517)	**15,037**
from other segments	92	755	954	27	171	3	140	80	(517)	**1,705**
Adjusted EBITA	353	442	250	65	127	122	117	(171)		**1,305**
Investments	193	199	298	31	56	65	36	11		**889**

The portion of fixed assets referring to intangible assets, property, plant and equipment and investment properties attributable to the segments at 31 December 2009 and at 31 December 2008 is as follows:

	Helicopters	Defence and Security Electronics	Aeronautics	Space	Defence System	Energy	Transp-ortation	Other Activities	Elimin-ations	Total
31 Dec. 2009										
Fixed assets	2,182	5,455	2,004	496	595	189	296	275	-	**11,492**
31 Dec. 2008										
Fixed assets	2,054	5,499	2,103	448	590	184	245	214	-	**11,337**

The reconciliation of adjusted EBITA and earnings before interest and taxes, finance income and costs and share of results of equity accounted investments ("EBIT") for the periods concerned is shown below:

	Helicopters	Defence and Security Electronics	Aeronautics	Space	Defence System	Energy	Transp-ortation	Other Activities	Total
31 Dec. 2009									
Adjusted EBITA	371	698	241	47	130	162	65	(127)	**1,587**
Impairment	-	-	-	-	-	-	-	-	**-**
Amortisation of intangible assets acquired through a business combination	7	70	-	1	2	-	-	-	**80**
Restructuring costs	-	13	1	3	4	-	2	-	**23**
Exceptional costs income	-	-	-	-	-	20	72	-	**92**
EBIT	364	615	240	43	124	142	(9)	(127)	**1,392**

	Helicopters	Defence and Security electronics	Aeronautics	Space	Defence System	Energy	Transp-ortation	Other Activities	Total
31 Dec. 2008									
Adjusted EBITA	353	442	250	65	127	122	117	(171)	**1,305**
Impairment	-	40	-	-	-	-	-	-	**40**
Amortisation of intangible assets acquired through a business combination	9	23	-	1	1	-	-	-	**34**
Restructuring costs	-	22	4	2	10	-	3	-	**41**
Exceptional costs income (ENEA)	-	-	-	-	-	-	-	(20)	**(20)**
EBIT	344	357	246	62	116	122	114	(151)	**1,210**

Below is a breakdown by geographic area.

Group revenue can also be broken down geographically as follows (based on the customer's home country):

	31 December 2009	*31 December 2008*
Italy	3,975	3,775
UK	2,072	2,147
Rest of Europe	4,372	4,423
North America	4,333	1,809
Rest of the world	3,424	2,883
	18,176	15,037

Fixed assets, as defined above, are allocated on the basis of their location:

	31 December 2009	*31 December 2008*
Italy	3,847	3,620
UK	1,880	1,758
Rest of Europe	2,303	2,344
North America	3,444	3,606
Rest of the world	18	9
	11,492	11,337

8. Intangible assets

	Goodwill	Development cost	Non-recurring cost	Concessions, licences and trademarks	Acquired through business comb.	Other	Total
1 January 2008							
Cost	3,606	528	964	168	586	500	**6,352**
Amortisation and impairment	(172)	(196)	(280)	(75)	(47)	(316)	**(1,086)**
Carrying amount	**3,434**	**332**	**684**	**93**	**539**	**184**	**5,266**
Investments (*)	-	212	35	47	-	93	**387**
Sales	-	-	-	-	-	-	-
Amortisation	-	(71)	(59)	(26)	(34)	(46)	**(236)**
Impairment	(40)	(13)	(1)	-	-	(1)	**(55)**
Increases for business combinations	2,979	-	-	-	638	11	**3,628**
Other changes	(583)	14	(26)	7	(119)	(46)	**(753)**
31 December 2008	**5,790**	**474**	**633**	**121**	**1,024**	**195**	**8,237**
broken down as follows:							
Cost	5,996	742	964	222	1,085	538	**9,547**
Amortisation and impairment	(206)	(268)	(331)	(101)	(61)	(343)	**(1,310)**
Carrying amount	**5,790**	**474**	**633**	**121**	**1,024**	**195**	**8,237**
Investments (**)		273	6	20		127	**426**
Sales		(44)	(9)				**(53)**
Amortisation		(84)	(52)	(19)	(80)	(62)	**(297)**
Impairment		(18)	(1)			(20)	**(39)**
Increases for business combinations	20						**20**
Other changes	11	23	(32)	(3)	31	43	**73**
31 December 2009	**5,821**	**624**	**545**	**119**	**975**	**283**	**8,367**
broken down as follows:							
Cost	5,978	983	929	225	1,126	697	**9,938**
Amortisation and impairment	(157)	(359)	(384)	(106)	(151)	(414)	**1,571**
Carrying amount	**5,821**	**624**	**545**	**119**	**975**	**283**	**8,367**
(*) of which for capit. of internal constr. costs	1	171	(3)	(1)	-	7	**175**
(**) of which for capit. of internal constr. costs	-	235	(56)	7		26	**212**

Goodwill grew as a result of the business aggregations, as commented on in Note 12, and following the completion of the purchase price allocation of DRS. This increase is partially offset by translation losses on the goodwill of assets denominated in British pound sterling and US dollars.

The recognised amount of goodwill is allocated to the individual cash-generating units (CGUs) concerned, which generally coincide with the group's individual legal entities as per Group practice.

A summary of goodwill by segment is as follows:

	31 December 2009	*31 December 2008*
Helicopters	1,176	1,147
Defence and Security Electronics	3,835	3,831
Aeronautics	60	60
Space	339	339
Defence Systems	365	364
Energy	7	7
Transportation	39	42
	5,821	5,790

Goodwill is subject to impairment tests to determine any losses 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 particular, the value in use is measured by discounting the cash flows of the five-year plans (for the 2010-2014 period) approved by management and projected beyond the explicit time horizon covered by the plan according to the perpetuity growth method using growth rates of no greater than those forecast for the market in which the given CGU operates (2% - 3.5% in 2009). For the impairment tests conducted in 2009, the interest rates applied are between 8.4% - 9.3% and are determined utilising observable market inputs (risk-free and market premium rates and the cost of debt) weighted on the basis of the specific features of each business sector. Assuming that the growth rate across all the CGUs falls by 50 basis points, no impairment would be recognised. An analogous result would be reached if the interest rate used to discount cash flows across all the CGUs were to rise by 50 basis points.

"Development costs" increased due to the capitalisations for the period (€mil. 273), mainly due to Aeronautics programmes (€mil. 110, of which €mil. 44 relating to Global Aeronautica LLC sold in December 2009) and Defence and Security Electronics programmes (€mil. 48), which have been partly offset by amortisation and impairment totalling €mil. 150.

"Non-recurring costs" fell by €mil. 88 mainly because of amortisation for the period (€mil. 52). 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 within other non-current assets (Note 15).

"Concessions, licences and trademarks" include €mil. 89 (€mil. 94 at 31 December 2008) for the production and marketing rights for the AW139 helicopter for the quota acquired by Bell Helicopter.

Intangible assets acquired in the course of corporate combination operations decreased mainly as a result of amortisation and include the following items:

	31 December 2009	*31 December 2008*
Know-how	85	88
Trademarks	45	45
Licenses	14	16
Backlog and commercial positioning	831	875
	975	1,024

Commitments are in place for the purchase of intangible assets for €mil. 23 (€mil. 11 at 31 December 2008).

9. Property, plant and equipment

	Land and buildings	Plant and machinery	Equipment	Other	Total
1 January 2008					
Cost	1,430	1,619	1,200	1,491	**5,740**
Depreciation and impairment	(443)	(1,141)	(661)	(640)	**(2,885)**
Carrying amount	**987**	**478**	**539**	**851**	**2,855**
Investments (*)	30	69	130	273	**502**
Sales	(8)	(1)	(2)	(12)	**(23)**
Depreciation	(46)	(117)	(79)	(62)	**(304)**
Impairment	-	-	-	-	-
Increases for business combinations	74	10	66	57	**207**
Other changes	96	192	(31)	(395)	(138)
31 December 2008	**1,133**	**631**	**623**	**712**	**3,099**
broken down as follows:					
Cost	1,603	1,768	1,288	1,388	**6,047**
Depreciation and impairment	(470)	(1,137)	(665)	(676)	**(2,948)**
Carrying amount	**1,133**	**631**	**623**	**712**	**3,099**
Investments (**)	32	65	94	322	**513**
Sales	(6)	(3)	-	(55)	**(64)**
Depreciation	(60)	(137)	(85)	(76)	(358)
Impairment	(4)	-	-	(3)	(7)
Increases for business combinations	-	-	-	-	-
Other changes	78	110	25	(272)	(59)
31 December 2009	**1,173**	**666**	**657**	**628**	**3,124**
broken down as follows:					
Cost	1,684	1,883	1,381	1,271	**6,219**
Depreciation and impairment	(511)	(1,217)	(724)	(643)	**(3,095)**
Carrying amount	**1,173**	**666**	**657**	**628**	**3,124**
(*) of which capitalisation of int. construction costs	-	6	81	12	**99**
(**) of which capitalisation of int. construction costs	-	2	57	57	**116**

Property, plant and equipment includes €mil. 58 (€mil. 40 at 31 December 2008) of assets held under contracts that can be qualified as finance leases, of which €mil. 56 (€mil. 29 at 31 December 2008) relates to land and buildings and €mil. 2 (€mil. 11 at 31 December 2008) to plant and machinery, equipment and other assets.

In particular, "other assets" include €mil. 25 (€mil. 8 at 31 December 2008) for helicopters owned by the AgustaWestland group and a total of €mil. 98 (€mil. 148 at 31 December 2008) for aircraft owned by the GIE-ATR group, as well as for those that did not meet the requirements, in terms of the substantial transfer of the risks of ownership (Note 4.2), to recognise the sale, despite the fact that sales contracts have been concluded with external customers.

The item also includes the value of assets under construction totalling €mil. 325 (€mil. 393 at 31 December 2008).

The most significant investments amounted to €mil. 335 for Aeronautics (mainly for the progress of the B787 programme), €mil. 209 for Defence and Security Electronics, €mil. 125 for Helicopters, €mil. 87 for Transportation and €mil. 60 for Space.

Purchase commitments of property, plant and equipment are recorded in the amount of €mil. 130 (€mil. 143 at 31 December 2008).

10. Investment properties

Investment properties, amounting to €mil. 1 (€mil. 1 at 31 December 2008), entirely regarded land and buildings.

11. Equity investments

	31 December 2009	*31 December 2008*
1 January	192	148
Acquisitions/subscriptions and capital increases	154	41
Effect of recognition using the equity method	18	17
Impairment of other equity investments	(1)	(4)
Dividends received	(11)	(10)
Sales	(5)	-
Other changes	(4)	-
31 December	**343**	**192**

The increases related to the acquisition of the Joint Stock Company Sukhoi Civil Aircraft (€mil. 154) in Aeronautics.

Net revaluations using the equity method primarily concerned Eurofighter Jagdflugzeug GmbH for €mil. 11 (€mil. 6 in 2008) and Elettronica SpA for €mil. 5 (€mil. 5 in 2008). Impairment related to the Thamus consortium.

LIST OF UNCONSOLIDATED EQUITY INVESTMENTS AT 31 DECEMBER 2009 (€ millions)

	Ownership	*€mil.*	*Assets*	*Liabilities*	*Currency*
SUBSIDIARIES – ASSOCIATES					
Joint Stoch Company Sukhoi Aircraft	25.00%	155	830	737	
Eurotech SpA (+)	11.08%	18	214	77	
Elettronica SpA (+)	31.333%	17	668	618	
Orizzonte - Sistemi Navali SpA (+)	49.00%	13	714	689	
Metro 5 SpA	31.90%	8	272	247	
Eurosysnav SAS (+)	50.00%	6	1,193	1,182	
Icarus SCpA	49.00%	6	25	13	
Eurofighter Jagdflugzeug GmbH	21.00%	10	1,526	1,490	
Finmeccanica North America Inc. (+)	100.000%	3	6	1	US$
Libyan Italian Advanced Technology Company (+)	50.00%	3	15	6	LYD
Consorzio C.R.I.S.(+)	81.00%	2	5	3	
Musinet Engineering SpA (+)	49.00%	2	6	2	
Digint Srl	49.00%	2	4	2	
Jiangxi Changhe Agusta Helicopters Co. Ltd	40.00%	2	53	3	CNY
I.M. Intermetro SpA (+)	33.33%	2	1,539	1,532	
Novacom Services SA (*)(+)	26.62%	2	7	3	
MINORITY INTERESTS					
Metro C SCpA	14.00%	21			
Indra Espacio SA (*)	16.17%	8			
PZL - Swidnik SA	6.135%	7			
SIN Srl	4.00%	5			
Innovazione e Progetti SCpA (in liq.)	15.00%	5			
BCV Investments SCA	14.32%	4			
Panavia Aircraft GmbH	15.00%	3			
Uirnet SpA (*)	11.07%	3			
Roxel SAS (*)	12.50%	2			
Ferromovil 9000 SL	10.00%	2			
Sofresa SA (*)	3.00%	2			
Vitrociset SpA	1.46%	2			
Equity investments in companies and consortiums with value lower than €mil. 2		28			
Total equity investments (less impairment provisions)		**343**			

(*) Investment with % ownership in Group companies.
(+) Reference values: 2008 financial statements.

12. Business combinations

During the year DRS Signal Solutions finalised the purchase of Soneticom Inc., a US company active in the military telecommunications, while Elsag Datamat completed the purchase of Orangee Srl. These transactions brought the following overall effects on the balance sheet:

	€ millions
Cash and cash equivalents	2
Financial receivables	2
Inventories	1
Net borrowings	(1)
Payables to suppliers and other liabilities	(2)
Net assets acquired	**2**
Price paid	14
Deferred payments	9
Total cost of acquisitions	**23**
Goodwill deriving from acquisition	20
Cash acquired	2
Cash outlay	(12)

On 22 October 2008 the acquisition of DRS Technologies Inc. was completed (therefore consolidated only for a bit more than two months in previous year). The contribution for the Group of such acquisition in the years being compared is the following:

	2009	*2008*
Revenue	2,852	551
Adjusted EBITA	323	51
Net profit	109	16
Cash-flow generated from operating activities less investments in fixed assets	155	26

Below are shown the total effects of the transactions completed during 2008 and 2009:

€ millions	*2009*		*2008*	
	Goodwill	Cash Effect	Goodwill	Cash effect
Acquisition of DRS	-	13	2,901	(2,372)
Other acquisitions	20	12	5	(7)
Transactions with minority shareholders	-	-	73	(75)
Total	20	25	2,979	(2,454)

During 2008 the following transactions were finalised:

- the 100% acquisition of DRS Technologies Inc., a US company listed on the New York Stock Exchange and a leader in the integrated defence electronics products and services industry, for US$ 81 per share. The total value of the transaction was US$ bil. 5.2, which included the assumption of financial liabilities amounting to US$ bil. 1.6 which, in large part, were repaid between October 2008 and January 2009 following the exercise of the put options embedded in such instruments which were triggered by the change in control. After the acquisition, DRS was delisted from the New York Stock Exchange;

- the acquisition of the Spanish company Aurensis SL, specialising in technologies for territorial applications and satellite and aerial earth observation services, and of the Italian company ISAF Srl, specialising in the geographical technologies information systems sector by the Telespazio joint venture; these purchases generated goodwill totalling €mil. 5 and cash outlays of €mil. 7;
- the purchase of minority stakes in relation to the acquisition of the remaining 71.8% of the Vega group following the completion of the squeeze-out, with total cash outlays of €mil. 63 including transaction costs, and 18% in Sirio Panel SpA, 75% already held by the Group, with a cash outlay of €mil. 12. These transactions generated goodwill amounting to €mil. 65 and €mil. 8 respectively.

13. Financial assets at fair value

€ millions	*31 December 2009*		*31 December 2008*	
	Assets available for sale	Assets at fair value through profit or loss	Assets available for sale	Assets at fair value through profit or loss
Investment in STM	-	-	154	-
Other securities	-	-	-	-
	-	-	**154**	

The item included, up to the date of disposal, the indirectly owned investment in STMicroelectronics (STM), classified entirely as “assets available for sale”.

Below are the changes for the periods being compared:

	2009	*2008*
1 January	154	589
Purchases for the period	-	-
Disposals for the period	(154)	(260)
Fair value adjustment	-	(175)
31 December	-	**154**

As explained in more detail in Note 6, the remaining 34 million shares were sold in 2009 for a total amount received of €mil. 172.

14. Financial transactions with related parties

In general, commercial relations with related parties are carried out at arm's length, as is settlement of the interest-bearing receivables and payables when not governed by specific contractual conditions. Below are the amounts:

RECEIVABLES AT 31 DECEMBER 2009 (€ millions)

	Non-current financial receivables	Other non-current receivables	Current financial receivables	Trade receivables	Other current receivables	Total
Subsidiaries						
Other companies with unit amount lower than €mil. 5			11	6	1	**18**
Associates						
Eurofighter Jagdflugzeug GmbH				81		**81**
Iveco - Oto Melara Scarl				55		**55**
Metro 5 SpA				34		**34**
Orizzonte - Sistemi Navali SpA				21		**21**
NH Industries Sarl				18		**18**
Abruzzo Engineering Scpa				17		**17**
Euromids SAS				7		**7**
Joint Stock Company Sukhoi Aircraft				6		**6**
Eurosysnav SAS				5		**5**
Other companies with unit amount lower than €mil. 5	2		1	24		**27**
Joint ventures (*)						
MBDA SAS				75		**75**
Thales Alenia Space SAS	5		5	32		**42**
GIE-ATR				11	6	**17**
Rotorsim Srl			10	1		**11**
Aviation Training International Ltd	5					**5**
Other companies with unit amount lower than €mil. 5			6	8		**14**
Consortiums (**)						
Saturno				67	2	**69**
Ferroviario Vesuviano				14		**14**
Trevi - Treno Veloce Italiano				12		**12**
C.I.S. DEG				10		**10**
S3Log				5		**5**
Other consortiums with unit amount lower than €mil. 5			1	14		**15**
Total	**12**	**-**	**34**	**523**	**9**	**578**
% against total for the year	*14.3*		*4.3*	*11.0*	*0.1*	

PAYABLES AT 31 DECEMBER 2009 (€ millions)

	Non-current borrowings	Other non-current payables	Current borrowings	Trade payables	Other current payables	Total	Guarantees
Subsidiaries							
Other companies with unit amount lower than €mil. 5			1	18		**19**	
Associates							
Eurofighter Jagdflugzeug Gmbh			23	3		**26**	
Consorzio Start SpA				22		**22**	
Eurosysnav SAS			6			**6**	
Other companies with unit amount lower than €mil. 5			1	12	5	**18**	
Joint ventures (*)							
MBDA SAS			601	9	1	**611**	116
Thales Alenia Space SAS			45	16		**61**	1
Telespazio SpA				2	2	**4**	164
Other companies with unit amount lower than €mil. 5		2	5	5		**12**	
Consortiums (**)							
Other consortiums with unit amount lower than €mil. 5			12			**12**	
Total	**-**	**-**	**679**	**99**	**13**	**791**	**281**
% against total for the year	-	-	*35.6*	*2.1*	*0.9*		

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

RECEIVABLES AT 31 DECEMBER 2008 (€ millions)

	Non-current financial receivables	Other non-current receivables	Current financial receivables	Trade receivables	Other current receivables	Total
Subsidiaries						
Other companies with unit amount lower than €mil. 5			13	8	1	**22**
Associates						
Eurofighter Jagdflugzeug GmbH				92		**92**
Iveco/Fiat - Oto Melara Scarl				65		**65**
Orizzonte - Sistemi Navali SpA				36		**36**
NH Industries Sarl				23		**23**
Macchi Hurel Dubois SAS				12		**12**
Metro 5 SpA				19		**19**
Abruzzo Engineering Scpa				9		**9**
Other companies with unit amount lower than €mil. 5	2		1	28	1	**32**
Joint ventures (*)						
MBDA SAS				77		**77**
Thales Alenia Space SAS			6	29		**35**
GIE-ATR				15	6	**21**
Aviation Training International Ltd	6					**6**
Other companies with unit amount lower than €mil. 5	5		1	5	5	**16**
Consortiums (**)						
Saturno				49		**49**
Trevi - Treno Veloce Italiano				15		**15**
C.I.S. DEG				9		**9**
Elmac				6		**6**
Other consortium with unit amount lower than €mil. 5			5	21	1	**27**
Total	**13**	**-**	**26**	**518**	**14**	**571**
% against total for the year	*16.5*	*-*	*3.8*	*11.1*	*2.1*	

PAYABLES AT 31 DECEMBER 2008 (€millions)

	Non-current borrowings	Other non-current payables	Current borrowings	Trade payables	Other current payables	Total	Guarantees
Subsidiaries							
Other companies with unit amount lower than €mil. 5			1	16	1	**18**	
Associates							
Eurofighter Jagdflugzeug Gmbh			62	7		**69**	
Iveco/Fiat - Oto Melara Scarl					25	**25**	
Eurosysnav SAS			9			**9**	
Consorzio Start SpA				19		**19**	
Orizzonte - Sistemi Navali SpA							12
Other companies with unit amount lower than €mil. 5			2	15	4	**21**	
Joint ventures (*)							
MBDA SAS			544	10		**554**	161
Thales Alenia Space SAS			19	8		**27**	3
SuperJet International SpA			8			**8**	
Telespazio SpA			7			**7**	364
Other companies with unit amount lower than €mil. 5				1	4	**5**	
Consortiums (**)							
C.I.S.DEG							1
Other consortiums with unit amount lower than €mil. 5				8		**8**	
Total	**-**	**-**	**652**	**84**	**34**	**770**	**541**
% against total for the year	-	-	*28.8*	*1.8*	*2.2*		

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

15. Receivables and other non-current assets

	31 December 2009	*31 December 2008*
Third-party financing	69	60
Security deposits	26	21
Receivables for finance leases	3	6
Deferred receivables under Law 808/85	62	135
Net asset defined-benefit retirement plans (Note 26)	11	39
Other	29	28
Financial receivables from related parties (Note 14)	12	13
Non-current receivables	**212**	**302**
Deferred expenses	4	13
Non-recurring costs awaiting intervent. under Law 808/85	232	467
Other non-current assets	**236**	**480**
Total other non-current assets	**448**	**782**

Receivables for finance lease relate to transactions qualifying as finance lease made by GIE-ATR where the Group is the lessor: in this case, the aircraft being the subject-matter of the lease contract is removed from assets and replaced by a receivable, and the relevant finance income is recognised progressively over the term of the contract at the effective interest rate applicable to the lease contract.

