FINMECCANICA - Società per azioni

2011 SEPARATE FINANCIAL STATEMENTS

Disclaimer

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BOARDS AND COMMITTEES

BOARD OF DIRECTORS
(for the 2011 - 2013 term)
appointed by the Shareholders' Meeting on 04.05.2011
and by the Board of Directors on 01.12.2011

GIUSEPPE ORSI (1)
Chairman and Chief Executive Officer (*)

ALESSANDRO PANSA
Director - Chief Operating Officer (**)

CARLO BALDOCCI (1)
Director (***)

FRANCO BONFERRONI (3)
Director (****)

PAOLO CANTARELLA (1) (2)
Director (*****)

GIOVANNI CATANZARO (2)
Director

DARIO GALLI (1) (3)
Director

MARCO IANSITI (1)
Director

SILVIA MERLO (2)
Director

FRANCESCO PARLATO (1) (3)
Director

CHRISTIAN STREIFF (3)
Director

GUIDO VENTURONI (2)
Director

PIER FRANCESCO GUARGUAGLINI (1)
Chairman and Member of the Strategic Committee
From 04.05.2011 to 01.12.2011

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

LUCIANO ACCIARI
Secretary of the Board of Directors

INDEPENDENT AUDITORS
(for the 2006- 2011 term)
PRICEWATERHOUSECOOPERS SpA

(*) Appointed Chairman by the Board of Directors on 01.12.2011
(**) Appointed Director, pursuant to Art. 2386 c.c., by the Board of Directors on 01.12.2011 and already Chief Operating Officer appointed by the Board of Directors on 04.05.2011
(***) Director without voting rights appointed by Ministerial Decree on 27.04.2011, effective from the date of appointment of the Board of Directors by the Shareholders' Meeting, pursuant to Art. 5.1-ter letter d) of the Article of Association, in accordance to Decree-Law 31 May 1994, No. 332/94, converted with amendments into Act No. 474/94
(****) Member of the Internal Audit Committee up to 22.11.2011
(*****) Member of the Internal Audit Committee since 01.12.2011

(1) Member of the Strategic Committee
(2) Member of the Internal Audit Committee
(3) Member of the Remuneration Committee

BOARD OF DIRECTORS ***(for the 2008-2011 term)***
(up to 04.05.2011)

PIER FRANCESCO GUARGUAGLINI (1)
Chairman and 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

(*) Director without voting right appointed by Ministerial Decree on 26.06.2008, pursuant to Decree-Law No 332/94, converted with amendments into Act No 474/94

(**) Member of the Remuneration Committee since 04.02.2009

(1) Member of the Strategic Committee
(2) Member of the Internal Audit Committee
(3) Member of the Remuneration Committee

REPORT ON OPERATIONS AT 31 DECEMBER 2011

Dear Shareholders,

Before commenting on the Company's results at 31 December 2011, certain factors that have had a significant impact on the Group's performance, and therefore Finmeccanica's performance, during the year should be explained.

The recession, which has been affecting other industries since 2008, began to have a significant and rather far-reaching impact on the Aerospace and Defence industry after about a two-year lag.

In the Group's main markets (Italy, the UK and the US), budgets for military systems and security experienced a sharp slowdown in investment in 2010, with drastic cuts expected to be made through 2015, as well as the cancellation of particularly important programmes. These types of cuts are generally accompanied by customers placing a renewed focus on the relationship between product performance and cost sustainability. Otherwise, the sector has seen, and should continue to see, a considerable shift in demand, with the markets of emerging countries playing an important role. This has partially offset the budget cuts announced and introduced by the North Atlantic countries and has sparked heated competition among suppliers leading to intense pricing pressure.

Finally, in North Africa, a particularly important market for the Group, the social and political situation has led to a temporary interruption of important military and civil programmes.

In this situation of general crisis, the Group has suffered a drop in orders (with a consequent reduction in the portfolio), in contracts and a decrease in revenues. Finmeccanica has therefore initiated a review process designed to lend greater sustainability to the assumptions underlying the budget plan, which offer pivotal points for business planning. Therefore, as part of preparing the 2012-2013 budget, the companies have been more selective and consistent about product excellence in considering order pursuit strategies. In terms of increasing revenues/sales, more effort has been made to respect contract milestones while simultaneously undertaking a process aimed at achieving a structural, long-lasting profitability and cash generation capability.

This was done after we observed, analysed and handled industrial problems encountered in some of the specific companies, in particular: a product portfolio that is too fragmented to be competitive and "sustainable" in the new market environment (e.g., Alenia Aermacchi – a company formed through the merger of Alenia Aeronautica, Alenia SIA and Alenia Aermacchi from 1 January 2012, to which reference is made herein—which is excessively weighted towards activities and programmes at the beginning of their life cycle); an order backlog, resulting from a very "aggressive" commercial push in recent years, characterised by orders that are no longer certain (e.g., SELEX Sistemi Integrati and SELEX Elsag); some orders are delayed due to problems with setting up the programmes (e.g., contracts for ATR 72 in anti-submarine warfare (ASW) configuration for Alenia Aermacchi and

Göktürk for Telespazio from Turkey, the IC2, IC4 and V250 contracts for the production of trains for Denmark, the Netherlands and Belgium for AnsaldoBreda); and some products are no longer competitive due to cost and performance factors.
These factors have caused us to revise our "whole life" estimates for certain programmes to take account of the extra costs involved in completing them.
Moreover, more generally, we have addressed – although with intensities varying from company to company –problems of industrial efficiency and the complexity and cumbersomeness of corporate structures. These actions have led to needed provisions to cover restructuring and reorganisation plans.

With regard to capital, the measures adopted have in turn led to the need to write down the development costs of certain products for which the commercial prospects and competitiveness in terms of their cost/performance no longer guarantee an adequate return on investment. In addition, defence and security budget cuts, particularly in the Group's main markets, have affected the growth prospects for the companies, thus leading to the need to substantially reduce the goodwill recognised for certain assets.

As early as the second half of 2011, an analysis was made of the operating companies that confirmed – although to varying degrees of intensity and type - the difficulties identified, with the accounting effects of this analysis being reported with the Group results at 30 September 2011. Also at that time, the analysis of "non-recurring" items was still being performed and included: the completion of the reorganisation of the Aeronautics division, the strategic repositioning of AnsaldoBreda and, in the Defence and Security Electronics division, the impact of the suspension of certain Libyan contracts and the recoverability of amounts recognised as goodwill.

Therefore, at 31 December 2011, the companies that had the problems described in more detail above (mainly Alenia Aermacchi, AnsaldoBreda, SELEX Sistemi Integrati SELEX Elsag and DRS Technologies) made "exceptional" (€mil. 1,094) and "non-recurring" (€mil. 2,086) provisions/writedowns (as more fully explained in the Report on Operations for the consolidated financial statements) that, in the course of determining the value of the equity investments in the Finmeccanica financial statements, led to significant impairment in their values. As a result, the Company was unable, in 2011, to maintain the profit levels achieved in past years, reporting a significant loss for the year.

This year, too, the Company's direction and coordination actions were aimed at becoming more effective in order to achieve the goals of industrial, technological and commercial integration. In this

way, the Group can, despite the recession underway, derive benefit from an alignment of ordered processes for efficiency and rationalization.
The proper application and the monitoring of the progress made in achieving these goals represent one of the most important ways of accomplishing our mission.

In this regard, the Company has continued to allocate a portion of its costs to the Group companies in the form of a management fee, thereby expressing how the holding company is fully integrated in their business activities.

In addition, as part of its work to centralise financial activities, Finmeccanica has pursued a policy directed towards minimising the average cost of borrowing and safeguarding the extended average remaining life of such debt. It has also contributed to making the Group's financial structure more sound, making the composition of the debt consistent with medium/long-term financial returns and major investments needed to develop the products of the Group companies.

Therefore, the year 2011 ended with a net loss of €mil. 1,376 (net profit of €mil. 237 in 2010), shareholders' equity of €mil. 4,931 (€mil. 6,570 in 2010) and net financial debt of €mil. 2,838 (€mil.3,595 in 2010).

Since Finmeccanica is a holding company providing industrial and strategic control for a Group largely comprised of subsidiaries or joint ventures with other industrial partners, certain sections of the Report of Operations contain comments on Group activities, rather than just Company activities, in order to provide a better overview.
After an examination of the main industrial and financial transactions performed during the year, this report will analyse the Company's performance and financial results. This will be followed by an analysis of the market and the individual business segments in which the Group operates, with an examination of the commercial, production and financial variables that marked its business areas in 2011.
The business and financial outlook will be discussed after a description of research and development projects, human resource programmes, actions taken with respect to managing risks and environmental matters, and presentation of the Corporate Governance Report and Shareholder Structure.
Finally, the commentary on the accounting policies and explanatory notes are crucial to understanding the Company's performance during the year just ended.

SIGNIFICANT EVENTS IN 2011 AND EVENTS SUBSEQUENT TO CLOSURE OF THE ACCOUNTS

Industrial transactions

As part of the reorganisation of the **Aeronautics** division begun in 2010, the merger of Alenia Aermacchi SpA and Alenia SIA SpA into their parent company Alenia Aeronautica SpA took effect as from 1 January 2012. As a result Alenia Aeronautica SpA changed its name to Alenia Aermacchi SpA and transferred its headquarters from Pomigliano d'Arco (Naples) to Venegono Superiore (Varese). In the final months of 2011, the Group instituted a plan to revamp, reorganise and restructure the division in order to make it more competitive by leveraging select high-quality products and technologies.

On 28 March 2011, the Board of Directors of Finmeccanica authorised the merger between Elsag Datamat and SELEX Communications, which was completed as from 1 June 2011. The surviving company, SELEX Communications, changed its name to SELEX Elsag at that time. Equity holdings in Seicos (100%), SELEX Service Management (100%) and SELEX Elsag Cyberlabs (49%) (the first two held by Finmeccanica and the last by Finmeccanica Group Services) were also transferred to the company on that date. Seicos was merged into SELEX Elsag effective 1 February 2012.
The transaction - in line with Finmeccanica's plan, launched in 2010, to optimise its industrial structure in the **Defence and Security Electronics** division - sought to create a centre of expertise at the Group level in the Information and Communication Technology (ICT) and the Security and Automation sector, constituting a fundamental step in the reorganisation of the Group's corporate structures in that division. The final step – which should be completed by the end of 2012 - will be to create a single, European-wide organisation that will absorb all business activities of SELEX Sistemi Integrati, SELEX Galileo and SELEX Elsag. Doing this will make it possible to have just one consistent policy for all business areas, further rationalising the industrial structure and investments and ensuring a unified approach to domestic and international customers. Against this backdrop, in December 2011, the Board of Directors of Finmeccanica authorised the transfer of Finmeccanica's holdings in SELEX Galileo Ltd, SELEX Galileo SpA, SELEX Elsag SpA and SELEX Sistemi Integrati SpA to its wholly-owned subsidiary SELEX Electronic Systems SpA (formerly Finmeccanica Consulting Srl), effective 1 January 2012.

On 12 October 2011, SELEX Elsag and the City of Genoa signed a protocol agreement to jointly establish a model for "Genoa smart city". The agreement seeks to improve the quality of citizens' lives by focusing on economic development based on innovative solutions and technologies that respect the environment and are sustainable and energy efficient. The main areas of cooperation between SELEX Elsag and the city will concern saving energy and security.

By taking part in this project, SELEX Elsag joins the “Genoa smart city” association, a group of institutions, bodies and enterprises that support the participation of the Ligurian capital in the “smart city” programme, a European programme that aims to drastically cut greenhouse gas emissions by 2020, in accordance with Kyoto Protocol levels.

On 19 December 2011, Finmeccanica (through SELEX Elsag and Vega) and Northrop Grumman signed a teaming agreement in order to satisfy the requirements of the NATO Computer Incident Response Capability (NCIRC) - Full Operating Capability (FOC) programme. The programme aims to provide information security to around 50 NATO sites and headquarters throughout 28 countries, providing the capability to detect and respond to cyber security threats and vulnerabilities rapidly and effectively. On 29 February 2012, Finmeccanica and Northrop Grumman were awarded the contract by the NATO Consultation, Command and Control (NATO NC3A) Agency.

In the **Space** division, the December 2011 meeting of the Board of Directors of Finmeccanica approved the merger of Telespazio Holding Srl (the Telespazio group company held 67% by Finmeccanica and 33% by French company Thales) into Telespazio SpA as part of the process of reorganising the Telespazio group’s organisational and management model. The merger was completed on 20 February 2012.

On 9 March 2011, Finmeccanica signed an agreement with First Reserve Corporation (“First Reserve”), a US investment fund that specialises in the **Energy** sector, for the sale of a stake in Ansaldo Energia. The transaction was completed on 13 June 2011. Specifically, Finmeccanica sold the entire share capital of Ansaldo Energia to an Italian-based company, Ansaldo Energia Holding (“AEH”, formerly Ansaldo Electric Drives - “AED”), a company held 45% by First Reserve and around 55% by Finmeccanica. Finmeccanica signed a shareholders’ agreement with its US partner covering the corporate governance of the new company. The agreements also call for AEH to be merged with Ansaldo Energia at a later date.
As a result of the First Reserve agreement, Finmeccanica’s consolidated net financial position improved, as described in the section covering the net financial debt. This transaction, along with the capital increase carried out in 2008 and the financial debt restructuring performed in 2010, marked the completion of the actions undertaken by Finmeccanica following its acquisition of DRS Technologies.

Financial transactions

There were no new bond issues by the Finmeccanica Group during the year. In fact, during the period, the Group redeemed in advance and repurchased a portion of the bonds outstanding at 31 December 2010. Specifically:

- it fully redeemed (for a total of USDmil. 17) the remaining bonds placed on the US market by DRS Technologies (DRS). The bonds had been largely redeemed in January 2009 following the purchase of the company by Finmeccanica;
- during the second half of 2011, Finmeccanica Finance repurchased several tranches on the bond market for a nominal €mil. 185 for bonds maturing in December 2013 (8.125% coupon) issued in 2008, bringing the total nominal value to €mil. 1,000. The transaction was conducted on an arm's length basis using available cash for an average repurchase price of 105.7% of the nominal value and with an average annual yield of 5.34%. Redemption of the bonds should result in a saving in borrowing costs and confirmed Finmeccanica's stated intention to use the proceeds of the partial sale of Ansaldo Energia to partially redeem in advance the bonds maturing in December 2013 in order to limit the need to refinance those bonds issued by the Group in recent years with closer maturity dates. As provided in the rules for the Euro Medium Term Notes (EMTN) programme under which they were issued, the bonds issued were cancelled and can no longer be traded. Between 31 December 2011 and the date of publication of this report, Finmeccanica Finance did not repurchase any additional bonds.

Below is a list of bonds outstanding at 31 December 2011 which shows, respectively, the euro-denominated bonds issues by Finmeccanica and by the subsidiary Finmeccanica Finance, the pound sterling-denominated bond issued by Finmeccanica Finance, as well as the bonds issued by Meccanica Holdings USA for the US market. The average remaining life of outstanding bonds is about 10 years at 31 December 2011.

Finmeccanica converted various of these bonds from fixed-rate into floating-rate bonds, in some cases with optional terms to protect against rising floating rates. The footnotes to the table below provide information on the transactions at 31 December 2011.

Issuer		Year of issue	Maturity	Nominal Amount (€mil)	Annual coupon	Type of offer	IAS recog. amts €mil. (7)
Finmeccanica Finance SA	(1)	2003	2018	500	5.75%	European institutional	499
Finmeccanica Spa	(2)	2005	2025	500	4.875%	European institutional	515
Finmeccanica Finance SA	(3)	2008	2013	815(*)	8.125%	European institutional	821
Finmeccanica Finance SA	(4)	2009	2022	600	5.25%	European institutional	621

Issuer		Year of issue	Maturity	Nominal Amount (GBPmil)	Annual coupon	Type of offer	IAS recog. amts €mil. (7)
Finmeccanica Finance SA	(5)	2009	2019	400	8.00%	European institutional	475

Issuer		Year of issue	Maturity	Nominal Amount (USDmil)	Annual coupon	Type of offer	IAS recog. amts €mil. (7)
Meccanica Holdings USA Inc	(6)	2009	2019	500	6.25%	American institutional Rule 144A/Reg. S	393
Meccanica Holdings USA Inc	(6)	2009	2039	300	7.375%	American institutional Rule 144A/Reg. S	234
Meccanica Holdings USA Inc	(6)	2009	2040	500	6.25%	American institutional Rule 144A/Reg. S	393

(*) nominal amount remaining after the repurchase of €mil. 185 in several tranches in the second half of 2011.

1. Bonds issued as part of the EMTN programme 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.
   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 5.6%.
2. Bonds issued as part of the EMTN programme 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. In December 2011, IRSs in place to convert €mil. 250 of this issue to a floating rate were cancelled early, thereby resulting in their monetization at a positive fair value of €mil. 36.
3. Bonds issued as part of the EMTN programme 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 200 basis points in 2011.

4. Bonds issued as part of the EMTN programme for a maximum of €bil. 3.8. Bonds listed on the Luxembourg Stock Exchange. No rate transactions on the issue were performed.
5. Bonds issued as part of the EMTN programme for a maximum of €bil. 3.8. Bonds listed on the Luxembourg Stock Exchange. The proceeds of the issue were translated into euros and the exchange rate risk arising from the transaction was fully hedged. In the first quarter of 2011, GBPmil. 100 of this was converted into a floating-rate bond, completed during the second quarter for a profit of around €mil. 4.5. Finmeccanica does not rule out the possibility of re-converting the bond into pound sterling to partially hedge strategic investments in Great Britain.
6. Bonds issued under Rule 144A, Regulation S of the US Securities Act. The proceeds of this issue were entirely used by Meccanica Holdings USA to finance the purchase of DRS replacing the dollar-issue bonds originally issued by the company. These bonds were redeemed early following Finmeccanica's purchase of DRS. As a result, these issues were not hedged against exchange rate risk, and no interest rate transactions on the issue were performed.
7. The difference between the face value of bonds and book value is due to the accrued interest being classified as to increase debt and to the annual portions of discounts being recognised to decrease debt.

All the bond issues of Finmeccanica Finance and Meccanica Holdings are 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 (Moody's), Standard and Poor's and Fitch.

At the presentation date of this report Finmeccanica's credit ratings were: Baa2 with a negative outlook from Moody's (from A3 with a stable outlook at 31 December 2010), BBB- with a negative outlook from Fitch (from BBB+ with a stable outlook at 31 December 2010) and BBB- with a negative outlook from Standard and Poor's (from BBB with a negative outlook at 31 December 2010).

The downgrading of the Group's credit rating in 2011 is attributable to the deterioration in the Group's performance as announced to the market and, in part, to the downgrade in the rating for the Italian Republic. Both Moody's and Standard and Poor's use methodologies that take account of a company's strong connection with its government or of significant state interest in a company which may result in the issuer receiving a rating different than what it would have been given on a stand-alone basis. However, only Moody's, using this methodology, calculated a rating (Baa2) one notch above what Finmeccanica would have received on a stand-along basis (Baa3).

Following the steps taken by the various rating agencies, Finmeccanica maintained its investment grade status, though with a negative outlook. The ratings agencies could change their opinions once Finmeccanica releases information on the status of planned restructuring, reorganisation and asset disposal programmes.

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

Based on negative pledge clauses, Group issuers, Finmeccanica Spa and their material subsidiaries (companies in which Finmeccanica Spa owns more than 50% of the share capital and represent at least 10% of Finmeccanica's consolidated gross revenues and capital) are expressly prohibited from pledging collateral security or other obligations to secure their debt in the form of bonds or listed financial instruments or financial instruments that quality for listing, unless these guarantees are extended to all bondholders. Exceptions to this prohibition are securitisation and, starting from July 2006, the establishment of assets for the use indicated in Article 2447-bis et seq. of the Italian Civil Code.

The cross-default clauses give the bondholders the right to request early redemption of the bonds in their possession in the event of default by the Group issuers and/or Finmeccanica and/or any material subsidiary that results in a failure to make payment beyond preset limits.

With regard to the financial aspects of the partial sale of Ansaldo Energia, Finmeccanica sold the company for €mil. 1,073 to Ansaldo Energia Holding (AEH) and received around €mil. 96 from Ansaldo Energia for use of the "Ansaldo" trademark for 25 years, as well as a dividend payment of €mil. 65.

The transaction was financed with equity of €mil. 500 paid into AEH, of which €mil. 275 contributed by Finmeccanica and €mil. 225 by First Reserve Corporation, and with AEH debt of €mil. 573. The debt is divided between a medium-term bank loan of €mil. 300 and a short-term vendor loan of €mil. 273, provided by Finmeccanica. The company also has a medium-term revolving line of credit of up to €mil. 350 that can be used to repay the vendor loan.

Both the medium-term loan and the revolving line of credit have a term of five years, guaranteeing that AEH will have stable financial resources. The contracts also call for the subsequent merger of AEH with Ansaldo Energia. The new company may therefore benefit from the flexibility provided by the revolving line of credit.
Ansaldo Energia also has unsecured lines of credit to support commercial activities without recourse to counter-guarantees provided by Finmeccanica.

These forms of financing (loan and revolving line of credit) for a total of €mil. 650 over a 5-year term, are secured by a pool of leading Italian and international financial institutions. At 31 December 2011, the €mil. 300 medium-term loan and the €mil. 273 vendor loan were entirely used.

In December, the EMTN programme was revived for a European bond issue. Finmeccanica acts as co-issuer with its subsidiary Finmeccanica Finance (for which it acts as guarantor in case the latter is the issuer) in the €mil. 3,800 programme. At the presentation date of this report and following the redemption described above, about €mil. 2,870 in bonds under this programme had been issued.

Finally, in February and March 2012, Meccanica Holdings USA redeemed (in several tranches) about USDmil. 34 in bonds maturing in July 2019, with a coupon of 6.25%, issued by the company in 2009 with a total issue of USDmil. 500. The average redemption price was equal to 89.19% of the nominal value, with an average annual yield of 8.23% Unlike with bonds issued for the euro market, these bonds do not need to be cancelled immediately.

ANALYSIS OF THE INCOME STATEMENT, BALANCE SHEET AND CASH FLOW STATEMENT

In order to provide a better understanding of Finmeccanica Spa's income statement, balance sheet and statement of cash flows, the following reclassified statements have been prepared.

RECLASSIFIED INCOME STATEMENT *(€ thousands)*	*Notes*	*2011*	*2010*
Revenues	*28*	73,826	72,370
Raw materials and consumables used and personnel costs	*(*)*	(187,177)	(163,462)
Depreciation and amortisation		(11,251)	(10,079)
Impairment		-	-
Other net operating income (expenses)	*(**)*	3,216	10,194
EBIT		(121,386)	(90,977)
Net finance income (costs)	*33*	(1,249,300)	269,448
Income taxes	*34*	(4,865)	58,358
NET PROFIT (LOSS) BEFORE DISCONTINUED OPERATIONS		(1,375,551)	236,829
Result of discontinued operations		-	-
NET PROFIT (LOSS)		**(1,375,551)**	**236,829**

Notes on the reconciliation between the reclassified income statement and the statutory income statement:
(*) Includes "Raw materials and consumables used", "Purchase of services" and "Personnel costs"
(**) Includes "Other operating income" and "Other operating expenses"

For comments on the individual income statement items, please refer to the explanatory notes further on in this report. As to the most important items:

- "revenues" came to €mil. 74 (€mil. 72 in 2010) and refer solely to the management fee Finmeccanica receives for the services provided to the Group companies in accordance with the direction and coordination it exercises; the increase over the previous year is specifically due to the change in the scope of the costs forming the basis of the calculation;
- "raw materials and consumables used and personnel costs" amounted to €mil. 187 (€mil. 163 in 2010); the increase is attributable to obligations to staff and associates, such as for early retirement incentives, as a result of the reorganisation of the Company's management;
- "other net operating income" came to €mil. 3 (€mil. 10 in 2010); this item benefited, among other factors, from income of €mil. 4 for those portions of provisions that were released through profit or loss;
- "net finance costs" came to €mil. 1,249 (€mil. 269 in net finance income in 2010). This item mainly reflects impairment of equity investments, "exceptional" and "non-recurring" events

that had a particular impact on the performance of several of the major subsidiaries and, therefore, on Finmeccanica's 2011 income statement.

The item is comprised of: the balance between net finance income and costs (€mil. 122 in net costs in 2011 compared with €mil. 105 in net costs in 2010), the negative impact of the impairment of equity investments recognised at cost (€mil. 2,539, compared with negative €mil. 78 in 2010) and dividends paid by Group companies (€mil. 398, compared with €mil. 452 in 2010). The non-recurring events mentioned above include the gain of €mil. 1,014 on the sale of Ansaldo Energia SpA, completed on 13 June 2011. More specifically, Finmeccanica sold the entire share capital of Ansaldo Energia SpA to Ansaldo Energia Holding SpA (formerly named Ansaldo Electric Drives), owned 45% by First Reserve Corporation – a US investment fund specialising in the energy sector – and about 55% by Finmeccanica. The gain was calculated net of any costs for the year and of the guarantee issued to the purchaser with respect to the dispute in which Ansaldo Energia SpA is involved (Note 6).

With regard to "impairment of equity investments recognised at cost", these writedowns specifically refer to:

- €mil. 363 for the equity investment in Meccanica Holdings USA, as a result of the projected significant decline in volumes of activity of its subsidiary DRS Technologies due to US defence budget cuts, which also caused a reduction in the goodwill recognised, despite high profitability consistent with expectations;
- €mil. 925 for the equity investment in Alenia Aeronautica, as a result of problems in certain programmes underway and the outlook for certain lines of business;
- €mil. 260 for the equity investment in SELEX Sistemi Integrati, due to the revision of the proposed development and positioning of various business areas, which resulted in scaling-back the commercial outlook for certain business lines;
- €mil. 95 and €mil. 175, respectively, for the equity investments in SELEX Galileo as a result of problems in the growth outlook for the business, and SELEX Elsag due to the business rationalisation and concentration process;
- €mil. 675 for the equity investment in AnsaldoBreda, as a result of problems in certain programmes underway and the outlook for certain lines of business (foreign railway);
- €mil. 34 for the equity investment in BredaMenarinbus, due to the continuing crisis affecting the company and cost overruns on certain orders;
- €mil. 11 for the equity investment Eurotech SpA;

For a more detailed treatment of these matters, please refer to the section covering the performance by division.

- “income taxes”, negative €mil. 5, compared with a positive €mil. 58 in 2010.

The following table compares the balance sheets at 31 December 2011 and at 31 December 2010:

RECLASSIFIED BALANCE SHEET *(€ thousands)*	*Note*	***31 Dec. 2011***	***31 Dec. 2010***
Non-current assets		8,930,842	10,383,472
Non-current liabilities	*(*)*	(189,564)	(91,718)
		8,741,278	10,291,754
Trade receivables	*14*	65,035	56,634
Trade payables	*24*	(55,311)	(62,266)
Advances from customers		-	-
Working capital		9,724	(5,632)
Provisions for short-term risks and charges	*21*	(924,150)	(108,667)
Other net current assets (liabilities)	*(**)*	(57,863)	(12,769)
Net working capital		(972,289)	(127,068)
Net capital invested		7,768,989	10,164,686
Shareholders’ equity	*19*	4,931,075	6,569,637
Net financial debt (cash)		2,837,914	3,595,048
Net (assets) liabilities held for sale	*(***)*	-	-

Notes on the reconciliation between the reclassified balance sheet and the statutory balance sheet:

(*) Includes all non-current liabilities except “Non-current borrowings”.

(**) Includes “Income tax receivables”, “Derivative assets” and “Other current assets”, excluding “Income tax payables”, “Derivative liabilities” and “Other current liabilities”.

(***) Includes the net amount of “Non-current assets held for sale” and “Liabilities directly connected with assets held for sale”.

Major changes in the main items include:

Net capital invested (€mil. 7,769) showed a net decrease of €mil. 2,396 (€mil. 10,165 at 31 December 2010) mainly attributable to the decline of €mil. 1,551 in capital assets (of which €mil. 1,260 is a result of writedowns taken with respect to the major Group companies) and of €mil. 845 in net working capital (of which €mil. 814 for provisions for risks and charges relating to equity investments, for the portion exceeding their carrying values).

Shareholders’ equity amounted to €mil. 4,931, down €mil. 1,639 (€mil. 6,570 at 31 December 2010), and net financial debt came to €mil. 2,838, compared with €mil. 3,595 at 31 December 2010.

The reclassified statement of cash flows at 31 December 2011, compared with the previous year, is as follows:

€ thousands	*2011*		*2010*	
Cash and cash equivalents at 1 January	**1,269,103**		**1,884,484**	
Gross cash flow from operating activities	(94,154)		(73,059)	
Changes in other operating assets and liabilities (*)	39,828		(145,553)	
Funds From Operations (FFO)		**(54,326)**		**(218,612)**
Changes in working capital	(15,355)		9,519	
Cash flow generated from (used in) operating activities	(69,681)		(209,093)	
Cash flow from ordinary investing activities	(257)		(828)	
Free operating cash flow (FOCF)		**(69,938)**		**(209,921)**
Interventions involving equity investments, disposals and acquisitions	546,546		(32,584)	
Change in other investing activities (**)	515,241		177,822	
Cash flow generated from (used in) investing activities	1,061,530		144,410	
Capital increases, net of purchase of treasury shares	(1,009)		5,091	
Dividends paid	(236,752)		(236,569)	
Cash flow from financing activities	(1,320,335)		(322,841)	
Cash flow generated from (used in) financing activities	(1,558,096)		(554,319)	
Exchange gains/losses on cash and cash equivalents	(7,483)		3,621	
Cash and cash equivalents at 31 December	**695,373**		**1,269,103**	

(*) Includes the amounts of "Changes in other operating assets and liabilities and provisions for risks and charges", "Net finance costs paid" and "Income taxes paid"

(**) Includes the change in non-current financial assets (included in "Other investing activities") and "Dividends received from subsidiaries"

The year 2011 ended with a €mil. 574 decrease in cash and cash equivalents, specifically:

- *cash flow from operating activities* came to a negative €mil. 70 (negative €mil. 210 in 2010);

- *cash flow from investing activities* came to a positive €mil. 1,062 (positive €mil. 144 in 2010) as a result of net proceeds from the sale of Ansaldo Energia SpA, dividends received and the repayment of a non-current financial receivable (Profit Participating Bond - PPB) by a Group company;

- *cash flow from financing activities* came to negative €mil. 1,558 (negative €mil. 554 in 2010) due to the payment of dividends to shareholders, as well as for financing activities for the Group companies. These financing activities reflect, among other things, the negative Free Operating Cash Flow at the Group level and short-term investment and loan repayment activity conducted by a number of companies.

Finally, information on the net financial debt at 31 December 2011, compared with the corresponding information at 31 December 2010, is provided.

€ thousands	*31 Dec. 2011*	*31 Dec. 2010*
Short-term borrowings	77,613	62,585
Medium/long-term borrowings	944,038	981,450
Cash and cash equivalents	(695,373)	(1,269,103)
NET BANK DEBT AND BONDS (CASH)	326,278	(225,068)
Securities	(4,873)	(55)
Financial receivables from related parties	(2,572,108)	(1,720,392)
Other financial receivables	(40)	(41)
FINANCIAL RECEIVABLES AND SECURITIES	(2,577,021)	(1,720,488)
Borrowings from related parties	5,088,163	5,539,539
Other short-term borrowings	494	1,064
Other medium/long-term borrowings	-	-
OTHER BORROWINGS	5,088,657	5,540,603
NET FINANCIAL DEBT (CASH)	2,837,914	3,595,048

Finmeccanica's net financial debt at 31 December 2011 came to €mil. 2,838, compared with €mil.3,595 at 31 December 2010. The figure incorporates, *inter alia*, the impact of a series of events involving significant amounts, such as:

- the payment of €mil. 237 relating to the ordinary dividends paid out to shareholders for 2010;

- the receipt of €mil. 1,072 from the sale of the entire stake in Ansaldo Energia SpA to Ansaldo Energia Holding within the context of the subsequent sale of 45% of the latter to the US fund First Reserve Corporation, described in more detail elsewhere in this report. As part of the transaction, Finmeccanica also participated in a capital increase of €mil. 274 for Ansaldo Energia Holding, with respect to its portion of the holding, as well as the disbursement of an intercompany loan to the new company in the amount of €mil. 273.

- the receipt of €mil. 398 from dividends paid by Group companies for 2010;

- the receipt of €mil. 8 from the sale of the Company's interests in SELEX Service Management and Seicos to SELEX Elsag;

- the actions taken totalling €mil. 258 with respect to the capital of certain subsidiaries, specifically:

  - €mil. 203, part of which to cover losses (€mil. 147) and part to make a capital contribution (€mil. 56) to AnsaldoBreda;
  - €mil. 33 part of which to cover losses (€mil. 15) and part to make a capital contribution (€mil. 18) to BredaMenarinbus;
  - €mil. 22 as a capital contribution to Telespazio Holding.

Among other things, the net debt figure also reflects other borrowings valued using the effective interest rate method, which has led to a rise in this figure, as compared with the nominal value, totalling €mil. 14.

As stated earlier, the Free Operating Cash Flow (FOCF) was used by €mil. 70 (negative €mil. 210 in 2010) and included, among other things, around €mil. 96 from the assignment of the "Ansaldo" trademark by Finmeccanica to Ansaldo Energia Holding as part of the partial sale of Ansaldo Energia mentioned above.

In 2011, the Company did not make assignments of non-recourse receivables.

As in 2010, the debt figure benefited from the offsetting effect of the consolidated taxation mechanism in the amount of about €mil 48 (€mil. 62 in 2010).

As to the composition of the debt, the bank debt largely consists of medium/long-term bonds totalling €mil. 515 (nominal value of €mil. 500), as well as amounts resulting from drawing upon the €mil. 506 (nominal amount of €mil. 500) facility entered into with the European Investment Bank (EIB), which was already in place in 2010.

Cash and cash equivalents at year-end came to €mil. 695 (€mil. 1,269 at 31 December 2010). The figure reflects the overall negative performance of the Group's FOCF, as well as the following:

- the inflow of cash from the sale of Ansaldo Energia and other minor equity investments totalling €mil. 547;
- the financing of the early repurchase and redemption of bonds (see the Financial Transactions section), as well as the repayment of borrowings and certain short-term investments made by Group companies;
- the payment of €mil. 237 in ordinary dividends by Finmeccanica to its shareholders for 2010.

As usual, the cash and cash equivalents that appear in Finmeccanica's accounts as a result of the net cash flow received from Group companies during the year was deposited in leading Italian and foreign banks holding at the very least an "investment grade" credit rating. The result of this is a considerable debt between Finmeccanica and its related parties. Both figures should decline considerably in early 2012 as a result of the higher use of cash by Group companies that traditionally occurs in the first few months of the year.

Borrowings from related parties consist, *inter alia*, of a medium/long-term debt, including current portions, of about €mil. 2,589 (€mil. 2,574 at 31 December 2010) arising from loans granted to Finmeccanica by its subsidiary Finmeccanica Finance SA, for amounts and maturities essentially in line with those of bond obligations assumed by Finmeccanica Finance SA.

Finmeccanica obtained a revolving credit facility with a pool of Italian and foreign banks in September 2010 for €mil. 2,400 (final maturity in September 2015), which remained entirely unused at 31 December 2011.
Moreover, Finmeccanica had additional short-term unconfirmed credit lines for around €mil. 632, entirely unused at 31 December 2011. Finally, there are also unconfirmed guarantees of around €mil. 2,169.

The explanatory notes to the financial statements contain information on the operational criteria used in managing exchange rate risk, interest rate risk, risk related to equity and transactions with related parties.

“NON- GAAP” PERFORMANCE INDICATORS

Finmeccanica’s management assesses the Company’s and Group’s performance based on a number of indicators that are not envisaged by the IFRSs.

As required by Communication CESR/05-178b, below is a description of the components of each of these indicators that are relevant to Finmeccanica Spa:

- ***EBIT***: i.e. earnings before interest and taxes, with no adjustments. EBIT also does not include costs and income resulting from the management of equity investments and other securities, nor the results of any sales of shareholdings, which are classified on the financial statements as “finance income and costs”.
- ***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. The calculation of FFO for the periods concerned is presented in the reclassified statement of cash flows shown in the previous section.
- ***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 capital invested***: 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 20.
- ***Workforce*:** the number of employees reported on the last day of the year.

TRANSACTIONS WITH RELATED PARTIES

Finmeccanica Spa is responsible for guiding and controlling industrial and strategic operations for its subsidiaries, associates and jointly-controlled entities. In accordance with IAS 24 (revised), in addition to those companies in which the Company directly or indirectly holds a controlling interest, related parties include associates, joint ventures and consortiums, Company managers with strategic responsibilities and their immediate family members, as well as entities subject to the control of the Ministry for the Economy and Finance. The revised version of IAS 24 required us to make certain related party disclosures and make changes to the comparative information for 2010.

More specifically, as to payables and receivables to and from related parties, it should be noted that the balances relate to commercial, financial and other types of transactions and refer to ordinary accounts settling receivables and payables between Group companies, ordinary loans granted/received, debiting/crediting of the related interest, as well as services provided to and on behalf of Group companies, consistent with the Company's guidance and control function.

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). Transactions, governed by a contract, with companies that have opted to take part in the consolidated taxation mechanism are taxed.

In 2010, Finmeccanica adopted special "Procedures for Transactions with Related Parties" pursuant to CONSOB Regulation no. 17221 of 12 March 2010 concerning "related party transactions", CONSOB Resolution no. 17389 of 23 June 2010 and Art. 2391-bis of the Italian Civil Code. These Procedures were updated on 13 December 2011 and are available on the Company's website (Investor Relations/Corporate Governance section, Related Party Transactions area).

The Procedures aim to define, based on the principles outlined in the Regulation, rules for ensuring transparency and substantive and procedural fairness in Transactions with Related Parties entered into by the Company, directly or through its subsidiaries, as described in Section 12 of the Corporate Governance Report and Shareholder Structure to which the reader is referred.

Pursuant to Art. 5(8) of CONSOB Regulation no. 17221 of 12 March 2010, it should be noted that Finmeccanica engaged in a transaction with Ansaldo Energia Holding SpA (a joint venture in which it holds 55%) in 2011 that, while exempt, still falls within the definition of a transaction of "greater importance" and had an impact on the Company's financial position and results.

Below is a summary of the main features of the transaction as required by CONSOB Communication no. DEM/10078683 of 24 September 2010:

- Counterparty - Ansaldo Energia Holding SpA;

- Nature of the relationship with the related party - Company held in a joint venture (55%);
- Purpose of the transaction - Finmeccanica Spa sold its wholly-owned subsidiary Ansaldo Energia SpA to an Italian company, Ansaldo Energia Holding (formerly named Ansaldo Electric Drives), held in a joint venture between First Reserve Corporation (45%) and Finmeccanica Spa (55%);
- Price - €thou. 1,071,900;

There were no changes or developments in the transactions with related parties described in the Report on Operations at 31 December 2010 that had a material impact on Finmeccanica's financial position or results in 2011.

Other major related party transactions performed by Finmeccanica directly or through a subsidiary in 2011, even if exempt and not having a significant impact on the financial position and results of the Company, are described in the Report on Operations.

The disclosures on transactions with related parties required under CONSOB communication DEM/6064293 of 28 July 2006 are found in this section, in the accounting statements and in the explanatory notes to the 2011 financial statements of Finmeccanica Spa. There were no transactions deemed atypical and/or unusual as defined by the CONSOB communication.

The following table summarises the amounts of transactions with related parties (a breakdown is shown in Notes 12 and 27) carried out in 2011 and 2010.

31 Dec. 2011 *(€ thousand)*	**Subsidiaries**	**Associates**	**Joint Ventures**	**Consortiums (*)**	**Other related parties**	**Total**
Non-current receivables						
- financial	291,550	-	2,770	-	-	294,320
- other	42		28	-	3	73
Current receivables						
- financial	2,233,786	28	337,491	606	197	2,572,108
- trade	39,039	178	16,242	1	602	56,062
- other	10,205	91	7,373	5	148	17,822
Non-current borrowings						
- financial	2,404,522	-	-	-	-	2,404,522
- other	-	-	-	-	-	-
Current borrowings						
- financial	2,158,627	-	525,014	-	-	2,683,641
- trade	21,470	43	1,592	24	707	23,836
- other	282,074	-	62,465	-	311	344,850
Guarantees	16,475,182	12,250	3,254,411	-	-	19,741,843

2011 (€ thousand)	Subsidiaries	Associates	Joint Ventures	Consortiums (*)	Other related parties	Total
Revenues	59,506	-	14,320	-	-	73,826
Other operating income (**)	31,924	1	16,845	-	-	48,770
Costs (***)	(50,283)	-	(1,162)	(288)	(548)	(52,281)
Finance income	94,292	18	13,160	6	-	107,476
Finance costs	(206,835)	-	(4,854)	-	-	(211,689)

(*): consortiums that are subsidiaries, associates or joint ventures
(**): includes the recovery of costs that adjust for the corresponding cost items in the income statement
(***): the difference from the income statement is attributable to recovery of costs

31 Dec. 2010 (€ thousand)	Subsidiaries	Associates	Joint Ventures	Consortiums (*)	Other related parties	Total
Non-current receivables						
- financial	446,353	1,722	5,169	-	-	453,244
- other	42		28	-	-	70
Current receivables						
- financial	1,659,875	9	60,227	85	196	1,720,392
- trade	44,770	180	2,029	35	623	47,637
- other	41,113	-	3,964	5	123	45,205
Non-current borrowings						
- financial	2,391,215	-	-	-	-	2,391,215
- other	-	-	-	-	-	-
Current borrowings						
- financial	2,989,450	-	158,874	-	-	3,148,324
- trade	16,384	43	1,510	15	731	18,683
- other	253,225	-	19,788	-	312	273,325
Guarantees	18,391,254	12,250	301,774	-	-	18,705,278

2010 (€ thousand)	Subsidiaries	Associates	Joint Ventures	Consortiums (*)	Other related parties	Total
Revenues	61,493	-	10,877	-	-	72,370
Other operating income (**)	41,963	-	4,679	3	-	46,645
Costs (***)	(48,409)	-	(823)	(235)	(614)	(50,081)
Finance income	78,293	18	1,574	4	21	79,910
Finance costs	(211,814)	-	(442)	-	-	(212,256)

(*): consortiums that are subsidiaries, associates or joint ventures
(**): includes the recovery of costs that adjust for the corresponding cost items in the income statement
(***): the difference from the income statement is attributable to recovery of costs

CONSOBMarket Regulation, Art. 36.

In accordance with CONSOB provisions contained in the Market Regulation and specifically Art. 36 of Resolution no. 16191/2007, Finmeccanica made the checks on the subsidiaries that were incorporated and are governed under the laws of non-EU Member States and that, as a result, became significantly relevant based on the requirements under Article 151 of the Issuers' Regulations adopted with CONSOB Resolution 11971/1999.

As regards the non-EU foreign subsidiaries (DRS Technologies Inc, Meccanica Holdings USA Inc and Agusta Aerospace Corp. USA) 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.

FINMECCANICA AND THE COMMERCIAL SCENARIO

Unfortunately, the negative factors that coloured 2010 (recurring financial tensions, volatility on the currency markets, and high levels of unemployment, the need for many industrialised nations to reign in their public deficit) were even more apparent in 2011, leading to a gradual deterioration in the world's economic and financial condition. During the second half of the year, in particular, structural weaknesses in a number of European countries were revealed, thereby increasing the risk of a new worldwide recession. Recovery continues to be very weak in the United States and in Europe, halted by a widespread lack of confidence, limited private consumption and high unemployment levels. This is also causing a slowdown in growth in a number of newly industrialised nations (Brazil, China, Russia) due to the decline in exports to the more advanced nations.

The markets in which the Group operates (Aeronautics, Helicopters, Defence and Security Electronics, Space, Defence Systems, Energy, and Transportation) continue to suffer from the negative effects of global macroeconomic trends, particularly the strong pressure exerted on public budgets and the general slowdown in demand internationally, although the medium/long-term outlook is still positive for many market segments.

Particularly in the Defence industry, a number of industrialised nations, France and the UK especially, cut their expenditure budgets in 2011. Total expenditure worldwide is expected to be around USDbil. 1,450 and remain essentially stable (1.4% annual average growth rate) over the next few years. The overall US budget is expected to gradually decline, primarily as a result of cuts in supplementary expenses connected with peace enforcement operations abroad. As a result, although the US remains the world's leading domestic market, its share of the total worldwide budget is expected to fall from the current 43% to around 34% by 2020. Europe, where spending should grow by less than 1% per year on average, will still represent 16-17% or so of the total global market. However, it is important to note that major investment programmes for new weapons systems have been confirmed in the US and in Europe, although some over a more protracted time period or for lower volumes. The Asian and Latin American markets are projected to expand dramatically, driven by significant investment programmes by newly industrialised nations (e.g. Brazil, China, India etc.) with higher expenditure potential looking to develop industrial capacity and endogenous technologies through technology-transfer programmes with companies in the major industrialized nations.

It is also interesting to note that much of the expertise developed in the Defence industry can be increasingly transferred to related sectors, such as, for example, security, environmental monitoring and protection, cyber security and other areas with enormous development potential, such as smart cities.

Therefore, the global Aerospace, Defence and Security markets show a slight growth trend (thanks in part to good performance in civil aeronautics), but with specific dynamics and characteristics within each of the various business segments.

Within the **Aeronautics** market, the civil aircraft segment, for both commercial and regional transport, posted strong growth. Thanks to (*i*) higher traffic demand (up 5% on average per year for passenger transport), (*ii*) renewed profitability of the major airlines and (*iii*) the resulting need to replace and expand fleets, new aircraft orders are expected to rise by around €bil. 850 over the next ten years (80% for commercial aircraft, 12% per business jets and 8% for regional aircrafts), with an average annual growth rate of around 4%. The greatest growth will be seen in (*i*) wide-body aircraft (i.e. aircraft with two aisles), the sub-segment worth the most in absolute terms with the most important development programmes (for the B787 and the A350) and (*ii*) regional aircraft, where the trend should be towards the development of a new generation aircraft offering better capacity and operational performance than models currently in service. The narrow-body aircraft sub-segment (i.e. aircraft with a single aisle) is also expected to expand driven - starting from 2016 - by deliveries of re-engined Airbus (Neo A320) and Boeing (B737Max) products. A new generation of narrow-body aircraft is expected to be launched after 2025. Prime contractors are continuing to make greater use of outsourcing of structural components and sub-systems, while new competitors from newly industrialised nations continue to enter the market. As a result, the outsourced structural components market is growing at an average rate of 6% per year.

Significant growth is expected in the coming years in the *military* aircraft segment despite the stagnation in investments overall in the Defence market, thanks to the start-up of production on a number of important programmes and the existence of demand to upgrade the fleets of numerous newly industrialised countries. The total value of new deliveries over the next ten years is estimated at €bil. 430, with an additional market for upgrading programmes and logistics of almost €bil. 350. Also due to the cyclical nature of demand, the global market for military aircraft is expected to grow by around 6.5% over the next decade. The multi-role aircraft segment is the largest, worth over 50% of the total market, followed by aircraft for special missions (applications for naval and coastal surveillance represent a particularly important part) and advanced training aircraft. The most important technological developments currently being pursued relate to (*i*) unmanned combat aerial vehicles, which are expected to enter into service in the US in 2020 and in Europe in 2025, (*ii*) the development and use of new materials, (*iii*) the complete instalment of "net-centric" systems in aircraft and (*iv*) fine-tuning new uses that meet asymmetric warfare and rapid response requirements.

The **Helicopters** market, both civil and military applications, should grow until 2015-2016 to then stabilise (referring to new helicopter deliveries) at around €bil. 14 per year, which is much higher than the average for recent years (around €bil. 12 in 2011). There are a multitude of factors underlying market growth: technological (availability of new satellite navigation technologies, development of unmanned aircraft, success of tilt-rotor technology), operational (larger range of use, higher speeds, use in hostile environments) and regulatory (reducing the environmental impact, greater security for aerial surveillance of densely populated areas, utilisation in all weather and visibility conditions). Technology currently being developed will make helicopters even more important in operational environments for (*i*) asymmetric warfare, (*ii*) counter-guerrilla warfare, (*iii*) controlling and interdicting illegal activities, (*iv*) monitoring the environment, (v) rescue operations, etc. The largest domestic market in the military segment is the US, in terms of both the continuation of significant programmes already well underway (e.g. the Black Hawk) and important new needs (presidential helicopter, heavy transport, multi-purpose light helicopters). While these factors offer interesting opportunities for European companies, they also serve to strengthen the competitive position of American industries. The military segment's importance is also increasing as a result of the expansion of upgrading and logistics activities, which has been further underscored by the growing demand for "turnkey" solutions and operational support over the entire product life-cycle.
The civil market, which has been traditionally driven by the introduction of new models, should grow stably over the next few years. The value of new orders in the segment is expected to increase on average by around 35% overall over the next decade, compared with 23% in 2010.

The **Defence and Security Electronics** market continues to represent the largest market of interest to the Group. Despite cutbacks in the Defence budgets of the major countries, the volumes and trend in the market have remained stable compared with last year (around €bil. 150 annually), with a shift towards homeland security/security systems (estimated at around €bil. 70 per year) where the growth rate has been higher, at around 5% per year, due to (*i*) rising demand for security (border surveillance, security systems for critical infrastructures, security for transport systems, etc.), (*ii*) growing demand for cyber-security solutions driven by the need to make ICT systems invulnerable to attempts to access and damage data and information and (*iii*) increased investments in environmental monitoring and managing natural disasters and civil emergencies.
The cyber market is experiencing significant growth at a rate of around 10% annually with strong investments by the US and the major European nations.

By contrast, the growth trend in defence electronics equipment and systems has been more contained, at around 2% per year.
The continuing global financial crisis and the resulting rationalisation of government spending, as well as the related re-prioritising of budgets given customers' different operational needs, have pushed demand for "low-cost" solutions and contractual models that include support services and solutions for installed capacity. For these reasons, industrial competitiveness and selective investment in R&D are crucial to ensuring complete alignment with market drivers, including responding to growing competition (also a result of the drop in the "captive" component).
Given this, there are new opportunities in select, adjacent markets by taking advantage of advanced, dual-purpose technologies for healthcare, energy (Clean Renewable Energy) and urban security (Smart and Safe City) applications.

The **Space** market includes both production, especially the development and manufacture of satellites and orbiting manned infrastructures, and the provision of services (earth observation from space, satellite navigation, communications, science) for civil and military applications. The worldwide market is worth around €bil. 80 annually, of which around 25% is for satellite services in those segments in which the Group operates.
The Space market is among those least sensitive to the downturn in the world economy, especially when it comes to government investment, which altogether represents around 75% of the total market. In the area of manufacturing, demand by government customers should rise on average by around 2-2.5% per year, while the market for commercial applications should essentially remain stable (growth of around 1% over the next ten year). Demand in the military segment is driven by (*i*) the need to upgrade US satellite constellations used for earth observation and communications, (*ii*) the development of new satellite systems based on dual-purpose technologies and (*iii*) new demand for the development of observations systems for security applications. The government systems market, which is excepted to receive growing support from the European Community, centres mainly around programmes for replacing and upgrading in-orbit telecommunications satellite capacity and the development of new scientific and navigation applications. The rate of growth is rather high (around 5-6% per year) in the satellite services segment, driven by new technological developments (broadband and related networks, value-added services) and by demand in the security, mobility and environmental monitoring arenas.

The **Defence Systems** market includes the segments land vehicles and land and sea weapons systems, missile systems, and underwater systems. As a result, in part, of the experience with asymmetric warfare in Iraq and Afghanistan, the land vehicles segment has seen peak demand in recent years, based on the need to modernise a large part of the fleets of armoured vehicles (particularly multirole wheeled vehicles and vehicles for personnel transport) so as to ensure greater protection against land mines and light fire. Following the peak in 2009, when the market reached total revenues of around €bil. 18 (compared to the €bil. 15 of previous years), over the coming years, expectations are for a gradual decline in demand to pre-peak levels, in line with the trend of the major countries to cut their expenditure budgets and the resulting delays in major programmes. Nonetheless, the market for land vehicles will continue to show stronger demand for lighter (particularly wheeled) vehicles, which can be used more quickly and flexibly in field operations, and for modernisation programmes for existing vehicle fleets. Interesting developments are also being seen in the naval weapons segment, despite an overall reduction in demand related to a standstill in new construction programmes. The greatest opportunities will continue to be in guided munitions systems to be used, above all, with medium calibre weapons, which are particularly effective in coastal operations and interdiction actions on missions to protect against asymmetrical threats.

In the underwater systems segment, together with the traditional demand for onboard sonar systems and for both heavy (launched from naval platforms) and light (also launchable from air platforms), surveillance systems for protecting coastal and harbour infrastructures are undergoing a profound change with the integration of mobile systems (underwater and surface systems). Navies are attempting to develop new multi-function systems (military, security and environmental protection) over the medium-long term using technologies already available, for integrated protection against land, air and sea threats, which includes protection against non-conventional threats within underwater surveillance.

Moreover, providing navies with multi-function platforms will also create opportunities in the area of anti-torpedo countermeasures that can even be integrated in small-scale platforms.

Finally, in the missile systems segment, there has been a slight increase in demand, with a gradual change in the geographical mix of orders. While in 2011 the US accounted for more than 50% of this market, in 2020 the impact of expected defence budget cuts in the US and Europe should lead to a shift towards the rest-of-the-world (*RoW)* markets (which should account for around 40% of the total). The greatest market drivers are related to the need to renew the stock of missiles with new systems that provide greater versatility and attack precision. Another important development is being seen in systems for protecting urban areas and high-value civilian and military infrastructures from the threat of missile attacks. These operating needs positively influence developments in the areas of sensors (both on land and onboard the missiles), flight control, and integrated command and control systems.

The **Energy** market, after the contraction that began in 2009 caused by the traditional cyclical trend, but nevertheless accentuated by the worldwide crisis, showed weak signs of recovery, driven by demand for energy due to the expansion in industrial production in developing nations. It is estimated that, over the next ten years, global demand for power plants and components for generating electricity from fossil and nuclear fuels and renewable resources will remain essentially stable, although still higher than prior to the crisis, at an annual average market value of around €bil.340.

Over the last two years, the market for fossil fuel power generation (i.e. oil, coal, etc.) was dominated by orders for coal-fired power plants in Asia (particularly in China and India) and this trend is expected to continue over the next few years. In the West, on the other hand, growing attention to environmental issues should favour a recovery in demand for gas plants (open and combined-cycle), as compared to coal plants, for example. Customer preferences should, more than in the past, favour components that ensure greater efficiency while reducing emissions and providing greater flexibility in operations. The accident at the Fukushima power plant in Japan has sharply altered expectations for the nuclear power generation market. The possibility of new programmes to construct nuclear power plants seems, for the moment, to have been shelved by developed nations, although they could shortly be revived in developing nations, China in particular. The renewable energy market (i.e. wind, photovoltaic, hydroelectric, etc.) continues to grow, particularly in Europe, thanks to generous government incentive plans, and in China, and is expected to become increasingly important in the United States and the Middle East.

Finally, the post-sale service and maintenance market is also expected to grow because certain countries, as a result of the crisis, had postponed programmes to replace installed capacities in favour of extraordinary maintenance so as to extend the useful life of their plants. Demand is expected to reach around €bil. 35, mainly in servicing gas turbines. Growth is also expected in servicing nuclear power plants, driven by demand for stress testing and programmes to extend the remaining useful life of plants.

In the rail **Transportation** market, the competitive rolling stock segment has posted an average annual value of roughly €bil. 37 over the last three years, and is expected to grow at the same rate over the next three years, and then increasing starting from 2015.

The (urban and intercity) rail transport market has posted stable growth thanks to the increase in demand for high-volume urban and intercity transport. The segment is being boosted by growth in developing nations, particularly in Brazil and China. This trend is being favoured by gradual urbanisation and by technically more complex customer needs (for driverless trains, catenary-free pick-up systems, etc.). Western Europe is the area of greatest interest in terms of the technical characteristics of the products required and the rate of technological innovation required due to infrastructure constraints and to increase safety. Nonetheless, in terms of the size of the market, Asia has now surpassed Europe. In the regional rail transport segment, we expect to see strong growth due to a combination of growth in emerging nations and the replacement of rolling stock in the industrialised countries. In the area of high-speed trains, growth is expected to be strong over the next few years thanks to environmental concerns that support rail transport, as well as to the development of the trans-European network and the liberalisation of passenger transport in Europe, the US and China. Finally, in the area of post-sale service and maintenance, customers continued to prefer “turnkey” solutions.

With regard to the signalling and transport systems segment, the markets, worth around €bil. 12 in 2011, are essentially continuing to expand despite the impact of the crisis, and demand is tending to grow at an average annual rate of around 3.5%. The main drivers for this market are the important programmes to construct new transportation infrastructures that enable different modes and different standards to interoperate, as well as by the need to increase safety, efficiency and traffic capacity. Technological development in terms of upgrading railway lines and pressure on the service and maintenance costs for signalling systems remain of key importance. The transport systems market is expected to grow at an average annual rate of 6%, more than double the 2% growth expected for the signalling market.

In the bus segment, over the last two years the European market has posted a slight decline (-4%) compared to the previous two-year period. In Italy, however, the lack of national government funding has considerably slowed purchases by local authorities.

PERFORMANCE BY DIVISION

In order to provide a better presentation of the operating performance of activities directly or indirectly controlled by Finmeccanica, we deem it better to comment on the performance of the divisions rather than restricting comments to the performance of direct subsidiaries. To give full information below are reported the key figures taken from the 2011 financial statements of the most significant subsidiaries and jointly-controlled entities.

Key figures on the main subsidiaries and jointly-controlled entities						
€ million	Revenue	EBIT	Net debt (liquidity)	Order backlog	New orders	Workforce (no.)
AgustaWestland SpA	2,430	251	(238)	8,261	3,586	5,783
AgustaWestland Philadelphia Co (USA)	644	34	2	560	703	538
Thales Alenia Space SAS (cons.) (*)	2,075	128	780	4,692	1,544	7,491
Alenia Aermacchi SpA	304	12	(219)	651	370	1,717
Alenia Aeronautica SpA	2,019	(1,605)	579	6,648	1,643	9,484
Ansaldo Energia SpA (*)	1,231	42	384	3,073	1,250	2,937
Ansaldo Energia Holding SpA (*)	1	(8)	(598)	2	1	6
Ansaldo STS SpA (cons.)	1,212	116	290	5,453	2,164	4,100
AnsaldoBreda SpA	572	(647)	(400)	2,770	649	2,315
GIE ATR (*)	962	66	(5)	2,955	2,198	610
Fata SpA	110	(3)	29	218	260	197
SELEX Galileo Ltd	1,154	95	333	2,298	586	3,909
SELEX Galileo SpA	699	19	(117)	1,556	648	2,677
MBDA SAS (cons.) (*)	2,860	339	3,049	9,097	2,641	9,677
Oto Melara SpA	431	51	74	1,044	274	1,187
SELEX Elsag Ltd	905	(112)	(604)	1,974	837	5,119
SELEX Elsag SpA	514	1	(415)	1,241	402	2,871
AgustaWestland Ltd	1,269	89	481	3,632	957	3,472
SELEX Sistemi Integrati SpA	661	(145)	(309)	1,481	425	3,515
Telespazio SpA (*)	247	(55)	(69)	1,050	277	1,038
DRS Technologies Inc (cons.)	2,405	(824)	(962)	1,984	2,139	8,923
Meccanica Holdings USA Inc	-	-	(823)	-	-	-
Withead Alenia Sistemi Subacquei SpA	82	(27)	(41)	344	105	429
PZL-SWIDNIK SA	117	5	(56)	221	281	2,831

(*) amounts relating to 100% of the company /groups

HELICOPTERS

€ million	31 Dec. 2011	31 Dec. 2010
New orders	3,963	5,982
Order backlog	12,121	12,162
Revenues	3,915	3,644
Adjusted EBITA	417	413
ROS	10.7%	11.3%
EBIT	405	379
R&D	472	409
Workforce (no.)	13,303	13,573

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

The total volume of **new orders** at 31 December 2011 came to €mil. 3,963, a 33.7% decrease from the same period of 2010 (€mil. 5,982). New orders break down into 55.4% for helicopters (new helicopters and upgrading) and 44.6% for product support (spare parts and inspections), engineering and manufacturing. The decline in total volumes is attributable to the delay, until 2012, in certain important government contracts which had been expected in the first half of 2011. The previous year also benefited from significant orders totalling €mil. 1,500 (from the Indian Air Force for 12 AW101 helicopters and from the Italian Air Force for 15 AW101 CSAR helicopters).

Among the most important new orders received in the military-government segment the following are:

- orders for two AW101 helicopters in VVIP configuration and 14 AW139 helicopters in SAR configuration for a southern Mediterranean customer (Q1 - Q4);
- the order from the Polish Defence Ministry for five new W-3WA Sokòl helicopters in VIP configuration and for the upgrading of 14 other helicopters in various configurations (Q4);

- the order from the UK Defence Ministry for integrated support and pilot training for the fleet of AW159 helicopters (Wist - Q4);
- the order for 10 AW139 helicopters for the Italian market (Q1);
- the contract for two AW139 helicopters for the Egyptian Air Force, received through the US Army Aviation and Missile Command (AMCOM) Contracting Center (Q2);

In the *civil-government* segment, new orders for 112 helicopters were received in 2011. Particularly important new orders include:

- the contract with Gulf Helicopters for five AW139 helicopters in the off-shore configuration to provide support for oil rigs in the Middle East (Q2).
- the contract with Exclases Holdings Ltd. for 11 AW139 helicopters for the Russian market; this order brings the total number of AW139 helicopters sold to Russia and the CIS over the last two years to more than 20 (Q3).
- the contract with Zhonghao Natural Gas Chemical Co. Ltd for two AW139 helicopters in the VIP transport configuration; this contract serves to strengthen AgustaWestland's presence in the Chinese market (Q3).
- the order for one AW139 helicopter in EMS configuration for the province of Saskatchewan (Canada) where almost all of the helicopters in this configuration are of AW139 kind (Q4).

The value of the **order backlog** at 31 December 2011 came to €mil. 12,121, in line with the figure reported at 31 December 2010 (€mil. 12,162), and is sufficient to guarantee coverage of production for an equivalent of about 3 years, breaking down into 64% for helicopters (new helicopters and upgrading) and 36% for product support (spare parts and inspections) and engineering.

Revenues at 31 December 2011 came to €mil. 3,915, up 7.4% from 31 December 2010 (€mil.3,644). This increase in attributable to the different mix of revenues, with certain product lines in the helicopter segment remaining in line with the figures reported a year earlier, while there was excellent performance reported in product support (up 18.5%).

Adjusted EBITA came to €mil. 417 at 31 December 2011, up 1.0% compared with the €mil. 413 reported at 31 December 2010. This improvement is correlated with the different revenue mix mentioned above. **ROS** fell slightly, by 0.6 percentage points from the same period of the previous year (10.7% compared with 11.3% at 31 December 2010).

EBIT came to €mil. 405 at 31 December 2011, up 6.9% compared with €mil. 379 at 31 December 2010, and includes, *inter alia*, non-recurring costs of €mil. 4 (€mil. 26.7 in 2010), relating to the Polish subsidiary PZL - SWIDNIK.

In order to address the economic restrictions to be imposed on the helicopter industry, as set out in the "Strategic Defence and Security Review", the Group has prepared a restructuring plan for the Yeovil site in England affecting up to 375 employees, mainly those assigned more general duties. The cost of this measure will be borne entirely by the UK Ministry of Defence.

Research and development costs at 31 December 2011 came to €mil. 472 (up 15.4% on the €mil.285 at 31 December 2010), equal to 12% of the division's revenues. These costs were concerned with maintaining existing products and development of:

- technologies, primarily for military use, for a new 6-7 tonne class helicopter named the AW149;
- multi-role versions of the BA609 convertiplane for national security;
- a new twin-engine helicopter of the 4.5-tonne class named the AW169.

The **workforce** at 31 December 2011 came to 13,303 (13,573 employees at 31 December 2010). The decrease is due to the completion of the reorganisation plan of the Polish PZL-SWIDNIK group acquired last year and to normal turnover.

DEFENCE AND SECURITY ELECTRONICS

€ million	31 Dec. 2011	31 Dec. 2010
New orders	4,917	6,783
Order backlog	9,591	11,747
Revenues	6,035	7,137
Adjusted EBITA	303	735
ROS	5.0%	10.3%
EBIT	(654)	566
R&D	823	810
Workforce (no.)	27,314	29,840

Finmeccanica has a number of companies that are active in the defence and security electronics industry, including: the SELEX Galileo group, the SELEX Sistemi Integrati group, the SELEX Elsag group and the DRS Technologies (DRS) group.
The division covers activities relating to the creation of major integrated defence and security systems based on complex architectures and network-centric techniques; the provision of integrated products, services and support for military forces and government agencies; supplying avionics and electro-optical equipment and systems; unmanned aircraft, radar systems, land and naval command and control systems, air traffic control systems, integrated communications systems and networks for land, naval, satellite and avionic applications; and activities for private mobile radio communications systems, value-added services and IT and security activities.

Security, also including the protection against threats deriving from the unauthorised use of digital information and communications systems (cybersecurity), has become one of the priority issues of governments and decision makers. Leveraging their distinctive expertise, the companies have developed an offering of products and services for governmental and civil security operators aiming at the protection of critical and strategic infrastructures and locations, while paying particular attention to issues related to the security of telecommunications networks and IT systems that are the crucial core on which the modern digital economy is based.

As part of the process to rationalise the activities of the Defence and Security Electronics division begun last year, the space-related activities of the SELEX Sistemi Integrati group and the Elsag Datamat group were transferred to the Telespazio group as from 1 January 2011. Moreover, as from 1 June 2011, the Elsag Datamat group, the SELEX Communications group, SELEX Service Management SpA and Seicos SpA were merged into the newly-formed SELEX Elsag.

New orders at 31 December 2011 totalled €mil. 4,917, down from the figure posted for the same period of the previous year (€mil. 6,783) during which orders for the third lot of the EFA programme were received, as well as significant orders from the US Army by DRS. However, delays in the approval of the US defence budget have had an effect on DRS in relation to orders from the US Army.

The main new orders received include the following:

- *avionics and electro-optical systems*: orders for the EFA programme, specifically avionics equipment and radar for the third lot, Praetorian Defensive Aids Sub Systems, as well as logistics (Q1-Q2-Q3-Q4); initial orders to develop the Captor electronically scanned array radar for the Eurofighter (Q4); orders for countermeasure systems (Q1-Q2); orders for the NH90 helicopter programme (Q1-Q2-Q3-Q4); laser system orders for the US market (Q1); a contract for additional Grifo combat radar systems for Brazilian F-5 aircraft (Q2); initial orders under the partnership with King Abdulaziz City for Science and Technology in Saudi Arabia for research and development in the radar field (Q2); orders for various space programmes, particularly the Iridium NEXT and EarthCARE programmes (Q1-Q2-Q3-Q4); customer support (Q1-Q2-Q3-Q4), including extension of the Integrated Merlin Operational Support contract with the UK Ministry of Defence for its fleet of AW101 Merlin helicopters;
- *major integrated defence and security systems*: the contract with the Italian Ministry of Defence to raise the level of protection at Italian operating and support bases in Afghanistan (Q4)**;** the supplemental contract with the Italian Ministry of Defence for systems support services for the management and development of the System Management & System Security Operations Centre under the main Integrated Defence Network management programme (Q2-Q4);
- *command and control systems:* in the defence systems segment: orders for two Kronos radar systems from the Thai Armed Forces (Q3); the contract, through Orizzonte Sistemi Navali, to supply a complete combat system for an amphibious logistics support vessel from the Algerian Defence Ministry (Q2); the supplemental agreement to the Eurofighter Logistics Information

System contract for integrated info-logistic support for the Eurofighter with the NATO Eurofighter and Tornado Management Agency (Q1); in the civil systems segment: a contract with the Federal Aviation Administration for next-generation Distance Measuring Equipment systems for use in the US (Q2); orders from the Ukrainian Air Traffic Control Agency for technological upgrades at various airports (Q1); the order from the UK for a primary radar combined with an advanced multilateration solution for the Isle of Man and Jersey airport (Q1); the contracts to upgrade an airport in Estonia and to upgrade the air traffic control centre in Subang - Kuala Lumpur in Malaysia (Q1);

- *integrated communication networks and systems*: the order to upgrade NATO's satellite telecommunications centre and related infrastructures (Q4); the order to develop and supply new-generation cipher machines from the Italian Ministry of Defence (Q4); the order from Gazprom for the development of a TETRA radio communications system for use along the Sakhalin - Khabarovsk - Vladivostok pipeline to ensure the natural gas supply to China and the far eastern regions of Russia (Q4); the order for development and provision of transportable and semi-permanent ground communication stations and satellite data traffic management services from the Saudi Arabian National Guard (Q3); orders for communications systems for helicopter platforms (Q1-Q2-Q3); various orders under the EFA programme to supply a variety of communications equipment (Q1-Q2-Q3-Q4); the supplemental order for the Defense Fields Telephone System from British Telecom (Q1); TETRA network orders from Russia (Q1); the order from the Italian Ministry of Defence to upgrade the communications systems at various airports (Q1);
- *information technology and security*: the order for an access control and intrusion detection video surveillance system for the new Cityringen metro line in Copenhagen (Q4); the order from the European Food Safety Authority to provide ICT development, support and consulting services (Q3); the order for an automated postal sorting centre for the city of Rostov-on-Don in Russia (Q2); the order for five Compact Flat Sorter Machines for post offices in Dublin and other places in Ireland (Q2); the order from DHL Express Italy for a new package sorting system (Q2); orders for various security-related programmes and services for INPS (Q2-Q3); the order for a ticketing and access control system for the new Milan metro Line 4 (Q2); the order from Aeroporti di Roma for ordinary maintenance and management support for equipment installed at Leonardo da Vinci Airport in Fiumicino (Q1); the contract from the Chilean national police for Automated Palmprints and Fingerprints Identification Systems equipment (Q1); the order for video surveillance systems from Banca Nazionale del Lavoro (Q1);

- *DRS*: additional orders for Thermal Weapon Sight (TWS) systems issued to soldiers (Q1); order for X-band satellite up-links and ground transport services for the US military deployed in Southwest Asia (Q2); orders for assembly parts critical for Long Range Advanced Scout Surveillance Systems (Q2-Q3); the contract with the US Air Force to service and adjust Tunner systems for loading and moving air cargo (Q1); the order for Joint Service Transportable Decontamination Systems - Small Scale for decontaminating materials and sites (Q3); the order for handheld systems capable of supporting communications forces under the US Army's Joint Battle Command - Platform programme (Q4).

The **order backlog** came to €mil. 9,591 at 31 December 2011, a decrease of €mil. 2,156 from 31 December 2010 (€mil. 11,747). One-third of the order backlog related to the avionics and electro-optical systems segment, and about one-fifth each to major integrated systems and command and control systems and to the activities in the United States.

Revenues at 31 December 2011 amounted to €mil. 6,035, down €mil. 1,102 from the figure reported at 31 December 2010 (€mil. 7,137) due to the decline in activity across all segments, mainly the decrease in the DRS production volumes as a result of the completion of important programmes for the US military. The revenues for the period also reflected the loss of the contribution of important orders that were being carried out for or were in the process of being received from Libya.

Revenues resulted mainly from the following segments:

- *avionics and electro-optical systems*: the continuation of activities relating to Defensive Aids Sub-System production and the production of avionics equipment and radar for the EFA programme; countermeasure systems; equipment for the helicopter and space programmes; combat and surveillance radar for other fixed-wing platforms; customer support and logistics;
- *major integrated defence and security systems:* continuation of the Forza NEC programme and the contract with the Italian Department of Civil Protection for the emergency management system; progress on activities related to the Phase 2 Coastal Radar programme; continuation of work under the S.I.Co.Te. programme for the General Command of the Carabinieri Force;
- *command and control systems*: the continuation of activities relating to air traffic control programmes, in Italy and abroad; contracts for FREMM and upgrading Italian Navy vessels; progress in the Medium Extended Air Defence System international cooperation programme; the programme to supply Fixed Air Defence Radar (FADR) for the domestic customer;

- *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;
- *information technology and security*: activities relating to postal automation and industrial services, to monitoring and physical security for domestic customers and ICT services for government agencies;
- *DRS*: additional orders for the TWS system issued to soldiers as sight device; 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 MMS system for helicopters; the continuation of deliveries of rugged computers and displays; deliveries of Tactical Quiet Generators (TQG); work on transportable decontamination systems; provision of services and products for the Rapid Response contract and satellite communications services.