The item "deferred receivables under Law 808/85" includes the receivables from the Ministry for Economic Development relating to the current value of the interventions pursuant to Law 808/85 in national security and similar projects for which collections were deferred. The portion for which collection is expected within 12 months (€mil. 35) is classified among other current assets (Note 21). "Non-recurring costs awaiting interventions under Law 808/85" include the portion of non-recurring costs paid on programmes that benefit from the provisions of Law 808/85, are classified as being functional to national security, and whose expenses have not been assessed yet by the issuer. After the legal requirements for the recognition of the receivable from the Ministry are fulfilled, the recognised amount is reclassified as a receivable (current or non-current, based on the expected payment schedule). The amount shown is calculated based on an estimate made by management that reflects the reasonable probability 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.

16. Inventories

	31 December 2009	*31 December 2008*
Raw materials, supplies and consumables	2,316	2,128
Work in progress and semi-finished goods	1,428	1,328
Finished goods and merchandise	79	97
Advances to suppliers	839	812
	4,662	**4,365**

Inventories are shown net of impairment charges of €mil. 444 (€mil. 530 at 31 December 2008).

17. Contract work in progress and advances received

	31 December 2009	31 December 2008
Work in progress (gross)	8,499	7,825
Advances from customers	(4,786)	(4,151)
Work in progress (net)	**3,713**	**3,674**
Advances from customers (gross)	16,929	16,245
Work in progress	(9,140)	(8,846)
Advances from customers (net)	**7,789**	**7,399**

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 advances have not been collected at the reporting date, the corresponding amount is recognised as a receivable from customers.

18. Trade and financial receivables

	31 December 2009		31 December 2008	
	Trade	Financial	Trade	Financial
Receivables	4,433	763	4,317	653
Impairment	(188)	-	(180)	-
Receivables from related parties (Note 14)	523	34	518	26
	4,768	**797**	**4,655**	**679**

Trade receivables from related parties refer specifically to the non-eliminated portion of receivables from joints ventures and associated companies, lead companies or consortiums of major programmes in which the Group participates. The most important of these relate to the Eurofighter (EFA programme) totalling €mil. 81 (€mil. 92 in 2008) for contracts for the production of wings and posterior fuselages and for the assembly of aircraft for the Italian Air Force; receivables from the Saturno consortium amounting to €mil. 67 (€mil. 49 in 2008) for work on high-speed train lines; receivables from the Iveco Fiat/Oto Melara consortium amounting to €mil. 55 (€mil. 65 in 2008) for production and post-sales assistance on defence and security ground vehicles (production is currently under way on VBM Freccia and PZH2000 self-propelled vehicle for the Italian Army); receivables from Metro 5 SpA amounting to €mil. 34 (€mil. 19 in 2008) for the designing, construction and operation of the new line 5 of the Milan metro; receivables from Orizzonte - Sistemi Navali SpA amounting to €mil. 21 (€mil. 36 in 2008) relating to the FREMM programme.

Financial receivables mainly include receivables from other partners of the joint ventures (€mil. 708 compared with €mil. 629 at 31 December 2008) related to the deposit of cash and cash equivalents of the MBDA and the Thales Alenia Space joint ventures with the other participants in the joint venture (BAE Systems Plc, EADS NV and Thales SA), acquired on a pro rata basis (25% MBDA and 33% Thales Alenia Space respectively) through proportionate consolidation.

The ageing of receivables together with an analysis of how the Group manages credit risk is reported under Note 43.

19. Current financial assets at fair value

These assets include:

	31 December 2009		*31 December 2008*	
	Assets available for sale	Assets at fair value through profit or loss	Assets available for sale	Assets at fair value through profit or loss
Bonds	-	-	-	-
Other securities	11	-	1	-
	11	**-**	**1**	**-**

Other securities rose due to the recognition of an Italian investment fund of €mil. 10.
The item includes the above-said investment fund and government securities given to guarantee performance of sale contracts with national government customers and are held until sale upon the expiration of the associated guarantee.

20. Income tax receivables and payables

	31 December 2009		*31 December 2008*	
	Receivables	Payables	Receivables	Payables
Parent Company receivables	75	-	76	-
Receivables assigned without recourse	-	-	106	-
Other income tax receivables/payables	67	126	54	201
	142	**126**	**236**	**201**

Parent Company receivables relate to IRES for €mil. 21 (€mil. 25 at 31 December 2008), to receivables for interest on tax receivables for €mil. 42 (€mil. 40 at 31 December 2008), and to other receivables (IRAP, regional tax on productive activities, ILOR, etc.) for €mil. 12 (€mil. 11 at 31 December 2008). Receivables assigned without recourse (€mil. 106 at 31 December 2008) relates to IRPEG (corporate income tax) receivables and receivables for interest on tax receivables which, even though they had been sold by Finmeccanica, were taken back to receivables based on the contractual structure used in the past to support the sale. In December the Financial Authorities repaid the receivable to the buyer and the IRPEG receivable was cancelled, including relevant interest.

21. Other current assets

	31 December 2009	*31 December 2008*
Accrued income - current portion	104	114
Equity investments	1	1
Receivables for contributions	69	71
Receivables from employees and social security	32	37
Indirect tax receivables	198	204
Deferred receivables Law 808/85	35	35
Other assets	158	183
Other receivables from related parties (Note 14)	9	14
	606	**659**

The item “deferred receivables Law 808/85” includes the receivables from the Ministry for Economic Development relating to the interventions pursuant to Law 808/85 in national security and similar projects for which collections are expected within 12 months. Portions for which collections are expected beyond 12 months are recognised as accounts receivable and other non-current assets (Note 15).
Other assets include, among others, insurance payment receivables of €mil. 18 (mostly deriving from the payments for the earthquake in L’Aquila occurred on 6 April 2009 which involved certain Group companies’ plants), sundry advances in the amount of €mil. 13 (€mil. 23 at 31 December 2008), receivables for disputes for €mil. 6 (€mil. 7 at 31 December 2008) and receivables from the Camozzi group in the amount of €mil. 2 (€mil. 3 at 31 December 2008).

22. Cash and cash equivalents

Cash and cash equivalents amounted to €mil. 2,630 and show a significant increase compared to the 2008 financial statements (€mil. 2,297). This high amount is the result of the significant cash flows realised by the Group companies, also through the sale of receivables, during the year, particularly during the latest period of 2009. The figure also includes the bonds issued in 2009 which were not supposed to cover the prior liabilities, and €mil. 172 from the sale of the equity interest in STM. Finally, as usual, a part of cash and cash equivalents stems from the cash surpluses that a number of Group companies pay to Finmeccanica outside the cash pooling system as its share directly or through subsidiaries under treasury agreements signed between the parties. The balancing entry is found under “borrowings from related parties” (Note 14). The Group does not include overdraft facilities, since it is not systematically used as a form of financing.

23. Shareholders' equity

SHARE CAPITAL

	Number of ordinary shares	Par value €mil.	Treasury shares €mil.	Costs incurred net of tax effect €mil.	Total €mil.
Outstanding shares	578,150,395	2,544	-	(17)	**2,527**
Treasury shares	(447,209)	-	(8)	-	**(8)**
31 December 2008	**577,703,186**	**2,544**	**(8)**	**(17)**	**2,519**
Cost incurred for share capital increase				(2)	**(2)**
Repurchase of treasury shares, less shares sold	(696,868)		(5)		**(5)**
31 December 2009	**577,006,318**	**2,544**	**(13)**	**(19)**	**2,512**
broken down as follows:					
Outstanding shares	578,150,395	2,544		(19)	**2,525**
Treasury shares	(1,144,077)		(13)		**(13)**
	577,006,318	**2.544**	**(13)**	**(19)**	**2,512**

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 1,144,077 treasury shares.

During 2009 the share capital had a net decrease of €mil. 7 due to:

- the decrease of €mil. 2 as a result of the recognition of further costs incurred for the 2008 share capital increase, net of the related tax effect;
- the decrease of €mil. 5 for the repurchase of 1,348,000 treasury shares (€mil. 13), less 651,132 shares (€mil. 8), equal to the shares sold to the awardees of the stock-grant plans. Following these transactions, treasury shares amounted to 1,144,077, which were entirely used to service the stock-option and stock-grant plans.

At 31 December 2009 the Ministry for the Economy and Finance held about 30.2043% of the shares. Capital Research and Management Co. held about 2.8042% of the shares, BlackRock Investment Management (UK) Ltd held about 2.2458% of the shares and The Income Fund of America Inc. held about 2.0633% of the shares. No other shareholder held more than 2% of the shares.

The statement of changes of other reserves and minority interests is provided in the accounting statements section.

Reserve for assets available for sale

This reserve includes changes in the instruments recognised in this category.

Cash-flow hedge reserve

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

Translation reserve

This reserve is used to recognise the exchange rate differences resulting from the conversion of the financial statements expressed in foreign currencies of consolidated companies. The most significant amounts were the result of the consolidation of the UK component of the AgustaWestland (€mil. -136), SELEX Communications (€mil. -38) and SELEX Sensors and Airborne Systems (€mil. -337) groups, and of the exchange-rate effect on the assets denominated in US dollars of the DRS Technologies group (€mil. -260).

Reserve for stock-option and stock-grant plans

This reserve is the equity contra-item of the value of the activities performed by employees and non-employees, remunerated through the assignment of options on the shares of Finmeccanica SpA stock as part of the previous stock-option plan for 2002-2004 (on 17 December 2009 Finmeccanica’s Board of Directors resolved upon the approval of the extension of the period for the exercise of options up to 31 December 2011), or through the free assignment of shares as part of the stock-grant plan 2008-2010.

Minority interests

The most significant changes for the period related to the capital increase of World's Wing SA (5.06% share of minority interests) for €mil. 5, the increase in the minority interest of the e-GEOS group (20% share of minority interests), the payment of dividends and the change in income and costs largely attributable to the Ansaldo STS group (60% share of minority interests) recognised in shareholders’ equity.

Breakdown of the tax effects on the gain and loss items recognised in shareholders' equity

			Group				***Minority interest***
	Amount before taxes	Tax effect	**Amount net of tax effect**		Amount before taxes	Tax effect	**Amount net of tax effect**
Available-for-sale financial assets	-	-	-	-	-	-	-
Actuarial gains (losses) on defined-benefit plans	(177)	55	**(122)**	-	-		
Changes in cash-flow hedges	55	(18)	**37**		(4)	1	**(3)**
Exchange gains/losses	37		**37**		4		**4**

24. Borrowings

	31 December 2009			31 December 2008		
	Current	Non-current	Total	Current	Non-current	Total
Bonds	713	3,763	4,476	966	2,115	**3,081**
Bank borrowings	200	713	913	178	1,880	**2,058**
Finance leases	1	3	4	14	2	**16**
Payable for non-recourse factoring	-	-	-	109	-	**109**
Borrowings from related parties (Note 14)	679	-	679	652	-	**652**
Other borrowings	311	125	436	346	98	**444**
	1,904	4,604	6,508	2,265	4,095	6,360

Changes in borrowings are:

	1 January 2009	Increases (*)	Repayments/ Payment of coupons (*)	Change in scope of consolidation	Other changes	31 December 2009
Bonds	3,081	2,403	(1,028)	-	20	**4,476**
Bank borrowings	2,058	67	(1,198)	-	(14)	**913**
Finance leases	16	2	(14)	-	-	**4**
Payable for non-recourse factoring	109	-	(109)	-	-	-
Borrowings from related parties	652	27		-	-	**679**
Other borrowings	444	102	(102)	5	(13)	**436**
	6,360	2,601	(2,451)	5	(7)	6,508

	1 January 2008	Increases (*)	Repayments/ Payment of coupons (*)	Change in scope of consolidation	Other changes	31 December 2008
Bonds	1,758	850	(614)	1,193	(106)	**3,081**
Bank borrowings	282	3,058	(1,225)	106	(163)	**2,058**
Finance leases	20	1	(5)	-	-	**16**
Payable for non-recourse factoring	109	-	-	-	-	**109**
Borrowings from related parties (Note 14)	560	92		-	-	**652**
Other borrowings	655	64	(297)	3	19	**444**
	3,384	4,065	(2,141)	1,302	(250)	6,360

(*) 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.

BONDS

	1 January 2009	New borrowings	Change in scope of consolidation	Interest	Repayments	Payment of coupons	Effect of exchange rate	31 December 2009
Exchangeable bonds	470	-	-	22	-	(2)	-	**490**
Bonds 2018*	497	-	-	29	-	(28)	-	**498**
Bonds 2025*	515	-	-	25	-	(26)	-	**514**
Bonds 2013*	749	259	-	82	-	(81)	-	**1,009**
DRS - Bonds 2013*	403	-	-	2	(412)	-	9	**2**
DRS - Bonds 2016*	260	-	-	2	(264)	-	11	**9**
DRS - Bonds 2018*	187	-	-	1	(192)	-	8	**4**
Lst Bonds 2019*	-	445	-	26	-	(24)	(2)	**445**
Bonds 600 M€ 2022*	-	592	-	6	-	-		**598**
Bonds 500 MUSD MH 2019*	-	350		11	-		(10)	**351**
Bonds 300 MUSD MH 2039*	-	208	-	7		-	(5)	**210**
Bonds 500 MUSD 2040*	-	332		4	-	-	10	**346**
	3,081	**2,186**		**217**	**(868)**	**(161)**	**21**	**4,476**

	1 January 2008	New borrowings	Change in scope of consolidation	Interest	Repayments	Payment of coupons	Effect of exchange rate	31 December 2008
Exchangeable bonds	451	-	-	21	-	(2)	-	**470**
Bonds 2009*	296	-	-	14	(297)	(13)	-	**-**
Bonds 2018*	497	-	-	29	-	(29)	-	**497**
Bonds 2025*	514	-	-	25	-	(24)	-	**515**
Bonds 2013*	-	745	-	4	-	-	-	**749**
DRS - Bonds 2013*	-	-	445	6	-	(13)	(35)	**403**
DRS - Bonds 2016 *	-	-	278	4	-	-	(22)	**260**
DRS - Bonds 2018 *	-	-	200	2	-	-	(15)	**187**
DRS - Bonds 2008 *	-	-	270	-	(235)	(1)	(34)	**-**
	1,758	**745**	**1,193**	**105**	**(532)**	**(82)**	**(106)**	**3,081**

(*) Maturity date of bond.

Below is some information on the features of these bonds. More detailed information can be found in the "Financial transactions" section of the Report on Operations.

- *Exchangeable bonds*: the bond, issued by Finmeccanica Finance SA for a nominal value of €mil. 501 with a nominal yield of 0.375% annually, was measured at an effective interest rate of 4.36%, which is the rate at which it would have been issued had it not had the exchange option. This component, separated from the value of the bond, was measured at fair value and recognised through profit and loss (Notes 29 and 38). On 1 June 2005, the Group entered into a transaction to hedge the income volatility caused by the recognition of the embedded option by purchasing an offsetting option sold to investors with the same underlying position and the same basic parameters. The economic effects of this transaction are nil (Note 38). For the handling of the STM shares linked to the conversion (20,000,000) see Note 13.

- *Bonds 2003*: this bond was issued by Finmeccanica Finance SA for a total nominal value of €mil. 500. With an annual coupon of 5.75%, the effective interest rate is 5.93%.
- *Bonds 2005*: this bond was issued by Finmeccanica SpA for a total nominal value of €mil. 500. With an annual coupon of 4.875%, the effective interest rate is 4.96%.
- *Bonds 2008*: this bond was issued in December 2008 by Finmeccanica Finance SA for a total nominal value of €mil. 750. With an annual coupon of 8.125%, the effective interest rate is 8.019%. In February 2009 the bond was extended by €mil. 250.
- *Lst Bonds 2009*: this bond was issued in April 2009 by Finmeccanica Finance SA for a total nominal value of GBP mil. 400 (€mil. 445). With an annual coupon of 8.0%, the effective interest rate is 8.369%. This bond was entirely used to partially repay the Senior Term Loan Facility.
- *Bonds MUSD 2009*: this bond was issued in July 2009 by Meccanica Holding USA in two tranches for a total nominal value of US$mil. 500 (ten-year maturity) and US$mil. 300 (thirty-year maturity). With an annual coupon of 6.250% and 7.375% respectively, the effective interest rate is 6.556% and 7.723% respectively. This bond also was used to partially repay the Senior Term Loan Facility and to finance DRS. In October a new bond was issued for a total nominal value of US$mil. 500. With an annual coupon of 6.250%, the effective interest rate is 6.436%.
- *Bonds 2009*: this bond was issued in October 2009 by Finmeccanica Finance SA for a total nominal value of €mil. 600. With an annual coupon of 5.250%, the effective interest rate is 5.394%.

It is noted that most of the bonds of DRS Technologies (DRS) was paid in advance in January 2009. All of the issues had change of control clauses allowing the bondholders to obtain the early repayment of capital (put option) if there was a change in the control of the issuer. Finmeccanica's acquisition of DRS triggered this clause and caused the early repayment of most of the existing issues, whose residual amount at 31 December 2009, also due to the amounts later repaid in 2009, is US$mil. 20 on the three issues.

Bank borrowings

These mainly relate to the residual value of the Senior Term Loan Facility made by Finmeccanica with a group of banks to finance the acquisition of the US group DRS. In 2009 all of tranche B and part of tranche C of the borrowing were repaid for a total amount of €mil. 1,197.
This item also includes subsidised loans (€mil. 66, compared to €mil. 79 at 31 December 2008), as well as borrowings by the joint ventures ATIL Ltd in the Helicopters segment (€mil. 41, compared with €mil. 47 at 31 December 2008), and GIE-ATR in the Aeronautics segment (€mil. 11, compared with €mil. 9 at 31 December 2008).

Finance leases

These obligations are related to property, plant and equipment held by the Group under finance lease contracts.

Payable for non-recourse factoring

In 2008 the payable was equal to the value of the re-recognition made in previous years of tax receivables that, even though they had been sold, were reported based on the contractual structure used in the past to support the sale. In December the Financial Authorities repaid the receivable to the buyer; the payment caused the cancellation of the payable to the buyer (Note 20).

Borrowings from related parties

Borrowings from related parties (Note 14) include in particular the amount of €mil. 646 (€mil. 570 at 31 December 2008) due by Group companies to the joint ventures MBDA and Thales Alenia Space, for the unconsolidated portion, and payables of €mil. 23 from Eurofighter, of which Alenia Aeronautica owns 21%. As regards the latter, under a new cash pooling agreement its surplus cash and cash equivalents at 31 December 2009 were distributed among the partners.

Other borrowings

Other borrowings were also affected, among others, by a second payment of €mil. 80 (out of a total of €mil. 389, of which €mil. 297 repaid in 2008) to the Ministry for Economic Development (MED) as a result of the decisions made concerning the methods for complying with the scheduled repayment plans and the corresponding finance costs related to programmes funded by Law 808/85 (Note 6).