Adjusted EBITA reached €mil. 303 at 31 December 2011, down from the figure reported at 31 December 2010 (€mil. 735), as a result of:

- the significant deterioration (€mil. 250) reported in the *major integrated defence and security systems* and *command and control systems* (SELEX Sistemi Integrati) segments that, in addition to reflecting the decline in revenues and the different composition of activities performed (penalised in part by the lack of new orders and the consequences of the conflict in Libya) amounting to about €mil. 82, felt the impact of "exceptional" events (€mil. 168), such as:
    - revising the proposed development and positioning of various business areas (completed towards the latter part of the year), as part of the planning cycle for the next few years, which resulted in scaling-back the commercial outlook for certain business areas and the resulting change in the assumptions about the recoverability of certain investments in product development, non-recurring activities and pre-operating costs (€mil. 82); this also led to the recognition of higher costs for certain programmes nearing completion (€mil. 49);
    - as a result of the recent termination of an important contract by ENAV and the risk that ENAV will fail to order lots under other contracts, the Group has taken the precaution of allocating €mil. 37 to the provision for risks and charges;

- lower profits in certain business areas in the *information technology and security* segment as a result of the revised profitability for certain orders performed at the end of 2010, added to the recognition of further cost overruns and the lack of adequately profitable new orders; the result also reflects, to a marginal extent, the impact of the benefits arising from the restructuring and rationalisation process begun in the second half of the year, the effects of which will only be fully felt only in the next few years;
- the mentioned decline in revenues of DRS, equal to €mil. 658 in lower revenues compared with 2010, for a net decrease of €mil. 75, in line with expectations, which was partially offset by the profitability of various completed orders and cost containment measures;
- lower production volumes as compared with 2010 and provisions made to cover the risks associated with the altered commercial outlook for certain programmes in the *avionics and electro-optical systems* segment for a decrease of €mil. 40;
- decreased activity in *value-added services for security applications* as a result of the slowdown in the Environmental Ministry's SISTRI programme. The project, as is known, has been deferred several times for reasons not ascribable to the Group. On the basis of the latest regulatory forecasts, the programme is expected to become operational on 30 June 2012 and this represents a key event for the project.

As a result, **ROS** came to 5%, (10.3% at 31 December 2010).

EBIT amounted to €mil. (654) at 31 December 2011 (€mil. 566 at 31 December 2010) and reflects the impact of non-recurring costs of €mil. 884, relating to:

- impairment in goodwill, amounting to €mil. 701, with respect to:
  - DRS in the amount of €mil. 646, mainly as a result of the significant decline in expected volumes of activity due to: cuts in the US defence budget and, more generally, to the change in the US Department of Defence's strategy to scale-back and on procurement, and to the withdrawal of troops from theatres of war; it was also impacted by the decline in operating profitability, which, although remaining at good levels for the segment, reflects the industry's increased competitiveness and aggressiveness in the Defence market;
  - the *major integrated defence and security systems* and *command and control systems* segments for around €mil. 55, due to the aforementioned repositioning of the various business areas and the consequent review of the proposed development of the major business areas and their commercial outlooks;
- other non-recurring costs, amounting to €mil. 138, related to the business rationalisation and corporate concentration process involving the SELEX Elsag group (€mil. 92) and SELEX

Sistemi Integrati (€mil. 9), as well as write-downs in receivables and contract work in progress given the possible deterioration in certain contractual situations (around €mil. 37);

- the allocation of costs totalling €mil. 45 relating to staff lay-offs and the industrial reorganisation called for under the restructuring, reorganisation and revitalisation plan. Specifically:
  - measures taken by DRS under its restructuring plan (€mil. 20) to improve the efficiency of and optimise production and staff structures, in correlation with a reorganisation of the various business segments, to be completed in 2012;
  - initiating actions to re-scale the workforce as part of the process of rationalising the businesses within the SELEX Elsag group (€mil. 17);
  - reducing employment levels at various UK locations in the *avionics and electro-optical systems* segment in response to the difficulty in absorbing production capacity in specific business lines (€mil. 8);

Research and development costs at 31 December 2011 totalled €mil. 823 (€mil. 810 at 31 December 2010), relating to:

- *avionics and electro-optical system* segment: development for the EFA programme; new systems and sensors for Unmanned Aerial Vehicles (UAV); new electronic-scan radar systems for both surveillance and combat; improvements to avionics suites to satisfy the demands of the new fixed and rotary-wing platforms;
- *major integrated systems* and *command and control systems* segment: the continuation of the activity on the 3D Kronos radar surveillance system and the active multi-functional MFRA; 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);
- *integrated communications networks* segment: the development of TETRA technology products, wideband data link and software defined radio products; satellite receivers and the ground network for the Galileo PRS programme and communication intelligence solutions.

The **workforce** at 31 December 2011 came to 27,314 as compared with 29,840 at 31 December 2010, a net decrease of 2,526 attributable to the on-going reorganisation process in certain segments, particularly at DRS and in UK *avionics and electro-optical systems,* and the transfer of business to the Space division.

AERONAUTICS

€ million	31 Dec. 2011	31 Dec. 2010
New orders	2,919	2,539
Order backlog	8,656	8,638
Revenues	2,670	2,809
Adjusted EBITA	(903)	205
ROS	(34)%	7.3%
EBIT	(1,548)	143
R&D	326	369
Workforce (no.)	11,993	12,604

Note that the figures relating to the GIE-ATR and Superjet International joint ventures are consolidated on a proportional basis at 50% and 51% respectively.

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), the GIE-ATR joint venture, in which a 50% equity stake is held (final assembly and marketing of ATR aircraft), Alenia North America Inc, operating in the US market through a joint venture, and Superjet International SpA, in which a 51% equity stake is held (sale and assistance for Superjet aircraft).
In that regard, Alenia Aermacchi SpA and Alenia SIA SpA merged into Alenia Aeronautica SpA effective as from 1 January 2012, with the latter changing its name to “Alenia Aermacchi SpA”.

New orders at 31 December 2011 came to €mil. 2,919, up 15.0% from the €mil. 2,539 reported at 31 December 2010, due to more orders in the *civil* (ATR aircraft and the B787 and A380 programmes) segment.

The main orders received in 2011 included the following:

- in the *military* segment:
    - for the M346 programme, two contracts entered into with ST Aerospace for logistics support for 12 aircraft purchased by the Singapore Air Force in late September 2010. The first contract relates to the joint management of suppliers and post-sale support and the second contract regards programme technical engineering support and technical assistance at the customer's facilities (Q2);
    - for the C27J programme, the order for four aircraft from the Mexican Air Force and logistics support (Q2). The first aircraft was delivered at the end of 2011 with the entire order to be completed by the end of 2012;
    - for the Tornado programme, the RET 8 contract to perform a mid-life upgrade on 25 more aircraft from the Italian Air Force (Q1);
    - for the EFA programme, further orders to provide logistics support, development, mass production and equipping (Q1-Q2-Q4).

- in the *civil* segment:
    - for the ATR aircraft, GIE-ATR received new orders for 157 ATR aircraft (12 in the fourth quarter) from various airlines and leasing firms including: 18 from Indonesian carrier Lion Air (Q1-Q2), 10 from Taiwan Uni Air (Q2), 17 from GE Capital Aviation Services - the aircraft leasing unit of General Electric - (Q2-Q4), 12 from Danish carrier Nordic Aviation Capital (Q2-Q3), 13 from Skywest Airlines/Virgin Australia (Q1-Q4) and 31 from various Brazilian airlines (Q2-Q3);
    - for aerostructures, orders for additional lots of the B787, B767, B777, ATR, A380 and A321 programmes and for engine nacelles (Q1-Q2-Q3);
    - for the Superjet, the contract signed with Superjet International to deliver two business jet versions of the aircraft to Swiss company Comlux The Aviation Group;
    - for the Maritime Patrol version of the ATR 42MP aircraft, the order from the Italian Harbour Authority to convert the third aircraft (Q1).

The **order backlog** at 31 December 2011 came to €mil. 8,656 (€mil. 8,638 at 31 December 2010) and is expected to continue expanding over the medium/long term. The breakdown revealed a significant portion for the EFA (39%), B787 (18%), ATR (17%), M346 (5%) and C27J (3%) programmes.

Revenues at 31 December 2011 came to €mil. 2,670, down €mil. 139 (-4.9%) from the figure reported at 31 December 2010 (€mil. 2,809), due to less activity on the EFA programme and lower revenues on the B787 programme, partially offset by expansion in production on the ATR, M346 and JSF programmes.

Adjusted EBITA at 31 December 2011 came to a negative €mil. 903, a €mil. 1,108 deterioration from €mil. 205 reported at 31 December 2010, generated mostly in the third and fourth quarters of 2011. This deterioration is due to:

- "exceptional" costs, totalling around €mil. 753, connected with the B787 programme, which was marked by new events that altered the existing scenario. Specifically, in September 2011, Boeing presented the first analytical evidence of damage suffered due to the "non-conformity" of certain products already delivered in response to which Aeronautica allocated €mil. 161 to the provision for risks and charges to cover all costs that may be sought by the customer. Moreover, the recent certification and delivery of the initial aircraft makes it highly likely that the customer will exercise its options to purchase additional aircraft at a price that is insufficiently remunerative, under a framework agreement for around 1,000 aircraft, against the 300 under contract so far. This has resulted in the recognition of around €mil. 592 in expenses to cover this risk. In addition, about €mil. 47 has been allocated to a provision for potential "country risk" in relation to certain contracts pertaining to the C27J programme;

- negative operating performance caused by reduced industrial efficiency in certain production processes (€mil. 45), higher costs (€mil. 148) required to complete several orders, mainly in the A380, Falcon ATR, G222 and ATR (special versions) programmes and the different mix or programme activities (€mil. 115).

EBIT came to €mil. (1,548) at 31 December 2011, a deterioration of €mil. 1,691 compared with 31 December 2010 (€mil. 143). This poor performance is attributable to non-recurring costs of €mil.583, in addition to the reasons cited above (€mil. 1,108). Non-recurring costs at 31 December 2011 relate to:

- the review of the business areas in which the division operates, resulting in the decision to withdraw from certain segments, mainly aircraft conversions (B767 cargo, B767 tanker, ATR cargo), which led to a write-down of €mil. 135, as described further on along with the next point;

- provisions totalling €mil. 184 (€mil. 62 at 31 December 2010) for expenses related to staff lay-offs and the industrial reorganisation provided for in the restructuring, reorganisation and revitalisation plan;
- the problems with the programme discovered in connection with the order for 10 ATR 72 aircraft in anti-submarine warfare (ASW) configuration from the Turkish Ministry of Defence. Given the design and industrial complexity involved in developing the engineering and production specifications for the conversion of the ATR to ASW configuration, the Group found it advisable to gradually withdraw from this business segment since it no longer made industrial or financial sense to accept new orders. As a results of negotiations under way with the customer and based on an analysis of the costs of the "entire life-cycle" of the programme, a risk provision has been established and development costs capitalised in past years have been written down since there is doubt as to their recoverability, for a total of €mil. 245.
- other costs and provisions, totalling €mil. 81, associated mainly with the risk that commitments assumed with respect to the offset will not be met.

The reduced profitability of the Aeronautics division reflects the growing competitive pressure on the aerostructures business and export sales. To address this situation, on 8 November 2011 a restructuring, reorganisation and revitalisation plan was approved and signed by all the trade unions which should, beyond those actions begun in previous years, lead to a significant reduction in operating costs, a greater recovery in efficiency and a rationalization of the "product portfolio". In short, this plan involves: cutting operating costs and regaining efficiency through the rationalisation of current manufacturing sites (closing of Casoria and Venice sites and the Rome headquarters by transferring activities to other locations); the improvement of industrial processes (creation of integrated production centres and reorganisation of the engineering under three heads of design); the rationalisation of the supply chain; the rebalancing and optimising of the workforce in terms of headcount and skills; the introduction of organisational changes in order to better integrate the division's companies (e.g., the merger of the main companies) and the outsourcing of certain activities (inventory management, logistics and security services, customer and supplier accounting).
The rationalisation of the product portfolio will mainly involve: the abandonment of certain civil craft transformation programmes, the reinforcement of its leadership in proprietary products, extension and reinforcement of its role in joint programmes, abandoning or outsourcing the manufacture of products with lower technological content and little future opportunities.

Research and development costs for 2011 totalled €mil. 326 (€mil. 369 at 31 December 2010) and reflect the progress made in the main programmes under development (M346, C27J, B787 (basic version), JSF and unmanned aerial vehicles (UAV)) and in activities relating to innovative aerostructures using composite materials and system integration. Furthermore, development activity continued on important military (EFA, Tornado and Neuron) and civil (C-series and the derivative B787-9) programmes commissioned by customers.

The **workforce** at 31 December 2011 numbered 11,993, a net decrease of 611 from the 12,604 at 31 December 2010, essentially due to staff reduction and efficiency efforts undertaken as part of the on-going reorganisation and industrial restructuring process.

SPACE

€ million	31 Dec. 2011	31 Dec. 2010
New orders	919	1,912
Order backlog	2,465	2,568
Revenues	1,001	925
Adjusted EBITA	18	39
ROS	1.8%	4.2%
EBIT	14	37
R&D	77	68
Workforce (no.)	4,139	3,651

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 SAS 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 SAS 67%).

As part of the process to rationalise the activities of the Defence and Security Electronics division begun last year, the space-related activities of the SELEX Sistemi Integrati group and the Elsag Datamat group (from 1 June 2011 merged with SELEX Elsag) were transferred to the Telespazio group as from 1 January 2011.

As a result of this acquisition and business reorganisation, Telespazio currently 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, telemetry services, command and control and Launch and Early Operation Phase services, operational management of infrastructures and systems for satellite communications and television broadcasting); satellite systems and applications (earth centre design, development and management, consulting and engineering services, development of navigation, training and meteorology applications) and geoinformation (data, thematic maps, operational services, monitoring services and territorial surveillance).

Thales Alenia Space focuses on manufacturing (design, development and production) in the following segments: telecommunications satellites (commercial, government and military), scientific programmes, earth observation systems (optical and radar), satellite navigation, orbital infrastructures and transport systems, equipment and devices.

From a commercial perspective, in 2011, the Group acquired **new orders** in the amount of €mil. 919, down 52% from 2010 (€mil. 1,912), which benefitted from the important Iridium NEXT contract attributable to the *manufacturing* segment.

The most significant new orders for the period relate to the following segments:

- in the *commercial telecommunications* segment: the order for payloads for the Express AM8, AT1 and AT2 Russian communications satellites (Q1-Q2) and the payload for the KAZSAT 3 satellite (Q3); the order for payloads and equipment for the Blagovest satellite (Q4); an additional lot of the order for the O3B constellation (Q4); new orders for TV satellite capacity and services (Q1-Q2-Q3-Q4) and satellite telecommunications services (Q1-Q2-Q3-Q4);
- in the *military and government telecommunications* segment: additional lots of the order from the Italian Space Agency (ASI) and the French Space Agency (CNES) for the Athena Fidus satellite (Q1); the final lot of the order for the Sicral 2 programme (Q4); the contract to provide operating services in connection with launches of the CNES satellite at the Guiana Space Center (Q3) and orders for military satellite telecommunications services (Q1-Q2-Q3-Q4);
- in the *earth observation* segment: orders for Cosmo data and stations (Q1-Q2-Q4); the order for GeoEye data (Q1-Q2-Q3-Q4); the order for services related to the management and development of the National Agricultural Information System (SIAN) (Q2);
- in the *satellite navigation* segment*:* the order related to the Egnos programme (Q2); the order for the "Ground Mission Segment" and the "Space Segment" for the Full Operation Capability phase under the Galileo Programme (Q1-Q2);
- in the *science programmes* segment*:* an additional lot for the Bepi-Colombo (Q1) and Exomars (Q3) programmes and the order from the European Space Agency to develop the atmospheric re-entry demonstrator called the Intermediate eXperimental Vehicle (Q3).

The **order backlog** at 31 December 2011 totalled €mil. 2,465, a decrease of 4% from the figure at 31 December 2010 (€mil. 2,568). The backlog at 31 December 2011 is composed of manufacturing activities (55%) and satellite services (45%).

Revenues for the period came to €mil. 1,001, up 8% from the previous year (€mil. 925), due largely to higher production in both the *manufacturing* and *satellite services* segments. Production mainly relates to the continuation of activities in the following segments:

- in the *commercial telecommunications* segment for Yahsat, W3D, W6A, APSTAR 7 and 7B, Yamal- 401 and 402 satellites; the 2nd generation Globalstar, Iridium NEXT and O3B satellite constellations; the provision of satellite telecommunications services and the resale of satellite capacity;
- in the *military telecommunications* segment for the Sicral 2 and CSO-post Helios programmes and the provision of military satellite telecommunications services;
- in the *earth observation* segment for the satellites for the Sentinel 1 and Sentinel 3 missions of the GMES-Kopernikus programme, for the Göktürk satellite system for the Turkish Ministry of Defence and for the 2nd Generation COSMO-SkyMed observation satellite system for ASI and the Italian Ministry of Defence;
- in the *science programmes* segment for the Exomars and Bepi-Colombo programmes;
- in the *satellite navigation* segment for the ground mission segment of the Galileo programme;
- in the *orbital infrastructure* segment for the CYGNUS COTS programme connected with the International Space Station.

Adjusted EBITA at 31 December 2011 came to €mil. 18, down 54% from the figure reported at 31 December 2010 (€mil. 39), due solely to the *satellite services* segment as a result of the following "exceptional" events:

- cost overruns that were found following a new evaluation of the Göktürk programme (€mil. 34), mainly due to launch activity and the related insurance;
- write-downs of contract work, largely for e-GEOS, due to the breakdown in the contractual relationship with customer 4C Technologies (€mil. 4);
- review of certain minor business areas, performed towards the end of the year, that resulted in write-downs from the disposal of business units (€mil. 4) and the completion of projects (€mil. 8).

This deterioration was partially offset by higher production volumes in both segments and higher profitability in the *manufacturing* segment.

As a result, **ROS** amounted to 1.8%, compared with 4.2% at 31 December 2010.

EBIT at 31 December 2011 came to €mil. 14, down 62% from 31 December 2010 (€mil. 37) due to the mentioned deterioration in adjusted EBITA and to the non-recurring costs mainly connected with the allocation of costs of carrying out the restructuring plan for the Milano Vimodrone production facility in the *manufacturing* segment (€mil. 4).

Research and development costs at 31 December 2011 came to €mil. 77, an increase of €mil. 9 from the figure posted in 2010 (€mil. 68).
Activities in this area largely included the continued development of systems, solutions and applications for security, emergency management, homeland security (GMES-Kopernikus programme) and for navigation/infomobility services (Galileo programme); aerial communications solutions (SESAR); solutions for optimising the satellite band; processing systems for earth observation SAR data; telecommunications and earth observation platforms; innovative payloads; space infrastructure technologies; studies on landing systems for planetary exploration and on technologies for orbiting structures and life-support systems.

The **workforce** at 31 December 2011 came to 4,139, for a net increase of 488 employees over the 3,651 reported at 31 December 2010, mainly as a result of the change in the scope of the *satellite services* segment due to the transfer of business activity from the Defence and Security Electronics division.

DEFENCE SYSTEMS

€ million	31 Dec. 2011	31 Dec. 2010
New orders	1,044	1,111
Order backlog	3,656	3,797
Revenues	1,223	1,210
Adjusted EBITA	117	107
ROS	9.6%	8.8%
EBIT	110	103
R&D	247	260
Workforce (no.)	4,066	4,112

The Defence Systems division 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.

New orders at 31 December 2011 came to €mil. 1,044, down compared with the €mil. 1,111 posted at 31 December 2010, attributable to *land, sea and air weapons systems*, where an important new order from the Italian Ministry of Defence was reported during the previous year, in part offset by more new orders in *missile systems*.

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

- in the *missile systems* segment, the order from the UK Ministry of Defence to develop the Sea Ceptor defence system for the Type 23 class frigate under the Future Local Area Air Defence System programme (Q4); the contract to provide support for the Sea Viper surface-to-air missile system for the British Navy’s Type 45 class ships (Q2); the order for Exocet anti-ship missiles from a foreign customer (Q2); additional orders for customer support activities (Q1-Q2-Q3-Q4);

- in the *land, sea and air weapons systems* segment: orders to grade the Vulcano 127mm through 155mm Extended Range ballistic ammunition from the Italian Navy (Q3); the order for the Davide kit to upgrade the guns on two frigates (Q2) and to develop and supply automatic loading systems for guns on Italian Navy FREMM frigates (Q3); the sale of 40/70mm machine gun systems to Turkmenistan (Q4); orders to research, develop and standardise a prototype of the new Centauro armoured vehicle with a 120 mm turret and a Hitrole Light turret from the Italian defence department (4T); the order for one 76/62 SR gun and a 25 mm machine gun systems as part of the order from Algeria placed with SELEX Sistemi Integrati for a combat system for a naval vessel (Q2); an order for pintle mount systems for AgustaWestland helicopters for the Italian Air Force (Q2); the order for Hitfist turrets kits for Poland (Q1) and logistics orders from various customers;
- in the *underwater systems* segment: the order for 25 A244 light torpedoes (Q2), for 27 upgrade kits for the A244 light torpedo and for C303 counter-measure systems (Q1) from foreign customers, and various logistics orders.

The **order backlog** at 31 December 2011 came to €mil. 3,656 (€mil. 3,797 at 31 December 2010), of which about 60% related to *missile systems*.

Revenues at 31 December 2011 came to €mil. 1,223, essentially in line with the figure reported at 31 December 2010 (€mil. 1,210). Increased activities in the *land, sea and air weapons systems* segment have largely offset the decline in revenues in the *underwater systems* segment.

Revenues were the result of the following activities in the various segments:

- in the *missile systems* segment: activities for the production of Aster and Mistral surface-to-air missiles, Spada air defence missile systems, Mica air-to-air missiles and Exocet anti-ship missiles; activities relating to the development of the air defence system in connection with the Medium Extended Air Defence System (MEADS) programme; customer support;
- in the *land, sea and air weapons systems* segment: the production of MAVs and semi-propelled PZH 2000 howitzers for the Italian Army; Hitfist turrets kits for Poland and 76/62 SR naval guns for various foreign customers; FREMM programme activities; production of SampT missile launchers and logistics;
- in the *underwater systems* segment: activities relating to the Black Shark heavy torpedo, to the MU90 and A244 light torpedoes and to countermeasures and activities relating to the FREMM programme and logistics.

Adjusted EBITA at 31 December 2011 totalled €mil. 117, up on the figure reported for 31 December 2010 (€mil. 107), a result of higher production volumes in the *land, sea and air weapons systems* segment and increased deliveries on orders in the *missile systems* segment. These improvements more than offset the deterioration in revenues in the *underwater systems* segment, which in the latter part of the year reflected the impact of "exceptional" events related to the deterioration in relationships with certain counterparties, resulting in a revision of the assumptions about the recoverability of certain development projects and the remuneration of activities begun relating to specific heavy torpedo line orders (€mil. 15), as well as the recognition of higher costs needed to complete orders for a light torpedo programme (€mil. 14).

As a result, **ROS** amounted to 9.6% (8.8% at 31 December 2010).

EBIT at 31 December 2011 came to €mil. 110, up over the €mil. 103 reported at 31 December 2010, due to the improvement in adjusted EBITA despite higher non-recurring costs (€mil. 5 compared to €mil. 2 in 2010) as a result of the start of the restructuring process at the Brescia facility in the *land, sea and air weapons systems* segment.

Research and development costs at 31 December 2011 totalled €mil. 247, compared with €mil. 260 at 31 December 2010. Some of the key activities included the achievement of important milestones in the MEADS programme, and those for the SCALP Naval cruise missile and the Marte MK2 anti-ship missile, and activities for the development programmes for the UK Ministry of Defence, and the continuation of development of the Meteor air-to-air missile in the *missile systems* segment; activities for guided ammunition programmes and for the development of the 127/64 LW gun in the *land, sea and air weapons systems* segment; and activities relating to the Black Shark heavy torpedo in the *underwater systems* segment.

The **workforce** at 31 December 2011 came to 4,066, a net drop of 46 employees from the figure reported at 31 December 2010 (4,112).

ENERGY

€ million	31 Dec. 2011	31 Dec. 2010
New orders	1,258	1,403
Order backlog	1,939	3,305
Revenues	981	1,413
Adjusted EBITA	91	145
ROS	9.3%	10.3%
EBIT	46	115
R&D	23	38
Workforce (no.)	1,872	3,418

As concerns the Energy division, it should be noted that on 13 June 2011 Finmeccanica sold 45% of the share capital of the Ansaldo Energia group to the American investment fund First Reserve Corporation.

As a result of this sale, Ansaldo Energia Holding and its subsidiaries have been consolidated on a proportional basis as of the transaction date.

Finmeccanica is active in the Energy division through Ansaldo Energia Holding SpA (held 55%) and its investees, Ansaldo Energia SpA, Ansaldo Nucleare SpA, Ansaldo Fuel Cells SpA (merged with Ansaldo Energia SpA on 26 September 2011, effective retroactively to 1 January 2011), Asia Power Projects Private Ltd, Ansaldo ESG AG and the Ansaldo Thomassen group.
The Energy division specialises in providing *plants and components* for generating electricity (conventional thermal, combined-cycle and simple-cycle, cogeneration and geothermal power plants), *post-sale services, nuclear* activities (plant engineering, services, waste and decommissioning) and services related to power generation from *renewable energy* resources.

Before analysing the difference between the two periods compared, it should be noted that the figures at 31 December 2010 (for the period running from 1 July 2010 to 31 December 2010) were consolidated 100%. In order to provide an accurate picture of the division's performance, changes in income statement items will sometimes be reported on a uniform basis of accounting for the periods compared, accompanied by an explanation of these changes.

From a commercial standpoint, **new orders** at 31 December 2011 amounted to €mil. 1,258, down €mil. 145 from 2010 (€mil. 1,403), due to solely to the mentioned change in the consolidation method. Using a uniform basis of accounting, new orders rose by €mil. 318, mainly due to important new orders in the *plants and components* segment.

The most significant new orders for 2011 include:

- in the *plants and components* segment: the order for an 800 MW combined-cycle plant located in Gebze, Turkey (Q1); the order for two open-cycle plants (total 550 MW) in Algeria (Ain Djasser II and Labreg) (Q3); the order for a steam turbine and alternator in Egypt (Banha) (Q3); the order for two steam turbines and alternators in Egypt (Giza North) (Q4); the order for three geothermal steam turbines from Enel Green Power in Italy (Pian Castagnaio - Siena) (Q3);
- in the *service* segment: receipt of new long-term service agreements (LTSA) for the Gebze, Turkey order; repair (spare parts) contracts for the two plants in Algeria (Q3); new solution contracts (changing parts of the turbine) (Q1-Q2-Q3-Q4); contracts to provide field service for Enipower at various locations in Italy (Ferrara, Brindisi, Mantua and Ravenna) (Q4);
- in the *nuclear* segment: as regards the *plant engineering* side, new contracts from Argentina (for the Embalse power station turbine) (Q1), orders from Westinghouse in the US (for development of the AP1000 reactor) (Q2-Q3-Q4) and orders relating to the Mochovce (Slovakia) plant (Q3); on the *service*-related side, the new Superphoenix reactor support contract for the Creys Malville power station in France (Q1-Q2); on the *decommissionin*g side, orders from the Institute for Environmental Protection and Research (ISPRA) (Q4);
- in the *renewable energy* segment*:* orders for the construction of photovoltaic plants in Matera (Stigliano) (Q1), Avellino (Bisaccia) (Q2) and Campobasso (Montenero) (Q4);

The **order backlog** at 31 December 2011 came to €mil. 1,939, compared with €mil. 3,305 at 31 December 2010. The decline of €mil. 1,450 (at the date it began to be consolidated proportionally) is attributable to the aforementioned change in the consolidation method.
The composition of the backlog is attributable for around 37.3% to *plants and components*, 58.6% to *service* activities (73% of which LTSA scheduled maintenance contracts), 2.0% to the *nuclear* segment, and the remaining 2.1% to *renewable energy*.

Revenues at 31 December 2011 amounted to €mil. 981, a decrease of €mil. 432 from the €mil. 1,413 reported for 2010. Using the same basis of accounting, revenues fell by €mil. 101, mainly attributable to lower production volumes in the *services* segment, particularly on the solutions (changing parts of the turbine) and repair (spare parts) sides. The revenues in the *plants and components* and *nuclear* segments remained essentially the same, while growth was reported in the *renewable energy* segment as a result of orders received last year.

Revenues were mainly generated by the following activities:

- in the *plants and components* segment*:* orders from Italy (Aprilia, Turano, San Severo and Torino Nord), Tunisia (Sousse), Egypt (El Sabtia - Cairo), Turkey (Gebze), France (Bayet) and Algeria (M'Sila, Larbaa, Batnaa, Ain Djasser II and Labreg);
- in the *service* segment*:* LTSAs for Italy (Sparanise, Rizziconi and Servola), gas turbine spare parts orders from India (Valuthur) and Spain (Escatron), and the order for components for Argentina (Embalse);
- in the *nuclear* segment*:* activities continued on the Sanmen project in China with Westinghouse and engineering on the Mochovce power station in Slovakia; as to *services*, activity involved the Embalse (Argentina) and Creys Malville (France) plants; and in *waste and decommissioning*, work involved resin treatment at Vercelli (Trino), the treatment and storage of radioactive waste from submarines in Russia (Andreeva Bay) and the decommissioning of a power plant in Lithuania (Ignalina);
- in the *renewable energy* segment*:* work on the Matera (Stigliano), Syracuse (Francofonte) and Avellino (Bisaccia), in the *photovoltaic* segment; activity relating to the order from Avellino (Bisaccia) for construction of a 66 MW wind farm, in the *wind* segment.

Adjusted EBITA at 31 December 2011 came to €mil. 91, down €mil. 54 from 2010 (€mil. 145). Using the same basis of accounting, adjusted EBITA fell by €mil. 19, mainly due to lower revenues and the impact of the lower profitability of certain orders in the *plant engineering, service* and *nuclear* segments as a result of a different production mix.

ROS at 31 December 2011 stood at 9.3%, compared with 10.3% for 2010.

EBIT at 31 December 2011 amounted to €mil. 46, down €mil. 69 from 31 December 2010 (€mil.115). Using a uniform basis of accounting reveals a decrease of €mil. 48 in provision for risks and charges amounting to €mil. 45 (€mil. 82 if consolidated 100%). With regard to this, in September 2011, the Court of Milan in the first instance ordered Ansaldo Energia SpA to pay an administrative fine of €thous. 150 for violations committed pursuant to Art. 25(3) of Legislative Decree 231/2001, and ordered the confiscation of the equivalent of €mil. 98.7 (amount if consolidated 100%). After the court's decision was published in December 2011, the company, although expressing its complete confidence that the decision would be revised on appeal, established a provision for this liability, estimated based on the likely duration of the remainder of the proceeding. The company filed an appeal on 1 February 2012.

Research and development costs at 31 December 2011 totalled €mil. 23, down €mil. 15 from 2010 (€mil. 38). Using the same basis of accounting, R&D costs fell by €mil. 5. Activities primarily focused on:

- in the *plants and components* segment, projects to develop large-scale gas (E and F class) and steam (development of the basic design for the ultra-supercritical units has been completed) turbines; work has also continued on projects involving optimised sized generators (able to be adapted to changes made in turbines) and the new model of the 400 MW air-cooled generator was completed;
- in the *service* segment, activity continued to centre around gas turbines containing proprietary technology and turbines containing third-party technology, through the Original Service Provider business line;
- in the *nuclear* segment, research on cutting-edge, 4th generation plants, with the company engaged in evaluating the feasibility of lead-cooled fast reactors, as part of the Lead European Reactor research programme; development activities for the International Reactor Innovative & Secure modular reactor (sponsored by Westinghouse) jointly with ENEA and the Polytechnic of Milan and other Italian companies;
- in the *renewable energy* segment, a proto-type plant was built to produce liquid hydrocarbon from vegetable oils by means of a thermo-catalytic process (does not require the use of methyl alcohol and does not produce glycerin as a by-product); construction also began on a prototype system for the gasification of biomass using staged combustion technology for which patent applications and trademark registrations have been filed.

The **workforce** stood at 1,872 at 31 December 2011, compared with 3,418 at 31 December 2010. The decrease is largely due to the different consolidation method used as mentioned above.

TRANSPORTATION

€ million	31 Dec. 2011	31 Dec. 2010
New orders	2,723	3,228
Order backlog	8,317	7,303
Revenues	1,877	1,962
Adjusted EBITA	(110)	97
ROS	(5.9%)	4.9%
EBIT	(573)	41
R&D	46	69
Workforce (no.)	6,876	7,093

The Transportation division comprises the Ansaldo STS group (*signalling and transportation solutions*), AnsaldoBreda SpA and its investees (*vehicles*) and BredaMenarinibus SpA (*buses*).

New orders at 31 December 2011 came to €mil. 2,723, down €mil. 505 from 2010 (€mil. 3,228), due mainly to fewer new orders in the *vehicles* segment, which benefited in 2010 from the order from Trenitalia for 50 high-speed trains as part of the temporary joint venture with Bombardier.
The following were the most important new orders for the period:

- in the *signalling and transportation solutions* segment:
  - in *signalling:* the order to upgrade the technology for the conventional lines on the Turin-Padua route (Q1); the order for the Red Line of the Stockholm metro (Q1); orders for the Bretagne-Pays de Loire and South Europe Atlantic high-speed lines in France (Q4); the order for the new East-West Line of the Calcutta metro in India (Q4); the order for the Gebze-Kosekoy segment of the high-speed Ankara-Istanbul line in Turkey (Q4); the order for Level 2 ERTMS/ETCS signalling systems along the Berlin-Rostock line in Germany (Q3); various components orders and service and maintenance orders;
  - in *transportation solutions:* the order for the construction, operation and maintenance of the new driverless metro line in the city of Honolulu (Q4); the order for trains for the

new driverless metro line (Cityringen) in Copenhagen (Q3); the order for the Milan metro Line 5 extension (Q1); contracts under the framework agreement with Rio Tinto Iron Ore, in Australia (Q1-Q2);

- in the *vehicles* segment: the order for trains for the new driverless metro line in Honolulu (Q4); the order for trains for the Milan metro Line 5 extension (Q1) and service orders;
- in the *bus* segment: various orders for a total of 90 buses.

At 31 December 2011 the **order backlog** amounted to €mil. 8,317, up €mil. 1,014 from 31 December 2010 (€mil. 7,303). The order backlog breaks down as follows: 65.0% for *signalling and transportation solutions*, 34.8% for *vehicles* and 0.2% *buses*.

Revenues at 31 December 2011 were equal to €mil. 1,877, down €mil. 85 from 2010 (€mil. 1,962). This decline is mainly due to the drop in production volumes in the *signalling and transportation solutions* segment, especially in *signalling*, as a result of the completion of several Italian projects and the lack of progress on orders for Libya.
Major orders include:

- in the *signalling and transportation solutions* segment:
  - in *signalling:* projects related to high-speed trains, train control systems and the Turin-Padua route in Italy; orders for the Bogazkopru-Ulukisla-Yenice and Mersin-Toprakkale lines and for the Ankara metro in Turkey; orders for Australian Rail Track in Australia; the Cambrian Line in the UK; the Rhin-Rhone high-speed train line in France; the order for the Union Pacific Railroad project and for the interlocking system for the Lexington Avenue and Fifth Avenue stops in New York and the project to supply an integrated control system for the Port Authority Trans-Hudson in the US; various orders for components;
  - in *transportation solutions:* the metro systems of Naples Line 6, Copenhagen, Rome Line C, Riyadh, Brescia and Genoa; projects for Rio Tinto in Australia;
- in the *vehicles* segment: trains for the Danish railways; trains for the Dutch and Belgian railways; double-decker train cars for Trenitalia; trains for the Milan, Riyadh (Saudi Arabia), Rome Line C and Fortaleza (Brazil) metros; Sirio tram orders for Goteborg (Sweden) and various service orders;
- in the *bus* segment: various orders for buses (84% of revenues for the segment) and for post-sales services.

Adjusted EBITA stood at a negative €mil. 110 at 31 December 2011, a decrease of €mil. 207 compared with the previous year (€mil. 97), mainly attributable to *vehicles* segment.

Specifically, the deterioration in adjusted EBITA in the *vehicles* segment, amounting to €mil. 177, includes an "exceptional" provision to cover the risks related to "costs of non-quality" (€mil. 47). The "non-quality" comes from the organisation and processes whose effectiveness derives from their ability to identify and neutralise in a timely fashion those problems that may arise during the life-cycle of a programme and that were the main cause of AnsaldoBreda's poor performance in past years. Based on this, the "EOS" project, launched by AnsaldoBreda's new management, provides for the definition of a new organisation and actions focusing on processes, in addition to a detailed efficiency-enhancement plan, in order to achieve the important goal of gradually eliminating "non-quality costs" by 2014.

The remaining deterioration in the division's adjusted EBITA mainly reflects the results of the analysis performed on the estimates made for contract work in progress, which revealed losses in the profit margins on services, various Sirio contracts, and certain mass transit programmes nearing completion.

The *bus* segment also contributed to this decline in adjusted EBITA by €mil. 9 due to cost overruns for certain orders, as did the *signalling and transportation solutions* segment for €mil. 21, mainly reflecting the mentioned decrease in revenues and a different production mix. **ROS** for the division came to a negative 5.9%, compared with a positive 4.9% at 31 Decembe 2010.

EBIT at 31 December 2011 was negative by €mil. 573, down €mil. 614 compared with the previous year (€mil. 41), reflecting the mentioned €mil. 207 decline in adjusted EBITA and the €mil. 407 deterioration in non-recurring costs.

Specifically, non-recurring costs amounted to €mil. 444 at 31 December 2011 (€mil. 48 at 31 December 2010) and are attributable to AnsaldoBreda (*vehicles* segment).

First, they incorporate the effects of the strategic repositioning of AnsaldoBreda, substantiated by the lack of medium-term commercial prospects, for which reason the study commissioned of a leading international consulting firm in the latter part of 2011 revealed AnsaldoBreda's objective difficulty in competing with its products in the foreign railway market.

Therefore, the development costs of "foreign railway" segment products capitalised in previous years were written down (€mil. 84) since they are not recoverable. As a result, non-recurring costs also include the cost overruns and provisions for contractual obligations recognised in relation to two main line foreign orders, specifically, that for the Danish railways (€mil. 186) and that for the Dutch and Belgian railways (€mil. 113).

With regard to the Danish order, as mentioned in the interim financial report at 30 September 2011, despite negotiations that were under way with the customer's prior management on the final details pertaining to the order, the new management of the customer began testing the performance of units already delivered in order to ascertain and “lock in” the optimal configuration. The revised estimate for that contract takes into account the higher costs to be incurred in adapting the vehicles to the agreed configuration. This was also substantiated by a longer-term projection of the problems encountered regarding materials and extra production cycles, as well as the potential contractual obligations related to late deliveries.

As to the contract for the Dutch and Belgian customers, the product configuration was agreed and “locked in” only at the end of the year. This allowed us to estimate the increased costs, in terms of materials, labour and outside services needed to complete the order, as well as further potential contractual obligations.

Finally, non-recurring costs include write-downs of €mil. 61 recognised as a result of the severe crisis that has affected AnsaldoBreda’s strategic partners.

Restructuring costs at 31 December 2011 amounted to €mil. 19 (€mil. 8 at 31 December 2010), mainly relate to AnsaldoBreda and include the costs connected with the plan implemented in 2010 and those related to the liquidation of AnsaldoBreda France SA.

Research and development costs at 31 December 2011 were equal to €mil. 46 (€mil. 69 at 31 December 2010) and mainly regarded projects in the *signalling and transportation solutions* segment.

The **workforce** stood at 6,876 at 31 December 2011, a 217 employee decrease from 7,093 reported at 31 December 2010.

OTHER ACTIVITIES

€ million	31 Dec. 2011	31 Dec. 2010
New orders	319	105
Order backlog	256	113
Revenues	305	243
Adjusted EBITA	(149)	(152)
ROS	n.s.	n.s.
EBIT	(185)	(152)
R&D	6	7
Workforce (no.)	911	906

The division includes, *inter alia*: Finmeccanica Group Services SpA, the Group services management company; Finmeccanica Finance SA and Meccanica Holdings USA Inc, which provide financial support to the Group; Finmeccanica Group Real Estate SpA (FGRE), which manages, rationalises and improves the Group's real estate holdings; and So.Ge.Pa. SpA (in liquidation).

During the previous year, following a process begun in late 2009, action was undertaken to fully pursue the objective of leveraging and rationalising the Group's real estate holdings by gradually concentrating them within FGRE.

The division also includes the Fata group, which provides machinery and plants for processing aluminium and steel products and contracting services for the electricity generation and primary aluminium production industries.

From a commercial standpoint, Fata received **new orders** totalling €mil. 319 at 31 December 2011, up €mil. 214 compared with 2010 (€mil. 105).
Fata's **revenues** at 31 December 2011 came to €mil. 161, essentially in line with the figure reported for the previous year (€mil. 162).
Fata's **workforce** at 31 December 2011 totalled 346 employees, compared with 300 employees at 31 December 2010.

This division's figures also include those of **Finmeccanica Spa,** which for some years underwent an extensive transformation process, altering its focus from a financial company to that of an industrial company. The result of this process is a commitment from management to press on with a series of actions concerning industrial, technological and commercial integration.

FINMECCANICA AND RISK MANAGEMENT

Inasmuch as Finmeccanica operates towards its subsidiaries and jointly-controlled entities as an industrial and strategic holding company, we deem it better to present the following section at Group level in order to give a comprehensive representation.

	RISKS	ACTIONS
The Group reported significant losses in 2011. Returning to profitability and a fully sustainable financial position is connected to the success of the restructuring plan launched by management	Management has launched a plan to thoroughly restructure the Group, particularly the Aeronautics, Defence and Security Electronics and Transportation divisions, in order to become more industrially efficient and reduce debt. If this plan should not prove to be successful, the Group's ability to effectively compete in global markets, as well as its financial stability, could be negatively effected.	In 2011, the Group launched a thorough restructuring plan, in addition to that begun in 2010, designed to restore efficiency, cut production costs and rationalise its product portfolio and production structure, along with identify assets to be sold.
The persistence of the economic crisis could reduce the Group's profitability and its ability to generate cash flow even in the civil sectors	The persistence of the economic crisis not only involves budget cuts by public institutions, which represent a significant portion of the Group's customers, but also significantly affects civil markets, in particular helicopters, civil aeronautics and energy, thereby increasing competition in the sectors in which the Group operates. Delays or reductions in the acquisitions of new orders, or the acquisition of new orders on less favourable terms than in the past, including financially, may reduce Group profitability and increase the Group's financial requirements during the performance of such orders.	The Group's goal is to improve its industrial efficiency and its ability to perform contracts, while reducing overhead costs.
Certain Group companies are involved in judicial investigations	As more fully explained in the "Corporate Governance Report and Shareholder Structure", certain Group companies are involved in judicial investigations. The estimated impact of these investigations was considered in preparing the 2011 financial statements. Unforeseeable further developments could have an impact on the Group's performance and financial position, as well as its relationships with its customers.	The Group has taken all steps necessary to more thoroughly examine any irregularities and to prevent employees, directors and suppliers from continuing to engage in inappropriate practices.
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	Finmeccanica's goal is to regulate within the Group the process of preparing and authorising major contracts by issuing a special directive. In fact, starting with the business proposal stage, Finmeccanica

contract, including risks for delays and additional actions to be undertaken to mitigate the risk of non-performance and (ii) checking the state of progress of the activities. Given their nature, these are both subject to management's estimates and, as a result, they depend on the ability to foresee the effects of future events. An unexpected increase in the costs incurred while performing the contracts might determine a significant reduction in profitability or a loss, if these costs exceed the revenues deriving from the contract.

controls the main performance and financial parameters including in Economic Value Added (EVA), which is one of the aggregates used to evaluate the major contracts of directly controlled and strategic companies (as in the "Training and operation of the Board of Directors and Boards of Statutory Auditors of subsidiaries" directive). Moreover, the Group reviews the estimated costs of contracts regularly, at least quarterly. In order to identify, monitor and assess risks and uncertainties linked to the performance of the contracts, the Group adopted, as provided in the "Order Risk Management" directive, Lifecycle Management and Risk Assessment procedures, aimed at reducing the probability of occurrence or the negative consequences identified and to timely implement the mitigation actions identified. Under these procedures, all significant risks must be identified from the offering stage and monitored while the programme is being carried out, by constantly comparing the physical progress and the accounting status of the programme. Top management, programme managers and the quality, production and finance departments are all involved in making these assessments ("phase review"). The results are weighted in determining the costs necessary to complete the programme on an at a least quarterly basis.

In consideration of the events that marked 2011, the Group is also committed to improving its industrial efficiency and its ability to precisely perform to customer specifications.

During the current activity, the Finmeccanica Group is exposed to liability risks to customers or associated third parties in connection with the proper performance of contracts

As part of its activities, the Group may be held liable in connection with (i) the delay in or non-supply of the products or the services indicated in the contract, (ii) the non-compliance of these products or services with the customer's requests, due to design and manufacturing defects of products and services, for example, and (iii) defaults and/or delays in marketing, rendering of after-sale services and maintenance and revision of products. These liabilities might arise from causes that are directly ascribable to Group companies or causes that are

Group companies usually take out insurance policies available on the market to cover potential damages. However, it cannot be excluded that there may be damages that are not covered by insurance policies, that exceed the limit of liability insured or that insurance premiums may be increased in the future. Moreover, the Group continuously monitors the performance of programmes using the aforementioned Lifecycle Management techniques.

ascribable to third parties outside the Group that act as suppliers or sub-suppliers for the Group.

In consideration of the events that marked 2011, in connection with these programmes the Group is committed to improving its industrial efficiency and its ability to precisely perform to customer specifications.

The Group's debt position was effected by the acquisition of DRS in 2008. This debt could have an impact on the Group's operational and financial strategies

At 31 December 2011, the Group's net financial debt came to €mil. 3,443, equal to 75% of its shareholders' equity at that date. This level of debt is attributable to the acquisition of DRS Technologies (DRS) in 2008, which caused the Group's debt to rise by €bil. 3.6. Following this acquisition, Finmeccanica reduced its impact through a successful capital increase, the selling off of non-core assets, and the issue of bonds in Europe, the US and the UK. This strategy made it possible to repay DRS's debts and the bridge loan used for the acquisition. However, the debt level is still high, thereby reducing the Group's profitability through higher borrowing costs and exposing it to future fluctuations in interest rates (as to the floating portion), which could influence the Group's strategy, limiting its operational and strategic flexibility, in part due to current market conditions, which could cause the Group's funding needs to increase, at least during certain periods of time. Potential future liquidity crises could also restrict the Group's ability to repay its debts.

The Group has implemented a financial strategy allowing it to significantly extend the remaining life of its debt to over 10 years, and to reduce its exposure to interest rate fluctuations by issuing fixed-rate bonds. The next maturity that needs to be refinanced is the redemption of the bond issue for €bil. 1 at 8.125% maturing in 2013, for which the Group possesses the necessary funds and which it already partially bought back a nominal €mil. 185 in 2011. The Group also has confirmed short-term credit lines totalling €mil. 2,400 (until September 2015) from a pool of leading Italian and foreign banks. This credit line is an important source of medium-term liquidity and, given its amount and that it is a revolving facility, it meets the Group's working capital requirements, in which collections are highly seasonal in nature.

Finally, the Group seeks to continually reduce its debt by keeping a close eye on cash generation and the disposal of assets.

The Group's credit rating is also linked to the opinions of the credit agencies

All Group bond issues are given a medium-term financial credit rating by the three international rating agencies: Moody's Investors Service (Moody's), Standard and Poor's and Fitch. At the presentation date of this report Finmeccanica's credit ratings were: Baa2 with a negative outlook from Moody's (from A3 with a stable outlook at 31 December 2010), BBB- with a negative outlook from Fitch (from BBB+ with a stable outlook at 31 December 2010) and BBB- with a negative outlook from Standard and Poor's (from BBB with a negative outlook at 31 December 2010). The downgrading of the Group's credit rating in 2011 is attributable to the deterioration in the Group's performance and, in part, to the downgrade in the rating for the Italian Republic. However, Finmeccanica maintained its investment grade status, though with a negative outlook. The ratings agencies could change their opinions once Finmeccanica releases information on

As noted previously, the Group is actively engaged in implementing actions identified under the restructuring plan for reducing its debt. Moreover, the Group's financial policies and careful selection of investments and contracts involves being constantly alert to maintaining a balanced financial structure. In seeking out alternatives to pursue, the Group always takes into account the potential impact such could have in the indicators used by the rating agencies.

the progress of planned restructuring, reorganisation and asset disposal programmes. A further downgrade in the Group's credit rating below investment grade status could severely limit its access to funding sources, as well as increase its borrowing costs for existing and future loans, which would have a negative impact on the Group's business prospects and its performance and financial results.

The Group realises part of its revenue in currencies other than the currencies in which costs are incurred, exposing it to the risk of exchange rate fluctuations. A part of consolidated assets are denominated in US dollars and pound sterling	The Group reports a significant portion of revenues in dollars and pounds, while costs can be denominated in other currencies (mainly euros). Accordingly, any negative changes in the reference exchange rate might have negative effects (transaction risk). Moreover, the Group made significant investments in the United Kingdom and in the United States. Since the reporting currency of the consolidated Group financial statements is the euro, negative changes in the exchange rates between the euro and the dollar and between the euro and the pound sterling might have a negative impact on the Group balance sheet and income statement due to the translation of the financial statements of foreign subsidiaries (translation risk).	The Group continuously applies an organised hedge policy to combat transaction risk for all contracts using the financial instruments available on the market. Changes in the dollar and pound exchange rates also give rise to translation differences recognised in Group equity that are partially mitigated through the aforementioned pound and dollar issues. Moreover, in intercompany financing activities denominated in currencies other than the euro individual positions are hedged at the Group level.
The Group operates in some segments through joint ventures, in which the control is shared with other partners	The major joint ventures in the Aerospace and Defence area are MBDA, held at 25% (with partners BAE Systems and EADS), Thales Alenia Space, held at 33%, and Telespazio, held at 67% (both with partner Thales) and GIE-ATR, held at 50% through Alenia Aermacchi (with EADS). These joint ventures, which are consolidated by the Group on a line-by-line basis, jointly generated 11% of the revenues consolidated in 2010. The operations of the joint ventures are subject to management risks and uncertainties, mainly due to the possible arising of differences between the partners on the identification and the achievement of operating and strategic objectives, and the difficulties in resolving any conflicts that may arise between them in the ordinary course of business of the joint venture. In particular, the joint ventures in which the Group has an interest may be subject to decision deadlocks which may ultimately lead to the liquidation of the joint venture. In the case of liquidation of the joint venture or sale of the interest by the Group, it may have to share or transfer technological skills or know-how that were originally contributed to the joint venture.	The Group constantly follows, including through the involvement of its own top management, the performance of these activities, in order to timely identify and manage critical issues.

The Group is a sponsor of defined-benefit pension plans in the UK and the US and of other minor plans in Europe	Under the defined-benefit plans, the Group is required to ensure a specific future retirement benefit level for employees participating in the plan, assuming the risk that the plan assets (stocks, bonds, etc.) are not sufficient to cover the agreed-upon benefits. If the value of plan assets is less than the agreed-upon benefit level, the Group duly recognises the amount of the deficit among liabilities; at 31 December 2011, this amounted to €mil. 223. If the value of plan assets falls significantly, for example due to high volatility in the stock and bond markets, the Group must make good this loss to plan participants, which therefore has a negative effect on its own performance and financial position.	The Group keeps a close eye on plan deficits and investment strategies and takes immediate corrective action when necessary.
The Group operates in particularly complex markets, where disputes are settled after a considerable period of time and following extremely convoluted procedures. The Group also operates numerous industrial facilities and is therefore exposed to environmental risks	The Group is party to judicial, civil and administrative proceedings; for some of these, the Group has established a specific provision in the consolidated financial statements to cover any potential liabilities (totalling €mil. 215 at 31 December 2011). Some of these proceedings in which the Finmeccanica Group is involved – for which a negative outcome is unlikely or that cannot be quantified – are not covered by the provision. The Group's business activities are subject to laws and regulations protecting the environment and human health that impose limits on air emissions and the release of waste into the water and the soil and that regulate the handling of hazardous waste and the restoration of contaminated sites. Under current regulations, owners and operators of contaminated sites are responsible for pollution found on such sites and, therefore, may be required to bear the costs of environmental assessment and remediation, regardless of the source of the contamination. While carrying out its production activities, the Group is exposed to the risk of accidental contamination of the environment and may be required to bear the costs of restoring any sites that may be contaminated.	The Group regularly monitors potential and existing disputes, taking the necessary corrective actions and adjusting its provisions for risks and charges on a quarterly basis. As to environmental risks, the Group has established an environmental monitoring and assessment programme and has insurance coverage to limit the impact of any contamination event.
The Group operates in particularly complex markets which require compliance with specific regulations	The Group designs, develops and manufactures products in the defence sector. These products are particularly important to the protection of national security interests and, therefore, their exportation is subject to the receipt of special authorisations from the relevant authorities. The prohibition, limitation or withdrawal, if any, (in the case, for example, of embargoes or geopolitical conflicts) of the	The Group monitors, through specific structures, the constant updating of the relevant regulations. Commercial actions are subject to regulatory restrictions and receipt of the necessary authorisations.

authorisation to export the products might have significant negative impact on the Group's operations and its financial statements. Moreover, non-compliance with these regulations could result in withdrawal of authorisations.

A significant portion of the consolidated assets relate to intangible assets, specifically goodwill	At 31 December 2011 the Group reported intangible assets of €mil. 8,409, of which €mil. 5,518 relate to goodwill (18% of total assets) and €mil. 1,285 to development costs. The recoverability of these amounts is linked to the realisation of future plans of the reference businesses/products.	The Group constantly monitors performance against the expected plans, implementing the necessary corrective measures in the case of unfavourable trends. These updates are reflected, when the consistency of the amounts posted is assessed, in the expected flows used for the impairment tests.

FINMECCANICA AND THE ENVIRONMENT

Strategic guidelines and management approach

Integrating the concept of environmental sustainability in business, carefully and responsibly managing of natural resources, adopting of cutting-edge solutions and technologies are key elements of a path based on continually improving corporate services. This is a course that Finmeccanica has long followed and of which it is in the forefront when it comes to sustainability and, especially, protecting the environment, as more fully explained in the Group Sustainability Report 2010, prepared in accordance with the Global Reporting Initiative (GRI) version 3.0, level B+ guidelines with respect to the most important topics, including environmental issues.

Numerous projects where carried out over the course of the year aimed at achieving a more complete and efficient management of environmental issues that may also serve as valid policy and decision-making support tools for top management.

These include the new web-based system for the scopes of the Group environmental reporting, designed and implemented by Finmeccanica Group Real Estate (FGRE), which functions as an innovative tool for gathering, analysing, processing and measuring environmental indicators, including carbon indicators, which combines the experience gained through the Group Environment Information System with a cutting-edge computer technology. The result of this is a centralised, integrated management system for Environment, Health and Safety in the workplace (EHS) issues, allowing FGRE, the EHS organisation unit responsible for reporting on Group environmental performance, to take action, in concert with the individual companies, in the constant pursuit of managerial efficiency regarding environmental issues.

Another important result is the preparation for launching Risk Gate, the environmental risk mathematical model conceived, developed and tested by Finmeccanica Group Real Estate for assessing environmental risk at Group industrial sites, considering the environmental sensitivity of the area where these sites are located, all the environmental factors and the site-specific risk factors, the socio-economic sensitivity of the context in which they are found and compliance with applicable environmental regulations, thereby making it possible to reduce the discretion on the part of the evaluator to a minimum.

While new projects have been started, existing projects have continued, such as those connected with reducing the environmental impact due to climate-altering gas emissions and the Group Carbon Management System (CMS), the model for reporting Scope I emissions (direct, from combustion, processing), Scope II emissions (indirect, from the consumption of electricity) and Scope III emissions (indirect, from business travel, production of raw materials, goods transport, waste disposal), developed in line with the relevant international standards and rules, in particular the Greenhouse Gas Protocol (GHG). The commitment to managing greenhouse gases was confirmed by the establishment of a corporate organisation capable of supporting various initiatives within the companies, which has taken the form of the introduction, within the Group, of the carbon manager. All companies are responsible for appointing their own carbon managers. The carbon manager is responsible for monitoring and measuring CO_2 emissions and identifying, planning and executing suitable actions to reduce them, in line with the provisions, directives and goals set down by Finmeccanica (reducing the Group's CO_2 equivalent by 15-20% by 2015).

During the year, important milestones and actions marked the Group's path towards sustainability in the international arena: Finmeccanica has been confirmed as included among the 342 companies worldwide listed in the Dow Jones Sustainability World and Europe Indexes, which assess the performance of leading companies in terms of economic, environmental and social sustainability, and participated in the Carbon Disclosure Project (CDP) with excellent results. The CDP, in which Finmeccanica has been a participant since 2008, is a non-profit organisation whose mission is to encourage actions to combat climate change using the combined power of businesses, investors and political leaders.

A commitment to EHS so well structured and complex, which cuts across extremely diverse industrial companies located all over the world, cannot ignore the allocation of important resources (more than €mil. 35 was invested in 2010 in programmes aimed at reducing their environmental impact and safeguarding workplace safety) and the awareness of the importance of implementing and consequently improving environmental management systems (EMS), especially those with ISO 14001 certification.

In light of the Parent Company's role in setting policy for and coordinating and controlling environmental and health and safety matters, FGRE encourages the adoption of EMS at Group sites. Specifically, more than one-third of the sites covered by Finmeccanica's environmental reporting are ISO 14001 certified. Moreover, some of these have received Eco-Management and Audit Scheme (EMAS) registration and, in the past few years, the number of OHSAS 18001 (Occupational Health and Safety Assessment Series) certifications within the Group has risen considerably. The case of SELEX Elsag is particularly interesting, as it received SA 8000 certification. This is an international standard designed to improve working conditions for employees, particularly in terms of workplace health and safety, among other areas.

This is confirmation of the growing emphasis by the companies on workplace health and safety management models.

Two other events, beyond the EMS certificates mentioned above, are particularly important.
The first is connected to the unique experience of AnsaldoBreda with regard to environmental product declarations (EPD). In 2010 and 2011, such certifications were received for the Brescia metro train and for the Rome Line C metro.
The second relates to the experience of SELEX Galileo, which implemented the first energy management system under BS 16001:2009 for its Luton - Capability Green (UK) site.
Finally, in keeping with its mission, FGRE held a series of meetings and led various activities relating to Legislative Decree 121 of 7 July 2011, in order to provide more thorough information about and stimulate proactive discussion on the new Italian environmental crimes legislation with the Group companies.

Innovation and disclosure of best practices

The need for natural and energy resources and the impact on the environment (water, air, soil and subsoil) are generated by all business sectors in different ways depending on the characteristics of their main manufacturing processes and the type of operation being carried out.
The reduction of environmental impact and efficient use of resources is a common goal for all Group companies, and is becoming an increasingly integral factor in Finmeccanica's business. This integration arises from a growing awareness at all corporate levels and from changes in perception that have transformed environmental issues from mere technical questions of managing production to major added-value areas of management.
The interests of various categories of stakeholders in these issues has accelerated and facilitated this cultural change, while another strong push comes from the market. In many business sectors, the environmental dimension has now passed beyond the confines of corporate operations to become an important competitive factor. Proof of this are the various cases in which Through Life Cycle Management and eco-design approaches have been applied to the design of products and services, in particular in the Helicopters, Aeronautics and Transportation sectors.
Corporate know-how with respect to environmental, health and safety matters is the property of the Group EHS Community, currently made up of approximately 80 dedicated staff members who meet periodically to share best practices and their own management experiences.

Communication, education and training

Finmeccanica considers natural resources and energy sources to be precious assets that must be used responsibly and therefore promotes environmental education so that people become the main source of responsible behaviour.
During the year, the Group organises numerous meetings on the environment, health and safety (workshops, specialised training, roundtable discussion and sharing of plans/projects) and uses

established channels of communication (the intragroup portal for EHS managers, dedicated mailboxes), in order to effectively disseminate specialised Group know-how that is always attentive to innovation and the future, within a framework of sustainable marketing strategies.
The intragroup portal for company EHS managers, EHS InPortal, has around 200 users and provides access to over 140 documents, including guidelines, best practices, case studies, and technical or regulatory presentations pertaining to EHS.
Specifically, during the year, a variety of guidelines were prepared and circulated within the Group, including Guidelines for the management of hazardous substances at Finmeccanica Group sites, which is part of the training, begun several years ago, on the REACH (Registration, Evaluation, Authorisation and Restriction of Chemical Substances) and the CLP (Classification, Labelling and Packaging) regulations.
Finally, Finmeccanica implemented an important training programme on the use of the Group's new web-based environmental reporting tool. Over 180 EHS employees throughout the world were trained, for a total of over 700 training hours provided.

Energy issues

Thanks to a structured energy management process, over the years Finmeccanica Group Services (FGS) has developed an integrated energy resource management model for optimising Group expenditure by constantly monitoring the relationship between internal demand and the market and improving the efficiency of required energy through targeted planning of improvement programmes, in line with the industrial development of the different companies. The process operates along three lines:

- *Energy Supply:* management and rationalisation of the Group's energy expenditure. Since 2003, FGS has negotiated and monitored Group supplies. Starting from last year, this activity was opened to the External Customer market. In 2011, FGS handled volumes of around €mil. 150, of which around €mil. 90 for the Italian Group companies, €mil. 11 for the UK companies and about €mil. 50 for External Customers.
- *Energy Demand*: management of the Group Energy Efficiency Programme, launched in 2005 following timely reviews on energy use by the main production sites. Under the Energy Efficiency Programme, also financed using savings from energy supply negotiations, Group investments were made in projects for the improvement of energy performances of above €mil. 17 in the 2006-2011 period.
- *Communication and Social Services:* coordination of the Group Energy Managers Community, support given to Finmeccanica in organising events linked to the issue of the rational use of energy resources, negotiation of agreements to the benefit of Group employees.

FGS also regularly organises operating meetings on energy and environment issues for the Group Energy Managers Community. These meetings, which are held every four months, are key to sharing Group Guidelines, best practices, to developing synergies among the companies and to introducing technological procedural and contractual innovations.

Energy Supply

In centrally negotiating supplies of electricity for Italian offices and sites, FGS annually solicits bids from suppliers specifically for energy generated from renewable resources.

In 2011, FGS entered into electricity service contracts for 2012 certifying that 21% of the energy for use at the main Italian sites comes from renewable sources. Of this, 4% comes from hydroelectric plants and 17% indirectly from renewable sources through the acquisition of certificates of origin of renewable energy sources (CO-FERs).

Internationally, efforts continue in the UK and the initial scouting has begun in the US to evaluate possible negotiating synergies between DRS Technologies (DRS), Ansaldo STS and AgustaWestland in Pennsylvania.

With regard to energy supply management for the British Group sites, FGS has formed an acquisition consortium, defining a service model that allows the dynamic purchase of amounts of energy over future time horizons.

Finally, energy consumption at the sites of Italian and British companies is constantly monitored in order to notify the suppliers of any invoicing errors and to verify the reduction of energy consumption deriving from efficiency improvement actions. In 2011, FGS conducted bill audits and recovered around €th. 270 in invoicing errors made in 2010, for a total of around €th. 800 in credit notes issued in favour of Group companies between 2006 and 2011.

Energy Demand - Energy Efficiency Programme

The goal of the Group Energy Efficiency Programme is to improve site energy performance by timely analysing site energy use and subsequently implementing engineering and managerial actions.

The Programme, started in 2005, helps control and reduce Group energy consumption and spread efficient technological solutions.

Overall, in the 2006-2011 period, 165 actions were carried out at sites in Italy, the UK and the US under the Energy Efficiency Programme for a total Group investment of €mil.17.

FGS conducted 27 energy efficiency audits at Group facilities, covering 70% of domestic energy consumption and 40% of UK consumption and carried out the first US audit at DRS.

As part of its role in promoting and disseminating energy commodity and infrastructure management models, in 2011 FGS launched an analysis to determine the feasibility of a mass rollout of high-energy efficiency lighting systems.

This opportunity was created with the goal of reducing energy costs and achieving international environmental sustainability objectives, taking advantage of economic incentives available under current legislation.

To that end, FGS initiated a series of contacts with major domestic and international industry operators, receiving expressions of interest as to covering the financial aspects, too.

Also in 2011, FGS supported some of the Group companies in the economic and technical analyses for developing and implementing cogeneration and gasification projects.

Communication and Social Services

FGS created the Group Energy Manager and Transport Manager Community, which periodically gathers at special meetings to share projects underway, put forth ideas for new initiatives and spread best practices.

On 16 November 2011, the 17th Energy Workshop was held with various discussions and talks intended for the employees of the Italian, British and US companies on efficiency and saving energy and, more generally, on environmental sustainability and regulatory changes.

Relevant environmental issues and Group performance

Below are some of the most significant issues pertaining to Finmeccanica's activities that have a direct relation to the environment. For more details, please refer to the environmental section of the Finmeccanica website (Sustainability/Finmeccanica and the Environment).

Energy consumption, emissions into the atmosphere and emissions trading

Even though Finmeccanica's activities are not in high-energy intensity sectors, reducing energy consumption is one of the most significant environmental issues for the Company. The energy sources used within the Group are:

- electricity;
- natural gas;
- diesel fuel for generating power and heat;
- other fuels.

Electricity and natural gas represent approximately 91% of all power consumption.

Power consumption at the Group level is substantially unchanged with respect to previous years and the ratio of fuel consumed to labour hours confirms the stability of specific consumption and the use of different energy sources.

The Aeronautics and Helicopters divisions consume the most energy, in line with the characteristics of the relevant industrial processes.

Starting from 2010, more than 25 operations have been carried out to improve plant energy efficiency, with an investment of approximately €mil. 1.7 in 2011, mainly relating to:

• heat recovery;

• improvements to lighting efficiency;

• installation of high-efficiency electric motors and automatic load management systems;

• replacement of obsolete machinery with more efficient machines.

The continuation of an ever-increasing eco-sustainable path from an energy standpoint, in line with the obligations undertaken in the Group Environmental Policy, will actively help to reduce CO_2 production in order to reach the reduction targets set in the CMS project (-15/20% by 2015).

The atmospheric emissions produced by Group sites are due to combustion processes and to industrial processes.

The most important parameters of air quality in addition to CO_2 are NOX, SO_2, Volatile Organic Composites (VOC), Volatile Inorganic Composites (VIC) heavy metals (Pb, Hg, Cd, Cr, As, Co, Ni) and particulate. Atmospheric emission quality is monitored to ensure it stays within the legal limits.

No changes in the scope of Group sites subject to the Emission Trading Directive (Emission Trading Scheme - ETS) (Directive 2003/87/EC), the regulation for the implementation of the Kyoto Protocol to reduce green-house gas emissions, occurred. All 12 sites covered by the scheme, located throughout Italy, have received certification of their emissions from a body accredited by the Ministry for the Environment, Land and Sea.

Water resources management

As part of the actions taken to promote environmental sustainability, Finmeccanica deems the issue of proper water resources crucial and one that must be pursued and maintained over time and it represents an important key performance indicator (KPI) for assessing the efficiency of any process that involves its use.

Water consumption by the Group is mainly for civil uses, industrial use (e.g. surface treatments, cooling systems, etc.) and irrigation of the extensive green areas found in particular at the sites of the Aeronautics and Helicopters divisions. The sum of their consumption amounted to approximately three quarters of the Group’s total consumption.

The water used for civil and industrial purposes is mainly drawn from onsite wells, while a small portion is taken from the mains.

The on-going commitment of the Group companies to improving management of water resources resulted, over the last 3 years, in a significant reduction in the ratio of water consumed to labour hours, achieved in part thanks to actions taken to modernise and improve the efficiency of the plant's water cycle (e.g., increasing in the number of sites equipped with water re-circulation and reuse systems), and in part through careful and responsible management, encouraged at the Group level through the distribution of special guidelines developed by FGRE *(Guidelines for water management at Finmeccanica Group sites*).
Qualitative and quantitative analysis is also performed on the wastewater at Group sites: the wastewater produced by sites can either be classified as domestic and equivalent wastewater or as industrial wastewater. Most of the Group's sites only produce wastewater that can be classified as domestic or equivalent. The major final recipient is public sewers.

Waste production and management

Waste production is one of the most significant environmental factors for the Group. Almost all of the waste produced comes from the Aeronautics, Helicopters, Energy and Transportation divisions whose industrial processes require the use of significant amounts of material.
Waste is monitored during all phases of operation (storage, transport, treatment, disposal/recovery). Finmeccanica's goal is to reduce the amount of waste produced and increase the amount sent for recovery, based on an environmental sustainability approach.
The positive results achieved in recent years with respect to the decrease in the specific ratio of total waste produced per labour hour, reflect the various training, information and awareness enhancement campaigns carried out by FGRE on waste production and management issues.
As well as specific training on SISTRI, the new waste tracking control system, roundtable discussions were organised with the EHS managers from the Group companies to share the most effective management methods and to raise the level of awareness regarding proper separation and classification of waste, which is also to be shared with and passed on to service providers.

Soil and subsoil

Group sites cover a total surface area of approximately 1,500 hectares, of which 42% is made up of green areas.
The most extensive sites are those in the Aeronautics and Helicopters divisions, due to the presence of special structures such as aircraft or helicopter assembly hangars or airfields.
In all, approximately 19% of sites are located less than 1 kilometre from a natural area.
The Group companies have performed environmental investigations to ascertain the state of the soil in the areas that are potentially exposed to a risk of pollution due to the industrial activities carried out there; where necessary, safety and/or reclamation procedures have been set up.

In some cases, companies have started the process of developing environmental profiles to identify possible sources of contamination of environmental receptors, so that these can be eliminated and potentially contaminated areas can be remediated and developed. In many cases, the site profiles find no contamination at the sites investigated. Creating an environmental profile for a site involves reconstructing the contamination factors drawn from environmental matrices, so as to obtain information upon which to base sustainable, achievable decisions for making the site safe and/or to reclaim it.

One of the main potential sources of soil pollution at industrial sites is the presence of underground tanks, used to store liquid raw materials, fuels and/or liquid waste. Wherever possible they are gradually being replaced by aboveground tanks or being eliminated to reduce the risk of soil contamination.

Biodiversity

In line with the GRI, Finmeccanica started a series of activities connected with biodiversity (i.e. the variability of living organisms, ground and water ecosystems and the ecological complexes they form), and, specifically with respect to the assessment of this aspect at Group sites, FGRE researched and selected a set of specific indicators that will soon make it possible to thoroughly and accurately monitor biodiversity-related matters at the sites subject to reporting.

Fully aware of the value of biodiversity, and in view of its worldwide presence, Finmeccanica works to respect the environment and the various ecosystems within it, managing its manufacturing operations in a way that is increasingly integrated with the surrounding territory.

Hazardous substances

Some of the production processes carried out by the Group, in particular in the Aeronautics, Helicopters and Defence and Security Electronics divisions, require the use of substances such as paints, adhesives, solvents, resins, impregnating agents, acids, bases, etc.. Some of these substances are classified as hazardous under European regulations.

The commitment to reducing the consumption of hazardous substances as classified by Directive 2009/2/EC relating to legislative, regulatory and administrative provisions for the classification, packaging and labelling of hazardous substances (R 40 - Substance with possible carcinogenic effects; R 45 - Substance that may cause cancer; R 49 - Substance that may cause cancer due to inhalation), has led to the reduction in quantities used over the last few years.

The Group’s policy has long been focused on finding less hazardous or non-hazardous alternatives to these products, in line with the REACH Regulation.

This necessarily calls for significant R&D and the creation of a supply chain to provide excellent quality standards and to meet high sustainability and environmentally-friendly standards.

Due to the amounts of substances and preparations used in the processes typical of companies in the Aeronautics and Helicopters sectors, and due to the size of the galvanization bath used for surface treatment of metals, some of the Group sites included in these sectors of activity are classified as being of Major Accident Hazard (MAH). Some of these sites, together with others which are not considered MAH, are subject to the Integrated Pollution Prevention & Control (IPPC) Directive. The aim of IPPC regulations is to minimize pollution caused by various sources, requiring the compulsory issue of Integrated Environmental Authorisations (IEAs) for certain types of plant. All the sites subject to IEA must consider using Best Available Techniques (BAT) in their processes to reduce environmental impact.

Ozone-depleting substances

On Finmeccanica Group sites, ozone-depleting substances are mainly present in cooling and air-conditioning systems.

The census of these substances at Group sites is being completed and numerous companies have, over the year, begun to replace these substances with other ozone-friendly ones, as provided in international agreements and current regulations.

Electromagnetic fields

The question of electromagnetic fields mainly relates to the Group companies operating in sectors involving the production and/or use of systems/equipment for radar, air traffic control and telecommunications.

Electromagnetic field emissions are the object of constant measurements both at the sites where the sources of electromagnetic fields are created and tested and in places where these sources are installed, based on the design, production and testing of plants/equipment that may change with time.

The measurement of electromagnetic fields and the adoption of the relevant prevention and protection measures are carried out according to that provided by the environmental laws in force on the protection of the health and safety of workers in the workplace.

FINMECCANICA AND RESEARCH AND DEVELOPMENT

Consistent with its strategic objectives, in 2011 Finmeccanica continued programmes already under way and initiated new research and development (R&D) programmes, focusing on those that contribute to strengthening its technological and competitive position and featuring highly innovative content.

Aerospace, Defence and Security

In the Aerospace, Defence and Security sectors, the subdivision of R&D into the areas of (a) **technological research and development** and (b) **research and development applied to products,** each under a different timeline, allows for proper planning with containment of risk, optimising the incorporation of new technologies in Group products and launching them in such a way that they are able to be commercially successful over time and remain competitive.

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 their very 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 individual SoC (System on Chip) components to miniaturised, hybrid analogue/digital SiPs (System in Package), involving several of the Group's major companies (**SELEX Sistemi Integrati**, **SELEX Galileo**, **SELEX Elsag** and the **MBDA** and **Thales Alenia Space Italia** joint ventures**)**.

In the area of advanced on-chip integration, in the development of gallium nitride (GaN)-based solutions for creating high-powered, highly-efficient Monolithic Microwave Integrated Circuits (MMIC) for radar and active array applications, research was begun to optimise the reliability of phase-essential devices for integration into products, especially in critical applications such as space applications.

With regard to multi-chip integration, development continued on high-density integration technologies utilising 3D solutions. Of particular importance is the development of new approaches to building radio frequency (RF) front end for active antenna arrays, aimed mainly at lowering costs by going beyond the traditional architectures populated by individual transmit/receive modules to concepts involving combinations of sub-arrays on plane boards or tiles that would constitute "conforming" antennas. There was continued activity in the area of Micro Electro-Mechanical Systems (MEMS) focusing on electronic (especially components for electronic scanning antennas) and inertial and chemical/bacteriological sensor applications (**SELEX Sistemi Integrati**, **SELEX Galileo** and **SELEX Elsag**).

Research continued in the fields of metamaterials and metastructures to be used in miniaturising microwave devices and advanced antennas (**SELEX Sistemi Integrati**, **SELEX Galileo** and **SELEX Elsag**).

With regard to materials for electro-optical applications, further development is being carried out on technologies on arrays at higher temperatures (120-150°K) than conventional arrays (70-80°K), which would significantly reduce the power needed to cool them, thereby leading to man-portable and unmanned applications, as fruit of the collaboration between **DRS Technologies (DRS)** and **SELEX Galileo**.

SELEX Sistemi Integrati continues to make advances in the innovative photonic 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 fibre-optic network architectures for broadcasting digital and analogue signals using active array antennas.
A project is being carried out to expand the use of fibre optic sensors in detecting chemical, biological and explosive (CBE) threats (**SELEX Sistemi Integrati**, **SELEX Galileo**).
There was continued development of uses for photonic technologies in underwater settings, where **WASS** is developing sensor and fibre optic networks for static monitoring of maritime areas and for advanced sonar equipment, and in the area of rail transportation, where **Ansaldo STS** is researching the installation of sensors using fibre optics on railway lines. Specifically, a device for the dynamic weighing of train cars in transit was developed in 2011 using this technology.

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 Italia, SELEX Galileo** and **SELEX Sistemi Integrati**).
In the aeronautics field, work continues into the use of nanotechnologies in composite materials, particularly in building electrically conductive composite aerostructures for protection against lightning strikes, and the nanostructuring of metal alloys (**Alenia Aermacchi**). **MBDA** is currently conducting studies of high-resistance nanostructured ceramics to create radomes

operating in the millimetric band. **Thales Alenia Space Italia** is researching high-resistance shields to be used on re-entry vehicles and hypersonic flights.

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 that are also intended for use on future national security projects (**AgustaWestland, 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.

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 the mentioned basic research and development. The Group is conducting technological and systems development primarily in the following areas:

- in **radar**, with modern electronic phased-array (PA) scanning systems with integrated personal mobile radio module arrays for earth-observation by satellite (**Thales Alenia Space Italia**); aircraft and helicopter navigation and surveillance (**SELEX Galileo**) and detection of and defence against aircraft from sea and land-based platforms, including those for air traffic control (**SELEX Sistemi Integrati**). In the field of onboard radar for airborne platforms (fixed-wing 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**), which has already been chosen for the new-generation Swedish Gripen NG aircraft.

  Meanwhile, **SELEX Galileo** and **SELEX Sistemi Integrati** have continued developments to revamp the exciter receiver processor which, using new digital technologies, will improve performance, particularly of very-high resolution image modes (synthetic aperture radar-SAR), with regard to mechanical scanning radars (which have retained a level of market penetration) and to new electronic scanning radars.

In the area of passive covert location radar, the manufacturing of the Aulos system has been completed (**SELEX Sistemi Integrati**), the operation and effectiveness of which was demonstrated using a transportable demonstrator. Further progress has been made in the field of multi-functional and multi-role radar systems (Multirole Active Electronically Scanned Array-MAESA), designed to satisfy a growing demand for radar solutions integrated into a single antenna system (**SELEX Sistemi Integrati**);

- 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. **DRS** has achieved important developments in the area of SIGINT (SIG INTelligence), even cooperating with **SELEX Elsag** on field and man-portable applications. In 2011, 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 developments began on land applications. These developments include the continual upgrading of **SELEX Elsag**'s counter-improvised explosive devices (IED) product;
- in **intelligence, surveillance, and reconnaissance (ISR) systems**, significant progress was made in avionics with products such as the Airborne Tactical Observation and Surveillance System (ATOS) and with the launch of various projects aimed at developing integrated multisensory systems able to significantly improve performance while reducing cost, size and weight, with potential application in manned and unmanned aerial vehicles;
- 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 Elsag**). **SELEX Galileo** in cooperation with a well-known American company is focusing on new laser sources and more compact systems in the development of a new generation of Direct Infrared Counter Measures (DIRCM) for active protection of both military and civil aircraft against man-portable missiles.

  Development still continues on the EO Hyperspectral system for avionics applications. Thanks to the analysis of the high-resolution image capture, 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 completed the development of a family of smaller (less than 10” and up to 3.5” diameter) stabilization platforms capable of holding more electro-optic sensors and several types of lasers. **DRS** successfully completed development of highly-integrated, low-cost, night-vision products based on non-cooling technologies, which are also of high value to the consumer market. Finally, **SELEX Galileo** and **DRS** began development on multi-sensory solutions, based on visible and infrared band imaging, for detecting IED threats;

- in **land defence systems** and related components**, Oto Melara** has intensified development efforts geared towards solutions applicable in asymmetric scenarios to provide solutions that enable operating capacity, starting with those that improve situation awareness while reducing soldiers’ exposure to risk. These include Counter-Rocket, Artillery, and Mortar (C-RAM) defence systems and the wheeled and tracked Unmanned Ground Vehicle (UGV) families (Moving and Land Robotics), which represent cutting-edge technology with significant market potential for that sector. **Oto Melara** has begun work on extending the range of solutions in the field of guided munitions;
- in **missiles systems**, with special reference to advanced seeker missiles, both infrared (IR) (**SELEX Galileo)** and radar, and to active proximity fuses and related command and control systems (**MBDA**), development continued on the application of new digital receivers to improve existing seekers (Aster Meteor) and the use of passive PA antennas for missile-based applications (**MBDA**);
- the area of architectures for major systems for land, naval and air traffic management **command and control systems** (**SELEX Sistemi Integrati**), and that of specialized avionics systems based on advanced processing, presentation and control devices for fixed-wing and rotary-wing aircraft (**AgustaWestland**, **Alenia Aermacchi**, **SELEX Elsag** and **SELEX Galileo**). In this segment, the simulation aspect is taking on a great deal of importance, particularly with the activities of **AgustaWestland** and **SELEX Galileo**. The latter continued in defining a new generation of flight simulators.

  Also as to naval systems, there have been benefits from the development presently under way on network-centric architectures with an impact on Combat Management Systems (CMS) using modular solutions for the new generation command and control systems market (**SELEX Sistemi Integrati**).

  Following the completion of the detailed architectural design for the Forza NEC (Network Enabling Capability) project conducted by the Integrated Project Office consisting of representatives of the Ministry of Defence and of the industrial companies (**AgustaWestland**, **Alenia Aermacchi**, **SELEX Galileo**, **MBDA**, **Oto Melara**, **SELEX**

Elsag and **SELEX Sistemi Integrati**), the implementation phase began. 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), where there continues to be a strong commitment to the development of technologies and solutions for major systems 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. **SELEX Sistemi Integrati** has been given the mission of coordinating the Group companies in developing joint, integrated solutions. Among **SELEX Sistemi Integrati**’s achievements, those that deserve particular mention are the studies, feasibility analyses and testing conducted in the following areas, building upon what was done the previous year:
    - Testing of the first LYRA 10 prototype installed on the Lince multirole light tactical vehicle.
    - Integrating SELEX’s LYRA Ka-band sensors into the system for monitoring traffic in the Venice Lagoon, which is part of the MOSE (*MOdulo Sperimentale Elettromeccanico*) project.
    - Researching the integration of a monitoring system based on a network of unattended sensors capable of interfacing with other types of monitoring and surveillance systems.
    - Developing passive electro-optical surveillance systems with automatic target tracking.
    - Developing architectural solutions that are inherently resistant to cyber attacks on command and control systems and critical infrastructures.
    - Research in the field of secure quantum cryptographic protocols for encrypting information; specifically, studying the design of the Quantum Key Distribution Network for metropolitan area applications.
    - Developing modelling and simulation tools and systems in order to consolidate and extend the ability to evaluate the performance of integrated systems in scenarios involving multiple heterogeneous interrelated entities (sensors, surveillance centres, command and control sensors, land- and sea-based actuators).

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.

Following the merger of **SELEX Communications** and **Elsag Datamat** with **SELEX Elsag**, R&D continued as previously planned and the development strategies were reviewed from the perspective of synergies to take account of the considerable ability to provide more comprehensive integrated solutions, particularly in the areas of communications, information management, services and applications. Work continued on developing the Law Enforcement system as a structured support for investigative activities (identifying vehicles using the Automatic Number Plate Reader - ANPR, Make and Model Recognition - MMR, Emergency Operations Centre - EOC) and Physical Security systems (intrusion detection systems, video-surveillance and monitoring of urban areas, critical infrastructures and events) integrating video-analysis algorithms and benchmarking performance with off-the-shelf products.

Work continued on the development and functional consolidation of integrated intelligent transportation systems, particularly as they relate to security for the transport of goods and people and for new needs required for smart cities. **SELEX Elsag**, **Ansaldo Energia** and **Ansaldo STS** have begun collaborating on researching and developing integrated solutions for the management and security of industrial plants, oil and gas pipelines, power plants and grids and transportation systems, using **SELEX Elsag** base products such as HMI-GRS SCADA (for transport supervision and control) and S3I (for video-surveillance), and **Ansaldo STS's** SMS product, particularly tailored to metro and railway applications. With regard to supervisory control and data acquisition (SCADA), efforts are being made to obtain SIL2 certification. Synergetic solutions are also being analysed to provide an adequate offering of SCADA systems in conjunction with cyber security systems.

Work was stepped up on the interoperability of heterogeneous communication systems that allow different organisations to communicate and interoperate if necessary, extending it to broadband (WiFi, 3G, 4G) communications and services according to new operational requirements in professional and military arenas. In this area, special consideration was given to information security, for which development of IP (Internet Protocol) ciphers, multi-level security solutions, key and access management systems have continued, with increased focus on secure receivers under Galileo PRS;

- in naval, land, aeronautics and satellite **communications**, especially 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 a family of solutions based on the software defined radio (SDR) paradigm, an essential aspect of the emerging, irresistible need for integrated global communications (**SELEX Elsag).** In 2011, the development of hand-held terminals and single-channel vehicular terminals was completed, development of a four-channel vehicular terminal continued, and work on the man-pack began. In addition, the first series of narrowband and broadband waveforms were made available, including the soldier broadband waveform (SBW), which has been successfully tested in different parts of the world.

  Developments in avionics SDR at **SELEX Elsag** focused on using the same SDR architecture used for tactical military radio, in line with what the ESSOR (European) and JTRS (US) consortiums are doing. There has been an increased committed to developing Wideband Data Link satellite communications that will make use of the SDR platform, with advantages in terms of weight and size and of being immediately adaptable to future changes. Work also began on developing IFF (Identification of Friend or Foe) and ADS-B (Automatic Dependent Surveillance - Broadcast) solutions for use in UAV and military aircrafts travelling in civilian corridors, but that could have important economic consequences for products used in civil aircrafts. **DRS** is also working on integrating 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 IP-based convergence platforms and related evolution towards IPv6, which will make it possible to create and manage networks dynamically, flexibly, and in an open and mobile environment. In this segment, **SELEX Elsag** is continuing to develop network-centric solutions for Future Soldier and Forza NEC forces, for the range of All-IP products, for IP encryption and related key management systems, for satellite communications (mesh ground terminal) where the development of SOTM (satcom-on-the-move) terminals with X- and Ka-band phased-array electronic scanning antennas is being completed.

  In *professional secured communications*, work continued, as part of the **TETRA** (TErrestrial Trunked RAdio) project and the new digital mobile radio (DMR) standard, on building communications networks in Italy and abroad, in sectors ranging from public safety and security to oil and gas, to transportation, in addition to numerous applications for local agencies. As to the TETRA project, work on compact, plug and play solutions based on IP was completed, and the development of wideband-related solutions in line with the TEDS standards began. Based on the development of the TETRA core network, a platform (CSP-Perseus) was created for the convergence of heterogeneous networks and related IP-based communication services, to arrive at a single solution not dependent upon radio-access technologies. A collaboration was forged with an important global partner in the long-term evolution (LTE) arena in the field of broadband communications.

In the area of *professional communications for transportation,* the development of the new generation of GSM-Railway (GSM-R) terminals for onboard applications continued and analysis of changes related to IP signalling and movement towards broadband (LTE) began, with a strong commitment within the standardisation bodies and in close collaboration with **Ansaldo STS**. Onboard systems for high-speed trains were also successfully developed and offered.

In the area of *satellite telecommunications*, research and development has focused on emergency communications through the development of a Ka-band satellite payload simulator and the production of a carbon fibre "field station" for fire departments (based on a **Telespazio** patent).

In the *maritime* area, a smart box for managing communications and for gathering and monitoring data using onboard equipment was developed.

In the area of *aerial navigation*, the business opportunities of becoming a satellite service provider in the aeronautic field were analysed.

In line with its goal of acquiring its own satellite capacity, **Telespazio** initiated a study into developing a system for providing communications services, Internet access, and broadband for residential customers and small businesses in Latin America. The system involves using a transparent Ka-band payload with multi-beam technology allowing for the re-use of frequencies and polarisation.

In the area of *onboard components*, in addition to continuing to design and develop payloads for Athena-Fidus and Sicral 2 governmental programmes under customer-funded R&D projects, **Thales Alenia Space Italia** focused on studying new-generation UHF band systems and telemetry and secure command systems based on numeric architectures.

Preparations were also made for the transfer of the GEO platform (Spacebus B2/B3 family) to Thales Alenia Space Italia.

- In the area of **space**, **Thales Alenia Space Italia** engaged in customer-funded R&D into radar for the 2nd generation COSMO-Skymed system.

  In *orbital infrastructures and transport systems*, **Thales Alenia Space Italia** has continued to develop inflatable structures with the rigidity and functionality required in orbit, thereby reducing the volumes needed to be launched, as well as environmental control and life support (ECLS) systems able to regenerate resources (air, water and waste), including by using small, integrated greenhouses and energy generation systems (regenerative fuel cells). With regard to technologies of the re-entry and exploration vehicles, work has continued on the integrated analysis of multi-physical phenomena and the resulting aero-thermo-dynamic design optimisation and the development of innovative mechanisms for rendez-vous and docking, locomotion (i.e. hub motor) and landing (shock absorber per landing legs), while research is being conducted into interfaces and algorithms for collaboration between the crew and robotic systems.

  In the area of *satellite navigation and infomobility***,** research has continued in the field of Global Navigation Satellite Systems (GNSS) for use in a system for tracking goods.

  Research into *ground mission segments of scientific programmes* led to the design and production of a software substrate for delivering services through distributed scientific databases and creating a demonstration prototype.

  Finally, **Telespazio** continued its research into GAL PRS (Galileo Public Regulated Service), analysing problems related to operation automation and planning, system certification, simulation of satellite service scenarios and defining and developing user applications.

  In *planetary exploration,* the architecture for a navigation system called PLANS has been defined. The concept calls for the deployment, during the descent of the lander (and, possibly from the Rover once on the ground), of a group of Way-point Augmentation Network Equipment (WANE) at varying heights so as to cover the planet’s surface to the extent necessary for Rover’s exploration mission.

  In *space exploration*, **Telespazio** continued 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 produced by human activities.

In the area of onboard components, **Thales Alenia Space Italia** continued research into automation technology for planetary entry, descent and landing aimed at studying critical aspects of the stages of descent and precise landing on planets using systems that integrate vision algorithms and guidance navigation and control (GNC). The architectures and algorithms are validated through an entry, descent and landing facility developed as part of the project based on a diorama representing the Martian terrain and a "drone" that simulates the descent module.

In the field of *robotics*, **Thales Alenia Space Italia** has continued to develop a test bench for the purpose of studying and validating technologies, architectures, GNC algorithms, optical quality, operating strategies, Rover autonomous cooperation, robots and rendez-vous and docking systems. Finally, as regards optical technologies, the study into laser technologies for planetary missions has continued. Specifically, a study was undertaken to evaluate the implementation of a laser altimeter capable of satisfying a wide range of missions requiring high horizontal and vertical resolution.

As to the *geo-information* line, e-Geos (a Telespazio and ASI company) has continued to develop innovative architectural solutions for containing production costs and improving the performance of terminals for commercial users when it comes to COSMO-Skymed data and products. A post-processing chain was also studied that, starting with standard products, adapts them to different operational needs (improving geometric accuracy, dimensions) and Near Real Time (NRT) services, in addition to being a tool for post-processing COSMO SkyMed digital elevation models (DEM) to obtain better performance from the DEM.
With regard to geodetic products, work continued on developing an orbital server for processing and post-processing information to support the geolocation of the images produced and creating a prototype of an NRT hourly tropospheric mapping service for geolocalisation and correction of X-band atmospheric artefacts.
Work was completed on the basic elements of the geographic information system (GIS) for building application solutions oriented towards users' needs with respect to the GeoDataWareHouse and a more comprehensive use of the Google Earth Enterprise platform.

In the area of *satellite* operations, further analysis and study was made of improvements to tools, processes and procedures for handling low-orbit satellite security with respect to potential collisions with uncontrolled objects or other satellites in a more accurate and optimal manner.

- with respect to **aeronautical platforms**, in the helicopters division **AgustaWestland** continued its strategy of investing in technology along three main areas: technologies that enable the use of the platform “every time” with even better performance in terms of comfort and of being eco-friendly; that of the unmanned technologies, particularly for solutions in support of naval operations; and that of technologies related to tilt-rotor aircrafts. Among the major technological development activities involving materials are those related to the use of thermoplastic materials: as to their structural use, there are those related to the drop testing of new flight control models rather than fly-by-wire controls, which can also be used to support European initiatives (Clean Sky); as to the eco-friendly technologies mentioned above, there are those related to actively reducing vibrations and noises, as well as research into propulsion solutions and improvements to achieve greater efficiency and lower fuel consumption. Work continued on research into technologies for "all-weather" helicopters, including experiments with the Enhanced Vision System (EVS) and avionics upgrades for fly-by-wire flight controls and for diagnostic components (Health & Usage Monitoring System - HUMS). Again with regard to helicopters, **AgustaWestland** and **AnsaldoBreda** collaborated on making advances in onboard electrical systems, particularly hybrid propulsion solutions. In terms of products, AgustaWestland made progress in the development of the AW169, which was unveiled during the Farnborough International Airshow 2010. The AW169 is a new-generation, twin-engine helicopter designed to satisfy the growing market demand for 4.5 ton-class helicopters. At the 2011 Paris Air Show, AgustaWestland presented the AW189, twin-engine multipurpose helicopter (8 ton), available in configurations from 12 to 16 passengers (excluding crew), an ideal product for long-range operations for the oil and gas market. As to new products, the main technological developments pertain to new active rotors, which replace traditional systems with electrical-controlled elastomer actuators along with variable rotors to optimise performance. In-flight testing continues, also for certification purposes, of the prototype of the AW609, the first tilt-rotor aircraft employing cutting-edge systems and technologies with regard to flight, propulsion and transmission controls integrated into highly-reliable nacelles. Against this background, **AgustaWestland** has begun technological research into the next generation of tilt-rotor aircraft (Erica) that can operate independently as both a fixed-wing and rotary-wind platform. Finally, development has continued on the AW149 medium-class (8.5 ton) multi-purpose vehicle, equipped with an advanced integrated mission system, capable of responding to the most modern operational demands.

Alenia Aermacchi continued to make developments regarding training aircraft, especially relating to the ultra-modern M346-Master military trainer, for which various orders have already been received.
Alongside this, the M346 Light Combat (Affordable Advanced Defence Aircraft-AADA) version is being developed which is suitable for specific homeland protection missions and out-of-area operations, based on the integration of new sensors (radar, ESM, targeting pod) and weaponry. The company is also developing integrated training systems (ITS) based on an advanced training philosophy that incorporates a Ground Based Training System (GBTS), Mission Support System, Training Management Information System and logistics support.

Alenia Aermacchi is continuing to develop aerostructure technologies that are contributing greatly to the full production of the main components (fuselage) of Boeing's B787 aircraft (the Dreamliner).
With regard to technologies, specifically those within the National Military Research Plan, work continued on the "Future Technology for Aerial Refueling" (FTAR) and "Damage Management of Aircraft Composite Structures Monitored by Embedded Sensor" (MACMES) projects. The company is also involved in the "Guided Bomb IMU/GPS" project (led by **Oto Melara**) with regard to the preliminary studies on the integration and aerodynamic configuration of an unmanned aircraft.
In Europe, work is continuing on the MIDCAS (MIDair Collision Avoidance System) project, aimed at developing and testing advanced technologies and solutions to protect against airborne collisions, in which the company is partnering with other major European groups.
As part of domestic initiatives, **Alenia Aermacchi** is participating in the SMAT (advanced land observation system) project sponsored by the Region of Piedmont. While, under the initiatives by the Region of Puglia, the company is taking part in the development of two research projects: I-Design Foundation and AEROCOMP. On 30 September 2011, the final demonstration of the SMAT-F1 project was made, having received permission to fly in the test area located south of the Piedmont and to operate out of the civilian airport of Cuneo Levaldigi. The aim of these demonstrators is to acquire advanced capabilities in all technological areas of interest for UAV applications, making solutions available that could form the basis for future European UAV programmes.
As for the remaining domestic programmes, the company is moving forward with the Plan for Development and Innovation in Aerostructures Integration Technologies (TIAS) which aims to develop, design, optimise and build innovative structures for commercial aircraft and UAVs in order to consolidate its role as independent prime contractor.

Finally, activities to design the Neuron prototype (technologies for the Unmanned Combat Air Vehicle - UCAV, with the first flight scheduled for June 2012) and the Sky-Y, a Medium Altitude Long Endurance (MALE) UAV, have continued. **Alenia Aermacchi** has already integrated and tested different payloads (electro-optic and radar) as well as advanced automated flight functions.

The Falco Medium Altitude Endurance (MAE) UAV system (**SELEX Galileo**) for surveillance and tactical observation (Maximum Take-Off Weight <500 kg class) is fully operational. Meanwhile, studies are underway to develop an advanced version (Falco EVO) with a significant increase in payload through some changes to the Falco, including an increased wingspan.

Transportation and Energy

Companies that operate only in the civil sector also continue to carry out significant R&D activities, 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**) and security systems. The main areas were:
  - the European PROTECTRAIL (for which **Ansaldo STS** coordinates 29 European partners) and Secur ED projects in the security area*;*
  - the European ALARP project, for the research, design and construction of a more efficient Automatic Track Warning System (ATWS) for train yard worker safety;
  - 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 of 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 continuation of functional testing of the axial-flow permanent magnet motor for "electric-wheel" tram applications (**AnsaldoBreda**), and implementation of techniques for controlling the converters and the permanent magnet motors. A resin has been developed to provide class 220°C thermal insulation for motors. An enclosed permanent magnet motor is being created for urban rail has been completed. Work has begun on designing the electric axle for regional transportation;

- the development of dual-use security/safety components (**Ansaldo STS**), including the multi-function diagnostic portal (currently in operation on RFI's Naples-Rome network) for checking that trains running up to 300 km/h are operating properly, and the completion of a tunnel-fire simulation tool (**AnsaldoBreda** and **Ansaldo STS**);
- developments in the field of signalling (train distancing platform) have focused on creating new generations of wayside and on onboard European Rail Traffic Management Systems (ERTMS) for high-speed lines and Communications Based Train Control (CBTC) for metros. In the field of ERTMS, functional adaptations to the new European UNISIG standard (S.R.S. 2.3.0.d) are being made for both wayside and onboard platforms; in addition, the new signal encoder and the smaller transponders (*balise*), have application not just for railways, but also for CBTCs. Moreover, progress is being made, with regard to CBTCs, on ground/train integration in configuring the system that envisages the "driver" on board trains, while the task of defining the functional requirements for driverless operation have been completed. Also with regard to ERTMS (onboard equipment side), the designing of a new, cutting-edge BTM (Balise Transmission Module) and a new odometry management system are at an advanced stage;
- determination of developments (**Ansaldo STS**) deriving from ERTMS to the extent possible, required for innovative applications for satellite localisation, (expected to include satellite communications in the future), based on new distancing systems: PTC (Positive Train Control) for the US and Australian markets and similar products for the Russian market. Furthermore, with regard to these developments, partnerships involving **Thales Alenia Space Italia** (EU GRAIL 2 project), **Telespazio** (EU Satloc project) and **SELEX Elsag** are being established;
- developments in the field of entirely automated (i.e. driverless) subway systems have confirmed their effectiveness (**AnsaldoBreda** and **Ansaldo STS)**. Innovative manufacturing technologies have been developed by riveting the chassis of the trains for the Taipei metro. The new integrated power pack that combines the traction converter, auxiliary converters, battery charger and redundant control logic into a single integrated module has been completed;
- development of new component and system solutions (wayside platform) for the progression of interlockings towards the Wayside Standard Platform (WSP). The new interlocking WSP platform has been completed and work has begun on customising it to extend its use to RBC/PTC (Radio Block Center/Positive Train Control) using GSM-R, GPRS and other radio networks. Also in the wayside field, the designing of a

new track circuit with an audio frequency capable of transmitting, in the FSK mode, the conditions for the free/busy management of the track circuit, and in ASK mode, the information for the train of safe speeds;

- 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, manufacturing processes and software engineering. Testing began on a tram supercapacitor system for onboard energy recovery. **AnsaldoBreda** activities were undertaken through nationally and EU-funded projects.

- **Energy**

In 2011, **Ansaldo Energia** focused its innovation and product development efforts on developing innovative solutions for plants that generate electricity from fossil fuels and on related services, with particular care given to the needs expressed by customers with respect to projects currently underway. It also maintained a significant commitment in the nuclear sector and to the diversification of renewable resources.

Specifically, work continued with regard to the development of gas turbines featuring **Ansaldo Energia** technology, the programme to further develop the AE94.3A, an F class turbine, in order to optimise it and improve its performance in terms of power and efficiency and expanding its operational flexibility and the range of fuels that can be used. Also concerning gas turbines, Ansaldo has completed the construction engineering of the advanced version of the AE94.2 turbine, the modifications to which have already been incorporated into current projects.

Work continued on development projects involving the operational flexibility of combined-cycle plants in response to new electricity market needs in Italy and in Europe. The attention to these issues is demonstrated by active participation in the working group within the European Turbine Association (EUT) that contributes to the development of new European grid codes.

Significant effort has been devoted to *servicing* gas turbines using **Ansaldo Energia** or third-party technology through the Original Service Provider (OSP) business line, which also includes the subsidiary Ansaldo Thomassen.

Current programmes have been aimed at installing Group advanced technology instruments for assessing the “remaining life” of critical moulded parts (using nondestructive techniques of reasearch) in machinery, and at expanding the range of servicing provided for machinery using other technologies through the development of turbine blades with optimised maintenance intervals and low-emission combustion systems.

In the area of steam turbines, the project to develop the basic version of the ultra-super-critical (USC) turbine was completed.
Work was also done on defining the optimal parameters for the steam turbines for solar concentrated solar power (CSP) plants.
With the help of more modern 3D electromagnetic-thermal computational tools and using increasingly efficient insulation materials, work continued on developing electric generators optimised in size to accommodate developments in gas and steam turbines. Specifically, the top-performing 400 MVA model, an air-cooled turbine, is ready to be built.

In the field of machinery and plant automation, development of the new control system sold under the **Ansaldo Energia** brand, which is based on the AC800 platform (including the SIL3 protection system) for steam turbines under the agreement signed with ABB last year, continued.

The in-depth analysis of the impact of technologies for separating CO2 from the flue gases of power plants (Carbon Capture and Storage - CCS) on proprietary products (steam and combined-cycle plants) also continued.

As to the development of innovative solutions in the field of renewable energies, production of a staged biomass gasification plant prototype has begun. The related patent application and trademark registration have already been filed. The plant is expected to enter into service near the end of the first half of 2012 and will initially be tested using virgin wood biomass.
In 2011, construction was completed on a prototype plant to produce liquid hydrocarbon from vegetable oils by means of a thermo-catalytic process, which differs from the more well-known transesterification process in that it does not require the use of methyl alcohol and does not produce glycerin as a by-product.

As to the nuclear segment, **Ansaldo Nucleare** has continued research into Generation IV nuclear reactors and represents an industry standard in Europe for the development of the lead-cooled fast reactor through the coordination of the EU-FP7 LEADER contract.

All activities relating to Generation IV nuclear reactors fall within the development framework established by the Sustainable Nuclear Energy - Technology Platform (SNE-TP), specifically, the European Sustainable Nuclear Industrial Initiative (ESNII), in which the leading European stakeholders are taking part.

Ansaldo Nucleare also participates in other European projects, including the CDT project for designing the irradiation facility for Myrrha, located at the site of the Belgian nuclear research centre (SCK-CEN) in Mol.

Group Governance of Technologies and Products

To further strengthen Group Technology Governance, improve the interoperability of the companies and to find technological synergies, in 2011 Finmeccanica introduced the CTO (Chief Technology Officer) Board, comprised of all the CTOs and heads of R&D for the Group companies. Its primary responsibilities are: managing the companies' innovative strategies at the Group level by coordinating the Innovation and R&D Strategy Plans, scouting out future BVR (Beyond Visual Range) technologies, coordinating and handling relations with universities and research centres, identifying and managing collaborative projects on common technological platforms, governance of MindSh@re®[1]and Group intellectual property.

The **Technological Communities** within the MindSh@re® platform remain active. Given its inter-company configuration, they represent an important tool for sharing information and steering development, research and integration activities, with the involvement of around 350 technicians, researchers and engineers from all the Group companies:

- ***Radar Community***: advanced radar system technologies;
- ***Software Community***: technologies, systems and methods for avionics, naval and land-based software as well as military, civil and security software;
- ***Advanced Materials and Enabling Technologies Community***: basic emerging technologies, including innovative materials, metamaterials, MEMS, photonics, robotics, nanotechnologies, and the design and management of eco-compatible products;
- ***Integrated Environments for Design and Development Community***: analysis and rationalization of processes, methods and tools along the entire product development cycle, system engineering, and all stages of mechanical and electrical design;
- ***Simulation Technologies Community***: local and distributed simulation technologies and systems and advanced training of operational personnel;
- ***Intellectual Property Community***: dissemination, rationalisation, management and enhancement of intellectual capital and technologies (patents, trademarks, know-how, trade secrets).

[1]MindSh@re® is a registered trademark of Finmeccanica Spa

In 2011, initiatives originating within the communities of the MindSh@re® project continued through numerous workshops and three new Corporate R&D projects (partially financed by the Group Parent), with the goal of promoting collaboration between the various Group companies and universities, research centres and end users on the following issues:

- **MITRA (Microwave Integrated Tile for Radar Application).** Development of a demonstrator of a highly-repetitive subset for an active array electronic scanner (microwave tile), to reduce its cost and make it easier to manufacture the antenna.
- **FAAST (Finmeccanica Application Simulation STore and collaboration environment).** Collaborative online environment using the App Store concept to allow companies to share their internal know-how, experience, tools and simulation modules.
- **IPL@ab.** A central Group service to aid in rationalising and exploiting the patents, trademarks and technologies held by the Finmeccanica companies.

Finally, in early 2011, the Green Technology Audit was initiated to assess whether the companies' technologies, products and solutions could be applied in "adjacent" sectors related to green/clean technology. The initiative is in keeping with the EU's Horizon 2020 policy where the issues of scientific and technological excellence and becoming more competitive in the "Old World" industrial segment are reconciled with the need for a sustainable socio-economic return for the area and to the benefit of individuals.

Practically all the Group companies are involved in this undertaking, particularly: **Ansaldo Energia**, **AnsaldoBreda**, **Ansaldo STS**, **DRS**, **e-Geos**, **SELEX Elsag**, **SELEX Galileo**, **SELEX Sistemi Integrati** and **Telespazio**.

Six specific areas of application were defined within the study:

- *Earth monitoring* (*climate change*): to monitor phenomena related to climate change, environmental degradation and depletion of resources.
- *Natural resources management*: to monitor, manage and restore natural resources and eco-systems.
- *Energy Management:* solutions for efficient and effective energy management, from generation to distribution to end users, ideally through net-centric like systems for managing smart, automated grids.
- *Sustainable Mobility*: solutions to meet the growing demand for smart mobility, especially in urban areas with high levels of congestion, and that take into account low environmental impact, emissions reduction and safety requirements, including intermodal logistics solutions.
- *Healthcare & Education*: innovative technologies to protect and improve the health of individuals, reducing costs, from the perspective of an aging population.

- *Environmental Security & Response:* crosses across the other areas to provide the functionality needed to ensure the prevention, protection and management of emergencies due to natural disasters and the protection of information systems and data integrity (cyber security).

Among these different issues, Finmeccanica has decided to initially focus on solutions for electricity grids and sustainable mobility.

Following analysis, it was decided to register a trademark associated with the "Planet Inspired" name, which will be used to promote and enhance this new vision.

Other Research and Development activities - Domestic Platforms

Domestically, Finmeccanica promoted the SEcurity Research in ITaly (SERIT) technological platform, along with the National Research Council (CNR), for the development of a technological roadmap in the area of security.

Another domestic platform in which Finmeccanica participates through its companies, including **Telespazio,** is **SPIN-IT** (Space Innovation in Italy), created to promote innovation and strengthen Italy's presence in European and international research programmes in the space field.

Many Group companies continue to take a significant direct part in the **ACARE Italia** platform for guiding R&D in the aeronautics field by coordinating the action of all the Italian players in the sector.

Finmeccanica also participates in the following Italian Technology Alliances (ATI) promoted by the directorate-general of the Ministry for Education University and Research (MIUR) for the internationalisation of research in order to meet the targets and challenges of the Europe 2020 Strategy.

Today ATI represents the synthesis and the convergence on targets deemed of priority for growth, such as nanotechnologies, electric mobility, product innovation, biometric technologies, the future of the Internet, photonic sensors and sources, and space.

European and NATO Programmes

This section outlines new R&D projects and international programmes in which the Group companies or the Parent Company itself were involved in 2011.

- **EDA** (European Defence Agency), three new contracts were received by:
  - **SELEX Elsag,** for the ESSOR programme. The strategic objective of the ESSOR programme is to provide the basis for the development and production of Software Defined

Radio (SDR) in Europe with the goal of having equipment operating in Europe through 2015.

- **SELEX Galileo,** for the System-on-Chip (SoC) programme. SoC is a key technology for improving the function and service of defence applications.
- **WASS,** for the Underwater Maritime System (UMS) programme.

- **NATO,** Finmeccanica took part in the following NATO Industrial Advisory Group (NIAG) studies:
  - Transatlantic Defence Industrial Cooperation – at the request of the Conference of National Armaments Directors (CNAD), a select group of experts (**SELEX Sistemi Integrati** as co-chair), prepared the second edition of the TADIC conference, which was held in October, to evaluate the implications of the new NATO Strategic Concept for Transatlantic Cooperation, the problems for the industry arising from the introduction of "Smart Defence" and the consequent review of multinational programmes.
  - NATO Multinational Approach Initiative – At the request of the Investment Division of the Italian delegation (of which Finmeccanica is chair), the Group actively took part in the NIAG proposal of multinational programmes characterised by a broad-based participation and the real possibility of being quickly put into execution.
  - Contribution to Cyber Defence - At the request of the Emerging Security Challenges Division, NIAG formed a group that, under Finmeccanica's leadership, will make a contribution to the industrial know-how and experience in the field of cyber defence.
- **Seventh Framework Programme - Security (2007-2013):** in 2011, the results of the fourth call for the "Security" area were announced and Finmeccanica was given significant portions of the following projects:
  - CockpitCI (Cybersecurity on SCADA: risk prediction, analysis and reaction tools for Critical Infrastructures), coordinated by **SELEX Sistemi Integrati,** the purpose of which is to make infrastructures more reliable and resistant to potential cyber attacks.
  - D-BOX (Demining toolBOX),where **SELEX Sistemi Integrati** acts as technical coordinator. The purpose of the project is to develop a "toolbox" for demining and integrating data of various kinds, including satellite data, with statistical information.
  - FIDELITY, in which **SELEX Elsag** participates, the purpose of which is to improve the security and usability of biometric travel documents (e-passports), while taking into due consideration the privacy/legal/ethical and sociological aspects.

- **Seventh Framework Programme - ICT (2007-2013)**:

  Finmeccanica took part in the fourth call for the Artemis Joint Technology Initiative, under which it received funding for the DEMANES project relating to the development and implementation of adaptive control systems, which are capable of effectively responding to changes both within the system (e.g., failures) and in the external environment. Finmeccanica also participated in the seventh call for the Seventh Framework Programme-ICT, receiving funding for a project involving the development of a platform for delivering health services.

- **Seventh Framework Programme – Space (2007-2013):**

  Telespazio made several proposals in 2011, primarily related to the European GMES (Global Monitoring for Environment and Security) programme. Among the proposals submitted in the fourth call was the BRIDGES project, concerning the definition of the possible role of EUSC (European Union Satellite Centre) in GMES.

  In the fifth call, the results of which will be announced in 2012, **Telespazio** and e-GEOS (80% Telespazio, 20% Italian Space Agency) submitted proposals, three of which are coordinated by e-GEOS. Specifically, the two international consortiums were created to provide European and domestic civil protection agencies with geospatial information and satellite maps of areas affected by disasters, in support of the preparation and conduct of crisis management operations.

  In 2011, the European Commission also initiated an important programme, GMES Initial Operation, with the publication of the first calls for the selection of operators to deliver the operational services of the GMES programme.

  Finally, it is important to remember that the activities related to the ULISSE (USOCs knowLedge Integration and dissemination for Space Station Experimentation) project, aimed at creating a network of operational centres for space experiments, have been completed.

- **Seventh Framework Programme - Transportation, including Aeronautics** (2007-2013).

  In relation to the fourth call for the EU's Seventh Framework Programme, **Alenia Aermacchi** is participating in two projects in the "Transport and Aeronautics" area (ACTUATION-2015 and SARISTU) and a project belonging to the ICT area (TERRIFIC).

  In July 2011, the fifth call for the Seventh Framework Programme (Aeronautics and Air Transportation) opened. **Alenia Aermacchi** is participating in a large-scale proposal for reducing the costs of producing composites (LOCOMACHS). The company is also taking part in several of the L1 projects focusing on manufacturing and integration technologies.

  Group companies are continuing to provide committed, experienced participation in research in the aeronautics field, for 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 Aermacchi**) and the Green Rotorcraft (**AgustaWestland** in cooperation with Eurocopter). **Avio**, **SELEX Galileo** and **SELEX Sistemi Integrati** are also involved;
- the **SESAR** Programme, instead, seeks to develop the new European ATM system through 2020 with the active involvement of **SELEX Sistemi Integrati** and **Alenia Aermacchi** (top-level leaders), **SELEX Galileo**, **SELEX Elsag** and **Telespazio**.

Finally, partnerships continued with leading **Italian universities** (**Genoa**, **Federico II of Naples**, **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, transportation and communications. A framework agreement was also signed with the **University of Trento** for research into electromagnetism.

Patents

In 2011, the patent portfolio was managed in the ordinary course of business, which involves monitoring registration procedures and performing all activities required to maintain and renew domestic and foreign patents, as well as to protect patents, especially strategic ones, in order to ensure that the Group's know-how is safeguarded throughout the world. During the year, the Group also began promoting, exploiting and developing its patented know-how amongst the Group companies.

The patent portfolio covers the divisions as follows:

- Defence and Security Electronics: 39%
- Helicopters: 15%
- Energy: 17%
- Aeronautics: 8%
- Defence Systems: 8%
- Transportation: 7%
- Space: 2%
- Other: 4%

FINMECCANICA: HUMAN RESOURCES

Organisation

The year 2011 was one of important change for the Group. Following are some of the most significant organisational developments and processes undertaken during the year.

In January 2011, **SELEX Galileo,** in appointing a new Chief Executive Officer (CEO), took the opportunity to update its top-tier organisational structure, redefining it in a manner essentially consistent with its previous structure.

Also in January, **Telespazio** undertook a thorough review of its organisational structure with an eye towards international expansion of its satellite services and solutions business in order to meet the challenges it faces in the market in the most effective manner while becoming more efficient. Therefore, four business units, reporting directly to the Chief Operating Officer (COO), were formed. They are completely responsible on a trans-national basis for profits and losses reported for their respective business segments under a “matrix” organisational model in which the country managers acts as corporate representatives, with primary responsibility for commercial development in the main countries and reference markets. The Finmeccanica Board of Directors, at its December 2011 meeting, approved the merger of Telespazio Holding Srl into Telespazio SpA. The merger will be completed in late February 2012.

In February, **AgustaWestland**, in conjunction with the beginning of the rather significant turnover in certain “key” management positions, updated the organisational model for the Helicopters sector, featuring a global operations structure, including three geographic units (for Italy, the UK and Poland) and five business units reporting to the COO.

Once the merger between SELEX Communications and Elsag Datamat was concluded, the new, integrated organisation of **SELEX Elsag** took effect starting from 1 June 2011, centred around eight business units (including on focusing on the UK market), that report to the General Manager. Moreover, in an effort to rationalise and optimise the Defence and Security Electronics sector, in December 2011 the Board of Directors of Finmeccanica decided to transfer the company’s holdings in SELEX Galileo Ltd, SELEX Galileo SpA, SELEX Elsag SpA and SELEX Sistemi Integrati SpA to its subsidiary SELEX Electronic Systems SpA (formerly Finmeccanica Consulting Srl) effective as from the start of 2012.

Under the partnership agreement with the specialised fund First Reserve Corporation, **Ansaldo Energia** undertook, starting from June, to make the appropriate changes and adjustments to its corporate and organisational structures. In October, as part of a broader reorganisation programme, the company eliminated the position of Co-General Manager and instead placed all those business activities relating to the services segment directly under the control of the CEO, among other changes.

In July, the organisational structure of the **Aeronautics** division was redesigned, with a new structure based on two General Managers: one to oversee operations and one to focus on business development. Specifically, the General Manager for Operations will be solely responsible for production as a whole. Moreover, as part of the reorganisation of division activities, the merger of the main companies of the division will take effect starting from 1 January 2012.

On 1 August 2011, the **Group guidelines on management "titles"** were issued, mainly to simplify corporate organisational structures and contain overall organisational costs.

In November, **WASS** and **Oto Melara** significantly revamped their organisational structures in the name of "evolutionary maintenance" and rationalisation of overall organisational design.

On 23 December 2011, **AnsaldoBreda** formally launched its new top-tier organisational structure. With the goal of pursuing maximum efficiency in all sectors and at all levels to support competitiveness and improve business productivity, the new organisation is much more simplified than the previous arrangement: three product/services business units equipped with all the operational tools needed to control their respective business segments, in addition to the new unit for industrial standardisation and integrated supply chain management (SPP) to centrally oversee operations.

In late 2011, **Finmeccanica Group Services** and **Finmeccanica Group Real Estate** changed their corporate managerial structure, introducing a new organisational model centring on the President of Operations, with the appointment of a General Manager and the elimination of the position of CEO.

The year was also one of change for **Finmeccanica Spa** as a result of the appointments made by the Shareholders' Meeting, the subsequent Board resolutions of May 2011 and the assignment of duties to new officers. The **Chairman** was made responsible for strategy, external relations and internal auditing and the **CEO** placed in charge of all other corporate structures. The **General Manager and CFO** was responsible for operations, legal and corporate affairs, investor relations, coordination of service companies and the administration, finance and control area.
Subsequently, through the Board resolution of 1 December 2011 and related changes to the managerial duties assigned, the top corporate responsibilities were combined into the single position

of **Chairman and CEO**, with the Internal Audit Committee being entrusted with the task of overseeing internal audit activities. Also on 1 December, the General Manager was appointed to the Board of Directors, with the powers and duties already assigned to him as General Manager and CFO remaining unchanged.

With premises located throughout the world, at the end of 2011 the Group operated through 405 sites, of which 261 abroad (64% of the total) and 144 in Italy. The Group has 77 sites in the United States, 39 in the United Kingdom, 19 in France, 14 in Germany and 8 in each of India and Australia. There were 185 so-called "operational" sites (manufacturing plants and other sites used mainly for production), or roughly 46% of the total (75 sites in Italy).

Management Review, Succession Plans, Compensation and Incentive Systems

For the Finmeccanica Group, 2011 was a year in which there was a significant shift in perspective and an evolution in strategy that inevitably led to a review of certain of the basic processes of the System for Managing, Enhancing and Developing Human Resources.

This review also touched the well-established **Management Review** process, which, since 2002, has been the primary forum for analysing, sharing and verifying human resources policies and programmes, as well as an opportunity for Finmeccanica to gather all the information and assessments needed to introduce sustainable, merit-based processes for managing the Groups' human capital, particularly management personnel.

Finmeccanica confirmed that the Management Review process is crucial to the development of an added-value partnership between the Parent Company and the operating companies, making it possible to optimise resource management and development processes, while at the same time defining new operating procedures that will be fully implemented during the cycle of meetings scheduled for 2012.

Analysis and discussion of the **Succession Plans** for all the top management positions and the top organisational level of the main Group companies will continue to hold a central place in the agendas for the Management Review meetings.

With this in mind, in 2011 work continued on defining and implementing the so-called **Finmeccanica Elite Management System**, with the goal-stated in 2010 - of forging an even stronger model for partnership between Finmeccanica and the Group companies.

Work began on designing the architecture for an integrated management, development and improvement of the talent pool in 2010 and continued in 2011 with the goal of creating and enhancing an international managerial class that will make it possible for the Group to successfully face upcoming challenges in international markets, and that will help address in a structured manner the necessary turnover in management in coming years.

The targeted pool of employees, called the **Group Elite**, consists of about 600 managers divided into three categories based on the organisational importance of the positions held and on the personal characteristics of the employees. At the top of the new pyramid are the “Top 100”, i.e. those who hold top positions in Finmeccanica and the Group companies; the intermediate level holds the “200 Successors”, i.e. those who are set to succeed the Top 100 in the short term; at the bottom of the pyramid are the “300 Top Talents”; i.e. those with great medium/long-term development potential, with international standing and who are highly motivated, identified from among Group executives and middle managers.

Identifying the profiles that fill the three Group Elite levels was a priority for 2011, conducted in cooperation with the companies, ensuring system consistency through centralisation. Alongside this a system of professional and managerial positions was defined, grouped based on organisational complexity and professional content. This makes it possible to govern, using a common, structured approach, the management of career development paths and personnel selection.

Within this framework, management of more valuable management personnel translated into establishing individual **Career Plans** for Group employees deemed strategic and for a portion of those individuals considered key, chosen from among the highest-potential managers. The individual career plans designed around organisational, professional and managerial rules and criteria will be prepared for all Group Elite employees in 2012 in light of corporate organisational requirements and the motivations and aptitudes of each employee.

With regard to **Compensation Systems,** the scope of the beneficiaries of the **MBO System** was finally consolidated in 2011, covering almost 100% of Group senior managers and executives.
Compared with the 2010 MBO System, 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.

With regard to **long-term incentive systems**, specifically to the **Performance Share Plan 2008-2010** (share grant plan guidelines were approved by the Ordinary Finmeccanica-Società per azioni 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 corporate and Group performance targets were achieved, allocation and delivery free of charge of the third and final instalment of Finmeccanica - Società per azioni shares was made in 2011.

In 2011, the **Stock Option Plan 2002-2004** came to an end with the conclusion of the option-exercise period.
During the year, the focus was also on making possible changes to the medium/long-term incentive system in order to align compensation policies with the strategic changes occurring in the Group and to maintain a merit-based reward system that reflects international standards and helps in achieving business objectives. No medium/long-term incentive plans were granted in 2011, given this redefinition process and in order to allow for decision-making that followed the changing market environment and the Group's strategic policies as closely as possible.
In order to realign total compensation possibilities from a timing standpoint, potential medium/long-term incentives for Group management employees will be submitted to the Remuneration Committee as early as the start of 2012.

Industrial Relations and Social Affairs
In 2011, Finmeccanica was able to uphold its tradition of unified Industrial Relations, a hallmark of collaborating to find solutions to problems, despite the drawn-out, difficult organised labour situation arising due to FIOM-CGIL's failure to sign the national collective bargaining agreement of 15 October 2009.

From that standpoint, Finmeccanica continued to show its commitment at the institutional level, particularly within Federmeccanica, by making a greater contribution through the positions it held at various levels: the Vice-Presidency with responsibility for European Affairs, the Vice-Presidency of the metal-working section of the Rome Industrialist Association and participating in the Federmeccanica delegation assigned to handle union negotiations.

Among the most important commitments made in 2011 were those made to a number of Group companies involved in restructuring, reorganisation and realignment during the year.

Regarding this, as a result of the "pension reform" introduced in late 2011 (which raises the pension eligibility age significantly) "voluntary" redundancy plans agreed with the unions and then implemented by the Group may not be enforceable against those who had not taken formal steps to terminate employment at 31 December 2011.
The Italian government is also considering a special legislative solution to guarantee some sort of coverage for all those cases of agreements signed prior to 4 December 2011.

Specifically:

Aeronautics

Firstly, there were the measures taken in accordance with the agreement signed between Alenia Aermacchi (formerly Alenia Aeronautica) and the national and local trade unions in 2010, which had the following consequences in 2011:

- use of the Ordinary Wages Guarantee Fund (CIGO, *Cassa Integrazione Guadagni Ordinaria*) (Law 164/1975) cycle for the Venice site (200 employees), due to a lack of work needed, led to 44,560 hours of work suspended;
- the termination and redundancy of 20 employees at the Turin and Caselle sites (29 June 2010 agreement on the reorganisation of the Turin and Caselle support shop) and of 23 employees at the Brindisi site (24 November 2010 agreement on the closing of the Brindisi factory);
- the transfer the 55 employees to the Grottaglie factory (again as a result of the closing of the Brindisi site), with a lump-sum payment and a flat reimbursement of expenses for about two years;
- the termination and redundancy of around 614 employees (22 November 2010 agreement). Another 411 employees covered by the agreement should be terminated by 31 December 2012.

Secondly, the Restructuring, Reorganisation and Realignment Plan (in effect for the year 2012-2014), signed by all the trade unions on 8 November 2011, calls for a series of measures to be adopted, some of which will apply starting from 2012 and others from 2013.

The most important of these are:

- use of the Extraordinary Wages Guarantee Fund (CIGS, *Cassa Integrazione Guadagni Straordinaria*) with total suspension of work and without worker rotation due to the business being in crisis, starting from 1 January 2012 (747 workers affected), with said employees made "voluntarily" redundant upon meeting pension eligibility requirements (CIGS agreement and redundancy agreement of 20 December 2011). The termination of employment of those involved should occur between 1 January 2012 and 31 December 2014;
- reorganisation via a second CIGS measure (636 workers affected) and training on managing the industrial reorganisation connected with the transfer of business and employees from the Casoria site to the Nola and Pomigliano D'Arco sites; the transfer of employees from the Tessera site to AgustaWestland and to SuperJet International and the closing of the Rome offices (Via Campania and Via Bona) starting in 2012 (CIGS agreement of 20 December 2011);

- hiring new employees (500 workers affected) over the course of the Plan's timeframe (by 2014) and stabilisation of the workforce under "employee lease" agreements (400 workers affected); the latter measure was applied in December 2011;
- outsourcing of certain services (security, inventory and logistics, supplier and customer cycle accounting, starting from 2012 for accounting, 2013 for security and 2014 for logistics).

Defence and Security Electronics

Elsag Datamat (January - May 2011)

Efficiency improvement actions begun in previous years continued, aimed particularly at retraining employees engaged in general duties for specific activities and making those eligible for pensions redundant (application of the 2010 agreement, with 46 employment terminations).

SELEX Elsag (June - December 2011)

The far-reaching industrial reorganisation process led, among other things, to the creation of the new company SELEX Elsag and the sale of non-strategic business units (so-called "bank" units). Within this context, the new company's reorganisation plan, agreed with national and local trade unions (agreement of 28 June 2011 through Confindustria and the agreement of 1 July 2011 through Ministry-sponsored negotiations), calls for the adoption of a series of instruments geared mainly towards restoring competitiveness and profitability. More specifically:

- "solidarity" CIGS for 24 months for an annual average of 515 employees (employees affected: 3,400 with worker rotation, with 4 days of collective suspension). This mechanism may be used for up to a maximum number of days per year depending upon the business areas, with 2 days per year for all business areas;
- voluntary redundancy with pension contributions for two years for those subject to CIGS;
- outplacement, internal mobility, pools of assignable employees, retraining from general to specific duties; professional training courses;
- early retirement incentives for those eligible for pensions and, should they fail to accept them, making them redundant with total suspension of work without worker rotation.

Under this plan and in line with what has been agreed with the unions in the above agreements:

- an additional agreement was signed with the trade unions to make up to 230 employees redundant by the end of 2013 (agreement of 5 December 2011).
- 243,000 hours of CIGS were conducted (July - December 2011).

DRS Group

In 2011, the DRS group continued the process, begun in previous years, of terminating 1,130 employees, using the same criteria it has used in the past, laid out in union agreements (applicable to registered union members) or based on standard policies followed in the United States (applicable to non-union members).

More specifically, non-union employees were chosen to be laid off based on their skills and job performance, with special care taken to avoid discrimination based on age or belonging to specific groups.

The incentive policy provides for offering one week's pay for each year of service and the recognition of certain benefits, such as health insurance coverage for one or two months, outplacement services, and so forth.

SELEX Galileo (UK)

In 2011, UK company SELEX Galileo launched a reorganisation plan designed to address severe problems caused by the situation in its market. The plan affects the Luton, Basildon and ParcAberporth sites.

This process involves the termination of 119 employees (87 "voluntary" resignations, subject to the acceptance of the company, and 32 redundancies).

Helicopters

In order to address the economic restrictions to be imposed on the helicopter industry, as set out in the "Strategic Defence and Security Review", the Group has prepared a restructuring plan for the Yeovil site in England affecting up to 375 employees, mainly those assigned more general duties. The cost of this measure will be borne entirely by the UK Ministry of Defence.

Defence Systems

Oto Melara began the process of reorganising the Brescia site, reinforcing certain activities (design, assembly and post-sales assistance, specifically) and rationalising production processes.

Therefore the Plan provides, with the support of the trade unions pursuant to an agreement signed on 2 November 2011, for a series of mechanisms:

- outsourcing internal logistics to Fata Logistics Systems, with transfer of the relative business unit (starting from 1 October 2011);
- voluntary redundancy with pension contributions for up to 45 employees (24 November 2011 agreement);
- hiring of new employees (about 20 new hires).

Space

In 2011, Telespazio undertook a reorganisation focusing on internationalising its activities, largely based on the following goals:

- creating a new organisational structure;
- rationalising and diversifying the product portfolio consistent with changing demand;
- reducing costs and improving the efficiency and effectiveness of corporate processes in order to achieve economies of scale.

To this end, important efficiency-enhancement actions have been undertaken, including the adoption of special measures agreed with the trade unions (agreement of 12 July 2011 through Confindustria and of 15 July 2011 through Ministry-sponsored negotiations):

- CIGS with rotation for 534 employees (annual average of 70 workers at the Rome office) for 24 months for up to 30 days of suspension per year (of which 15 days of week-long closing for all employees) and CIGS with total suspension of work and without worker rotation for 35 employees in the "mobile services" segment (SNG, satellite news gathering), due to closure of that business activity, also for 24 months;
- "voluntary" redundancy with pension contributions for the CIGS period;
- outplacement, internal mobility, pools of assignable employees, retraining from general to specific duties; professional training courses;
- early retirement incentives for those eligible for pensions and, should they fail to accept them, making them redundant with total suspension of work without rotation.

Under this plan and in line with what has been agreed with the unions in the above agreements:

- application of CIGS has resulted in two weeks of collective closure (July – December 2011);
- an additional agreement was signed with the trade unions to make up to 41 employees redundant by the end of 2013 (agreement of 22 December 2011).

In 2011, negotiations began with the trade unions over the reorganisation of Thales Alenia Space Italia (TASI) (concluded on 19 January 2012 with the signing of the union agreement), focusing on the following issues:

- the closing of the Milano Vimodrone facility and the subsequent concentration of activities at the Thales site in Milano Gorgonzola (300 workers affected);
- concentration of electronics production (currently done at the Milano Vimodrone location) at the l'Aquila facility;

- subsequent transfer of a portion of the Vimodrone workforce to the Gorgonzola site (around 200 out of 300 employees); alternative solutions will be found for the remaining 100 employees (see paragraphs below);
- closing of the office in Florence (19 employees affected - see paragraphs below).

The Plan provides:

a) for those employees at the Vimodrone location not being transferred to Gorgonzola (100 employees): transfer to the Turin and Rome offices (support functions) and to the l'Aquila facility (production), with financial subsidies (lump-sum payments and relocation expenses for an initial period).

   As an alternative to transferring employees, the following may be used, where possible:

   - "voluntary" redundancy with pension contributions for a total of 90 employees, with said employment relationships being terminated by 31 December 2012 under the agreement of 22 December 2011;
   - early retirement incentive plans;
   - relocation to TASI facilities in Lombardy and Piedmont and within other Finmeccanica Group companies;
   - outplacement within the region;

b) employees at the Florence office (18 employees): relocation to SELEX Galileo's Campi Bisenzio facility, although the alternative mechanisms above may be used subsequently under certain conditions.

Transportation

In agreement with the trade unions, the reorganisation and efficiency-enhancement plan was implemented at AnsaldoBreda. Under the agreement signed in 2010, the company made use of 403,877 hours of CIGS, mainly in the staff areas and in the business and planning units, and terminated 80 employment contracts (of which 57 in ordinary redundancy and 23 accepting incentives to resign).

Other Group companies

The complex situation that characterized 2011 had consequences for employment at other Group companies, where the process of "voluntary" redundancy has begun with respect to workers who will become eligible to receive a pension during the redundancy period. Among these are Ansaldo Energia, for a total of 140 employees (April 2011 agreement, valid through 31 December 2012, and the previous agreement of May 2010, under which 9 employment contracts were terminated during the year), Finmeccanica Spa and Finmeccanica Group Service, for a total of 20 employees (agreement of 22 December 2011, valid through 31 December 2013).

In 2011, the plan for transferring employees of Elsacom and SO.GE.PA to other Group companies was completed and the two companies were then placed in liquidation.

On 7 March 2011, Finmeccanica and all the Group companies signed an agreement with the national trade unions for the use of all the flexibility mechanisms allowed in the National Collective Bargaining Agreement and the applicable Company Labour Agreement (overtime, third shifts, various bonuses) to ensure higher productivity, quality, profitability, innovation and organisational efficiency in relation to financial performance or company profits.

Among those actions related to Group projects started in 2009 and 2010 by dedicated working groups (in particular, the Industrial Relations working group, composed of the department heads of some of the companies), were those aimed at:

- creating a policy concerning the issues of job flexibility, corporate welfare, supplemental health insurance, training, and health and safety;
- implementing a new, single personnel categorisation system for the Group companies.

In addition, pursuant to the Memorandum of Understanding signed with the unions and to the Group policies issued by Finmeccanica, implementation and monitoring of these continued in order to fuse the goal of developing and identifying middle managers with Finmeccanica's corporate objectives and values.
Finmeccanica also took steps to selectively control hiring, a process begun in 2009. It did this by monitoring hiring practices quarterly in order to maximise intragroup mobility and to more closely focus on hiring from outside the Group, verifying that the proper types of contracts are used in bringing employees into the companies.

On a regulatory level, the working group formed in 2009, consisting of the regulatory affairs officers of several of the companies, continued to monitor regulatory changes and to apply the common guidelines necessary for ensuring that there is a steady flow of information and that new rules are properly applied.
It focused in particular on the issues of the tax exemption for overtime pay (that led to the signing of the above agreement with the unions) and to pensions, which had been the subject of multiple legislative amendments over the year, particularly in December (Monti Decree).

Work begun in past years on promoting and implementing social services continued. 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 and staying healthy initiatives.

The Health and Safety Coordination Committee also continued its work. 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 companies continued to strengthen and develop health oversight programmes and the role of the occupational health physician was expanded further.

Training and Development of Human Resources and Knowledge Management Systems

Consistent with the objectives set out in the Human Resources Operating Plan, in 2011 the Integrated Development and Training System was introduced in order to:

- identify the most talented Group employees, recognising their worth using a system for measuring individual performance at various levels;
- enhance intellectual capital, promoting the development and transmission of "key" skills by strengthening inter-generational dialogue;
- provide an international approach and forge a distinctive Finmeccanica identity;
- strengthen the business partnership between the Human Resources Professional Family and the line by developing core skills;
- contribute to making processes and tools for measuring results more efficiently to ensure continual cost and investment optimisation.

In 2011, Finmeccanica received the renewal for the **UNI EN ISO 9001:2008 quality certification** for "The Finmeccanica Group's Processes for Designing, Delivering and Managing Human Resources Training and Development Projects" from the international certifying body, Globe Certification.

Each year, the Development and Training System is reviewed by an international panel comprised of 1,800 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). In 2011, the Group was above the reference panel average in hours worked per employee and below average in investment per employee.

As compared with 2010, the year 2011 saw an increase in training hours provided (8.4%) and participation (5.5%), for a slight decline in investments (-1.3%). The efficiencies were gained thanks to the achievement of economies of scale and scope and to the increased use of professional training funding (+45% from 2010). Total funding used by the Group in 2011 amounted to over €mil. 6.

In 2011, Finmeccanica received the **Top Employer Italia 2011 award** for the first time, placing it among the *crème de la crème* of companies in matters such as human resources training, development and management. This recognition was conferred by the CRF Institute, an international organisation that analyses and recognises deserving companies for their efforts to improve their human capital.

The main initiatives pursued in 2011 can be categorised as follows:

1. ***Development projects*** aimed at aligning Group training and development processes and tools, in order to ensure that the criteria are more transparent and that business targets and personal characteristics, aspirations and motivations are consistent.
2. ***Dedicated courses for talented employees*** at various organisational levels, from recently hired young persons to top management (the Young People Programme and the Executive and Middle Manager Programme).
3. ***Initiatives*** aimed at reinforcing Group Culture to promote:
   a) the spread and development of core competencies, essential to remaining competitive in a global market (Business Culture & Knowledge Management);
   b) the construction of a distinctive identity (Group Identity and Employer Branding), that respects local staff characteristics, but that also creates a network of values that fuels their engagement and reinforces Finmeccanica's acknowledgement as the Employer of Choice.
4. ***Training courses*** aimed at Finmeccanica Spa staff.

1. Development projects

Aligning development and training processes and tools resulted in the determination of:

1. the architecture for an integrated human resources training, management and development system (Finmeccanica Elite Management System);
2. talent tracking processes geared towards identifying and developing talented persons in order to develop an international management class and to select a pipeline of human resources for the necessary turnover in management in coming years.

The **Finmeccanica Elite Management System** is based on a common Group approach to managing talent, founded on two guiding principles:

- providing opportunities for identifying and enhancing talented individuals;
- identifying and enhancing the best Group management employees using consistent criteria.

The system is built around Career Framework “pillars” used to segment the entire workforce into professional areas and categories based on the requirements of the positions, defining career path “rules” and appraisal and assessment methodologies for the Group as a whole.
Development initiatives also included a follow-up on the 22 HR professionals who took part in the first edition of the **Assessor Academy,** held with the goal of internalising the core skills needed to analyse and assess the potential of candidates.

2. Dedicated courses for talented employees

2.1 Young People Programme

The sixth edition of the **FHINK Master**, the Finmeccanica Masters in International Business Engineering was held in 2011, with a class of **19** students from 9 countries, with an average age of 25 years. Currently, 135 Masters programme graduates are working for Group companies.
Recent graduates newly hired by the various companies take part in **FLIP**, the Finmeccanica Learning Induction Programme. Since 2005, about 1,500 young persons have taken part. Its goal is to guide and familiarise young people with the Group. A final conference was held in July, with 230 young persons from 5 countries in attendance.
BEST (Business Education Strategic Ten), the Masters in General Management targeting brilliant university graduates from all Group companies who have been with the Group for three to five years, again received ASFOR (Italian Management Training Association) accreditation as a corporate executive MBA programme (the only Italian corporate Masters programme to have received this recognition). In 2011, three editions were held attracting 69 participants (added to the 700 who have participated up until now).

CHANGE (Challenge Hunters Aiming at New Generation Excellence) is a project to leverage skills and develop Rockets, young persons of international standing and growth potential, to take on more complex roles. In 2011, the final workshop of the programme brought together the 200 participants of the three editions (2009-2010).

2.2 Executive and Middle Manager Programme

The **Competency Lab** is a life-long learning system for developing Finmeccanica leadership skills, aimed at promoting the formation of a distinctive, international management identity. The initiative leverages the best Group experiences, governance shared by the companies and stands out due to its strong emphasis on measuring effectiveness and results. The training programme is built around Finmeccanica’s seven leadership skills. In 2011, two pilot editions were held in the UK and in the US, with 20 executives and 26 middle managers participating, rounding out the 2010 edition in which about 600 managers in Italy took part.

The **From Technology to Values** international seminar is aimed at high-potential Group managers to expand their ability to analyse business complexities and processes of change. One edition of the seminar was held in 2011 with 23 managers. The Community now has 334 executive members who served as mentors for young persons taking part in the FLIP programme.

Another management training offering is the **Finmeccanica Executive Leadership Programme,** designed to instil a higher level of development and training for a select number of executives of Group companies throughout the world. In 2011, training was provided to 56 executives with high potential who already hold key positions within the companies. The Programme was developed with the assistance of the business schools of the Imperial College of London and Columbia University in New York.

Among the programmes for executives offered in 2011 was the conclusion of the **"Supplementary Pension Scheme: information and professional training"** programme, divided into Technical Training on the Supplementary Pension Fund (for managers enrolled in the Group Pension Fund) and Supplementary Pension Finance and Management (for 19 executives seeking positions on the Group Pension Fund's management bodies) tracks.

3. Group Culture

3.1 Business Culture & Knowledge Management

The fourth edition of the **Project Management Programme** (**PMP**) was held in 2011. It was introduced in 2007, to reinforce Project Management skills through targeted training courses, to spread Group Project Management methods, to create a Finmeccanica Project Management Professional Community and to assist a select number of candidates in receiving certification from the most accredited international certifying bodies.

Participation in the 2008-2011 PMP was significant: 26 companies represented, 2,282 participants from 15 countries, 23 training centres in 5 countries, 120,000 hours of training provided (largely funded through grants) and 273 editions of the courses, leading to over 200 PM certificates conferred. There were 600 participants, from 25 companies in the 4th edition. A large portion of the training conducted in Italy in 2011 was funded by Fondimpresa.

The **Finmeccanica Economics Programme** was launched in 2011 to instil economic and financial principles for managing orders and to generate an understanding of the influence that each person can have on operating results. There were 1,158 participants (both line employees and staff) from 26 companies involved. A large portion of the training conducted in Italy was funded by Fondimpresa.

The **Faculty Finmeccanica** program was offered in collaboration with the Business School of INSEAD in Fontainebleau (France) and seeks to identify, select, certify and manage a group of internal subject matter experts in order to capitalise upon and spread know-how. Thirty executives and managers took part in the program and will be involved in sharing what they learn in the various Group training initiatives. An accreditation workshop will be held at the end of the course at INSEAD's centre in Fontainebleau.

Finally the **"Supply Chain in Finmeccanica's Way"** initiative was launched in order to reinforce skills needed for "key" operation processes for supply chain management. A *reference model* (positions, skills, training architecture and certification strategy) has been designed, *population mapping* relating to processes has been performed (2,000 persons), and 500 employees have been chosen to be involved in the initial training phase and in presenting the project to Fondimpresa, the entity providing the funding.

3.2 Group Identity

The results of the third **Finmeccanica Corporate Climate and Culture Survey**, conducted in 2010, were announced in 2011. The survey of 38,000 persons from 27 countries revealed two major areas requiring Group action: improving the talent pool and optimising industrial processes. In response, the companies undertook 60 improvement actions during the year.

In order to stimulate and leverage skills and technologies, Finmeccanica has, since 2004, sponsored the **Innovation Award**, an international award open to all employees who present innovative ideas for the various corporate business areas. In 2011, there were 1,011 projects submitted across the Group, 440 of which from the foreign companies. Over the years, there have been more than 19,000 participants worldwide, for a total of 6,500 innovative projects submitted, many of which have resulted in patent applications.

To strengthen its reputation in the labour market, Finmeccanica also took part in **Job Orienta 2011**, a job fair focusing on career counselling, education, training and employment held in Verona in November.

4. Training by Finmeccanica Spa

In 2011, the following training activities for employees of Finmeccanica Spa were carried out:

- **Italian Legislative Decree 196/03:** completion of the training course for employees and managers who handle personal information (about 50 middle managers and employees);
- **Italian Legislative Decree 231/01:** the training/information programme on administrative liability for 30 middle managers and employees;
- **Italian Legislative Decree 81/2008** as amended and supplemented by **Legislative Decree 106/09**: two courses for 13 employees responsible for fire emergency management (Ministerial Decree of 10 March 1998) and 15 employees responsible for providing first aid (Ministerial Decree of 15 July 2003) were carried out.

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 2011.

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.

Company security - Information security management system

On 11 May 2011 the annual inspection was successfully carried out by the certification body Det Norske Veritas (DNV) for maintaining the ISO/IEC 27001:2005[1] certification concerning the system for the "Management and provision of the electronic mail service of Finmeccanica Corporation".

On 1 June 2011, as a follow-up to the programme for the management of Operational Continuity that started in 2008 and following the employee training activities, the validation test was performed on the plans for Crisis Management, Operational Continuity and IT Disaster Recovery of Finmeccanica.

On 15 July 2011, the **Group ICT Security Board** was formed in order to take appropriate and timely decisions, adopt effective actions and promote specific company behaviours aiming at preventing the risk of threats to the IT infrastructures and to the information assets of the operating companies of the Group.

[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 separate 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 60% of the options originally granted for the period, 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 to 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.

The Finmeccanica - Società per azioni Shareholders' Meeting of 4 May 2011 approved the authorisation to purchase and make available treasury shares through 31 December 2011, for a maximum of 1,530,287 ordinary shares to service the remaining options under existing Plans.

As a result of this decision, a further 265,000 treasury shares were purchased, added to the 712,515 shares already held at the end of 2010, to service the remaining options under the 2002-2004 and the 2008-2010 Plans.

No participants exercised options in 2011, therefore there are no changes in the Plan to report.
The option exercise period expired on 31 December 2011 and the Plan was terminated.

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 includes 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 separate 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.

In the meeting of 14 April 2010, 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 2009, and calculated the number of shares to be granted to each of the beneficiaries for 2009. Upon completion of the review, the Committee approved the granting of a total of 749,960 shares equal to about 49% of the total attributable to 2009. On that occasion, the Committee also approved the addition of 4 managers of the Group to the scope of the Plan, with the removal of 25 persons. Due to a number of minor changes in the scope of beneficiaries that occurred subsequent to 14 April 2010, the total number of shares awardable declined to 738,831.

On 1 September 2010, Finmeccanica - Società per azioni sent written notice to each of the beneficiaries of the shares to be granted based upon the results achieved in 2009.

On 1 December 2010, effective delivery was made of the shares awarded for 2009. Of the 738,831 total shares available, 431,562 shares were transferred into individual deposit securities indicated by the beneficiaries, while the remaining 306,819 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 and 2009 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 3,827,278 Finmeccanica - Società per azioni shares may be granted to the 564 Plan participants in the event the targets for 2010 are fully reached.