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

31 December 2009

	Bank borrowings		Bonds		Related parties		Other		Total	
	Floating	Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed
Within 1 year	200	-	130	583	679	-	306	1	**1,315**	**584**
2 to 5 years	709	-	1,073	570	-	-	112	3	**1,894**	**573**
Beyond 5 years	4	-	508	1,612	-	-	18	-	**530**	**1,612**
TOTAL	**913**	**-**	**1,711**	**2,765**	**679**	**-**	**436**	**4**	**3,739**	**2,769**

31 December 2008

	Bank borrowings		Bonds		Related parties		Other		Total	
	Floating	Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed
Within 1 year	178	-	73	893	652	-	455	14	**1,358**	**907**
2 to 5 years	1,864	-	738	632	-	-	44	2	**2,646**	**634**
Beyond 5 years	16	-	196	549	-	-	54	-	**266**	**549**
TOTAL	**2,058**	**-**	**1,007**	**2,074**	**652**	**-**	**553**	**16**	**4,270**	**2,090**

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

	Notes	31 Dec. 2009	31 Dec. 2008
Cash and cash equivalents	22	(2,630)	(2,297)
Securities held for trading	19	(11)	(1)
LIQUIDITY		**(2,641)**	**(2,298)**
CURRENT FINANCIAL RECEIVABLES	18	**(797)**	**(679)**
Current bank payables	24	200	178
Current portion of non-current borrowings	24	714	980
Other current borrowings	24	990	1,107
CURRENT NET DEBT		**1,904**	**2,265**
CURRENT NET DEBT (CASH)		**(1,534)**	**(712)**
Non-current bank payables	24	713	1,880
Bonds issued	24	3,763	2,115
Other non-current payables	24	128	100
NON-CURRENT NET DEBT		**4,604**	**4,095**
NET DEBT		**3,070**	**3,383**

25. Provisions for risks and charges and contingent liabilities

	Guarantees given	Restructuring	Penalties	Product guarantees	Other	Total
1 January 2008						
Current	16	23	20	91	395	**545**
Non-current	36	16	34	110	157	**353**
	52	39	54	201	552	898
Allocations	9	14	41	59	108	**231**
Uses	(1)	(9)	(15)	(30)	(39)	**(94)**
Reversals	(6)	(4)	(1)	(36)	(50)	**(97)**
Other changes	1	(8)	-	25	20	**38**
31 December 2008	55	32	79	219	591	976
Broken down as follows:						
Current	23	18	26	117	448	**632**
Non-current	32	14	53	102	143	**344**
	55	32	79	219	591	976
Allocations	5	11	16	66	184	**282**
Uses	(2)	(15)	(14)	(34)	(68)	**(133)**
Reversals	(11)	(1)	(4)	(30)	(64)	**(110)**
Other changes	11	-	5	2	(74)	**(56**
31 December 2009	58	27	82	223	569	959
Broken down as follows:						
Current	34	15	20	117	409	**595**
Non-current	24	12	62	106	160	**364**
	58	27	82	223	569	959

The provisions for risks include:

- the provision for guarantees given in the amount of €mil. 58 (€mil. 55 at 31 December 2008) is related to business in the Aeronautics, Transportation and Other activities segments with foreign partners;
- the provision for conversion and restructuring in the amount of €mil. 27 (€mil. 32 at 31 December 2008) was established for expected charges resulting from the programme to restructure the various segments. The most significant uses for the period involved the Defence and Security Electronics, Helicopters and Space segments. The amounts recorded are related to the Aeronautics, Defence Systems, Space, Energy, Defence and Security Electronics and Transportation;
- the provision for penalties in the amount of €mil. 82 (€mil. 79 at 31 December 2008). The amounts recorded are related to the Aeronautics, Helicopters, Space, Defence Systems and Defence and Security Electronics;
- the provision for product guarantees, in the amount of €mil. 223 (€mil. 219 at 31 December 2008) includes allocations related to commitments for products sold. The amounts recorded are related to the Helicopters, Energy, Defence and Security Electronics, Defence Systems and Transportation segments;
- the other provisions totalled €mil. 569 (€mil. 591 at 31 December 2008) and include:
  - the provision for risks on the business of GIE-ATR in the amount of €mil. 68 (unchanged from the previous year);
  - the provision for risks and contractual charges in the amount of €mil. 84 (€mil. 69 at 31 December 2008) related, in particular, to business in the Defence and Security Electronics, Defence Systems and Space segments;

- › the provision for losses related to shares of €mil. 15 (€mil. 17 at 31 December 2008) including accruals to cover losses exceeding the carrying amounts of unconsolidated investees accounted for using the equity method. The provision fell mostly due to the elimination of Elsag Eastern Europe Srl (in liq.) from the Business Register (€mil .1);
- › the provision for taxes in the amount of €mil. 72 (€mil. 64 at 31 December 2008);
- › the provision for litigation with employees and former employees in the amount of €mil. 30 (€mil. 35 at 31 December 2008) related, in particular, to business in the Aeronautics, Defence and Security Electronics, Space and Transportation segments;
- › the provision for pending litigation in the amount of €mil. 96 (€mil. 101 at 31 December 2008);
- › the provisions for risk on contract-related losses in the amount of €mil. 36 (€mil. 44 at 31 December 2008);
- › other provisions in the amount of €mil. 168 (€mil. 193 at 31 December 2008).

With regard to the risk provisions, 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.

Of course, in application of related accounting standards, provisions have been made for obligations related to probable and quantifiable risks. Likewise, to the best of our knowledge, regarding other disputes against the Group, no specific allocation has been made since the Group reasonably believes that such disputes may be resolved satisfactorily and without any significant impact on the results.
The situations below are mentioned here for the purposes of full disclosure.

Of particular note:

- the dispute in which Finmeccanica has been asked to cover the contractual commitments assumed upon the sale of the former subsidiary Finmilano SpA to Banca di Roma (now UniCredit Group) originated from the assessment ordered by the Rome Office of Direct Taxes of Finmilano SpA regarding the disallowance of the tax deductibility of the capital loss originating in 1987 on the sale of a non-recourse "deferred" receivable at a price below its nominal value. In essence, the Italian tax authorities felt that this sale was actually a financing transaction and that the loss, in the same manner as a finance cost, should not have been deducted in its entirety in 1987, but should have been recognised over subsequent years as implicit interest in the transaction.
  After the Court of Cassation (the supreme court of appeal) – in allowing the appeal filed by the tax authorities – had returned the parties to the court of first instance, the latter once again upheld the company's complaint. This ruling was once again appealed to the Court of Cassation, which in 2009 quashed the ruling and referred the parties to the court of second instance for the second time. It should be noted that substantial charges to be paid by Finmeccanica are not currently foreseeable;
- the dispute resulting from the notice to settle the registry fee of about €mil. 10, which was received by Finmeccanica in July 2001 and due on the capital increase approved in 1998. Although the tax liability had already been recognised in the related financial year, the Company felt it was unnecessary to meet the tax demand because it was unjustified both in law and in fact. In addition to being received after statutory deadline, the notice contained a request for a tax related to a tax base that was partially inconsistent with applicable laws. The Tax Commission for the Province of Rome upheld the Company's dispute in its ruling filed in December 2002. The ruling was appealed by the Company in relation to the failure to order the tax authorities to reimburse costs. In the first half of 2004, the tax authorities in turn filed a cross-appeal of the same ruling, but only with regard to the decision that confirmed the termination of the office's assessment power in the matter. No objection was raised, however, with regard to the substance of the original ruling establishing the partial lack of justification of the amount requested by the revenue office. In a ruling filed in October 2004, the appeal court rejected the Company's primary appeal regarding the lack of reimbursement

of costs, but at the same time declared that the cross-appeal filed by the tax authorities was inadmissible in that it was filed after the ordinary statutory deadlines. In particular, the Regional Tax Commission in Rome upheld the complaint filed by the Company regarding the fact that the tax authorities had erroneously deemed the suspension of the procedural deadlines defined by Article 16 of Law 289/02 (facilitated settlement of pending disputes) to be applicable, given that the case did not fall within the scope of this law. The sentence of the court of second instance has been appealed by the tax authorities to the Court of Cassation, which with ruling filed in December 2009 accepted the tax office's reasons remanding the parties to the Regional Tax Commission;

- the dispute initiated by former Oto Melara SpA, later merged into Finmeccanica in 2001, in relation to the VAT adjustment notification for the year 1988 for about €mil. 11, with which the Tax Authorities mainly claimed the alleged non-deductibility of VAT paid on the fees given as part of a lease-back agreement, which was mistakenly considered by the Tax Office as a (VAT-free) financial transaction. The courts of first and second instance both found in favour of the Company, but the Central Tax Commission accepted the Tax Office's appeal with a ruling filed in October 2009. The Company will challenge this ruling based on the belief that there are valid grounds for which its own reasons can be accepted, even considering consolidated case law and the Tax Authorities' guidelines;
- the dispute initiated by Telespazio SpA against the Agenzia delle Entrate, Rome District 4 challenging a tax assessment regarding direct income taxation (IIDD) for the year 2000, which contained a demand for a total of about €mil. 30 consisting of additional taxes, penalties and interest. The notice of assessment, served on 27 November 2006, relates to a tax audit completed in 2001 in which the Tax Authority challenged the deductibility of the loss regarding receivables from a foreign company taken by Telespazio SpA within the context of a non-recourse sale carried out following many fruitless attempts to recover these receivables. Specifically, the Tax Authority, deeming the actions undertaken by the Company to forcibly collect the receivables and therefore the evidence of the foreign debtor's solvency or lack thereof to be insufficient, found that the requirements of certainty and precision under the law were not met to allow the loss to be fully deducted, regardless of the fact that the loss was conclusively realised by Telespazio SpA within the context of the non-recourse sale of the receivables arguing that sale *per se* guarantees certainty only of the legal loss of the receivable but not the financial loss. The court of first instance upheld the company's appeal with ruling filed on 25 September 2008. The ruling was appealed by the Tax Authority. The appellate court has yet to schedule a hearing date;
- the dispute initiated by Telespazio SpA (TSP) against the Agenzia delle Entrate, Rome District 4 challenging a tax assessment regarding direct income taxation (IIDD) and regional business taxation (IRAP) for the year 2001 containing an adjustment of about €mil. 9.7 in taxable income at the time the tax statement was prepared. Considering that the adjustment, for IIDD purposes, results in a reduction by an amount equal to the final tax loss in 2001 and that this loss was fully used by the Company in 2006, the total amount owed to the Tax Authority would be about €mil. 7 plus additional taxes, penalties and interest. The notice of assessment, served on 27 November 2006, relates to a tax audit completed in 2003 in which the Tax Authority challenged Telespazio SpA's reserving tax treatment until the completion of the Astrolink contract. Specifically, in November 2001, the customer Astrolink at its discretion terminated a long-term contract triggering TSP's right to compensation under the contract equal to the costs (plus 20% and in any event to "be agreed" with the customer) that TSP would incur as a result of the early termination. Since it was not possible in 2001 to determine and agree upon the total amount of these costs (and the corresponding compensation revenues), the Company prudentially allocated €mil. 48.5 in the 2001 financial statements to a provision for risks and charges, as it deemed that amount to not be tax deductible. The auditors, starting, instead, with the assumption that TSP could have calculated the amount of compensation due from the counterparty as early as 2001 since the costs that it would have incurred as a result of the early termination of the contract were determinable, challenged the failure to account for revenues in the amount of €mil. 58.2 and also gave full tax effect to the amount of €mil. 48.5 in the provision for risks and charges

which TSP instead treated as fully taxed. As a result, the Tax Authority determined that TSP had €mil. 9.7 more in taxable income in 2001 for direct income taxation and regional business taxation purposes. The court of first instance upheld the company's appeal with ruling filed on 25 September 2008 and the ruling became final;

- the dispute initiated by So.Ge.Pa. SpA against the Agenzia delle Entrate, Rome District 4 challenging a tax assessment regarding direct income taxation (IIDD) for the year 2001, which contained a demand for a total of about €mil. 18 consisting of additional taxes, penalties and interest. The tax claim served on 27 December 2006 traces back to a tax audit completed in 2004 against ALS SpA, a Finmeccanica Group company absorbed by So.Ge.Pa. in 2006, in which the tax inspectors – without including any formal comments – merely notified the tax office responsible for the assessment of possible violations in applying the regulations concerning the tax appraisal of work in progress inventories within the context of the long-term contract for the provision and launching of the Atlantic Bird1 satellite obtained in 2000. Specifically, the warning originates from the fact the company had, over the years, accounted for these inventories based on the percentage completed (calculated using the cost-to-cost method), thereby rendering the settlement and payments received over the medium term upon the achievement of various milestones irrelevant since they are not, under the contract, final settlements and therefore recognising as revenues (and therefore taxable) the entire amount of the inventories only when ownership of the satellite was transferred in 2002 upon acceptance in orbit of the satellite by the customer as contractually agreed. By contrast, the tax inspectors asked the competent tax office to assess whether, in reality, under the contract, the various milestones could have been treated using the Work Status (WS) process, so as to include in the tax assessment of work in progress inventories the payments received based on the achievement of the WS objectives, regardless of the amounts recognised in the financial statements, on the assumption that the object of the contract could be divided into individual, "autonomous" lots for which each payment represents a final settlement of payments owed.
  The tax officials, receiving the auditors' report and without carrying out any further analysis of the matter although it involves a rather complex contractual relationship, issued the notice of assessment against the Company. The court of first instance upheld the company's appeal with ruling filed on 28 October 2008. The sentence has been challenged by the Tax Authority and the appellate judge has to set the date of the hearing;
- the appeal, together with ENEL and other parties, filed with the Regional Administrative Court of Lombardy of the resolution of the Italian Electricity and Gas Authority regarding the method of calculating interest due on amounts to be paid, as compensation, in relation to the termination of the Italian national nuclear energy programme.
  Interest due calculated using a different calculation method is around €mil. 13. Previous rulings by the Lombardy Regional Administrative Court do not support the resolutions of the Authority. Accordingly, it is reasonable to expect a favourable outcome for Finmeccanica;
- with regard to the litigation commenced by Reid in 2001 against Finmeccanica and Alenia Spazio (now So.Ge.Pa. SpA) before the Court of Texas to object to alleged breaches by the former Finmeccanica - Space Division of agreements for the project for implementing the Gorizont satellite programme, the litigation had a favourable outcome, after more than five years, due to the lack of jurisdiction of the relevant Court. On 11 May 2007, Reid served Finmeccanica and Alcatel Alenia Space Italia (now Thales Alenia Space Italia) with a Complaint commencing a new lawsuit before the Court of Chancery of Delaware.
  In the new lawsuit, Reid demands the same claims for compensation that were demanded in the prior Texas lawsuit, without giving an amount for the damage incurred.
  On 29 June 2007 Finmeccanica filed a Motion to Dismiss objecting to the time-barring and the statute of limitations on the action and the lack of jurisdiction of the Court of Delaware. On 27 March 2008 the Court denied the plaintiff's motion, finding the action to be time-barred. This decision was challenged by the opposing party before the Supreme Court of Delaware, which issued a decision on 9 April 2009, granting the motion and referring the case to the Court of Chancery for a decision on the other objection raised by Finmeccanica concerning the lack of jurisdiction of the Court of Delaware. The discovery phase has started and is still ongoing;

- with regard to work to build Line 6 of the Naples metro, in 1995 the Regional Prosecutor's Office attached to the State Auditors' Court brought an action against the directors of Azienda Tranvie Autofilovie Napoli (now Azienda Napoletana Mobilità) and the former Ansaldo Trasporti seeking compensation for damages amounting to €mil. 100 from all the defendants jointly and severally. In the first instance, the State Auditors' Court rejected the petition due to lack of jurisdiction. The Regional Prosecutor's Office attached to the State Auditors' Court challenged the decision, bringing Finmeccanica into the action as successor to Ansaldo Trasporti as a result of the merger in September 2001. The Company objected, arguing that it lacked capacity to be sued since, prior to the merger, the contract was transferred to Ansaldo Trasporti Sistemi Ferroviari (now Ansaldo STS), which would be the company to suffer any negative consequences. On 20 March 2007, the Appellate Section of the State Auditors' Court reversed the decision of the court of first instance and found the existence of accounting jurisdiction, even against the former directors of Ansaldo Trasporti. It referred the action to the court of first instance of the local Section for a decision on the merits. This finding was challenged before the Supreme Court, which affirmed, in its decision of 18 July 2008, that the State Auditor's Court had jurisdiction. The State Attorney's Office attached to the State Auditors' Court reinstated the action before the Jurisdictional Section of the State Auditors' Court of Campania for the decision on the merits. The hearing on the matter is scheduled for 22 July 2010;
- in May 2007 Finmeccanica voluntarily intervened in a suit brought by Calyon SA (now Credit Agricole Corporate and Investment Bank) against the Agenzia delle Entrate before the Court of Rome seeking payment of a tax receivable of roughly €mil. 71, plus interest of around €mil. 34, transferred by Finmeccanica in May 2004. The Agenzia delle Entrate challenged on the grounds that Calyon lacked standing since Finmeccanica had, in the past, transferred the same tax receivable to Mediofactoring SpA (the sale was later rescinded due to breach and the receivable was returned to Finmeccanica) and that the action on the receivable was time-barred. Finmeccanica intervened on behalf of Calyon and to protect its own interests related to any resulting right to restitution of the credit by Calyon.
  On 30 December 2009, the Tax Authorities repaid the credit to Calyon, also in view of the positive outcome of the action initiated at the same time by Calyon before the Tax Commission. Both the ruling of the Rome Provincial Tax Commission and the ruling of the Lazio Regional Commission sentenced the Tax Authorities to repay the credit;
- in 1999 the Royal Thai Army summoned Finmeccanica before the Court of Bangkok demanding a compensation for damages amounting to US$ 37,375,564 plus interest of US$mil. 20, for operation defects in the "Spada Aspide" missile system, which was the subject-matter of a supply contract made in 1986 with former Selenia Industrie Elettroniche Associate. The supply contract under dispute was transferred in 1998 to the former Alenia Marconi Systems SpA (now SELEX Sistemi Integrati SpA), which undertook any risks connected with the dispute. Finmeccanica objected on the grounds of the lack of jurisdiction of the relevant court (due to the arbitration clause of the contract) and the time-barring of the action. On 10 March 2009, the Court granted the objection and found that it lacked jurisdiction. This ruling was not challenged by Royal Thai Army and therefore the action can be considered as closed;
- in November 1997, in relation to a contract commissioned by Prepa, the Puerto Rican Electric Power Authority, the company Abengoa awarded to Ansaldo Energia a sub-supplier contract for expansion work on the San Juan, Puerto Rican power plant. In connection with the contract between Abengoa and Prepa, American International Insurance Company of Puerto Rico ("AIIP"), a member of the AIG Group, issued a performance bond and a payment bond, each in the amount of US$ mil. 125, in favour of Prepa which Ansaldo Energia, as a supplier, counter-guaranteed in relation to the sub-supply. In 2000, Abengoa unilaterally terminated its contract without informing Ansaldo Energia and filed suit against the customer in the Court of Puerto Rico seeking compensation for damages it allegedly suffered. Prepa in turn filed an appeal demanding that Abengoa be sentenced to pay the compensation for damages and filed suit against AIIP to obtain the payment of the bonds issued by it as a security of the proper performance of works. Ansaldo Energia is not a party to the suit.

In 2001, Ansaldo Energia initiated arbitration proceedings in Paris seeking a finding that Abengoa breached the contract by terminating its agreement with Prepa without notifying Ansaldo Energia in advance. The arbitration award, issued in March 2003, came out in favour of Ansaldo Energia. In order to avoid any enforcement of the aforementioned counter-guarantee, on 13 May 2005, Ansaldo Energia brought an action against Abengoa, AIG and AIIP before the Court of Milan, requesting that the same be found void, or, in the alternative, that the amount of the guarantee be assessed until US$mil. 36 and that it be held harmless by Abengoa. In this suit AIIP asked that Ansaldo Energia be held jointly liable to hold harmless AIG in the event it loses the case. After the final part of the pre-trial hearing of 22 December 2009, the ruling is due. In the opinion of its legal team, even if the court does not accept the company's arguments and if the counter-guarantee is enforceable, the company could, in any case, initiate an action against Abengoa even based on the aforementioned arbitration award;

- in January 2009, Pont Ventoux Scrl initiated an arbitration with the joint venture formed by Ansaldo Energia, as representative (31%), Alstom Power Italia SpA (17%) and Voith Siemens Hydro Power Generation SpA (52%) concerning a contract worth €mil. 15 to supply two electric generators as part of the project to build a hydroelectric plant in Val di Susa (Italy). The plaintiff is seeking payment for alleged damages, both direct and consequential, and harm to its image, totalling about €mil. 90. It asserts that the serious fault renders the clause that limits the liability of the joint venture to the contract amount inapplicable. Ansaldo Energia maintains that it supplied the products required and that it carried out its responsibilities as representative with the greatest diligence, underlining that it has nothing to do with the contestations raised by Pont Ventoux for the delays and non-performance of the contract. The liability hearing is scheduled for 2 February 2010;

- In December 2007, EADS ATR initiated arbitration proceedings with the International Chamber of Commerce of Lausanne to challenge an alleged breach by Alenia Aeronautica in relation with an agreement signed in May 2001 for the transfer to GIE-ATR (in which EADS ATR and Alenia own a 50% stake) of ATR 42 and ATR 72 aircraft components made by Alenia Aeronautica and EADS ATR. The plaintiff claims that Alenia Aeronautica had withdrawn itself from the contractual obligation of renegotiating the prices established in that contract. These prices were no longer valid since 2003 and the plaintiff demands that the company be sentenced to pay US$ mil. 32, plus interest as compensation for the damages resulting from that breach. EADS ATR also demands that the arbitration panel determined a new price for the transfer to GIE-ATR of the components made by the parties based on their actual industrial costs. In its appeal, Alenia Aeronautica challenged the plaintiff's claim and filed counterclaims. On 29 September 2008 EADS ATR served on Alenia Aeronautica a brief increasing the amount of damages from US$mil. 32 to US$mil. 55. On 20 October 2009 the arbitration panel rendered its partial award rejecting EADS ATR's demands and partially upholding Alenia Aeronautica's demands in the amount of US$mil. 2. On 20 November 2009 the counterparty challenged this award before the Federal Court of Lausanne.

26. Employee liabilities

	31 December 2009			*31 December 2008*		
	Liabilities	Assets	Net	Liabilities	Assests	Net
Severance obligations	640		640	701		701
Defined-benefit retirement plans	382	11	371	248	39	209
Share of MBDA joint-venture pension obligation	88		88	50		50
Other employee funds	26		26	28		28
	1,136	**11**	**1,125**	**1,027**	**39**	**988**

The statutory severance pay obligation is specific to Italy and calls for the payment of the entitlement accumulated by employees until the time they leave the company.
This provision is calculated in accordance with Article 2120 of the Italian Civil Code by dividing the fixed components of an employee's compensation by 13.5. Law no. 296 of 27 December 2006 and subsequent Decrees and Regulations issued in the first months of 2007, as part of the complementary social security reform, altered significantly the functioning of the social security system: the severance pay accrued after the date of the reform can be transferred to complementary funds or in a treasury fund managed by INPS (the Italian Social Security Institution).
With the defined-benefit plans, the Group assumes the obligation to ensure a specific retirement benefit level for employees participating in the plan, guaranteeing to make good any negative difference between value of plan assets and the agreed-upon benefit level.
Liabilities relating to defined-benefit retirement plans include the share of the total defined-benefit retirement plans managed by BAE Systems Plc allocable to the MBDA joint venture. The valuation of these liabilities entailed the recognition of actuarial losses in the shareholders' equity accounts in the amount of €mil. 38.

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

	31 December 2009	*31 December 2008*
GBP area	198	54
Euro area	94	76
US$ area	77	76
Other	2	3
	371	209

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

	31 Dec. 2009	31 Dec. 2008	31 Dec. 2007	31 Dec. 2006	31 Dec. 2005
Present value of obligations	1,409	1,055	1,038	1,126	1,025
Fair value of plan assets	(1,038)	(846)	(886)	(796)	(641)
Plan excess (deficit)	(371)	(209)	(152)	(330)	(384)

The increase in the total net deficit is essentially due to €mil. 119 for the AgustaWestland plan and to €mil. 28 for the SELEX Galileo Ltd plan.