In the meeting of 2 March 2011, the Remuneration 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 2010, and calculated the number of shares to be granted to each of the beneficiaries for 2010. Upon completion of the review, the Committee approved the granting of a total of 1,675,891 shares equal to about 59% of the total attributable to 2010. On that occasion, the Committee also approved the removal of 17 managers of the Group from the scope of the Plan. Due to a number of minor changes in the scope of beneficiaries that occurred subsequent to 2 March 2011 and following the final determination of the performance achieved at the Group and company levels, the total number of shares awardable declined to 1,589,922.

The Finmeccanica - Società per azioni Shareholders' Meeting of 4 May 2011 approved the authorisation to purchase and make available treasury shares through 31 December 2011, for a maximum of 1,530,287 ordinary shares to service the remaining options under existing Plans.

As a result of this decision, a further 265,000 treasury shares were purchased, added to the 712,515 shares already held at the end of 2010, to service the remaining options under the 2002-2004 and the 2008-2010 Plans.

On 1 September 2011, Finmeccanica - Società per azioni sent written notice to each of the beneficiaries of the shares to be granted based upon the results achieved in 2010.

On 1 December 2011, effective delivery was made of the shares awarded for 2010. Of the 1,589,922 total shares available, 945,065 shares were transferred into individual deposit securities indicated by the beneficiaries, while the value equivalent to the remaining 644,857 shares were withheld, at the beneficiaries' discretion, to cover tax and social security obligations arising under the Plan.

The shares were delivered on 1 December 2011, thereby terminating the 2008-2010 Plan.
No steps were taken to create new medium-term incentive plans in 2011. This activity has been postponed until 2012.

COMPANY'S OFFICES

Situation at 31 December 2011:

Rome	Piazza Monte Grappa, 4	Registered office
Genoa	Corso Perrone, 118	Secondary offices

FINMECCANICA AND THE FINANCIAL MARKETS

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

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

Relations with the financial market

Finmeccanica boasts an on-going dialogue with the national and international financial community - financial analysts, institutional and individual investors - through continuous communication by the Investor Relations Unit with both the stock and the bond markets. The Investor Relations Unit provides qualitative and quantitative information on the Group's expected financial and commercial performance, helping the financial market develop a perception of the Group and attribute a value to Finmeccanica stock that reflects the Group's intrinsic value.

The methods used by the Investor Relations Unit are described in the "Shareholders' Relations" portion of the Corporate Governance Report and Shareholder Structure section.

The Investor Relations Unit organises various events aimed at improving the financial community's knowledge of Finmeccanica and dealing with specific issues arising out of the dialogue with the financial community. In addition to daily contacts with analysts and investors, the conference calls with the Group's top management when the first and third quarter results are published and when significant transactions are announced are of particular importance, as are the institutional road shows by the Group's top management when the annual and half-year results are published, deal road shows when extraordinary transactions are carried out, and Investor Day, which is usually held once a year and is considered the ideal platform for presenting the top management of Finmeccanica and the major Group companies to the financial community. This event gives financial analysts and institutional investors the opportunity to gain a deeper understanding of the Group's operations, understand its dynamics, commercial, industrial and financial outlook and have direct access to its top management.

More information on the shareholder activities performed by Finmeccanica's Investor Relations Unit is available in the Investor Relations section of the Company's website (www.finmeccanica.com). The Internet site provides online access to performance and financial data, market presentations, financial statements and prospectuses on financial transactions, the shareholding structure and information on Corporate Governance. The most important Group financial communication events can also be followed live or through the audio/video files available through the website. In conjunction with the Shareholders' Meeting, a "Shareholders' Meeting info box" is provided in the Investor Relations section of the Finmeccanica website, targeted particularly at individual investors. The info box (presented entirely in Italian and English), contains all the documents, the list of FAQs and news relevant for the Shareholders' Meeting. Shareholders can also contact the Investor Relations Unit via this e-mail address: investor_relations@finmeccanica.com.

Financial Calendar 2012

- 27 March - Board of Directors: Draft 2011 Annual Report; 2011 Consolidated Annual Report;
- 2 May - Board of Directors: Interim Financial Report - First Quarter 2012;
- From 14 May to 16 May - Shareholders' Meeting: 2011 Annual Report;
- 31 July - Board of Directors: Half-Year Financial Report - First Half 2012;
- 8 November - Board of Directors: Interim Financial Report - Third Quarter 2012.

Finmeccanica stock included in Dow Jones Sustainability Indexes again in 2011

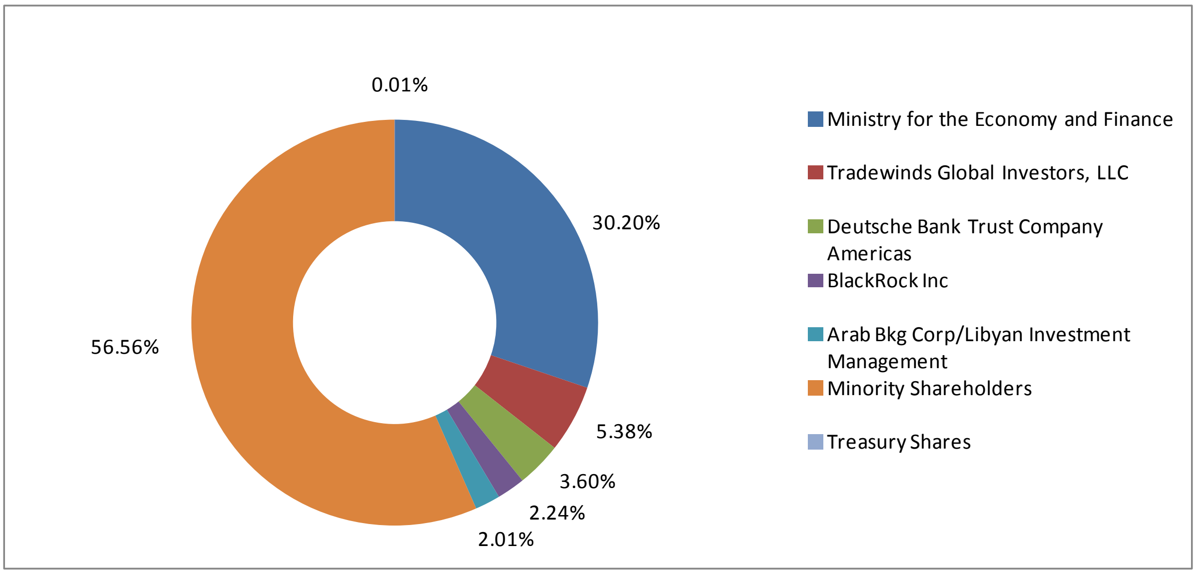
Finmeccanica appeared in the prestigious Dow Jones World and Europe Sustainability Indexes for the second year in a row.

The daily commitment of the Group to developing a sustainable business was once again rewarded with inclusion in both the World and Europe indexes - the only one among the thirty companies in the Aerospace, Defence and Security sector.

Established in 1999, the Dow Jones Sustainability Indexes are the largest and the most important stock exchange indexes that assess company performance and maintenance of commitments made in the areas of economic, social and environmental sustainability. The indexes are tracked by SAM - the Sustainable Asset Management rating agency of Zurich together with Dow Jones Indexes in New York.

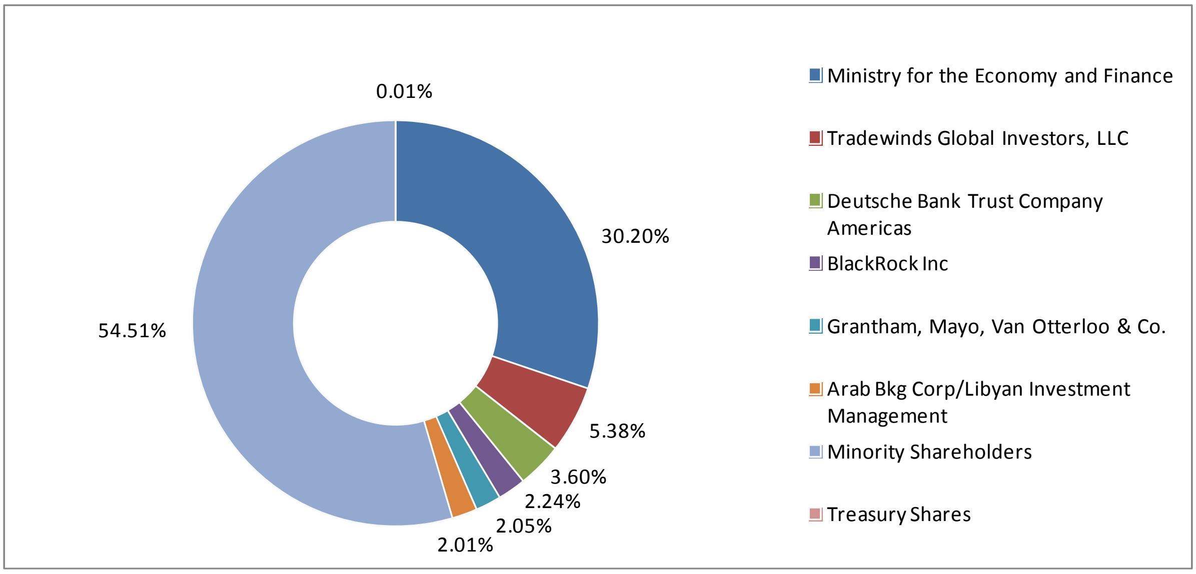
Major Shareholders

At 31 December 2011, Finmeccanica's share capital is divided into 578,150,395 ordinary shares, broken down as follows:



At 31 December 2011, in addition to the Ministry for the Economy and Finance, four institutional investors owned more than 2% in the share capital of Finmeccanica, for a total of more than 13.23% of the share capital.

Between 31 December 2011 and the date of preparation of this document, changes occurred in the Finmeccanica's shareholding structure, which is presently as follows:



As of the date of preparation of this report, in addition to the Ministry for the Economy and Finance, five institutional investors own more than 2% in the share capital of Finmeccanica, for a total of more than 15.28% of the share capital. For more information, please refer to the "Shareholding

Structure" portion of "Investor Relations" section of Finmeccanica's website (www.finmeccanica.com).

Main Group data per share (2007-2011)

Earnings/(Losses)[1] per share (in euros)	2011	2010	2009	2008	2007
Basic EPS	(4.061)	0.854	1.134	1.294	1.140
Diluted EPS	(4.061)	0.853	1.133	1.293	1.138

Dividends

The meeting of Finmeccanica's Board of Directors will propose to the Shareholders' Meeting that will be called to approve the 2011 Annual Report the distribution of no dividend for the year (compared with cash dividends of around € 237 million resolved for 2010).

Performance of Finmeccanica stock in the Morgan Stanley A&D Europe Index and the leading Italian and European indexes (03/01/2011 = 100)

This was the year, 2011, in which the economic crisis that started in 2008 began to have an impact globally, particularly on the real economy, causing, *inter alia*, consumer prices and unemployment rates to rise. Growth in the so-called BRIC (Brazil, Russia, India and China) countries began to show initial signs of a slowdown, while the Eurozone faced a serious liquidity crisis. The financial markets generally demonstrated high volatility due to uncertainties surrounding the course of the crisis.

The high levels of public debt in many industrialised countries, along with the need to "save" certain countries at risk of default (e.g. Greece), made it necessary to continue to rationalise public spending in order to ensure high qualitative standards in strategically important sectors. As in 2010, defence budgets were again involved in the process.

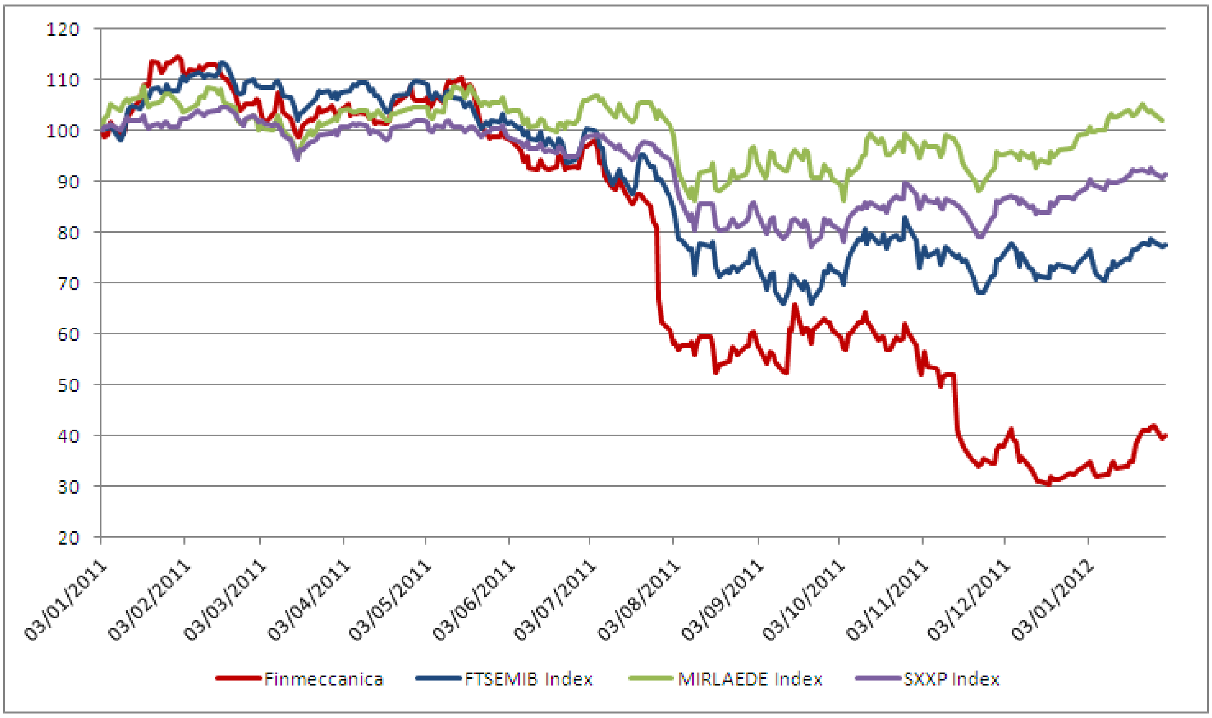
From this standpoint, the performance of defence industry stocks has been affected particularly hard by the uncertainties generated from developments in the public debate about the extent to which United States defence spending may be cut.

The performance of Finmeccanica stock in 2011 can - at least in part - be due to these segment trends, confirmed by the comparable performance of other European companies operating in the Defence industry.

An opposite trend was confirmed in the Civil Aerospace segment, which benefited from the positive signs of recovery in air traffic volumes, meaning an increase in orders and deliveries which caused these stocks to generally increase in value during the year.

[1] Hereinafter "Earnings per share" or "EPS"

Below is Finmeccanica's stock performance from the start of 2011 through 31 January 2012 according to the index of the major listings in the Milan Stock Exchange (FTSEMIB), the index composed of the 600 top listings in Europe (S&P600) and the Morgan Stanley A&D Europe Index (03/01/2011 = 100).



CORPORATE GOVERNANCE REPORT 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 disclosure contained herein is prepared in compliance with the provisions on the contents under paragraphs 1 and 2 of the abovementioned Article 123-*bis* and on the basis of the articles of the Corporate Governance Code of Listed Companies. In relation to the latter the Company declares that it intends to comply with this Code, which was approved in March 2006 by the "Corporate Governance Committee", as amended in March 2010, as well as, to the extent required of any issuers belonging to the FTSE-Mib index, as updated in December 2011.

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 Minister for the Economy and Finance holds a 30.204% stake in the share capital of Finmeccanica. 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.
At the date of the approval of this Report the Company owned no. 32,450 treasury shares, equal to about 0.0056% 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 for 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 below 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 4 May 2011 for the three-year period 2011- 2013 and was subsequently integrated by co-option on 1 December 2011, as illustrated in details in point 4.1 below.
- 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 May 2011, pursuant to Art. 154-*bis* of the Consolidated Law on Financial Intermediation, the Board of Directors appointed Alessandro Pansa, Board Member - 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 strengthen the role as the first Italian industrial group in the high technology sector, developing a synergistic and integrated portfolio of activities primarily focused on the Aerospace, Defence and Security sectors, through which to efficiently serve the needs of domestic customers, to participate in the development of European and international programmes and to compete selectively in the global market. The Group is firmly focused on three strategic pillars: Helicopters, Defence and Security Electronics and Aeronautics. Furthermore, Finmeccanica is the European leader in the Defence Systems and has significant skills also in the Transportation and Energy sectors.

Finmeccanica pursues its own mission in strict accordance with the objective of creating value for its shareholders and aiming at protecting and strengthening its competence in the various businesses.

2. INFORMATION ABOUT THE SHAREHOLDER STRUCTURE

A) STRUCTURE OF THE SHARE CAPITAL (art. 123-*bis*, para. 1, lett. a), CONSOLIDATED LAW ON FINANCIAL INTERMEDIATION)

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 TRANSFER (art. 123-*bis*, para. 1, lett. b), CONSOLIDATED LAW ON FINANCIAL INTERMEDIATION)

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 IN THE SHARE CAPITAL (art. 123-*bis*, para. 1, lett. c), CONSOLIDATED LAW ON FINANCIAL INTERMEDIATION)

The persons who, at the date of the approval of this Report, held, either directly or indirectly, a significant stake exceeding 2% of the share capital, on the basis of the notices disclosed pursuant to article 120 of the Consolidated Law on Financial Intermediation and of the other available information, are reported in Table 1 attached hereto.

D) HOLDERS OF SECURITIES THAT CONFER SPECIAL RIGHTS (art. 123-*bis*, para. 1, lett. d), CONSOLIDATED LAW ON FINANCIAL INTERMEDIATION)

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) 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, 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 (art. 123-*bis*, para. 1, lett. e), CONSOLIDATED LAW ON FINANCIAL INTERMEDIATION)

No provision is made for any employee shareholding scheme.

F) VOTING RESTRICTIONS (art. 123-*bis*, para. 1, lett. f), CONSOLIDATED LAW ON FINANCIAL INTERMEDIATION)

In accordance with the laws on privatisation (Law 474/94), 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.

Article 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) SHAREHOLDERS' AGREEMENTS (art. 123-*bis*, para. 1, lett. g), 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) CLAUSES ON CHANGE OF CONTROL (article 123-*bis*, paragraph 1, letter h), of the Consolidated Law on Financial Intermediation) AND BYLAW PROVISIONS CONCERNING TAKEOVER BIDS (articles 104, paragraph 1-*ter* and 104-*bis*, paragraph 1, of the Consolidated Law on Financial Intermediation)

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	BNPP-BNL, Banca Intesa Sanpaolo, Unicredit, Societe Generale, The Bank of Tokyo-Mitsubishi, Hsbc Bank Plc, Sumitomo, Royal Bank of Scotland Plc, Bank of America-Merril Linch, Banco Santander	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	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 (now Alenia Aermacchi SpA)	EIB may request early reimbursement if a party or group of parties acting in concert acquires control of Finmeccanica pursuant to Art. 2359 of the Italian Civil Code 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	In case of a change in control of Finmeccanica

		TELESPAZIO HOLDING SRL (TPZH) (FINMECCANICA 67%), A COMPANY OPERATING IN THE SATELLITE SERVICES SECTOR	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%), COMPANY OPERATING IN THE DEFENCE 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.
FINMECCANICA	BANKS: GARANTI, IŞ BANKASI, VAKIFLAR, YAPI KREDI	GUARANTEE AGREEMENT IN THE INTEREST OF ANSALDO ENERGIA SPA (100% ANSALDO ENERGIA HOLDING SPA)	IN CASE OF A CHANGE IN CONTROL OF ANSALDO ENERGIA DURING THE FIRST FIVE YEARS OF THE CONTRACT, THE BANKS MAY ASK FINMECCANICA TO REPAY THEIR LOAN SHARE.

PARTIES	AGREEMENT	EFFECTS OF THE CHANGE OF CONTROL CLAUSE

SUBSIDIARY

AGUSTAWESTLAND 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 AGUSTAWESTLAND IS ACQUIRED BY A COMPETITOR OF GE; AGUSTA IS LIABLE FOR ANY BREACH OF CONFIDENTIALITY IN RELATION TO GE'S PROPRIETARY INFORMATION
AGUSTAWESTLAND 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 AGUSTAWESTLAND TO A THIRD-PARTY HELICOPTER MANUFACTURER AND SELLER, EXCLUDING INTRA-GROUP TRANSFERS
AGUSTAWESTLAND 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
AGUSTAWESTLAND SPA 100% FINMECCANICA THROUGH AGUSTAWESTLAND NV	OJSC "OPK" OBORONPROM; LLC "INTERNATIONAL HELICOPTER PROGRAMS"; CJSC HELIVERT (THE JVCOMPANY)	AGREEMENT RELATING TO THE JOINT VENTURE FOR THE LICENCE FOR PRODUCTION AND SALE OF THE CIVIL HELICOPTER	TERMINATION OF THE JOINT VENTURE AGREEMENT AND WINDING-UP OF THE J.V. COMPANY ON THE PART OF THE MEMBERS.

		AW139 IN RUSSIA AND IN OTHER CIS COUNTRIES.	
AGUSTAWESTLAND TILT-ROTOR LLC 100% FINMECCANICA THROUGH AGUSTAWESTLAND NV	BELL HELICOPTER TEXTRON INC.	LICENCE AGREEMENT FOR THE TECHNOLOGY OF THE HELICOPTER AW609	THE TRANSFER OF THE LICENCE AGREEMENT, IN THE CASE OF CHANGE OF CONTROL IN AGUSTAWESTLAND TILT-ROTOR LLC OR OF GROUP COMPANIES, IS INEFFECTIVE, EXCEPT WITH THE WRITTEN CONSENT BY BELL HELICOPTER TEXTRON INC.
ALENIA AERONAUTICA (NOW ALENIA AERMACCHI SPA) 100% FINMECCANICA	BOEING COMPANY	GENERAL TERMS AGREEMENT CONCERNING ALENIA AERONAUTICA'S STAKE (NOW ALENIA AERMACCHI SPA) IN THE BOEING 787 PROGRAMME	AUTHORISATION OF BOEING REQUIRED IN THE CASE OF CHANGE OF CONTROL OF ALENIA AERONAUTICA (NOW ALENIA AERMACCHI SPA). BOEING HAS THE RIGHT TO TERMINATE THE CONTRACT IN THE EVENT THIS CLAUSE IS VIOLATED
ALENIA AERONAUTICA (NOW ALENIA AERMACCHI SPA) 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 NONBREACHING 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 NONBREACHING PARTY AT MARKET VALUE PLUS 20%
ALENIA AERONAUTICA (NOW ALENIA AERMACCHI SPA) 100% FINMECCANICA	LOCKHEED MARTIN	STRATEGIC TEAMING AGREEMENT THAT SETS OUT THE GENERAL TERMS OF THE RELATIONSHIP BETWEEN THE PARTIES UNDER THE JOINT STRIKE FIRE ("JSF") PROGRAMME TO BUILD A 5TH GENERATION MULTIROLE FIGHTER PLANE	TERMINATION OF THE AGREEMENT AT THE OPTION OF LOCKHEED MARTIN IN CASE OF CHANGE OF OWNERSHIP OR CONTROL OF ALENIA AERONAUTICA OR SALE OF ASSETS THAT WOULD RESULT IN A SIGNIFICANT LOSS OR DECREASE IN EXPERTISE OR FACILITIES ESSENTIAL TO THE PERFORMANCE OF ALENIA AERONAUTICA'S OBLIGATIONS (NOW ALENIA AERMACCHI SPA)
WORLD'S WING SA 94.94% ALENIA AERONAUTICA (**NOW ALENIA AERMACCHI**	OAO SUKHOI COMPANY, OAO SUKHOI DESIGN BUREAU ZAO SUKHOI CIVIL AIRCRAFT	JOINT VENTURE AGREEMENT CONCERNING SUKHOI CIVIL AIRCRAFT, A RUSSIAN COMPANY	IN THE EVENT OF CHANGE OF CONTROL OF ALENIA AERONAUTICA (NOW ALENIA AERMACCHI SPA), SUKHOI

SPA) **ALENIA AERONAUTICA (NOW ALENIA AERMACCHI SPA)** 100% FINMECCANICA 94.94% ALENIA		THAT PRODUCES THE SUKHOI SUPERJET 100 REGIONAL AIRCRAFT	COMPANY HAS THE RIGHT TO EXERCISE A PURCHASE OPTION ON THE SHARES OF SUKHOI CIVIL AIRCRAFT COMPANY, HELD BY ALENIA AERONAUTICA (NOW ALENIA AERMACCHI SPA) 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 AERONAUTICA (NOW ALENIA AERMACCHI SPA) UNDER THE FUNDING PLAN, LESS 10%
WING NED BV 100% ALENIA AERONAUTICA (NOW ALENIA AERMACCHI SPA) ALENIA AERONAUTICA (NOW ALENIA AERMACCHI SPA) 100% FINMECCANICA	SUKHOI COMPANY SUPERJET INTERNATIONAL SPA	JOINT VENTURE AGREEMENT CONCERNING 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 (NOW ALENIA AERMACCHI SPA), SUKHOI COMPANY HAS THE RIGHT TO EXERCISE A PURCHASE OPTION ON THE SHARES OF SUPERJET INTERNATIONAL, HELD BY ALENIA AERONAUTICA (NOW ALENIA AERMACCHI SPA) 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 AERONAUTICA (NOW ALENIA AERMACCHI SPA) UNDER THE FUNDING PLAN, LESS 10%
ALENIA NORTH AMERICA INC. 100% FINMECCANICA THROUGH ALENIA AERONAUTICA SPA (NOW ALENIA AERMACCHI 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

ANSALDOBREDA SPA (100% FINMECCANICA) AS A MEMBER OF THE TREVI CONSORTIUM ALONG WITH: • ALSTOM FERROVIARIA SPA • FIREMA TRASPORTI SPA • BOMBARDIER TRANSPORTATION ITALIA SPA	CONSORZIO TREVI (IN LIQ.) 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 SPA 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.
ANSALDO ENERGIA HOLDING SPA 54.55% FINMECCANICA	GROUP OF BANKS WITH BANCA IMI, BNP PARIBAS AND UNICREDIT AS LEAD MANAGERS	AGREEMENT FOR THE GRANTING OF TWO CREDIT LINES, ONE OF WHICH IS A REVOLVING LINE	THE BANKS MAY REQUEST THE REPAYMENT OF THE LOAN SHOULD FINMECCANICA LOSE CONTROL OVER ANSALDO ENERGIA HOLDING. FURTHERMORE THE BANKS MAY REQUEST THE REPAYMENT OF THE REVOLVING CREDIT LINE IN THE CASE OF CHANGE OF CONTROL IN FINMECCANICA
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 MERGER OF ANSALDO STS WITH OTHER NON-GROUP COMPANIES
SELEX GALILEO LTD 100% FINMECCANICA THROUGH SELEX ELECTRONIC SYSTEMS SPA	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 LIMITED 100% FINMECCANICA THROUGH SELEX	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

ELECTRONIC SYSTEMS SPA			
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
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 MECCANICA HOLDINGS USA INC.	SUNBURST 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 DEFENSE SOLUTIONS LLC 100% FINMECCANICA THROUGH MECCANICA HOLDINGS USA INC.	THALES USA INC.	JOINT VENTURE AGREEMENT CONCERNING DRS SONAR SYSTEMS LLC (NOW ADVANCED ACOUSTIC CONCEPTS, 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 RADAR SYSTEMS LLC 100% FINMECCANICA THROUGH MECCANICA HOLDINGS USA INC.	THALES NEDERLAND BV, THALES USA DEFENCE & SECURITY INC.	TECHNOLOGY TRANSFER E LICENCE AGREEMENT	RIGHT TO TERMINATE THE CONTRACT

DRS DEFENCE SOLUTIONS LLC 100% FINMECCANICA THROUGH MECCANICA HOLDINGS USA INC.	DRS TECHNOLOGIES INC	LOAN AGREEMENT	IN CASE OF CHANGE OF CONTROL, DRS DEFENCE SOLUTIONS IS REQUIRED TO IMMEDIATELY REPAY THE LOAN IN FAVOUR OF DRS TECHNOLOGIES
FINMECCANICA GROUP REAL ESTATE **(100% FINMECCANICA)**	FINMECCANICA	LOAN AGREEMENT	RIGHT OF TERMINATION IN FAVOUR OF FINMECCANICA IN CASE OF CHANGE IN THE CONTROL STRUCTURES OF FINMECCANICA GROUP REAL ESTATE OR OF ANY TRANSFER OF THE BUSINESS TO THIRD PARTIES OR OF A SIGNIFICANT BRANCH OF BUSINESS OF FINMECCANICA GROUP REAL ESTATE ITSELF
DRS TECHNOLOGIES INC. AND ITS SUBSIDIARIES (100% FINMECCANICA THROUGH MECCANICA HOLDINGS USA INC.)	FINMECCANICA	LOAN AGREEMENT	IN CASE OF CHANGE OF CONTROL, DRS TECHNOLOGIES IS REQUIRED TO IMMEDIATELY REPAY THE LOAN IN FAVOUR OF FINMECCANICA.

As regards Takeover Bids, it should be pointed out that the Company's Bylaws do not provide for exceptions to the provisions on the passivity rule under article 104, paragraph 1-*ter*, of the Consolidated Law on Financial Intermediation, nor any provisions in the application of the neutralisation rules under article 104-*bis*, paragraph 1, of the Consolidated Law on Financial Intermediation.

I) COMPENSATION FOR DIRECTORS IN CASE OF RESIGNATION OR DISMISSAL WITHOUT JUST CAUSE OR TERMINATION OF EMPLOYMENT FOLLOWING A TAKEOVER BID (art. 123-*bis*, para. 1, lett. i, CONSOLIDATED LAW ON FINANCIAL INTERMEDIATION)

The information required by article 123-*bis*, paragraph 1, letter i), of the Consolidated Law on Financial Intermediation is contained in the Report on remuneration published pursuant to article 123-*ter* of the Consolidated Law on Financial Intermediation (points 9 and 18 hereof).

L) LAWS GOVERNING THE APPOINTMENT AND REPLACEMENT OF DIRECTORS AND AMENDMENTS TO THE BYLAWS (art. 123-*bis*, para. 1, lett. l, CONSOLIDATED LAW ON FINANCIAL INTERMEDIATION)

As regards the appointment and replacement of directors, reference is made to point 4.1. below herein.

As regards any amendments to the bylaws, it should be noted that, pursuant to article 123-*bis* of the Consolidated Law on Financial Intermediation, they shall be approved by the Shareholders' Meeting pursuant to law.

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*(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 SHARE CAPITAL INCREASE AND AUTHORISATION TO PURCHASE TREASURY SHARES (art. 123-*bis*, para. 1, lett. m, CONSOLIDATED LAW ON FINANCIAL INTERMEDIATION)

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.

During this 18-month period (by 16 July 2009), 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 the conditions for a broader buy-back programme were not met.

Subsequently, on 4 May 2011, the Shareholders' Meeting of Finmeccanica resolved to authorise the purchase and sale of treasury shares, setting a time limit for the purchase on 31 December 2011 and up to a maximum amount of no. 1,530,287 ordinary shares, to be intended to meet the residual requirements connected to the current stock incentive Plans.

The shares serving the requirements of the Plans had to be purchased, according to the priorities deemed appropriate, at a maximum and minimum unit price equal to the relevant price recorded in the Electronic Stock Market (*Mercato Telematico Azionario*, MTA) on the day prior to the purchase (more or less 5% for the maximum price and for the minimum one, respectively), through the purchase on the market or through the purchase and sale of derivative instruments traded on regulated markets.

In consideration of this resolution, in addition to the shares already held at the end of 2010 and equal to no. 712,515, an additional number of 265,000 treasury shares were purchased which are intended to meet the residual requirements of both the 2002-2004 incentive plan and the 2008-2010 incentive plan.

Following the allocations made to those entitled on 1 December 2011, at the date of the approval of this report Finmeccanica holds no. 32,450 treasury shares, equal to about 0.0056% of the share capital.

N) DIRECTION AND COORDINATION

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

3. *COMPLIANCE*

In the meeting of 17 October 2006 the Board of Directors of Finmeccanica resolved to bring the Company's Corporate Governance model into line with the application criteria and principles of the

Corporate Governance Code of Listed Companies, in relation to which the Company declares that it complies with it. The model then approved the developments subsequently introduced by the Code and transposed them into the document **"RULES OF PROCEDURE OF THE BOARD OF DIRECTORS REGULATIONS - ROLE, ORGANISATION AND FUNCTIONING"** (the **"RULES OF PROCEDURE"**), which was approved in its final version at the Board's meeting of 1 March 2007, and was then updated in the meeting of 17 February 2011 in order to bring it into line with the new CONSOB regulatory provisions concerning transactions with related parties and subsequently amended in relation to the changes made in the organisational structure of the Company.

The text of the abovementioned Corporate Governance Code can be accessed by the public on the website of Borsa Italiana (www.borsaitaliana.it)

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. BOARD OF DIRECTORS

4.1. APPOINTMENT AND REPLACEMENT (art. 123-bis, para. 1, lett. l) CONSOLIDATED LAW ON FINANCIAL INTERMEDIATION)

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.

Regarding the appointment of the Directors, the Bylaws (section 18.4) provide for the specific "list voting" mechanism, as described below: "The directors, subject to the powers of appointment described in the previous paragraph, are appointed by the meeting on the basis of lists submitted by the shareholders and by the outgoing board of directors in which the candidates are to be numbered consecutively.

If the outgoing board of directors submits a list of its own, this shall be filed with the registered office of the company at least 25 days before the date of the meeting on first call, and made public by the company at least 21 days before the date of the meeting, again on first call, according to the procedures provided for by the regulations in force.

Lists submitted by shareholders shall be filed with the registered office at least 25 days before the date of the meeting on first call, and made public by the Company at least 21 days before the date of the meeting, again on first call, according to the procedures provided for by the regulations in force.

Each shareholder may submit or contribute to the submission of one list only and each candidate may stand in one list only under penalty of being ineligible for election.

Only shareholders who, alone or together with other shareholders, represent at least 1% of the voting shares in the ordinary shareholders' meeting will be entitled to submit lists, or such lesser number as may be laid down by provisions of law or regulations, where applicable. In order to prove ownership of the number of shares necessary for the submission of lists, shareholders must file appropriate certification, proving ownership of the number of shares represented, with the registered office, within the time limit prescribed for the publication of the lists by the Company.

At least two Directors must meet the independence requirements as laid down for statutory auditors pursuant to law. The candidates who meet the abovementioned independence requirements shall be expressly identified in the lists. Furthermore, all candidates must meet the honesty requirements laid down by the regulations in force.

Together with each list, and within the time limit prescribed for the filing of such lists, declarations by the individual candidates must also be filed, in which they accept their nominations and certify, under their own responsibility, that there are no grounds for ineligibility for election or incompatibility and that all the requirements prescribed by the regulations in force are met for their respective positions including the independence requirements as required by the current Bylaws.

The Directors appointed shall notify the Company without delay of any loss of the abovementioned independence requirements and honesty, as well as of the emergence of grounds for ineligibility or incompatibility.

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

The directors shall be elected as follows:

a) two thirds of the directors to be elected, with fractions being rounded down to the nearest whole number, shall be drawn from the list that has obtained the majority of votes cast, in the order in which they appear in the list;

b) the remaining directors will be drawn from the other lists; for that purpose, the votes obtained by these lists will then be divided by one, two, three and so on, depending on the gradual number of directors to be elected. The scores thus obtained shall be allocated progressively to the candidates of each of the various lists according to the order specified therein. The scores thus allocated to the candidates of the various lists shall be arranged in a single list in descending order. Those who have obtained the highest scores will be elected.

In the event that more than one candidate have obtained the same score, the candidate from the list which has not yet elected any directors or which has elected the lowest number of directors shall be elected.

In the event that none of these lists has elected a director yet or that they have all elected the same number of directors, the candidate will be elected whose list has obtained the highest number of votes.

In the event of an equal number of list votes and still with the same score, a new vote will be held by the entire meeting and the candidate with a simple majority of votes will be elected.

c) if, following the application of the procedure described above, the minimum number of independent Directors required by the bylaws has not been appointed, the share of votes to be allocated to each candidate in the various lists shall be calculated according to the system indicated in letter b) and the number of candidates necessary to ensure compliance with the provisions of the bylaws, not yet drawn from the lists pursuant to letters a) and b), who meet the independence requirements and who have obtained the highest scores shall be elected. These shall take the place of the non-independent directors who have been allocated the lowest scores. In the event that the number of candidates does not comply with the minimum of two independent directors, the Shareholders' Meeting shall resolve, with the majorities provided by law, to replace the candidates who do not meet the independence requirements and who have obtained the lowest scores."

With reference to the appointment procedure through the "list voting" mechanism, it should be noted that the described terms and procedures for filing and publishing the lists, as well as the related documentation, appear to be adequate, in compliance with the new provisions under article 147-*ter*, paragraph 1-*bis*, of the Consolidated Law on Financial Intermediation, to the amendments introduced by Legislative Decree no. 27 of 27 January 2010 which transposed the Directive (2007/36/EC) on certain rights of shareholders in listed companies.
Legislative Decree 27/10 also states that the ordinary "privatisation" rules found in the Consolidated Law on Financial Intermediation and in the enacting laws apply rather than the special rules set out in the so-called "law on privatisation" (Law 474/94).

Article 147-*ter*, paragraph 1, of the Consolidated Law on Financial Intermediation provides that the company's Bylaws should determine a minimum shareholding required for the submission of lists of candidates that is not more than a fortieth of the share capital, or than the different amount laid down by CONSOB taking into account capitalisation, floating capital and ownership structures of the companies.
By Resolution no. 18083 of 25 January 2012, CONSOB specified that the shareholding required for the submission of candidate lists to elect the governing and control bodies of Finmeccanica was 1.5%, without prejudice to any lower share provided for by the Bylaws. In this respect, the percentage of 1% provided for by section 18.4 of Finmeccanica's Bylaws shall therefore be applied.

Section 18.5 of the company's Bylaws also provides that "for the appointment of Directors who are for whatever reason not appointed in accordance with the procedure provided for herein, the Shareholders' Meeting shall resolve with the majorities provided by law. If in the course of the financial year, one or more Directors cease to hold office, measures will be taken pursuant to article 2386 of the Italian Civil Code, without prejudice to the powers of appointment under article 5.1-*ter*, letter d). To replace the Directors who have ceased to hold office, the Shareholders' Meeting shall resolve with the majorities provided by law to appoint replacements from those on the same list as that of the Directors who have ceased to hold office, if previously unelected candidates remain on this list. The Board of Directors carries out the replacement, pursuant to article 2386 of the Italian Civil Code, by appointing the replacement Directors on the basis of the same criteria as in the previous period, in the first meeting after the termination".

The Directors thus appointed are joined by a Director without voting rights, appointed (as provided for by articles 5.1-*ter* and 18.1 of the company's Bylaws) by the Minister for Economy and Finance, in agreement with the Minister for Production Activities, now the Minister for Economic Development, pursuant to Law no. 474 of 30 July 1994 as amended by Law no. 350 of 24 December 2003. In the event that the Director thus appointed ceases to hold office, the Minister for Economy and Finance, in agreement with the Minister for Economic Development, takes steps to appoint a replacement.

The rights and obligations of the Director thus appointed have been expressly defined (section 5.1-*ter* of the company's Bylaws): he is vested with same rights as those granted by the law and/or by the Bylaws to the other Directors, but he cannot be granted the right to undertake proxies or special offices, even on a supplementary or temporary basis, nor can he in any case chair the Board of Directors or act as a legal representative of the Company.

Replacement plans.

Still on the subject of the appointment of Directors, the Board of Directors of the Company has considered it unnecessary, as things stand, to adopt a plan for the replacement of the executive Directors and reserves the right to carry out another assessment of the matter at a later date at the time of the application of the amendments to the Corporate Governance Code approved in 2011 and to be implemented by the end of 2012.

4.2. COMPOSITION

The Shareholders' Meeting of 4 May 2011 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 2013 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, Carlo Baldocci 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, he is to remain in office until the end of the term of the present Board of Directors.

Following the resignation of the Chairman Mr Pier Francesco Guarguaglini on 1 December 2011, on the same date the Company's Board of Directors also appointed Mr Giuseppe Orsi, who had already been appointed as Chief Executive Officer on 4 May 2011, as Chairman of the Board of Directors; the Board itself also resolved to co-opt Mr Alessandro Pansa as Director, who had already been appointed as General Manager on 4 May 2011, pursuant to article 2386 of the Italian Civil Code and, therefore, up to the next Shareholders' Meeting.

The **Board of Directors** serving at 31 December 2011 is, therefore, composed as follows:

GIUSEPPE ORSI (1)	**CHAIRMAN AND CHIEF EXECUTIVE OFFICER**
ALESSANDRO PANSA (3)	**BOARD MEMBER – GENERAL MANAGER**
CARLO BALDOCCI (4)	
FRANCO BONFERRONI (1)	
PAOLO CANTARELLA (2)	
GIOVANNI CATANZARO (1)	
DARIO GALLI (1)	
MARCO IANSITI (2)	
SILVIA MERLO (2)	
FRANCESCO PARLATO (1)	
CHRISTIAN STREIFF (2)	
GUIDO VENTURONI (1)	

(1) Directors appointed from the **majority list** submitted by the Ministry for the Economy and Finance, which holds 30.204% of the share capital.

(2) Directors appointed from a **minority list** submitted by a group of asset management companies and institutional investors, which hold an overall stake of about 1.063% of the share capital.

(3) He was appointed by co-option by the Board of Directors of 1 December 2011 pursuant to article 2386 of the Italian Civil Code.

(4) He was appointed by a Decree issued by the Ministry for Economy and Finance in agreement with the Minister for Economic Development pursuant to section 5.1 *ter* of the Company's By-laws.

The summary tables annexed to this Report shows the structure of the Board of Directors and its committees, specifying the members serving at 31 December 2011, as well as the Directors who ceased to hold office during the 2011 financial year.

No further changes in the composition of the Board of Directors have taken place since the end of the 2011 financial year.

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

GIUSEPPE ORSI - CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr Orsi was born in Guardamiglio (Lodi) on 24 November 1945. Chief Executive Officer of Finmeccanica since 4 May 2011, he was appointed Chairman and Chief Executive Officer of the Company by the Board of Directors' meeting of 1 December 2011. He holds a degree in Aeronautical Engineering from the Politecnico University in Milan. After university he served as an Officer in the Italian Air Force. He started his career at SIAI Marchetti and when SIAI Marchetti was incorporated into Agusta in 1984 he joined the Marketing and Strategies Department where he was in charge of the establishment and management of the Agusta Group's international network of sales and representative offices. In 1987, he was appointed Sales Manager of Agusta's Aircraft Division. In 1989, he became Chairman and Chief Executive Officer of Agusta Aerospace Corporation, the North American affiliate of Agusta based in Philadelphia. In 1994, he was appointed as Deputy Chairman for Government Sales and Programmes of Agusta and he returned to Italy where he was responsible for military and government sales, then becoming head of the whole marketing and sales department of Agusta. In 1997, he was appointed Deputy General Manager of Agusta. In 1999, he was appointed Joint General Manager of Agusta SpA and played an active role in the creation of AgustaWestland. In 2001, with the merger of Agusta and Westland, he was appointed General Manager of the Marketing and Sales division of AgustaWestland and member of the Management Committee. In 2002, he was appointed Chief Executive Officer and General Manager of Agusta SpA and CFO of the Italian operations of AgustaWestland. In 2004, he was appointed Chief Executive Officer of AgustaWestland. In 2010, Her Majesty Queen Elizabeth II honoured him with a "Commander of the British Empire". The Mayor of London named him a "Freeman of the City of London". Furthermore, he is a Member of the Royal Aeronautical Society.

ALESSANDRO PANSA - DIRECTOR AND GENERAL MANAGER

Mr Pansa was born in Mortara (Pavia) on 22 June 1962. General Manager of Finmeccanica since 4 May 2011, he was appointed as a Director of the Company by the Board of Directors meeting of 1 December 2011. He holds a degree in Political Economy from the Bocconi University of Milan, where he specialised in Financial and Monetary Economics. He attended the Business Administration Graduate School at New York University. He started his career at Credito Italiano SpA (1987-1989, Economic Research and Planning Service) and then at Euromobiliare SpA (1989-1992, Investment Banking and M&A Division). He was a Senior Partner at Vitale Borghesi & C. from 1993 and Managing Director of Lazard from 1999. He has overseen numerous extraordinary finance transactions on the stock market on behalf of private companies and public bodies (Ministry of the Treasury, ENEL, Finmeccanica, Ferrovie dello Stato, Wind, AEM in Turin, Mondadori). In 2001, he became Joint General Manager and Chief Financial Officer of Finmeccanica, in charge of the areas of Group Finance, Administration, Planning and Control, Strategy and M&A, Legal and Corporate

Affairs, Tax Planning, Investor Relations and Research Office. In May 2011, he became General Manager/CFO of Finmeccanica with additional responsibility for the areas of Operations, Real Estate and Group Services. He is a Member of the Board of Directors of Feltrinelli Editore SpA and of Fondo Strategico Italiano SpA, a Member of the Council for Relations between Italy and the USA and a member of the Aspen Institute. In 2006, he became Professor of Finance at the LUISS University of Rome. In 2007, he published the book "La Difesa Europea" (European Defence) published by Il Melangolo. He has published articles and essays in specialist publications and written books on the subjects of economics, finance and history.

CARLO BALDOCCI - DIRECTOR (4)

Mr Baldocci was born in Rome on 22 November 1966, he holds a law degree from the La Sapienza University of Rome and he graduated from the School of Business of Georgetown University of Washington. He entered the diplomatic service after being successful in a competition.

At the Ministry of Foreign Affairs he served in the Head Office of political affairs and in the General Secretariat; he served abroad in the Italian embassies in Tehran and Washington. He is a Diplomatic Advisor – a role he has held since 2003 – and an Advisor to the Minister for Economy and Finance on international economic affairs.

At the moment, he is, among other things, a member of the Strategic committee for the development and safeguarding of national economic interests abroad. Within the EU, he is the Italian representative in the Tax Policy Group and he was a member of the Lisbon Committee for the re-launch of competitiveness in Europe.

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 and on 4 May 2011. 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.

([4]) Director without voting right pursuant to section 5.1 *ter*, letter d), of the By-laws.

PAOLO CANTARELLA - DIRECTOR

Mr Cantarella was born in Varallo Sesia (Vercelli) on 4 December 1944. He has a degree in Mechanical Engineering from the Politecnico University in Turin. He started his career in Turin companies operating in the automobile components industry and in 1977 he joined Fiat in the Automobile Components division. From 1980 to 1983 he was assistant to the Chief Executive Officer of Fiat Spa as well as head of the Interdivision Industrial Coordination of the Group. From 1983 to 1989 he was Chief Executive Officer of Comau, a company in the Fiat Group operating in the production resources and systems division. In 1989, he joined Fiat Auto where he was responsible for Purchasing and Logistics and in the same year he was appointed, first General Manager of Fiat Auto, and then, Chief Executive Officer and manager of the Automobile Division of the Fiat Group. From 1996 to 2002, he held the position of Chief Executive Officer of Fiat Spa and Chairman of Fiat Auto Spa.

From 2000 to 2001, he was Chairman of ACEA (European Automobile Manufacturers' Association). He was a member of the Managing Committee of Confindustria and a Member of the Board of Directors of Mediobanca, HdP (holding company of Partecipazioni Industriali SpA), Alcatel, CNH, Polaroid, Terna and TOROC (Turin Olympics 2006). He was also Co-Chairman of the European Union – Russia Industrialists' Round Table.

He is Chairman of the Board of Directors of Interpartner Spa (real estate) and a member of the Board of Directors of Iren Spa and GVS as well as a member of the Advisory Board of Mandarin Capital Partners and Operating Partner of Advent International.

GIOVANNI CATANZARO - DIRECTOR

Mr Catanzaro was born in Mazzarino (Caltanissetta) on 23 October 1944. From 1968 to 1979 he was a Director of large commercial companies and from 1979 to 1992 a Director of SAI Assicurazioni Spa in Turin. From 1980 to 1992 he held various positions in the Pozzi Ginori/Richard-Ginori Group in Milan, eventually holding the office of Chief Executive Officer. He was Chairman of Tecnoceram srl (from 1988 to 1998) and then Director (from 2004) and Chairman (from 2006 to 2008) of Lombardia Call Spa, Member of the Board of Directors of Lombardia-Servizi Spa (from 2004 to 2007), Chairman of the Supervisory Body of Sicilia e Sanità Spa (from 2005 to 2007) and Member of the Advisory Board of Lombardia Integrata (from 2002 to 2010), where since 2010 he has held the office of Sole Director.

From 1995 to the present day, he has been Chairman of A.Y.C. Immobiliare SpA, where he initially held the role of Managing Director from 1980. He has been the Managing Director of Lombardia Informatica SpA since 1999 and since 2005 he has been part of Consip SpA, where he has held the positions of Director and Deputy Chairman and then (from 2008 to 2011) of Chairman. From 2007 to 2010 he was Chairman of Gelsia Energia SpA.

Finally, he is Chairman of the Auto Yachting Club in Catania.

DARIO GALLI - DIRECTOR

Mr Galli was born in Tradate (Varese) on 25 June 1957. He has been a Director of Finmeccanica since 6 June 2008 and his mandate was renewed by the Shareholders' Meeting of 4 May 2011. 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 in the Chamber of Deputies (1997-2006) and Senator (2006-2008); between 1993 and 2002 he was Mayor of Tradate. Since 2009, he has held the position of Vice President of the Union of Italian Provinces and, since September of 2009, has been a director of Financière Fideuram S.A. 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 in Milan. He is currently a mechanical contractor. Furthermore, he has been professor at postgraduate course of the Chamber of Commerce of Varese.

MARCO IANSITI - DIRECTOR

Mr Iansiti was born in Rome on 28 July 1961. He holds a degree in Physics from the University of Harvard where he also completed a Ph.D. He is currently a Professor at the Graduate School of Business Administration of the University of Harvard where he is also the Head of the Technology and Operations Management Department and head of the Digital Business Initiative. His academic work is focused on the areas of strategy, innovation and technology and he has published numerous books and articles in specialist publications dedicated to these subjects. He is Chairman of the Board of Directors of Keystone Strategy, Inc., a management consulting company. He carries out expert consultancy work on the subject of strategy and innovation for major international companies. He has been a member of the Board of Eurizon Financial Group, Inc., Supplier Market, Inc., Mobilian Corporation, Model N Corporation and IDe Corporation. He has been an Expert Witness for several major international companies including Microsoft Corporation and Intel Corporation.

SILVIA MERLO - DIRECTOR

Ms Merlo was born in Cuneo on 28 July 1968, she holds a degree in Business Economics from the Carlo Cattaneo (LIUC) University in Castellanza (Varese). She is Chief Executive Officer of Merlo SpA Industria Metalmeccanica and Tecnoindustrie Merlo SpA. She holds positions on the Boards of Directors of all the companies belonging to the Merlo Group. She has been a member of the Board of Directors and of the Executive Committee of Banca Cassa di Risparmio di Savigliano SpA since 2006.

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 and on 4 May 2011. 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.

CHRISTIAN STREIFF - DIRECTOR

Mr Streiff was born in Sarrebourg (France) on 21 September 1954, he graduated with a degree in Engineering from the Ecole des Mines in Paris.
He worked for the Saint-Gobain Group from 1979 to 2005 and he started his career as a development engineer and plant manager at the Halberghutte site in Germany (1979-1982). He held the role of Corporate Planning Vice Chairman for the “Reinforcement Fibre” division located at the Chambery site (France) from 1982 to 1984. He was Director of the Gevetex Plant from 1985 to 1988 and from 1988 to 1990 he was General Manager of Gevetex Gmbh. He was also General Manager of Vetrerie Italiana SpA (1991-1993) and General Manager of Saint-Gobain Emballage (1994-1996). From 1997 to 2000, he then held the position of Chairman of the Pont-à-Mousson Group and from 2001 to 2003 Chairman of the High Performance Materials division. In 2004, he was appointed Deputy Chairman of the Saint-Gobain Group, where he remained until 2005.
In 2006, he was appointed Chairman and General Manager of Airbus and from 2006 to 2009 Chairman and General Manager of the car maker PSA Peugeot Citroen.

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 and on 4 May 2011. 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 be no 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 current composition of the Board is consistent with the abovementioned limits.

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:

- **ALESSANDRO PANSA**
  Director of Elettronica SpA
- **FRANCO BONFERRONI**
  Director of Alerion Cleanpower SpA

  Director of Cassa di Risparmio di Bra SpA

  Director of Cassa di Risparmio di Savigliano SpA
- **PAOLO CANTARELLA**

  Director of Iren S.p.A.

- **MARCO IANSITI**

  Chairman of the Board of Directors of Keystone Strategy LLC

  Chairman of the Board of Directors of ModuleQ INC.

- **SILVIA MERLO**

  Director of Banca CRS S.p.A.

  Chief Executive Officer of Merlo S.p.A.

- **CHRISTIAN STREIFF**

  Director of ThyssenKrupp AG

  Director of Crédit Agricole S.A.

  Director of Ti-Automotive Ltd

4.3. ROLE OF THE BOARD OF DIRECTORS (art. 123-bis, para. 2, lett. d) CONSOLIDATED LAW ON FINANCIAL INTERMEDIATION)

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);
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).

Under Art. 20.1 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 annual calendar of the meetings of the Board is approved and communicated by the Company in the month of January of the related financial year. The calendar of the meetings for the 2012 financial year provides for no. 12 meetings of which no. 4 meetings have already been held.

In 2011 the Board met 15 times for an average of 2 hours per meeting.

The following are the Directors' attendance records for the meetings that took place during the 2011:

GIUSEPPE ORSI	9 out of 9 meetings (**)
ALESSANDRO PANSA	2 out of 2 meetings (*)
CARLO BALDOCCI	9 out of 9 meetings (**)
FRANCO BONFERRONI	15 out of 15 meetings
PAOLO CANTARELLA	9 out of 9 meetings (**)
GIOVANNI CATANZARO	9 out of 9 meetings (**)
DARIO GALLI	15 out of 15 meetings
MARCO IANSITI	9 out of 9 meetings (**)
SILVIA MERLO	9 out of 9 meetings (**)
FRANCESCO PARLATO	14 out of 15 meetings
CHRISTIAN STREIFF	8 out of 9 meetings (**)
GUIDO VENTURONI	15 out of 15 meetings

(*) In office from 1 December 2011

(**) In office from 4 May 2011

PIER FRANCESCO GUARGUAGLINI	*13 out of 14 meetings (°)*
PIERGIORGIO ALBERTI	*6 out of 6 meetings (°°)*
ANDREA BOLTHO VON HOHENBACH	*6 out of 6 meetings (°°)*
GIOVANNI CASTELLANETA	*6 out of 6 meetings (°°)*
MAURIZIO DE TILLA	*5 out of 6 meetings (°°)*
RICHARD GRECO	*5 out of 6 meetings (°°)*
NICOLA SQUILLACE	*6 out of 6 meetings (°°)*
RICCARDO VARALDO	*6 out of 6 meetings (°°)*

(°) In office till 1 December 2011

(°°) In office till 4 May 2011

All absences were excused.

As envisaged in the Rules of Procedure of the Board, 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 satisfactorily measured, managed and monitored, also defining criteria for the compatibility of these risks with the sound and correct management of the enterprise.

On the basis of reports from the Chairman of the Internal Audit Committee, the Board has found, as detailed in point 11 below, the organisational, administrative and accounting structure of the Company and of its key subsidiaries adequate, efficient and actually functioning.

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 has delegated the question of its administrative dealings with the Chairman and Chief Executive Officer and with the Board Member General Manager, 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 of Finmeccanica 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 2012, this (self-)evaluation was repeated for the seventh consecutive time (the first time for the Board currently sitting) and was done, for 2011, with the help of an independent expert who was selected by the Board itself.
In addition to assessing the degree to which the Board follows the principles and conducts defined in the Rules of Procedure and in the Corporate Governance Code, the latest (self-)evaluation used benchmarking to compare the Group's practices with the best practices seen in the Italian and foreign marketplace, as well as the possible actions to improve its functioning.

The procedure followed for the 2011 (self-)evaluation was based on obtaining various individual opinions by means of interviews with each of the Board Members, the Chairman of the Board of Statutory Auditors, the Secretary of the Board and the Internal Audit Manager; these were carried out with the help of a partly-structured questionnaire and open discussions and they were then processed by the expert and discussed among the Directors. The interviews were also aimed at giving interviewees ample space for reflection as well as direct encouragement to discuss aspects of the structure and running of the Board and Committees.

The process has highlighted the efficacy of the work carried out by the Board of Directors, which has held office for less than one year and which has been renewed to an extent of about two thirds, in a particularly complex period, both with reference to the market trends and from an internal point of view.

The process has highlighted the efficacy of the work carried out by the Board of Directors, which has been holding office since one year and renewed for about two thirds, in a particularly complex period, both with reference to the market trends and from an internal point of view.

The process has also highlighted the awareness by the Board Members of the role played and of the importance of the rules and practices of the good corporate and Group governance. These are elements that have led to the positive overall self-assessment about the size, composition and functioning of the Board of Directors of Finmeccanica.
Finally, clear indications have emerged on possible actions to be taken to improve some specific areas; these actions will be the object of a specific reflection in the course of the financial year.

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 appointment.

4.4. DELEGATED BODIES

Chairman and Chief Executive Officer

Without prejudice to the duties reserved to the Board of Directors, the Chairman and Chief Executive Officer, as well as being the legal representative of the Company, in accordance with the law and the Bylaws, having signatory powers on behalf of the company, having the role of promoting and monitoring the running of the Board of Directors and having the power to implement the resolutions of the governing body, has been granted all the powers necessary to jointly manage the Company, its branches of business and its subsidiary, associates and investee companies, consistently with the strategic guidelines identified by him and approved by the Board of Directors.

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.

In light of the change in the corporate structure and in order to ensure the most efficient management of the Group, the Board of Directors, in its meeting of 1 December 2011, evaluated the need to review the structure of the delegated operational powers, which were previously granted to Mr. Pierfrancesco Guarguaglini as Chairman and to Mr. Giuseppe Orsi as Chief Executive Officer, and it considered it was appropriate for these powers to be amalgamated and held by Mr. Giuseppe Orsi alone.

The amalgamation of the two offices, both held by Mr. Giuseppe Orsi, reflects the need to ensure strong leadership to direct the current phase of consolidation of the operations and assets of the Group. The Chairman and Chief Executive Officer is however assisted by both the Board Member – General Manager and by a management structure focused on specific business areas with a high level of professional skill.

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.

Information to the Board of Directors

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 procedures for 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 12 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.

4.5. OTHER EXECUTIVE DIRECTORS

The Board of Directors is made up exclusively of NON-EXECUTIVE DIRECTORS (i.e. without delegated operational powers and/or management duties within the company), with the exception of the

Chairman and Chief Executive Officer Mr. Giuseppe Orsi and of the Board Member - General Manager Mr. Alessandro Pansa. In fact, the Board of Directors meeting of 1 December 2011, as it co-opted Mr. Pansa as a Director pursuant to article 2386 of the Italian Civil Code, resolved to grant to the same and confirm the powers and the authorities previously granted to him on 26 May 2011 as General Manager and CFO, as well as to confirm his appointment as Officer in charge of preparing the Company's accounting documents as per the Board resolution of 26 May 2011.

Induction events were held during the financial year, with a total of around 9 hours actually dedicated to broadening corporate awareness by the Directors (without counting the time taken by these Directors to get to the sites of Group subsidiaries in Italy and abroad). In this first year of the term the most recently appointed Directors broadened their knowledge of the Group's activities, in particular with regard to subjects such as the management and development of human resources, Group organisation and Governance, the economic/financial planning and control Model, the industrial structure, technology and the relevant markets, including an in-depth examination of the Aeronautics sector. Two meetings were also held with the managers dedicated to the examination of the Budget which was then submitted for the approval of the Board.

4.6. 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 reassessed 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.

In the meeting of 14 March 2012 the Board of Directors assessed the independence of its own members on the basis of the information gathered from the Directors themselves.

At the end of the checks carried out with regard to the current 9 non-executive Directors appointed by the Shareholders' Meeting (and therefore excluding Carlo Baldocci, who is a Director with no voting right and who was appointed by Ministerial Decree pursuant to section 5.1. *ter*, letter d) of the Company's Bylaws, as well as Giuseppe Orsi, Chairman and Chief Executive Officer and Alessandro Pansa, formerly General Manager and CFO, who was subsequently appointed also as Director pursuant to article 2386 of the Italian Civil Code by the Board of Directors of 1 December 2011), the Board has assessed and confirmed the existence of the "independence" requirement for the 8 Directors who have declared that they meet such requirement and therefore with the sole exception of Francesco Parlato, by virtue of his employment relationship with the Ministry for Economy and Finance, which holds a stake equal to about 30.20% of the share capital.

It should be noted that, at the time of the filing of the lists of candidates for the appointment of the Board of Directors on the part of the Shareholders' Meeting of 4 May 2011, the Directors themselves also declared that they met the independence requirements set out by law (article 148, paragraph 3, of the Consolidated Law on Financial Intermediation).

In its assessment pursuant to the Corporate Governance Code, the Board of Directors has adopted the same application principles and criteria specified in the abovementioned Code.

As usually, the Board has submitted the independence assessment of its members to the Board of Statutory Auditors, which has positively verified the correct application of the assessment criteria and procedures defined in the Rules of Procedure of the Board of Directors, without making objections.
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 (€ 60,000), 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 2011, 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, the Board Member – General Manager or the non-independent directors.

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.

Specifically, in the course of the 2011 financial year, the independent directors submitted to the Chairman some initiatives to improve the knowledge of the Company's and Group's activities and accompanied some consultations as to the review of the structure of the proxies.

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.

4.7. *LEAD INDEPENDENT DIRECTOR*

On 26 May 2011 the Board of Directors, with the abstention of the executive and non-independent Directors, confirmed the Director Guido Venturoni as Lead Independent Director, with the task of directing and coordinating the requests and contributions from the non-executive Directors and in particular:

– 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 will serve throughout the term of office of the Board of Directors, that is, until the Shareholders' Meeting held to approve the 2013 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 understanding of the Company, the Group and their performance.

5. 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, in particular, the generation, management and handling of inside information, and more generally all confidential information and news about Finmeccanica and the Group companies.

This directive was also distributed to the subsidiaries of Finmeccanica, which must also abide by and implement its provisions, and was already carefully updated in 2010 to revise and align its content and operating procedures with regulatory developments that have occurred since its issue, as well as with changes that have been made to the organisational structure of the Company and the Group.

The Company's Public Relations are responsible for the management of the process of announcing corporate information to the outside world.

Within the scope of the procedures for the management and communication of information pertaining to the Company and in the implementation of the provisions on Internal Dealing, the Board of Directors of Finmeccanica passed a resolution some time ago (on 28 March 2006) to adopt an **INTERNAL DEALING CODE**, in order to replace the Code of Conduct that was previously in force, in compliance with the implementing regulations imposed by CONSOB for the adoption of the provisions of the European Market Abuse Directive.
The Code, which governs the flow of information to the market about transactions involving shares issued by Finmeccanica or other financial instruments connected to these and initiated, also through a third party, by “Key Persons” in the Company or by persons “closely connected” to them, was subject to a specific update with a resolution passed by the Board of Directors on 14 November 2011.

As well as adopting a number of formal amendments in connection with the changes made to the organisational structure of the Company, the new text significantly extended, in the light of best practice as well as the guidance and requirements of foreign institutional investors in relation to practices adopted in their respective markets, the provisions concerning periods during which transactions cannot be carried out (blackout periods) by Key Persons (or by persons closely connected to them).

Please note that for the purposes of the Code, the Directors, Statutory Auditors, General Manager as well as persons holding the office of Joint General Manager fall into the category of “Key Persons”, and that for all the Persons mentioned there was a “period of prohibition” for the fifteen days preceding the date of approval of the mandatory periodical reports by the Board of Directors. In this regard, a distinct blackout period was introduced for executive Directors and for the General Manager (as well as for persons closely connected to them), starting from the fourteenth day before the close of each accounting period and ending on the day following the issue of the press release announcing the results achieved in the period; for other Key Persons (non-executive Directors, Statutory Auditors and persons closely connected to them) the blackout period was extended to start from the closing date of the relevant accounting period and end on the day after the issue of the press release announcing the relevant results.

The quantitative threshold identified by the Code for transactions subject to disclosure provides – in compliance with the regulatory provisions – that only transactions with a total value that does not reach € 5,000 by the end of the same calendar year are excluded 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 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 rules are correctly applied, the Company has laid down specific operating procedures to ensure that "Key Persons" are made aware of their obligations and are provided with the help necessary to fulfil them.

The new Internal Dealing Code, which is in force effective from and with reference to the transactions effected from 14 November 2011, is available on the website of the Company (Internal Dealing area, which can be accessed through the Investor Relations/Corporate Governance section).

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.

6. INTERNAL BOARD 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 2 times in 2011 and 1 time so far in 2012.

The Committee is made up of the following members:

STRATEGY COMMITTEE		ATTENDANCE
GIUSEPPE ORSI - Chairman	**(1)**	1 out of 1 meetings
CARLO BALDOCCI	**(1)**	1 out of 1 meetings
PAOLO CANTARELLA	**(1)**	1 out of 1 meetings
DARIO GALLI		2 out of 2 meetings
MARCO IANSITI	**(1)**	1 out of 1 meetings
FRANCESCO PARLATO		1 out of 2 meetings

(1) From 26 May 2011

- Members in office till 4 May 2011:

PIER FRANCESCO GUARGUAGLINI - Chairman	***(2)***	*2 out of 2 meetings*
ANDREA BOLTHO VON HOHENBACH		*1 out of 1 meetings*
GIOVANNI CASTELLANETA		*1 out of 1 meetings*

RICHARD GRECO	*1 out of 1 meetings*
NICOLA SQUILLACE	*1 out of 1 meetings*
GUIDO VENTURONI	*1 out of 1 meetings*

(2) Till 1 December 2011

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 the abovementioned 2 meetings the Committee examined:

- the reorganisation programme, within the Group's Defence and Security Electronics sector, of the information and communication technology (ICT), security, automation and telecommunications activities;
- the possible initiatives to enhance the equity investment in Ansaldo Energia;
- the guidelines of the programme to focus the group activities in the USA;
- the Plan for the revival, reorganisation and restructuring of the aeronautics sector;
- the strategic guidelines of the Finmeccanica Group.

7. APPOINTMENTS COMMITTEE

Up until today, 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.

8. REMUNERATION COMMITTEE

The Board of Directors has established an internal REMUNERATION COMMITTEE, which met no. 7 times in the course of the 2011 financial year, as well as no. 3 times in the current 2012 financial year. The average duration of the meetings was about one hour.

REMUNERATION COMMITTEE	ATTENDANCE
DARIO GALLI- Chairman	7 out of 7 MEETINGS
FRANCO BONFERRONI	7 out of 7 MEETINGS
FRANCESCO PARLATO	7 out of 7 MEETINGS
CHRISTIAN STREIFF (1)	6 out of 6 MEETINGS

(1) From 26 May 2011

- Members in office till 4 May 2011:

***RICCARDO VARALDO** – Chairman*	*1 out of 1 meetings*
PIERGIORGIO ALBERTI	*1 out of 1 meetings*

The composition of the Committee – all non-executive Directors, the most of which are "independent" directors, including the Chairman – is in line with the provisions of the Code (also with respect to the last version updated in December 2011). Furthermore, the composition of the Committee is consistent with the recommendation, made by the Code, as to the presence of at least one member in possession of an adequate knowledge and experience in financial issues.

The duties of this Committee are:

- determining, by virtue of the proxies granted by the Board of Directors, the compensation and conditions of service of the Directors whom authority has been delegated, 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;
- assessing the proposals made by 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 incentive plans for Directors and executives of the Company and Group companies;
- performing the functions for which it is responsible in relation to the management of the Incentive Plans as prescribed in the appropriate Rules of Procedure.

The activities of the Committee are regulated by appropriate **RULES**, whose text is available on the Company's website (Investor Relations/Corporate Governance section, Corporate Documents area). The Rules provide, *inter alia*, that the Directors provided with delegated powers are not invited to participate in the meetings in which proposals are submitted in relation to their own remuneration.

Since it was firstly 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 salary 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.

In 2011, the Committee determined, by virtue of the proxies granted by the Board of Directors, the economic and regulatory treatment of the Directors based on proxies granted by the Company, following the renewal of the top management positions that occurred on 4 May 2011 and also defined the related administration relationships. Subsequently, the Committee, in relation to the review of the proxies and the early termination of the relationship with Pier Francesco Guarguaglini, decided to apply and enforce the relevant provisions laid down in relation to the administration relationships entered into with the same.

The Committee also continued to perform its institutional function of supporting Top Management in priority areas related to the strategic management of the Group's Human Resources, as well as to its compensation and retention policies. It also pursued actions authorised in previous financial years.

It also examined the activity programme of the Human Resources Unit for the 2011 financial year focused on the remuneration policies for the Group's management, the management of the key resources and talent scouting, as well as on the reorganisation and streamlining processes in support of a higher work productivity and efficiency, expressing its recommendations.

The Committee has examined the report prepared by the Human Resources Unit on the assessment of the Strategic Resources in light of the need for an adequate planning of succession in the various corporate roles, an essential task to ensure the management's continuity and growth.

In the framework of the management of the short-term (MBO) and medium/long-term (Long Term Incentive Plan "LTIP" and Performance Share Plan "PSP") incentive systems for the Group's management, the Committee has acknowledged the 2010 results of the three-year LTIP plans and has taken steps to pay the amounts owed to the Chairman and Chief Executive Officer. As regards the 2008-2010 PSP, the Committee, in the implementation of the specific proxy granted to the same by the Plan Regulations, has verified the level of achievement of the corporate and group objectives for 2010 and, accordingly, has assigned to the plan participants a total quantity of no. 1,589,922 shares.

The Committee has also started a review of the current remuneration system of Strategic Resources and, in particular, of the short- and long-term incentive systems, starting the appropriate in-depth analyses for the creation of a new performance-based incentive plan to replace the Performance Share Plan that has been concluded with the final statement relating to the 2010 financial year. This plan, named 2012-2014 "Performance Cash Plan", was approved at the meeting of 21 January 2012, together with the new 2012-2014 cycle of the Long Term Incentive Plan cash. During the 2011 financial year no new medium-long term incentive plans were created, while the new incentive plans will be started during the 2012 financial year.

To carry out its activities the Committee makes use of the support from the suitable units of the Company and in particular from the Human Resources Unit, as well as of the help of external professionals. No specific budget has been prepared for the Committee's activity, without prejudice to the abovementioned right to make use of external professionals.

Committee meetings are duly minuted. The Director of Human Resources and the Chairman of the Board of Statutory Auditors are always asked to attend Remuneration Committee meetings.

9. REMUNERATION OF DIRECTORS

General remuneration policy.

By a resolution passed by the Board of Directors on 27 March 2012, the Company approved the Remuneration Report pursuant to the new article 123-*ter* of the Consolidated Law on Financial Intermediation, which illustrates – *inter alia* - the policy adopted on the remuneration of the members of the governing bodies, the general managers and the other executives with strategic responsibilities envisaged in the new section 7 of the Corporate Governance Code, as specified in point 18 below of this Report.

In formalising its compliance with the contents of the new section 7, which was enacted in March 2010, the Company has taken account of the significant innovations, both expected and applied - during the 2011 financial year – in the relevant regulatory framework, following the introduction of the mentioned article 123-*ter* by Legislative Decree no. 259 on 30 December 2010, referring, for the related application, to the implementing provisions issued by CONSOB and delegating the complete definition of the information and content elements of the new Remuneration report to the same.
The new regulations on the transparency of remuneration have become applicable starting from the current 2012 financial year following the entry into force, on 31 December 2011, of the implementing regulations approved by the Commission by Resolution no. 18049 of 23 December 2011.

The need to wait for the complete definition of the regulatory and legislative framework, together with the expiration - again in 2011 - of the term of office of the Company's Board of Directors, and the appointment of the new governing body for the three-year period 2011/2013 on the part of the Shareholders' Meeting of 4 May 2011, have led the Company to complete the implementing course put forward by the Code in the first months of the current 2012 financial year.

For detailed information as to the remuneration paid out in the 2011 financial year, for any reason and in any form, including that paid by subsidiary and associated companies, to the individual members of the Board of Directors, as well as to the Statutory Auditors and to the General Manager of the Company, reference is made to the second section of the Remuneration report, which has been prepared pursuant to article 123-*ter*, paragraph 4, of the Consolidated Law on Financial Intermediation.

The full text of the Remuneration report is made available according to the procedures set out by law, also through the publication on the Company's website (Investor Relations/Corporate Governance section, Remuneration area), within the time limit of 21 days prior to the date of the Shareholders' Meeting called to approve the Financial Statements.

10. INTERNAL AUDIT COMMITTEE

The Board of Directors has set up an Internal Audit Committee which, in the course of the financial year, met 15 times; from January 2012 until today, the Committee met 3 times. The average duration of the meetings was about 2 hours and 30 minutes.