Below are movements in defined-benefit plans:

31 December 2009

	Present value of the obligation	Present value of the the asset	Net liability defined-benefit plans
Opening balance	1,055	846	**209**
Costs of benefits paid	40		**40**
Interest expense	69		**69**
Expected return on plan assets		58	**(58)**
Actuarial losses (gains) through equity	206	29	**177**
Increases from business combinations	-	-	-
Contributions paid		74	**(74)**
Contributions from other plan participants	22	22	-
Exchange-rate differences	52	50	**2**
Benefits paid	(44)	(42)	**(2)**
Other changes	9	1	**8**
Closing balance	**1,409**	**1,038**	**371**
of which related to:			
- net liabilities	1,172	790	**382**
- net assets	237	248	**(11)**

31 December 2008

	Present value of the obligation	Present value of the the asset	Net liability defined-benefit plans
Opening balance	1,038	886	**152**
Costs of benefits paid	56	-	**56**
Interest expense	56	-	**56**
Expected return on plan assets	-	59	**(59)**
Actuarial losses (gains) through equity	(30)	(67)	**37**
Increases from business combinations	210	123	**87**
Contributions paid	-	74	**(74)**
Contributions from other plan participants	20	20	-
Exchange-rate differences	(268)	(222)	**(46)**
Benefits paid	(27)	(27)	-
Other changes	-	-	-
Closing balance	**1,055**	**846**	**209**
of which related to:			
- net liabilities	916	668	**248**
- net assets	139	178	**(39)**

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

	31 December 2009	31 December 2008
Costs of current services	40	56
Past service costs	-	-
Total "personnel costs" (Note 35)	**40**	**56**
Interest expense	69	56
Expected return on plan assets	(58)	(59)
Costs (income) booked as "finance income/costs"	**11**	**(3)**
Total cost to income statement	**51**	**53**

Changes in severance obligations are shown below:

	31 December 2009	31 December 2008
Opening balance	**701**	**736**
Costs of benefits paid	2	1
Effects of curtailment	-	-
Interest expense	25	19
Actuarial losses (gains) through equity	(30)	43
Increases from business combinations	-	-
Benefits paid	(59)	(98)
Other changes	1	-
Closing balance	**640**	**701**

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 obligations		Defined-benefit plans	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
Discount rate (annual)	2.7%-4.2%	2.7%-3.5%	5%-6.3%	5.1%-7.3%
Expected return on plan assets	-	-	4.7%-8.5%	6%- 8.3%
Rate of salary increase		-	1.5%-5.1%	3%-5%
Rate of turnover	3.8%-6.0%	1%-5.75%	3%-9.7%	-

Assets of defined-benefit plans include:

	31 December 2009	31 December 2008
Shares	343	319
Real properties	38	30
Bonds	209	163
Cash or equivalents	13	28
Other	435	306
	1,038	**846**

27. Other current and non-current liabilities

	Non-current		Current	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
Employee obligations	59	56	468	456
Deferred income	25	48	82	118
Social security payable	5	3	302	291
Payable to MED Law 808/1985	267	276	36	23
Payable to MED for monopoly rights Law 808/1985	77	72	35	28
Other liabilities Law 808/1985	113	158	-	-
Indirect tax payables	-	-	182	174
Other payables	105	118	462	450
Other payables to related parties (Note 14)	-	-	13	34
	651	731	1,580	1,574

The payables to the Ministry of Economic Development (MED) relate to the payables for monopoly rights accrued pursuant to Law 808/1985 for “national security” and similar projects, in addition to payables for disbursement received from the MED supporting development of non-national security and similar programmes eligible for the incentives under Law 808/85. The payables are reimbursed on the basis of a scheduled repayment plan, without the payment of finance costs.

The item “Other liabilities Law 808/1985” includes the differential between the monopoly rights charged for the programmes of national security and the effective payable accrued based on the established reimbursement ratio.

Other payables include:

- the payable to Bell Helicopters of €mil. 78 (€mil. 89 as of 31 December 2008), of which €mil. 64 carried as a non-current liability (€mil. 75 at 31 December 2008), arising from the "BAAC reorganisation" which involved the acquisition of 100% of the construction and marketing rights for the helicopter AW 139, previously owned by Bell Helicopter at 25%;
- the payable to EADS NV due from GIE-ATR (50-50 consortium owned by Alenia Aeronautica SpA and EADS NV) in the amount of €mil. 6 (€mil. 6 at 31 December 2008);
- the payable for the repurchase of a G222 aircraft in the amount of €mil. 8 (€mil. 9 at 31 December 2008);
- payables for customer deposits in the amount of €mil. 28 (€mil. 33 at 31 December 2008);
- royalties due in the amount of €mil. 28 (€mil. 19 at 31 December 2008);
- commissions due in the amount of €mil. 24 (€mil. 25 at 31 December 2008);
- payables for insurance in the amount of €mil. 16 (€mil. 22 at 31 December 2008);
- the payable for contractual penalties in the amount of €mil. 15 (€mil. 32 at 31 December 2008).

28. Trade payables

	31 December 2009	*31 December 2008*
Trade payables	4,512	4,651
Trade payables to related parties (Note 14)	99	84
	4,611	4,735

Trade payables to related parties mainly refer to the non-eliminated portion of payables to joint ventures and to the Start Consortium for the supply of software for Defence Systems and Space.

29. Derivatives

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

	31 December 2009		*31 December 2008*	
	Assets	Liabilities	Assets	Liabilities
Forward forex instruments	86	64	137	195
Forex options	-	5	-	36
Embedded derivatives	58	-	69	-
Interest rate swap	42	19	19	5
Options on STM	-	-	18	-
Other equity derivatives	7	-	-	-
	193	88	243	236

The change in the fair value of forward instruments is due to the volatility of the US dollar against the euro: the exchange rate went from 1.3917 at 31 December 2008 to 1.4406 at 31 December 2009.

The interest rate swaps with a total notional value of €mil. 1,650 were placed into effect to hedge bonds issued for a total of €mil. 4,467.

As indicated in more detail in Note 38, in 2008, a Group company entered into a sale contract that included embedded derivatives with a fair value of €mil. 58.
At 31 December 2008 the Group had 33.7 million shares in STMicroelectronics NV (STM), sold at the end of 2009, which were recognised as available for sale and whose fair value at 31 December 2008 amounted to €mil. 154 (Note 13). The Group had derivatives to hedge most of its portfolio against the risk of fluctuations in the market price of the stock. the hedging transactions were classified as trading activity, with the consequent economic impact resulting from the change in fair value (Note 13).
Under the STM sale contract, Finmeccanica benefits from an earn-out mechanism – on 29,768,850 shares – equal to 50% of the positive difference, if any, between the average price of the STM stock, calculated in the 66 days prior to 17 March 2011, and € 7.00. This led to the recognition of a derivative whose fair value is positive in the amount of €mil. 7.

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

		Fair value at 31 December 2009	Fair value at 31 December 2008
Assets			
Interest rate swaps			
	Trading	42	18
	Fair value hedge	-	-
	Cash flow hedge	-	1
Currency forward/swap/option			
	Trading	-	-
	Fair value hedge	-	-
	Cash flow hedge	86	137
Equity instruments (trading)		7	18
Embedded derivatives (trading)		58	69
Liabilities			
Interest rate swaps			
	Trading	15	1
	Fair value hedge	-	-
	Cash flow hedge	4	4
Currency forward/swap/option			
	Trading	5	36
	Fair value hedge	-	-
	Cash flow hedge	64	195
Equity instruments (trading)		-	-
Embedded derivatives (trading)		-	-

The portion of changes that had an earnings impact is illustrated in Note 38.
Details on the instruments outstanding are provided in Note 43.

30. 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 2009		31 December 2008	
	As lessee	As lessor	As lessee	As lessor
Within 1 year	157	51	143	63
2 to 5 years	310	71	300	109
Beyond 5 years	325	89	278	88
	792	**211**	**721**	**260**

The amounts of the purchase and sale commitments include those relating to the satellite capacity business conducted by the Telespazio joint venture, as well as those relating to GIE-ATR's airplane leasing and sub-leasing operations. Specifically, the amount of the commitments to purchase satellite capacity came to about €mil. 257 (€mil. 228 at 31 December 2008) and is substantially covered by the customer orders backlog. The corresponding sales commitments amounted to €mil. 193 (€mil. 219 at 31 December 2008).

Guarantees

At 31 December 2009, the Group had the following outstanding guarantees:

	31 December 2009	*31 December 2008*
Guarantees in favour of third parties	17,537	16,786
Other unsecured guarantees given to third parties	669	567
Unsecured guarantees given	**18,206**	**17,353**

At 31 December 2009 there are no secured guarantees given for the liabilities or obligations of third parties.

31. Transactions with related parties

The income statement transactions with Group's related parties for 2009 and 2008 are described below:

31 December 2009

€ millions	Revenue	Other operat. income	Costs	Other operat. expenses	Finance income	Finance costs
Subsidiaries						
Alifana Due Scrl	10		11			
Finmeccanica UK Ltd			8			
Sel Proc Scrl	6		3			
Other companies with unit amount lower than €mil. 5	1		12			
Associates						
Eurofighter Jagdflugzeug Gmbh	868					1
Iveco - Oto Melara Scarl	128		1	2		1
Orizzonte - Sistemi Navali SpA	81					
NH Industries Sarl	79					
Consorzio Start SpA	2		31			
Metro 5 SpA	27		1			
Eurosysnav SAS	23					
Macchi Hurel Dubois SAS	20					
Eurofighter Simulation Sistems GmbH	20					
Euromids SAS	16					
Advanced Male Aircraft Llc	10					
Abruzzo Engineering Scpa	9		2			
Advanced Air Traffic SDN BHD	8		3			
Pegaso Scrl			6			
Joint Stock Company Sukhoi Civil Aircraft					5	
Other companies with unit amount lower than €mil. 5	8		9			
Joint ventures (*)						
GIE-ATR	111		10			
MBDA SAS	99					5
Thales Alenia Space SAS	40		6			
Other companies with unit amount lower than €mil. 5	7	1	5		1	
Consortiums (**)						
Saturno	76		4			
Ferroviario Vesuviano	7		1			
Other consortiums with unit amount lower than €mil. 5	19		10			
Total	**1,675**	**1**	**123**	**2**	**6**	**7**
% against total for the year	*9.2*	*0.1*	*1.0*	*0.3*	*0.6*	*0.5*

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

31 December 2008

€ millions	Revenue	Other operat. income	Costs	Other operat. expenses	Finance income	Finance costs
Subsidiaries						
Alifana Due Scrl	11		11			
Finmeccanica UK Ltd			9			
Other companies with unit amount lower than €mil. 5	2		9			
Associates						
Eurofighter Jagdflugzeug GmbH	805					
Iveco Fiat/Oro Melara Scarl	136			2		
NH Industries Sarl	92					
Orizzonte - Sistemi Navali SpA	82					
Macchi Hurel Dubois SAS	40					
International Metro Service Srl			36			
Eurofighter Simulation Systems GmbH	30					
Eurosysnav SAS	30					
Abruzzo Engineering Scpa	23					
Euromids SAS	19					
Metro 5 SpA	14					
Consorzio Start SpA			21			
Pegaso Scrl			10			
Automation Integrated Solution SpA			9			
Other companies with unit amount lower than €mil. 5	26	1	12			4
Joint ventures (*)						
GIE-ATR	120		13			
MBDA SAS	92					21
Thales Alenia Space SAS	46					
Other companies with unit amount lower than €mil. 5	4		6		2	1
Consortiums (**)						
Saturno	104					
C.I.S.DEG	6					
Other consortiums with unit amount lower than €mil. 5	23		9			
Total	**1,705**	**1**	**145**	**2**	**2**	**26**
% against total for the year	*11.3*	*0.1*	*1.4*	*0.2*	*0.2*	*2.2*

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

32. Revenue

	31 December 2009	*31 December 2008*
Revenue from sales	11,694	9,392
Revenue from services	3,726	2,660
	15,420	12,052
Change in contract work in progress	1,081	1,280
Revenue from related parties (Note 31)	1,675	1,705
	18,176	**15,037**

Receivables from related parties refer specifically to the non-eliminated portion of receivables from joints ventures and associated companies, lead companies or consortiums of major programmes in

which the Group participates. The main existing programmes are shown in Note 18.
The trends in revenue by business segment are described in the notes above (Note 7).

33. Other operating income (expenses)

	2009		2008	
	Income	**Expense**	**Income**	**Expense**
Grants for research and development costs	56	-	42	-
Other operating grants	15	-	18	-
Gains/losses on sales of intangible asset, property, plant and equipment	4	(1)	3	(3)
Reversals/Accruals to provisions for risks and charges	94	(246)	85	(200)
Write-up of receivables from ENEA (Note 6)	-	-	31	(11)
Reversal of impairment of receivables	9	-	5	-
Exchange rate difference on operating items	271	(274)	308	(308)
Portion under Law 808/85	179	-	113	-
Insurance reimbursements	55	-	22	-
Reorganisation costs	1	(5)	3	(11)
Indirect taxes	-	(50)	-	(56)
Other operating income (costs)	86	(106)	71	(95)
Other operating income (costs) from related parties	1	(2)	1	(2)
	771	(684)	702	686

The reversals of provisions for risks and charges of €mil. 94 (€mil. 85 in 2008) regarded, among others: the provision for product guarantees in the amount of €mil. 30 (€mil. 36 in 2008), the provision for guarantees given in the amount of €mil. 11 (€mil. 6 in 2008), the provision for penalties in the amount of €mil. 4 (€mil. 2 in 2008). The accruals of provisions for risks and charges of €mil. 246 (€mil. 200 in 2008) regarded, among others: the provision for disputes with third parties in the amount of €mil. 15 (€mil. 7 in 2008), the provision for product guarantees in the amount of €mil. 66 (€mil. 59 in 2008), the provision for guarantees given in the amount of €mil. 5 (€mil. 9 in 2008), the provision for penalties in the amount of €mil. 16 (€mil. 41 in 2008), the provision for risks and contractual charges in the amount of €mil. 98 (€mil. 9 in 2008). Portion under Law 808/85 includes the portion of provisions under Law 808/85 on programmes qualifying as “national security” or similar in order to cover the costs expensed in the income statement. Other operating income and costs include, among others, interest income and expense on commercial transactions and contractual penalties. Reorganisation costs also include reversals and accruals to the “provision for reorganisation risks”.

34. Raw materials and consumables used and purchase of services

	31 December 2009	*31 December 2008*
Purchase of materials from third parties	7,029	5,746
Change in inventories	(192)	(427)
Costs for purchases from related parties (Note 31)	18	24
Total raw materials and consumables used	**6,855**	**5,343**
Services rendered by third parties	5,236	4,525
Royalties	39	48
Cost of PSP relating to non-employees (Note 23)	2	1
Software fees	10	13
Costs of acquiring satellite capacity	62	70
Costs of airplane leases	8	9
Costs of rents and operating leases	151	138
Rental fees	48	19
Costs for services from related parties (Note 31)	105	121
Total purchase of services	**5,661**	**4,944**

Royalties mostly relate to royalties due under Law 808/85 for programmes qualified as functional to national security.
The costs for the acquisition of satellite capacity refer to the satellite capacity trading business conducted by the Telespazio joint venture and more than offset by revenues from sales; this activity is carried out primarily on the basis of back-to-back contracts in terms of their expiry date and penalties in the event of breach of contract. The costs of leasing airplanes relate to leasing and sub-leasing transactions entered into by GIE-ATR. The amount for the purchase commitments undertaken to that regard through Telespazio and GIE-ATR are described in Note 30.

35. Personnel costs

	31 December 2009	*31 December 2008*
Wages and salaries	3,377	2,866
Cost of PSP (Note 23)	28	25
Cost for LTIP	8	5
Social security contributions	769	725
Costs of severance pay, less curtailment effect (Note 26)	2	1
Costs related to other defined-benefit plans (Note 26)	40	56
Costs related to defined-contribution plans (Note 26)	121	122
Employee disputes	-	(3)
Restructuring costs - net	19	33
Other costs	243	98
	4,607	**3,928**

The overall personnel cost rose, but fell from the prior-year level as a percentage of revenue, going from 26.1% to 25.3%. The increase is specifically attributable to the different area of consolidation, especially due to the DRS group, which was consolidated in 2008 only for the final months of the year.
The decrease in costs related to other defined-benefit plans is essentially due to the UK component of the AgustaWestland and SELEX Galileo groups, which were affected by the decrease in value of the sterling pound against the euro (at the average exchange rate), and to the different composition of some plans. The increase in other costs is mainly due to the above-said different incidence of the DRS group in the two years in comparison.

Personnel costs for 2009 also include €mil. 19 of reorganisation costs (€mil. 33 in 2008) relating in particular to the Defence and Security Electronics, Aeronautics, Transportation and Space segments for costs incurred and accruals made for the reorganisations under way in several companies of the Group.

The average workforce at 31 December 2009 numbered 72,537, as compared with 62,791 of 2008. The net increase of 9,746 is especially significant in the case of personnel abroad as a result of changes in the area of consolidation and the positive turnover in certain sectors. The total workforce went from 73,398 at 31 December 2008 to 73,056 at 31 December 2009, with a net decrease of 342. In addition to the change in the area of consolidation, there was a decrease in the Aeronautics and Defence and Security Electronics segments as a result of the reorganisations, as compared with a slight net increase in the other business segments of the Group.

	31 Dec. *2009*	31 Dec. *2008*	*Net change*
Senior managers (*)	2,224	2,328	(104)
Middle managers	8,012	8,232	(220)
Clerical employees (**)	40,674	43,569	(2,895)
Manual labourers	22,146	19,269	2,877
Total	**73,056**	**73,398**	**(342)**

(*) Includes pilots.
(**) Includes temporary employees.

In particular, the marked change in clerical employees and manual labourers is due to a different classification of workforce of the DRS group during the year.

36. Amortisation, depreciation and impairment

	2009	*2008*
Depreciation and amortisation:		
• intangible assets	297	236
• property, plant and equipment	358	304
	655	**540**
Impairment		
• non-current assets and investment properties	46	15
• goodwill	-	40
• operating receivables	26	27
	72	**82**
Total depreciation, amortisation and impairment	**727**	**622**

The impairment charges with regard to non-current assets refer to property, plant and equipment (€mil. 7, €mil. - in 2008) and intangible assets (€mil. 39, €mil. 15 in 2008). This latter item relates to the amortisation of the alternative energy segment (Energy sector) which was necessary due to the changed conditions in the reference market of alternative energies applied to fuel cells. This led to a reduction in the product portfolio as compared with the original estimate and to the final interruption of part of the technological developments carried out so far.

37. Work performed by the Group and capitalised

	2009	*2008*
Personnel cost	317	300
Materials	87	92
Other cost	358	321
	762	**713**

38. Finance income and costs

	31 December 2009			*31 December 2008*		
	Income	Costs	Net	Income	Costs	Net
Capital gain on sale of STM	18	-	18	56	-	56
Impairment of STM	-	-	-	-	(111)	(111)
Dividends	6		6	8	-	8
Gains on investments and securities	37		37	3	-	3
Discounting of receivables, payables and provisions	6	(12)	(6)	9	(9)	-
Interests (*)	96	(353)	(257)	99	(261)	(162)
Commissions (including commissions and other costs on non-recourse items)	2	(87)	(85)		(39)	(39)
Fair value adjustments through profit or loss	98	(44)	54	156	(60)	96
Premiums (paid) received on forwards	14	(8)	6	16	(14)	2
Exchange-rate differences	721	(723)	(2)	642	(630)	12
Value adjustments to equity investments		(1)	(1)	5	(6)	(1)
Interest cost on defined-benefit plans (less expected returns on plan assets)		(36)	(36)	-	(16)	(16)
Finance income/costs - related parties	6	(7)	(1)	2	(26)	(24)
Other finance income and costs	3	(50)	(47)	21	(83)	(62)
	1,007	(1,321)	(314)	1,017	(1,255)	(238)

(*) Of which finance costs arising from the application of the effective (not liquidated) interest rate on bonds in the amount of €mil. 36 (€mil. 43 at 31 December 2008) inclusive of €mil. 24 in relation to bonds.

With reference to the effects of the STM investment, during the year the Group reported dividends of €mil. 4 and a capital gain of €mil. 18 on the sale of the remaining 34 million of STM shares in December. In 2008, still regarding STM, the Group recognised dividends of €mil. 6, capital gain of €mil. 56 (on the sale of 26 million of shares) and impairment charges of €mil. 111 on the 34 million shares remaining in portfolio at 31 December 2008.

This is broken down as follows:

- income from equity investments and securities of €mil. 37 (€mil. 3 in 2008) mainly attributable to the capital gains generated from the sale of Global Aeronautica LLC (€mil. 24) and other minor companies;
- net interest costs of €mil. 257 (€mil. 162 in 2008) inclusive of the premiums collected/paid on the hedging of interest-rate risk (interest-rate swaps) for a net income of €mil. 14 (net charge of €mil. 7 in 2008) (Note 43).
  The net account balance is significantly worse than in the prior year mainly due to the growing level of average indebtedness both in absolute and average terms in 2009, and to the different breakdown of debt which saw growth in related interest rates as a result of an extension of the debt average life. In particular, the 2009 figure includes €mil. 217 (€mil. 105 in 2008) of interest on bonds and €mil. 40 (€mil. 35 in 2008) of interest on the Senior Term Loan Facility opened in June 2008 as part of the acquisition of DRS;
- net income arising from the application of fair value to the income statement of €mil. 54 (€mil. 96 in 2008), as detailed below:

	31 December 2009			31 December 2008		
	Income	Costs	Net	Income	Costs	Net
Foreign-currency swaps and forex options	45	(11)	34	5	(43)	(38)
Interest rate swaps (Note 29)	25	(14)	11	41	(3)	38
Options on STM (Note 29)	-	-	-	7	-	7
Ineffective component of hedging on swaps	21	(8)	13	19	(13)	6
Embedded derivatives		(11)	(11)	83	-	83
Option embedded in the exchangeable bond (Note 24)	-	-	-	1	(1)	-
Other equity derivatives	7	-	7	-	-	-
	98	(44)	54	156	(60)	96

› net expense on swaps and forex options include the effects of trading derivative instruments or instruments which, although they meet the objective of limiting the fluctuations of the underlying position within a specific range, do not meet the conditions of IAS 39, either because of the nature of the instruments themselves or the inability to mathematically demonstrate their effectiveness. The change is due to the volatility of the US dollar against the euro: the exchange rate went from 1.3917 at 31 December 2008 to 1.4406 at 31 December 2009;

› net income from interest-rate swaps reflects the significant reduction of interest rates worldwide (6-month Euribor went from 2.97% at 31 December 2008 to 0.8860% at 31 December 2008); the Group was able to benefit from the reduction on the portion of bond issues transformed into variable-rate instruments via the use of derivatives (Note 29);

› the embedded derivatives are related to commercial contracts denominated in currencies other than the currencies of the contractually involved parties and that generally used in the markets of reference. This component is separated from the commercial contract and valued at fair value through the income statement;

› under the STM sale contract, Finmeccanica benefits from an earn-out mechanism – on 29,768,850 shares – equal to 50% of the positive difference, if any, between the average price of the STM stock, calculated in the 66 days prior to 17 March 2011, and €7.00. This led to the recognition of a derivative whose fair value is positive in the amount of €mil. 7.

Regarding the figures of 2008, income from options on STM relates to income related to the decrease in the value of the underlying position. At 31 December 2008 total STM shares with options were 25 million. The Group also had an offsetting call option on STM shares with the same underlying position and the same basic parameters as the option embedded in the exchangeable bonds issued in 2002. As a result of this transaction, the Group has essentially no impacts with regard to further variations in the fair value of the call option sold (income of €mil. 1 on the call option sold and expense of €mil. 1 on the call option purchased);

- interest costs on defined-benefit plans (less expected returns on plan assets) of €mil. 36 (€mil. 16 in 2008). The greater costs recognised as compared with 2008 are due to lower expected returns on plan assets and to the higher contribution of the DRS group;
- other net finance costs of €mil. 47 (€mil. 62 in 2008). The figure for 2008 included €mil. 15 of finance income deriving from the closing of options on STM.

Finally, it is noted that the Group assigned receivables without recourse during the year in an amount equal to around €mil. 1,851 (roughly €mil. 1,006 in 2008) with overall finance costs of €mil. 79 (€mil. 34 in 2008).

39. Share of profit (loss) of equity accounted investments

	2009	*2008*
Recognition of Eurofighter Jagdflugzeug GmbH	11	6
Recognition of Elettronica SpA	5	5
Net recognition of other investees	1	5
	17	**16**

40. Income taxes

Income tax expense can be broken down as follows:

	2009	*2008*
Corporate income tax (IRES)	282	231
Regional tax on productive activities (IRAP)	114	129
Benefit under consolidated tax mechanism	(126)	(72)
Other income taxes	79	120
Substitute taxes	1	30
Tax related to previous periods	(4)	(17)
Provisions for tax disputes	24	11
Deferred tax - net	7	(65)
	377	**367**

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

Following is an analysis of the difference between the theoretical tax rate and the effective tax rate for 2009 and 2008:

	2009	*2008*
Profit (loss) before taxation	1,095	988
Percentage impact of Italian and foreign taxes		
Corporate income tax (IRES) (net of tax receipts)	14.20	16.06
IRAP	10.40	13.02
Other income taxes	7.20	12.13
Substitute taxes	0.08	3.09
Tax related to previous periods	(0.31)	(1.70)
Provisions for tax disputes	2.20	1.10
Deferred tax - net	0.67	(6.57)
Effective rate	**34.44**	**37.13**
Increase (decrease)		
Percentage impact of the permanent difference on the effective rate	3.19	1.96
Theoretical rate	**37.63**	**39.09**

The permanent differences that generated a variance between the effective rate and the theoretical rate are the result of the capital gain on the investment sold under the participation exemption, the recognition of tax receivables for Research and development and the regulatory IRAP change for the period 2004-2007.

Deferred taxes and their related receivables and payables at 31 December 2009 were the result of the following temporary differences:

	Income Statement 2009			*Income Statement 2008*		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Deferred taxes on tax losses	3	35	(32)	3	51	(48)
Goodwill	-	3	(3)	12	2	10
Property, plant and equipment	3	9	(6)	36	2	34
Intangible assets	27	5	22	40	12	28
Financial assets and liabilities	-	8	(8)	-	44	(44)
Severance and retirement benefits	3	7	(4)	1	8	(7)
Write-back of receivables from ENEA				93	-	93
Provision for risks and impairment	55	74	(19)	34	25	9
Stock option/stock grant	-	1	(1)	1	5	(4)
Grants	2	2	-	3	3	
Other	97	53	44	61	67	(6)
Offsetting	-	-	-	-	-	-
Deferred taxes recognised through income statement	**190**	**197**	**(7)**	**284**	**219**	**65**

	Balance Sheet 2009			*Balance Sheet 2008*		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Deferred taxes on tax losses	88	-	88	119	-	119
Goodwill	-	18	(18)	-	22	(22)
Property, plant and equipment	15	47	(32)	9	41	(32)
Intangible assets	59	373	(314)	30	372	(342)
Severance and retirement benefits	73	10	63	92	12	80
Financial assets and liabilities	-	1	(1)	-	19	(19)
Provision for risks and impairment	282	3	279	261	-	261
Stock-option/stock-grant	1	-	1	14	-	14
Grants	-	11	(11)	-	9	(9)
Other	161	68	93	168	105	63
Offsetting	(94)	(94)	-	(91)	(91)	-
Deferred taxes recognised through balance sheet	**585**	**437**	**148**	**602**	**489**	**113**
On cash-flow hedge derivatives	22	32	(10)	33	30	3
On actuarial gains and losses	66	19	47	13	34	(21)
Deferred taxes recognised through shareholder's equity	88	51	37	46	64	(18)
	673	**488**	**185**	**648**	**553**	**95**

41. Earning per share

Earnings per share (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.

Basic EPS	*2009*	*2008*
Average number of shares for the period (in thousands)	576,914	441,354
Net earnings (not including minority interests) (€mil.)	654	571
Earnings of continuing operations (not including minority interests) (€mil.)	654	571
Basic EPS	**1,134**	**1,294**

Diluted EPS	*2009*	*2008*
Average number of shares for the period (in thousands)	577,573	441,499
Adjusted earnings (not including minority interest) (€mil.)	654	571
Adjusted earnings of continuing operations (not including minority interests) (€mil.)	654	571
Diluted EPS	**1,133**	**1,293**

42. Cash flow from operating activities

	For the 12 months ended 31 December	
	2009	*2008*
Net profit	718	621
Depreciation, amortisation and impairment	727	622
Effect of the measurement of equity investments on the equity method	(17)	(16)
Income taxes	377	367
Cost of defined-benefit plans and stock-grant plans	72	87
Net finance costs (income)	314	238
Net capital gains on sale of non-current assets	(3)	-
Other non-monetary items	34	49
	2,222	**1,968**

Costs of pension and stock-grant plans include the portion of costs relating to defined-benefit pension plans that is recognised as a personnel cost (the portion of costs relating to interest is carried among net finance costs). They also include the cash outlays relating to the stock-grant plan.

The changes in working capital, net of the effects of the acquisition and sale of consolidated companies and exchange gains/losses, are as follows:

	For the 12 months ended 31 December	
	2009	*2008*
Inventories	(486)	(797)
Contract work in progress and advances received	300	531
Trade receivables and payables	(302)	97
Changes in working capital	**(488)**	**(169)**

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

	For the 12 months ended 31 December	
	2009	*2008*
Payment of pension and stock-grant plans	(160)	(201)
Changes in provisions for risks and other operating items	(38)	(148)
	(198)	**(349)**

43. Financial risk management

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

- *interest rate risks*, related to the Group 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.

The Group carefully and specifically follows each of these financial risks, with the objective of promptly minimising them, also through 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 finance costs. To that regard and with reference to the gross amount of bank borrowings posted in the financial statements (€mil. 5,389), the fixed-rate percentage amounted to around 54% and the floating-rate percentage to around 46%.
The detail of the main derivative instruments in IRS at 31 December 2009 is as follows:

€ millions	Notional		Underlying		Fair	Changes			Fair value
	2009	2008	(maturity)		value at 1 Jan. 09	Income	Costs	CFH reserve	at 31 Dec. 09
IRS fixed/floating/fixed	200	400	Bond 2018	(a)	4	1	-	-	5
IRS fixed/floating and options	250	250	Bond 2025	(b)	13	1	-	-	14
IRS floating/fixed			Bond 2008	(c)	-	-	-		-
IRS fixed/floating	750	750	Bond 2013	(d)	-	23	-	-	23
IRS fixed/floating in GBP	450	-	Bond 2019	(e)	-	-	14	-	(14)
Other	-	-	-	(f)	(3)	-	-	(1)	(4)
Total notional	**1,650**	**1,400**			**14**	**25**	**14**	**(1)**	**24**

€ millions	Notional		Underlying		Fair	Changes			Fair value
	2008	2007	(maturity)		value at 1 Jan. 08	Income	Costs	CFH reserve	at 31 Dec. 08
IRS fixed/floating/fixed	400	500	Bond 2018	(a)	(10)	14	-	-	4
IRS fixed/floating and options	250	250	Bond 2025	(b)	(7)	23	(3)	-	13
IRS floating/fixed	-	280	Bond 2008	(c)	1	-	-	(1)	-
IRS fixed/floating	750	-	Bond 2013	(d)	-	-	-	-	-
Other	-	-	-	(f)	(6)	4	-	(1)	(3)
Total notional	**1,400**	**1,030**			**(22)**	**41**	**(3)**	**(2)**	**14**

(a)The transaction was carried out to benefit from low short-term interest rates without, however, exposing the Group to the risk of any subsequent increases. As such, the exposure was converted to a floating rate through 19 December 2005 and back to fixed (5.80% average) after that date.

(b)The transaction was carried out during 2005 in order to earn benefits from low interest rates, with a 2.5% saving in the current interest period. The instruments purchased also include protections to the risk of rises in interest rates that enable the Group to protect portion of the debt portfolio exposed to floating rates.

(c)The transaction made it possible to limit exposure to future changes in the reference interest rate (6-month Euribor) and was recognised as a cash-flow hedge. The transaction was completed in 2008.

(d)The transaction was placed into effect at the time of the 5-year issue of €mil. 750, in December 2008, and enables to benefit from the low costs of floating interest rates with a saving of more than 2.5% in the current interest period.

(e)The transaction was placed into effect at the time of the 10-year issue of GBPmil. 400, in April 2009. The transaction enables to benefit from the low costs of floating interest rates with a saving of more than 3% in the current interest period.

(f)The item includes an IRS floating/fixed carried out by JV ATIL, which operates in the helicopter sector, and other minor items.

The table below shows the effects of the sensitivity analysis for 2008 and 2009 deriving from the 50-basis-point shift in the interest rate curves:

Effect of shift of interest rate curves	31 Dec. 2009 increase of 50 bps	31 Dec. 2009 decrease of 50 bps	31 Dec. 2008 increase of 50 bps	31 Dec. 2008 decrease of 50 bps
Net result	(31)	30	(15)	21
Shareholder's equity (*)	(32)	31	(15)	20

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

Exchange-rate risk

Transaction risk

Due to its commercial operations, the Group is exposed to the risk of fluctuations in the currencies in which its orders are denominated (specifically US$ and, to a lesser extent, GBP), due to the fact that costs are concentrated in the euro and the GBP areas.
Exchange-rate risk management is governed by the directive in force within the Group, aiming at industrial–not speculative–strategies so as to contain risks within specific limits by carefully and constantly assessing all foreign currency 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. Therefore, at the moment of receiving payment from a customer (or making payment to a vendor), which takes place at the current exchange rate on that day, the related hedging transactions are extinguished in order to substantially offset the effects of the difference between the current exchange rate and the rate of the hedging instrument.
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 immediately recognised through profit and loss. 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 4.3).
These transactions are mainly carried out with banks by Finmeccanica's Group Finance Department and then matched with the companies of the Group, which incur the relevant costs.
At 31 December 2009, Finmeccanica had outstanding foreign exchange transactions in the interest of other Group companies totalling €mil. 4,791 (notional amount) (an increase of about 15% over the year-earlier period), broken down as follows:

€ millions	Notional Sales	Notional Purchases	Notional Total	Fair value at 1 Jan. 09	Changes Income	Changes Costs	Changes CFH reserve	Fair value at 31 Dec. 09
Swap and forward transactions	2,718	1,917	4,635	(58)	34	(18)	64	22
Options	156		156	(36)	32	(1)		(5)
Total notional	**2,874**	**1,917**	**4,791**	**(94)**	**66**	**(19)**	**64**	**17**

€ millions	Notional Sales	Notional Purchases	Notional Total	Fair value at 1 Jan. 08	Changes Income	Changes Costs	Changes CFH reserve	Fair value at 31 Dec. 08
Swap and forward transactions	3,532	1,707	5,239	35	24	(23)	(94)	(58)
Options	365	-	365	(3)	-	(33)	-	(36)
Total notional	**3,897**	**1,707**	**5,604**	**32**	**24**	**(56)**	**(94)**	**(94)**

The table below shows the expected receipts and payments of the hedged flows in the hedged currency according to due dates:

	31 December 2009				31 December 2008			
	Receipts Notional		Payments Notional		Receipts Notional		Payments Notional	
	US$	GBP	US$	GBP	US$	GBP	US$	GBP
Cash-flow hedge								
Within 1 year	2,065	3	703	994	2,500	9	831	636
2 to 3 years	1,195	-	534	6	1,187	-	167	1
4 to 9 years	44	-	21	-	50	-	5	-
More than 9 years	-	-	-	-	-	-	-	-
Total	**3,304**	**3**	**1,258**	**1,000**	**3,737**	**9**	**1,003**	**637**
Transactions other than cash-flow hedges	158	-	62	5	370	1	74	5
Total transactions	**3,462**	**3**	**1,320**	**1,005**	**4,107**	**10**	**1,077**	**642**

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 of the euro/US dollar exchange rate and the euro/pound sterling exchange rate compared with the rates of reference at 31 December 2009 (1.4406 and 0.8881, respectively) and at 31 December 2008 (1.3917 and 0.9525, respectively).

	31 December 2009				31 December 2008			
	Effect of change in the €/GBP rate		Effect of change in the €/US$ rate		Effect of change in the €/GBP rate		Effect of change in the €/US$ rate	
	increase of 5%	*decrease of 5%*	*increase of 5%*	*decrease of 5%*	*increase of 5%*	*decrease of 5%*	*increase of 5%*	*decrease of 5%*
Net result	18	(7)	(13)	10	6	(6)	9	(26)
Shareholders' equity (*)	17	(7)	11	(15)	12	(13)	60	(83)

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

Translation risk

The Group is also exposed to the “translation risk”, i.e. the risk that assets and liabilities in consolidated companies whose reporting currency is not the euro (mainly GBP and US$) can have different values in euros depending on the performance of exchange rates, which affects the equity reserve named translation reserve (Note 23). The Group is monitoring the performance of this exposure. At 31 December 2009 there were no hedging transactions against it using derivatives, since these transactions, even if they fall within the scope of the net investment hedge principle, would expose the Group to a cash-flow risk deriving from the exchange-rate differences arising from the renewal of these transactions. With regard to borrowings in a currency other than the euro, those denominated in US$ were not hedged using exchange-rate derivatives, whereas the loan of GBP 400 was hedged against the exchange-rate risk in the short-term.

Finally, as a result of the financial centralisation, the cash flows of the foreign Companies of the Group were recharged in several ways to Finmeccanica SpA through intercompany relations mainly denominated in GBP e US$. For this type of risks, the income statement is hedged using mirror transactions of payables/receivables from third parties in the currency of intercompany items or through specific exchange-rate derivatives. As a result, even though the Group has no economic exposure, it is subject to equity volatility impacting directly the amount of group net debt, which is affected by the effect of realigning payables/receivables in foreign currency from third parties or, similarly, by the cash effects deriving from the renewal of hedges.

Other risks on financial instruments

Options on STM

In December 2009 Finmeccanica completed the sale to Cassa Depositi e Prestiti of 33.7 million STMicroelectronics NV ("STM") securities (Note 6) at a value of €5.10 per share, with a capital gain of around €mil 18. The sale contract also envisages for Finmeccanica an earn-out mechanism – on 29,768,850 shares – equal to 50% of the positive difference between the average price of the STM stock, calculated in the 66 days prior to 17 March 2011, and €7.00 per share. At 31 December 2009 the value of this option was estimated at €mil. 7. Following the completion of the STM share purchase agreement, Finmeccanica closed the existing hedging transactions with a gain of €mil 15.
As a result of the STM sale, over the years the management of equity derivatives generated from 2004 through 2009 income of €mil. 174 against premiums paid of around €mil. 21, with net assets of around €mil. 153.

Exchangeable bond options

The STM security represents, for 20 million shares, the underlying security of the exchangeable bond loan with a maturity of August 2010. This embedded option is accounted for separately from the bond loan and is valued at fair value through profit or loss. However, in 2005 Finmeccanica acquired a virtually identical option to hedge the option sold to bondholders thereby neutralising the effects of the former (because both the option purchased and the option sold as a part of the bond are valued at fair value through profit and loss) while at the same time freeing up and making available for sale the STM shares that were originally used for servicing the conversion. As earlier noted, this sale actually took place in December 2009.

Said option, which is nearing its natural maturity with a market value significantly different from the exercise price (€25.07 per share), brings its own fair value to zero and makes insignificant the estimates on increases (decreases) in value equal to 10% as compared with the value at 31 December 2009.

Liquidity risk

The Group is exposed to the liquidity risk, i.e. the risk that it cannot finance efficiently the ordinary commercial and investment performance and that it cannot repay its payables at maturity. In order to ensure the procurement of the resources needed to cover the Group financial requirements, including the requirements deriving from investing activities and working capital, the Group adopted a series of instruments with the aim of optimising the management of financial resources.
In particular, during 2009 the Group refinanced part of its short-term debt through the issue of medium/long-term bond loans which extended the average life of borrowing to more than 10 years. Moreover, as regards the financing of working capital, the Group has a combination of revolving credit facilities granted by international syndicates of banks with maturities 2011 and 2012, 18-month confirmed bilateral bank credit facilities and uncommitted bank credit facilities.
In May 2009 the EMTN bond-issue programme was extended for another period of 12 months. Finmeccanica is co-issuer in the programme with the Luxembourg subsidiary Finmeccanica Finance SA, and serves as a guarantor in case of issue by the subsidiary. The total amount of the programme was increased up to €mil. 3,800, with bonds of roughly €mil. 3,050 issued at 31 December 2009.

It is also noted that the Group will be required to reimburse bonds in the amount of €mil. 501 by 2010. Moreover, the revolving credit facility expires in June 2011 for a nominal amount of €mil. 639. This credit facility is the result of the transformation in February 2010 of the last tranche of the Senior Term Loat Facility stipulated at the time of the DRS acquisition (see Financial transactions).

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 (for both financing and investing activities), and industrial counterparties (for guarantees given on payables or third-party commitments) (Note 30).
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 USA. 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 insolvency risks, if any. Customers being public companies represents a guarantee for solvency, but, on the other hand, means that collection times are longer (in some countries they are significantly longer) than in other businesses, creating significant outstanding credit positions and the subsequent need for transactions to convert the receivables into cash.
The table below summarises trade receivables at 31 December 2009 and 2008, with most of the balance claimed, as indicated, from public-sector contractors or contractors belonging to public institutions:

€ billions	*31 December 2009*	*31 December 2008*
Portion due	2.3	1.8
- of which: for more than 12 months	*0.5*	*0.4*
Portion not yet due	2.5	2.9
Total trade receivables	**4.8**	**4.7**

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. 997 (€mil. 758 at 31 December 2008) include €mil. 200 (€mil. 79 at 31 December 2008) classified as “non-current” and consequently excluded from the net financial position. The receivables mainly refer to the cash and cash equivalents of the MBDA joint venture and Thales Alenia Space on deposit with the other partners (BAE and EADS in the first case; Thales in the second case) and financing to other related parties, as shown in the table below:

	2009			*2008*		
	Total	of which MBDA	of which TAS	Total	of which MBDA	of which TAS
Financial receivables from related parties	12	-	-	13	-	-
Other financial receivables	72	-	1	65	-	1
Non-current financial receivables	**84**	**-**	**1**	**78**	**-**	**1**
Financial receivables from related parties	34	-	-	26	-	-
Other financial receivables	763	600	108	654	546	82
Current financial receivables	**797**	**600**	**108**	**680**	**546**	**82**
Total financial receivables	**881**	**600**	**109**	**758**	**546**	**83**

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 gives a breakdown of Group assets by type of recognition. The fair value of derivatives is analysed separately in Note 29. For these instruments 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.
Liabilities are all valued on the "amortised cost method".

31 December 2009 € millions	Fair value through profit or loss	Loans and receivables	Held to maturity	Available for sale	Total
Non-current assets					
Financial assets at fair value	-	-	-	-	-
Non-current receivables from related parties	-	12	-	-	**12**
Receivables	-	3,426	-	-	**3,426**
Current assets					
Trade receivables	-	4,768	-	-	**4,768**
Financial assets at fair value	-			11	**11**
Financial receivables	-	797	-	-	**797**
Other assets	-	328	-	-	**328**

31 December 2008 € millions	Fair value through profit or loss	Loans and receivables	Held to maturity	Available for sale	Total
Non-current assets					
Financial assets at fair value	-	-	-	154	**154**
Non-current receivables from related parties	-	13	-	-	**13**
Receivables	-	730	-	-	**730**
Current assets					
Trade receivables	-	4,655	-	-	**4,655**
Financial assets at fair value	-		-	1	**1**
Financial receivables	-	679	-	-	**679**
Other assets	-	340	-	-	**340**

44. Information pursuant to Article 149-*duodecies* of the CONSOB Issuer Regulation

The following statement was prepared in accordance with Article 149-*duodecies* of the CONSOB Issuer Regulation and reports the fees for the year 2009 for auditing services and for services other than auditing provided by the same auditing firm and entities belonging to the auditing firm's network.