The committee is made up as follows:

INTERNAL AUDIT COMMITTEE	ATTENDANCE
PAOLO CANTARELLA – Chairman (1)	
GIOVANNI CATANZARO	8 out of 9 meetings
SILVIA MERLO	9 out of 9 meetings
GUIDO VENTURONI	9 out of 9 meetings

(1) Member and Chairman from 1 December 2011

- Members in office till 4 May 2011 **(2)**

PIERGIORGIO ALBERTI	*6 out of 6 meetings*
MAURIZIO DE TILLA	*6 out of 6 meetings*
NICOLA SQUILLACE	*4 out of 6 meetings*
FRANCO BONFERRONI	*15 out of 15 meetings*

(2) Except for Franco Bonferroni, resigning as board member and Chairman from 22 November 2011

The composition of the Committee – all non-executive and "independent" directors – is in line with the provisions of the Code (also with respect to the last version updated in December 2011); furthermore, this composition is consistent with the recommendation, made by the Corporate

Governance Code, as to the presence of at least one member who must have an adequate experience in accounting and financial issues.
The activities of the Internal Audit Committee are regulated by Rules approved by the Board of Directors, whose text has been updated, in light of the regulatory amendments introduced by Legislative Decree no. 39 of 27 January 2010, governing the legal audit of annual and consolidated accounts, on one hand, and, on the other hand, of the appointment of the Internal Audit Committee as Committee for Transactions with Related Parties in accordance with the provisions laid down by the Procedure for Transactions with Related Parties approved by the Board of Directors of Finmeccanica Spa on 26 November 2010 and subsequently updated on 13 December 2011.
The text of the Rules of the Committee is available on the Company's website (Investor Relations/Corporate Governance section, Corporate Documents area).

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 companies' 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 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) 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;

f) perform any additional duties assigned to it by the Board of Directors.

The Internal Audit Committee, which is responsible for supervising the Internal Audit Organisational Unit, also performs functions as Committee for Transactions with Related Parties, referred to in the Procedure for Transactions with Related Parties adopted by Finmeccanica Spa pursuant to article 4 of CONSOB Regulation 17221 of 12 March 2010, as amended and supplemented, by a resolution passed by the Company's Board of Directors on 26 November 2010.

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 2011 and from January 2012 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, in the course of this period the Commitee:
- continued the process to check the operations of the internal control systems of the main subsidiaries and of the degree of adoption, on the part of the same, of the guidelines of Finmeccanica Spa;
- examined the Report of the Internal Audit Organisational Unit on the work carried out in the course of 2011 and all the audit reports, including those concerning the cross-section audits conducted on the Finmeccanica Group and issued in the course of such financial year;
- examined and approved the 2011 Audit Plan, whose scope of action has considered the processes of Finmeccanica Spa, from the management points of view and pursuant to Legislative Decree 231/01;
- assessed the adequacy of the organisational, administrative and accounting structure of Finmeccanica Spa;
- examined the report issued pursuant to article 19, paragraph 3, of Legislative Decree no. 39 of 27 January 2010, by the accounting firm PricewaterhouseCoopers SpA from which no significant weaknesses of the Internal Audit System have emerged. In this regard, the Committee and the

Board of Statutory Auditors have made some observations which are aimed at further improving the Internal Audit System, which have been approved by the Top Management;

- discussed the obligations of Italian publicly listed companies that have controlling interests in companies based in non-EU countries (Art. 36 of CONSOB's Market Regulation) and noted that the administration and accounting system responsible for the financial reporting process functions effectively and that it essentially meets the requirements of Art. 36 of CONSOB's Market Regulations, and therefore no special plan to bring it into compliance is needed;
- performed other duties described in Section 11 "Internal Audit System".

With the help of the Internal Audit Organisational Unit, the Committee carried out activities that enabled the Board of Directors to assess the adequacy of the organisation, 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.

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.

11. INTERNAL AUDIT SYSTEM

The Board of Directors, with the support of the Internal Audit Committee, and also by means of the work of the Chairman and Chief Executive Officer, Mr Giuseppe Orsi, as 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's 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/bodies play a role in the operation and in the assessment of the effectiveness of Finmeccanica Spa'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.

For the purposes of 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 in detail together with the management the functioning of their respective internal audit systems and the underlying controls set to support the development of the business. In 2011, a more thorough assessment of the efficacy and adequacy of the Internal Audit System was also performed with regard to widespread news reports about the investigation of Group companies being conducted by judicial authorities.

In the course of 2011 investigations were continued and started which involved Finmeccanica Spa itself, some subsidiaries and some important executives of the Group; in this regard, full cooperation has been provided to the investigating authorities.

To that end, the Internal Audit Committee and the Supervisory Body, together with the Board of Statutory Auditors and with the help of the appropriate Finmeccanica Spa departments, performed their own investigation into these matters through meetings with the Top Management of Finmeccanica Spa and the Group companies involved and with representatives of the independent auditors, PricewaterhouseCoopers SpA, among other methods. The Board of Statutory Auditors also carried out an independent audit through meetings with the Boards of Statutory Auditors of the Group companies involved.

With regard to all the activities carried out, as presented by the Chairman of the Internal Audit Committee, the Board of Directors confirmed the evaluation of the suitability, effectiveness and effective operation of the organisational, administrative and accounting structure of the Company and of the main subsidiaries. On the other hand, these activities led to the identification of certain areas of improvement and implementation of the Internal Control System of the Group as highlighted below; these were also partially confirmed in the report issued by PricewaterhouseCoopers SpA on 7 March 2012.

These areas of improvement and implementation of the Internal Control System, for which the Group put in place specific initiatives during 2011 and has more planned for 2012, are as follows:

Contracts supporting commercial activities: New Group Directive.

On 8 February 2011, Finmeccanica issued Directive no. 17, which became immediately effective, on the "Execution and management of contracts in support of commercial activities with public administrations, institutional clients and state-owned companies"; subsequently, on 11 January 2012, the related Guidelines "Consultants and Business Promoters" were issued to better apply said Directive.

Directive no. 17 firstly defines the organisational context both in Finmeccanica and in the subsidiary companies, with the roles and responsibilities of the various Organisational Units, and secondly, the rules for the establishment and management of relations with consultants and business promoters. In this regard it provides that, on the one hand, Finmeccanica has the task of drawing up the general rules for the Group, as well as monitoring the implementation and providing support for the drafting and updating of these; on the other hand, the companies have the duty to abide by said rules, in compliance with organisational models, codes of ethics and national, foreign and international regulations as applicable.

Directive no. 17 sets out a series of requirements which must be carried out before entering into a contract and complied with during its implementation, in particular with regard to the verification of the requisites which consultants and business promoters must meet. In practice, it provides for the performance of a due diligence activity for each individual relationship; this must take place using specifically mentioned tools such as statements, disclosures and other documents, to be acquired both from the persons directly concerned (written statements and questionnaires certifying in detail their integrity and good conduct) and with recourse to independent sources (legal opinions from external firms and corporate and financial information obtained from public registers).

On the other hand, the Guidelines, drawn up on the basis of national and international regulations as well as best practice (e.g. OECD reports, ASD principles), have defined and regulated at an operational level the following points:

- Definition of consultancy and business promotion; definition of institutional clients.
- Implementation procedures: only very limited possibilities for companies to deviate from the Directive and from the Guidelines issued by Finmeccanica.
- Base version of contract: a list of basic elements to be verified in contracts has been drawn up, as has a standard contract.
- Red Flags: identification of the main risk factors for which evaluation and traceability are obligatory (e.g. personal or family relationships, countries with a high risk of corruption).
- Countries with favourable tax systems: reference to the black list of national systems and definition of general rules of conduct with a ban on executing a contract if the Consultant or Business Promoter is resident in a tax haven country other than the country of the job order.
- Record card: a document which summarises the relationship is required, with detailed instructions concerning the restrictions and requirements in executing the contract.

- Legal opinion with two levels of verification: a database of general opinions regarding the operating conditions in the various countries which is managed by the Compliance and Regulation Organisational Unit of Finmeccanica Spa and an evaluation of the specific task which is carried out by the companies.
- Questionnaire: standard form to ensure that the companies acquire the key information about the Consultant/Business Promoter.

Directive no. 17 also provides for each Group company to send the Parent Company, on a six-monthly basis (starting from the first half of 2012), a statement that attests to the adoption and application of Directive no. 17.

For the purpose of monitoring that such Directive has been correctly applied, a Business Compliance Organisational Unit has also been established within the Market and Business Development Unit of the Parent Company to work on these issues in cooperation with the Legal and Corporate Affairs Unit.

For the purpose of also aligning contracts entered into before the issue of this Directive and which are still in force to the provisions of Directive no. 17 and the related Guidelines, the Guidelines provide that such contracts are amended according to the Directive and the abovementioned Guidelines when they are renewed or extended (if applicable). Such amendments must take place by 30 June 2012.

On this last subject, the Parent Company has further advised subsidiaries to adhere, in a precise and timely manner, to the rule contained in the Guidelines of Directive no. 17 mentioned above, by carrying out the following activities: (i) examining the contracts under discussion; (ii) evaluating possible opportunities to terminate them; (iii) where there is a need to confirm or extend these contracts, adapting them to the provisions of Directive no. 17; (iv) issuing a declaration certifying that the contracts have been adapted to the new provisions.

Furthermore, the Parent Company has advised subsidiary companies that all the derogations to the general regulations of Directive no. 17 that have been adopted, even if they are derogations which have been expressly provided for and therefore allowed by the Directive itself for certain particular situations, are to be formally justified and described, in such a way as to allow the decision-making process underlying the adoption of the derogation to be checked and reconstructed.

Adoption of new Group Directives[5]/Company Procedures[6].

In addition to Directive no. 17 referred to in the previous paragraph, during 2011 and up to the present date the following new Group Directives and Company Procedures were issued:

- Directive on the "Formation and running of the Boards of Directors and Boards of Statutory Auditors of Subsidiary Companies": issued on 15 November 2011, it is an update of a similar

[5] Within the Finmeccanica system "Group Directive" means the regulations issued by the Parent Company to the subsidiaries so that they regulate the issues under the Directive through the adoption of their own internal procedures in a standardized manner.

[6] Within the Finmeccanica system "Company Procedure" means the internal rules adopted by each subsidiary in an independent manner or in the application of a Group Directive; the term "Procedure" itself also means the internal rules adopted by Finmeccanica Spa to regulate its own activities.

Directive which was issued in 2007. The update basically became necessary to take into account the changed organisation structure of Finmeccanica Spa;

- Directive on the "Management of Transactions with related Parties carried out through and by Subsidiary Companies": issued on 13 December 2011, with the objective of defining the scope of application, the roles and responsibilities assigned within Finmeccanica and within the subsidiary companies for the performance of activities relating to the management of transactions with Related Parties that are carried out through and by Subsidiary Companies, based on the Procedure which was previously approved by the Board of Directors of Finmeccanica and in implementation of CONSOB Regulation no. 17221 of 12 March 2010, as amended by CONSOB Resolution no. 17389 of 23 June 2010;
- Directive on the "Enhancement, management and protection of the intellectual property of the Finmeccanica Group": issued on 15 February 2012, with the objective of adopting a combined and coordinated system for the enhancement, management and protection of the intellectual property of Finmeccanica Spa and its subsidiary companies;
- Procedure for the "Management of Transactions with Related Parties": issued on 13 December 2011, it defines the scope of application, the roles and the related responsibilities for the management of transactions with Related Parties carried out directly by Finmeccanica Spa;
- "Trade Compliance" Directive: defined and in the process of being issued, it covers two particularly important areas: (i) the import/export of equipment for military, dual or commercial use which is subject to specific regulatory requirements (with particular regard to ITAR, EAR, OFAC, EU Council and applicable laws in the UK and Italy); and (ii) programmes of sanctions or other restrictive measures which affect Countries or persons considered sensitive (above all by the competent authorities of the USA, the EU, the UK and Italy, as well as pursuant to the resolutions of the UNO Security Council). The objective of the Directive in question is to establish a system of compliance at Group level, with which the companies of the Group that carry out export activities, which even only potentially fall into the scope of application of the abovementioned regulations and programmes, must implement the Directive through a structured system which envisages the adoption of specific company procedures.

Also within the context of the activities undertaken during 2011 for the improvement and implementation of the internal control system, an activity to update the Organisational, Management and Control Model was launched pursuant to Legislative Decree 231/01 in order to adapt this Model to the provisions of Legislative Decree 121/11 on the subject of environmental crimes.

The Action Plan for 2012, put forward by the Internal Audit Organisational Unit and defined with the Supervisory Body of Finmeccanica, provides that the following Group Directives and Company Procedures shall be issued during the first six months of 2012, aimed at regulating sensitive activities in Audit System terms:

a. New purchasing procedure for Finmeccanica Spa: this is an update of the previous purchasing procedure issued in 2003, aimed at improving a number of aspects relating to control and authorisation;
b. Directive on sponsorships: this is a new Directive aimed at defining roles, responsibilities and traceability in the process for approving sponsorships;
c. Directive on M&A transactions: this is a new Directive aimed at defining roles, responsibilities and traceability in the process for approving extraordinary finance transactions, with particular reference to transactions for the acquisition or sale of companies, businesses and branches of business;
d. Directive concerning the granting of consultancy and professional service appointments: this is a new Directive aimed at defining roles, responsibilities and traceability in the process for executing consultancy and professional services contracts, other than those dealt with by Directive no. 17;
e. Directive concerning the management of complimentary items, hospitality, facilitating payments and entertainment expenses: this is a new Directive aimed at defining roles, responsibilities and traceability in the management of these particularly sensitive subjects.

The adoption of the Directives mentioned in items b. and d. will also entail a review, to be completed by the end of 2012, of the sponsorship and consultancy contracts in force so that they can be adapted to the newly issued provisions.

As regards the internal control system for financial reporting, this provides, among other things, for administrative and accounting procedures which describe the activities, checks, roles and responsibilities as well as the information and document flows to support the process of drawing up financial reports. A specific component to manage the risks of fraud has been integrated into this system.

The administrative and accounting procedures (descriptions) created in previous financial years provide for a number of checks able to mitigate the risks of fraud related to the process of drawing up financial reports as the Financial Risk Assessment, which was carried out prior to the creation of these procedures, was conducted with a view to preventing and mitigating intentional and unintentional errors. In the final quarter of 2010, in order to conclude the set of controls for the prevention of the risks of fraud, a list of fraud schemes was identified (Group Fraud Library) classified by process and by macro risk category (fraudulent misrepresentation of the financial statements, misappropriation of company assets, corruption) consistently with the Uniform Occupational Fraud Classification System developed by the Association of Certified Fraud Examiners (ACFE) as described in more detail in paragraph 11.1.1 below (Monitoring and development of the control system). On the basis of the schemes identified, a specific Fraud Risk Assessment was carried out in 2011, as a result of which the descriptions are now being updated.

The Action Plan for 2012 provides, among other things, for the issue of a Manual for the management of compliance with Law 262/05, including the component related to the management of risks of fraud; its objective is to strengthen the internal control model on financial reporting within the Group and to ensure it is managed with development in mind. This plan also provides for the launch of anti-fraud monitoring activities starting from the first six months of 2012.

Non- or partial application of existing Directives/Procedures.

During the audit activities initiated by the Group and the control activities concluded by PricewaterhouseCoopers a number of cases of non- or partial application of existing Directives/Procedures emerged (although limited in number), with particular reference to the area of Purchasing Procedures, Procedures for the preparation of commercial bids and procedures related to the management of consultancy contracts. Faced with these circumstances, the Parent Company asked subsidiary companies to step up all actions aimed at guaranteeing strict compliance with internal regulations. Where necessary, as already highlighted, the Parent Company will issue special Group Directives for the purpose of ensuring uniform rules.

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Below is a summary of the investigations that, during 2011 or in these first months of 2012, have involved Finmeccanica Spa, or which have come to its attention as they relate to Group companies, with an indication of the initiatives undertaken in this respect by the internal audit bodies.

Finmeccanica Spa, within the context of criminal proceedings conducted by the Public Prosecutor's Office of the Court of Naples, was subject to: *i)* two Orders for production of, respectively, deeds and information on the subject of procedures for the selection, evaluation and granting of appointments to enter into contracts abroad and the results of inspection activities carried out by the Company with regard to the contracts entered into in 2010 between Finmeccanica and/or its Group companies and the Government of Panama (i.e.: AgustaWestland SpA, SELEX Sistemi Integrati SpA and Telespazio Argentina SA); *ii)* a delegated acquisition request for the administrative, accounting and banking documentation relating to the management of the abovementioned contracts and relations with the consultancy company VL Consulting Srl and with the business promoter Agafia Corp., as well as copies of the Organisational Models pursuant to Legislative Decree 231/01 and the minutes of the meetings of the Supervisory Bodies of Finmeccanica Spa and of the relevant Group companies. The Company promptly provided all the information requested.

With regard to this matter, the Internal Audit Committee, the Board of Statutory Auditors and the Supervisory Body of Finmeccanica Spa examined an audit report prepared by the Company's Internal Audit function on the process for the granting and management of appointments of business representatives and promoters in relation to job orders acquired in Panama. The checks carried out found no evidence of the process by which the abovementioned companies VL Consulting and Agafia were selected. This circumstance was one of the things taken into consideration when drafting and issuing Directive no. 17, which has been widely mentioned herein. In this regard, the abovementioned

bodies acknowledge that Directive no. 17 is a valid aid for matters linked to the execution and management of contracts to support commercial activities.
On the basis of the information currently available, no director, manager or employee of any Group company appears to be under investigation in relation to the abovementioned matter.

Finmeccanica Spa was involved in the investigation launched by the Public Prosecutor's Office of the Court of Rome against SELEX Sistemi Integrati SpA, as described below, because the Director of External Relations was subject to a notice of investigation for the offence under article 8 of Legislative Decree 74/2000; this person suspended himself from his appointment on 20 November 2011 and the related employment relationship was terminated on 7 December 2011. Within the context of the same investigation it was also discovered, as a result of the person concerned receiving, on 19 July 2011, notice of the request submitted by the Public Prosecutor to the Judge in charge of preliminary investigations in Rome to extend the duration of the preliminary investigations, that the former Chairman of Finmeccanica Spa - who resigned on 1 December 2011 - was under investigation for an alleged offence under article 2 of Legislative Decree 74/2000.

For details of this affair and the activities carried out in relation to it, see the more detailed description further below in the discussion of events involving the subsidiary SELEX Sistemi Integrati.

With reference to the news released by news agencies from May 2010 regarding the Group's alleged involvement in unlawful transactions that would have affected Digint srl (a company which at the time was 49% owned by Finmeccanica Group Service SpA, in turn wholly owned by Finmeccanica, and now renamed "SELEX Elsag Cyberlabs srl" and 49% owned by SELEX Elsag SpA), it was discovered that the investigations into the matter were concluded during 2011 with the submission of the requests for committal to trial; in this regard it is clarified that none of these requests involves any Group companies or their directors, managers or employees.

Alenia Aeronautica SpA (now Alenia Aermacchi SpA), within the context of criminal proceedings conducted by the Public Prosecutor's Office of the Court of Rome, was subject to an order for search and seizure of documentation in relation to transactions connected to the sale, as part of the EFA programme, of Eurofighter aircraft to the Austrian government by a Consortium in which Alenia Aeronautica SpA itself participated.
With regard to this matter - in relation to which no director, manager or employee of Alenia Aeronautica SpA appears to be under investigation - the critical issues that emerged, even though they were not deemed significant, resulted in measures being taken regarding the traceability of documentation pertaining to business promotion contracts, a request for the recovery of the advance payment and the adaptation of the company procedures to the requirements of Directive no. 17 of Finmeccanica.

AnsaldoBreda SpA, within the context of criminal proceedings conducted by the Public Prosecutor's Office of the Court of Naples, was subject to an order for search and seizure of documentation relating

to a conference held in Voghera on 20 April 2011 (organised by, among others, AnsaldoBreda itself) and the supply, by the same company, of trains for the Fortaleza underground (Brazil).
With regard to this matter - in relation to which no director, manager or employee of AnsaldoBreda SpA appears to be under investigation - the Internal Audit Committee and the Board of Statutory Auditors met the Top Management of AnsaldoBreda SpA and the Board of Statutory Auditors of Finmeccanica Spa met its counterpart in AnsaldoBreda SpA; the abovementioned meetings did not give rise to any critical issues regarding the internal control system of the company.

Ansaldo Energia SpA (100% owned by Ansaldo Energia Holding SpA, which is in turn 54.55% owned by Finmeccanica Spa) was sentenced in first instance, on 20 September 2011, by the Court of Milan - Fourth Criminal Division - to an administrative pecuniary penalty of €150,000.00 for the unlawful administrative act under article 25, paragraph 3 of Legislative Decree 231/01 and to the confiscation of the equivalent of €98,700,000.00. This measure was taken as part of an investigation launched in 2004 by the Public Prosecutor's Office of the Court of Milan into the alleged payment of bribes for the awarding of tenders to a number of companies, including Ansaldo Energia SpA. Ansaldo Energia SpA filed an appeal against this ruling on 1 February 2012. Although confident that the ruling will be revised at the next levels of the proceedings, the company has allocated a provision for risk for an amount equal to the entire sum specified above, as discounted; in its turn, Finmeccanica has allocated an amount equal to 45% of this sum, against the guarantees issued to the minority shareholder at the time of the transfer of the shareholding.

Furthermore, within the context of proceedings conducted by the Public Prosecutor's Office of the Court of Milan, the company was notified, on 16 March 2012, that the Judge in charge of Preliminary Investigations at the Court of Milan had informed the company on 1 February 2012 that the Public Prosecutor had requested an extension of the duration of the preliminary investigations into the alleged offence under article 25 of Legislative Decree 231/01 in relation to article 322-*bis*, paragraph 2, no. 2 of the Italian Criminal Code "committed in the time prior to and around 20 June 2011 in Milan".

Electron Italia Srl, 80% owned by SELEX Elsag SpA, was subject, within the context of criminal proceedings conducted by the Public Prosecutor's Office of the Court of Rome, to a search order in relation to a consultancy contract entered into in 2009 with the limited liability company Soluzioni di Business. Notification of the abovementioned measure was also provided by way of notice of investigation to the then Chairman of Electron Italia Srl for the offences under article 8 of Legislative Decree 74/2000 and article 110 of the Italian Criminal Code. In this regard, it is clarified that Electron Italia Srl paid this company the contractually agreed amount of €10,000 by way of a lump-sum reimbursement of expenses.
With regard to this affair, the Board of Statutory Auditors of Finmeccanica Spa met the Board of Statutory Auditors of Electron Italia Srl; the abovementioned meeting did not give rise to any critical issues regarding the internal control system of the company.

Electron Italia Srl, within the context of proceedings initiated by the Public Prosecutor's Office of the Court of Rome against SELEX Sistemi Integrati SpA as indicated below, was subject to the seizure of documentation related to: *i)* an order signed in 2009 by SELEX Sistemi Integrati SpA and Electron Italia Srl itself; *ii)* a contract entered into in 2009 between SELEX Sistemi Integrati SpA and Electron Italia Srl in its capacity as agent of the temporary business association set up together with Print Sistem Srl; *iii)* the role of this latter company in the aforesaid order/contract as well as the suppliers of the above mentioned association.

Regarding this latter matter, no director, manager or employee of Electron Italia Srl appears to be under investigation.

Elsag Datamat SpA (now SELEX Elsag SpA) - as part of investigations launched by the Judicial Authority in relation to two tenders called in 2005 and 2006 by the Municipality of Barletta and by the Municipality of Lucera, respectively, for the construction of access control systems for the limited traffic area - saw one of its employees receive two notices of investigation for offences linked to supplies that did not conform to the requirements of the contracting authority (articles 48, 81, 110, 353, 356, 479 and 483 of the Italian Criminal Code for the supply to the Municipality of Barletta and articles 353 and 356 of the Italian Criminal Code for the supply to the Municipality of Lucera).

Elsag Datamat SpA saw one of its former employees, who at the time of the events was the "General Site Services" Manager and who now works for another Group company, receive a notice of investigation issued by the Public Prosecutor's Office of the Court of Genoa for offences under articles 426 and 449 of the Italian Criminal Code, in relation to the overflow of the Chiaravagna river which took place in Genoa on 5 October 2010.

SELEX Galileo SpA was subject, within the context of criminal proceedings conducted by the Public Prosecutor's Office of the Court of Palermo, to search measures aimed at obtaining administrative/accounting, corporate and non-accounting documentation, as well as hardware and software connected with the public financing that the company requested under the integrated package of concessions for innovation ("P.I.A. INNOVAZIONE").

Notification of the measure in question was also provided, by way of notice of investigation in connection with offences under articles 81 of the Common Procurement Vocabulary and 640-*bis*, 483, 56 and 640 of the Italian Criminal Code, to the former Chief Executive Officer, the current Chief Executive Officer and two employees of the company.

SELEX Service Management SpA, within the context of criminal proceedings conducted by the Public Prosecutor's Office of the Court of Naples concerning the awarding of the construction and management of the infrastructure known as SISTRI (a Control System for Waste Tracking) - in relation to which the Chief Executive Officer of the company, who resigned on 28 September 2011, received a notice of investigation for offences under articles 416, 110, 640 (paragraph 2) and 323 (paragraph 2) of the Italian Criminal Code and articles 2 and 8 of Legislative Decree 74/2000 - was

subject to two orders for search and seizure which related, respectively, to the contract for the awarding of the construction and management of the SISTRI infrastructure and the contracts for the awarding/subcontracting/consultancy of the order or part of it to third parties as well as the documentation relating to the relations entered into by SELEX Service Management SpA itself with a professional advisor, with the company BCM Business Consulting and with a legal consultancy firm.
Please note that this last measure was also carried out on Seicos SpA, which was merged into SELEX Elsag SpA with effect from 1 February 2012.
In relation to this matter, the Internal Audit Committee, together with the Board of Statutory Auditors, met the Top Management of SELEX Service Management SpA and the Board of Statutory Auditors met its counterpart in SELEX Service Management SpA; these meetings did not give rise to any critical issues regarding the internal control system of the company. The Internal Audit Committee and the Board of Statutory Auditors also examined the results of the check carried out by the Internal Audit function of Finmeccanica Spa with respect to certain suppliers used by SELEX Service Management SpA for the performance of the SISTRI contract; this confirmed the absence of critical issues regarding the internal control system of the company.

SELEX Service Management SpA - within the context of criminal proceedings conducted by the Public Prosecutor's Office of the Court of L'Aquila concerning a number of orders in place between the company and Abruzzo Engineering Scpa in liquidation (30% owned by SELEX Service Management SpA itself) - was subject to two Orders for production of, respectively, technical, administrative and accounting documentation relating to the contractual relations between SELEX Service Management SpA and Abruzzo Engineering Scpa in liquidation and the Organisational, Management and Control Model pursuant to Legislative Decree 231/01 as well as any appropriate information that made clear the checking work carried out by the Supervisory Body. The first of these proceedings has resulted in the Operations Manager of SELEX Service Management SpA, among others, being investigated for alleged offences under articles 110 and 319 of the Italian Criminal Code.

The abovementioned proceedings are still pending in the preliminary investigations phase and, although nearing their conclusion, no precautionary or disqualification orders have been taken against the company directly. The company itself does not appear, as at today's date, to have been formally subject to any formal proceedings to register it in the register of legal persons under investigation pursuant to Legislative Decree no. 231/01.

SELEX Sistemi Integrati SpA - within the context of investigations initiated by the Public Prosecutor's Office of the Court of Rome in relation to alleged corruption and tax offences during the awarding of works by ENAV SpA in the 2008-2010 period - was subject to seven proceedings to search for and seize copies of, respectively: *i)* documentation relating to an order with Print Sistem Srl; *ii)* the financial statements and accounts for the 2009 and 2010 periods; *iii)* documentation relating to an order and possible contracts with Print Sistem Srl, as well as the tax returns for the 2010 tax year; *iv)* documentation relating to contracts entered into with ENAV SpA in relation to the purchase of services and telecommunications equipment; *v)* documentation which allows the checking of the effective implementation of the Organisational Model adopted pursuant to article 6 of Legislative Decree 231/01; *vi*) the two orders signed in 2009 with, respectively, Print Sistem Srl and Electron Italia Srl and a contract entered into in 2009 with Electron Italia Srl in its capacity as agent of the temporary business association set up together with Print Sistem Srl; *vii)* documentation relating to the installation of the Multilateration system as per the contracts entered into on 23 December 2009 between SELEX Sistemi Integrati SpA and ENAV SpA.

It should be remembered in relation to this investigation that in November 2010 SELEX Sistemi Integrati SpA and a number of managers of the company were subject to notices of investigation for, respectively, offences under article 25 of Legislative Decree 231/01, under articles 2 and 8 of Legislative Decree 74/2000 and under article 319 of the Italian Criminal Code. In this regard, it should be clarified that: *i)* the then Chief Executive Officer - investigated for offences under articles 319 and 321 of the Italian Criminal Code and under article 8 of Legislative Decree 74/2000 - tendered his resignation on 14 December 2011; his employment relationship ended on 31 December 2011; *ii)* the Sales Manager - investigated for offences under articles 319, 321 and 416 of the Italian Criminal Code and under article 8 of Legislative Decree 74/2000, as well as subject to a personal precautionary measure - resigned from the company on 13 December 2011; *iii)* the Joint General Manager – investigated for offences under articles 2 and 8 of Legislative Decree 74/2000 – resigned from his post on 6 December 2011.

In this regard, the Internal Audit Committee, together with the Board of Statutory Auditors, has:

- examined the audit report prepared - at the request of the then head of SELEX Sistemi Integrati SpA - on 19 January 2011 by the Internal Audit function of the company in order to check the safeguarding mechanisms of the processes to manage the purchase of goods and services as well as to manage sub-contracts with reference to the transactions carried out with the companies named in the proceedings issued by the Judicial Authority. This report highlighted, without prejudice to the opportunity to make improvements in a number of areas, "observations of low importance that do not entail significant risks and that the work carried out by the persons involved in the management processes is essentially in line with existing company procedures." In this regard it is clarified that the audit focused on the check of the procedural fairness of the purchasing process (preparation of the procurement plan, processing of the SOW (Statement of Work), authorisation of purchase request, presence of any alternative bids, compliance with the rules on sub-contracting, authorisation to issue purchase order, purchasing invoices), to be checked through the entries that the various persons involved in the process make in the Company Information System;
- examined the audit report prepared - at the request of the Top Management and the Internal Audit Committee of Finmeccanica Spa - on 25 January 2011 by the Internal Audit Organisational Unit of Finmeccanica Spa with regard to the relations in place between the companies named in the

orders issued by the court and the companies of the Finmeccanica Group. This report did not give rise to any critical issues regarding the internal audit system of the company.

- Subsequently, during the period from December 2011 to February 2012, the Internal Audit function of SELEX Sistemi Integrati SpA carried out specific audits in relation to: *i)* the "Supply of four mobile systems for the ADS - B Italy programme by Print Sistem"; *ii*) the "Programme for the Modernisation of the Palermo Airport System"; *iii*) the "National ADS - B Programme"; iv) the "Supplies by Print Sistem, Arc Trade and Techno Sky pertaining to Qatar NDIA Programme"; *v)*the "Multilateration systems for Airports of Bergamo and Venice"; these audits gave rise to a number of critical issues regarding the proper execution of the supplies in question and, as a result of these, SELEX Sistemi Integrati undertook the following specific initiatives in January and February 2012:
- The company, having carried out a specific selection of bids submitted by three proposing companies, appointed an independent third party (RINA SERVICES SpA), to carry out technical services, currently underway, for the purpose of analysing the fairness of the value and the standard of the works carried out under the subcontracting agreements awarded by SELEX Sistemi Integrati to the companies Arc Trade srl, Print Sistem srl, Techno Sky spa and Renco spa in the period from 1.1.2008 to 30.11.2011. The total value of the orders to be assessed amounts to around €138 million overall. The purpose of the activity commissioned is to check that the costs charged to each order are in line with the market value and that the work carried out was performed correctly and was delivered and installed in accordance with the provisions of the contract.

  The appointed task is divided into two phases: Phase 1 - Checking the fairness of the price and the bill of quantities (expected duration: four months); Phase 2 - Onsite checking that the work carried out corresponds to what was contracted (expected duration: four months).

  The result of the checking work will be reported in a Valuation Report. The checking of the fairness of the value of the subcontracts must be carried out by taking into account the different types of contracts: Civil works and associated plant works; Supply and installation of hardware; Development and evolutionary maintenance of software; Provision of setting-up services.

  On 20 March 2012, RINA issued an "Interim Report" to SELEX Sistemi Integrati, which was based on the analysis of an initial group of orders making up 76% of the total value of the orders covered by the task. This Interim Report states that: (i) as regards the orders subject to analysis by both RINA and the Internal Audit function of SELEX Sistemi Integrati, there are no differences between the evaluations carried out by RINA and the results of the Audit Report by SELEX Sistemi Integrati; (ii) in relation to the orders examined by RINA but not subject to analysis by SELEX Sistemi Integrati, no significant anomalies were encountered. The company launched a joint initiative with the client ENAV SpA for the purpose of arriving at a common evaluation of the main contracts in progress between the two companies; in this regard, it emerged during the joint meetings held that ENAV too, in the same way as SELEX Sistemi Integrati, intends to launch a number of internal checks concerning the main orders in progress with the aid of a third party. The meetings with ENAV also allowed the parties to register their common wish to define their relations in a spirit of mutual cooperation and transparency.

- The company defined and put in place a number of organisational and disciplinary measures based on the conclusions reached in the Audit Reports; in particular, the company changed the duties of all the employees who, on the strength of these Audit Reports, appear to be involved in breaches of company procedures. Furthermore, on the basis of the "Report of breaches of the Organisational, Management and Control Model, pursuant to Legislative Decree 231/01" issued by the Supervisory Body on 6 March 2012, the company issued formal letters of reprimand to the persons involved.
- The company launched an initiative to assess the suitability of and to set out possible changes to the Organisational, Management and Control Model pursuant to Legislative Decree 231/01.
- The company decided to take action to claim back sums unduly paid to suppliers by formally appointing an external professional to take the most appropriate actions.
- The company appointed an external professional to assess possible stockholders' suits to file against the directors and/or claims for damage to employees.
- The company set aside special provisions in the 2011 financial statements to cover expenses that could arise as a result of the abovementioned critical issues, in the amount of €33.8 million.

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As regards the above, it should be clarified that:

- the proceedings adopted to date by the Judicial Authority and mentioned above relate to investigation work which is still in progress. Therefore, with the exception of the ruling at first instance against Ansaldo Energia SpA, no rulings have been issued against group companies, their directors or managers in relation to such matters and no precautionary measures have been adopted, except against the former Sales Manager of SELEX Sistemi Integrati SpA, nor have motions for committal to trial been filed against the companies involved;
- as regards the seizure orders issued by the Judicial Authority with regard to a number of Group company contracts, it should be explained that (with the sole exception of the contract entered into between ENAV and SELEX Sistemi Integrati concerning the Programme for the "Modernisation of the Palermo Airport System", for which ENAV requested termination on the basis of reasons that have nothing to do with the events described above) these are being duly performed on the basis of contractual relations which are still in place and no objections in this regard have been filed to date by the counterparties, nor have any actions been proposed by third parties before the Judicial Authority aimed at nullifying their validity or effectiveness;

- as regards the proceedings concerning a number of directors, managers and employees of Group companies, some of these tendered their resignation thereby terminating their employment, others were subject to unilateral termination measures against them and still others renounced the role that they had previously covered and were replaced in their respective roles by staff with suitable professional abilities. Additional actions (if any) to defend the interests of Finmeccanica and of the Group companies are being considered.

Finmeccanica Spa's Board of Directors was kept duly informed about the foregoing events.

11.1. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM 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 that 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).

In 2011, the ICFR was further developed and integrated with a specific component for the management of fraud risks in accordance with the provisions under Auditing Standard no. 5 "An Audit of Internal Control Over Financial Reporting That is Integrated With An Audit of Financial Statements", issued by the Public Company Account Oversight Board (PCAOB). It puts, among the other things, particular emphasis on the checks related to the prevention, identification and detection of fraudulent activities, to be intended as acts capable of generating misrepresentation from a financial, capital and economic point of view in the financial statements.

The responsibilities for establishing and maintaining the ICFR system, on the whole, 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, on 26 May 2011 the Company's Board of Directors re-appointed Alessandro Pansa, General Manager and Chief Financial Officer 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 General Manager and Chief Financial Officer, with all the powers necessary for the correct performance of the duties for which he is responsible by law.

Moreover, the Company has taken further steps to implement activities with the purpose of ensuring compliance with the relative legislation by constantly monitoring and improving the administrative and accounting procedures for the preparation of the statutory and consolidated financial statements and of the interim reports. The monitoring and improvement activities concerned, among other things:

- the assessment of the adequacy of the controls on the basis of any changes made to processes, organisation and IT systems and the updating of the respective descriptions;
- the redefinition of compliance activities following any changes arising from the integration (mergers) of Group companies;
- enlargement of the set of rules for the separation of duties (SOD) in the management of the processes for preparing financial reports;

- the adoption of an IT system dedicated to the management of compliance activities for all the companies concerned (mapping of processes, Financial Risk Assessment, administrative, accounting and IT governance procedures, etc).

The Officer in charge of preparing the company's accounting documents releases the certification required by Art. 154 *ter*, paragraph 2 of the Consolidated Law on Financial Intermediation and, together with the Chairman and Chief Executive Officer, provides the attestation under Article 154 *bis*, paragraph 5 of the Consolidated Law on Financial Intermediation.

- ***Financial reporting managers***

To comply with Law 262/2005, within the major companies of the Group[7] 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.

As such, the FRMs have the following responsibilities:

- developing for each Group company administrative and accounting procedures underlying the financial reporting process that ensure that the financial reporting process is suited to the preparation of reliable consolidated annual and interim financial statements and is in line with the actual operations of the company concerned based on the instructions received from the Officer in charge of preparing the Company's accounting documents;
- defining and implementing any plans for improvement;
- attesting, with respect to the Manager in charge of preparing the Company's accounting documents of Finmeccanica, together with the Delegated Governing Body of the company, to what is requested by the Parent Company in relation to the internal control system for the governance of the financial reporting process and the preparation of accounting documents.

- ***Internal Audit Organisational Unit of Finmeccanica Spa***

The Officer in charge of preparing the Company's accounting document has entrusted the Organisational Unit of Internal Audit with responsibility for "independently" assessing the functioning of the internal controls over financial reporting.

The Organisational Unit of Internal Audit, assisted by the internal audit organisational units of the various Group companies and based on indications provided by the Officer in charge, 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.

[7] 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 results of the tests conducted for each company are submitted to its management, which determines what improvements should be made so that a suitable, up-to-date action plan can be prepared.

The overall results of these tests are submitted to the Internal Audit Organisational Unit of Finmeccanica, 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 condensed half-year financial statements, and the consolidated financial statements.

11.1.1 CURRENT INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM AS RELATED TO THE FINANCIAL REPORTING PROCESS

The management of the ICFR system developed by Finmeccanica features the following general stages:

- 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, performed at top-down risk based approach[8], specific controls are identified, which fall under two main categories:

- entity-level controls which, as controls that apply to the entire organisation since they are common and cut across it, are structural elements of the ICFR system;
- process-level controls.

[8] This approach was introduced by the interpretation guidelines of the Securities and Exchange Commission (SEC) regarding the annual assessment of the ICFR system as set down in Section 404 of the Sarbanes-Oxley Act and implemented by the Auditing Standards of the Public Company Accounting Oversight Board (**PCAOB**).

On the basis of the top-down risk based approach, Finmeccanica continued activities to rationalise process controls with the aim of making the control system more efficient in terms of financial reporting process.

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 Unit) in relation to the process functioning (tests).

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 on an annual basis.

In 2011, as already reported in the previous paragraphs, the ICFR was further developed and integrated with a specific component for the management of fraud risks. Specifically, a list of fraud schemes (Fraud Library) has been identified which classifies them by process and risk macro-category (fraudulent misrepresentation of financial statements, misappropriation of corporate assets, corruption) in accordance with the Uniform Occupational Fraud Classification System developed by the Association of Certified Fraud Examiners (ACFE).

The cases of fraud risks included in the Fraud Library concern those defined as "internal" cases, i.e. cases of fraudulent acts that assume the participation or the involvement of at least one person belonging to the company.

Therefore, on the basis of the results of a fraud risk assessment - by which the level of inherent riskiness is assessed for each fraud scheme applicable to the companies -, an activity was started for the integration of the checks already in place with additional checks deriving from the schemes defined in the Fraud Library.

The management of fraud risks provides for the following control components:

- checks aimed at detecting frauds (if any) perpetrated to the detriment of the company and/or significant weaknesses at the level of the internal control system ("Detection Audit");
- checks at process level ("Transaction Level Control");
- elements of the control environment at the level of Entities that are relevant for anti-fraud purposes ("Entity Level Control"/"IT General Control").

The monitoring plan (test) for the anti-fraud control components will be started in the first half of 2012 with specific checks (so-called Detection Audit) that will be coordinated, at central level, by the Internal Audit Organisational Unit of Finmeccanica so as to ensure a uniform approach by the companies.

Finally, the 2012 action plan provides for the issue of the Manual for the management of compliance with Law 262/05, including the component related to the management of fraud risks; its objective is to strengthen the internal control model on financial reporting within the Group and to ensure it is managed with development in mind.
This plan will be integrated into the plan which is currently envisaged for the check of the actual application of the administrative and accounting procedures.

11.2. EXECUTIVE DIRECTOR IN CHARGE OF THE INTERNAL AUDIT SYSTEM

The Chairman and Chief Executive Officer, Giuseppe Orsi, 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 Giuseppe Orsi, 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.

11.3. INTERNAL AUDIT MANAGER

By resolution dated 15 May 2002, the Board of Directors appointed Mr 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, whose remuneration is in line with the company policies applicable to such positions, also holds the position of Head of the Internal Audit Organisational Unit.

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 2011, 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. For information on updates made to the Model by Finmeccanica Spa and its subsidiaries, please refer to Section 11.4.

The Internal Audit Manager has financial resources included in the Internal Audit Organisational Unit's budget in order to carry out his duties. This Department's activities have not been outsourced. As mentioned earlier, the Internal Audit Committee is entrusted with the supervision of the Internal Audit Organisational Unit.

11.4. 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.

The Finmeccanica Board of Directors, in its meeting of 16 December 2010, approved the current Organisational, Management and Control Model as per Legislative Degree 231/2001 (the "Model"), which includes the legislative changes regarding organised crime (Art. 24-*ter*); counterfeiting money, legal tender, revenue stamps and recognition instruments or marks (Art. 25-*bis*); business crimes (Art. 25-*bis*.1); intellectual property crimes (Art. 25-*novies*); solicitation of perjury or failure to give statements to judicial authorities (Art. 25-*novies*), which the Company adopted, by resolution of the Board, on 12 November 2003 and subsequently updated on 26 July 2007 and 25 June 2009.

The Model is based on the guidelines issued by Confindustria (latest update available 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 Organisational, Management and Control 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;
- a "special section F", which covers criminal enterprise.

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 in its new format set in the last update (i.e. a document to be drawn up by first-tier managers to report regularly to the Supervisory Body for meetings with members and/or representatives of government bodies including any information on restrictions contained in the Organisational Model pursuant to Legislative Decree 231/2001);
- 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.

Analysis activities are in progress which are preliminary to the updating of the Organisational Model in light of Legislative Decree no. 121 of 7 July 2011 governing the criminal protection of the environment which introduced, *inter alia*, article 25-undecies in the text of Legislative Decree 231/01. This new article provides for numerous types of offence that are the requirement for the liability of the entity, including the following:

- destruction or deterioration of the habitat within a protected site;
- spills that cause pollution of soils, sub-soils, surface waters and underground waters and the overcoming of the risk threshold concentrations;
- unauthorised waste management;
- breach of the obligations concerning disclosures and the keeping of statutory books and forms;
- unlawful waste traffic;
- breach of the emission limit values or of the rules laid down in the authorisation for operation of plants.

In relation to the actions already taken on the occasion of the previous reviews of the Organisational Model, a working group has been set up which is made up of internal resources and external consultants with an activity programme. Both the Supervisory Body and the Board of Directors gave their favourable opinion on the initiative in the meetings of 4 and 14 November 2011, respectively. The updating process for the integration of environmental offences, which entails a large risk assessments at the various sites, the identification of the existing checks, the preparation of an action plan and the drawing up of a new section G in the Special Part of the Organisational Model, involves not only Finmeccanica Spa, but also the subsidiaries incorporated under Italian law in the Finmeccanica Group and is expected to be concluded in 2012.

Other aspects concerning the updating and review of the Organisational Model concern the development of the organisational structure of Finmeccanica Spa, as well as some in-depth analyses relating to the American and British regulations (FCPA and Bribery Act) to which application Finmeccanica Spa is potentially exposed, either directly or indirectly.

Following the resignation of Professor Piergiorgio Alberti, the Supervisory Body of Finmeccanica Spa is currently made up of an external professional, Giuseppe Grechi, who holds the position of Chairman, the manager responsible for the organisational unit of Legal and Corporate Affairs, Mario Orlando, as well as of the new member, Manuela Romei Pasetti, appointed by the Board of Directors' meeting of 27 March 2012. Multi-person compositions of the Supervisory Bodies have been resolved by the Board of Directors of some first-level subsidiaries, while other companies have appointed a member of the Board of Statutory Auditors as Chairman of the Supervisory Body, in any case ensuring a multi-person composition, with the participation, as members, of the managers responsible for the organisational units of Legal and Corporate Affairs and Audit.

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 and 16 December 2010. The Bylaws entrust the Supervisory Body with wide-ranging tasks for the purposes of monitoring the validity and effectiveness of the Organisational Unit. Within these tasks, among other things, the Supervisory Body receives reports (if any) on the part of company representatives or third parties, holds periodical hearings to hear the managers responsible for potential areas at risk, examines reports and disclosures prepared by the corporate units and provides recommendations or instructions to the Top Management and to the corporate bodies, also with respect to appropriate actions for improving or changing checks. The Supervisory Body has also adopted internal rules, which have been communicated to the Board of Directors. Similar rules have been adopted by the respective Boards of Directors of the subsidiaries.

11.5 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) review of the half-year 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 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.

12. DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES

Through its Resolution 17221 of 12 March 2010 (as amended by Resolution 17389 of 23 June 2010), CONSOB issued the "Regulation concerning transactions with related parties" (the "Regulation").

The guidelines, issued in implementation of the enabling act pursuant to Art. 2391-*bis* of the Italian Civil Code that requires CONSOB to establish the general principles on the transparency and the procedural and substantive fairness of transactions with related parties, also contains specific provisions on the transparency of urgent and periodic disclosures in accordance with Arts. 114 and 154-*ter*(6) of the Consolidated Law on Financial Intermediation.

In implementing these regulations and taking into account the guidelines issued by CONSOB, the Board of Directors, at its meeting of 26 November 2010, unanimously approved the "Procedures for Transactions with Related Parties" ("Procedures") after having reviewed the favourable opinion supported by the entire Procedures Committee, composed of independent Directors. The text of the Procedures underwent a revision on 13 December 2011 in order to take account of certain formal adjustments due to the changed organisational structure of the Company.

Also at that meeting, the Board repealed the previous "Guidelines and criteria for identifying significant transactions with related parties", which the Company adopted pursuant to Art. 2391-*bis* of the Italian Civil Code, as well as on the basis of the recommendations made in the Corporate Governance Code.

The Board also assigned the Internal Audit Committee, formed pursuant to the Code, the task of also serving as the Committee for Transactions with Related Parties.

The Procedures aim to define, based on the principles outlined in the Regulation, rules for ensuring transparency and substantive and procedural fairness in transactions with related parties entered into by the Company, directly or through its subsidiaries. To that end, the Procedures establish the criteria and methods for identifying parties related to the Company (identified in accordance with Annex 1 of the Regulation), as well as the quantitative criteria for identifying transactions of greater or lesser importance entered into by the Company; establishes the procedures for examining and approving transactions with related parties, identifying specific rules for cases in which the Company examines or approves transactions entered into by its subsidiaries; establishes the procedures for meeting the disclosure requirements related to the regime.

The Procedures also set out the types of transactions exempt from the procedural rules as provided for under the Regulation, subject to the regulatory plan concerning disclosure requirements.

It also established the quantitative criteria for identifying so-called "minor" transactions not subject to the Procedures, i.e. transactions for amounts of not more than €mil. 3, or €th. 250 (per year) for on-going consulting work and other professional services, as well as awarding remuneration and financial benefits to members of the administration and control bodies or executives with strategic responsibilities.
The supervisory body monitors whether the procedures adopted comply with the principles set out in the Regulation, as well as whether they have been followed and reports its findings to the Shareholders' Meeting.

The Procedures Committee assesses the adequacy of the Procedures and the need to amend them at least once every three years in light of any legislative or regulatory changes and future application practices.

The full text of the Procedures is available on the Company's website in the Investor Relations/Corporate Governance section, Transactions with Related Parties area.

Furthermore, with specific reference to the situations in which a director has an interest on his own behalf or on behalf of third parties, the Rules of Procedure of the Board of Directors provide for the Board members who have an interest, including a potential and indirect interest, in the transactions subject to the examination of the board, to promptly and exhaustively inform the Board itself of the existence of this interest and of the related circumstances. In this case, the directors themselves are required to leave the meeting at the time of the discussion and of the related resolution, or to abstain from both in the cases when the respective departure prejudices the maintenance of the necessary quorum of the meeting.

13. 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. The Board of Directors amended the provisions of the Bylaws governing the election of the Board of Statutory Auditors (Art. 28.3) on 3 November 2010 in order to align the deadlines and methods for filing and publishing lists and the related documentation with the requirements of Arts. 147-*ter(*1-*bis)* and 148(2) of the Consolidated Law on Financial Intermediation. This was done in response to the changes made by Legislative Decree 27 of 27 January 2010 during the transposition of Directive (2007/36/EC) on the rights of shareholders of listed companies.

As explained earlier regarding the appointment of Directors, Legislative Decree 27/10 provided that "privatised companies" are also subject to the ordinary rules found in the Consolidated Law on Financial Intermediation, as well as the implementing provisions, in place of the special rules contained in Law 474/94 (so-called "privatisation law").

Therefore Art. 28.3 of the Bylaws currently requires that the list of candidates presented by shareholders, together with related supporting documentation, be deposited at the Company's registered office at least 25 days prior to the date set for the first convocation of the Shareholders' Meeting and must be published by the Company at least 21 days prior to the Meeting, in accordance with applicable law (it must be made available to the public at the Company's registered office, at the market management company's office and on the Issuer's website).

In order to be able to provide up-to-date information on its website, the Company expressly requests that, when Shareholders' Meetings are called, shareholders deposit résumés with exhaustive personal and professional information on each candidate when they file the lists.

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 holding lower percentages if envisaged by applicable laws or regulations.

It should be noted that with regard to the election of the Board of Directors, the minimum shareholding required to present a list of candidates for the election of Finmeccanica's administration and control bodies was set by CONSOB (with Resolution 18083 of 25 January 2012) at 1.5%, except for the minor share (if any) envisaged in the Bylaws. Therefore, in this regard, the 1% percentage envisaged in section 28.3 of the Bylaws of Finmeccanica shall apply.

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 with at least three years of auditing experience. Auditors that do not satisfy this requirement must have at least three-year 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, 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.

14. STATUTORY AUDITORS (Article 123-bis, para. 2, letter d) of the Consolidated Law on Financial Intermediation)

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 2011 was composed as follows:

LUIGI GASPARI (2) CHAIRMAN

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 2011, as well as the total number of any other positions they hold in the control bodies of other issuers, in observance of the restrictions on the number of positions that can be held pursuant to Art. 144-*terdecies* of the Issuers' Regulation.

No changes in the composition of the Board of Statutory Auditors have taken place since the end of the 2011 financial year.

In 2011, the Board of Statutory Auditors met 39 times, while 10 meetings have been held in 2012 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 15 meetings of the Board of Directors held in 2011:

	Bd of Stat Aud	Bd of Dir	
LUIGI GASPARI	37 out of 39	15 out of 15	meetings
GIORGIO CUMIN	34 out of 39	15 out of 15	meetings
MAURILIO FRATINO	33 out of 39	15 out of 15	meetings

SILVANO MONTALDO	32 out of 39	15 out of 15	meetings
ANTONIO TAMBORRINO	36 out of 39	14 out of 15	meetings

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 was 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 since 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 Vice-Chairman 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 has been entered in the Italian Register of Auditors since 1995. 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 and auditor to organisations 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, di IW-Bank, Pernod Ricard Italia, Zurigo Assicurazioni Group Funds, the Generali Group, Cassa Lombarda 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 has worked as joint general manager since 1993. He has served as director and auditor for a number of IRI Group companies.

In compliance with the Corporate Governance Code, the Board of Statutory Auditors regularly confirmed the requirements of independence for Regular Auditors during the financial year 2011.
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 twelfth year of service in 2011. 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.

Any Auditor who has an interest, either on his 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 liaises constantly with the Company's Internal Audit Organisational 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 Internal 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.

15. 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 is set up to conduct this activity.

The Investor Relations unit provides the qualitative and quantitative elements about the expected financial and economic performance and the business performance of the Group, supporting the financial markets in achieving a perception and valuation of Finmeccanica on the stock exchange, which is consistent with the intrinsic value of the Group, as well as through the preparation of Guidance and careful monitoring of the market consensus.

This is in line with Italian and international best practices and aims to develop a transparent, ongoing dialogue with the Italian and international financial community, rooted in a clear strategic view of the Company's business and prospects.

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 Report and Shareholder Structure section.

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 to the financial market with the relevant web-casting, video and audio 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) to which a special area ("FOR THE SHAREHOLDER") has been devoted that is being extended.

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 for its financial announcements.

The Investor Relations unit organises numerous events aimed at improving the financial community's knowledge of Finmeccanica and dealing with the specific issues that arise from the dialogue with the same. In addition to daily contacts with analysts and investors, particular importance is attached to the conference calls on the occasion of the publication of the results of the first and third quarter and on the occasion of the announcement of important transactions, the institutional Roadshows with the group's Top management on the occasion of annual and six-monthly results, the Deal Roadshows on the occasion of extraordinary transactions and the Investor Day that is usually organised once a year and is considered the ideal platform to present the Finmeccanica Top management together with the Company managers, 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.

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-on-one or small group meetings.
In 2011 Finmeccanica was confirmed, for the second consecutive year, in the prestigious World and Europe Dow Jones Sustainability Indexes.
The Group's daily commitment to the development of a sustainable business was rewarded also this year with the inclusion – the only company of the thirty companies in the Aerospace, Defence and Security sector –in both the World and Europe indexes.
Established in 1999, the Dow Jones sustainability indexes are the first and most important stock exchange indexes to assess, on an annual basis, the performance of companies and the maintenance of commitments undertaken in the field of economic, social and environmental sustainability. They are looked after by the rating company SAM - Sustainable Asset Management in Zurich, in cooperation with Dow Jones Indexes in New York.

The Investor Relations Manager is John Douglas Stewart, who follows the activities together with Raffaella Luglini, who is also responsible for Financial Communication. The Investor Relations units depend directly from the General Manager and CFO, Alessandro Pansa.

Contacts

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You can also contact the Unit via the following email address:

investor_relations@finmeccanica.com

16. SHAREHOLDERS' MEETINGS (Art. 123-bis, para. 2, letter c) of the Consolidated Law on Financial Intermediation)

Significant changes were introduced by Legislative Decree 27 of 27 January 2010 (transposing Directive 2007/36/EC) affecting some of the rights of shareholders of listed companies and how Shareholders' Meeting are to be conducted, which led to important changes for the Company.
The alignment to such law required that a series of adjustments be made to the Company's Bylaws, both mandatory changes and others left to the discretion of the Shareholders' Meeting, and that CONSOB issue implementing regulations.

Shareholders' Meetings are called by means of a notice published on the Company's website and by any other method determined by CONSOB (an announcement in at least one national daily newspaper and a message published on the Company's website and through Borsa Italiana's Newspaper service), containing the information required by Art. 125-*bis* of the Consolidated Law on Financial Intermediation.

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 on 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 the Company's registered office and with Borsa Italiana. In consideration of this and in light of the provisions of Art. 125-*quater* of the Consolidated Law on Financial Intermediation, the Company publishes on its website explanations of the Meeting's agenda and any other documents to be submitted to the Shareholders' Meeting, proxy forms and information on the amount and composition of its share capital, as required by law or regulations.

Specifically, the Company's website has a special section dedicated to Shareholders' Meetings, containing the documents and information pertaining to each specific meeting, with a direct link from the home page. As stated in Section 15 above, as part of a broader revamping of the Company's website, the organisation and content of this section was already upgraded in 2010 to improve the quality of and access to information for shareholders prior to Shareholders' Meetings.

Based on the record date mechanism, the right to attend Shareholders' Meeting and vote is held by those who communicate via an authorised financial broker that they hold shares of the Company seven trading days prior to the date set for the Shareholders' Meeting in first convocation. In this respect, the Company amended the prior Art. 13.1 of its Bylaws by resolution of the Board of Directors on 3 November 2010, in part to remove the requirement that shares must first be deposited and "blocked" in order to attend the Shareholders' Meeting.

This Board of Director's resolution also made adjustments to the wording of Art. 14.1 of the Bylaws in order to incorporate the regulation that prohibits listed companies from applying the restrictions on representation at Shareholders' Meeting provided by Art. 2372 of the Italian Civil Code, as well as giving shareholders the option of notifying the Company of a proxy by electronic means (via certified electronic mail or uploading in a special section of the Company's website) as indicated in the notice calling the Shareholders' Meeting.

The Extraordinary Shareholders' Meeting of 30 April 2010 also amended Art. 14 of the Bylaws to give the Company the power to designate a common representative for each Shareholders' Meeting, i.e. a person to which the shareholders may grant a proxy with instructions on how to vote on all or certain of the items on the agenda (Art. 14.3). Such proxy must be given by the end of second to last trading day prior to the date set for the Shareholders' Meeting in first convocation.

Shareholders may pass resolutions on all issues reserved to them by applicable laws.
The Bylaws (Art. 24.1) also give the administrative body, by way of the right granted under Art. 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 Art. 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 (Art. 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 (Art. 16.4 of the Bylaws)

Also, the option of calling the annual Shareholders' Meeting to approve the financial statements within 180 days of the close of the fiscal year, previously permitted by the Bylaws and then introduced again by law, was reintroduced, resulting in the amendment of Art. 12.2 of the Bylaws approved by the Extraordinary Shareholders' Meeting of 30 April 2010.

For information on further changes made to the Bylaws following enactment of the new regime under Legislative Decree 27/10 addressing the timetable and formalities for filing and publishing lists of candidates for the corporate bodies, refer to previous sections of this Report.

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 are always distributed to all Shareholders whenever a meeting is held, and may be viewed on the Company's website (Investor Relations/Corporate Governance section, Corporate Documents area). In 2010, they were amended to incorporate certain provisions of Legislative Decree 27/10, approved by the Shareholders' Meeting on 30 April 2010.

Specifically, in addition to certain stylistic changes and aligning the Rules with the content of the new law, more precise procedures for admittance to Shareholders' Meeting locations by those entitled to attend (Art. 4) were introduced, as were procedures for addressing shareholders' concerns prior to the Meeting (Art. 10) in keeping with the law in force.

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.

During the 2011 financial year, in the context of the general crisis of the economic conditions and of the financial markets, significant changes were recorded in the market capitalisation of the Company's shares.

It should be remembered that the percentages envisaged in the Bylaws as to the exercise of the rights protecting minority Shareholders, in particular the ownership of 1% of the voting share capital required for the submission of lists of candidates for the position of Director or Statutory Auditor of the Company (sections 18.4 and 28.3 of the company's Bylaws), has appeared to be corresponding to or lower than – as already referred to herein with reference to the 2011 financial year - the minimum share identified by CONSOB.

The abovementioned Bylaws provisions also provide, as previously illustrated, specific procedures aimed at ensuring, within the described "list voting" mechanism, the appointment of Directors and Statutory Auditors drawn from minority lists.

17. CHANGES OCCURRED FROM THE CLOSING OF THE RELEVANT FINANCIAL YEAR

General remuneration policy.

In accordance with the new regulations governing transparency of the remuneration under article 123-*ter* of the Consolidated Law on Financial Intermediation, as well as in compliance with the new section 7 of the Corporate Governance Code, the Board of Directors took steps, in the meeting of 27 March 2012, following the valuations made and the proposals put forward by the Remuneration Committee, to approve, with reference to the 2012 and subsequent financial years, the Company's policy on the remuneration of the members of governing bodies, general managers and of the other managers with strategic responsibilities envisaged in paragraph 3, letter a) of the abovementioned article 123-*ter*.

The first section of the abovementioned Report, containing the Company's remuneration policy, as well as the procedures used for the related adoption and implementation, will be submitted (pursuant to article 123-ter, paragraph 6, of the Consolidated Law on Financial Intermediation) to the consultative voting at the next Shareholders' Meeting called to approve the 2011 Financial Statements

The policy adopted - which is summarised in the following points - is the object of an analytical description, in compliance with the information criteria and elements envisaged in the provisions of laws and regulations referred to above, in the Remuneration Report approved by the Board on 27 March 2012, to which contents full reference is made.

The full text of the report is also made available, according to the procedures set out by law, through the publication on the Company's website (Investor Relations/Corporate Governance section, Remuneration area) within the time limit of 21 days prior to the date of the Shareholders' Meeting called to approve the Financial Statements.

Share-based remuneration plans.

At the date of this Report, the Company had no incentive plans based on financial instruments.

Remuneration of executive directors.

In order to ensure a correct balancing of the company's interests, aimed at retaining and motivating managers with the necessary skills for managing the company and business development and at ensuring an alignment of the management's objectives with the creation of value for shareholders in the medium/long term, the remuneration of the executive Directors is determined by ensuring a balanced pay-mix between the fixed component and the variable one, in relation to the strategic objectives set by the Board of Directors.

In particular, the variable remuneration is structured into a short term component (which is typically annual) and a medium/long-term component.

The short-term variable remuneration for executive Directors is mainly conditional on the achievement of predetermined performance objectives of an economic and operational nature, in line with the strategic guidelines determined by the Board of Directors, whose results can be objectively measured and verified.

The short-term variable remuneration of executive Directors is also conditional, to a lesser extent, on individual performance objectives, in line with the strategic guidelines determined by the Board of Directors, whose valuation is the responsibility of the Remuneration Committee.

The medium/long-term variable remuneration is structured into two 3-year incentive plans and is subject to the achievement of predetermined performance objectives of an economic and operational nature only.

Specifically, the executive Directors participate in the 2012-2014 Performance Cash Plan and in the 2012-2014 Long Term Incentive Plan, both of which are based on monetary incentives.

The performance indicators, which can be objectively measured and verified, are identified among those that mostly represent the company's ability to create value on multi-year plans and are aligned with the strategic guidelines determined by the Board of Directors.

For more details, also as to the incentives and the specific metrics used to assess performance, reference is made to the specific information provided in the Remuneration Report.

Remuneration of managers with strategic responsibilities.

It is specified that, taking account of the governance and of the current organisational structure of the Company, consequent to the renewal of the top management on 4 May 2011, no managers with strategic responsibilities can be identified.

Remuneration of non-executive Directors.

The remuneration of non-executive Directors is limited only to the fixed component, which is subject to the decision of the Shareholders' Meeting, and is not linked in any way to the achievement of performance objectives. Therefore, non-executive Directors do not participate in any incentive plan.

Indemnity due to Directors in case of resignation, dismissal without cause or termination of the employment relationship following a takeover bid (pursuant to article 123-bis, paragraph 1, letter i), TUF).

There are no agreements previously entered into between the Company and Directors which provide for indemnities for Directors in the event of resignation or dismissal without cause or the termination of the employment relationship as a result of a takeover bid.

Instead, with reference to the provisions concerning executive Directors, as to treatments in case of ceasing to hold office or the early termination of the employment relationship, reference is made to the specific information provided in the Remuneration Report.

TABLE 1: INFORMATION ON SHAREHOLDER STRUCTURE

Significant stakes in the share capital		
Declarant	*Direct shareholder*	*Ownership % of the ordinary capital and voting capital*
Ministry for Economy and Finance	Ministry for Economy and Finance	**30.204**
Tradewinds Global Investors, LLC (1)	Tradewinds Global Investors, LLC	**5.382**
Deutsche Bank Trust Company Americas (2)	Deutsche Bank Trust Company Americas	**3.600**
Blackrock Inc. (3)	Blackrock (Netherlands) BV	0.018
	Blackrock Institutional Trust Company NA	0.889
	Blackrock Fund Managers Limited	0.016
	Blackrock Advisors (UK) Limited	0.634
	Blackrock Investment Management (Australia) Limited	0.003
	Blackrock Investment Management LLC	0.063
	Blackrock Financial Management Inc.	0.020
	Blackrock Asset Management Japan Limited	0.183
	Blackrock Asset Management Australia LTD	0.008
	Blackrock Asset Management Canada Limited	0.016
	Blackrock Fund Advisors	0.358
	Blackrock Investment Management (UK) Limited	0.001
	Blackrock International Limited	0.031
		2.240
Grantham, Mayo,Van Otterloo & Co. Llc (4)	Grantham, Mayo, Van Otterloo & Co. LLC	**2.045**
Arab Bkg Corp/Libyan Inves, Man) (5)	Arab Bkg Corp/Libyan Inves, Man)	**2.010**

(1) Notice pursuant to article 120 of the Consolidated Law on Financial Intermediation: an equity investment held by way of "Discretionary Asset Management."
(2) Intermediary's notice for the payment of dividends for the 2010 financial year (started on 26 May 2011).
(3) Notice pursuant to article 120 of the Consolidated Law on Financial Intermediation: an equity investment held by way of "Non-Discretionary Asset Management", distributed among the abovementioned management companies of the Blackrock Group.
(4) Notice pursuant to article 120: an equity investment held by way of "Discretionary Asset Management."
(5) Intermediary's notice for the payment of dividends for the 2010 financial year.

<u>TABLE 2</u>: STRUCTURE OF THE BOARD OF DIRECTORS AND OF THE COMMITTEES

Board of Directors (triennium 2011-2013) **appointed by the Shareholders' Meeting on 4 May 2011 and by the Board of Directors' Meeting on 1 December 2011**								**Internal Audit Committee**		**Remuneration Committee**		**Strategy Committee**	
Position	Members *	Execu-tive	Non-Executive	Independent Cor. Gov. Code	Independent Cons. Law on Fin. Intermed.	Attendance BoD meetings ***	Other positions ****	Comp.	Attendan-ce ***	Comp.	Attendan-ce ***	Comp.	Attendan-ce ***
Chairman and Chief Executive Officer	Giuseppe ORSI	X		==	==	9/9	=					X (°)	1/1
Director - General Manager	Alessandro PANSA **	X		==	==	2/2	1						
Director	Carlo BALDOCCI		(°°)	(°°)	(°°)	9/9	=					X (°)	1/1
Director	Franco BONFERRONI		X	X	X	15/15	3	X (°°°)	15/15	X	7/7		
Director	Paolo CANTARELLA *		X	X	X	9/9	1	X (°°°°)	= =			X (°)	1/1
Director	Giovanni CATANZARO		X	X	X	9/9	=	X (°)	08/09				
Director	Dario GALLI		X	X	X	15/15	=			X	7/7	X	2/2
Director	Marco IANSITI *		X	X	X	9/9	2					X (°)	1/1
Director	Silvia MERLO *		X	X	X	9/9	2	X (°)	09/09				
Director	Francesco PARLATO		X	==	==	14/15	=			X	7/7	X	1/2
Director	Christian STREIFF *		X	X	X	8/9	3			X (°)	6/6		
Director	Guido VENTURONI		X	X	X	15/15	=	X (°)	09/09			X (°°°°°)	1/1
Number of meetings held during 2011:	**BoD: 15**	Internal Audit Committee: **15**	Remuneration Committee: **7**	Strategy Committee: **2**	Appointments Committee: not envisaged								
***Quorum* for presentation of minority lists: 1% of share capital with voting rights at Ordinary Shareholders' Meetings**													

NOTES

* Asterisk indicates a Director appointed from a minority list.
** In office since 1 December 2011
*** All absences from BoD or Committees meetings are excused.
**** This column contains the number of positions as Director or Auditor held by the persons serving 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.
(°) Member of the Committee from 26 May 2011
(°°) Carlo Baldocci was appointed a Director without voting rights by Ministerial Decree pursuant to Law 474/94 and Art. 5.1. *ter*, letter d), of the Bylaws.
(°°°) Member of the Committee until 22 November 2011
(°°°°) Member of the Committee from 1 December 2011
(°°°°°)Member of the Committee until 4 May 2011

TABLE 3: OUTGOING DIRECTORS IN YEAR 2011

							Internal Audit Committee		Remuneration Committee		Strategy Committee	
Position	Members *	Executive	Non-Executive	Independent Cor. Gov. Code	Independent Cons. Law on Fin. Intermed.	Attendance BoD meetings **	Comp.	Attendance **	Comp.	Attendance **	Comp.	Attendance **
Chairman and Chief Executive Officer	Pier Francesco GUARGUAGLINI (°)	X		==	==	13/14					X	2/2
Director	Piergiorgio ALBERTI * **(°°)**		X	X	X	6/6	X	6/6	X	1/1		
Director	Andrea BOLTHO VON HOHENBACH * **(°°)**		X	X	X	6/6					X	1/1
Director	*Giovanni CASTELLANETA* **(°°)**		(°°°)	(°°°)	(°°°)	6/6					X	1/1
Director	Maurizio DE TILLA *** (°°)**		X	X	X	5/6	X	6/6				
Director	Richard GRECO *** (°°)**		X	X	X	5/6					X	1/1
Director	Nicola SQUILLACE **(°°)**		X	X	X	6/6	X	4/6			X	1/1
Director	Riccardo VARALDO **(°°)**		X	X	X	6/6			X	1/1		

NOTES

* Asterisk indicates a Director appointed from a minority list.
** All absences from BoD or Committees meetings are excused.

(°) In office until 1 December 2011
(°°) In office until 4 May 2011
(°°°) Giovanni Castellaneta was appointed a Director without voting rights by Ministerial Decree pursuant to Law 474/94 and Art. 5.1. *ter*, letter d), of the Bylaws.

<u>TABLE 4</u>: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Board of Statutory Auditors (triennium 2009-2011) **appointed by the Shareholders' Meeting of 29 April 2009**				
Position	Members *	Independent (Corp. Gov. Code)	Attendance at BoSA Meetings **	Number of other positions held ***
Chairman	Luigi GASPARI *	X	37/39	=
Regular Auditor	Giorgio CUMIN	X	34/39	=
Regular Auditor	Maurilio FRATINO *	X	33/39	1
Regular Auditor	Silvano MONTALDO	X	32/39	=
Regular Auditor	Antonio TAMBORRINO	X	36/39	1
Alternate Auditor	Maurizio DATTILO *	==		2
Alternate Auditor	Piero SANTONI	==		=
Number of meetings held during 2011: 39				
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				

NOTES

* Asterisk indicates an Auditor appointed from a minority list.
** All absences from Board of Statutory Auditors' meetings are excused.
*** This column indicates the number of auditor positions held with other issuers.

TABLE 5: 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	X		
b) method of exercising them	X		
c) and reporting intervals?	X		
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)?	X		
Has the BoD laid down guidelines and criteria for the definition of "significant" transactions?	X		
Are the above guidelines and criteria set out in the report?	X		
Has the BoD laid down special procedures for the scrutiny and approval of transactions with related parties?	X		
Are the procedures for the approval of transactions with related parties set out in the report?	X		
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?	X		
Were the names of the candidates for positions as Directors supported by full information?	X		
Were the names of the candidates for positions as Directors accompanied by a specification of whether they qualified as independent?	X		
Were the names of the candidates for positions as Auditors deposited at least ten days in advance?	X		
Were the names of the candidates for positions as Auditors supported by full information?	X		
Shareholders' Meetings			
Has the company approved Rules of Procedure for Shareholders' Meeting?	X		
Are the Rules of Procedure annexed to the report (or does the report state where they can be obtained/downloaded)?	X		
Internal control			
Has the company appointed internal control managers?	X		
Are the internal control managers not accountable to managers of operating areas?	X		
Organisational unit responsible for internal control	*AUDIT*		
Investor Relations			
Has the company appointed an Investor Relations Manager?	X		
Name of the organisational unit and contacts (address/phone number/fax/e-mail) of the Head of Investor Relations:	Investor Relations – Head of IR John Douglas Stewart – Head of Financial Communication: Raffaella Luglini. P.zza Monte Grappa, 4 - 00195 Rome Tel.+39 0632473.290/066. Fax: +39 06 32473514 e-mail: investor_relations@finmeccanica.com		

OUTLOOK

Finmeccanica's function as industrial holding company, exercising direction and control, creates a strict correlation between Finmeccanica and the business outlook of the Group companies.

As already highlighted in the report at 30 September 2011, the year for the Group was not only marked by external events, but also by some internal issues.

The recession, which has been affecting other industries since 2008, began to have a significant and rather far-reaching impact on the Aerospace and Defense industry after about a two-year lag:

- in the Group's main markets (Italy, the UK and the US), there was a sharp slowdown in the expansion in the budgets for investment in military systems and security experienced since 2010, with drastic cuts expected to be made through 2015, as well as the cancellation of particularly important programmes. These types of cuts are generally accompanied by customers placing a renewed focus on the relationship between product performance and cost sustainability;
- in demand, the sector has seen a considerable shift (currently and in the future) in demand towards the markets of emerging countries; this has partially offset the budget cuts announced and introduced by the North Atlantic countries and has sparked heated competition among suppliers leading to intense pricing pressure;
- in North Africa, a particularly important market for the Group, the social and political situation has led to a temporary interruption of important military and civil programs.

In this situation of general crisis, the Group has suffered a drop in orders (with a consequent reduction in the portfolio), in contracts and a decrease in revenues. Finmeccanica has therefore initiated a review process designed to lend greater sustainability to the assumptions underlying the budget plan, which are pivotal points of business planning. Therefore, as part of preparing the 2012-2013 budget, the companies have been more selective and consistent about product excellence in considering order pursuit strategies. In terms of increasing revenues/sales, more effort has been made to respect contract milestones while simultaneously undertaking a process aimed at achieving a structural, long-lasting profitability and cash generation capability.
This was done after we observed, analysed and handled industrial problems encountered in some of the companies specifically, in particular:

- a product portfolio that is too fragmented to be competitive and “sustainable” in the new market environment (e.g., Alenia Aermacchi, which is excessively weighted towards activities and programmes at the beginning of their life cycle);
- an order backlog, resulting from a very “aggressive” commercial push in recent years, characterised by orders that are no longer certain (e.g., SELEX Sistemi Integrati and SELEX Elsag);
- some orders are delayed due to problems with setting up the programmes (e.g., contracts for ATR 72 in anti-submarine warfare (ASW) configuration for Alenia Aermacchi and Göktürk for Telespazio from Turkey, the IC2, IC4 and V250 contracts for the production of trains for Denmark, the Netherlands and Belgium for AnsaldoBreda);
- some products are no longer competitive due to cost and performance factors.

These factors have caused us to revise our “whole life” estimates for certain programmes to take account of the extra costs involved in completing them.

Moreover, more generally, we have addressed - although with intensities varying from company to company - problems of industrial efficiency and the complexity and cumbersomeness of corporate structures. These actions have led to needed provisions to cover restructuring and reorganisation plans.

With regard to capital, the measures adopted have in turn led to the need to write down the development costs of certain products for which the commercial prospects and competitiveness in terms of their cost/performance no longer guarantee an adequate return on investment. In addition, defence and security budget cuts, particularly in the Group’s main markets, have affected the growth prospects for the companies, thus leading to the need to substantially reduce the goodwill recognised for certain assets.

Given this situation, two main courses of action were chosen in the second half of 2011.

The first addressed certain extremely important operational “hubs” and implied the assumption (as broadly described in the preceding pages) of “exceptional” and “non-recurring” costs of around €bil.3.3 required to: redefine the terms and conditions and the return on several major contracts; reconsider - in light of its better sustainability and structural profitability - the product portfolio; bear the costs of reorganisation and restructuring programmes and layoff plans; and bring the assessments of SELEX Integrated Systems and DRS in line with new market scenarios.

The second addressed issues related to efficiency through the preparation and implementation of in-depth, detailed plans (setting out the steps to be taken, the costs/benefits, timing, constraints and conditions for execution) to improve levels of competitiveness, efficiency and industrial reorganisation in each company (the benefits of over €mil. 440 are expected to be seen in 2013).

These plans have been developed across all critical business areas, including: production processes (site rationalisation, product/component standardisation, lean manufacturing), purchasing (supplier optimization, "make or buy" policy rationalisation), engineering (lean engineering, rationalisation of investments), workforce (rationalisation of the ratio of general to specialized employees), controllable costs and SG&A (rationalisation of the staff and corporate information systems and simplifying corporate structures).

In order to ensure that these actions are undertaken, the Group has prepared a budget and incentive system that will run two years (2012-2013).

In addition to those improvement actions that have already been approved and launched, the Group will be tackling a series of strategic issues that we deem key to "sustainable" growth. Among the major ones are:

- the strategic repositioning of the Aeronautics division, which could include, *inter alia,* partnerships/co-investments in the aerostructures segment and rationalisation of involvement in the regional aircraft segment;
- the consolidation and strengthening of activities in the Defence and Security Electronics division, by integrating SELEX Galileo, SELEX Elsag and SELEX Sistemi Integrati into one company, while simultaneously significantly rationalising technologies, product lines and industrial facilities. The goal is to establish a single entity in Europe that operates in conjunction and in coordination with DRS (not included in this integration given the special regulations to which it is subject) and is able to successfully take on the major industry players, compete in major markets and take advantage of a technological, financial and production structure that will make it possible to achieve significant cash flow generation and an adequate return on invested capital;
- the review of the Group's portfolio, focusing on capital invested in activities and sectors whose technologies and production structures (in many cases complementary to each other) enable the Group to gain market roles that allow it to maximise its ability to create and extract value. This process of concentration could lead to the disposal of assets, which would significantly reduce net financial debt and further strengthen the Group's already sustainable financial structure, ensuring a strong liquidity position, thereby preserving the Group's standing as investment grade.

The national economic system will inevitably be strategic to the Group's "sustainable" development, unavoidably requiring strong institutional support on various fronts, including:

- support for implementing business restructurings;
- government support for major commercial initiatives in export markets;
- support for strategic research programmes and those offering higher "returns" for the country;
- a commitment by government bodies to respect payment schedules.

The actions illustrated so far will enable the companies to return in the medium term to profitability - founded on sustainable growth - in line with cash generation. In addition to the positive effects deriving from the review of the Group's portfolio, these results will allow Finmeccanica to counteract, on a stand-alone basis, the significant loss recorded in 2011.
Upon fulfilment of all this, there will be a significant readjustment of the debt/equity ratio which, thanks to the necessary financial support that the Comapny has already undertaken to provide to the Group companies that posted significant losses during the year, will result in the rebalancing between the inherent industrial value of the Group's assets and the value of Finmeccanica's stock that, as of today, is totally inadequate.

<u>REPORT OF THE BOARD OF DIRECTORS AND PROPOSAL TO THE SHAREHOLDERS' MEETING</u>

Report of the Board of Directors on the first item of the agenda

<u>Separate Financial Statements at 31 December 2011; Report of the Board of Directors, Report of the Board of Statutory Auditors and Independent Auditors' Report; ensuing resolutions</u>

Dear Shareholders,

The 2011 separate financial statements, which we submit for your approval, close with a loss of Euro 1,375,550,757.22 that we propose carrying forward. This loss is entirely covered by distributable reserves.

That having been said, we submit the following agenda for your approval:

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

- considering the Report of the Board of Directors;
- considering the Report of the Board of Statutory Auditors;
- having examined the financial statements at 31 December 2011;
- having acknowledged the report of PricewaterhouseCoopers SpA;

resolves

- to approve the Directors' Report on operations and the financial statements at 31 December 2011**;**
- to approve the proposal posed by the Board of Directors of carrying forward the loss of Euro 1,375,550,757.22.

For the Board of Directors
Chairman and Chief Executive Officer
(Giuseppe Orsi)

ACCOUNTING STATEMENTS AND NOTES TO THE SEPARATE FINANCIAL STATEMENTS AT 31 DECEMBER 2011

SEPARATE INCOME STATEMENT

Euro	*Notes*	**2011**	*of which related parties*	**2010**	*of which related parties*
Revenue	*28*	73,826,368	*73,826,368*	72,370,121	*72,370,121*
Other operating income	*29*	35,354,339	*22,519,330*	27,336,020	*11,125,835*
Raw materials and consumables used	*30*	(326,401)		(340,753)	
Purchase of services	*30*	(117,469,784)	*(51,108,487)*	(108,365,004)	*(49,874,011)*
Personnel costs	*31*	(69,381,426)		(54,756,138)	
Amortisation, depreciation and impairment	*32*	(11,250,960)		(10,078,896)	
Other operating expenses	*29*	(32,138,230)	*(1,172,265)*	(17,142,504)	*(206,564)*
		(121,386,094)		(90,977,154)	
Finance income	*33*	1,978,218,086	*107,475,846*	1,193,305,196	*79,909,836*
Finance costs	*33*	(3,227,517,891)	*(211,688,602)*	(923,857,256)	*(212,256,551)*
Profit (Loss) before taxes and the effects of discontinued operations		**(1,370,685,899)**		**178,470,786**	
Income taxes	*34*	(4,864,858)		58,358,366	
(Loss) Profit from discontinued operations		-		-	
Net Profit/(Loss)		**(1,375,550,757)**		**236,829,152**	
Earnings/(Losses) per share	*35*				
Basic		*(2.38)*		*0.41*	
Diluted		*(2.38)*		*0.41*	

STATEMENT OF COMPREHENSIVE INCOME

Euro	*2011*	*2010*
Profit/(Loss) for the year	(1,375,550,757)	236,829,152
Reserves of income (expense) recognised in equity		
- Available-for-sale financial assets:		
. *sale of shares and securities*		144,806
. *fair value adjustment*	(182,087)	
- Actuarial gains (losses) on defined-benefit plans:		
. *adjustment to severance pay obligations*	485,702	(604,423)
- Gains on intercompany disposals		
Income (expense) recognised in equity	303,615	(459,617)
Total comprehensive income (expense) for the year	**(1,375,247,142)**	**236,369,535**

BALANCE SHEET

Euro	Notes	31 Dec. 2011	of which with related parties	31 Dec. 2010	of which with related parties
Non-current assets					
Intangible assets	*8*	2,814,914		3,618,015	
Property, plant and equipment	*9*	56,564,128		57,301,111	
Investment properties	*10*	101,770,325		103,661,593	
Equity investments	*11*	8,337,552,626		9,593,026,697	
Receivables	*13*	297,796,490	*294,393,350*	456,689,919	*453,313,586*
Deferred tax assets	*34*	128,409,228		160,273,636	
Other assets	*13*	5,934,039		8,901,059	
		8,930,841,750		**10,383,472,030**	
Current assets					
Trade receivables	*14*	65,034,528	*56,061,699*	56,633,799	*47,637,226*
Financial assets at fair value	*15*	4,872,953		55,040	
Income tax receivables	*16*	114,769,385		121,910,197	
Financial receivables	*14*	2,572,147,450	*2,572,107,681*	1,720,432,747	*1,720,391,700*
Derivatives	*25*	57,189,617		73,229,675	
Other assets	*17*	168,266,892	*17,821,817*	135,165,362	*45,205,276*
Cash and cash equivalents	*18*	695,373,357		1,269,103,227	
		3,677,654,182		**3,376,530,047**	
Non-current assets held for sale		-		-	
Total assets		**12,608,495,932**		**13,760,002,077**	
Shareholders' equity					
Share capital		2,524,859,141		2,516,766,682	
Other reserves		2,406,215,536		4,052,870,279	
Total shareholders' equity	*19*	**4,931,074,677**		**6,569,636,961**	
Non-current liabilities					
Borrowings	*20*	3,348,559,787	*2,404,521,648*	3,372,665,572	*2,391,215,147*
Employee liabilities	*22*	4,660,311		6,458,639	
Provisions for risks and charges	*21*	55,346,293		27,944,874	
Deferred tax liabilities	*34*	14,617,850		28,672,576	
Other liabilities	*23*	114,939,464		28,642,164	
		3,538,123,705		**3,464,383,825**	
Current liabilities					
Trade payables	*24*	55,310,951	*23,836,465*	62,266,052	*18,682,683*
Borrowings	*20*	2,761,747,624	*2,683,641,105*	3,211,973,699	*3,148,324,293*
Income tax payables	*16*	-		-	
Provisions for risks and charges	*21*	924,150,072		108,667,021	
Derivatives	*25*	3,345,264		28,513,528	
Other liabilities	*23*	394,743,639	*344,849,719*	314,560,991	*273,324,916*
		4,139,297,550		**3,725,981,291**	
Liabilities directly correlated with assets held for sale		-		-	
Total liabilities		**7,677,421,255**		**7,190,365,116**	
Total liabilities and shareholders' equity		**12,608,495,932**		**13,760,002,077**	

STATEMENT OF CASH FLOWS

Euro	*Notes*	**2011**	*of which with related parties*	**2010**	*of which with related parties*
Cash flow from operating activities:					
Gross cash flow from operating activities	*36*	(94,154,271)		(73,058,808)	
Changes in working capital	*36*	(15,355,408)	*(3,247,757)*	9,519,136	*9,594,664*
Changes in other operating assets and liabilities and provisions for risks and charges	*36*	134,340,136	*116,994,545*	76,058,549	*105,748,594*
Net finance costs paid		(87,616,844)	*(101,728,936)*	(103,545,044)	*(123,969,213)*
Income taxes paid		(6,895,172)		(118,066,756)	
Net cash generated from (used) in operating activities		**(69,681,559)**		**(209,092,923)**	
Cash flow from investing activities:					
Sale (acquisition) of investments	*11*	546,546,040		(21,932,686)	
Purchase of property, plant and equipment and intangible assets		(4,958,388)		(5,882,788)	
Sale of property, plant and equipment and intangible assets		-		-	
Dividends received		398,035,386		446,740,022	
Other investing activities		121,907,475	*123,290,005*	(274,514,653)	*(269,099,746)*
Net cash generated from (used) in investing activities		**1,061,530,513**		**144,409,895**	
Cash flow from financing activities:					
Share capital increases and contributions from shareholders	*19*	-		-	
EIB new loan	*20*	-		500,000,000	
Repayment of Senior Term Loan Facility	*20*	-		(639,000,000)	
Purchase of treasury shares		(1,008,518)		-	
Dividends paid to shareholders		(236,752,251)		(236,568,724)	
Net change in borrowings and financial receivables		(1,320,335,178)	*(1,273,429,688)*	(178,750,539)	*(253,678,369)*
Net cash generated from (used) in financing activities		**(1,558,095,947)**		**(554,319,263)**	
Net increase (decrease) in cash and cash equivalents		(566,246,993)		(619,002,291)	
Exchange differences on cash and cash equivalents		(7,482,877)		3,621,534	
Cash and cash equivalents at 1 January		1,269,103,227		1,884,483,984	
Cash and cash equivalents at 31 December		**695,373,357**		**1,269,103,227**	

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Euro	Share capital	Retained earnings	Reserve for available-for-sale assets	Reserve for stock-option/ stock-grant plans	Reserve for actuarial gains (losses) posted to shareholders' equity	Other reserves	Total
1 January 2010	2,511,675,844	4,005,099,305	(144,806)	23,486,674	1,137,034	4,054,056	6,545,308,107
Dividends resolved	-	(237,041,662)	-	-	-	-	(237,041,662)
Capital increases	-	-	-	-	-	-	-
Repurchase of treasury shares less shares sold	5,090,838	-	-	-	-	-	5,090,838
Profit (Loss) for the year	-	236,829,152	-	-	-	-	236,829,152
Other comprehensive income (expense)	-	-	144,806	-	(604,423)	-	(459,617)
Stock-option/stock-grant plans:	-	-	-	-	-	-	-
- services rendered	-	-	-	39,784,345	-	-	39,784,345
- stock-options assigned	-	-	-	-	-	-	-
- stock-grants assigned	-	1,841,247	-	(21,715,449)	-	-	(19,874,202)
31 December 2010	2,516,766,682	4,006,728,042	-	41,555,570	532,611	4,054,056	6,569,636,961
Dividends resolved	-	(237,041,662)	-	-	-	-	(237,041,662)
Capital increases	-	-	-	-	-	-	-
Repurchase of treasury shares less shares sold	8,092,458	-	-	-	-	-	8,092,458
Profit (Loss) for the year	-	(1,375,550,757)	-	-	-	-	(1,375,550,757)
Other changes	-	1,219,511	-	-	-	-	1,219,511
Other comprehensive income (expense)	-	-	(182,087)	-	485,702	-	303,615
Stock-option/stock-grant plans:	-	-	-	-	-	-	-
- services rendered	-	-	-	-	-	-	-
- stock-options assigned	-	1,771,225	-	(1,771,225)	-	-	-
- stock-grants assigned	-	4,198,896	-	(39,784,345)	-	-	(35,585,449)
31 December 2011	2,524,859,140	2,401,325,255	(182,087)	-	1,018,313	4,054,056	4,931,074,677

For the Board of Directors
Chairman and Chief Executive Officer
(Giuseppe Orsi)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS AT 31 DECEMBER 2011

1. GENERAL INFORMATION

Finmeccanica Spa, formed in 1897, is today a holding company that guides and controls industrial and strategic operations. It also, directly and through equity investments, engages in manufacturing, system and plant development, research and training in technologically advanced industries, particularly in the fields of aeronautics, helicopters, defence and security electronics and systems, space, transportation and energy.

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

2. FORM, CONTENT AND APPLICABLE ACCOUNTING STANDARDS

In application of EC Regulation 1606/2002 of 19 July 2002 and of Legislative Decree 38 of 28 February 2005, the financial statements of 2011 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 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 Company 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 statement of cash flows was prepared using the indirect method. The international financial reporting standards (IFRS) used for preparing these separate financial statements are the same that were used in the preparation of the separate financial statements at 31 December 2010 except for what indicated below (Note 5).

All figures concerning the comments are shown in thousands of euros unless otherwise indicated.

The present separate financial statements were drawn up according to IFRSs and were subject to statutory audit by PricewaterhouseCoopers SpA.

Preparation of the separate financial statements required management to make certain estimates. The main areas affected by estimates or assumptions of particular importance or that have significant effects on the balances shown are described in Note 4.

The Board of Directors of 27 March 2012 resolved to submit to shareholders the draft financial statements at 31 December 2011 and convened the Ordinary Shareholders' Meeting for the approval thereof for 14 May 2012 and 16 May 2012 on first and second call, respectively. The Board also convened the Extraordinary Shareholders' Meeting for 14, 15 and 16 May 2012 on first, second and third call, respectively. The publication of the separate financial statements is scheduled for 20 April 2012.

3. ACCOUNTING POLICIES ADOPTED

3.1 *Currency translation*

3.1.1 ***Identification of the functional currency***

The present separate financial statements have been prepared in euros, which is the functional currency of Finmeccanica Spa.

3.1.2 ***Translation of items 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 nonmonetary (advances to suppliers of goods and services, intangible assets, etc.), are initially recognised at the exchange rate prevailing at the date on which the transaction takes place. Subsequently, the monetary items are translated into the functional currency based on the exchange rate at the reporting date, and any differences resulting from this conversion are recognised in the income statement. Non-monetary items continue to be carried at the exchange rate on the date of the transaction, except in situations where there is a persistent unfavourable trend in the exchange rate concerned. If this is the case, exchange differences are recognised in the income statement.

3.2 *Intangible assets*

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

3.2.1 Concessions, licences and trademarks

This category includes: trademarks that establish the origin of the products of a given company; and licences for the know-how or software owned by others. The costs, including the direct and indirect costs incurred to obtain such rights, can be capitalised after receiving title to the rights themselves and are amortised systematically over the shorter of the period of expected use and that of ownership of the rights.
The range of useful life is between 3 and 10 years.

3.3 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 Company for the various asset classes are as follows:

	Years
Land	Indefinite useful life
Buildings	33.3
Light constructions	10
Non-automated general and specific systems	10
Non-automated operating machines	10
Specific system and automated operating machines	5.7 – 6.5
Purification plants of water, gas emissions, etc, through chemical reagents	6.7
Transport motor vehicles	5
Sundry and small equipment	4
Furniture and ordinary office machines	8.3
Electronic office machines	5
Cars, motor vehicles and similar	4

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 distinct elements with useful lives that are significatively 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.

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.

3.4 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.

The estimated useful lives adopted by the Company for the various investment properties classes are the same that have been adopted for intangible assets.

3.5 Impairment of non financial assets (impairment of assets)

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.

3.6 *Equity investments*

The Company classifies its equity investments as follows:

- "subsidiaries" are those entities over which the Company has the power to govern their financial and operating policies and obtain the related benefits;
- "associates" are those entities over which the Company exercises significant influence (which is assumed when it controls at least 20% of the votes in an ordinary shareholders' meeting). This category also includes joint ventures;
- "other companies" are those entities that do not meet either of the requirements above.

Investments available for sale, like those acquired for the sole purpose of being sold within 12 months, are classified separately under "assets held for sale".

Subsidiaries (including joint ventures), associates and other companies, except for those classified as "assets held for sale", are valued at purchase or formation cost. This cost remains on subsequent financial statements, unless an impairment occurs or such impairment is reversed as a result of a change in its classification or if operations involving capital are carried out. Investments available for sale are measured at the lower of cost or the fair value after transaction costs.
A schedule setting out information on these entities is annexed to these Notes. Specifically, the information contained therein regarding subsidiaries is taken from their draft financial statements at 31 December 2011 approved by their respective Boards of Directors. The carrying values of associates and other companies were compared with the shareholders' equity of those companies, as shown in the most recently approved financial statements available.
The "provision for risks and charges on equity investments" incorporates any loss in value that exceeds the carrying value if there is an obligation to cover such loss. If the reasons for the write-downs should cease to obtain, the value of the equity investment is restored up to its original cost.

3.7 *Receivables and financial assets*

The Company classifies its financial assets into the following categories:

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

Management classifies assets at the time they are first recognised.

3.7.1 ***Financial assets at fair value through profit or loss***

This category includes financial assets acquired for the purpose of short-term trading transactions or those that are so designated by management, as well as derivatives, which are discussed in the next section. The fair value of these instruments is determined with reference to their end-of-period bid price. For unlisted instruments, the fair value is calculated using commonly adopted valuation techniques. Changes in the fair value of instruments in this category are recognised immediately in the income statement.

The classification of assets as current or non-current reflects management expectations regarding their trading. Current assets include those that are planned to be sold within 12 months or those designated as held for trading purposes.

3.7.2 ***Loans and receivables***

This category includes non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are 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.

3.7.3 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.

3.8 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 Company.
In particular, Finmeccanica 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 25 and 37.

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

3.8.1 *<u>Fair Value Hedge</u>*

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.

3.8.2 *<u>Cash Flow Hedge</u>*

Changes in the fair value of derivatives that have been designated and qualify as cash-flow hedges are recognised – with reference to the "effective" component of the hedge only, in the statement of comprehensive income through a specific equity reserve ("cash-flow hedge reserve"), which is subsequently recognised in the income statement when the underlying transaction affects profit or loss. Changes in fair value attributable to the non-effective component are immediately recognised in the income statement for the period. If the occurrence of the underlying operation ceases to be highly probable, the relevant portion of the cash-flow hedge reserve is immediately recognised in the income statement. If the derivative is sold 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.

3.8.3 *<u>Determining fair value</u>*

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.

3.9 *Cash and cash equivalents*

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

3.10 *Shareholders' equity*

3.10.1 <u>Share capital</u>

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

3.10.2 <u>Treasury shares</u>

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

3.10.3 <u>Retained earnings (losses carried forward)</u>

The item includes those portions of the earnings or losses for the year and past years that were neither distributed nor allocated to a reserve (in the case of earnings) or covered (in the case of losses). The item also includes equity released from other reserves, as well as the effects of recognised changes in accounting standards or material errors.

3.10.4 <u>Other reserves</u>

The item includes, *inter alia*, the fair value reserve for items recognised at fair value with a balancing item in shareholders' equity and the cash flow hedge reserve as to the "effective" portion of a hedge.

3.11 *Payables and other liabilities*

Payables and other liabilities are initially recognised in the financial statements at fair value net of transaction costs. They are subsequently valued at their amortised cost using the effective interest rate method (see Note 3.19). Payables and other liabilities are defined as current liabilities unless the Company has the contractual right to settle its debts at least 12 months after the date of the annual financial statements.

3.12 *Taxation*

The company tax burden is made up of current and deferred taxes. If these taxes are related to income and expense recognised in equity in the statement of comprehensive income, a balancing entry is recorded under the same item.

Current taxes are calculated in accordance with the existing fiscal legislation 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 value of assets and liabilities included in the company's accounts and the value assigned to that asset/liability for tax purposes. Deferred tax assets and liabilities are calculated by applying the tax rate that is expected to be in force at the time the temporary differences will be reversed. The estimation is made based on tax laws in effect or substantially in effect at the reporting date. Deferred tax assets are recognised to the extent that 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.

3.13 Employee benefits

3.13.1 Post-employment benefit plans

The Company uses 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. The staff severance pay (T.F.R.) accrued at 31 December 2006 falls within the scope of these plans. These plans are recognised according to 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 in the statement of comprehensive income through a special equity reserve (in the "reserve for actuarial gains (losses) to equity").

3.13.2 ***Other long-term benefits and post-employment benefits***

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

3.13.3 ***Benefits payable for the termination of employment and incentive plans***

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

3.13.4 ***Equity compensation benefits***

The Company 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.

3.14 *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.

3.15 *Leasing*

3.15.1 ***Leasing contracts in which the Company is the lessor***

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.

3.15.2 ***Operating leases contracts***

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.

3.16 *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 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.

3.17 *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.

3.18 *Costs*

Costs are recorded in accordance with the accruals and matching principles.

3.19 *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.

3.20 *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 Spa shareholders are recognised as liabilities for the period in which their distribution is approved by the shareholders' meeting.

3.21 *Transactions with related parties*

Transactions with related parties are carried out at arm's length.

3.22 *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 Company in the following financial periods.
The amendments and potential effects for the Company are summarised below:

IFRS IFRIC Interpretation		**Effects on the Company**
IFRS 7 *Amendments*	Financial instruments: Disclosures	The standard sets out disclosures to provide for transferred financial assets that are not derecognised or for any continuing involvement in a transferred asset. The Company will apply such standard starting from 1 January 2012 and shall revise the disclosure.

There are a number of standards or amendments to existing principles issued by the IASB or new interpretations of the International Financial Reporting Interpretations Committee (IFRIC) for which the revision and approval project is still under way. Among these, we note:

- *IFRS 9 Financial Instruments* - by this standard the IASB intends to amend significantly the treatment of financial instruments. This standard, in its final version, will replace IAS 39. At present, the IASB has modified the requirements for the classification and measurement of financial assets that are currently in the scope of IAS 39 and has published a document on the principles for the measurement of the amortised cost of financial instruments and for recognising impairment, if any. The new overall approach to financial instruments is currently under discussion by the various competent bodies and for the time being the date of adoption is not foreseeable. The current version of IFRS 9 will be applicable, subject to the endorsement by the European Union, as from 1 January 2015;
- *Amendment to IAS 1 (Presentation of Financial Statements)* - requires to group differently items recognised in the statement of comprehensive income according to whether they can be or not subsequently re-classified in the separate income statement. The amendment will be applicable, subject to the endorsement by the European Union, as from 1 January 2013;
- *Amendment to IAS 19 (Employee benefits)* - as a result of this Amendment the corridor method is no longer applicable. Therefore, all actuarial gains and losses will be immediately recognised in the statement of comprehensive income. It also requires past-service costs to be recognised immediately in profit or loss. Finally, interest cost, less the expected return on plan assets, will be replaced by a net interest cost calculated by applying the interest rate on the net liability. This Amendment is applicable, subject to the endorsement by the European Union, as from 1 January 2013. The Company did not apply the corridor method and no impact is therefore expected from this change. On the contrary, the effects deriving from the other changes are being analysed;
- *IFRS 10* (*Consolidated Financial Statements), IFRS 11* (*Joint Arrangements*) and *IFRS 12* (*Disclosure on interests in other entities)* –these new principles affect the criteria and methods of consolidation with limited effects on the separate financial statements. The new standards are applicable, subject to the endorsement by the European Union, as from 1 January 2013;
- *IFRS 13* (*Fair Value Measurement)* this new standard, which is applicable subject to the endorsement by the European Union, as from 1 January 2013, aims at eliminating the complexity and the risk of inconsistencies in the fair value measurement to which reference will be made in the application of other IFRSs. No significant effects are expected for the Company;

- *Amendment to IAS 32(Financial Instruments Presentation*) clarifies the cases in which it is possible to offset financial assets and liabilities as provided for in IAS 32. The amendment will be applicable, subject to the endorsement by the European Union, as from 1 January 2014;
- *Amendment to IFRS 7*(*Financial Instruments - Disclosures*) - requires disclosures on the actual or potential effects of offsetting financial assets and financial liabilities on the financial situation. The Amendment will be applicable, subject to the endorsement by the European Union, as from 1 January 2013;
- *Amendment to IAS 12 (Income taxes)* - introduces an exception to the current method of valuation of deferred tax assets and liabilities relating to investment property valued at fair value. The current version of IAS 12 is applicable, subject to the endorsement by the European Union, as from 1 January 2012. No significant effects are expected for the Group.

4. SIGNIFICANT ISSUES

4.1 Transactions between entities under common control

The IFRSs, particularly IFRS3, which covers business combinations, do not govern the accounting treatment of transactions between entities under common control, either from the point of view of the purchaser/assignee or from that of the seller/assignor. Particularly between 1998 and 2005, the Finmeccanica Group acted with a eye towards subsequent alliances with third parties involving a process of spinning-off activities through transfers, which has generated considerable gains. These gains, which under prior national accounting standards had been deferred or absorbed in the income statement in correlation with the amortisation of the higher values recognised in the purchaser/assignee subsidiaries, were, as a result of the transition to IFRS for the separate financial statements, allocated to Finmeccanica Spa's shareholders' equity, although there are restrictions in terms of their availability for distribution upon subsequent realisation of these gains.

Likewise, transactions that occurred after the transition to IFRS were treated as follows:

- any gain recognised by the Company on the transfer or sale of its subsidiary is taken directly to equity through the formation of a reserve whose distribution is linked to the actual realization of the gain;
- similar to what is done for the sale of other assets outside the scope of IFRS 3, gains realised on the sale of real estate to subsidiaries are taken to profit or loss, the distribution of which is linked to the actual realisation of the gains.

The decision to take this conservative approach was made in the absence of specific rules on the accounting treatment to be used in the separate financial statements.

4.2 *Derivative transactions*

In order to hedge its assets and the exposure of its liabilities against fluctuations in the interest rates, Finmeccanica Spa is party to a number of derivative transactions, including structured derivatives. These transactions are mainly recognised at fair value in the income statement, since, although they substantively hedge the underlying positions, they do not qualify for hedge accounting due to their very nature or because their effectiveness cannot be mathematically demonstrated. As a result, fluctuations in fair value are immediately reflected in the income statement. The impact of this recognition method on the year's results is described in Note 25.

4.3 *Provisions for risks*

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, 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 in Note 21.

4.4 *Impairment of assets*

The Company 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 Company 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

Since 1 January 2011, Finmeccanica has adopted a number of new accounting standards and interpretations. Among these, we note:

- Amendment to IAS 32 that addresses the treatment of rights issues (options or warrants) denominated in a currency other than the functional one;
- IAS 24 Revised that clarifies the definition of a related party and simplifies the disclosure requirement for government related entities;
- the 2010 improvement process that provides for improvements to several standards including IFRS 1 (First-time Adoption of International Financial Reporting Standard), IFRS 3 (Business Combinations), IFRS 7 (Financial Instruments: Disclosures), IAS 1 (Presentation of Financial Statements), IAS 27 (Consolidated and Separated Financial Statements) and IAS 34 (Interim Financial Reporting).

These amendments along with the further changes to the accounting standards and interpretations applicable since 1 January 2011 had no significant effect on these separate financial statements.

6. SIGNIFICANT NON-RECURRING EVENTS OR TRANSACTIONS

Formation of the Ansaldo Energia joint venture was completed on 13 June 2011 through the sale of the entire share capital of Ansaldo Energia SpA for the price of €mil. 1,072 to Ansaldo Energia Holding (formerly Ansaldo Electric Drives), a company held 45% by First Reserve Corporation (First Reserve) and about 55% by Finmeccanica. Finmeccanica signed a shareholders' agreement with its US partner covering the corporate governance of the new company.

The transaction had the following major effects:

- a net receipt of €mil. 525, excluding the payments by Finmeccanica for the subscription of the share capital increase in favour of Ansaldo Energia Holding (€mil. 274) and the granting of an intercompany loan (€mil. 273) to the new company;
- the recognition of a net gain of €mil. 1,014, net of taxes and the value of the guarantees given to the purchaser, particularly as to the obligation to hold the purchaser harmless in the dispute in which Ansaldo Energia was found liable by the court of first instance (see the Report on operations - Report on Corporate Governance and Shareholder Structure).

Impact of the transaction on the income statement
(*€mil.*):

Finance income	1,014
Taxes	(15)
Impact on net result	*999*

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No significant transactions occurred in 2010.

7. SEGMENT INFORMATION

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

8. INTANGIBLE ASSETS

	Goodwill	Development cost	Non-recurring cost	Patent rights and similar	Concessions, licences and trademarks	Other	Total
1 January 2010							
Cost	-	-	-	-	9,230	2,806	12,036
Amortisation and impairment	-	-	-	-	(5,759)	(1,416)	(7,175)
Carrying amount	-	-	-	-	3,471	1,390	4,861
Investments (*)	-	-	-	-	867	878	1,745
Sales	-	-	-	-	-	-	-
Amortisation	-	-	-	-	(1,886)	(1,102)	(2,988)
Increases for business combinations	-	-	-	-	-	-	-
Re-classifications	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-
31 December 2010	-	-	-	-	2,452	1,166	3,618
broken down as follows:							
Cost	-	-	-	-	10,097	3,684	13,781
Amortisation and impairment	-	-	-	-	(7,645)	(2,518)	(10,163)
Carrying amount	-	-	-	-	2,452	1,166	3,618
Investments (**)	-	-	-	-	1,016	715	1,731
Sales	-	-	-	-	-	-	-
Amortisation	-	-	-	-	(1,597)	(937)	(2,534)
Increases from business combinations	-	-	-	-	-	-	-
Re-classifications	-	-	-	-	41	(41)	-
Other changes	-	-	-	-	-	-	-
31 December 2011		-	-	-	1,912	903	2,815
broken down as follows:							
Cost	-	-	-	--	11,154	4,358	15,512
Amortisation and impairment	-	-	-	-	(9,242)	(3,455)	(12,697)
Carrying amount	-	-	-	-	1,912	903	2,815

(*)of which for capitalisation of internal construction costs
(**)of which for capitalisation of internal construction costs

“Intangible assets” consist of licenses for the use of software, amounting to €thou. 779 (€thou.1,093 at 31 December 2010) and trademarks, for €thou. 1,133 (€thou.1,359 at 31 December 2010). The item “other” includes software developed (€thou. 651, €thou. 935 at 31 December 2010) or being developed (€thou. 252) internally. Investments for the period mainly include the costs of purchasing software licenses (€thou. 1,016) and software (€thou. 643).

In addition to the Finmeccanica trademark (€thou. 1,119), the trademarks licensed include the SELEX Galileo trademark (€thou. 14), which was granted free of charge to SELEX Galileo SpA and SELEX Galileo Ltd.

Amortisation is calculated based on the duration of software licenses (€thou.1,371) and on a three-year basis for software developed (€thou. 937). The amortisation period for trademarks is ten years for the Finmeccanica trademark (€thou. 224) and nine years for the SELEX Galileo trademark (€thou. 2).

9. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant and machinery	Equipment	Other	Total
1 January 2010					
Cost	93,532	5,442	384	12,820	112,178
Revaluations	-	-	-	-	-
Depreciation and impairment	(41,998)	(4,456)	(329)	(8,188)	(54,971)
Carrying amount	51,534	986	55	4,632	57,207
Investments (*)	8	946	40	2,797	3,791
Sales	-	-	-	(2)	(2)
Depreciation	(2,238)	(165)	(25)	(925)	(3,353)
Increases from business combinations	-	-	-	-	-
Reclassification of cost	-	-	-	(342)	(342)
Reclassification of accumulated depreciation	-	-	-	-	-
Other changes	-	-	-	-	-
31 December 2010	49,304	1,767	70	6,160	57,301
broken down as follows:					
Cost	93,540	6,388	424	15,118	115,470
Revaluations	-	-	-	-	-
Depreciation and impairment	(44,236)	(4,621)	(354)	(8,958)	(58,169)
Carrying amount	49,304	1,767	70	6,160	57,301
Investments (**)	-	90	28	3,010	3,128
Sales	-	(4)	-	(4)	(8)
Depreciation	(2,238)	(242)	(31)	(925)	(3,436)
Increases from business combinations	-	-	-		
Reclassification of cost	-	-	-	(421)	(421)
Reclassification of accumulated depreciation	-	-	-	-	-
Other changes	-	-	-	-	-
31 December 2011	47,066	1,611	67	7,820	56,564
broken down as follows:					
Cost	93,540	6,473	452	17,695	118,160
Revaluations	-	-	-	-	-
Depreciation and impairment	(46,474)	(4,862)	(385)	(9,875)	(61,596)
Carrying amount	47,066	1,611	67	7,820	56,564

(*)of which capitalisation of internal construction costs

(**)of which capitalisation of internal construction costs

"Property, plant and equipment" fell by a total of €thou. 737. Investments, amounting to €thou. 3,128, consist mainly of costs incurred in building (a process still underway) a new factory in La Spezia (€thou. 352) and for extraordinary maintenance performed at the Fusaro (Bacoli – Naples; for €thou. 492) and at the Giugliano (Naples; for €thou. 330) facilities and on buildings in Genoa (Corso Perrone 25; for €thou. 1,150) and Capodichino (Naples; for €thou. 210). The reclassifications relate to work performed at the Fusaro facility in 2010 that was subsequently recognised among investment properties.

Hardware and furniture, furnishings and equipment amounted to €thou. 493.

Depreciation for the period came to €thou. 3,436. The estimated useful life for the various asset classes is reported in the description of the accounting standards adopted (Note 3.3).

10. INVESTMENT PROPERTIES

	Land and buildings	**Other assets**	**Total**
1 January 2010			
Cost	148,613	32,123	180,736
Revaluations	-	-	-
Depreciation and impairment	(45,884)	(28,757)	(74,641)
Carrying amount	102,729	3,366	106,095
Investments (*)	518	444	962
Sales	-	-	-
Depreciation	(3,184)	(554)	(3,738)
Increases from business combinations	-	-	-
Reclassification of cost	342		342
Reclassification of accumulated depreciation	-	-	-
Other assets	-	-	-
31 December 2010	100,405	3,256	103,661
broken down as follows:			
Cost	149,473	32,567	182,040
Revaluation	-	-	-
Depreciation and impairment	(49,068)	(29,311)	(78,379)
Carrying amount	100,405	3,256	103,661
Investments (**)	361	1,108	1,469
Sales	-	-	-
Depreciation	(3,193)	(588)	(3,781)
Increases from business combinations	-	-	-
Reclassification of cost	31	106	421
Reclassification of accumulated depreciation	-	284	-
Other changes (impairment)	-	-	-
31 December 2011	97,604	4,166	101,770
broken down as follows:			
Cost	149,865	33,781	183,646
Revaluation	-	-	-
Depreciation and impairment	(52,261)	(29,615)	(81,876)
Carrying amount	97,604	4,166	101,770

(*)of which capitalisation of internal construction costs
(**)of which capitalisation of internal construction costs

This item sets out the value of assets that Finmeccanica has essentially leased to its subsidiaries. The lease agreements generally require the Company to pay extraordinary maintenance costs.
The value of the item fell by a total of €thou. 1,891. The net change refers for €thou. 1,469 to investments made during the year, €thou. 421 reclassified from property, plant and equipment and €thou. 3,781 in depreciation. The estimated useful life for the various asset classes is reported in the description of the accounting standards adopted (Note 3.3).
More specifically, investments relate to extraordinary work performed on buildings (€thou. 361) and redevelopment of the plants located at the Genoa and Naples (Fusaro, Capodichino and Giugliano) industrial sites (€thou. 1,108).
In the interests of full disclosure, it should be noted that this item does not include buildings and plants owned by Finmeccanica that are used by subsidiary AgustaWestland SpA, with which there is a lease agreement classified as a finance lease under IAS 17 (Notes 12 and 26). Therefore, the book value of these assets is not included in this section, but rather in the section on transactions with related parties.

11. EQUITY INVESTMENTS

	31 December 2011	***31 December 2010***
Opening balance	9,593,027	9,627,848
Acquisitions/subscriptions and capital increases	372,312	21,838
Revaluation/impairment	(1,570,182)	(68,351)
Sales/spin-off	(30,617)	-
Other changes	(26,987)	11,692
Closing balance	8,337,553	9,593,027

“Equity investments” fell by €thou.1,255,474. A detailed description the changes that occurred and other required information are found separately in Appendices no. 1 and 2 to these Notes.
Before moving on to the most significant changes during the period, it should be noted that the carrying amount of equity investments is subject to impairment testing to determine any loss in value. This is done on cash generating units (CGU), identified by looking at the companies held directly and their investee companies, comparing the carrying amount with the greater of the value in use of the CGU and the amount recoverable by sale. In practice, Finmeccanica has established an operational hierarchy between calculating the fair value net transaction costs and value in use, where the value in use is estimated first, and then only after, if it is lower than the carrying value, is the fair

value net of transaction costs determined. The only exception is the Ansaldo STS CGU, where this hierarchy is inverted to take account of the existence of a stock market price that can be used for reference, and greater emphasis is placed on market capitalisation rather than on the carrying value of the Group's net assets. In particular, the value in use is measured by the unlevered discounting of the cash flows applied on the cash flows resulting from the Group's five-year business plans approved by management and are projected beyond the explicit time horizon covered by the plan according to the perpetuity growth method (terminal value) using growth rates ("g" rate) no greater than those forecast for the market in which the given CGU operates (2% in 2010, with the sole exception of the Meccanica Holdings USA CGU for which a growth rate of 2.9% was used, down from 3.25% used in 2010). The cash flows used were those generated by business activities, in their current conditions and without including the effects of future business restructurings or future investments for improving future performance, before finance costs and taxes, and include investments in capital assets and monetary changes in working capital, while excluding cash flows from financial management, extraordinary events or the payment of dividends. Cash flows denominated in foreign currencies are translated at the exchange rate prevailing at the close of the period. The related underlying macro-economic assumptions were made on the basis of external information sources, where available, while the profitability and growth estimates used in the plans were calculated by management based on past experience and expected developments in the Group's markets.

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

- the risk-free rate, calculated using the average yield of government bonds of the geographic market of the CGU (for Italy the average yield on the 10-year Italian treasury bond (BTP) over the last 12 months);
- the market premium, calculated using long-term data (source: *Damodaran*), to which an additional significant risk premium is added to take account of the uncertainty that characterises the overall macroeconomic framework and the Aerospace and Defence business;
- the sector beta, determined using data pertaining to our major competitors in each sector;
- the marginal cost of the Group's debt, net of taxes;
- the debt/equity ratio, determined using data pertaining to our major competitors in each sector.

The major courses of increase were:

- the purchase of 55% of the share capital of Ansaldo Electric Drives SpA (renamed Ansaldo Energia Holding SpA) by Finmeccanica Finance SA (€thou. 605), and the subsequent capital increase of that company (€thou. 274,395), which acted as a "vehicle" for the sale of Ansaldo Energia SpA;

- the restoration of the share capital of AnsaldoBreda SpA (€thou. 55,839) and BredaMenarinibus SpA (€thou. 2,600);
- the capital contributions to BredaMenarinibus SpA (€thou. 15,700) and Telespazio Holding Srl (€thou. 22,245), the latter for the purchase of the Space business units of SELEX Elsag SpA and Vega Space Ltd;
- the capital increases for Finmeccanica do Brasil Ltda (€thou. 28) and Finmeccanica Consulting Srl (€thou. 900) (renamed SELEX Electronic Systems SpA);

decreases relate to:

- the sale of Ansaldo Energia SpA to Ansaldo Energia Holding SpA (€thou. 20,591) and SELEX Service Management SpA (€thou. 6,725) and Seicos SpA (€thou. 1.050) to SELEX Elsag SpA;

Impairment refers to:

- €thou. 363,000 for the equity investment in Meccanica Holdings USA, as a result of the projected significant decline in volumes of activity of the subsidiary DRS Technologies due to US defence budget cuts, despite high profitability consistent with expectations;
- €thou. 540,928 for the equity investment in Alenia Aeronautica, as a result of problems in certain programmes underway and the outlook for certain lines of business;
- €thou. 260,000 for the equity investment in SELEX Sistemi Integrati, due to the revision of the proposed development and positioning of various business areas, which resulted in scaling-back the commercial outlook for certain business lines;
- €thou. 95,000 and €thou. 175,000 respectively, for the equity investments in SELEX Galileo as a result of problems in the growth outlook for the business, and SELEX Elsag due to the business rationalisation and concentration process;
- €thou.106,173 for the equity investment in AnsaldoBreda, as a result of problems in certain programmes underway and the outlook for certain lines of business (foreign railway);
- €thou. 18,300 for the equity investment in BredaMenarinibus, due to the continuing crisis affecting the company and cost overruns on certain orders;
- €thou.10,589 for the equity investment in Eurotech SpA;
- €thou. 1,192 for other equity investments.

For a more detailed treatment of these matters, please refer to the section covering the performance by division in the Report on Operations.

Finally, below is presented a comparison of the book value and the average market price of the listed shares of Ansaldo STS SpA and Eurotech SpA in December 2011:

		Stock Exchange value		Book value			
	Number of shares held	Unit amount €	Total amount €thou.	Unit amount €	Total amount €thou.	Difference Unit amount €	Difference Total. €thou.
Ansaldo STS SpA	56,091,757	7.142	400,067	0,781	43,783	6.361	356,824
Eurotech SpA	3,936,461	1.458	5,739	1.469	5,782	(0.011)	(43)

12. FINANCIAL TRANSACTIONS WITH RELATED PARTIES

In general, commercial relations with related parties are carried out at arm's length, as is settlement of interest-bearing receivables and payables when not governed by specific contractual conditions. Below are the amounts:

€ thousand RECEIVABLES AT 31 Dec. 2011	Non-current financial receivables	Other non-current receivables	Current financial receivables	Trade receivables	Receivables from consolidated tax mechanism	Other current receivables	Total
Subsidiaries							
SELEX Elsag SpA	77		717,136	4,760	1,586	950	724,509
AnsaldoBreda SpA			431,451	1,711			433,162
SELEX Sistemi Integrati SpA			315,500	2,528		22	318,050
AgustaWestland NV			267,420	189			267,609
Finmeccanica Group Real Estate SpA	218,352		27,194	107			245,653
SELEX Service Management SpA			184,664				184,664
SELEX Galileo SpA			107,025	2,882	827	12	110,746
AgustaWestland SpA (**)	72,829		3,232	8,014			84,075
BredaMenarinibus SpA			78,165	120		107	78,392
Drs Technologies Inc			46,385	1,887			48,272
Whitehead Alenia Sist.Subacquei SpA			39,908	439			40,347
Elsacom NV			8,217				8,217
Alenia Aeronautica SpA				6,637			6,637
AgustaWestland Ltd (***)				3,636			3,636
SELEX Galileo Ltd				2,989			2,989
Finmeccanica Finance SA			2,303	14			2,317
Trimprobe SpA (in liq.)			2,255				2,255
Sirio Panel SpA				27	1,884		1,911
Oto Melara SpA				1,398			1,398
Finmeccanica UK Ltd			1,318				1,318
Finmeccanica Group Services SpA		42		422	853		1,317
Finmeccanica North America Inc			1,251	36			1,287
Fata Logistic Systems SpA				9	1,232		1,241
Sistemi Software Integrati SpA (****)	292		300		487	121	1,200
Alenia Aermacchi SpA			3	99	889		991
Ansaldo STS SpA				476		70	546
Fata SpA				502			502
Larimart SpA						388	388
Finmeccanica do Brasil Ltda						251	251
Other companies with unit amount lower than €250 thousand			59	157	237	289	742
Associates							
Other companies with unit amount lower than €250 thousand			28	178		91	297
Joint ventures.							
Ansaldo Energia Holding SpA (*)			280,148				280,148
Telespazio SpA			50,000	708		17	50,725
Ansaldo Energia SpA				13,642	6,935		20,577
Thales Alenia Space Italia SpA	2,770	28	7,341	367			10,506
Ansaldo Nucleare SpA				683	184		867
MBDA Italia SpA				337			337
Other companies with unit amount lower than €250 thousand			2	505	237		744

€ thousand **RECEIVABLES AT31 Dec. 2011**	**Non-current financial receivables**	**Other non-current receivables**	**Current financial receivables**	**Trade receivables**	**Receivables from consolidated tax mechanism**	**Other current receivables**	**Total**
Consortiums							
Consorzio Creo			606				606
Other companies with unit amount lower than €250 thousand				1		5	6
Other related concerns							
Horizon SAS				254			254
Other companies with unit amount lower than €250 thousand		3	197	348		148	696
Total	**294,320**	**73**	**2,572,108**	**56,062**	**15,351**	**2,471**	**2,940,385**
% against total for the year	***99.29***	***5.33***	***100.00***	***86.20***	***9.12***	***1.47***	

(*) Ansaldo Electric Drives SpA at31 Dec. 2010
(**) Agusta SpA at31 Dec. 2010
(***) Westland Helicopter Ltd at31 Dec. 2010
(****) Space Software Italia SpA at31 Dec. 2010

€ thousand **PAYABLES AT 31 Dec. 2011**	**Non-current borrowings**	**Other non-current payables**	**Current borro-wings**	**Trade payables**	**Payables from the consolidated tax mechanism**	**Other current payables**	**Total**	**Guaran-tees**
Subsidiaries								
Finmeccanica Finance SA	2,404,522		702,611				3,107,133	3,332,947
AgustaWestland NV			422,603				422,603	
Alenia Aeronautica SpA			337,813	1,570	48,030	9,250	396,663	1,974,287
SELEX Galileo Ltd			309,196	19		1,162	310,377	24,168
SELEX Elsag SpA			95,563	2,944	16,993	14,923	130,423	347,089
AnsaldoBreda SpA				457	55,000	35,412	90,869	3,323,006
Oto Melara SpA			73,375	316	3.913	3.892	81,496	165,146
Meccanica Holdings USA Inc			80,605				80,605	1,004,714
Fata SpA			37,288	490	1,141	4,448	43,367	588,051
Finmeccanica Group Services SpA			34,059	5,389		448	39,896	176
Finmeccanica Group Real Estate SpA			32,051	46	2,422	1,515	36,034	935
SELEX Sistemi Integrati SpA			6,792	271	16,025	4,242	27,330	539,322
So.Ge.Pa.-Società Generale di Partecipazione SpA (in liq.)			17,731	195	1,786	1,220	20,932	18,317
AgustaWestland SpA (**)				186	1,615	17,064	18,865	3,053,086
SELEX Service Management SpA				56	2.919	9,904	12,879	61,128
Whitehead Alenia Sistemi Subacquei SpA				62	3,533	1,152	4,747	141,612
BredaMenarinibus SpA					3,575	852	4,427	22,835
Elsacom SpA (in liq.)			3,861	56	370	113	4,400	154
Finmeccanica North America Inc				4,198			4,198	
SELEX Galileo SpA				273		3,916	4,189	91,389
Amtec SpA					3,873		3,873	2,002
Finmeccanica UK Ltd				3,860			3,860	
Alenia S.I.A. SpA				71		3,371	3,442	8,032
Ansaldo STS SpA			2,531	368	143	51	3,093	1,375,824
Seicos SpA			1,547		670	537	2,754	863

€ thousand PAYABLES AT 31 Dec. 2011	Non-current borrowings	Other non-current payables	Current borrowings	Trade payables	Payables from the consolidated tax mechanism	Other current payables	Total	Guarantees
Alenia Aermacchi SpA						2,406	2,406	162,562
Sirio Panel SpA				1		2,214	2,215	7,212
SELEX Electronic Systems SpA (*****)			1,001	19			1,020	
Electron Italia Srl				8	654	229	891	4,216
Sesm Scrl				336			336	34
E-Security Srl					299		299	
AgustaWestland Ltd (***)						225	225	43,392
Sistemi e Telematica SpA								
Drs Technologies Inc								24,525
AgustaWestland Philadelphia Co (****)								89,373
SELEX Systems Integration Ltd								21,978
SELEX Elsag Ltd								6,939
SELEX Systems Integration Gmbh								6,695
Agustawestland International Ltd								3,399
SELEX Systems Integration Inc								5,536
Alenia North America Inc								23,186
PZL Inwest SP. Z O.O								876
Other companies with unit amount lower than €250 thousand				279	537	30	846	176
Associated								
Orizzonte sistemi Navali spa				25			25	12,250
Other companies with unit amount lower than €250 thousand				18			18	
Joint ventures								
Ansaldo Energia SpA			309,329	242		14,648	324,219	2,829,454
Thales Alenia Space SAS			197,067				197,067	
Telespazio SpA			18,398	896	19,805	226	39,325	208,313
Superjet International SpA				8	13,025	2,178	15,211	3,992
Ansaldo Energia Holdings SpA (*)					7,301	1,402	8,703	100,172
Ansaldo Nucleare SpA				179		3,574	3,753	4,144
Thales Alenia Space Italia SpA				220		274	494	1,603
Mbda Italia SpA			206	47			253	95,703
Ansaldo Thomassen BV								11,030
Other companies with unit amount lower than €250 thousand			14		32		46	
Consortiums								
Other companies with unit amount lower than €250 thousand				24			24	
Other related parties								
Fincantieri SpA				505		311	816	
Other companies with unit amount lower than €250 thousand				202			202	
Total	**2,404,522**		**2,683,641**	**23,836**	**203,661**	**141,189**	**5,456,849**	**19,741,843**
% against total for the year	***71.81***		***97.17***	***43.09***	***51.59***	***35.77***		***100***

(*) Ansaldo Electric Drives SpA at31 Dec. 2010
(**) Agusta SpA at 31 Dec. 2010
(***) Westland Helicopter Ltd at 31 Dec. 2010
(****) Agusta Aerospace Corporation at 31 Dec. 2010
(*****) Finmeccanica Consulting Srl at 31 Dec. 2010

€ thousand RECEIVABLES AT 31 Dec. 2010	Non-current financial receivables	Other non-current receivables	Current financial receivables	Trade receivables	Receivables from consolidated tax mechanism	Other current receivables	Total
Subsidiaries							
AnsaldoBreda SpA			500,597	1,951			502,548
SELEX Communications SpA	77		380,178	2,540			382,795
Finmeccanica Group Real Estate SpA	239,632		25,600	357			265,589
Elsag Datamat SpA			166,985	2,137	2,071	4,855	176,048
SELEX Sistemi Integrati SpA			141,744	3,613		1,711	147,068
Finmeccanica Finance SA	130,000		6,726				136,726
AgustaWestland NV			103,043	2,034			105,077
Agusta SpA	76,061		3,136	5,774	15,232		100,203
Drs Technologies Inc			89,105	1,080			90,185
SELEX Galileo SpA (*)			80,000	3,135	5,087	12	88,234
SELEX Service Management SpA			66,197	331	2,748		69,276
BredaMenarinibus SpA			47,954	176		107	48,237
Whitehead Alenia Sist.Subacquei SpA			36,074	820			36,894
Elsacom NV			7,861	6			7,867
Alenia Aeronautica SpA				6,771			6,771
Oto Melara SpA				2,402	2,407		4,809
Ansaldo Energia SpA				3,480			3,480
Westland Helicopter Ltd				3,230			3,230
SELEX Galileo Ltd (**)				2,909			2,909
Sirio Panel SpA					2,702		2,702
Trimprobe SpA (in liq.)			2,173				2,173
Space Software Italia SpA	583		300		167	200	1,250
Finmeccanica North America Inc			1,177	42			1,219
Larimart SpA					163	599	762
Digint Srl			676				676
Ansaldo Nucleare SpA					672		672
Fata Logistic Systems SpA					647		647
Orangee Srl					596		596
Ansaldo STS SpA				533			533
Alenia Aermacchi SpA			20	398			418
So.Ge.Pa.-Società Generale di Partecipazione SpA (in liq.)				79	325		404
Fata SpA				352			352
Finmeccanica Group Services SpA		42		290			332
Finmeccanica UK Ltd			323				323
Other companies with unit amount lower than €250 thousand			6	330	460	352	1,148
Associates							
Nahuelsat SA (in liq.)	1,722						1.722
Other companies with unit amount lower than €250 thousand			9	180			189
Joint ventures							
Telespazio SpA			50,000	978		3,958	54,936
Thales Alenia Space Italia SpA	5,169	28	10,226	405			15,828
Thales Alenia Space France SAS				289			289
Other companies with unit amount lower than €250 thousand			1	357	6		364
Consortiums							
Other companies with unit amount lower than €250 thousand			85	35		5	125

€ thousand RECEIVABLES AT 31 Dec. 2010	Non-current financial receivables	Other non-current receivables	Current financial receivables	Trade receivables	Receivables from consolidated tax mechanism	Other current receivables	Total
Other related concerns							
Horizon SAS				254			254
Other companies with unit amount lower than €250 thousand			196	369		123	688
Total	**453,244**	**70**	**1,720,392**	**47,637**	**33,283**	**11,922**	**2,266,548**
% against total for the year	***99.54***	***5.14***	***100.00***	***84.11***	***24.62***	***8.82***	

(*) Galileo Avionica SpA at 31 Dec. 2009
(**) SELEX Sensors and Airborne Systems Ltd at 31 Dec. 2009

€ thousand PAYABLES AT 31 Dec. 2010	Non-current borrowings	Other non-current payables	Current borrowings	Trade payables	Payables from the consolidated tax mechanism	Other current payables	Total	Guarantees
Subsidiaries								
Finmeccanica Finance SA	2,391,215		1,222,278				3,613,493	3,318,788
Alenia Aeronautica SpA			414,182	1,384	75,962	7,820	499,348	1,854,691
Ansaldo Energia SpA			443,378	221	16,220	4,883	464,702	3,120,618
SELEX Galileo Ltd (**)			339,390			1,452	340,842	13,610
AgustaWestland NV			254,068				254,068	
SELEX Communications SpA			103,135	926	2,581	6,574	113,216	269,078
Oto Melara SpA			64,000	365		224	64,589	159,501
AnsaldoBreda SpA				30	24,381	20,717	45,128	3,301,035
So.Ge.Pa.-Società Generale di Partecipazione SpA (in liq.)			41,529	70	6	333	41,938	21,196
Finmeccanica Group Services SpA			31,149	5,302	546	401	37,398	176
Meccanica Holdings USA Inc			32,931				32,931	972,908
Fata SpA			24,375	223	1,612	553	26,763	666,815
Elsag Datamat SpA				725	15,683	4	16,412	125,287
Whitehead Alenia Sistemi Subacquei SpA				111	8,941	605	9,657	197,026
Alenia Aermacchi SpA					8,184	1,253	9,437	115,402
SELEX Service Management SpA						9,192	9,192	26,499
Agusta SpA				35		8,131	8,166	2,412,376
Finmeccanica Group Real Estate SpA			7,051	49	414	232	7,746	935
Amtec SpA					7,443		7,443	2,002
BredaMenarinibus SpA					5,307	1,812	7,119	47,395
Ansaldo Fuel Cells SpA					5,690	254	5,944	9,461
Elsacom SpA (in liq.)			4,633	180	648	81	5,542	150
SELEX Sistemi Integrati SpA			876	414	4,183		5,473	506,230
SELEX Galileo SpA (*)			1,928	180		1,788	3,896	114,473
Seicos SpA			3,533	34			3,567	863
Ansaldo Nucleare SpA				178		2,851	3,029	2,355
Finmeccanica North America Inc				2,930			2,930	
Finmeccanica UK Ltd				2,173			2,173	
Alenia S.I.A. SpA				71		1,642	1,713	12,679
Electron Italia Srl				6	444	791	1,241	2,887
Alenia Improvement SpA						907	907	23.735

€ thousand PAYABLES AT 31 Dec. 2010	Non-current borrowings	Other non-current payables	Current borro-wings	Trade payables	Payables from the consolidated tax mechanism	Other current payables	Total	Guaran-tees
Ansaldo STS SpA			635	30	143	48	856	911,672
Sirio Panel SpA				1		760	761	7,414
Italdata Ingegneria dell'Idea SpA					598	90	688	140
Sesm Scrl				385			385	
Finmeccanica Consulting s.r.l.			378				378	
Westland Helicopter Ltd						186	186	13,803
Ansaldo Electric Drives SpA					123	50	173	316
Sistemi e Telematica SpA					86		86	485
Drs Technologies Inc			1				1	26,660
Agusta Aerospace Corporation								86,544
SELEX Systems Integration Ltd								19,999
SELEX Communications Ltd								6,744
Ansaldo Thomassen BV								6,652
SELEX Systems Integration Gmbh								5,597
AgustaWestland International Ltd								3,377
SELEX Systems Integration Inc								3,270
Other companies with unit amount lower than €250 thousand				361	383	13	757	410
Associates								
Orizzonte sistemi Navali SpA				25			25	12,250
Other companies with unit amount lower than €250 thousand				18			18	
Joint ventures								
Thales Alenia Space SAS			127,087				127,087	
Telespazio SpA			31,751	1,225	3,656		36,632	207,499
Superjet International SpA				8	8,112	981	9,101	3,042
MBDA Italia SpA			36	47		6,747	6,830	89,579
Thales Alenia Space Italia SpA				230		274	504	1,654
Other companies with unit amount lower than €250 thousand					18		18	
Consortiums								
Other companies with unit amount lower than €250 thousand				15			15	
Other related parties								
Fincantieri SpA				505		312	817	
Other companies with unit amount lower than €250 thousand				226			226	
Total	**2,391,215**		**3,148,324**	**18,683**	**191,364**	**81,961**	**5,831,547**	**18,705,278**
% against total for the year	***70.90***		***98.02***	***28.97***	***60.84***	***25.96***		***100***

(*) Galileo Avionica SpA at 31 Dec. 2009

(**) SELEX Sensors and Airborne Systems Ltd at31 Dec. 2009

The most important transactions are as follows:

- with regard to non-current financial receivables, there was a total receivable of €thou. 218,352 from the subsidiary Finmeccanica Group Real Estate SpA (FGRE), consisting of two loans to FGRE granted as part of the process of concentrating and leveraging the Group's real estate assets. In fact, the first loan relates to the transfer to FGRE of non-current borrowings from Finmeccanica previously recognised by the Group companies involved in the spin-offs of their real estate branches over the past few years. The total debt was then renegotiated into the form of a non-current borrowing for a nominal €thou. 256,000, with an annual yield of 2.20%. The current portion for 2011 amounts to €thou. 25,600.
  The second loan, amounting to €thou. 15,942 (€thou.9,232 in 2010), was granted by Finmeccanica for the purpose of renovating the building owned by FGRE in Tessera (Venice). The current portion amounts to €thou. 1,594;

- in 2011, an early redemption of €thou. 130,000 was made on the non-current financial receivable, the Profit Participating Bond (PPB), an unlisted bond issued in 2006 by Finmeccanica Finance SA (at the time called Aeromeccanica SA). The annual yield, equal to 95% of the profit declared by the issuer in the previous year, weighted based on the ratio between the PPB itself and treasury shares, came to €thou.2,303;

- the non-current financial receivable from AgustaWestland SpA of €thou.72,829 (€thou.76,061 at 31 December 2010) refers to the lease agreement, classified as a finance lease under IAS 17 making it recognised as a receivable, for the industrial complex owned by Finmeccanica (Nota 10);

- a significant component (€thou. 2,404,522, compared with €thou.2,391,215 at 31 December 2010) is the payable to Finmeccanica Finance SA for the loans it has granted in amounts and with maturities in line with the bond debt assumed by the subsidiary. The current portion of these loans amounts to €thou. 184,933. The increase over the previous year is due to the unfavourable euro/pound sterling exchange rate on the GBPthou. 400,000 loan. This was offset by the gains recognised in 2011 under finance income (costs) on the renewal of exchange rate risk hedges (Note 33);

- current borrowings (€thou.2,683,641, compared with €thou.3,148,324 at 31 December 2010) reflect the method adopted by Finmeccanica for centralising the Group treasury resources and show, by their high amount, the net cash inflows realised by the Group companies during the year, particularly during the final quarter (Note 18). These borrowings also include the balancing entry for cash surpluses that a number of Group companies pay to Finmeccanica outside the cash pooling system as its share, directly or through Finmeccanica Finance, under treasury agreements signed with the latter, the corresponding balancing entry of which is found under cash and cash equivalents. Similarly, financial receivables (€thou. 2,572,108, compared with €thou. 1,720,392 at 31 December 2010) arise from financing activities conducted by Finmeccanica in favour of the Group companies, again as a result of this centralisation of treasury resources;

- receivables (€thou. 15,351) and payables (€thou. 203,661) from the consolidated taxation mechanism from/to related parties refer to tax transactions, of which €thou. 88,312 for current IRES (corporate income tax) receivables, €thou.114,616 for deferred tax assets of consolidated companies and €thou.14,618 for deferred tax liabilities transferred during the three-year consolidation period, recognised by the companies in accordance with the accounting standards. These receivables/payables are recognised by the consolidating company, the sole party having a legal relationship with the tax authority based on the exercise of the option to consolidate IRES, as against payables/receivables recognised by the companies participating in the national consolidated taxation mechanism with respect to the consolidating company. Receivables and payables recognised by the Company did not have any impact on the income statement since these items were offset with balancing tax items in the balance sheet. Receivables amounted to €thou. 33,283 and payables to €thou. 191,364 at 31 December 2010, corresponding to a current IRES receivable of €thou. 42,345, deferred tax assets of €thou. 145,070 and deferred tax liabilities of €thou. 28,673 of the consolidated companies;

- trade receivables amounted to €thou. 56,062 (€thou.47,637 at 31 December 2010), and include, specifically, amounts due for services rendered to and on behalf of Group companies, consistent with the Company’s guidance and coordination function. Trade payables came to €thou. 23,836 (€thou.18,683 at 31 December 2010) and essentially refer to services provided by related parties;

- other receivables and payables, €thou. 2,471 and €thou. 141,189, respectively, (€thou. 11,922 and €thou. 81,961 at 31 December 2010), essentially relate to transactions involving indirect taxes(Group VAT).

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

13. RECEIVABLES AND OTHER NON-CURRENT ASSETS

	31 December 2011	*31 December 2010*
Third-party financing	2,106	2,084
Security deposits	372	417
Financial receivables from related parties (Note 12)	294,320	453,244
Other receivables from related parties (Note 12)	73	70
Other	925	875
Non-current receivables	**297,796**	**456,690**
Accrued financial income - non-current portion	5,934	8,901
Other non-current assets	-	-
Other non-current assets	**5,934**	**8,901**

"Third-party financing" consists entirely of receivables from employees for medium/long-term loans. The tax receivable for advance payment of the statutory severance pay obligation (Law no. 140 of 28 May 1997), equal to €thou. 6 at 31 December 2011, valued using the actuarial criteria required by IAS/IFRS, was reclassified among current receivables based upon maturity.

"Other non-current assets", amounting to €thou. 5,934, consists of the non-current portion of the deferred costs incurred in 2010 (€thou. 14,835) to obtain the revolving credit facility totalling €thou. 2,400,000, expiring in September 2015. For information on the current portion, equal to €thou. 2,967, please refer to Note 17.The credit line was entirely undrawn at 31 December 2011.

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

14. TRADE AND FINANCIAL RECEIVABLES

	31 December 2011		31 December 2010	
	Trade	Financial	Trade	Financial
Receivables	25,966	39	25,992	41
(Impairment)	(16,993)	-	(16,995)	-
Receivables from related parties(Note 12)	56,062	2,572,108	47,637	1,720.392
	65,035	2,572,147	56,634	1,720,433

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

The ageing of receivables together with an analysis of how the Company manages credit risk is reported under Note 37.

15. CURRENT FINANCIAL ASSETS AT FAIR VALUE

This item breaks down as follows:

	31 December 2011		*31 December 2010*	
	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	4,873	-	55	-
	4,873	-	55	-

"Other securities" rose as a result of the subscription of the Plurima Unifortune Short Term Investment fund for €thou. 5,000, the decrease in the fair value of which (€thou.182) was recognised in a special equity reserve ("reserve for assets available for sale") (Note 19).

The item also includes government securities in the amount of €thou. 55.

16. INCOME TAX RECEIVABLES AND PAYABLES

	31 December 2011		31 December 2010	
	Receivables	Payables	Receivables	Payables
For income taxes	114,769	-	121,910	-

The net income tax position fell by €thou. 7,141, mainly as a result of the following:

- receipt of interest on tax credits sold (former corporate income tax IRPEG 1999) for €thou.10,800;
- improvement in the gain from the consolidated taxation mechanism for €thou.4,407;
- net decline of €thou. 1,499 as the difference between the asset and liability positions transferred by the companies participating in the consolidated taxation mechanism;
- recognition of interest on tax credits, for €thou. 201;
- foreign taxes paid, for €thou. 274;

Receivables break down as follows:

- €thou. 91,843 (€thou. 79,825 at 31 December 2010) for IRES receivables under the consolidated taxation mechanism;
- €thou.9,167 for IRPEG receivables, unchanged from 2010;
- €thou. 8,123 (€thou. 18,722 at 31 December 2010) for interest on tax credits;
- €thou. 5,636 (€thou. 14,196 at 31 December 2010) for other receivables (IRAP, regional tax on productive activities, ILOR, local income tax, etc.).

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

17. OTHER CURRENT ASSETS

	31 December 2011	*31 December 2010*
Accrued income - current portion	5,298	5,346
Equity investments	-	-
Receivables for grants	268	268
Receivables from employees and social security	2,616	4,786
Other tax receivables	138,205	73,573
Other receivables from related parties (Note 12)	17,822	45,205
Other assets	4,058	5,987
	168,267	135,165

"Accrued income" includes: the current portion of costs with regard to the revolving credit facility of €thou. 2,400,000 for €thou. 2,967 (Note 13), other costs relating to insurance premiums for €thou. 1,313 (€thou. 1,375 at 31 December 2010) and costs for services for €thou. 1,017 (€thou. 1,004 at 31 December 2010).

"Other tax receivables", amounting to €thou. 138,205 (€thou. 73,573 at 31 December 2010), mainly represents VAT receivables transferred from companies participating in the Group VAT mechanism.

"Receivables from employees and social security" fell by €thou. 2,170 as a result of the recovery of the receivable from INPS (the Italian Social Security Institution) recognised in 2010, with respect to the exemption from paying contributions on earnings from stock option and grant plans (INPS Circular no. 123/2009).

"Other assets" came to €thou. 4,058 (€thou. 5,987 at 31 December 2010), net of impairment of €thou. 38,960 (€mil. 37,460 at 31 December 2010), for an increase of €thou. 1,500 due to provisions made for the receivable from Elemaster SpA.

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

18. CASH AND CASH EQUIVALENTS

	31 December 2011	*31 December 2010*
Cash and cash equivalents	49	39
Bank deposits	695,324	1,269,064
	695,373	1,269,103

The significant balance of "Cash and cash equivalents" at the end of the year was mainly the result of considerable net cash flows realised by the Group companies during the year, particularly during the final quarter. Thanks to centralised management of treasury resources, practiced by the Group for several years, cash received is transferred into Finmeccanica's accounts, which are held with leading Italian and foreign banks holding at the very least an "investment grade" credit rating. The result of this is a considerable debt between Finmeccanica and its related parties (Note 12). Finally, the figure includes cash surpluses that a number of Group companies pay to Finmeccanica outside the cash pooling system as its share, directly or through Finmeccanica Finance, under treasury agreements signed with the latter, the corresponding balancing entry of which is found under "borrowings from related parties" (Note 12).
The decline in cash and cash equivalents as compared with 2010 reflects the Company's negative operating cash flow and the negative balance between investing/disposal activities and financing involving Group companies. These latter financing activities reflect, among other things, the negative Free Operating Cash Flow at the Group level and short-term investment and loan repayment activity conducted by a number of companies (see the Financial Transactions section).

19. SHAREHOLDERS' EQUITY

"Shareholders' equity" at 31 December 2011 amounted to €thou. 4,931,075 (€thou. 6,569,637 at 31 December 2010), for a net decrease of €thou. 1,638,562.

The composition of available and distributable shareholders' equity is shown in Appendix no. 7 to these Notes.

Share capital

	Number of ordinary shares	Value €thousand.	Treasury shares €thousand	Costs incurred €thousand	Total €thousand
Outstanding shares	578,150,395	2,543,862	-	-	2,543,862
Net costs incurred	-	-	-	(18,690)	(18,690)
Treasury shares	(712,515)	-	(8,405)	-	(8,405)
31 December 2010	577,437,880	2,543,862	(8,405)	(18,690)	2,516,767
Shares subscribed in the year	-	-	-	-	-
Cost incurred for the increase in the share capital (net of tax effect)	-	-	-	-	-
Re-purchase of treasury shares, net of the portion sold	680,065	-	8,092	-	8,092
31 December 2011	578,117,945	2,543,862	(313)	(18,690)	2,524, 859
Broken down as follows:					
Outstanding shares	578,150,395	2,543,862	-	-	2,543,862
Net costs incurred	-	-	-	(18,690)	(18,690)
Treasury shares	(32,450)	-	(313)	-	(313)
	578,117,945	2,543,862	(313)	(18,690)	2,524, 859

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

In 2011, the share capital increased by € thou. 8,092, through the sale of 680,065 treasury shares to the beneficiaries of the stock grant plans. Following the transaction, there were 32,450 treasury shares left.