(€ thou)	Entity Providing the Service	to	Fees for the Year 2009 for the Engagement	
Auditing services	PricewaterhouseCoopers SpA	Parent Company	1,987	(1)
	PricewaterhouseCoopers SpA	Subsidiaries	4,736	
	Network PricewaterhouseCoopers	Subsidiaries	7,070	
Verification services	PricewaterhouseCoopers SpA	Parent Company	35	(4)
	Network PricewaterhouseCoopers	Subsidiaries	52	(4)
Tax consulting services	PricewaterhouseCoopers	Subsidiaries	98	(2)
	Network PricewaterhouseCoopers	Subsidiaries	1,690	(2)
Other services	Network PricewaterhouseCoopers	Parent Company	103	(1)
	PricewaterhouseCoopers SpA	Subsidiaries	76	(3)
	Network PricewaterhouseCoopers	Subsidiaries	143	(3)
			15,990	

(1) See statement attached to the financial statements of Finmeccanica SpA.
(2) Tax assistance services mainly for issues regarding employees in foreign companies, expatriates.
(3) Agreed-upon procedures.
(4) Activities connected with the audit of statements in order to tender bids.

45. Remuneration to key management personnel

Remuneration paid to persons who have power and responsibility over the planning, management and control of the Company, including executive and non-executive directors, is as follows:

€ millions	*31 December 2009*	*31 December 2008*
Compensation	81	80
Post-employment benefits	8	1
Other long-term benefits	3	1
Severance indemnity	-	3
Stock grants	4	7
Total	**96**	**92**

Remuneration paid to Directors and managers with strategic responsibility came to €mil. 94 and €mil. 89 for 2009 and 2008 respectively.
Remuneration to the Statutory Auditors came to €mil. 2 and €mil. 3 for 2009 and 2008 respectively.
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 and of the other companies included in the scope of consolidation, that represented a cost for the Group.

The detail of compensation paid to the directors, statutory auditors, the general manager and the managers with strategic responsibility of the Parent Company is reported in the following table.

Compensation paid to members of administrative and control bodies, to general managers and managers with strategic responsibilities (in thousands of euros)

PERSON	DESCRIPTION OF POSITION	
Surname/Name	Position	Office term
Guarguaglini Pier Francesco	Chairman/Chief Executive Officer	1.1/31.12.2009
Alberti Piergiorgio	Director	1.1/31.12.2009
Boltho von Hohebach Andrea	Director	1.1/31.12.2009
Bonferroni Franco	Director	1.1/31.12.2009
Castellaneta Giovanni	Director	1.1/31.12.2009
De Tilla Maurizio	Director	1.1/31.12.2009
Galli Dario	Director	1.1/31.12.2009
Greco Richard	Director	1.1/31.12.2009
Parlato Francesco	Director	1.1/31.12.2009
Squillace Nicola	Director	1.1/31.12.2009
Varaldo Riccardo	Director	1.1/31.12.2009
Venturoni Guido	Director	1.1/31.12.2009
Gaspari Luigi	Chairman of the Board of Statutory Auditors	1.1/31.12.2009
Cumin Giorgio	Regular Member	1.1/31.12.2009
Forchielli Francesco	Regular Member	1.1/28.4.2009
Fratino Maurilio	Regular Member	29.4/31.12.2009
Montaldo Silvano	Regular Member	1.1/31.12.2009
Tamborrino Antonio	Regular Member	1.1/31.12.2009
Zappa Giorgio	General Manager	1.1/31.12.2009
	Managers with strategic responsibilities	1.1/31.12.2009

(1) Variable remunerations, to the paid, are shown at their estimated value recorded in the Company's financial statements.
(2) Of which €th. 65 paid to the Ministry for Economy and Finance.
(3) Of which €th. 5 for emoluments by position in Group companies, paid to Finmeccanica SpA.

Term of office expiring	EMOLUMENTS BY POSITION IN THE REPORTING COMPANY		NON-CASH BENEFITS	BONUSES AND OTHER INCENTIVES		OTHER REMUNERATION	
year 2010	90		9	3,113	(1)	1,500	
year 2010	96					50	
year 2010	66						
year 2010	93						
year 2010	66						
year 2010	104						
year 2010	81						
year 2010	66						
year 2010	79	(2)					
year 2010	81						
year 2010	79						
year 2010	79						
year 2011	78					36	
year 2011	52					32	
year 2008	20						
year 2011	35						
year 2011	52						
year 2011	66					51	
			139	1,277	(1)	1,011	(3)
			156	1,200	(1)	1,525	

The Group Parent, Finmeccanica SpA, in order to create an incentive and retention system for Group employees and collaborators, implemented incentive plans providing for the granting of Finmeccanica shares, subject to the attainment of specific objectives.

At 31 December 2009, there were commitments to Finmeccanica employees and collaborators to grant 3,729,446 ordinary Finmeccanica shares with a par value of € 20.44 and 1,156,128 ordinary Finmeccanica shares with a par value of € 9.975. The changes in the stock-grant plans are as follows (see "Incentive plans (stock-option and stock-grant plans)" in the Report on Operations):

no. shares	***31 December 2009***	***31 December 2008***
Rights existing at 1 January	-	-
New rights assigned	1,213,088	2,042,384
Rights exercised during the year	1,213,088	2,042,384
Rights lapsed during the year	-	-
Rights existing at period end	-	-

For the Board of Directors
the Chairman and Chief Executive Officer
(Pier Francesco Guarguaglini)

CERTIFICATION ON THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART. 154-*BIS*, PARAGRAPH 5 OF LEGISLATIVE DECREE 58/98 AS AMENDED

1. The undersigned, Pier Francesco Guarguaglini, Chairman and Chief Executive Officer, and Alessandro Pansa, the manager in charge of the preparation of the company accounting documents of Finmeccanica SpA, certify, in accordance with Art. 154 - *bis*, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998:
   - the appropriateness of the financial statements with regard to the nature of the business and
   - the effective application of administrative and accounting procedures in preparing the consolidated financial statements at 31 December 2009.

2. In this respect no significant matters arose.

3. It is also certified that:

   3.1 the consolidated financial statements:

   a. were prepared in accordance with applicable international accounting standards as recognised in the European Community pursuant to Regulation (EC) 1606/2002 of the European Parliament and of the Council of 19 July 2002;

   b. correspond to the entries in the books and accounting records;

   c. were prepared in accordance with Article 154-*ter* of the aforesaid Legislative Decree 58/98 and subsequent amendments and integrations, provide a true and fair representation of the performance and financial position of the issuer and all the companies included in 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 all the companies included in the scope of consolidation, together with a description of the main risks and uncertainties they are exposed to.

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

Rome 4 March 2010

Chairman and Chief Executive Officer
Pier Francesco Guarguaglini

Manager in charge of the preparation of
company accounting documents
Alessandro Pansa

ATTACHMENTS

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE 2009 CONSOLIDATED FINANCIAL STATEMENTS

Shareholders,

as in the past, the consolidated financial statements of the Finmeccanica Group have been prepared in accordance with the provisions of law on financial reporting and comply with the Articles of Association and the Board of Directors' directions.

In application of Regulation (EC) no. 1606/2002 of 19 July 2002 and in implementation of CONSOB resolution no. 14990 of 14 April 2005, the consolidated financial statements of the Finmeccanica Group at 31 December 2009 are prepared in accordance with International Accounting and Financial Reporting Standards (IAS/IFRS) as approved by the European Commission, supplemented by the interpretations existing at the consolidated balance sheet date issued by the International Accounting Standards Board (IASB).

In particular, the standards used are those approved by the EU and contained in the EU Regulations enacted until the consolidated balance sheet date.

The Board of Statutory Auditors has ensured that the Parent Company has appropriately organised the flow of the necessary information from the companies included in the consolidation scope and that the consolidation procedures are adequate.

The Auditors who issued their report in accordance with Article 156 of Legislative Decree no. 58 dated 24 February 1998 (now Article 14 of Legislative Decree no. 39 dated 27 January 2010) expressing their opinion on the consolidated financial statements at 31 December 2009 have informed us that they have appropriately checked that the figures of the consolidated accounts matched the accounting records of the Parent Company and the data provided by the subsidiary companies and that these data have been interpreted in an appropriate manner. To this regard the Auditors have not delivered any observations or remarks worth mentioning herein.

Rome, 13 April 2010

The Board of Statutory Auditors

PRICEWATERHOUSECOOPERS

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 OF LEGISLATIVE DECREE NO. 58 DATED 24 FEBRUARY 1998 (NOW ARTICLE 14 OF LEGISLATIVE DECREE NO. 39 DATED 27 JANUARY 2010)

FINMECCANICA SPA

CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2009

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers SpA

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 OF LEGISLATIVE DECREE NO. 58 DATED 24 FEBRUARY 1998 (NOW ARTICLE 14 OF LEGISLATIVE DECREE NO. 39 DATED 27 JANUARY 2010)

To the Shareholders of
Finmeccanica SpA

1 We have audited the consolidated financial statements of Finmeccanica SpA and its subsidiaries ("Finmeccanica Group") as of 31 December 2009, which comprise the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' equity, the consolidated cash flow statement and related explanatory notes. The directors of Finmeccanica SpA are responsible for the preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

The audit of the consolidated financial statements at 31 December 2009 was conducted in accordance with the legislation in force during the year then ended.

For the opinion on the consolidated financial statements of the prior year, the amounts of which are presented for comparative purposes and have been reclassified to reflect the changes to the financial statement presentation introduced by IAS 1, reference should be made to our report dated 6 April 2009.

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. 3.754.400,00 Euro i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n. 43 dell'Albo Consob – Altri Uffici: **Bari** 70124 Via Don Luigi Guanella 17 Tel. 0805640211 – **Bologna** Zola Predosa 40069 Via Tevere 18 Tel. 0516186211 – **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 – **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 – **Genova** 16121 Piazza Dante 7 Tel. 01029041 – **Napoli** 80121 Piazza dei Martiri 58 Tel. 08136181 – **Padova** 35138 Via Vicenza 4 Tel. 049873481 – **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 – **Parma** 43100 Viale Tanara 20/A Tel. 0521242848 – **Roma** 00154 Largo Fochetti 29 Tel. 06570251 – **Torino** 10129 Corso Montevecchio 37 Tel. 011556771 – **Trento** 38122 Via Grazioli 73 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 – **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 – **Verona** 37122 Corso Porta Nuova 125 Tel.0458002561

3 In our opinion, the consolidated financial statements of the Finmeccanica Group as of 31 December 2009 comply with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005; accordingly, they have been drawn up clearly and give a true and fair view of the financial position, results of operations and cash flows of the Finmeccanica Group for the year then ended.

4 The directors of Finmeccanica SpA are responsible for the preparation of the report on operations in accordance with applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the specific section on corporate governance and shareholder structure limited to the information referred to in paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) of article 123-bis of Legislative Decree No. 58/1998, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard No. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion the report on operations and the information provided in compliance with paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) of article 123-bis of Legislative Decree No. 58/1998 included in the specific section of the report on operations are consistent with the consolidated financial statements of the Finmeccanica Group as of 31 December 2009.

Rome, 13 April 2010

PricewaterhouseCoopers SpA

Signed by

Pier Luigi Vitelli
(Partner)

This report has been translated from the original which was issued in accordance with Italian legislation.

ATTACHMENT: LIST OF EQUITY INVESTMENTS PURSUANT TO ARTICLE 125 OF CONSOB RESOLUTION 11971

List of equity investments pursuant to Article 125 of CONSOB resolution no.11971 situation at: 12/31/2009

	Company OWNED (name and legal form)	COUNTRY	%TOTAL	% INDIRECT	TROUGH	KIND OF POSSESSION
1	3083683 NOVA SCOTIA LIMITED	CANADA	100,000	100,000	ENGINEERED SUPPORT SYSTEMS, INC	Voting right ownership
2	a4ESSOR SAS	FRANCE	21,000	21,000	SELEX COMMUNICATIONS SpA	Voting right ownership
3	ABRUZZO ENGINEERING SOCIETA` CONSORTILE PER AZIONI	ITALY	30,000	30,000	SELEX Service Management SpA	Voting right ownership
4	ABS TECHNOLOGY SPA	ITALY	60,000	60,000	AMTEC SpA	Voting right ownership
5	ABU DHABI SYSTEMS INTEGRATION (ADSI) LLC	UNITED ARAB EMIRATES	43,043	43,043	SELEX Sistemi Integrati SPA	Voting right ownership
6	ADVANCED AIR TRAFFIC SYSTEMS Sdn Bhd	MALAYSIA	30,000	30,000	SELEX Sistemi Integrati SPA	Voting right ownership
7	ADVANCED MALE AIRCRAFT LLC	UNITED ARAB EMIRATES	49,000	49,000	ALENIA AERONAUTICA SpA	Voting right ownership
8	AERIMPIANTI SpA	ITALY	100,000	100,000	SO.GE.PA.-Societa` Generale di Partecipazioni SPA	Pledge
9	AEROMECCANICA SA	LUXEMBOURG	99,967			Voting right ownership
10	AGUSTA AEROSPACE CORPORATION	DELAWARE - USA	100,000	100,000	AGUSTA SpA	Voting right ownership
11	AGUSTA AEROSPACE SERVICES - A.A.S.	BELGIUM	100,000	100,000	AGUSTA SpA	Voting right ownership
12	AGUSTA HOLDING BV	NETHERLANDS	100,000	100,000	AgustaWestland NV	Voting right ownership
13	AGUSTA SpA	ITALY	100,000	100,000	AGUSTA HOLDING BV	Voting right ownership
14	AGUSTA U.S. Inc.	DELAWARE - USA	100,000	100,000	AGUSTA SpA	Voting right ownership
15	AGUSTAWESTLAND AMERICA LLC	DELAWARE - USA	100,000	100,000	AgustaWestland North America Inc	Voting right ownership
16	AGUSTAWESTLAND AUSTRALIA PTY LTD	AUSTRALIA	100,000	100,000	AgustaWestland NV	Voting right ownership
17	AGUSTAWESTLAND DO BRASIL LTDA	BRAZIL	100,000	99,359	AGUSTA SpA	Voting right ownership
				0,641	WESTLAND HELICOPTERS LIMITED	Voting right ownership
18	AgustaWestland Holdings Limited	UNITED KINGDOM	100,000	100,000	AgustaWestland NV	Voting right ownership
19	AgustaWestland Inc	DELAWARE - USA	100,000	100,000	AgustaWestland North America Inc	Voting right ownership
20	AGUSTAWESTLAND INTERNATIONAL LIMITED	UNITED KINGDOM	100,000	50,000	AGUSTA SpA	Voting right ownership

	Company OWNED (name and legal form)	COUNTRY	%TOTAL	% INDIRECT	TROUGH	KIND OF POSSESSION
				50,000	WESTLAND HELICOPTERS LIMITED	Voting right ownership
21	AGUSTAWESTLAND MALAYSIA SDN. BHD	MALAYSIA	100,000	100,000	AGUSTA SpA	Voting right ownership
22	AgustaWestland North America Inc	DELAWARE - USA	100,000	100,000	AgustaWestland Holdings Limited	Voting right ownership
23	AgustaWestland NV	NETHERLANDS	100,000			Voting right ownership
24	AGUSTAWESTLAND POLITECNICO ADVANCED ROTORCRAFT CENTER SRL	ITALY	80,000	80,000	AGUSTA SpA	Voting right ownership
25	AGUSTAWESTLAND PORTUGAL SA	PORTUGAL	100,000	100,000	AgustaWestland NV	Voting right ownership
26	AgustaWestland Properties Limited	UNITED KINGDOM	100,000	100,000	AgustaWestland Holdings Limited	Voting right ownership
27	ALENIA AERMACCHI SpA	ITALY	99,998	7,229	ALENIA AERMACCHI SpA	Voting right ownership
				92,769	ALENIA AERONAUTICA SpA	Voting right ownership
28	ALENIA AERONAUTICA SpA	ITALY	100,000			Voting right ownership
29	ALENIA AERONAVALI SpA	ITALY	100,000	100,000	ALENIA AERONAUTICA SpA	Voting right ownership
30	ALENIA COMPOSITE SPA	ITALY	100,000	100,000	ALENIA AERONAUTICA SpA	Voting right ownership
31	ALENIA HELLAS SA	GREECE	100,000	100,000	ALENIA AERONAUTICA SpA	Voting right ownership
32	ALENIA IMPROVEMENT SPA	ITALY	98,000	98,000	ALENIA AERONAUTICA SpA	Voting right ownership
33	ALENIA NORTH AMERICA DEFENSE LLC	DELAWARE - USA	100,000	100,000	ALENIA NORTH AMERICA, INC.	Voting right ownership
34	ALENIA NORTH AMERICA, INC.	DELAWARE - USA	88,409	88,409	ALENIA AERONAUTICA SpA	Voting right ownership
35	ALENIA NORTH AMERICA-CANADA, CO.	CANADA	100,000	100,000	ALENIA NORTH AMERICA, INC.	Voting right ownership
36	Alenia SIA SpA	ITALY	100,000	60,000	ALENIA AERONAUTICA SpA	Voting right ownership
				30,000	GALILEO AVIONICA SpA	Voting right ownership
				10,000	SELEX COMMUNICATIONS SpA	Voting right ownership
37	ALIFANA - Societa` Consortile a responsabilita` limitata	ITALY	65,850	65,850	ANSALDO STS SpA	Voting right ownership

	Company OWNED (name and legal form)	COUNTRY	%TOTAL	% INDIRECT	TROUGH	KIND OF POSSESSION
38	ALIFANA DUE - Societa` Consortile a r.l.	ITALY	53,340	53,340	ANSALDO STS SpA	Voting right ownership
39	ALLIANCE GROUND SURVEILLANCE INDUSTRIES GMBH (in liquidazione)	GERMANY	10,239	10,239	GALILEO AVIONICA SpA	Voting right ownership
40	AMSH B.V.	NETHERLANDS	50,000			Voting right ownership
41	AMTEC SpA	ITALY	100,000	100,000	ELSAG DATAMAT SPA	Voting right ownership
42	ANSALDO ARGENTINA SA	ARGENTINA	99,993	99,993	SO.GE.PA.-Societa` Generale di Partecipazioni SPA	Voting right ownership
43	ANSALDO ELECTRIC DRIVES SpA	ITALY	100,000	100,000	ANSALDO ENERGIA SpA	Voting right ownership
44	ANSALDO EMIT SCRL	ITALY	50,000	50,000	SO.GE.PA.-Societa` Generale di Partecipazioni SPA	Voting right ownership
45	ANSALDO ENERGIA SpA	ITALY	100,000			Voting right ownership
46	ANSALDO ENERGY Inc	DELAWARE - USA	100,000	100,000	ANSALDO ENERGIA SpA	Voting right ownership
47	ANSALDO ESG AG	SWITZERLAND	100,000	100,000	ANSALDO ENERGIA SpA	Voting right ownership
48	ANSALDO FUEL CELLS SpA	ITALY	94,370	94,370	ANSALDO ENERGIA SpA	Voting right ownership
49	ANSALDO NUCLEARE SpA	ITALY	100,000	100,000	ANSALDO ENERGIA SpA	Voting right ownership
50	ANSALDO RAILWAY SYSTEM TRADING (BEIJING) LTD	CHINA	100,000	100,000	ANSALDO STS SpA	Voting right ownership
51	ANSALDO STS AUSTRALIA PTY Ltd	AUSTRALIA	100,000	100,000	ANSALDO STS SpA	Voting right ownership
52	ANSALDO STS BEIJING LTD	CHINA	80,000	80,000	ANSALDO STS FRANCE SA	Voting right ownership
53	ANSALDO STS CANADA INC	ONTARIO - CANADA	100,000	100,000	ANSALDO STS USA INC.	Voting right ownership
54	ANSALDO STS DEUTSCHLAND GMBH	GERMANY	100,000	100,000	ANSALDO STS SpA	Voting right ownership
55	ANSALDO STS ESPANA SA	SPAIN	100,000	100,000	ANSALDO STS FRANCE SA	Voting right ownership
56	ANSALDO STS FINLAND O.y.	FINLAND	100,000	100,000	ANSALDO STS SWEDEN AB	Voting right ownership
57	ANSALDO STS FRANCE SA	FRANCE	100,000	99,999	ANSALDO STS SpA	Voting right ownership
				0,001	ANSALDO STS SpA	Voting right as per contractual commitments

List of equity investments pursuant to Article 125 of CONSOB resolution no.11971 situation at: 12/31/2009