The stock option and stock grant incentive plans came to an end in 2011.

At 31 December 2011 the Ministry for the Economy and Finance held about 30.204% of the shares, Deutsche Bank Trust Company Americas held about 3.600% of the shares, and Arab Bkg Corp/Libyan Investment Man. held about 2.010% of the shares. Tradewinds Global Investors LLC and Black Rock Inc. held 5.382% and 2.240% of the shares, respectively, in the form of managed investments.

The movements in shareholders' equity were as follows:

	Retained earnings	Reserve for available-for-sale assets	Reserve for stock-option/ stock-grant plans	Reserve for actuarial gains (losses) inequity	Other reserves	Total
31 December 2010	4,006,728	-	41,556	533	4,055	4,052,872
Dividends resolved	(237,042)	-	-	-	-	(237,042)
Share premium on share capital increases	-	-	-	-	-	-
Actuarial gains (losses)	-	-	-	486	-	486
Transfers and sales with related parties	-	-	-	-	-	-
Other changes	1,220	(182)	-	-	-	1,038
Profit(Loss) for the year	(1,375,551)	-	-	-	-	(1,375,551)
Stock-option/stock-grant plans:						
- services rendered	-	-	-	-	-	-
- stock-options *not* exercised	1,771	-	(1,771)	-	-	-
- stock-grants assigned	4,199	-	(39,785)	-	-	(35,586)
Changes in fair value	-	-	-	-	-	-
Transferred to income statement	-	-	-	-	-	-
Transfers to equity investments	-	-	-	-	-	-
31 December 2011	2,401,325	(182)	-	1,019	4,055	2,406,216

Retained earnings include the following reserves:

- the *legal reserve*, amounting to €thou. 214,283 (€thou. 202,442 at 31 December 2010), was increased by €thou. 11,841 by resolution of the Shareholders' Meeting of 4 May 2011;
- the *share premium reserve,* amounting to €thou. 589,037 (€thou. 584,838 at 31 December 2010), shows a net increase of €thou. 4,199 as a result of the delivery of shares under the stock grant plan;
- the *extraordinary reserve* came to €thou. 391,462, unchanged from the previous year;
- the *merger surplus reserve* amounted to €thou. 379,766 (€thou. 371,674 at 31 December 2010) for an increase of €thou. 8,092 as a result of the capital increase performed to grant stock under the stock grant plan and the consequent transfer of this to treasury shares;
- *treasury shares* amounted to €thou. 313 (€thou. 8,405 at 31 December 2010) for a decrease of €thou. 8,092, as described above;
- the *reserve for changes in accounting standards* for €thou. 1,119,061, unchanged from 2010. Specifically, the reserve contains the effects of transactions for transfers/sales made to Group companies, recognised in equity (Note 4.1);

- *retained earnings* came to €thou. 1,082,953 (€thou. 1,092,016 at 31 December 2010); the change is mainly the result of shareholders' resolutions approved on 4 May 2011 (€thou. 9,063).

The item *other reserves* (€thou. 4,055) refers to the reserve for unexercised options for expected dividends and capital increases and is unchanged from the previous year.

The *reserve for stock option and stock grant plans* (€thou. 41,556 at 31 December 2010) was reduced to nil. In addition to the value of unexercised stock options (€thou. 1,771) , the reserve also included the value of actions to be granted to Finmeccanica Spa and Group employees (and associates) under the Performance Share Plan. As stated previously, both of these types of stock incentives lapsed in 2011. Since the rights to exercise the remaining stock options were not exercised, the reserve was recognised under retained earnings. For the stock grants, the difference between the value of the grant set and the effective value delivered was recorded under retained earnings.

The *reserve for actuarial gains (losses) in equity* came to a positive €thou. 1,019 (positive €thou. 533 at 31 December 2010) and contains, as provided by IAS 19 (the so-called "equity option"), the recognition of the actuarial gains and losses relating to "Defined-benefit plans". According to this option, the amount of the liability recognised is equal to its actuarial estimate, and the gains and losses are recognised in the period in which they occur, with a balancing entry made in a special equity reserve.

The *reserve for available-for-sale assets* (€thou. -182) captures the decline in the fair value of the Plurima Unifortune Short Term Investment fund acquired during the year (Note 15).

20. BORROWINGS

	31 December 2011			31 December 2010		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Bonds	24,375	490,158	514,533	24,375	489,942	514,317
Bank borrowings	52,462	453,880	506,342	36,507	491,508	528,015
Borrowings from factors for non-recourse assignments	-	-	-	-	-	-
Borrowings from related parties (Note 12)	2,683,641	2,404,522	5,088,163	3,148,324	2,391,215	5,539,539
Other borrowings	1,270	-	1,270	2,768	-	2,768
	2,761,748	3,348,560	6,110,308	3,211,974	3,372,665	6,584,639

"Bonds" refers to the 20-year bond issued in March 2005, for a nominal €thou. 500,000, placed entirely on the European institutional investor market. It offers an annual coupon of 4.875% and an effective interest rate of 4.96%. The fair value of the bond at 31 December 2011 was €thou. 326,320.

A comparison of the changes in "borrowings" for the two periods is shown below:

	31 December 2010	*New borrowings*	*Repayments*	*Other changes*	*31 December 2011*
Bonds	514,317	-	-	216	514,533
Bank borrowings	528,015	-	21,673	-	506,342
Borrowings from factors for non-recourse assignments	-	-	-	-	-
Borrowings from related parties (Note 12)	5,539,539	-	451,376	-	5,088,163
Other borrowings	2,768	-	1,498	-	1,270
	6,584,639	-	474,547	216	6,110,308

	31 December 2009	*New borrowings*	*Repayments*	*Other changes*	*31 December 2010*
Bonds	514,177	-	-	140	514,317
Bank borrowings	635,717	531,298	639,000	-	528,015
Borrowings from factors for non-recourse assignments	-	-	-	-	-
Borrowings from related parties (Note 12)	5,988,068	52,871	501,400	-	5,539,539
Other borrowings	2,318	450	-	-	2,768
	7,140,280	584,619	1,140,400	140	6,584,639

Bank borrowings

In the banking market, in 2010, Finmeccanica made use of the loan signed with the European Investment Bank (EIB) in 2009 (€thou. 506,342 drawn on a nominal amount of €thou. 500,000) to finance development in the Aeronautics segment. Repayment of the 12-year loan will begin in August 2012. As provided in the loan agreement, €thou. 300,000 of the loan was given at a fixed rate of 3.45% and for €thou. 200.000 at a floating rate equal to the 6 month Euribor plus a margin of 79.4 basis points. The final repayment date for both tranches of the loan is August 2022, with the first principal repayment due in August 2012. The fixed-rate tranche will be repaid in 11 annual instalments with a fixed principal repayment component, while the floating-rate tranche will be repaid in 21 6-month instalments, also with a fixed principal repayment component. Between the date of disbursement and the date of the first principal repayment, only interest accrued as stated above will be paid.

Borrowings from related parties

The movement in these borrowings relate mainly to payables to Finmeccanica Finance SA for proceeds from the loans granted to Finmeccanica by the subsidiary in amounts and with expiries in line with the bond debt assumed by the subsidiary (Note 12).

New borrowings represent the balance of the changes in financing and current account transactions.

Other borrowings

This item refers to payables to shareholders for dividends not yet received and, for €thou. 775, to the payable to HR Gest SpA (€thou. 487).

Financial debt

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

€thousand	***31 Dec. 2011***	*of which with related parties*	***31 Dec. 2010***	*of which with related parties*
Cash and cash equivalents	(49)		(39)	
Bank deposits	(695,324)		(1,269,064)	
Securities held for trading	-		-	
LIQUIDITY	(695,373)		(1,269,103)	
CURRENT FINANCIAL RECEIVABLES	(2,577,020)	*(2,572,108)*	(1,720,488)	*(1,720,392)*
Current bank payables	52,462		36,507	
Current portion of non-current borrowings	24,375		24,375	
Other current borrowings	2,684,910	*2,683,641*	3,151,092	*3,148,324*
CURRENT DEBT	2,761,747		3,211,974	
CURRENT NET DEBT (CASH)	(510,646)		222,383	
Non-current bank payables	453,880		491,508	
Bonds issued	490,158		489,942	
Other non-current payables	2,404,522	*2,404,522*	2,391,216	*2,391,215*
NON-CURRENT DEBT	3,348,560		3,372,666	
NET FINANCIAL DEBT	2,837,914		3,595,049	

21. PROVISIONS FOR RISKS AND CHARGES AND CONTINGENT LIABILITIES

	Taxes	Risks and charges on equity investments	Guarantees given	Risks for GIE-ATR activities	Other risks and charges	Total
1 January 2010						
Current	4,345	12,664	-	67,676	17,799	102,484
Non current	12,127		4,098		21,129	37,354
	16,472	12,664	4,098	67,676	38,928	139,838
Allocations	200	9,538	-	-	1,938	11,676
Uses	-	-	(336)	-	(7,789)	(8,125)
Reversals	-	-	(3,400)	-	(3,377)	(6,777)
Other changes	-	-	-	-	-	-
31 December 2010	16,672	22,202	362	67,676	29,700	136,612
Broken down as follows:						
Current	4,345	22,202	-	67,676	14,444	108,667
Non current	12,327	-	362	-	15,256	27,945
	16,672	22,202	362	67,676	29,700	136,612
Allocations	-	813,781	11,000	-	8,190	832,971
Uses	(11,200)	(8,374)	(132)	-	(1,041)	(20,747)
Reversals	-	(2,402)	-	-	(3,209)	(5,611)
Other changes	-	-	36,270	-	-	36,270
31 December 2011	5,472	825,207	47,500	67,676	33,640	979,495
Broken down as follows:						
Current	4,345	825,207	11,000	67,676	15,922	924,150
Non-current	1,127	-	36,500	-	17,718	55,345
	5,472	825,207	47,500	67,676	33,640	979,495

Specifically:

- the “provision for taxes” in the amount of €thou. 5,472 (€thou. 16,672 at 31 December 2010) fell by €thou. 11,200 as result of the payment of the tax notice relating to a dispute concerning 1993 corporate income taxes (IRPEG/ILOR) for the former Ansaldo Trasporti, a situation currently unfavourable to the company for which reason a suit is pending before the Court of Cassation;
- the “provision for risk and charges on equity investments”, which includes amounts allocated to take account of impairment losses that exceed the carrying value of equity investments (Note 3.6), came to €thou. 825,207 (€thou. 22,202 at 31 December 2010), for an increase of €thou. 803,005 due mainly to provisions with respect to equity investments held in

AnsaldoBreda SpA (€thou. 422,009), Alenia Aeronautica SpA (€thou. 384,072) and BredaMenarinibus SpA (€thou. 7,700);

- the "provision for guarantees given" in the amount of €thou. 47,500 (€thou. 362 at 31 December 2010). The change is due to the use of the provision (€thou. 132) following costs incurred to liquidate Nahuelsat SA and for provisions made for guarantees given in favour of Ansaldo Energia SpA for risks connected to orders in Turkey (€thou. 11,000) and for guarantees made to the purchaser, particularly as to the obligation to hold the purchaser harmless from any liability arising from the dispute in which Ansaldo Energia was found liable by the court of first instance (€thou. 36,270);
- the "provision for risks for GIE-ATR activities remains unchanged from the previous year in the amount of €thou. 67,676;
- the "other provisions" totalled €thou. 33,640 (€thou. 29,700 at 31 December 2010), up €thou. 3,940, and include:
  - the "provision for pending litigation" in the amount of €thou. 10,326 (€thou. 10,584 at 31 December 2010), the net decline relates essentially to uses (€thou. 258) and allocations made during the period (€thou.1,896);
  - the "provision for litigation with employees and former employees" in the amount of €thou. 6,823 (€thou. 8,389 at 31 December 2010), in addition to provisions (€thou. 426) and uses (€thou. 783) made during the period, the net decline relates to portions released (€thou. 1,209) following the completion of the process for rationalising pending employment disputes;
  - the "provision for environmental reclamation" (€thou. 2,764), formed to handle the costs of the initial stage of the reclamation of sites owned by Finmeccanica Spa;
  - "other risks and charges" of €thou. 13,727 (€thou. 10,727 at 31 December 2010), the net change (€thou. 3,000) in which is due to provisions made for sundry risks and portions of provisions allocated in previous years that were released (€thou. 2,000).

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.

Finally, in application of related accounting standards, provisions have been made for any obligations related to probable and quantifiable risks. Likewise, to the best of our knowledge, regarding other disputes against the Company, no specific allocation has been made since the Company 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:

- o 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) originating 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 for the second time and referred the parties to the court of second instance. The Rome Regional Tax Commission recently accepted the arguments of the Tax Authority and the company is currently considering whether to appeal it to the Court of Cassation. It should be noted that the actual costs to be paid by Finmeccanica are not currently foreseeable;

- o 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 (Tax Revenue Office) before the Court of Rome seeking payment of a tax receivable of roughly €mil. 71, plus interest of €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, partly in view of the successful action brought simultaneously by Calyon before the tax court.
  The judge dismissed the action due to the parties' failure to appear for a second time at the 30 September 2010 hearing. Since more than a year has passed since that hearing without the parties seeking to resume the proceedings, the suit has lapsed;

- in September 1998, Finmeccanica challenged 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, before the Regional Administrative Court of Lombardy. Pending the ruling, the Regional Administrative Court of Lombardy issued a decision in an analogous matter involving ENEL that found errors in the method for calculating the interest under the resolution and that the Equalisation Fund should also apply the criteria properly as to Finmeccanica. Therefore it was decided to let the lawsuit lapse;

- 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 on-going. The company is waiting for the court's decision, after the hearing on 29 February 2012, on the preliminary motions;

- 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 State Auditors' Court issued a decision on 14 July 2010 rejecting the tax claims and finding in favour of all the defendants.

The State Attorney's Office has not appealed this decision, which has become final. The proceedings are at an end;

- on 10 March 2010, the Tax Investigation Unit of the Tax Police of Genoa completed the audit of the former Datamat SpA (merged into the present SELEX Elsag in 2007) and investigators alleged that invoices were issued for non-existent transactions in the years 2003 and 2004, i.e. prior to Finmeccanica's acquisition of the company in October 2005. In March 2012, SELEX Elsag settled the disputes that emerged during the tax audit and paid around €mil. 1.1 to the Tax Authority, of which the sellers of Datamat reimbursed just €thou. 420 to Finmeccanica under the indemnity provision in the purchase agreement.

  However, the company believes that the facts support a claim for damages suffered by Finmeccanica beyond the limit established in the contract and therefore filed suit in October 2010 before the Court of Rome against the sellers and former directors of Datamat. The hearing to present arguments has been set for 15 April 2013;

- G.M.R. SpA, as sole shareholder of Firema Trasporti, brought an action against Finmeccanica and AnsaldoBreda in February 2011 before the Court of Santa Maria Capua Vetere asking that they be found liable and order to pay damages for having caused the insolvency of Firema Trasporti through their conduct. The plaintiff asserts that, during the period in which Finmeccanica held a stake in Firema Trasporti (from 1993 to 2005), the company was subject to the direction and control of Finmeccanica to the detriment of the company and for the sole benefit of the Finmeccanica Group and, even subsequent to the sale of Finmeccanica's interest in the company, Firema Trasporti, in performing various contracts with AnsaldoBreda, was *de facto* financially dependent upon the Group which abused this relationship.

Finmeccanica and AnsaldoBreda appeared and denied the plaintiff's claims as completely lacking foundation. After the first hearing, held on 31 May 2011, the court took the preliminary objections raised by the defendants under advisement;

Finally, the Corporate Governance Report and Shareholder Structure section contains more information on the investigations of Group companies conducted by judicial authorities during the year.

With regard to the events above, the Board of Directors believes, based on the information we currently have and the analyses made, that Finmeccanica's financial position, present and prospective, is not exposed to any risks other than those already provided for and described.

22. EMPLOYEE LIABILITIES

	31 December 2011	*31 December 2010*
Severance obligations	4,660	6,459
Other employee obligations	-	-
	4,660	6,459

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 early 2007, as part of the complementary social security reform, significantly altered 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). The impact of these changes is described below.

Changes in severance obligations are shown below:

	31 December 2011	*31 December 2010*
Opening balance	6,459	6,806
Costs of benefits paid	-	-
Interest expense	157	173
Actuarial losses (gains) through equity	(486)	604
Decreases for sales	-	-
Increases from business combinations	-	-
Benefits paid	(1,470)	(1,124)
Other changes	-	-
Closing balance	4,660	6,459

The amount recognised in the income statement was calculated as follows:

	31 December 2011	*31 December 2010*
	Severance obligations	**Severance obligations**
Costs of benefits paid	-	-
Interest expense(Note 33)	157	173
Total cost	157	173

It should be noted that the portion of the cost for the year relating to amounts transferred to complementary funds or to a treasury fund managed by INPS is recognised according to the rules for defined-contribution plans (Note 3.13.1 of the section on the applicable accounting standards), without any actuarial assessment.

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

	Severance obligations	
	31 December 2011	*31 December 2010*
Discount rate (annual)	3.9%-4.31	2.91%-3.05
Expected return on plan assets	-	-
Rate of salary increase	N/A	N/A
Rate of turnover	4.00%	4.00%

23. OTHER CURRENT AND NON-CURRENT LIABILITIES

	Non-current		Current	
	31 December 2011	***31 December 2010***	***31 December 2011***	***31 December 2010***
Employee obligations	1,527	1,474	18,766	14,511
Deferred income	113,412	27,168	6,203	2,539
Social security payable	-	-	14,072	15,121
Other tax payables	-	-	7,010	5,257
Other payables to related parties (Note 12)	-	-	344,850	273,325
Other payables	-	-	3,842	3,808
	114,939	28,642	394,744	314,561

The non-current portion of "Employee obligations" refers to the value of the seniority bonus calculated under IAS 19, while for the current portion, the payables relate to amounts accrued but not yet distributed, including early retirement incentives relating mainly to the reorganisation of the Company's management.

"Social security payables" include contributions owed to social security institutions on current compensation and on pre-pension and mobility charges for employees in past years.

"Other tax payables" increased by €thou. 1,753 and mainly consist of withholdings on income paid in 2011.

"Deferred income" specifically includes:

- the effects of the transfer of the license to use the "Ansaldo" trademark to Ansaldo Energia SpA (€thou. 84,419 non-current and €thou. 3,670 current) and to Ansaldo Nucleare (€thou. 3,680 non-current and €thou. 160 current);
- the effects of the transfer of the license to use the "Ansaldo" trademark to Ansaldo STS SpA (€thou. 20,925 non-current and €thou. 1,610 current, compared with €thou. 22,536 and €thou. 1,610 in 2010);
- current deferred income for rental income in the amount of €thou. 291 (€thou. 286 at 31 December 2010);
- current deferred income for insurance policy claims with respect to Group companies of €thou. 471.

24. TRADE PAYABLES

"Trade payables" fell by €thou. 6,955 compared with the previous year.

	31 December 2011	*31 December 2010*
Trade payables to suppliers	31,475	43,583
Trade payables to third-party consortiums	-	-
Trade payables to related parties (Note 12)	23,836	18,683
	55,311	62,266

25. DERIVATIVES

The table below provides detail on composition of derivative instruments.

	31 December 2011		*31 December 2010*	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Forward forex instruments	22,586	3,345	694	13,603
Forex options	-	-	-	-
Interest rate swaps	34,603	-	59,587	1,961
STM options	-	-	-	-
Other equity derivatives	-	-	12,949	12,949
	57,189	3,345	73,230	28,513

"Forward instruments" correlate directly with the performance of deposits and loans made in pound sterling and US dollars that fall under the Group's financial centralisation. As a result, the changes in the fair values of those instruments are offset by the effects of realigning the exchange rates applicable to loans and deposits.

The "interest rate swaps" with a total notional value of €thou. 1,150,000 were placed into effect to hedge part of the bonds issued by Finmeccanica and the Group companies totalling €thou. 3,715,000. The impact on the income statement is described the section on Financial Risk Management (Note 37). The decrease in the fair value is the result of the recognition of €thou. 35,640 due to the early termination of interest rate swap positions hedging a portion of the bonds issued by the Company and maturing in 2025.

Also during the year, options related to the earn-out mechanism found in the contract for the sale of STM shares (the sale occurred in December 2009), recognised under "other equity derivatives", expired.

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

€ thousand		Fair Value at 31 December 2011	Fair Value at 31 December 2010
Assets			
Interest rate swap			
	Trading	34,603	59,587
	Fair value hedge	-	-
	Cash flow hedge	-	-
Currency forward/swap/option			
	Trading	696	694
	Fair value hedge	21,889	
	Cash flow hedge	-	-
Equity instruments(trading)		-	12,949
Embedded derivatives (trading)		-	-
	Fair value hedge	-	-
	Cash flow hedge	-	-
Liabilities		-	-
Currency forward/swap/option		-	-
	Trading	-	13,603
	Fair value hedge	-	-
	Cash flow hedge	-	-
Interest rate swap		-	-
	Trading	3,345	1,961
Equity instruments(trading)		-	12,949

The portion of changes that had an earnings impact is illustrated in Note 33.
Details on the instruments outstanding are provided in Note 37.

26. GUARANTEES AND OTHER COMMITMENTS

Leasing

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

	Operat. Lease as lessee	Operat. Lease as lessor	Finance lease as lessee	Finance lease as lessor
Within 1 year	3,328	11,202	4,278	2,263
2 to 5 years	2,397	25,472	-	8,033
Beyond 5 years	46	27,605	-	12,547
	5,771	64,279	4,278	22,843

With regard to operating leases in which the Company is a lessee, commitments amounted to €thou. 57 (€thou. 483 at 31 December 2010) with respect to subsidiaries and to other parties (€thou. 5,714), mainly for the lease of office space.

For those leases in which the Company acts as lessor, commitments amounted to €thou. 63,279 (€thou. 73,059 at 31 December 2010) with respect to subsidiaries.

Finally €thou. 22,843 (€thou. 25,202 at 31 December 2010) relates to transactions arising from the contract with AgustaWstland SpA to lease the industrial complex owned by Finmeccanica, classified as a finance lease under IAS 17 (Note 12).

Guarantees

At 31 December 2011, the Group had the following outstanding guarantees:

	31 December 2011	*31 December 2010*
Guarantees in favour of related parties (Note 12)	19,741,843	18,705,278
Guarantees in favour of third parties	60,707	61,346
Endorsements in favour of third parties	-	-
Other unsecured guarantees given to third parties	-	--
Unsecured guarantees given	19,802,550	18,766,624

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

Specifically:

- for €thou. 7,103,849 (€thou. 6,246,241 at 31 December 2010) mainly consisting of counter guarantees given by Finmeccanica on behalf of Group companies to third parties, banks and insurance companies, in relation to the contractual commitments assumed by those companies. These refer to subsidiaries for €thou. 7,060,390 (€thou. 6,196,991 at 31

December 2010), to associates for €thou. 1,001 (€thou. 13,302 at 31 December 2010), and to other Group companies and third parties for €thou. 42,457 (€thou. 35,948 at 31 December 2010);

- for €thou. 7,456,517 (€thou. 7,652,890 at 31 December 2010), essentially representing direct guarantees issued by Finmeccanica (Parent Company Guarantee) in favour of customers and co-suppliers on behalf of Group companies within the scope of their commercial operations. These refer to subsidiaries for €thou. 7,347,405 (€thou. 7,544,046 at 31 December 2010) and to other Group companies and third parties for €thou. 109,112 (€thou. 108,844 at 31 December 2010);

- for €thou. 4,777,350 (€thou. 4,451,595 at 31 December 2010), consisting of guarantees issued by Finmeccanica in favour of Group lenders (particularly with regard to bonds placed on the market by Finmeccanica Finance SA and Meccanica Holdings USA Inc., as explained in more detail in the Financial Transactions section of the Report on Operations), for financial payables already recognised in the companies' financial statements. These refer to subsidiaries for €thou. 4,759,206 (€thou. 4,444,860 at 31 December 2010), to associates for €thou. 12,852 (€thou. 602 at 31 December 2010), and to other Group companies and third parties for €thou. 5,294 (€thou. 6,133 at 31 December 2010);

- for €thou. 464,832 (€thou. 415,898 at 31 December 2010) relating to commitments by Finmeccanica to the Tax Authority primarily for reimbursements made by the latter to the Group. These refer to subsidiaries for €thou. 464,832 (€thou. 415,898 at 31 December 2010).

Purchase commitments and other memorandum accounts

- purchase commitments amounting €thou. 5,495,087 (€thou. 5,895,778 at 31 December 2010) and sale commitments of €thou. 4,161,173 (€thou. 4,790,977 at 31 December 2010), mainly arise from forward forex purchase and sale contracts with third parties and Group companies;

- other memorandum accounts totalling €thou. 2,989,166 (€thou. 3,290,427 at 31 December 2010) relate to Company assets held by third parties comprised mainly of shares of Group companies.

27. TRANSACTIONS WITH RELATED PARTIES

The income statement transactions with Company's related parties for 2011 and 2010 are described below:

31 December 2011 **€ thousand**	Revenue	Other operating income	Costs net of recoveries (1)	Cost recovery	Finance income	Finance costs
Subsidiaries						
AgustaWestland Ltd (***)	6,851			23	43	
AgustaWestland NV				1,365	5,032	1,916
AgustaWestland SpA (**)	12,710	2,196	174	1,918	6,268	
Alenia Aermacchi SpA			26	1,928	210	3
Alenia Aeronautica SpA	11,102	41	1,586	4,172	2,542	1,802
Ansaldo STS SpA	1,611		338	600	1,114	10
AnsaldoBreda SpA	3,012		438	1,101	22,649	
BredaMenarinibus SpA			-2	439	1,521	
Drs Technologies Inc.				707	2,681	
Fata SpA	828		442	112	325	130
Finmeccanica Finance SA	465	152		548	2,482	199,571
Finmeccanica do Brasil Ltda		235	839			
Finmeccanica Group Real Estate SpA	8		2,814	316	6,368	246
Finmeccanica Group Services SpA	18		23,898	796		291
Finmeccanica North America Inc		49	7,139	29		
Finmeccanica UK Ltd			7,457	1	11	1
Meccanica Holdings USA Inc.				38	4,826	76
Oto Melara SpA	2,165		302	353	273	276
SELEX Elsag SpA	6,141	2,761	3,432	2,044	21,733	585
SELEX Galileo Ltd	6,266		34	414	24	1,659
SELEX Galileo SpA	3,496		174	1,728	3,247	6
SELEX Service Management SpA	122		53	182	3,251	
SELEX Sistemi Integrati SpA	4,196	5,507	243	1,653	8,122	2
Withead Alenia Sis.Subacquei SpA	419		377	514	1,122	1
Other companies with unit amount lower than €250 thousand	96		519	2	448	260
Associates						
Other companies with unit amount lower than €250 thousand				1	18	
Joint ventures						
Ansaldo Energia SpA	4,375	11,578	40	1,809	2,879	2,993
Ansaldo Energia Holding SpA (*)					8,024	
MBDA Italia SpA	8,714			1,204		3
Telespazio SpA			671	1,476	2,154	
Thales Alenia Space SAS						1,858
Thales Alenia Space Italia SpA	330		170	538	77	
Thales Alenia Space France SAS	670		111			
Other companies with unit amount lower than €250 thousand	231		170	240	26	
Consortiums						
Other companies with unit amount lower than €250 thousand			288		6	

31 December 2011	Revenue	Other operating income	Costs net of recoveries (1)	Cost recovery	Finance income	Finance costs
€ thousand						
Other related parties						
Eni SpA			498			
Other companies with unit amount lower than €250 thousand			50			
	73,826	**22,519**	**52,281**	**26,251**	**107,476**	**211,689**
% against total for the year	***100.00***	***63.70***	***34.95***	***98.73***	***5.43***	***6.56***

(*) Ansaldo Electric Drives SpA at31 Dec. 2010
(**) Agusta SpA at31 Dec. 2010
(***) Westland Helicopter Ltd at31 Dec. 2010

31 December 2010	Revenue	Other operating income	Costs net of recoveries (1)	Cost recovery	Finance income	Finance costs
€ thousand						
Subsidiaries						
Agusta SpA	10,788	2,253	13	6	5,807	
AgustaWestland NV			(4)	4,790	5,566	920
Alenia Aermacchi SpA			(5)	1,591	2,565	3
Alenia Aeronautica SpA	11,234	152	1,365	2,480	3,662	572
Ansaldo Energia SpA	6,760	569	(6)	2,859	2,577	1,916
Ansaldo STS SpA	1.608		11	478	585	3
AnsaldoBreda SpA	2,257		11	1,519	11,742	
BredaMenarinibus SpA			(1)	844	580	
Drs Technologies Inc.				447	5,144	
Elsacom SpA (in liq.)	(27)		329	5		15
Elsag Datamat SpA	2,540	317	908	1,064	4,377	4
Fata SpA	847		507	89	379	37
Finmeccanica Finance SA	465			536	7,355	206,634
Finmeccanica Group Real Estate SpA	79		2,869	304	585	19
Finmeccanica Group Services SpA	307	13	24,095	1,029		62
Finmeccanica North America Inc			7,292	41		
Finmeccanica UK Ltd		1	8,029	1	26	
Meccanica Holdings USA Inc.				38	5,383	4
Oto Melara SpA	1,831		315	2,530	262	83
Seicos SpA	(8)		59	337	6	10
SELEX Communications SpA	3,087	2.401	504	2.232	12.370	384
SELEX Galileo Ltd (**)	5,056		(1)	277	20	1,037
SELEX Galileo SpA (*)	3,396		295	2,378	1,763	6
SELEX Service Management SpA	614		(4)	315	1,018	
SELEX Sistemi Integrati SpA	4,907	5,417	418	2,228	5,244	
Sesm Scarl			260			
So.Ge.Pa.- Società Generale di Partecipazioni SpA (in liq.)	25		5	988	72	104
Westland Helicopter Ltd	5,289		40		25	
Withead Alenia Sis.Subacquei SpA	438		261	1,172	902	1
Other companies with unit amount lower than €250 thousand			844	262	278	

31 December 2010 € thousand	Revenue	Other operating income	Costs net of recoveries (1)	Cost recovery	Finance income	Finance costs
Associates						
Other companies with unit amount lower than €250 thousand					18	
Joint ventures						
MBDA Italia SpA	10,297			696	1	
Telespazio SpA			753	2.760	1,496	
Thales Alenia Space SAS						442
Thales Alenia Space Italia SpA	142		70	1,185	76	
Thales Alenia Space France SAS	406					
Other companies with unit amount lower than €250 thousand	32			38	**1**	
Consortiums						
Other companies with unit amount lower than €250 thousand		3	235		4	
Other related parties						
Eni SpA			445			
Other companies with unit amount lower than €250 thousand			169		21	
	72,370	**11,126**	**50,081**	**35,519**	**79,910**	**212,256**
% against total for the year	***100.00***	***40.70***	***39.90***	***98.45***	***6.70***	***22.97***

(*) Galileo Avionica SpA at31 Dec. 2009

(**) SELEX Sensors and Airborne Systems Ltd at31 Dec. 2009

(1) costs are indicated with + and recoveries with -

28. REVENUE

	2011	*2010*
Revenue from sales	-	-
Revenue from services	-	-
Revenue from related parties (Note 27)	73,826	72,370
Total revenue	73,826	72,370

"Revenues" came to €thou. 73,826 (€thou. 72,370 in 2010) and refer solely to the fee Finmeccanica receives for the services provided to the Group companies in accordance with the guidance and coordination it exercises, mainly in Italy. To that end, starting from 2008, the Company has allocated, for recognition, a portion of its costs to the Group companies in the form of a management fee, thereby expressing how the holding company is fully integrated in their business activities. The increase over the previous year is attributable to the change in the scope of the costs considered in calculating the management fee.

29. OTHER OPERATING INCOME (EXPENSES)

	2011		*2010*	
	Income	**Expense**	**Income**	**Expense**
Operating grants	1,638	-	2,322	-
Gains/losses on sales of intangible asset, property, plant and equipment	-	-	-	(1)
Accruals/Reversal to provisions	2,000	(18,764)	6,519	(1,896)
Exchange rate difference on operating items	315	(198)	607	(1,644)
Receivables and payables in foreign currency adjusted to year-end exchange rate	140	(472)	316	(386)
Insurance reimbursements	13	-	2	-
Membership fees	-	(837)	-	(868)
Indirect taxes	-	(2,971)	-	(2,808)
Other operating income (costs)	8,729	(7,724)	6,444	(9,333)
Other operating income (costs) from related parties (Note 27)	22,519	(1,172)	11,126	(207)
	35,354	(32,138)	27,336	(17,143)

More specifically:

“Operating grants” relates to training financed through the Fondimpresa and Fondirigenti professional development funds.
“Other operating costs” refers to costs such as books and newspapers (€thou. 1,143, compared with €thou. 951 in 2010), gifts and donations (€thou. 1,083, compared with €thou. 4,965 in 2010), membership fees (€thou. 837) and other minor costs. In 2010, a donation was made to provide humanitarian aid in the aftermath of the earthquake in Haiti in the amount of €thou. 3,000.

“Indirect taxes” consists of 2011 property taxes (ICI) (€thou. 1,729), other local taxes (€thou. 595) and, as usual, the portion of VAT for the year that cannot be recovered for financing activities.

“Other operating income from related parties” (Note 27), relates mainly to income from rental properties (€thou. 11,042) and the receipt of the indemnity premium (€thou. 11,000) for the contract for the sale of Ansaldo Energia (Note 21), for which there is a corresponding provision for guarantees given.

30. RAW MATERIALS AND CONSUMABLES USED AND PURCHASE OF SERVICES

	2011	*2010*
Purchase of materials from third parties	326	341
Change in inventories	-	-
Total raw materials and consumables used	**326**	**341**
Services rendered by third parties	59,716	51,526
Costs of rents and operating leases	5,367	5,865
Rental fees	1,279	1,100
Services rendered by related parties (Note 27)	51,108	49,874
Total purchase of services	**117,470**	**108,365**

These include:

- “cost of raw materials and consumable used” came to €thou. 326 (€thou. 341 in 2010);
- “purchase of services, net of costs recovered” came to €thou. 59,716 (€thou. 51,526 in 2010). This item includes costs for industrial activities (€thou. 942), commercial and sale activities (€thou. 7,853), costs relating to personnel (€thou. 6,580), insurance (€thou. 2,309)

and other services (€thou. 42,032); more specifically, in 2011, the item included costs for consultants in connection the reorganisation of the Company's management;

- "costs of rents and operating leases and rental fees" amounted to €thou. 6,646 (€thou. 6,965 in 2010). The item includes, net of costs recovered, leasing fees, costs of using software and sundry costs;
- "services rendered by related parties" came to €thou. 51,108 (€thou. 49,874 in 2010). Specifically, the item includes services rendered by Group companies that represent Finmeccanica abroad, that manage specific events and activities, and that manage Company real estate.

31. PERSONNEL COSTS

	2011	*2010*
Wages and salaries	66,541	48,129
Social security contributions	12,113	9,507
Cost of LTIP	-	2,346
Costs of stock option/ stock-grant plans (Note 19)	-	9,996
Costs of severance pay (Note 22)	-	-
Costs related to defined-contribution plans	1,739	2,427
Employee disputes for accruals/(reversal to provisions)	(783)	(335)
Other net costs/(Cost recovery)	(10,229)	(17,314)
	69,381	54,756

"Personnel costs" amounted to €thou. 69,381, net of amounts recovered from Group companies during the year (€thou. 54,756, net of amounts recovered in 2010).

The net increase (€thou. 14,625) in personnel costs is mainly due to the following:

- the increase in wages and salaries and in social security contributions, specifically for early retirement incentives linked to the process of reorganising the Company's management;
- the reduction of the costs for the stock option and stock grant plans to nil due to the conclusion of the Performance Share Plan 2008-2010 and the failure to recognise costs related to the Long-Term Incentive Plan for 2011; in should also be noted that the figure for 2010 includes the value of the final tranche of the 2008-2010 Plan, expected to be 50% of the total value;

- the decrease in the recovery of personnel costs from Group companies, particularly in connection with incentive plans.

Also in 2010, social security contributions benefited from the recovery of contributions for 2008 and 2009 for earnings on stock option and grant plans as provided in INPS Circular no.123/2009.

The average workforce at 31 December 2011 numbered 299, as compared with 295 in 2010. There were 298 employees at the end of 2011, down 8 from the 306 at 31 December 2010.

The workforce breaks down as follows:

number	*2011*	*2010*	*Net changes*
Senior managers	98	103	(5)
Middle managers	82	85	(3)
Clerical employees	118	118	-
Manual labourers	-	-	-
Total	**298**	**306**	**(8)**

With respect to costs related to severance pay and defined-contribution plans, it should be noted that Law no. 296 of 27 December 2006 ("2007 Finance Law") and the subsequent Decrees and Regulations issued in 2007 as part of the pension reform significantly altered the allocation of severance pay accrued (Note 22).

32. AMORTISATION, DEPRECIATION AND IMPAIRMENT

	2011	*2010*
Amortisation and depreciation:		
• Intangible assets	2,534	2,988
• Property, plant and equipment and investment properties	7,217	7,091
	9,751	10,079
Impairment		
• Operating receivables (Note 17)	1,500	-
Total amortisation, depreciation and impairment	11,251	10,079

"Amortisation and depreciation", amounting to €thou. 9,751 (€thou. 10,079 in 2010), is broken down in Notes 8, 9 and 10.

33. FINANCE INCOME AND COSTS

	31 December 2011			*31 December 2010*		
	Income	Costs	Net	Income	Costs	Net
Dividends	398,035	-	398,035	452,304	-	452,304
Capital gain on sale of Ansaldo Energia	1,013,758	-	1,013,758	-	-	-
Income and costs for equity investment and securities	-	-	-	123	(538)	(415)
Interest cost on defined-benefit plans (less expected returns on plan assets)	-	(157)	(157)	-	(173)	(173)
Discounting of receivables, payables and provisions	100	(98)	2	81	(144)	(63)
Interest*	2,752	(45,922)	(43,170)	6,705	(42,687)	(35,982)
Premiums (paid) received on IRS	90,455	(31,321)	59,134	77,130	(34,548)	42,582
Commissions (including commissions and other costs on non-recourse items)	1,194	(10,145)	(8,951)	1,203	(11,993)	(10,790)
Premiums paid (received on forwards)	803	(3,176)	(2,373)	1,425	(812)	613
Exchange-rate differences	318,277	(319,628)	(1,351)	527,761	(508,278)	19,483
Fair value results through profit or loss	17,732	(39,317)	(21,585)	37,215	(30,216)	6,999
Value adjustments of equity investments valued at cost	-	(2,539,025)	(2,539,025)	-	(77,888)	(77,888)
Other finance income and costs	27,636	(27,040)	596	9,448	(4,323)	5,125
Finance income (costs) - related parties (Note 27)*	107,476	(211,689)	(104,213)	79,910	(212,257)	(132,347)
	1,978,218	**(3,227,518)**	**(1,249,300)**	**1,193,305**	**(923,857)**	**269,448**

- *of which non-liquidated finance costs mainly relating to the application of the effective interest rate, in the amounts of €thou. 19,365 from related parties and €thou. 7,249 from third parties (€thou. 30,346 and €thou. 12,316, respectively, at 31 December 2010)*

"Dividends" relate to the results achieved by subsidiaries for €thou. 342,398 (€thou. 412,985 in 2010), associates for €thou. 55,604 (€thou. 38,432 in 2010) and others for €thou. 33 (€thou. 887 in 2010).

The sale of Ansaldo Energia SpA on 13 June 2011 resulted in a capital gain. More specifically, Finmeccanica sold the entire share capital of Ansaldo EnergiaSpA to Ansaldo Energia Holding (formerly Ansaldo Electric Drives), a company held 45% by First Reserve Corporation – a US fund specialised in the energy sector - and about 55% by Finmeccanica. The gain was calculated net of any costs and guarantees issued to the purchaser in connection with the legal dispute involving Ansaldo Energia SpA (Note 21).

“Interest costs on defined-benefit plans” came to €thou. 157 (€thou. 173 in 2010) and refers to interest accrued on the expected present value of severance obligations (Note 22).

“Discounting of receivables, payables and provisions”, amounting to €thou. 2 (€thou. 63 in 2010), refers to costs relating to actuarial adjustments made to non-current receivables, seniority bonuses and advance payment of taxes on severance obligations (Note 22).

“Interest and commissions” consists of:

	31 December 2011			***31 December 2010***		
	Income	Costs	Net	Income	Costs	Net
Interest to/from banks	2,550	(20,632)	(18,082)	1,525	(17,399)	(15,874)
Interest from/to other than banks	202	(6)	196	5,180	(3)	5,177
Interest and other costs on bonds	-	(25,285)	(25,285)	-	(25,285)	(25,285)
Interest payments indirectly received	-	-	-	-	-	-
Commissions (including commissions and other costs on non-recourse items)	1,194	(10,145)	(8,951)	1,203	(11,993)	(10,790)
	3,946	(56,068)	(52,122)	7,908	(54,680)	(46,772)

“Interest to banks” rose by €thou. 2,208 as a result of charges on the €thou. 500,000 loan from the EIB.

“Interest from other than banks” refers to interest on tax credits in the amount of €thou. 202 (€thou. 5,147 in 2010), calculated on accruals for existing receivables. The decrease from the previous year is due to the reimbursement of €thou. 36,152 in receivables sold upon which interest was calculated. During the year, interest received amounted to €thou. 10,800 on corporate income tax (IRPEG 1999) receivables transferred.

“Commission costs” essentially include commissions paid for failure to use bank credit lines in the amount of €thou. 6,260, ancillary charges on long-term bank loans for €thou. 3,047 (a €thou. 2,400,000 revolving loan obtained in 2010) and commissions incurred in recovering tax credits in the amount of €thou. 830.

“Net premiums received on interest rate swaps (IRS)” (€thou. 59,134) was affected positively by the low interest rates on transaction entered into to diversify exposure on fixed-rate borrowings, particularly the bonds issued by Finmeccanica Finance maturing in 2013. In addition, the item also incorporates the impact of the early termination of interest rate swap positions totalling €thou. 250,000 for bonds issued by Finmeccanica maturing in 2025. This transaction led to a collection and a gain of €thou. 35,640. This latter figure is reduced by the €thou. 22,671 recognised under "fair value adjustments through profit or loss", related to the gain recognised at the end of 2010.

"Exchange-rate differences" showed a net loss of €thou. 1,351 (€thou. 19,483 net gain in 2010). The item includes:

	31 December 2011			*31 December 2010*		
	Income	**Costs**	**Net**	**Income**	**Costs**	**Net**
• Adjustment of receivables and payables to year-end exchange rate	5,325	(19,245)	(13,920)	17,538	(24,450)	(6,912)
• Exchange rate gains and losses	312,952	(300,383)	12,569	510,223	(483,828)	26,395
	318,277	(319,628)	(1,351)	527,761	(508,278)	19,483

The net costs realised relate to the centralisation of financial activities and arise from exchange-rate differences realised (net income of €thou. 12,569) and the adjustment of receivables and payables in currencies other than the euro (income of €thou. 5,325 and costs of €thou. 36,355). These latter are recognised net of the corresponding fair value adjustments of hedging instruments (income of €thou. 17,110) (fair value hedge method).

"Fair value results through profit or loss" are as follows:

	31 December 2011			*31 December 2010*		
	Income	**Costs**	**Net**	**Income**	**Costs**	**Net**
Foreign-currency swaps and options	4,783	-	4,783	-	(16,281)	(16,281)
Interest rate swaps(Note 37)	-	(26,368)	(26,368)	30,865	(985)	29,880
STM options (Note 37)	-	-	-	-	-	-
Embedded option in the exchangeable bond (Note 37)	-	-	-	-	-	-
Other equity derivatives	12,949	(12,949)	-	6,349	(12,949)	(6,600)
	17,732	(39,317)	(21,585)	37,214	(30,215)	6,999

"Net income on foreign-currency swaps" (€thou. 4,783) includes the effects of derivative instruments which, although they meet the objective of limiting the fluctuations of the underlying

position within a specific range, do not meet the conditions of IAS 39, either because of the nature of the instruments themselves or the inability to mathematically demonstrate their effectiveness.
Specifically, income and costs on foreign-currency swaps and options include the effects of transactions between banks and subsidiaries and joint ventures requiring hedges for exchange-rate risk arising from their commercial activity, in addition to transactions involving derivatives formed by Finmeccanica to hedge its financial exposure, largely to intercompany payables and receivables in US dollars and pound sterling.

In 2011, both the earn-out option under the contract for the sale of STMicroelectronics (STM) in 2009, recognised under derivative assets at a fair value of €thou. 12,949, and the mirror option, taken as a liability for the same fair value, the benefits of which were sold on the market in 2010, lapsed.

"Value adjustments of equity investments valued at cost" consists of:

	31 December 2011			***31 December 2010***		
	Revaluations	**Impairment**	**Net value**	**Revaluations**	**Impairment**	**Net value**
Effect of the equity investments evaluations	-	(2,383,963)	(2,383,963)	-	(77,888)	(77,888)
Direct coverage of losses	-	(155,062)	(155,062)	-	-	-
	-	(2,539,025)	(2,539,025)	-	(77,888)	(77,888)

and relate to (Notes 11 and 21):

- Alenia Aeronautica SpA (€thou. 925,000), AnsaldoBreda SpA (€thou. 675,000), Meccanica Holdings USA Inc. (€thou. 363,000), SELEX Sistemi Integrati SpA (€thou. 260,000); SELEX Elsag SpA (€thou. 175,000), SELEX Galileo SpA (€thou. 95,000), BredaMenarinibus SpA (€thou. 34,244), Eurotech SpA (€thou. 10,589), Atitech Spa (€thou. 840), Consorzio Creo (€thou. 350) and Siet SpA (€thou. 2).

"Other finance income and costs" came to, respectively, €thou. 27,636 and €thou. 27,040 (€thou. 9,448 and €thou. 4,323 in 2010), and include, *inter alia*:

- income (€thou. 25,212) and costs (€thou. 25,423) relating to the sale of equity options arising from the sale of STM;

- income of €thou. 2,402 from the surplus on the provision for risks relating to the equity investment in Nahuelsat Sa, made available following the company's elimination;

- costs of €thou. 1,091 for fixed fees paid to Monte Titoli to manage Company shares.

"Finance income (costs) from/to related parties" (Note 27) relates to interest on financial receivables and payables and commissions, mainly connected with the centralisation of the management of Group treasury resources within Finmeccanica. In carrying out its treasury management functions, the Company acts as the main counterparty, always at arm's length, for the financial assets and liabilities of the subsidiaries within the scope of such centralization. Finance costs include, *inter alia*, €thou. 199,571 (€thou. 206,633 in 2010) paid to Finmeccanica Finance SA for medium and long-term loans it has granted to Finmeccanica, in view of its collection activities, for amounts, on terms and conditions and with expiries essentially in line with those of the bonds issued by Finmeccanica Finance.

In 2011, the Company did not make assignments of non-recourse receivables.

34. INCOME TAXES

Income tax expense can be broken down as follows:

	2011	***2010***
Benefit under consolidated tax mechanism	2,763	47,004
Tax related to previous periods	(6,217)	730
Provisions for tax disputes	-	(200)
Deferred tax - net	(1,411)	10,824
	(4,865)	58,358

No provision has been made for IRES since, during the year, the Company benefited from positive non-taxable components (mainly dividends and capital gains on partially exempt equity investments satisfying the requirements of Art. 87 of Presidential Decree no. 917/86 "Participation exemption"). Vice versa, net income of €thou. 2,763 (€thou. 47,004 in 2010) from the domestic consolidated tax mechanism was recognised. This benefit arises from the partial exploitation of the tax losses generated by the consolidating company - transferred to the Group's consolidated tax - in an amount equal to the tax rate in effect, as stated in the consolidation agreement signed by the companies participating in the national consolidated tax mechanism (equal to €thou. 4,007), excluding the effect of the transfer of the gross operating income (GOI) of the Ansaldo Energia group (for €thou. 1,246) to make it possible to deduct interest expense. With respect to deferred taxes, these had a negative impact on the income statement in the amount of €thou. 1,411 (positive €thou. 10,824 in 2010) as a result of the reversal of deferred tax assets recognised for expenses incurred in connection with the capital increase.

Following is an analysis of the composition of the theoretical and effective tax rates for 2011 and 2010:

	2011	2010
Profit (loss) before taxation	**(1,370,686)**	**178,471**
Deferred tax	(1,411)	10,824
Income	2,763	47,004
Accrual	-	(200)
Current taxes of previous years	(6,217)	730
Total tax	**(4,865)**	**58,358**
Tax rate	**(0.35)%**	**32.70%**
Theoretical tax	376,939	(49,079)
Permanent differences not to reverse in subsequent years	(4,617)	17,526
Timing differences to reverse in subsequent years	(52,369)	(11,306)
Total dividends from profit or loss	104,588	119,075
Revaluations of equity investments	661	1,029
Impairment of equity investments	(698,232)	(21,419)
Gains on equity investments	274,382	2,002
Tax provision	-	(200)
Previous years' tax	(6,217)	730
Total tax through profit or loss	**(4,865)**	**58,358**
Theoretical tax	**27.50%**	**(27.50)%**
Permanent differences not to reverse in subsequent years	(0.34)%	9.82%
Timing differences to reverse in subsequent years	(3.82)%	(6.34)%
Total dividends from profit or loss	7.63%	66.72%
Revaluations of equity investments	0.05%	0.58%
Impairment of equity investments	(50.94)%	(12)%
Gains on equity investments	20.02%	1.12%
Tax provision	-	(0.11)%
Prior years' current taxes	(0.45)%	0.41%
Total tax	**(0.35)%**	**32.70%**

The effective tax rate went from a positive 32.70 % in 2010 to a negative 0.35% in 2011.

The variance between the theoretical and effective tax rates in 2011 is mainly due to the positive impact of reduced taxation on gains on sales of equity investments and on dividends.

Deferred tax assets and liabilities reported in the balance sheet at 31 December 2011 essentially arise from transactions transferred by the Group companies participating in the consolidated taxation mechanism to Finmeccanica as the consolidating company:

	Balance sheet	
	Assets	**Liabilities**
Property, plant and equipment	2,501	78
Intangible assets	6,297	-
Financial assets and liabilities	-	2
Severance and retirement benefits	149	-
Provision for risks and impairment	79,671	-
Stock grant	2,254	-
Grants	-	8,091
Other	37,537	6,447
Total	**128,409**	**14,618**

35. EARNINGS/(LOSSES) PER SHARE

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

- for basic EPS, by dividing net profit attributable to holders of ordinary shares by the average number of ordinary shares for the period less treasury shares;

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

It should be noted that the stock option plan came to an end in 2011.

Basic EPS	***31 December 2011***	***31 December 2010***
Average number of shares for the period (in thousands)	577,488	577,026
Net earnings/(losses) (in € thousands)	(1,375,551)	236,829
Earnings/(losses) of continuing operations (in €thousands)	(1,375,551)	236,829
Basic EPS	(2.38)	0.41
Basic EPS of continuing operations	(2.38)	0.41

Diluted EPS	***31 December 2011***	***31 December 2010***
Average number of shares for the period(in thousands)	577,488	577,685
Adjusted earnings/(losses) (in € thousands)	(1,375,551)	236,829
Adjusted earnings/(losses) - continuing operations (in € thousands)	(1,375,551)	236,829
Diluted EPS	(2.38)	0.41
Diluted EPS of continuing operations	(2.38)	0.41

36. CASH FLOW FROM OPERATING ACTIVITIES

	For the 12 months ended 31 December	
	2011	***2010***
Profit (Loss)	(1,375,551)	236,829
Depreciation, amortisation and impairment	11,251	10,079
Tax	4,865	(58,358)
Provisions	15,981	(4,958)
Costs of severance pay, pension plans and PSP	-	12,796
Gains from the sale of tangible and intangible assets	-	1
Dividends	(398,035)	(452,304)
Net finance expense, less dividends	1,647,335	182,856
	(94,154)	(73,059)

The changes in working capital are as follows:

	For the 12 months ended 31 December	
	2011	***200***
Inventories	-	-
Contract work in progress and advances received	-	-
Trade receivables and payables	(15,355)	(9,519)
Changes in working capital	(15,355)	(9,519)

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

	For the 12 months ended 31 December	
	2011	***2010***
Payment of PSP, of severance obligations and other defined benefit plans	(1,470)	(5,608)
Changes in provision for risks	(20,744)	(8,126)
Changes in other operating items	62,042	(131,817)
	39,828	(145,551)

37. FINANCIAL RISK MANAGEMENT

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

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

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

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

Interest rate risk

Finmeccanica is exposed to fluctuations in the interest rate on its floating-rate debt instruments, primarily tied to the Euribor. The management of interest rate risk is consistent with the long-standing practice of reducing the risk of fluctuations in interest rates while seeking to minimise costs arising from debt, particularly bonds. To that regard and with reference to the gross amount of bank borrowings posted in the financial statements, presented *pro forma* to take into account the bonds issued by Finmeccanica Finance SA, prior to interest rate transactions, the fixed-rate percentage amounted to around 96%, while and the floating-rate percentage is around 4%. Interest rate transactions, as described below (totalling €mil. 1,150, of which €mil. 750 at a floating rate) shift the floating-rate percentage to 19%.

The switch to floating rates on components of the Group’s debt resulted in significant savings in borrowing costs in the 2009-2011 period, consistent with movements in market interest rates which have tended to drop since 2009 through the present.

The following table sets out the overall impact on the income statement for the years 2009 through 2011:

Impact on the income statement	2009	2010	2011
IRS gains	66	77	90
IRS losses	(52)	(35)	(31)
Fair value	11	31	(26)
Total	25	73	33

As to the impact on the income statement over the last three years, €mil. 115 was recognised, benefitting cash flow, and €mil. 15 was attributable to being taken at fair value.

In December 2011, the Group sought to take advantage of favourable market conditions by completing transactions previously undertaken to convert the €mil. 250 bond issue (maturity 2025) into a floating-rate issue. These transactions had a positive impact on the income statement as early as 2010, with a fair value valuation of €mil. 23. The early termination resulted in the receipt of €mil.36, of which €mil. 23 recognised under fair value adjustments through profit or loss in 2010 and €mil. 13 as retained earnings for 2011. The termination of this transaction made it possible to realise the profits, until then theoretical, calculated in determining the fair value. Also during the year, transactions to diversify the interest rates on debt denominated in pound sterling (GBP) were undertaken and completed for a nominal GBPmil. 100, with proceeds of €mil. 4 reflected in the income statement and in cash flow. Transactions outstanding at 31 December 2011 are as follows:

- IRS for €mil. 750 for the nominal €mil. 815 bond maturing in 2013. The impact of the IRS on the income statement over the next 2 years (remaining term of the transaction) is estimated to be neutral; in fact, Finmeccanica expects to recognise €mil. 15 in cash revenues in 2012 in the income statement, compared with a fair value of €mil. 30 at 31 December 2011, which will be neutralised by the impact of the negative fair value attributed of €mil. 15. Similar treatment is expected in 2013.

  During the second half of 2011, Finmeccanica Finance repurchased several tranches on the bond market for a nominal €mil. 185 of these bonds. The average repurchase price was 105.7% of the nominal value for an average annual yield of 5.34%. The repurchase of these bonds resulted in a cost of €mil. 10.5 in 2011 and will lead to a saving in borrowing costs for 2012 and 2013 of around €mil. 15 per year;
- a 4.20% cap on the 6-month rate on a nominal €mil. 200 (maturity 2025); these transactions permit a return to a floating rate for up to €mil. 200 in fixed-rate debt, when the Group deems it advantageous to do so;
- IRS of €mil. 200 for bonds maturing in 2008 on which Finmeccanica receives a fixed rate equal to the 5.75% coupon on the bond and pays a fixed rate of 5.30%.

Overall in 2011, the management of interest rates led to the recognition of net income of €mil. 33, equal to €mil. 59 in premiums received (with related benefits for cash flow) and €mil. 26 in costs arising from the application of fair value to the income statement.

The detail of the main derivative instruments in interest rate swaps (IRS) at 31 December 2011 are as follows:

€ thousand	**Notional**		**Underlying**		***Fair Value* 01.01.11**	**Changes**			***Fair Value* 31.12.11**
	2011	**2010**				**Income**	**Costs**	**CFH Reserve**	
IRS fixed/floating/fixed	200,000	200,000	Bond 2018	*(a)*	4,747	-	(256)	-	4,491
IRS fixed/floating and options	200,000	250,000	Bond 2025	*(b)*	20,710	-	(24,055)	-	(3,345)
IRS fixed/floating	750,000	750,000	Bond 2013	*(c)*	32,168	-	(2,056)	-	30,112
IRS fixed/floating/fixed	-	-	Bond 2019	*(d)*	-	-	-	-	-
Total notional	**1,150,000**	**1,200,000**			**57,625**	**-**	**(26,367)**	**-**	**31,258**

€ thousand	**Notional**		**Underlying**		***Fair Value* 01.01.10**	**Changes**			***Fair Value* 31.12.10**
	2010	**2009**				**Income**	**Costs**	**CFH Reserve**	
IRS fixed/floating/fixed	200,000	200,000	Bond 2018	*(a)*	4,129	618	-	-	4,747
IRS fixed/floating and options	250,000	250,000	Bond 2025	*(b)*	13,612	8,084	(986)	-	20,710
IRS fixed/floating	750,000	750,000	Bond 2013	*(c)*	23,492	8,676	-	-	32,168
IRS fixed/floating/fixed	-	450,000	Bond 2019	*(d)*	(13,487)	13,487	-	-	-
Total notional	**1,200,000**	**1,650,000**			**27,746**	**30,865**	(986)	-	**57,625**

(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 on the bond maturing in 2018 (totalling €mil. 500) was converted to a floating rate through 19 December 2010 and back to fixed (5.57% average on €mil. 500) after that date.

(b) The transaction was carried out in 2005 to take advantage of low interest rates, with a 2% saving in the current interest period, which was consolidated after the early termination of the IRS component for the receipt of €mil. 36. Options offering protection against the risk of rising interest rates are still in place.

(c) The transaction was carried out at the time of the issue of the 5-year bond for an original amount of €mil. 1,000, reduced to a nominal amount of €mil. 815 at 31 December 2011 at a result of the buy-back programme. The transaction was entered into in December 2008, enabling the Group to benefit from the low costs of floating interest rates with a saving of more than 2% both in the first 3-year period and in the current interest period (June 2012).

(d) The item relates to IRSs on the GBPmil. 400 bond issued in 2009 (maturing in 2019). In 2011, transactions were carried out and completed for GBPmil. 100, yielding revenues of €mil. 4.

The table below shows the effects of the sensitivity analysis for 2011 and 2010 deriving from the 50-basis-point shift in the interest rate:

(€ thousand)	31 Dec. 2011		31 Dec. 2010	
	Effect of shift of interest rate curves		**Effect of shift of interest rate curves**	
	Increase of 50 bps	**Decrease of 50 bps**	**Increase of 50 bps**	**Decrease of 50 bps**
Net result	(5,110)	3,796	(21,643)	20,759
Shareholders' equity (*)	(5,110)	3,796	(21,643)	20,759

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

Exchange rate risk

Exchange rate risk management for the Group is governed by the directive issued by Finmeccanica. The purpose of the directive is to standardise for all the companies the management criteria based on industrial-not speculative-strategies so as to contain risks within specific limits by carefully and constantly assessing all foreign currency positions.

Finmeccanica acts as counterparty for the Group companies in transactions to hedge exchange rate risk and, therefore, in its dealings with the banks it serves basically as a "pass-through" for the Group companies. Moreover, the Company hedges risks arising from current intragroup financial payables and/or receivables denominated in currencies other than the euro.

The effectiveness of hedges 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 or 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 4.2).

At 31 December 2011, Finmeccanica had outstanding foreign exchange transactions in the interest of other Group companies totalling €mil. 5,206 (notional amount) (a decrease of about 9% over the year-earlier period):

€ thousand	Notional 2011		
	Sales	**Purchases**	**Total**
Swap and forward transactions	2,865,284	2,340,375	5,205,658
Options	-	-	-
Total notional	**2,865,284**	**2,340,375**	**5,205,658**

€ thousand	Notional 2010		
	Sales	**Purchases**	**Total**
Swap and forward transactions	3,489,627	2,257,472	5,747,099
Options	4,191	-	4,191
Total notional	**3,493,818**	**2,257,472**	**5,751,290**

Finally, as a result of the financial centralisation, the cash flows of the Group's foreign companies were recharged in several ways to Finmeccanica Spa through intercompany transactions mainly denominated in GBP and USD. For this type of risks, the income statement is hedged using mirror transactions of payables/receivables from banks 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 balance sheet volatility directly impacting the amount of Group net debt, which is affected by the realigning payables/receivables in foreign currency from third parties or, similarly, by the cash effects deriving from the renewal of hedges.

The table below shows the effects of the sensitivity analysis carried out on the change in the exchange rates of the euro against the pound sterling and the US dollar, assuming a +/-5% change in the euro/US dollar exchange rate and the euro/pound sterling exchange rate compared with the reference rates at 31 December 2011 (1.2939 and 0.8353, respectively), and at 31 December 2010 (1.3362 and 0.86075 respectively).

	2011				***2010***			
€thousand	**Effect of change in the €/GBP rate**		**Effect of change in the €/USD rate**		**Effect of change in the €/GBP rate**		**Effect of change in the €/USD rate**	
	increase of 5%	decrease of 5%	increase of 5%	decrease of 5%	increase of 5%	decrease of 5%	increase of 5%	decrease of 5%
Net result	450	(591)	294	(286)	3,047	(3,368)	(2,705)	2,989
Shareholders' equity (*)	450	(591)	294	(286)	3,047	(3,368)	(2,705)	2,989

Other risks on financial instruments

Options on STM

Under the contract for the sale of options on STM shares signed in December 2009, Finmeccanica benefits from an earn-out mechanism. The fair value of this option, which expired in March 2011, was positive €thou. 6,600 at 31 December 2009, and positive € thou. 12,949 at 31 December 2010. Given the trend in the share price, in the first quarter of 2010, Finmeccanica sold an option mirroring its earn-out option on the market in several instalments. In 2010 this transaction yielded income of €thou. 7,666, classified as "other finance income", over the fair value of the option at 31 December 2009. In March 2011, the transaction came to its natural end, with regard to both the earn-out option and the mirroring option, and therefore the impact on the income statement was neutral. Finmeccanica had no exposure to direct or indirect risks relating to the STM shares at 31 December 2011. It should be noted that the management of the financial interest in STM through the use of equity options had a positive effect on Finmeccanica's income statement in prior years in the net amount of around €mil. 163.

Liquidity risk

The Group is exposed to the liquidity risk, i.e. the risk that it cannot efficiently finance ordinary commercial and investment operations and that it cannot repay its payables at maturity. The Group thus adopts a series of instruments with the aim of optimising the management of financial resources. In addition to the funding raised in previous years in the bond and banking markets (refer to the "Financial Transactions" section of the Report on Operations), which extended the average life of borrowing to more than 10 years, as early as from 2010 Finmeccanica was also able to extend the maturity of certain short-term confirmed lines of credit (with maturities up through 2012) to 2015. Specifically, in 2010 it signed, a new revolving credit facility for €mil. 2,400 (final maturity in September 2015) with a pool of banks, including leading Italian and foreign banks. Moreover, Finmeccanica had unconfirmed credit lines for around €mil. 632 and cash of around €mil. 695 at 31 December 2011.

In 2011, 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 is €mil. 3,800, with bonds of roughly €mil. 3,050 issued at 31 December 2011, (at the date of presentation of this report, bonds under this programme were outstanding for a nominal amount of €mil. 2,870 following the early redemption of a portion of the bonds maturing in December 2013 by several Group companies, as described in the Financial Transactions section).

It should be noted that in 2012 the Company will not be required to redeem any of its existing bonds, while it expects to make an initial repayment of €thou. 36,797 on the EIB loan that it signed and used in 2010.

At the date of preparation of this report, the conditions in the bond market are such that a new bond issue by Finmeccanica at terms in line with the current average cost of medium/long-term lending is feasible.

Credit risk

Finmeccanica Spa, given is special position as industrial holding company exercising guidance and control, is exposed to limited counterparty risk in its commercial dealings; vice versa it is exposed to considerable risk with respect to its financing and investing activities, as well as for the guarantees it issues, mainly on behalf of Group companies, for payables or commitments to non-Group parties (Note 26). To that end, the Company has adopted a policy of prudently assessing financial counterparties.

At 31 December 2011, net trade receivables totalled €thou. 8,973 (€thou. 8,997 at 31 December 2010), of which €thou. 6,717 (€thou. 6,760 at 31 December 2010) is past due by more than 12 months. Part of this amount is offset by a liability in relation to payable items or provisions for risks on any net excesses.

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 Company assets by type of recognition. The fair value of derivatives is analysed separately in Note 25. 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 using the "amortised cost method".

€ thousand 31 Dec. 2011	Fair value through profit or loss	Loans and receivables	Held to maturity	Available for sale	Total
Non-current assets					
Non-current receivables from related parties	-	294,393	-	-	294,393
Financial assets at fair value	-	-	-	-	-
Receivables	-	3,403	-	-	3,403
					-
Current assets					
Current receivables from related parties	-	2,645,992	-		2,645,992
Trade receivables	-	8,973	-		8,973
Financial assets at fair value	-	-	-	4,873	4,873
Financial receivables	-	40	-		40
Other assets	-	150,445	-		150,445

€thousand 31 Dec. 2010	Fair value through profit or loss	Loans and receivables	Held to maturity	Available for sale	Total
Non-current assets					
Non-current receivables from related parties	-	453,314	-	-	453,314
Financial assets at fair value	-	-	-	-	-
Receivables	-	3,376	-	-	3,376
Current assets					
Current receivables from related parties	-	1,813,234	-	-	1,813,234
Trade receivables	-	8,997	-	-	8,997
Financial assets at fair value	-	-	-	55	55
Financial receivables	-	41	-	-	41
Other assets	-	89,960	-	-	89,960

38. 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:

	2011	*2010*
Compensation	12,426	10,559
Post-employment benefits	494	-
Other long-term benefits	-	-
Severance indemnity	14,569	-
Stock grants	717	703
Total	28,206	11,262

Remuneration paid to Directors, members of the Board of Statutory Auditors, the General Manager and managers with strategic responsibility include fees and other compensation, pensions and other benefits owed as a result of holding their positions within the Company, any professional services provided and analogous positions held in subsidiaries, even if passed on to the Company.

Finmeccanica, in order to create an incentive and retention system for Group employees and collaborators, in past years implemented incentive plans providing for the granting of Finmeccanica shares, subject to the attainment of specific objectives.