	Company OWNED (name and legal form)	COUNTRY	%TOTAL	% INDIRECT	TROUGH	KIND OF POSSESSION
58	ANSALDO STS HONG KONG Ltd	CHINA	100,000	99,999	ANSALDO STS FRANCE SA	Voting right ownership
				0,001	ANSALDO STS FRANCE SA	Voting right as per contractual commitments
59	ANSALDO STS IRELAND LIMITED	IRELAND	100,000	99,999	ANSALDO STS SpA	Voting right ownership
				0,001	ANSALDO STS USA INC.	Voting right ownership
60	ANSALDO STS MALAYSIA SDN BHD	MALAYSIA	100,000	100,000	ANSALDO STS AUSTRALIA PTY Ltd	Voting right ownership
61	ANSALDO STS SISTEMAS DE TRANSPORTE E SINALIZACAO LIMITADA	BRAZIL	100,000	99,990	ANSALDO STS SpA	Voting right ownership
				0,010	ANSALDO STS USA INTERNATIONAL CO.	Voting right ownership
62	ANSALDO STS SOUTHERN AFRICA (PTY) LTD	BOTSWANA	100,000	100,000	ANSALDO STS AUSTRALIA PTY Ltd	Voting right ownership
63	ANSALDO STS SWEDEN AB	SWEDEN	100,000	100,000	ANSALDO STS SpA	Voting right ownership
64	ANSALDO STS TRANSPORTATION SYSTEMS INDIA PRIVATE LTD	INDIA	100,000	0,001	ANSALDO STS SpA	Voting right ownership
				99,999	ANSALDO STS AUSTRALIA PTY Ltd	Voting right ownership
65	ANSALDO STS UK LTD.	UNITED KINGDOM	100,000	100,000	ANSALDO STS SpA	Voting right ownership
66	ANSALDO STS USA INC.	DELAWARE - USA	100,000	100,000	ANSALDO STS SpA	Voting right ownership
67	ANSALDO STS USA INTERNATIONAL CO.	DELAWARE - USA	100,000	100,000	ANSALDO STS USA INC.	Voting right ownership
68	ANSALDO STS USA INTERNATIONAL PROJECTS CO	DELAWARE - USA	100,000	100,000	ANSALDO STS USA INC.	Voting right ownership
69	ANSALDO STS-INFRADEV SOUTH AFRICA (PTY) LTD	SOUTH AFRICA	50,700	50,700	ANSALDO STS AUSTRALIA PTY Ltd	Voting right ownership
70	ANSALDO THOMASSEN B.V.	NETHERLANDS	100,000	100,000	ANSALDO ENERGIA SpA	Voting right ownership
71	ANSALDO THOMASSEN GULF LLC	UNITED ARAB EMIRATES	100,000	48,667	ANSALDO THOMASSEN B.V.	Voting right ownership
				51,333	ANSALDO THOMASSEN B.V.	Pledge
72	ANSALDOBREDA ESPANA SLU.	SPAIN	100,000	100,000	ANSALDOBREDA SpA	Voting right ownership
73	ANSALDOBREDA FRANCE SAS	FRANCE	100,000	100,000	ANSALDOBREDA SpA	Voting right ownership

	Company OWNED (name and legal form)	COUNTRY	%TOTAL	% INDIRECT	TROUGH	KIND OF POSSESSION
74	ANSALDOBREDA SpA	ITALY	100,000			Voting right ownership
75	ANSALDOBREDA, Inc.	USA	100,000	100,000	ANSALDOBREDA SpA	Voting right ownership
76	ANSERV SRL	ROMANIA	100,000	100,000	ANSALDO NUCLEARE SpA	Voting right ownership
77	ASIA POWER PROJECTS PRIVATE LTD	INDIA	100,000	100,000	ANSALDO ENERGIA SpA	Voting right ownership
78	AURENSIS S.L	SPAIN	100,000	100,000	TELESPAZIO SpA	Voting right ownership
79	AUTOMATION INTEGRATED SOLUTIONS SpA	ITALY	40,000	40,000	FATA SPA	Voting right ownership
80	AUTOMATISMES CONTROLES ET ETUDES ELECTRONIQUES ACELEC SA	FRANCE	99,999	0,001	ANSALDO STS HONG KONG Ltd	Voting right ownership
				99,994	ANSALDO STS FRANCE SA	Voting right ownership
				0,004	ANSALDO STS FRANCE SA	Voting right as per contractual commitments
81	AVIATION TRAINING INTERNATIONAL LIMITED	UNITED KINGDOM	50,000	50,000	WESTLAND HELICOPTERS LIMITED	Voting right ownership
82	BALFOUR BEATTY ANSALDO SYSTEMS JV SDN BHD	MALAYSIA	50,000	40,000	ANSALDO STS MALAYSIA SDN BHD	Voting right ownership
				10,000	ANSALDO STS MALAYSIA SDN BHD	Voting right as per contractual commitments
83	BCV INVESTMENT SCA	LUXEMBOURG	14,321	14,321	AEROMECCANICA SA	Voting right ownership
84	BCV MANAGEMENT SA	LUXEMBOURG	14,999	14,999	AEROMECCANICA SA	Voting right ownership
85	BELL AGUSTA AEROSPACE COMPANY LLC	DELAWARE - USA	40,000	40,000	AGUSTA U.S. Inc.	Voting right ownership
86	BREDAMENARINIBUS SpA	ITALY	100,000			Voting right ownership
87	BRITISH HELICOPTERS LIMITED	UNITED KINGDOM	100,000	100,000	WESTLAND HELICOPTERS LIMITED	Voting right ownership
88	C.I.R.A. (Centro Italiano di Ricerche Aerospaziali) SCpA	ITALY	11,989	2,757	ALENIA AERMACCHI SpA	Voting right ownership
				8,912	ALENIA AERONAUTICA SpA	Voting right ownership
				0,320	SELEX COMMUNICATIONS SpA	Voting right ownership
89	CANOPY TECHNOLOGIES, LLC	DELAWARE - USA	50,000	50,000	DRS POWER & CONTROL TECHNOLOGIES, INC.	Voting right ownership

	Company OWNED (name and legal form)	COUNTRY	%TOTAL	% INDIRECT	TROUGH	KIND OF POSSESSION
90	CARDPRIZE Two Limited	UNITED KINGDOM	100,000	100,000	SELEX Sensors and Airborne Systems Ltd	Voting right ownership
91	CCRT SISTEMI SpA (in fall)	ITALY	30,340	30,340	SO.GE.PA.-Societa` Generale di Partecipazioni SPA	Voting right ownership
92	COMLENIA Sendirian Berhad	MALAYSIA	30,000	30,000	SELEX Sistemi Integrati SPA	Voting right ownership
93	CONSORZIO START Societa` per Azioni	ITALY	40,000	40,000	SPACE SOFTWARE ITALIA SpA	Voting right ownership
94	CONTACT SRL	ITALY	30,000	30,000	ANSALDOBREDA SpA	Voting right ownership
95	COREAT SOCIETA` CONSORTILE a RESPONSABILITA` LIMITATA	ITALY	30,000	30,000	SELEX COMMUNICATIONS SpA	Voting right ownership
96	Datamat Suisse SA (in liquidazione)	SWITZERLAND	100,000	100,000	ELSAG DATAMAT SPA	Voting right ownership
97	DAVIES INDUSTRIAL COMMUNICATIONS Ltd	UNITED KINGDOM	100,000	100,000	SELEX Communications Ltd	Voting right ownership
98	DIGINT SRL	ITALY	49,000	49,000	FINMECCANICA GROUP SERVICES SPA	Voting right ownership
99	DISTRETTO LIGURE DELLE TECNOLOGIE MARINE SOCIETA` CONSORTILE A RESPONSABILITA` LIMITATA	ITALY	15,789			Voting right ownership
100	DISTRETTO TECNOLOGICO AEROSPAZIALE SCARL	ITALY	24,000	24,000	ALENIA AERONAUTICA SpA	Voting right ownership
101	DRS C3 & AVIATION COMPANY	DELAWARE - USA	100,000	100,000	ENGINEERED SUPPORT SYSTEMS, INC	Voting right ownership
102	DRS C3&A INTERMEDIARY LLC	DELAWARE - USA	100,000	100,000	ENGINEERED SUPPORT SYSTEMS, INC	Voting right ownership
103	DRS CODEM SYSTEMS, INC.	DELAWARE - USA	100,000	100,000	DRS DEFENSE SOLUTIONS, LLC	Voting right ownership
104	DRS CONSOLIDATED CONTROLS INC	DELAWARE - USA	100,000	100,000	DRS DEFENSE SOLUTIONS, LLC	Voting right ownership
105	DRS DATA & IMAGING SYSTEMS, INC.	DELAWARE - USA	100,000	100,000	ENGINEERED SUPPORT SYSTEMS, INC	Voting right ownership
106	DRS DEFENSE SOLUTIONS, LLC	DELAWARE - USA	100,000	100,000	DRS TECHNOLOGIES, INC.	Voting right ownership
107	DRS ENVIROMENTAL SYSTEMS INC	USA	100,000	100,000	ENGINEERED SUPPORT SYSTEMS, INC	Voting right ownership
108	DRS HOMELAND SECURITY SOLUTIONS, INC.	DELAWARE - USA	100,000	100,000	DRS TECHNOLOGIES, INC.	Voting right ownership
109	DRS ICAS LLC	DELAWARE - USA	100,000	100,000	DRS DEFENSE SOLUTIONS, LLC	Voting right ownership
110	DRS INTELLIGENCE & AVIONIC SOLUTIONS, INC.	USA	100,000	100,000	DRS DEFENSE SOLUTIONS, LLC	Voting right ownership

	Company OWNED (name and legal form)	COUNTRY	%TOTAL	% INDIRECT	TROUGH	KIND OF POSSESSION
111	DRS INTERNATIONAL, INC	DELAWARE - USA	100,000	100,000	DRS TECHNOLOGIES, INC.	Voting right ownership
112	DRS MOBILE ENVIRONMENTAL SYSTEMS CO.	USA	100,000	100,000	ENGINEERED SUPPORT SYSTEMS, INC	Voting right ownership
113	DRS POWER & CONTROL TECHNOLOGIES, INC.	DELAWARE - USA	100,000	100,000	DRS TECHNOLOGIES, INC.	Voting right ownership
114	DRS POWER TECHNOLOGY, INC.	DELAWARE - USA	100,000	100,000	DRS POWER & CONTROL TECHNOLOGIES, INC.	Voting right ownership
115	DRS RADAR SYSTEMS LLC	DELAWARE - USA	100,000	100,000	DRS C3 & AVIATION COMPANY	Voting right ownership
116	DRS RSTA, INC.	DELAWARE - USA	100,000	100,000	DRS TECHNOLOGIES, INC.	Voting right ownership
117	DRS SENSORS & TARGETING SYSTEMS, INC.	USA	100,000	100,000	DRS DEFENSE SOLUTIONS, LLC	Voting right ownership
118	DRS SIGNAL SOLUTIONS, INC.	DELAWARE - USA	100,000	100,000	DRS DEFENSE SOLUTIONS, LLC	Voting right ownership
119	DRS SONAR SYSTEMS, LLC	DELAWARE - USA	51,000	51,000	DRS TRAINING & CONTROL SYSTEMS, LLC	Voting right ownership
120	DRS SONETICOM INC	USA	100,000	100,000	DRS SIGNAL SOLUTIONS, INC.	Voting right ownership
121	DRS SURVEILLANCE SUPPORT SYSTEMS, INC.	DELAWARE - USA	100,000	100,000	DRS TECHNOLOGIES, INC.	Voting right ownership
122	DRS SUSTAINMENT SYSTEMS, INC.	DELAWARE - USA	100,000	100,000	ENGINEERED SUPPORT SYSTEMS, INC	Voting right ownership
123	DRS SYSTEMS MANAGEMENT, LLC	DELAWARE - USA	100,000	100,000	DRS TECHNOLOGIES, INC.	Voting right ownership
124	DRS SYSTEMS, INC.	DELAWARE - USA	100,000	100,000	DRS TECHNOLOGIES, INC.	Voting right ownership
125	DRS TACTICAL SYSTEMS GLOBAL SERVICES, INC.	USA	100,000	100,000	DRS TECHNOLOGIES, INC.	Voting right ownership
126	DRS TACTICAL SYSTEMS LIMITED	UNITED KINGDOM	100,000	100,000	DRS TECHNOLOGIES UK LIMITED	Voting right ownership
127	DRS TACTICAL SYSTEMS, INC.	USA	100,000	100,000	DRS TACTICAL SYSTEMS GLOBAL SERVICES, INC.	Voting right ownership
128	DRS TECHNICAL SERVICES GMBH & CO. KG	GERMANY	100,000	100,000	DRS TECHNICAL SERVICES, INC.	Voting right ownership
129	DRS TECHNICAL SERVICES, INC.	USA	100,000	100,000	DRS DEFENSE SOLUTIONS, LLC	Voting right ownership
130	DRS TECHNOLOGIES CANADA, INC	DELAWARE - USA	100,000	100,000	DRS TECHNOLOGIES, INC.	Voting right ownership
131	DRS TECHNOLOGIES CANADA, LTD	CANADA	100,000	100,000	DRS TECHNOLOGIES CANADA, INC	Voting right ownership

	Company OWNED (name and legal form)	COUNTRY	%TOTAL	% INDIRECT	TROUGH	KIND OF POSSESSION
132	DRS TECHNOLOGIES UK LIMITED	UNITED KINGDOM	100,000	100,000	DRS TECHNOLOGIES, INC.	Voting right ownership
133	DRS TECHNOLOGIES VERWALTUNGS GMBH	GERMANY	100,000	100,000	DRS TECHNICAL SERVICES, INC.	Voting right ownership
134	DRS TECHNOLOGIES, INC.	DELAWARE - USA	100,000	100,000	MECCANICA HOLDINGS USA, INC.	Voting right ownership
135	DRS TEST & ENERGY MANAGEMENT, LLC	DELAWARE - USA	100,000	100,000	DRS TECHNOLOGIES, INC.	Voting right ownership
136	DRS TRAINING & CONTROL SYSTEMS, LLC	USA	100,000	100,000	DRS DEFENSE SOLUTIONS, LLC	Voting right ownership
137	DRS UNMANNED TECHNOLOGIES, INC	DELAWARE - USA	100,000	100,000	DRS TECHNOLOGIES, INC.	Voting right ownership
138	e - GEOS SpA	ITALY	80,000	80,000	TELESPAZIO SpA	Voting right ownership
139	E-SECURITY SRL	ITALY	79,688	79,688	ELSAG DATAMAT SPA	Voting right ownership
140	ECOSEN CA	VENEZUELA	48,000	48,000	ANSALDO STS FRANCE SA	Voting right ownership
141	ED CONTACT SRL	ITALY	100,000	100,000	ELSAG DATAMAT SPA	Voting right ownership
142	ELECTRON ITALIA SRL	ITALY	80,000	80,000	ELSAG DATAMAT SPA	Voting right ownership
143	ELETTRONICA SpA	ITALY	31,333			Voting right ownership
144	ELSACOM HUNGARIA KFT	HUNGARY	100,000	100,000	ELSACOM NV	Voting right ownership
145	ELSACOM NV	NETHERLANDS	100,000			Voting right ownership
146	ELSACOM SLOVAKIA SRO	SLOVAKIA	100,000	100,000	ELSACOM NV	Voting right ownership
147	ELSACOM SpA	ITALY	100,000	100,000	ELSACOM NV	Voting right ownership
148	ELSACOM UKRAINE Joint Stock Company	UKRAINE	49,000	49,000	ELSACOM NV	Voting right ownership
149	ELSAG DATAMAT SPA	ITALY	100,000			Voting right ownership
150	ELSAG NORTH AMERICA LLC	USA	100,000	100,000	ELSAG DATAMAT SPA	Voting right ownership
151	ENGINEERED COIL COMPANY	USA	100,000	100,000	ENGINEERED SUPPORT SYSTEMS, INC	Voting right ownership
152	ENGINEERED ELECTRIC COMPANY	USA	100,000	100,000	ENGINEERED SUPPORT SYSTEMS, INC	Voting right ownership

	Company OWNED (name and legal form)	COUNTRY	%TOTAL	% INDIRECT	TROUGH	KIND OF POSSESSION
153	ENGINEERED SUPPORT SYSTEMS, INC	USA	100,000	100,000	DRS TECHNOLOGIES, INC.	Voting right ownership
154	ESSI RESOURCES, LLC	USA	100,000	100,000	DRS SUSTAINMENT SYSTEMS, INC.	Voting right ownership
155	EURIMAGE SpA	ITALY	100,000	51,000	e - GEOS SpA	Voting right ownership
				49,000	TELESPAZIO SpA	Voting right ownership
156	EURO PATROL AIRCRAFT GmbH (in liquidazione)	GERMANY	50,000	50,000	ALENIA AERONAUTICA SpA	Voting right ownership
157	EUROFIGHTER AIRCRAFT MANAGEMENT Gmbh	GERMANY	21,000	21,000	ALENIA AERONAUTICA SpA	Voting right ownership
158	EUROFIGHTER INTERNATIONAL Ltd	UNITED KINGDOM	21,000	21,000	ALENIA AERONAUTICA SpA	Voting right ownership
159	EUROFIGHTER JAGDFLUGZEUG Gmbh	GERMANY	21,000	21,000	ALENIA AERONAUTICA SpA	Voting right ownership
160	EUROFIGHTER SIMULATION SYSTEMS Gmbh	GERMANY	24,000	24,000	GALILEO AVIONICA SpA	Voting right ownership
161	EUROMAP SATELLITENDATEN-VERTRIEBSGESELLSCHAFT MBH	GERMANY	100,000	100,000	GAF A.G.	Voting right ownership
162	EUROMIDS SAS	FRANCE	25,000	25,000	SELEX COMMUNICATIONS SpA	Voting right ownership
163	EUROPEAN SATELLITE NAVIGATION INDUSTRIES GMBH	GERMANY	18,939			Voting right ownership
164	EUROPEAN SATELLITE NAVIGATION INDUSTRIES S.A (IN LIQUIDAZIONE)	BELGIUM	18,939			Voting right ownership
165	EUROSYSNAV SAS	FRANCE	50,000			Voting right ownership
166	FATA DTS SpA (in liquidazione)	ITALY	100,000	100,000	SO.GE.PA.-Societa` Generale di Partecipazioni SPA	Voting right ownership
167	FATA ENGINEERING SpA	ITALY	100,000	100,000	SO.GE.PA.-Societa` Generale di Partecipazioni SPA	Voting right ownership
168	FATA HUNTER INC.	USA	100,000	100,000	FATA SPA	Voting right ownership
169	FATA HUNTER INDIA PVT LTD	INDIA	100,000	100,000	FATA SPA	Voting right ownership
170	FATA LOGISTIC SYSTEMS SpA	ITALY	100,000	100,000	FATA SPA	Voting right ownership
171	FATA SPA	ITALY	100,000			Voting right ownership
172	FILEAS SAS	FRANCE	85,000	85,000	TELESPAZIO SpA	Voting right ownership

	Company OWNED (name and legal form)	COUNTRY	%TOTAL	% INDIRECT	TROUGH	KIND OF POSSESSION
173	FINMECCANICA CONSULTING SRL	ITALY	100,000			Voting right ownership
174	FINMECCANICA FINANCE SA	LUXEMBOURG	99,997	26,358	FINMECCANICA GROUP SERVICES SPA	Voting right ownership
175	FINMECCANICA GROUP REAL ESTATE SPA	ITALY	100,000			Voting right ownership
176	FINMECCANICA GROUP SERVICES SPA	ITALY	100,000			Voting right ownership
177	FINMECCANICA NORTH AMERICA Inc.	DELAWARE - USA	100,000			Voting right ownership
178	FINMECCANICA UK LIMITED	UNITED KINGDOM	100,000			Voting right ownership
179	FOSCAN srl (in fall)	ITALY	20,000	20,000	SO.GE.PA.-Societa` Generale di Partecipazioni SPA	Voting right ownership
180	GAF A.G.	GERMANY	100,000	100,000	e - GEOS SpA	Voting right ownership
181	GALILEO AVIONICA SpA	ITALY	100,000			Voting right ownership
182	GLOBAL MILITARY AIRCRAFT SYSTEMS, LLC	DELAWARE - USA	51,000	51,000	ALENIA NORTH AMERICA, INC.	Voting right ownership
183	GROUPEMENT IMMOBILIER AERONAUTIQUE - GIA SA	FRANCE	20,000	20,000	SO.GE.PA.-Societa` Generale di Partecipazioni SPA	Voting right ownership
184	GRUPPO AURENSIS SA DE C.V.	MEXICO	100,000	100,000	AURENSIS S.L	Voting right ownership
185	I.M. INTERMETRO SpA	ITALY	33,332	16,666	ANSALDOBREDA SpA	Voting right ownership
				16,666	ANSALDO STS SpA	Voting right ownership
186	IAMCO-INTERNATIONAL AEROSPACE MANAGEMENT COMPANY scrl	ITALY	20,000	20,000	ALENIA AERONAUTICA SpA	Voting right ownership
187	ICARUS SCpA	ITALY	49,000	49,000	SO.GE.PA.-Societa` Generale di Partecipazioni SPA	Voting right ownership
188	IMMOBILIARE CASCINA SRL	ITALY	100,000	100,000	FINMECCANICA GROUP SERVICES SPA	Voting right ownership
189	IMMOBILIARE FONTEVERDE Srl	ITALY	60,000	60,000	ELECTRON ITALIA SRL	Voting right ownership
190	INDUSTRIE AERONAUTICHE E MECCANICHE RINALDO PIAGGIO SpA (in amministrazione straordinaria)	ITALY	30,982			Voting right ownership
191	INFOLOGISTICA SPA	ITALY	11,111	11,111	SISTEMI & TELEMATICA SPA	Voting right ownership
192	Innovazione e Progetti Societa` Consortile per Azioni	ITALY	15,000	15,000	SELEX Service Management SpA	Voting right ownership

List of equity investments pursuant to Article 125 of CONSOB resolution no.11971 situation at: 12/31/2009

	Company OWNED (name and legal form)	COUNTRY	%TOTAL	% INDIRECT	TROUGH	KIND OF POSSESSION
193	INTERNATIONAL LAND SYSTEMS INC.	DELAWARE - USA	28,365	28,365	GAF A.G.	Voting right ownership
194	INTERNATIONAL METRO SERVICE SRL	ITALY	49,000	49,000	ANSALDO STS SpA	Voting right ownership
195	ISAF - INIZIATIVE PER I SISTEMI AVANZATI E FORNITURE SRL	ITALY	100,000	100,000	TELESPAZIO SpA	Voting right ownership
196	ITALDATA INGEGNERIA DELL´IDEA SpA	ITALY	51,000	51,000	ELSAG DATAMAT SPA	Voting right ownership
197	ITP srl (in fallimento)	ITALY	13,584			Voting right ownership
198	IVECO - OTO MELARA Societa` Consortile a responsabilita` limitata	ITALY	50,000	50,000	OTO MELARA SpA	Voting right ownership
199	Jiangxi Changhe Agusta Helicopter Co. Ltd	CHINA	40,000	40,000	AGUSTA SpA	Voting right ownership
200	Joint Stock Company SUKHOI CIVIL AIRCRAF	RUSSIAN FEDERATION	25,000	25,000	WORLD` S WING SA	Voting right ownership
201	LARIMART SpA	ITALY	60,000	60,000	SELEX COMMUNICATIONS SpA	Voting right ownership
202	LAUREL TECHNOLOGIES PARTNERSHIP	DELAWARE - USA	80,000	80,000	DRS SYSTEMS MANAGEMENT, LLC	Voting right ownership
203	LIBYAN ITALIAN ADVANCED TECHNOLOGY COMPANY	LIBYA	50,000	25,000	AgustaWestland NV	Voting right ownership
204	LMATTS LLC	DELAWARE - USA	100,000	100,000	ALENIA NORTH AMERICA, INC.	Voting right ownership
205	Logistica Ricerca e Sviluppo SCARL	ITALY	12,350	5,800	ELSAG DATAMAT SPA	Voting right ownership
				6,550	ORANGEE SRL	Voting right ownership
206	MACCHI HUREL DUBOIS SAS	FRANCE	50,000	50,000	ALENIA AERMACCHI SpA	Voting right ownership
207	MECCANICA HOLDINGS USA, INC.	DELAWARE - USA	100,000			Voting right ownership
208	MECCANICA REINSURANCE S.A.	LUXEMBOURG	100,000	100,000	FINMECCANICA FINANCE SA	Voting right ownership
209	MECFINT (JERSEY) SA	LUXEMBOURG	99,999	99,999	FINMECCANICA FINANCE SA	Voting right ownership
210	MEDESSAT SAS.	FRANCE	28,801	28,801	TELESPAZIO FRANCE Sas	Voting right ownership
211	METRO 5 Societa` per Azioni	ITALY	31,900	7,300	ANSALDOBREDA SpA	Voting right ownership
				24,600	ANSALDO STS SpA	Voting right ownership

	Company OWNED (name and legal form)	COUNTRY	%TOTAL	% INDIRECT	TROUGH	KIND OF POSSESSION
212	METRO C S.C.P.A.	ITALY	14,000	14,000	ANSALDO STS SpA	Voting right ownership
213	MSSC COMPANY	PENNSYLVANIA	51,000	51,000	DRS TRAINING & CONTROL SYSTEMS, LLC	Voting right ownership
214	MUSINET ENGINEERING SpA	ITALY	49,000	49,000	FATA SPA	Voting right ownership
215	N.H. INDUSTRIES SARL	FRANCE	32,000	32,000	AGUSTA SpA	Voting right ownership
216	N2 IMAGING SYSTEMS, LLC	DELAWARE - USA	30,000	30,000	DRS TECHNOLOGIES, INC.	Voting right ownership
217	NAC scrl	ITALY	81,540	81,540	AERIMPIANTI SpA	Voting right ownership
218	NAHUELSAT SA (in liquidazione)	ARGENTINA	33,332			Voting right ownership
219	NASIF scrl	ITALY	12,000	12,000	AERIMPIANTI SpA	Voting right ownership
220	Net Service SRL	ITALY	70,000	70,000	ELSAG DATAMAT SPA	Voting right ownership
221	NGL Prime SPA	ITALY	30,000			Voting right ownership
222	NICCO COMMUNICATIONS SAS	FRANCE	50,000	50,000	SELEX COMMUNICATIONS SpA	Voting right ownership
223	NIGHT VISION SYSTEMS, LLC	DELAWARE - USA	100,000	100,000	DRS TECHNOLOGIES, INC.	Voting right ownership
224	NNS - SOCIETE´ DE SERVICE POUR REACTEUR RAPIDE snc	FRANCE	40,000	40,000	ANSALDO NUCLEARE SpA	Voting right ownership
225	NOVACOM SERVICES SA	FRANCE	39,730	39,730	TELESPAZIO SpA	Voting right ownership
226	ORANGEE SRL	ITALY	70,000	70,000	ELSAG DATAMAT SPA	Voting right ownership
227	ORIZZONTE - Sistemi Navali SpA	ITALY	49,000	49,000	SELEX Sistemi Integrati SPA	Voting right ownership
228	OTE MOBILE TECHNOLOGIES LTD	UNITED KINGDOM	100,000	100,000	SELEX COMMUNICATIONS SpA	Voting right ownership
229	OTO MELARA IBERICA SA	SPAIN	100,000	100,000	OTO MELARA SpA	Voting right ownership
230	OTO MELARA NORTH AMERICA INC.	DELAWARE - USA	100,000	100,000	OTO MELARA SpA	Voting right ownership
231	OTO MELARA SpA	ITALY	100,000			Voting right ownership
232	PANAVIA AIRCRAFT Gmbh	GERMANY	15,000	15,000	ALENIA AERONAUTICA SpA	Voting right ownership

	Company OWNED (name and legal form)	COUNTRY	%TOTAL	% INDIRECT	TROUGH	KIND OF POSSESSION
233	PCA ELECTRONIC TEST LTD	UNITED KINGDOM	100,000	100,000	DRS SUSTAINMENT SYSTEMS, INC.	Voting right ownership
234	PEGASO-Societa` consortile a responsabilita` limitata	ITALY	46,870	46,870	ANSALDO STS SpA	Voting right ownership
235	PIVOTAL POWER, INC.	CANADA	100,000	100,000	3083683 NOVA SCOTIA LIMITED	Voting right ownership
236	POLARIS SRL	ITALY	49,000	49,000	ANSALDO ENERGIA SpA	Voting right ownership
237	QUADRICS LTD IN LIQUIDAZIONE	UNITED KINGDOM	100,000	100,000	ALENIA AERONAUTICA SpA	Voting right ownership
238	RARTEL SA	ROMANIA	61,061	10,000	TELESPAZIO HUNGARY SATELLITE TELECOMMUNICATIONS Ltd	Voting right ownership
				50,061	TELESPAZIO SpA	Voting right ownership
				1,000	TELESPAZIO HOLDING SRL	Voting right ownership
239	ROTORSIM SRL	ITALY	50,000	50,000	AGUSTA SpA	Voting right ownership
240	S.C. ELETTRA COMMUNICATIONS SA	ROMANIA	50,500	1,500	SELEX Communications Romania SRL	Voting right ownership
				49,000	SELEX COMMUNICATIONS SpA	Voting right ownership
241	SAITECH SpA (in fall)	ITALY	40,000	40,000	SO.GE.PA.-Societa` Generale di Partecipazioni SPA	Voting right ownership
242	SAPHIRE International Aviation & ATC Engineering Co. Ltd	CHINA	65,000	65,000	ALENIA AERONAUTICA SpA	Voting right ownership
243	SCUOLA ICT SRL	ITALY	20,000			Voting right ownership
244	SECBAT-SOC EUROPEENNE DE CONSTRUCTION DE L`AVION BREGUET ATLANTIC SARL	FRANCE	13,550	13,550	ALENIA AERONAUTICA SpA	Voting right ownership
245	SEICOS SPA	ITALY	100,000			Voting right ownership
246	SEL PROC SOCIETA' CONSORTILE A RESPONSABILITA` LIMITATA	ITALY	100,000	30,000	SEICOS SPA	Voting right ownership
				70,000	SELEX Sistemi Integrati SPA	Voting right ownership
247	SELENIA MARINE COMPANY Ltd. (in liquidazione)	UNITED KINGDOM	100,000	100,000	SELEX Communications Holdings Ltd	Voting right ownership
248	SELENIA MOBILE SPA	ITALY	100,000	100,000	SELEX COMMUNICATIONS SpA	Voting right ownership
249	SELEX Communications do Brasil Ltda	BRAZIL	100,000	0,199	AMTEC SpA	Voting right ownership

	Company OWNED (name and legal form)	COUNTRY	%TOTAL	% INDIRECT	TROUGH	KIND OF POSSESSION
				99,801	SELEX COMMUNICATIONS SpA	Voting right ownership
250	SELEX COMMUNICATIONS SpA	ITALY	100,000			Voting right ownership
251	SELEX Communications (International) Ltd	UNITED KINGDOM	100,000	100,000	SELEX Communications Holdings Ltd	Voting right ownership
252	SELEX Communications Gmbh	GERMANY	100,000	100,000	SELEX Communications Holdings Ltd	Voting right ownership
253	SELEX Communications Holdings Ltd	UNITED KINGDOM	100,000	100,000	SELEX COMMUNICATIONS SpA	Voting right ownership
254	SELEX Communications Inc.	CALIFORNIA -USA	100,000	100,000	SELEX Communications Holdings Ltd	Voting right ownership
255	SELEX Communications Ltd	UNITED KINGDOM	100,000	100,000	SELEX Communications Holdings Ltd	Voting right ownership
256	SELEX Communications Romania SRL	ROMANIA	99,976	99,976	SELEX COMMUNICATIONS SpA	Voting right ownership
257	SELEX Communications Secure Systems Ltd	UNITED KINGDOM	100,000	100,000	SELEX Communications Holdings Ltd	Voting right ownership
258	SELEX Komunikasyon A.S.	TURKEY	99,999	3,216	SELEX Communications Holdings Ltd	Voting right ownership
				0,001	SELEX Communications Ltd	Voting right ownership
				96,781	SELEX COMMUNICATIONS SpA	Voting right ownership
				0,001	SIRIO PANEL SPA	Voting right ownership
259	SELEX PENSION SCHEME (TRUSTEE) LIMITED	UNITED KINGDOM	100,000	100,000	SELEX Sensors and Airborne Systems Ltd	Voting right ownership
260	SELEX Sensors and Airborne Systems (Projects) Ltd	UNITED KINGDOM	100,000	100,000	SELEX Sensors and Airborne Systems Ltd	Voting right ownership
261	SELEX SENSORS AND AIRBORNE SYSTEMS (US) Inc.	DELAWARE - USA	100,000	100,000	SELEX Sensors and Airborne Systems Ltd	Voting right ownership
262	SELEX Sensors and Airborne Systems Electro Optics (Overseas) Ltd	UNITED KINGDOM	100,000	100,000	SELEX Sensors and Airborne Systems Ltd	Voting right ownership
263	SELEX Sensors and Airborne Systems InfraRed Ltd	UNITED KINGDOM	100,000	100,000	SELEX Sensors and Airborne Systems Ltd	Voting right ownership
264	SELEX Sensors and Airborne Systems Ltd	UNITED KINGDOM	100,000			Voting right ownership
265	SELEX Service Management SpA	ITALY	100,000			Voting right ownership
266	SELEX Sistemi Integrati de Venezuela SA	VENEZUELA	100,000	100,000	SELEX Sistemi Integrati SPA	Voting right ownership

	Company OWNED (name and legal form)	COUNTRY	%TOTAL	% INDIRECT	TROUGH	KIND OF POSSESSION
267	SELEX SISTEMI INTEGRATI DO BRASIL LTDA	BRAZIL	99,999	99,999	SELEX Sistemi Integrati SPA	Voting right ownership
268	SELEX Sistemi Integrati Inc.	DELAWARE - USA	100,000	100,000	SELEX Sistemi Integrati SPA	Voting right ownership
269	SELEX Sistemi Integrati SPA	ITALY	100,000			Voting right ownership
270	SELEX Systems Integration GmBH	GERMANY	100,000	100,000	SELEX Sistemi Integrati SPA	Voting right ownership
271	SELEX SYSTEMS INTEGRATION LTD	UNITED KINGDOM	100,000	100,000	SELEX Sistemi Integrati SPA	Voting right ownership
272	SERVICIOS TECNICOS Y ESPECIALIZADOS Y DE INFORMACION SA DE CV	MEXICO	100,000	100,000	AURENSIS S.L	Voting right ownership
273	SESAMO SECURITY AND SAFETY MOBILITY SCARL	ITALY	19,000	2,000	ANSALDO STS SpA	Voting right ownership
				17,000	SESM SOLUZIONI EVOLUTE PER LA SISTEMATICA E I MODELLI SOCIETA` CONSORTILE A RESPONSABILITA` LIMITATA	Voting right ownership
274	SESM SOLUZIONI EVOLUTE PER LA SISTEMATICA E I MODELLI SOCIETA` CONSORTILE A RESPONSABILITA` LIMITATA	ITALY	100,000	10,000	GALILEO AVIONICA SpA	Voting right ownership
				90,000	SELEX Sistemi Integrati SPA	Voting right ownership
275	SEVERNYJ AVTOBUS ZAO	RUSSIAN FEDERATION	35,000	35,000	ANSALDOBREDA SpA	Voting right ownership
276	SIIT Societa` Consortile per Azioni	ITALY	16,200	2,300	ANSALDO ENERGIA SpA	Voting right ownership
				2,300	ANSALDO STS SpA	Voting right ownership
				4,700	ELSAG DATAMAT SPA	Voting right ownership
				2,300	OTO MELARA SpA	Voting right ownership
				2,300	SELEX COMMUNICATIONS SpA	Voting right ownership
				2,300	SELEX Sistemi Integrati SPA	Voting right ownership
277	SIRIO PANEL SPA	ITALY	93,000	93,000	SELEX COMMUNICATIONS SpA	Voting right ownership
278	SISTEMI & TELEMATICA SPA	ITALY	92,793	92,793	ELSAG DATAMAT SPA	Voting right ownership
279	SISTEMI DINAMICI SPA	ITALY	40,000	40,000	AGUSTA SpA	Voting right ownership
280	SO.GE.PA.-Societa` Generale di Partecipazioni SPA	ITALY	100,000			Voting right ownership

	Company OWNED (name and legal form)	COUNTRY	%TOTAL	% INDIRECT	TROUGH	KIND OF POSSESSION
281	SOGELI - Societa` di Gestione di Liquidazioni SpA	ITALY	100,000	100,000	SO.GE.PA.-Societa` Generale di Partecipazioni SPA	Voting right ownership
282	SPACE SOFTWARE ITALIA SpA	ITALY	100,000	100,000	ELSAG DATAMAT SPA	Voting right ownership
283	SPACEOPAL GMBH	GERMANY	50,000	50,000	TELESPAZIO SpA	Voting right ownership
284	SUPERJET INTERNATIONAL SPA	ITALY	51,000	51,000	WING NED BV	Voting right ownership
285	T-S HOLDING CORPORATION	TEXAS - USA	100,000	100,000	TECH-SYM, LLC	Voting right ownership
286	TECH-SYM, LLC	USA	100,000	100,000	DRS TECHNOLOGIES, INC.	Voting right ownership
287	TECNOSSAN SpA (in fall)	ITALY	12,328	12,328	SO.GE.PA.-Societa` Generale di Partecipazioni SPA	Voting right ownership
288	TELBIOS SpA	ITALY	34,471	34,471	TELESPAZIO SpA	Voting right ownership
289	TELESPAZIO ARGENTINA SA	ARGENTINA	100,000	5,000	TELESPAZIO BRASIL SA	Voting right ownership
				95,000	TELESPAZIO SpA	Voting right ownership
290	TELESPAZIO BRASIL SA	BRAZIL	98,774	98,774	TELESPAZIO SpA	Voting right ownership
291	TELESPAZIO DEUTSCHLAND GMBH	GERMANY	100,000	100,000	TELESPAZIO FRANCE Sas	Voting right ownership
292	TELESPAZIO FRANCE Sas	FRANCE	100,000	100,000	TELESPAZIO HOLDING SRL	Voting right ownership
293	TELESPAZIO HOLDING SRL	ITALY	67,000			Voting right ownership
294	TELESPAZIO HUNGARY SATELLITE TELECOMMUNICATIONS Ltd	HUNGARY	100,000	99,000	TELESPAZIO SpA	Voting right ownership
				1,000	TELESPAZIO HOLDING SRL	Voting right ownership
295	TELESPAZIO NEDERLAND B.V.	NETHERLANDS	100,000	100,000	TELESPAZIO FRANCE Sas	Voting right ownership
296	TELESPAZIO NORTH AMERICA Inc	DELAWARE - USA	100,000	100,000	TELESPAZIO SpA	Voting right ownership
297	TELESPAZIO SpA	ITALY	100,000	100,000	TELESPAZIO HOLDING SRL	Voting right ownership
298	THALES ALENIA SPACE SAS.	FRANCE	33,000			Voting right ownership
299	THOMASSEN SERVICE AUSTRALIA PTY LTD	AUSTRALIA	100,000	100,000	ANSALDO THOMASSEN B.V.	Voting right ownership

List of equity investments pursuant to Article 125 of CONSOB resolution no.11971 situation at: 12/31/2009

	Company OWNED (name and legal form)	COUNTRY	%TOTAL	% INDIRECT	TROUGH	KIND OF POSSESSION
300	TRADE FATA B.V.	NETHERLANDS	100,000	100,000	FATA SPA	Voting right ownership
301	Tradexim SRL (in liquidazione)	ITALY	18,180	18,180	ELSAG DATAMAT SPA	Voting right ownership
302	TRAM DI FIRENZE SpA	ITALY	17,464	13,664	ANSALDOBREDA SpA	Voting right ownership
				3,800	ANSALDO STS SpA	Voting right ownership
303	TRANSIT SAFETY RESEARCH ALLIANCE (No Profit Corporation)	USA	100,000	100,000	ANSALDO STS USA INC.	Voting right ownership
304	TRIMPROBE SPA (in liquidazione)	ITALY	100,000			Voting right ownership
305	TURBOENERGY SRL	ITALY	25,000	25,000	ANSALDO ENERGIA SpA	Voting right ownership
306	U.V.T. (Ultraviolet Technology) SpA (in fall)	ITALY	50,614	50,614	SO.GE.PA.-Societa` Generale di Partecipazioni SPA	Voting right ownership
307	UIRNET SPA	ITALY	12,606	7,945	ELSAG DATAMAT SPA	Voting right ownership
				4,661	TELESPAZIO SpA	Voting right ownership
308	UNION SWITCH & SIGNAL INC.	DELAWARE - USA	100,000	100,000	ANSALDO STS USA INC.	Voting right ownership
309	UNIVERSAL POWER SYSTEMS, INC.	DELAWARE - USA	100,000	100,000	ENGINEERED SUPPORT SYSTEMS, INC	Voting right ownership
310	VEDECON GmbH	GERMANY	100,000	100,000	VEGA DEUTSCHLAND GMBH & CO.KG	Voting right ownership
311	VEGA CONSULTING & TECHNOLOGY SL	SPAIN	100,000	100,000	SELEX SYSTEMS INTEGRATION LTD	Voting right ownership
312	VEGA CONSULTING SERVICES LTD	UNITED KINGDOM	100,000	100,000	SELEX SYSTEMS INTEGRATION LTD	Voting right ownership
313	VEGA DEUTSCHLAND GMBH & CO.KG	GERMANY	100,000	0,125	VEGA DEUTSCHLAND MANAGEMENT GMBH	Voting right ownership
				99,875	VEGA DEUTSCHLAND HOLDING GMBH	Voting right ownership
314	VEGA DEUTSCHLAND HOLDING GMBH	GERMANY	100,000	100,000	SELEX SYSTEMS INTEGRATION LTD	Voting right ownership
315	VEGA DEUTSCHLAND MANAGEMENT GMBH	GERMANY	100,000	100,000	VEGA DEUTSCHLAND HOLDING GMBH	Voting right ownership
316	VEGA TECHNOLOGIES SAS	FRANCE	100,000	100,000	SELEX SYSTEMS INTEGRATION LTD	Voting right ownership
317	WESTERN INVESTORS TECHNOLOGY GROUP Inc	DELAWARE - USA	24,000	24,000	ALENIA NORTH AMERICA, INC.	Voting right ownership

	Company OWNED (name and legal form)	COUNTRY	%TOTAL	% INDIRECT	TROUGH	KIND OF POSSESSION
318	WESTERN INVESTORS TECHNOLOGY GROUP Ltd Partnership	DELAWARE - USA	20,000	20,000	ALENIA NORTH AMERICA, INC.	Voting right ownership
319	WESTLAND HELICOPTERS INC	DELAWARE - USA	100,000	100,000	WESTLAND HELICOPTERS LIMITED	Voting right ownership
320	WESTLAND HELICOPTERS LIMITED	UNITED KINGDOM	100,000	100,000	AgustaWestland Holdings Limited	Voting right ownership
321	WESTLAND INDUSTRIAL PRODUCTS LIMITED	UNITED KINGDOM	100,000	100,000	WESTLAND INDUSTRIES LIMITED	Voting right ownership
322	WESTLAND INDUSTRIES LIMITED	UNITED KINGDOM	100,000	100,000	WESTLAND HELICOPTERS LIMITED	Voting right ownership
323	WESTLAND SUPPORT SERVICES LIMITED	UNITED KINGDOM	100,000	100,000	WESTLAND HELICOPTERS LIMITED	Voting right ownership
324	WESTLAND TRANSMISSIONS LIMITED	UNITED KINGDOM	100,000	100,000	AgustaWestland Holdings Limited	Voting right ownership
325	WHITEHEAD ALENIA SISTEMI SUBACQUEI SpA	ITALY	100,000			Voting right ownership
326	WING NED BV	NETHERLANDS	100,000	100,000	ALENIA AERONAUTICA SpA	Voting right ownership
327	WORLD` S WING SA	SWITZERLAND	94,944	94,944	ALENIA AERONAUTICA SpA	Voting right ownership
328	XAIT SRL	ITALY	100,000	100,000	SELEX Service Management SpA	Voting right ownership
329	ZAO ARTETRA	RUSSIAN FEDERATION	51,000	51,000	SELEX COMMUNICATIONS SpA	Voting right ownership

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