The year 2011 marked the end of the Performance Share Plan 2008-2010. On 1 December 2011, the final instalment of Company shares was granted after the achievement of the performance targets was verified (see the Incentive plans "stock-option and stock-grant plans" section of the Report on Operations):

	2011 (no. of shares)	*2010 (no. of shares)*
Rights existing at 1 January	-	-
New rights assigned	611,700	274,822
Rights exercised during the year	611,700	274,822
Rights lapsed during the year	-	-
Rights existing at 31 December	-	-

For the Board of Directors
the Chairman and Chief Executive Officer
(Giuseppe Orsi)

APPENDICES

Appendix no. 1
EQUITY INVESTMENTS
(€thousand)

%		31.12.2010 Cost	31.12.2010 Impairment	31.12.2010 Carrying amount	Transfers/ acquisitions of business units (a)	Acquis./ Subscriptions/ Payments of capital	Disposal (b)	Reclass. (c)	Stock grants	Financial revaluation impairment	Capital replenishment	Other changes (d)	31.12.2011 Cost	31.12.2011 Impairment	31.12.2011 Carrying amount
	Equity investments in subsidiaries														
100	AGUSTA WESTLAND NV	2.177.074	(1.778)	2.175.296								(6.206)	2.170.868	(1.778)	2.169.090
100	ALENIA AERONAUTICA SpA	549.460	(694)	548.766						(540.928)		(7.838)	541.622	(541.622)	
54,55	ANSALDO ENERGIA HOLDINGS SpA					275.000	(2.250)						272.750		272.750
100	ANSALDO ENERGIA SpA	204.747	(180.827)	23.920			(20.591)					(3.329)			
40,07	ANSALDO STS SpA	43.783		43.783									43.783		43.783
100	ANSALDOBREDA SpA	509.696	(458.612)	51.084						(106.173)	55.839	(750)	508.946	(508.946)	0
100	BREDAMENARINIBUS SpA	18.765	(18.765)			11.000				(18.300)	7.300		29.765	(29.765)	
100	ELSACOM NV	65.817	(65.817)										65.817	(65.817)	
100	ELSAG DATAMAT SpA (*)	163.311	(14.921)	148.390				(148.390)							
100	FATA SpA	21.940		21.940									21.940		21.940
99,99	FINMECCANICA DO BRASIL LTDA	39		39		28							67		67
100	FINMECCANICA FINANCE SA	79.362		79.362									79.362		79.362
100	FINMECCANICA GROUP REAL ESTATE SpA	442.850		442.850								(115)	442.735		442.735
100	FINMECCANICA GROUP SERVICES SpA	54.167	(20.759)	33.408								(348)	53.819	(20.759)	33.060
100	FINMECCANICA NORTH AMERICA Inc	3.410		3.410									3.410		3.410
100	FINMECCANICA UK Ltd	2		2									2		2
100	MECCANICA HOLDINGS USA, Inc	2.389.416		2.389.416						(363.000)			2.389.416	(363.000)	2.026.416
100	OTO MELARA SpA	103.323		103.323								(549)	102.774		102.774
100	SEICOS SpA	1.050		1.050			(1.050)								
100	SELEX ELSAG SpA (**)	357.683	(86.640)	271.043				148.390		(175.000)		(1.531)	519.463	(276.561)	242.902
100	SELEX ELECTRONICS SYSTEMS SpA (***)	100		100		900							1.000		1.000
100	SELEX GALILEO Ltd	1.178.315		1.178.315								(1.550)	1.176.765		1.176.765
100	SELEX GALILEO SpA	462.386		462.386						(95.000)		(2.390)	459.996	(95.000)	364.996
100	SELEX SERVICE MANAGEMENT SpA	6.837	(111)	6.726			(6.726)								
100	SELEX SISTEMI INTEGRATI SpA	521.405		521.405						(260.000)		(1.729)	519.676	(260.000)	259.676
100	SO.GE.P A.- Società Generale di Partecipazioni SpA (in Lic	3.000		3.000									3.000		3.000
67	TELESPAZIO HOLDING Srl	149.221		149.221		22.245						(586)	170.880		170.880
100	TRIMPROBE SpA (in Liq.)	1.576	(1.576)										1.576	(1.576)	
100	WHITHEAD ALENIA SISTEMI SUBACQUEI SpA	24.797		24.797								(66)	24.731		24.731
		9.533.532	**(850.500)**	**8.683.032**		**309.173**	**(30.617)**			**(1.558.401)**	**63.139**	**(26.987)**	**9.604.163**	**(2.164.824)**	**7.439.339**

Appendix no. 1
EQUITY INVESTMENTS
(€thousand)

%		31.12.2010 Cost	31.12.2010 Impairment	31.12.2010 Carrying amount	Transfers/ acquisitions of business units (a)	Acquis./ Subscriptions/ Payments of capital	Disposal (b)	Reclass. (c)	Stock grants	Financial revaluation impairment	Capital replenishment	Other changes (d)	31.12.2011 Cost	31.12.2011 Impairment	31.12.2011 Carrying amount
%															
	Equity investments in associates														
50	AMSH BV	872.920	(392.146)	480.774									872.920	(392.146)	480.774
31,33	ELETTRONICA SpA	53.693	(46.462)	7.231									53.693	(46.462)	7.231
50	EUROSYSNAV SAS	20		20									20		20
11	EUROTECH SPA	18.150	(1.779)	16.371						(10.589)			18.150	(12.368)	5.782
30,98	IND. A. E M. R. PIAGGIO SpA (Amm.strd)	31.503	(31.503)										31.503	(31.503)	
25	LIBYAN ITALIAN ADVANCED TECH. Co.	2.000		2.000									2.000		2.000
33,33	NAHUELSAT SA (in liq.)	17.784	(17.784)												
30	NGL PRIME SpA	36		36									36		36
20	SCUOLA ICT Srl (in liq.)	2		2									2		2
33	THALES ALENIA SPACE SAS	546.000	(145.100)	400.900									546.000	(145.100)	400.900
		1.542.108	**(634.774)**	**907.334**						**(10.589)**			**1.524.324**	**(627.579)**	**896.745**
	Other companies														
10	ATITECH SpA	1.250		1.250						(839)			1.250	(839)	411
16,67	CONS. CATRIN (in liq)	43	(43)										43	(43)	
5	CONSORZIO C.I.F.A.P.	5		5									5		5
40	CONS. CINS	10	(10)										10	(10)	
99	CONS. CREO	1.023	(162)	861						(350)			1.023	(512)	511
1,67	CONS. ENERGIA ROMA	1		1									1		1
8,333	CONS. PISA RICERCHE S.c.r.l	71		71									71		71
14,29	CONS. ROMA RICERCHE	31		31									31		31
15,789	DISTRETTO LIGURE DELLE TECN. MARINE S.c.r.l	120		120									120		120
3,7	EMITTENTI TITOLI SpA	200		200									200		200
18,94	EUROPEAN SATELLITE NAVIG. INDUSTRIES Gmbh	50		50									50		50
18,94	EUROPEAN SATELLITE NAVIGAT. IND. SA (in Liq.)	50		50									50		50
13,584	ITP Srl. (in bankruptcy)	1.952	(1.952)										1.952	(1.952)	
3,58	SOC. INFORMAZIONI ESP. TERMOIDR. SpA	112	(90)	22						(3)			112	(93)	19
		4.918	**(2.257)**	**2.661**						(1.192)			**4.918**	**(3.449)**	**1.469**
	TOTAL EQUITY INVESTMENTS	**11.080.558**	**(1.487.531)**	**9.593.027**		**309.173**	**(30.617)**			**(1.570.182)**	**63.139**	**(26.987)**	**11.133.405**	**(2.795.852)**	**8.337.553**

(*) Merged into SELEX ELSAG SpA on 1 June 2011
(**) SELEX COMMUNICATIONS SpA at 31 December 2010
(***) FINMECCANICA CONSULTING Srl at 31 December 2010

	Parent companies	Subsidiaries	Associates	Joint Ventures	Consortiums	Other companies
(a) Of which:						
Cost						
Impairment						
(b) Of which:						
Cost		(211.555)				
Impairment		180.938				
		(30.617)				
(c) Of which:						
Cost						
Impairment						
(d) Of which:						
Cost		(26.987)				
Impairment						
		(26.987)				

Appendix no. 2

LIST OF EQUITY INVESTMENTS

(€thousand)

Name	Office	Reporting date	Share capital (total)	Currency	Shareholders equity	Profit (loss)	Ownership	Net equity in financial statements	Carrying amount
Equity investments in subsidiaries									
AGUSTA WESTLAND NV	Amsterdam (Holland)	**31/12/2011**	80,000		1,350,200	71,900	100.00	1,350,200	**2,169,090**
ALENIA AERONAUTICA SpA	Pomigliano D'Arco - Naples	**31/12/2011**	465,528,635		-452,353	-1,217,482	100.00	-452,353	
ANSALDO ENERGIA HOLDINGS SpA	Genoa	**31/12/2011**	100,000,000		470,047	-19,730	54.55	256,411	**272,750**
ANSALDO STS SpA	Genoa	**31/12/2011**	70,000,000		321,939	53,286	40.07	128,985	**43,783**
ANSALDOBREDA SpA	Naples	**31/12/2011**	55,839,139		-407,028	-660,575	100.00	-407,028	
BREDAMENARINIBUS SpA	Bologna	**31/12/2011**	1,300,000		-2,614	-30,665	100.00	-2,614	
ELSACOM NV	Amsterdam (Holland)	**31/12/2011**	4,537,802		-2,367	456	100.00	-2,367	
FATA SpA	Pianezza - Turin	**31/12/2011**	20,000,000		14,756	-1,809	100.00	14,756	**21,940**
FINMECCANICA DO BRASIL LTDA	Brasilia (Brazil)	**31/12/2011**	62,089		101	34	99.99	101	**67**
(EURO at 31.12.2011= brl 2.4159)			150,000	brl	245	83			
FINMECCANICA FINANCE SA	Luxembourg	**31/12/2011**	12,371,940		103,022	3,474	100.00	103,022	**79,362**
FINMECCANICA GROUP REAL ESTATE SpA	Rome	**31/12/2011**	49,945,983		510,228	-17,831	100.00	510,228	**442,735**
FINMECCANICA GROUP SERVICES SpA	Rome	**31/12/2011**	21,000,000		32,707	2,583	100.00	32,707	**33,060**
FINMECCANICA NORTH AMERICA Inc	Delaware (USA)	**31/12/2011**	773		3,744	5	100.00	3,744	**3,410**
(EURO at 31.12.2011= $ 1.2939)			1,000	$	4,845	7			
FINMECCANICA UK Ltd	Sommerset(England)	**31/12/2011**	1,197		2,751	470	100.00	2,751	**2**
(EURO at 31.12.2011= gbp 0.8353)			1,000	gbp	2,298	393			
MECCANICA HOLDINGS USA, INC	Wilmington (USA)	**31/12/2011**	2,782,286,112		2,029,176	-805,441	100.00	2,029,176	**2,026,416**
(EURO at 31.12.2011= $ 1.2939)			3,600,000,000	$	2,625,551	-1,042,160			
OTO MELARA SpA	La Spezia	**31/12/2011**	92,307,722		139,558	24,815	100.00	139,558	**102,774**
SELEX ELSAG SpA (*)	Genoa	**31/12/2011**	60,000,000		108,804	-153,168	100.00	108,804	**242,902**
SELEX ELECTRONICS SYSTEMS SpA (**)	Rome	**31/12/2011**	1,000,000		1,017	7	100.00	1,017	**1,000**
SELEX GALILEO Ltd	Essex (England)	**31/12/2011**	323,237,280		610,496	84,846	100.00	610,496	**1,176,765**
(EURO al 31.12.2011= gbp 0.8353)			270,000,100	gbp	509,947	70,872			
SELEX GALILEO Spa	Campi Bisenzio -Florence	**31/12/2011**	231,464,449		366,881	2,818	100.00	366,881	**364,996**
SELEX SISTEMI INTEGRATI SpA	Rome	**31/12/2011**	143,110,986		269,293	-176,033	100.00	269,293	**259,676**
SO.GE.PA.- Società Generale di Partecipazioni SpA (in liq.)	Genoa	**31/12/2011**	1,000,000		1,110	3,461	100.00	1,110	**3,000**
TELESPAZIO HOLDING Srl	Rome	**31/12/2011**	11,864,743		252,400	1,332	67.00	169,108	**170,880**
TRIMPROBE SpA (in Liq.)	Rome	**31/12/2011**	1,576,002		-2,539	25	100.00	-2,539	
WHITHEAD ALENIA SISTEMI SUBACQUEI SpA	Genoa	**31/12/2011**	21,346,000		19,012	-21,365	100.00	19,012	**24,731**
									7,439,339

Appendix no. 2
LIST OF EQUITY INVESTMENTS
(€thousand)

Name	Office	Reporting date	Share capital (total)	Currency	Shareholders' equity	Profit (loss)	Ownership	financial statements	Carrying amount
Equity investments in associates									
AMSH BV	Amsterdam (Holland)	**31/12/2011**	36,296,316		1,551,607	132,127	50.00	775,804	**480,774**
ELETTRONICA SpA	Rome	**31/12/2010**	9,000,000		63,754	19,913	31.33	19,974	**7,231**
EUROSYSNAV SAS	Paris (France)	**31/12/2011**	40,000		7,260	-2,092	50.00	3,630	**20**
EUROTECH SpA	Udine	**31/12/2009**	8,878,946		108,116	-9,921	11.08	11,979	**5,782**
IND. A. E M. R. PIAGGIO SpA(Amm.strd)	Genoa	**n.a.**	n.a.		n.a.	n.a.	30.98	n.a.	**0**
LIBYAN ITALIAN ADVANCED TECH. Co.	Tripoli (Libya)	**31/12/2009**	8,332,975		5,407	-2,265	25.00	1,352	**2,000**
(EURO at 31.12.2011= lyd 1,62823)			13,568,000	lyd	8,804	-3,688			
NGL PRIME SpA	Turin	**31/12/2010**	120,000		255	-113	30.00	77	**36**
SCUOLA ICT Srl (in liq.)	L'Aquila	**n.a.**	10,000		n.a.	n.a.	20.00	n.a.	**2**
THALES ALENIA SPACE SAS	Paris (France)	**31/12/2008**	979,240,900		1,083,512	-443,555	33.00	357,559	**400,900**
									896,745
Consortiums									
CONS. CATRIN (in liq.)	Rome	**31/12/2009**	258,234		258	0	16.67	43	
CONSORZIO C.I.F.A.P.	Deruta- Perugia	**n.a.**	100,000		n.a.	n.a.	5.00	n.a.	**5**
CONS. CINS	Rome	**n.a.**	n.a.				40.00	n.a.	
CONS. CREO	L'Aquila	**31/12/2010**	774,685		1,043	268	99.00	1,033	**511**
CONS. ROMA ENERGIA	Rome	**n.a.**	n.a.		n.a.	n.a.	1.67	n.a.	**1**
CONS. ROMA RICERCHE	Rome	**31/12/2010**	209,114		209	0	14.29	30	**31**
CONSORZIO PISA RICERCHE SCRL	Pisa	**n.a.**	960,000		n.a.	n.a.	8.33	n.a.	**71**
									619
Other companies									
ATITECH SpA	Capodichino - Naples	**n.a.**	32,039,942		n.a.	n.a.	10.00	n.a.	**411**
DISTRETTO LIGURE DELLE TECNOLOGIE MARINE S.c.r.l	La Spezia	**n.a.**	760,000		n.a.	n.a.	15.79	n.a.	**120**
EMITTENTI TITOLI SpA	Milan	**n.a.**	4,264,000		n.a.	n.a.	3.70	n.a.	**200**
EUROPEAN SATELLITE NAVIGATION INDUSTRIES GMBH	Ottobrunn (Germany)	**31/12/2009**	264,000		0	30	18.94	0	**50**
EUROPEAN SATELLITE NAVIGATION INDUSTRIES SA (in Liq.)	Bruxelles (Belgium)	**31/12/2009**	264,000		-1,346	3,489	18.94	-255	**50**
ITP SRL (in fall.)	Milan	**n.a.**	7,029,401		n.a.	n.a.	13.58	n.a.	**0**
SOC.INFORM ESPERIENZE TERMOID. SpA	Piacenza	**31/12/2010**	697,820		900	200	3.58	32	**19**
									850
TOTAL EQUITY INVESTMENTS									**8,337,553**

(*) SELEX COMMUNICATIONS SpA at 31 December 2010
(**) FINMECCANICA CONSULTING Srl at 31 December 2010

Appendix no. 3
NON-CURRENT RECEIVABLES
€ thousand

	31.12.2010								31.12.2011		
	Residual nominal amount	Impairment	Book value	Disbursement	Reclassifications	Reimbursements	Other changes	Impairment (-) Reversal (+)	Residual nominal amount	Impairment	Book value
Receivables	3,376		3,376	72	21	42	(24)		3,403		3,403
Receivables from related parties											
- Receivables from parent companies											
- Receivables from subsidiaries											
Agusta SpA	76,061		76,061		(3,232)				72,829		72,829
Finmeccanica Finance SA	130,000		130,000			130,000					
Sistemi Software Integrati SpA (1)	583		583		(300)		9		292		292
SELEX Elsag SpA (2)	77		77						77		77
Finmeccanica Group Services SpA	42		42						42		42
Finmeccanica Group Real Estate SpA	239,632		239,632	6,710	(27,990)				218,352		218,352
- Receivables from associates											
Nahuelsat SA (in Liq.)	1,722		1,722			1,722					
- Receivables from related concerns (*)											
- Receivables from Joint Ventures											
Thales Alenia Space Italia SpA	5,197		5,197		(2,488)		89		2,798		2,798
- Receivables from consortiums (**)											
- Other related parties											
Ferrovie dello Stato SpA					1				1		1
Poste Italiane SpA					2				2		2
Total receivables	456,690		456,690	6,782	(33,986)	131,764	74		297,796		297,796

(1) Space Software Italia SpA at 31December 2010
(2) SELEX Communications SpA at 31 December 2010
(*): companies subject to the control and co-ordination of Finmeccanica S.p.a.
(**): controlled, associated, related and jointly controlled consortiums

Appendix no. 4

ASSETS BROKEN DOWN BY MATURITY

€ thousand

	31.12.2011 Amounts due			31.12.2010 Amounts due		
	from 2nd to 5th subsequent year	beyond 5th year	Total	from 2nd to 5th subsequent year	beyond 5th year	Total
Receivables						
Financial receivables	2,106		2,106	2,084		2,084
Other receivables	1,297		1,297	1,292		1,292
Non-current financial receivables from related parties	235,436	58,884	294,320	264,360	188,884	453,244
Other non-current receivables from related parties	73		73	70		70
Total receivables	238,912	58,884	297,796	267,806	188,884	456,690
Other assets	5,934		5,934	8,901		8,901
Total non-current assets	244,846	58,884	303,730	276,707	188,884	465,591

Appendix no. 5
FOREIGN CURRENCY ASSETS
€ thousand

	31.12.2011			31.12.2010		
	In foreign currency	In Euro	Total	In foreign currency	In Euro	Total
Non-current financial assets at Fair Value						
Non-current securities held to maturity						
Receivables						
Financial receivables		2,106	2,106		2,084	2,084
Other receivables	206	1,091	1,297	283	1,009	1,292
Non-current financial receivables from related parties		294,320	294,320	1,722	451,522	453,244
Other non-current receivables from related parties		73	73		70	70
Total receivables	206	297,590	297,796	2,005	454,685	456,690
Deferred tax assets		128,409	128,409		160,274	160,274
Other non-current assets		5,934	5,934		8,901	8,901
Total non-current assets	206	431,933	432,139	2,005	623,860	625,865
Financial receivables		39	39		41	41
Financial receivables from related parties	54,138	2,517,970	2,572,108	107,022	1,613,370	1,720,392
	54,138	2,518,009	2,572,147	107,022	1,613,411	1,720,433
Trade receivables		8,973	8,973		8,997	8,997
Trade receivables from related parties	34	56,028	56,062	41	47,596	47,637
	34	65,001	65,035	41	56,593	56,634
Other assets	419	150,026	150,445		89,960	89,960
Other receivables from related parties	124	17,698	17,822	120	45,085	45,205
	543	167,724	168,267	120	135,045	135,165
Current financial assets at Fair Value		4,873	4,873		55	55
Securities held to maturity						
Income tax receivables		114,769	114,769		121,910	121,910
Derivatives	21,889	35,301	57,190		73,230	73,230
Cash and cash equivalents	5,547	689,826	695,373	39,895	1,229,208	1,269,103
Total current assets	82,151	3,595,503	3,677,654	147,078	3,229,452	3,376,530

Appendix no. 6
ASSETS BY GEOGRAPHICAL AREA
€ thousand

	31.12.2011					31.12.2010				
	Italy	Rest of Europe	North America	Rest of the world	Total	Italy	Rest of Europe	North America	Rest of the world	Total
Non-current financial assets at Fair Value										
Non-current securities held to maturity										
Receivables										
Financial receivables	2,106				2,106	2,084				2,084
Other receivables	1,085	11		201	1,297	999	11		282	1,292
Non-current financial receivables from related parties	294,320				294,320	321,522	130,000		1,722	453,244
Other non-current receivables from related parties	73				73	70				70
Total receivables	297,584	11		201	297,796	324,675	130,011		2,004	456,690
Deferred tax assets	128,409				128,409	160,274				160,274
Other non-current assets	5,934				5,934	8,901				8,901
Total non-current assets	431,927	11		201	432,139	493,850	130,011		2,004	625,865
Financial receivables	39				39	41				41
Financial receivables from related parties	2,244,955	279,457	47,696		2,572,108	1,511,933	118,152	90,307		1,720,392
	2,244,994	279,457	47,696		2,572,147	1,511,974	118,152	90,307		1,720,433
Trade receivables	8,251	276	86	360	8,973	7,827	275	86	809	8,997
Trade receivables from related parties	46,669	7,471	1,922		56,062	37,608	8,908	1,121		47,637
	54,920	7,747	2,008	360	65,035	45,435	9,183	1,207	809	56,634
Other assets	148,972	1,074	149	250	150,445	88,153	1,457	145	205	89,960
Other receivables from related parties	17,542	2	28	250	17,822	45,203	2			45,205
	166,514	1,076	177	500	168,267	133,356	1,459	145	205	135,165
Current financial assets at Fair Value	4,873				4,873	55				55
Securities held to maturity										
Income tax receivables	114,769				114,769	121,910				121,910
Derivatives	57,190				57,190	73,230				73,230
Cash and cash equivalents	689,884	4,872	284	333	695,373	1,229,008	39,368	275	453	1,269,103
Total current assets	3,333,144	293,152	50,165	1,193	3,677,654	3,114,968	168,162	91,934	1,467	3,376,530

Appendix no. 7
AVAILABLE AND DISTRIBUTABLE RESERVE
€thousand

Nature/description	Amount	Possible use	Available portion
Share capital (*)	2,524,859		
Capital reserves:			
Share-premium reserve	589,037	A,B	589,037
Merger surplus	379,766	A,B,C	379,766
Treasury share reserve	313		
Revenue reserves:			
Legal reserve	214,283	B	
Extraordinary reserve	391,462	A,B,C	391,462
Reserve for unexercised rights	3,629	A,B,C	3,629
Reserve for prescribed dividends	425	A,B,C	425
Reserve for actuarial gains (losses) in equity	1,019	B	
Retained earnings	1,082,953	A,B,C	1,082,953
FTA Reserves			
Art. 7, para. 7 of Legislative Decree. 38/2005	1,119,061	B	67
Art. 7, para. 2 of Legislative Decree 38/2005		B	
Reserve from IAS 32 and 39 subsequent applications			
Art. 6, para. 1 b) of Legislative Decree 38/2005	(182)		
Total	6,306,625		2,447,339
Non-distributable portion			1,351,340
Residual distributable portion			1,095,999

(*) €thou. 313 net of treasury shares and €thou. 18,690 costs for increase in share capital

Keys:
A: for capital increase
B: for loss coverage
C: for distribution to shareholders

Appendix no. 8
LIABILITIES BROKEN DOWN BY MATURITY

€ thousand

	31.12.2011			31.12.2010		
	Amount due			Amount due		
	from 2nd to 5th subsequent year	beyond 5th year	Total	from 2nd to 5th subsequent year	beyond 5th year	Total
Other non-current liabilities	114,939		114,939	28,642		28,642
Other non-current payables to related parties						
	114,939		114,939	28,642		28,642
Non-current borrowings	175,958	768,080	944,038	167,266	814,185	981,451
Non-current borrowings from related parties	1,496,292	908,230	2,404,522	924,409	1,466,806	2,391,215
	1,672,250	1,676,310	3,348,560	1,091,675	2,280,991	3,372,666
Total non-current liabilities	1,787,189	1,676,310	3,463,499	1,120,317	2,280,991	3,401,308

Appendix no. 9
FOREIGN CURRENCY LIABILITIES
€ thousand

	31.12.2011			31.12.2010		
	In foreign currency	In Euro	Total	In foreign currency	In Euro	Total
Non-current borrowings		944,038	944,038		981,451	981,451
Non-current borrowings from related parties	440,878	1,963,644	2,404,522	427,948	1,963,267	2,391,215
	440,878	2,907,682	3,348,560	427,948	2,944,718	3,372,666
Other non-current liabilities		114,939	114,939		28,642	28,642
Other non-current payables to related parties						
		114,939	114,939		28,642	28,642
Deferred tax liabilities		14,618	14,618		28,672	28,672
Total non-current liabilities	440,878	3,037,239	3,478,117	427,948	3,002,032	3,429,980
Borrowings	2	78,105	78,107	19	63,631	63,650
Borrowings from related parties	974,261	1,709,380	2,683,641	821,478	2,326,846	3,148,324
	974,263	1,787,485	2,761,748	821,497	2,390,477	3,211,974
Trade payables	2,963	28,512	31,475	2,156	41,427	43,583
Trade payables to related parties	7,105	16,731	23,836	4,314	14,369	18,683
	10,068	45,243	55,311	6,470	55,796	62,266
Other liabilities	232	49,662	49,894		41,236	41,236
Other payables to related parties		344,850	344,850		273,325	273,325
	232	394,512	394,744		314,561	314,561
Income tax payables						
Derivatives		3,345	3,345	13,603	14,910	28,513
Total current liabilities	984,563	2,230,585	3,215,148	841,570	2,775,744	3,617,314

Appendix no. 10
LIABILITIES BY GEOGRAPHICAL AREA
€ thousand

	31.12.2011					31.12.2010				
	Italy	Rest of Europe	North America	Rest of the world	Total	Italy	Rest of Europe	North America	Rest of the world	Total
Non-current borrowings	490,158	453,880			944,038	489,943	491,508			981,451
Non-current borrowings from related parties		2,404,522			2,404,522		2,391,215			2.391,215
	490,158	2,858,402			3,348,560	489,943	2,882,723			3,372,666
Other non-current liabilities	114,939				114,939	28,642				28,642
Other non-current payables to related parties										
	114,939				114,939	28,642				28,642
Deferred tax liabilities	14,618				14,618	28,672				28,672
Total non-current liabilities	619,715	2,858,402			3,478,117	547,257	2,882,723			3,429,980
Borrowings	78,105	2			78,107	63,631	19			63,650
Borrowings from related parties	971,560	1,631,477	80,604		2,683,641	1,172,569	1,942,824	32,931		3,148,324
	1,049,665	1,631,479	80,604		2,761,748	1,236,200	1,942,843	32,931		3,211,974
Trade payables	27,612	1,487	1,886	490	31,475	40,484	2,002	676	421	43,583
Trade payables to related parties	15,521	3,909	4,198	208	23,836	13,327	2,415	2,941		18,683
	43,133	5,396	6,084	698	55,311	53,811	4,417	3,617	421	62,266
Other liabilities	49,662			232	49,894	40,991			245	41,236
Other payables to related parties	344,625	225			344,850	273,139	186			273,325
	394,287	225		232	394,744	314,130	186		245	314,561
Income tax payables										
Derivatives	3,345				3,345	28,513				28,513
Total current liabilities	1,490,430	1,637,100	86,688	930	3,215,148	1,632,654	1,947,446	36,548	666	3,617,314

Appendix no. 11
INFORMATION UNDER ARTICLE 149 *duodecies* OF ISSUERS' REGULATIONS OF CONSOB

€thousand

Type of assignment	Independent auditors appointed/other entities	Fees accrued in the year for the carrying out of the assignment
Auditing services	PricewaterhouseCoopers SpA	903
Services for issue of certification	PricewaterhouseCoopers SpA	149
Tax consultancy services	PricewaterhouseCoopers Network	96
Other services	PricewaterhouseCoopers Network	221
Total fees		**1,369**

For the Board of Directors
Chairman and Chief Executive Officer
(Giuseppe Orsi)

CERTIFICATION ON THE SEPARATE FINANCIAL STATEMENTS PURSUANT TO ART. 154-BIS, PARAGRAPH 5 OF LEGISLATIVE DECREE 58/98 AS AMENDED

1. The undersigned, Giuseppe Orsi, 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 separate financial statements at 31 December 2011.

2. In this respect no significant matters arose.

3. It is also certified that:

3.1 the separate 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;

3.2 the Report on Operations includes a reliable analysis of the performance and the operating result, as well as the position of the issuer, together with a description of the main risks and uncertainties it is exposed to.

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

Roma, 27 March 2012

Chairman and Chief Executive Officer Giuseppe Orsi	Manager in charge of the preparation of company accounting documents Alessandro Pansa

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING

REPORT OF THE BOARD OF STATUTORY AUDITORS
TO THE SHAREHOLDERS' MEETING

Dear Shareholders,

During the year ended 31 December 2011, the Board of Statutory Auditors performed all the control and oversight activities envisaged by the relevant laws and regulations.

- The Board took part in all the meetings of the Board of Directors (15 meetings), during which we were given information about all activities and transactions carried out by the Company and its subsidiaries having the most significant impact on performance and financial position. Based on the information we received, we can report that the resolutions and transactions thus carried out were in compliance with the laws and bylaws, with no indication of any potential conflicts of interest with the Company, and were not manifestly imprudent, in conflict with the resolutions of the Shareholders' Meeting or otherwise prejudicial to the integrity of the Company's assets.
- For a detailed discussion of the most significant transactions in 2011, please see the Report on Operations, which focuses largely on transactions linked to the reorganisation and restructuring of the divisions, such as Aeronautics, Defence and Security Electronics, Space and Transportation, as the required first step towards initiating important, and rather challenging, business relaunch plans. These transactions were performed and are moving forward in a particularly difficult market environment, especially in those geographical areas that have, up until now, been the main operational and commercial arenas for the Finmeccanica Group. All the measures adopted and actions undertaken have led to significant writedowns in the development costs of certain products that are no longer commercially viable nor competitive enough to ensure a return on investment. Furthermore, as a result of the pressure being put on defence and security budgets in the Group's main markets, the projected growth prospects for the companies have been scaled back, which has led to the goodwill recorded for certain specific assets to be considerably reduced. In that regard, the Group companies affected by

these problems have made the relevant exceptional and non-recurring provisions and writedowns in their own financial statements, resulting in a quite significant impairment in equity investments. The separate and consolidated Reports on Operations describe in detail each impairment and provision reported and their impact on the financial statements of Finmeccanica Spa and the consolidated financial statements at 31 December 2011.

- No new bond issues were carried out during the year by Finmeccanica Group companies. On the contrary, there were efforts to redeem bonds early and to buy back debt instruments on the market in order to contain financial expense and to limit the need to refinance the earliest maturing bonds. The Report on Operations lays out a more complete analysis of these various transactions performed on the bond and banking markets.
- We did not find any atypical or unusual intragroup transactions or transactions with related parties, rather they were appropriate for and consistent with the interests of the Company and emphasised Finmeccanica Spa’s role as an industrial holding company. With respect to these transactions, the Directors offered an adequate and clear explanation of the accounting figures contained in the Report on Operations and the accompanying Notes, including their impact on the relevant income statement and balance sheet items.
- During the year, the Board of Statutory Auditors provided its expert opinions on the compensation paid to Directors with special responsibilities.
- In the Report on the financial statements of the previous year, mention was made of the fact that the European Union put the Libyan Investment Authority (which holds 2.01% of the share capital of Finmeccanica Spa) on its list of those entities whose funds, financial assets or other types of financial resources (held or controlled directly or indirectly) were to be frozen. On 28 March 2012, the Rome Court of Appeal, in accordance with the request for international judicial assistance made by the International Criminal Court at The Hague, ordered the precautionary seizure of the stake in Finmeccanica Spa held by the Libyan

Investment Authority of 2.01%, or any stake held by the Libyan Foreign Investment Authority (LAFICO) or any other successor entities.

- In the Corporate Governance Report and Shareholder Structure section of the Report on Operations, in describing the internal control system and its operation, the Directors provide, *inter alia,* information on developments in the judicial authority's investigations involving several important Group executives. That Report sets out brief descriptions of those investigations of which the Company is aware and describes the various measures undertaken by Finmeccanica Spa and its subsidiary, Selex Sistemi Integrati SpA. Finally, we have considered the conclusions reached by the Directors in confirming the appropriateness and effectiveness of the organisational, administrative and accounting structure of the Company and its major subsidiaries and identifying areas for improvements and for implementing the internal control systems.

  With respect to this, the Board of Statutory Auditors has taken undertaken supplementary action through special meetings with the boards of auditors of the companies involved. Jointly with the Internal Audit Committee, we have met with the directors and the heads of the internal audit functions of certain companies in order to obtain a first-hand account of events and make an evaluation of their present internal control systems. In 2011, as in previous years, these meetings revealed unanimous and unequivocal indications about the adequacy and effectiveness of the internal control systems and the lack of any systematic or otherwise significant procedural violations. The only exception is Selex Sistemi Integrati SpA, where different signs emerged during meetings with its board of statutory auditors starting in late 2011.

  In fact, with regard specifically to Selex Sistemi Integrati SpA, the results of an audit conducted by the internal audit function of that company at the end of 2011 revealed critical issues in how certain contracts were executed, both as to purchases received and the corresponding work performed on orders from customers. Informed of this, the Board of Statutory Auditors of Finmeccanica Spa maintained systematic contact with the company's board of statutory auditors, holding a number of meetings to monitor all actions undertaken. Following the resignation of the chief executive officer of the subsidiary, three Finmeccanica Spa executives were added to its board of directors, offering the Group parent company's Board of Statutory Auditors another avenue through which to follow developments through contact with one of these new directors. The Corporate Governance Report and Shareholder Structure section describes the various actions undertaken to address this matter. These include engaging an independent expert to evaluate the adequacy and proper execution of 45 orders involving Selex Sistemi Integrati SpA from 2008 to 2011 worth a total of €mil. 138. The independent expert's analysis of whether the costs align fairly with the orders is well under way, with no substantial differences from what internal assessments found coming to light. This phase should be completed by the end of May. Moreover, those employees involved in these breaches found were relieved of their duties and, following these measures, certain of them—even those holding high positions—were fired, while those not removed were subject to disciplinary procedures with sanctions being imposed, with termination resulting in the most severe cases. The Group has begun the process of assessing whether there is any personal liability on the part of directors or employees in order to determine if any legal action should be taken against the directors and/or whether lawsuits seeking damages should be brought against employees, both for Selex Sistemi Integrati SpA and to protect the Group parent company, Finmeccanica Group Spa.

Provisions have been made in the subsidiary's financial statements at 31 December 2011 to cover the expenses that could arise as a result of these issues.

- Also in 2011, the independent statutory auditor, in performing its duties and in application of the accounting standards in force, expanded its monitoring and auditing services using its own specialized structure. It conducted thorough and far-reaching reviews of specific procedures followed by numerous Group companies, such as participating in tenders, choosing intermediaries, any dealings with companies or persons mentioned in press sources as being investigated by authorities, consulting agreements, sponsorship agreements and other types of contracts. This analysis uncovered a number of instances in which the existing directives or procedures were applied incompletely or not at all. The Group parent company immediately requested that those companies involved provide an explanation, if any, for any deviations, provide any missing documentation, and intensify their efforts to ensure strict compliance with internal rules. This initiative on the part of the Group parent company has led to solutions, even in the short term, to certain important matters. The Board repeatedly met with the independent auditor in order to remain timely and consistently informed about the audits being conducted. As to these audits, the independent auditor did not report finding anything that would compromise the Company's and the Group's financial information.

- The Corporate Governance Report describes numerous, qualified initiatives planned by the Group parent company to improve the Group's internal regulatory framework, in light of recent experiences, with the aim of consolidating the best practices at the Group level, as demanded by the role the Finmeccanica Group plays internationally. The Company is committed to completing its work on the regulatory framework by the end of the first half of 2012. Some is already at an advanced stage of preparation and the Board will monitor whether the timetable is observed and whether each of the actions taken is appropriate for the goals to be achieved.
- The Board noted the proper and smooth operation of the Internal Audit Committee, in accordance with the provisions of the Company's Corporate Governance Code.

  The Board of Statutory Auditors attended all 15 meetings of the Internal Audit Committee. The Board has also established a fruitful collaboration with the Committee, with the shared goal of coordinating our work so as to avoid duplications that would make performing controls less efficient.
- Based on the experiences and knowledge gained until now and in light of the initiatives undertaken by Finmeccanica Spa in 2011 and still under way in 2012, the Board, having evaluated the steps already taken or being taken at Selex

Sistemi Integrati SpA, where the most significant irregularities were discovered, believes that the Group's present organisational structures have shown that they, as a whole, are up to the task of reacting to even critical situations. This makes it possible to assess the overall adequacy and reliability of these structures, which should, in any case, be updated to take advantage of suggested improvements springing from operational experience and should be systematically adjusted to match changes in the large variety of business structures through which the Finmeccanica Group operates.

- During the year, the Board met 39 times and monitored the adequacy of the Company's organisational structure. We performed direct checks and gathered information from the heads of the various corporate functions. With regard to the management and accounting system and whether it accurately represents operations, the Board obtained the required information from the corporate structures and through the independent auditor, and we were thus able to confirm the continued commitment to expanding and improving the overall adequacy of the systems in place.

  In 2011, the responsible structures also tested and improved the procedures for applying the provisions of Law no. 262/2005 "Measures for the protection of investments and governance of financial systems", as amended. In 2011, further developments were made to the financial reporting portion of the internal control system, with the addition of a specific component for managing fraud-related risks. On this point, as the independent auditor stated in its report under Art. 19 of Legislative Decree no. 39/2010, based on the work done by its experts in this area, it found that the Group's Model pursuant to Law no. 262/2005 does not currently include an assessment of specific risks relating to the potential commission of fraudulent acts nor does it contain suggested measures for doing so. In this regard, the Company, beginning in the final quarter of 2010, identified a list of fraud schemes and in 2011 performed a specific Fraud Risk Assessment, as a result of which the procedures are now being updated. The relative monitoring activities will be launched in the first half of 2012 under the central coordination of the

Internal Audit department in order to ensure that they are uniformly conducted by the companies. Moreover, the administrative and accounting procedures prepared in the past already included controls deemed appropriate at the time for mitigating the risk of fraud.

- With regard to the provisions of Art. 36 of Consob Resolution no. 16191 of 29 October 2007 relating to the accounting systems of the subsidiaries of material significant, formed and governed by the laws of non-European Union Member States, we found that the Internal Audit department selected and verified that all the companies chosen had an appropriate management and accounting system, as well as met the additional conditions of Art. 36 of the Consob Resolution.
- The Board has verified that the Group parent company and the other Group companies have exchanged and continue to exchange timely information and that the instructions given to the subsidiaries pursuant to Art. 114(2) of Legislative Decree no. 58 of 24 February 1998 are appropriate.

  These checks were also performed by meeting with the boards of auditors of Finmeccanica’s major subsidiaries to obtain information on and assessments of the management and control systems of their respective companies, and on general corporate performance. Based on the information received from members of the boards of these companies, we found no particularly critical issues. All the boards of statutory auditors involved had favourable opinions concerning the adequate function of their companies’ organisational, management and control systems.
- During the year, the Board received a complaint pursuant to Art. 2408 of the Italian Civil Code, in which a shareholder asked that it verify whether the appointments made of persons to certain positions were legitimate in connection with any improper conduct alleged by the Group parent company with respect to the subsidiaries. The analyses and checks we performed did not reveal any improper behaviour.
- The Company complies with the Corporate Governance Code for Listed Companies approved in March 2006 by the Corporate Governance Committee and

promoted by Borsa Italiana SpA, as amended in March 2010, as well as the requirement for issuers listed in the FTSE-Mib index, updated in December 2011. The annual Corporate Governance report provides an adequate description of the corporate governance system and the decisions made.

- The Board of Statutory Auditors has verified that the criteria and procedures adopted by the Board of Directors to determine whether directors meet the requirements for independence have been properly applied and that the members of the Board of Statutory Auditors also meet these same requirements.
- The Company has adopted an Organisational, Management and Control Model as per Legislative Degree 231/2001 ("Model") consistent with the principles of said decree and based on the guidelines prepared by the representative industry association. The Finmeccanica Board of Directors, in its meeting of 16 December 2010, approved the current Model, which incorporates the changes to its organisational structure and to the applicable regulations as of that date regarding the liability of corporations for certain types of crimes.

  The Group is preparing to update the Model in light of Legislative Decree no. 21/2011 concerning criminal liability for harm to the environment. Other changes to the Model being prepared involve changes in the organizational structure of Finmeccanica Spa, while an analysis is being made of US and UK regulations that directly or indirectly apply, even partially, to Finmeccanica.

  The Company's Supervisory Body reported on the activity carried out in 2011, finding no violations of the Model.
- The Board oversees the legal auditing of the accounts by periodically meeting with those responsible for this work, PricewaterhouseCoopers SpA, for an explanation of the quarterly reviews performed and their results, their auditing strategy and fundamental issues that emerged during the course of their work. No critical or anomalous matters were reported during these meetings.

  At the date of presentation of this report, the independent auditor had reported to the Board that the report required by Art. 19 of Legislative Decree no. 39/2010 (in the process of being prepared) will contain the following "fundamental issues", discovered during the normal course of its auditing work:

a) the recognition in the financial statements of Selex Sistemi Integrati SpA of costs for services and materials from companies under investigation by judicial authorities for which doubts have arisen concerning whether the services and/or goods have been effectively or completely delivered in accordance with the contracts with the suppliers and due payment by Selex Sistemi Integrati SpA;

b) the existence of judicial proceedings involving the Finmeccanica Group necessitating additional auditing work.

As to the internal control system, the independent auditor, as a result of conducting sample checks of the documentation prepared by the Company for the purposes of compliance with Law no. 262/2005, plans to suggest that the Finmeccanica Group incorporate into its Organisational Model pursuant to Law no. 262/2005 an assessment of specific risks related to the potential commission of acts of fraud, specifically including controls implemented to reduce the risk that management has the incentive and/or is pressured to provide representations that are neither true nor fair.

The foregoing does not in any way compromise the financial reporting process and therefore did not affect the independent auditor's opinion of the financial statements of Finmeccanica Spa and the consolidated financial statements at 31 December 2011.

The independent auditor also issued reports pursuant to Arts. 14 and 16 of Legislative Decree no. 39 of 27 January 2010 for the separate and consolidated financial statements at 31 December 2011. These reports, which do not contain significant findings, state that both the separate and consolidated financial statements of Finmeccanica were *"prepared clearly and give a true and fair view of the financial position, result of operations, changes in equity and cash flows for the year then ended"*, as well as that *"the reports on operations and the information referred to in paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) of Art. 123-bis of Legislative Decree no. 58/98 presented in the specific* *section of the aforementioned reports are consistent with the separate and consolidated financial statements of Finmeccanica at 31 December 2011".*

The reports contain a reference to the disclosures, noting "*in the notes to the financial statements and in the corporate governance report and shareholder structure included in the report on operations, the directors refer to the ongoing investigations involving certain subsidiaries and some former directors and executives of the Finmeccanica Group.*".

The expenses incurred by Finmeccanica Spa in 2011 for services rendered by PricewaterhouseCoopers SpA, set out in the table below, amounted to €thous. 1,369.

	€thous.
Auditing of the separate and consolidated financial statements, review of the half-year financial statements, audit of the reporting packages at 30 June 2011 and at 31 December 2011 and verifying that the accounts are properly kept	655
Verifying that the Report on Operations is consistent with the separate and consolidated financial statements pursuant to Legislative Decree no. 32/2007	60
Verifying the transfer prices within the Group	96
Reviewing the sustainability report	157
Verifying electronic payments and financial systems	40
Review of translations	68
Specific extension for auditing work connected with investigations launched by the judicial authority	80
Addendum for performing work related to Legislative Decree no. 231/01	15
Issuing certifications	149
Other services	49
Total	**1,369**

The above information is summarised in Schedule no. 11 to the draft financial statements prepared in accordance with Art. 149-duodecies of the CONSOB Issuer Regulation.

As indicated in Note 45 to the consolidated financial statements of the Finmeccanica Group at 31 December 2011, the fees for auditing and certification services and for tax and other services provided by PricewaterhouseCoopers SpA and the companies belonging to its network to Finmeccanica Spa's subsidiaries are as follows:

	€thous.
Auditing services	13,525
Certification services	179
Tax consulting services	1,345
Other services	897
Total	**15,946**

With regard to the above, the independent auditor has confirmed the purposes of and charges for such tasks and has issued the statement required by Art.17 of Legislative Decree no. 39/2010. Considering the statement made and the tasks required of the independent auditor and its network of companies, the Board does not believe that there are any critical issues concerning the independence of PricewaterhouseCoopers SpA.

- The Board verified compliance with the laws regulating the structure and content of the separate financial statements, the consolidated financial statements and the Report on Operations through direct examination and using information received from the independent auditor.
- Impairment testing procedures were examined by the Internal Audit Committee and by the Board of Directors. The independent auditor confirmed that it supported the rationale underlying this activity and that the procedures and criteria adopted by the Company are in line with the best evaluation practices and with the requirements of the applicable accounting standard (IAS 36).

- Specials meetings were held with the boards of statutory auditors of those subsidiaries that reported the most significant losses to receive the control bodies' evaluations of the exceptional and non-recurring events that caused these losses, the related accruals, and any questions raised or findings of the Board of Statutory Auditors or the independent auditor. The boards of auditors with which we met did not report any objections or findings. In certain cases, they emphasised how the continuity of business operations is dependent upon receiving financial and operational support from the Group parent company. This support has already been expressed in 2012 through the resolutions of the Board of Directors of Finmeccanica Spa to cover losses and restore share capital, where required.
- In application of regulation (EC) no. 1606/2002 of 19 July 2002 and of Legislative Decree no. 38 of 28 February 2005, the financial statements of Finmeccanica Spa and the consolidated financial statements of the Finmeccanica Group, both at 31 December 2011, were prepared in accordance with the International Accounting Standards and the International Financial Reporting Standards (IAS/IFRS) endorsed by the European Commission, supplemented by the relevant interpretations issued by the International Accounting Standards Board (IASB).
- The results for 2011 reveal a loss of €1,375,550,757.22. The Board of Directors has examined the composition of and the factors contributing to this loss in detail in the Report on Operations and accompanying Notes.
- Therefore, based on the foregoing and within the scope of our duties, the Board of Statutory Auditors finds no reason to oppose the proposed approval of the separate financial statements at 31 December 2011 nor the proposal of the Board of Directors to carry forward the loss, which is fully covered by the available reserves.
- In conclusion, the Board of Statutory Auditors would like to thank the Shareholders for their faith in us and note that, with the approval of the financial statements for the year ended 31 December 2011, our three-year term of office, to

which we were appointed by the Shareholders' Meeting of 29 April 2009, has reached an end.

Rome, 20 April 2012

THE BOARD OF STATUTORY AUDITORS

Luigi Gaspari

Giorgio Cumin

Maurilio Fratino

Silvano Montaldo

Antonio Tamborrino

REPORT OF THE INDIPENDENT AUDITORS ON THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2011

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF 27 JANUARY 2010

FINMECCANICA SPA

SEPARATE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2011

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF 27 JANUARY 2010

To the Shareholders of
Finmeccanica SpA

1 We have audited the separate financial statements of Finmeccanica SpA as of 31 December 2011, which comprise the balance sheet, the separate income statement, the statement of comprehensive income, the statement of cash flows, the statement of changes in shareholders' equity 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 separate financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB, the Italian Commission for Listed Companies and the Stock Exchange. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the separate 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 separate 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.

For the opinion on the separate financial statements of the prior period, which are presented for comparative purposes, reference is made to our report dated 18 March 2011.

3 In our opinion, the separate financial statements of Finmeccanica SpA as of 31 December 2011 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 prepared clearly and give a true and fair view of the financial position, result of operations and cash flows of Finmeccanica SpA for the year then ended.

4 We draw attention that in the notes to the separate financial statements and in the corporate governance report and shareholder structure included in the report on operations, the directors refer to the ongoing investigations involving certain subsidiaries and some former directors and executives of the Finmeccanica Group. Our opinion is not qualified in respect of this matter.

5 The directors of Finmeccanica SpA are responsible for the preparation of a report on operations in compliance 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, solely with reference 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 Italian Auditing Standard No. 001 issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by CONSOB. In our opinion the report on operations and 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 presented in the specific section of the aforementioned report are consistent with the separate financial statements of Finmeccanica SpA as of 31 December 2011.

Rome, 20 April 2012

PricewaterhouseCoopers SpA

Signed by

Pier Luigi Vitelli
(Partner)

This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international readers.

ANNEX: LIST OF THE RELEVANT EQUITY INVESTMENTS UNDER ART. 125 OF CONSOB RESOLUTION NO. 11971

FINMECCANICA **List of equity investments pursuant to Article 125 of CONSOB resolution no.11971 situation at: 12/31/2011**

	Company OWNED (name and legal form)	COUNTRY	%TOTAL	%	TROUGH	KIND OF POSSESSION
1	3083683 NOVA SCOTIA LIMITED	CANADA	100,000	100,000	ENGINEERED SUPPORT SYSTEMS, INC	OWNERSHIP
2	a4ESSOR SAS	FRANCE	21,000	21,000	SELEX ELSAG SPA	OWNERSHIP
3	ABRUZZO ENGINEERING SOCIETA` CONSORTILE PER AZIONI (in liquidazione)	ITALY	30,000	30,000	SELEX Service Management SpA	OWNERSHIP
4	ABU DHABI SYSTEMS INTEGRATION (ADSI) LLC	UNITED ARAB EMIRATES	43,043	43,043	SELEX Sistemi Integrati SPA	OWNERSHIP
5	ADVANCED ACOUSTIC CONCEPTS, LLC	USA	51,000	51,000	DRS DEFENSE SOLUTIONS, LLC	OWNERSHIP
6	ADVANCED AIR TRAFFIC SYSTEMS Sdn Bhd	MALAYSIA	30,000	30,000	SELEX Sistemi Integrati SPA	OWNERSHIP
7	ADVANCED MALE AIRCRAFT LLC	UNITED ARAB EMIRATES	49,000	49,000	ALENIA AERONAUTICA SpA	OWNERSHIP
8	AERIMPIANTI SpA	ITALY	100,000	100,000	SO.GE.PA.-Societa` Generale di Partecipazioni SPA (in liquidazione)	PLEDGE
9	AGUSTA AEROSPACE SERVICES - A.A.S.	BELGIUM	100,000	99,000	AGUSTAWESTLAND SpA	OWNERSHIP
				1,000	AgustaWestland NV	OWNERSHIP
10	AGUSTA HOLDING BV	NETHERLANDS	100,000	100,000	AgustaWestland NV	OWNERSHIP
11	AGUSTA U.S. Inc.	DELAWARE - USA	100,000	100,000	AGUSTAWESTLAND SpA	OWNERSHIP
12	AGUSTAWESTLAND AMERICA LLC	DELAWARE - USA	100,000	100,000	AgustaWestland North America Inc	OWNERSHIP
13	AGUSTAWESTLAND AUSTRALIA PTY LTD	AUSTRALIA	100,000	100,000	AgustaWestland NV	OWNERSHIP
14	AGUSTAWESTLAND DO BRASIL LTDA	BRAZIL	100,000	99,359	AGUSTAWESTLAND SpA	OWNERSHIP
				0,641	AGUSTAWESTLAND LIMITED	OWNERSHIP
15	AGUSTAWESTLAND ESPANA S.L.	SPAIN	100,000	100,000	AgustaWestland NV	OWNERSHIP
16	AgustaWestland Holdings Limited	UNITED KINGDOM	100,000	100,000	AgustaWestland NV	OWNERSHIP
17	AGUSTAWESTLAND Inc	DELAWARE - USA	100,000	100,000	AgustaWestland North America Inc	OWNERSHIP
18	AGUSTAWESTLAND INDIA PRIVATE LIMITED	INDIA	100,000	5,000	AGUSTAWESTLAND SpA	OWNERSHIP
				95,000	AgustaWestland NV	OWNERSHIP

	Company OWNED (name and legal form)	COUNTRY	%TOTAL	%	TROUGH	KIND OF POSSESSION
19	AGUSTAWESTLAND INTERNATIONAL LIMITED	UNITED KINGDOM	100,000	50,000	AGUSTAWESTLAND SpA	OWNERSHIP
				50,000	AGUSTAWESTLAND LIMITED	OWNERSHIP
20	AGUSTAWESTLAND LIMITED	UNITED KINGDOM	100,000	100,000	AgustaWestland Holdings Limited	OWNERSHIP
21	AGUSTAWESTLAND MALAYSIA SDN. BHD	MALAYSIA	100,000	100,000	AGUSTAWESTLAND SpA	OWNERSHIP
22	AgustaWestland North America Inc	DELAWARE - USA	100,000	100,000	AgustaWestland Holdings Limited	OWNERSHIP
23	AgustaWestland NV	NETHERLANDS	100,000			OWNERSHIP
24	AGUSTAWESTLAND PHILADELPHIA CORPORATION	DELAWARE - USA	100,000	100,000	AGUSTAWESTLAND SpA	OWNERSHIP
25	AGUSTAWESTLAND POLITECNICO ADVANCED ROTORCRAFT CENTER SCARL	ITALY	80,000	80,000	AGUSTAWESTLAND SpA	OWNERSHIP
26	AGUSTAWESTLAND PORTUGAL SA	PORTUGAL	100,000	100,000	AgustaWestland NV	OWNERSHIP
27	AgustaWestland Properties Limited	UNITED KINGDOM	100,000	100,000	AgustaWestland Holdings Limited	OWNERSHIP
28	AGUSTAWESTLAND SpA	ITALY	100,000	100,000	AGUSTA HOLDING BV	OWNERSHIP
29	AGUSTAWESTLAND TILT-ROTOR COMPANY LLC	DELAWARE - USA	100,000	100,000	AGUSTA U.S. Inc.	OWNERSHIP
30	AGUSTAWESTLAND UK PENSION SCHEME (TRUSTEE) LIMITED	UNITED KINGDOM	100,000	100,000	AGUSTAWESTLAND LIMITED	OWNERSHIP
31	ALENIA AERMACCHI SpA	ITALY	100,000	92,771	ALENIA AERONAUTICA SpA	OWNERSHIP
				7,229	ALENIA AERMACCHI SpA	OWNERSHIP
32	ALENIA AERONAUTICA SpA	ITALY	100,000			OWNERSHIP
33	ALENIA NORTH AMERICA DEFENSE LLC	DELAWARE - USA	100,000	100,000	ALENIA NORTH AMERICA, INC.	OWNERSHIP
34	ALENIA NORTH AMERICA, INC.	DELAWARE - USA	100,000	100,000	ALENIA AERONAUTICA SpA	OWNERSHIP
35	ALENIA NORTH AMERICA-CANADA, CO.	CANADA	100,000	100,000	ALENIA NORTH AMERICA, INC.	OWNERSHIP
36	Alenia SIA SpA	ITALY	100,000	100,000	ALENIA AERONAUTICA SpA	OWNERSHIP
37	ALIFANA - Societa` Consortile a responsabilita` limitata	ITALY	65,850	65,850	ANSALDO STS SpA	OWNERSHIP

	Company OWNED (name and legal form)	COUNTRY	%TOTAL	%	TROUGH	KIND OF POSSESSION
38	ALIFANA DUE - Societa` Consortile a r.l.	ITALY	53,340	53,340	ANSALDO STS SpA	OWNERSHIP
39	AMSH B.V.	NETHERLANDS	50,000			OWNERSHIP
40	AMTEC SpA	ITALY	100,000	100,000	SELEX ELSAG SPA	OWNERSHIP
41	ANSALDO AMERICA LATINA SA	ARGENTINA	99,993	5,000	ANSALDO ESG AG	OWNERSHIP
				94,993	ANSALDO THOMASSEN B.V.	OWNERSHIP
42	ANSALDO EMIT SCRL	ITALY	50,000	50,000	SO.GE.PA.-Societa` Generale di Partecipazioni SPA (in liquidazione)	OWNERSHIP
43	ANSALDO ENERGIA HOLDING SPA	ITALY	54,550			OWNERSHIP
44	ANSALDO ENERGIA SpA	ITALY	100,000	100,000	ANSALDO ENERGIA HOLDING SPA	OWNERSHIP
45	ANSALDO ENERGY Inc	DELAWARE - USA	100,000	100,000	ANSALDO ENERGIA SpA	OWNERSHIP
46	ANSALDO ESG AG	SWITZERLAND	100,000	100,000	ANSALDO ENERGIA SpA	OWNERSHIP
47	ANSALDO NUCLEARE SpA	ITALY	100,000	100,000	ANSALDO ENERGIA SpA	OWNERSHIP
48	ANSALDO RAILWAY SYSTEM TRADING (BEIJING) LTD	CHINA	100,000	100,000	ANSALDO STS SpA	OWNERSHIP
49	ANSALDO STS AUSTRALIA PTY Ltd	AUSTRALIA	100,000	100,000	ANSALDO STS SpA	OWNERSHIP
50	ANSALDO STS BEIJING LTD	CHINA	80,000	80,000	ANSALDO STS FRANCE SAS	OWNERSHIP
51	ANSALDO STS CANADA INC	CANADA	100,000	100,000	ANSALDO STS USA INC.	OWNERSHIP
52	ANSALDO STS DEUTSCHLAND GMBH	GERMANY	100,000	100,000	ANSALDO STS SpA	OWNERSHIP
53	ANSALDO STS ESPANA SA	SPAIN	100,000	100,000	ANSALDO STS FRANCE SAS	OWNERSHIP
54	ANSALDO STS FINLAND O.y.	FINLAND	100,000	100,000	ANSALDO STS SWEDEN AB	OWNERSHIP
55	ANSALDO STS FRANCE SAS	FRANCE	100,000	100,000	ANSALDO STS SpA	OWNERSHIP
56	ANSALDO STS HONG KONG Ltd	CHINA	100,000	100,000	ANSALDO STS FRANCE SAS	OWNERSHIP
57	ANSALDO STS IRELAND LIMITED	IRELAND	100,000	99,999	ANSALDO STS SpA	OWNERSHIP

	Company OWNED (name and legal form)	COUNTRY	%TOTAL	%	TROUGH	KIND OF POSSESSION
				0,001	ANSALDO STS USA INC.	OWNERSHIP
58	ANSALDO STS MALAYSIA SDN BHD	MALAYSIA	100,000	100,000	ANSALDO STS AUSTRALIA PTY Ltd	OWNERSHIP
59	ANSALDO STS SISTEMAS DE TRANSPORTE E SINALIZACAO LIMITADA	BRAZIL	100,000	99,990	ANSALDO STS SpA	OWNERSHIP
				0,010	ANSALDO STS USA INTERNATIONAL CO.	OWNERSHIP
60	ANSALDO STS SOUTH AFRICA (PTY) LTD	SOUTH AFRICA	100,000	100,000	ANSALDO STS AUSTRALIA PTY Ltd	OWNERSHIP
61	ANSALDO STS SOUTHERN AFRICA (PTY) LTD	BOTSWANA	100,000	100,000	ANSALDO STS AUSTRALIA PTY Ltd	OWNERSHIP
62	ANSALDO STS SWEDEN AB	SWEDEN	100,000	100,000	ANSALDO STS SpA	OWNERSHIP
63	ANSALDO STS TRANSPORTATION SYSTEMS INDIA PRIVATE LTD	INDIA	100,000	0,001	ANSALDO STS SpA	OWNERSHIP
				99,999	ANSALDO STS AUSTRALIA PTY Ltd	OWNERSHIP
64	ANSALDO STS UK LTD.	UNITED KINGDOM	100,000	100,000	ANSALDO STS SpA	OWNERSHIP
65	ANSALDO STS USA INC.	DELAWARE - USA	100,000	100,000	ANSALDO STS SpA	OWNERSHIP
66	ANSALDO STS USA INTERNATIONAL CO.	DELAWARE - USA	100,000	100,000	ANSALDO STS USA INC.	OWNERSHIP
67	ANSALDO STS USA INTERNATIONAL PROJECTS CO	DELAWARE - USA	100,000	100,000	ANSALDO STS USA INC.	OWNERSHIP
68	ANSALDO THOMASSEN B.V.	NETHERLANDS	100,000	100,000	ANSALDO ENERGIA SpA	OWNERSHIP
69	ANSALDO THOMASSEN GULF LLC	UNITED ARAB EMIRATES	100,000	48,667	ANSALDO THOMASSEN B.V.	OWNERSHIP
				51,333	ANSALDO THOMASSEN B.V.	PLEDGE
70	ANSALDOBREDA ESPANA SLU.	SPAIN	100,000	100,000	ANSALDOBREDA SpA	OWNERSHIP
71	ANSALDOBREDA FRANCE SAS	FRANCE	100,000	100,000	ANSALDOBREDA SpA	OWNERSHIP
72	ANSALDOBREDA Inc.	USA	100,000	100,000	ANSALDOBREDA SpA	OWNERSHIP
73	ANSALDOBREDA SpA	ITALY	100,000			OWNERSHIP
74	ANSERV SRL	ROMANIA	100,000	100,000	ANSALDO NUCLEARE SpA	OWNERSHIP
75	ASIA POWER PROJECTS PRIVATE LTD	INDIA	100,000	100,000	ANSALDO ENERGIA SpA	OWNERSHIP

	Company OWNED (name and legal form)	COUNTRY	%TOTAL	%	TROUGH	KIND OF POSSESSION
76	AURENSIS S.L	SPAIN	100,000	100,000	TELESPAZIO SpA	OWNERSHIP
77	AUTOMATION INTEGRATED SOLUTIONS SPA	ITALY	40,000	40,000	FATA SPA	OWNERSHIP
78	AUTOMATISMES CONTROLES ET ETUDES ELECTRONIQUES ACELEC SAS	FRANCE	100,000	100,000	ANSALDO STS FRANCE SAS	OWNERSHIP
79	AVIATION TRAINING INTERNATIONAL LIMITED	UNITED KINGDOM	50,000	50,000	AGUSTAWESTLAND LIMITED	OWNERSHIP
80	BALFOUR BEATTY ANSALDO SYSTEMS JV SDN BHD	MALAYSIA	50,000	10,000	ANSALDO STS MALAYSIA SDN BHD	TRANSFER OF V0TING RIGHT
				40,000	ANSALDO STS MALAYSIA SDN BHD	OWNERSHIP
81	BCV INVESTMENT SCA	LUXEMBOURG	14,321	14,321	FINMECCANICA FINANCE S.A.	OWNERSHIP
82	BCV MANAGEMENT SA	LUXEMBOURG	14,999	14,999	FINMECCANICA FINANCE S.A.	OWNERSHIP
83	BREDAMENARINIBUS SpA	ITALY	100,000			OWNERSHIP
84	BRITISH HELICOPTERS LIMITED	UNITED KINGDOM	100,000	100,000	AGUSTAWESTLAND LIMITED	OWNERSHIP
85	C.I.R.A. (Centro Italiano di Ricerche Aerospaziali) SCpA	ITALY	11,990	2,758	ALENIA AERMACCHI SpA	OWNERSHIP
				8,912	ALENIA AERONAUTICA SpA	OWNERSHIP
				0,320	SELEX ELSAG SPA	OWNERSHIP
86	CANOPY TECHNOLOGIES, LLC	DELAWARE - USA	50,000	50,000	DRS POWER & CONTROL TECHNOLOGIES, INC.	OWNERSHIP
87	CARDPRIZE Two Limited	UNITED KINGDOM	100,000	100,000	SELEX GALILEO LTD	OWNERSHIP
88	CCRT SISTEMI SpA (in fall)	ITALY	30,340	30,340	SO.GE.PA.-Societa` Generale di Partecipazioni SPA (in liquidazione)	OWNERSHIP
89	CISDEG SPA	ITALY	87,500	2,000	OTO MELARA SpA	OWNERSHIP
				2,000	SELEX ELSAG SPA	OWNERSHIP
				83,500	SELEX Sistemi Integrati SPA	OWNERSHIP
90	COMLENIA Sendirian Berhad	MALAYSIA	30,000	30,000	SELEX Sistemi Integrati SPA	OWNERSHIP
91	CONSORZIO START Societa` per Azioni	ITALY	43,956	43,956	SISTEMI SOFTWARE INTEGRATI SPA	OWNERSHIP

	Company OWNED (name and legal form)	COUNTRY	%TOTAL	%	TROUGH	KIND OF POSSESSION
92	COREAT SOCIETA` CONSORTILE a RESPONSABILITA` LIMITATA	ITALY	30,000	30,000	SELEX ELSAG SPA	OWNERSHIP
93	DISTRETTO LIGURE DELLE TECNOLOGIE MARINE SOCIETA` CONSORTILE A RESPONSABILITA` LIMITATA	ITALY	11,111			OWNERSHIP
94	DISTRETTO TECNOLOGICO AEROSPAZIALE SCARL	ITALY	24,000	7,000	AGUSTAWESTLAND SpA	OWNERSHIP
				17,000	ALENIA AERONAUTICA SpA	OWNERSHIP
95	DRS C3 & AVIATION COMPANY	DELAWARE - USA	100,000	100,000	ENGINEERED SUPPORT SYSTEMS, INC	OWNERSHIP
96	DRS CenGen, LLC	DELAWARE - USA	100,000	100,000	DRS DEFENSE SOLUTIONS, LLC	OWNERSHIP
97	DRS CONSOLIDATED CONTROLS INC	DELAWARE - USA	100,000	100,000	DRS DEFENSE SOLUTIONS, LLC	OWNERSHIP
98	DRS DEFENSE SOLUTIONS, LLC	DELAWARE - USA	100,000	100,000	DRS TECHNOLOGIES, INC.	OWNERSHIP
99	DRS ENVIROMENTAL SYSTEMS INC	DELAWARE - USA	100,000	100,000	ENGINEERED SUPPORT SYSTEMS, INC	OWNERSHIP
100	DRS HOMELAND SECURITY SOLUTIONS, INC.	DELAWARE - USA	100,000	100,000	DRS TECHNOLOGIES, INC.	OWNERSHIP
101	DRS ICAS LLC	DELAWARE - USA	100,000	100,000	DRS DEFENSE SOLUTIONS, LLC	OWNERSHIP
102	DRS INTERNATIONAL, INC	DELAWARE - USA	100,000	100,000	DRS TECHNOLOGIES, INC.	OWNERSHIP
103	DRS POWER & CONTROL TECHNOLOGIES, INC.	DELAWARE - USA	100,000	100,000	DRS TECHNOLOGIES, INC.	OWNERSHIP
104	DRS POWER TECHNOLOGY, INC.	DELAWARE - USA	100,000	100,000	DRS POWER & CONTROL TECHNOLOGIES, INC.	OWNERSHIP
105	DRS RADAR SYSTEMS LLC	DELAWARE - USA	100,000	100,000	DRS C3 & AVIATION COMPANY	OWNERSHIP
106	DRS RSTA, INC.	DELAWARE - USA	100,000	100,000	DRS TECHNOLOGIES, INC.	OWNERSHIP
107	DRS SENSORS & TARGETING SYSTEMS, INC.	DELAWARE - USA	100,000	100,000	DRS DEFENSE SOLUTIONS, LLC	OWNERSHIP
108	DRS SIGNAL SOLUTIONS, INC.	DELAWARE - USA	100,000	100,000	DRS DEFENSE SOLUTIONS, LLC	OWNERSHIP
109	DRS SONETICOM INC	USA	100,000	100,000	DRS SIGNAL SOLUTIONS, INC.	OWNERSHIP
110	DRS SURVEILLANCE SUPPORT SYSTEMS, INC.	DELAWARE - USA	100,000	100,000	DRS TECHNOLOGIES, INC.	OWNERSHIP
111	DRS SUSTAINMENT SYSTEMS, INC.	DELAWARE - USA	100,000	100,000	ENGINEERED SUPPORT SYSTEMS, INC	OWNERSHIP

	Company OWNED (name and legal form)	COUNTRY	%TOTAL	% TROUGH		KIND OF POSSESSION
112	DRS SYSTEMS MANAGEMENT, LLC	DELAWARE - USA	100,000	100,000	DRS TECHNOLOGIES, INC.	OWNERSHIP
113	DRS SYSTEMS, INC.	DELAWARE - USA	100,000	100,000	DRS TECHNOLOGIES, INC.	OWNERSHIP
114	DRS TACTICAL SYSTEMS GLOBAL SERVICES, INC.	USA	100,000	100,000	DRS TECHNOLOGIES, INC.	OWNERSHIP
115	DRS TACTICAL SYSTEMS LIMITED	UNITED KINGDOM	100,000	100,000	DRS TECHNOLOGIES UK LIMITED	OWNERSHIP
116	DRS TACTICAL SYSTEMS, INC.	USA	100,000	100,000	DRS TACTICAL SYSTEMS GLOBAL SERVICES, INC.	OWNERSHIP
117	DRS TECHNICAL SERVICES GMBH & CO. KG	GERMANY	100,000	100,000	DRS TECHNICAL SERVICES, INC.	OWNERSHIP
118	DRS TECHNICAL SERVICES, INC.	USA	100,000	100,000	DRS DEFENSE SOLUTIONS, LLC	OWNERSHIP
119	DRS TECHNOLOGIES CANADA, INC	DELAWARE - USA	100,000	100,000	DRS TECHNOLOGIES, INC.	OWNERSHIP
120	DRS TECHNOLOGIES CANADA, LTD	CANADA	100,000	100,000	DRS TECHNOLOGIES CANADA, INC	OWNERSHIP
121	DRS TECHNOLOGIES UK LIMITED	UNITED KINGDOM	100,000	100,000	DRS TECHNOLOGIES, INC.	OWNERSHIP
122	DRS TECHNOLOGIES VERWALTUNGS GMBH	GERMANY	100,000	100,000	DRS TECHNICAL SERVICES, INC.	OWNERSHIP
123	DRS TECHNOLOGIES, INC.	DELAWARE - USA	100,000	100,000	MECCANICA HOLDINGS USA, INC.	OWNERSHIP
124	DRS TEST & ENERGY MANAGEMENT, LLC	DELAWARE - USA	100,000	100,000	DRS TECHNOLOGIES, INC.	OWNERSHIP
125	DRS TRAINING & CONTROL SYSTEMS, LLC	USA	100,000	100,000	DRS DEFENSE SOLUTIONS, LLC	OWNERSHIP
126	DRS TSI INTERNATIONAL LLC	DELAWARE - USA	100,000	100,000	DRS TECHNICAL SERVICES, INC.	OWNERSHIP
127	DRS UNMANNED TECHNOLOGIES, INC	DELAWARE - USA	100,000	100,000	DRS TECHNOLOGIES, INC.	OWNERSHIP
128	e - GEOS SPA	ITALY	80,000	80,000	TELESPAZIO SpA	OWNERSHIP
129	E - SECURITY SRL	ITALY	79,688	79,688	SELEX ELSAG SPA	OWNERSHIP
130	ECOSEN CA	VENEZUELA	(*) 48,000	48,000	ANSALDO STS FRANCE SAS	OWNERSHIP
131	ED CONTACT SRL	ITALY	100,000	100,000	SELEX ELSAG SPA	OWNERSHIP
132	ELECTRON ITALIA SRL	ITALY	80,000	80,000	SELEX ELSAG SPA	OWNERSHIP

(*) Voting rights in Shareholders' Meeting equal to 50,5%

	Company OWNED (name and legal form)	COUNTRY	%TOTAL	%	TROUGH	KIND OF POSSESSION
133	ELETTRONICA SpA	ITALY	31,333			OWNERSHIP
134	ELSACOM HUNGARIA KFT	HUNGARY	100,000	100,000	ELSACOM NV	OWNERSHIP
135	ELSACOM NV	NETHERLANDS	100,000			OWNERSHIP
136	ELSACOM SLOVAKIA SRO (in liquidazione)	SLOVAKIA	100,000	100,000	ELSACOM NV	OWNERSHIP
137	ELSACOM SpA (IN LIQUIDAZIONE)	ITALY	100,000	100,000	ELSACOM NV	OWNERSHIP
138	ELSACOM UKRAINE Joint Stock Company	UKRAINE	49,000	49,000	ELSACOM NV	OWNERSHIP
139	ELSAG NORTH AMERICA LLC	USA	100,000	100,000	SELEX ELSAG SPA	OWNERSHIP
140	ENGINEERED COIL COMPANY	USA	100,000	100,000	ENGINEERED SUPPORT SYSTEMS, INC	OWNERSHIP
141	ENGINEERED ELECTRIC COMPANY	USA	100,000	100,000	ENGINEERED SUPPORT SYSTEMS, INC	OWNERSHIP
142	ENGINEERED SUPPORT SYSTEMS, INC	USA	100,000	100,000	DRS TECHNOLOGIES, INC.	OWNERSHIP
143	ESSI RESOURCES, LLC	USA	100,000	100,000	DRS SUSTAINMENT SYSTEMS, INC.	OWNERSHIP
144	EUROFIGHTER AIRCRAFT MANAGEMENT Gmbh	GERMANY	21,000	21,000	ALENIA AERONAUTICA SpA	OWNERSHIP
145	EUROFIGHTER INTERNATIONAL Ltd	UNITED KINGDOM	21,000	21,000	ALENIA AERONAUTICA SpA	OWNERSHIP
146	EUROFIGHTER JAGDFLUGZEUG Gmbh	GERMANY	21,000	21,000	ALENIA AERONAUTICA SpA	OWNERSHIP
147	EUROFIGHTER SIMULATION SYSTEMS Gmbh	GERMANY	24,000	24,000	SELEX GALILEO SpA	OWNERSHIP
148	EUROMAP SATELLITENDATEN-VERTRIEBSGESELLSCHAFT MBH	GERMANY	100,000	100,000	GAF A.G.	OWNERSHIP
149	EUROMIDS SAS	FRANCE	25,000	25,000	SELEX ELSAG SPA	OWNERSHIP
150	EUROPEAN SATELLITE NAVIGATION INDUSTRIES GMBH	GERMANY	18,939			OWNERSHIP
151	EUROPEAN SATELLITE NAVIGATION INDUSTRIES S.A (IN LIQUIDAZIONE)	BELGIUM	18,939			OWNERSHIP
152	EUROSYSNAV SAS	FRANCE	50,000			OWNERSHIP
153	FATA ENGINEERING SpA	ITALY	100,000	100,000	SO.GE.PA.-Societa` Generale di Partecipazioni SPA (in liquidazione)	OWNERSHIP

	Company OWNED (name and legal form)	COUNTRY	%TOTAL	%	TROUGH	KIND OF POSSESSION
154	FATA GULF CO. WLL		49,000	49,000	FATA SPA	OWNERSHIP
155	FATA HUNTER INC.	USA	100,000	100,000	FATA SPA	OWNERSHIP
156	FATA HUNTER INDIA PVT LTD	INDIA	100,000	100,000	FATA SPA	OWNERSHIP
157	FATA LOGISTIC SYSTEMS SpA	ITALY	100,000	100,000	FATA SPA	OWNERSHIP
158	FATA SPA	ITALY	100,000			OWNERSHIP
159	FILEAS SAS	FRANCE	100,000	100,000	TELESPAZIO FRANCE Sas	OWNERSHIP
160	FINMECCANICA DO BRASIL LIMITADA	BRAZIL	0,001			TRANSFER OF V0TING RIGHT
			99,999			OWNERSHIP
161	FINMECCANICA FINANCE S.A.	LUXEMBOURG	100,000			OWNERSHIP
162	FINMECCANICA GROUP REAL ESTATE SPA	ITALY	100,000			OWNERSHIP
163	FINMECCANICA GROUP SERVICES SPA	ITALY	100,000			OWNERSHIP
164	FINMECCANICA NORTH AMERICA Inc.	DELAWARE - USA	100,000			OWNERSHIP
165	FINMECCANICA UK LIMITED	UNITED KINGDOM	100,000			OWNERSHIP
166	GAF A.G.	GERMANY	100,000	100,000	e - GEOS SPA	OWNERSHIP
167	GLOBAL MILITARY AIRCRAFT SYSTEMS, LLC	DELAWARE - USA	51,000	51,000	ALENIA NORTH AMERICA, INC.	OWNERSHIP
168	GRUPPO AURENSIS SA DE C.V.	MEXICO	100,000	100,000	AURENSIS S.L	OWNERSHIP
169	I.M. INTERMETRO SpA (in liquidazione)	ITALY	33,332	16,666	ANSALDOBREDA SpA	OWNERSHIP
				16,666	ANSALDO STS SpA	OWNERSHIP
170	IAMCO-INTERNATIONAL AEROSPACE MANAGEMENT COMPANY scrl	ITALY	20,000	20,000	ALENIA AERONAUTICA SpA	OWNERSHIP
171	ICARUS SCpA	ITALY	49,000	49,000	FINMECCANICA GROUP REAL ESTATE SPA	OWNERSHIP
172	IMMOBILIARE CASCINA SRL	ITALY	100,000	100,000	FINMECCANICA GROUP REAL ESTATE SPA	OWNERSHIP

	Company OWNED (name and legal form)	COUNTRY	%TOTAL	%	TROUGH	KIND OF POSSESSION
173	IMMOBILIARE FONTEVERDE Srl (in liquidazione)	ITALY	60,000	60,000	ELECTRON ITALIA SRL	OWNERSHIP
174	INDUSTRIE AERONAUTICHE E MECCANICHE RINALDO PIAGGIO SpA (in amministrazione straordinaria)	ITALY	30,982			OWNERSHIP
175	INFOLOGISTICA SPA (in fallimento)	ITALY	11,111	11,111	SELEX ELSAG SPA	OWNERSHIP
176	Innovazione e Progetti Societa` Consortile per Azioni	ITALY	15,000	15,000	SELEX Service Management SpA	OWNERSHIP
177	INTERNATIONAL METRO SERVICE SRL	ITALY	49,000	49,000	ANSALDO STS SpA	OWNERSHIP
178	ITP srl (in fallimento)	ITALY	13,584			OWNERSHIP
179	IVECO - OTO MELARA Societa` Consortile a responsabilita` limitata	ITALY	50,000	50,000	OTO MELARA SpA	OWNERSHIP
180	Jiangxi Changhe Agusta Helicopter Co. Ltd	CHINA	40,000	40,000	AGUSTAWESTLAND SpA	OWNERSHIP
181	Joint Stock Company SUKHOI CIVIL AIRCRAF	RUSSIAN FEDERATION	25,000	25,000	WORLD` S WING SA	OWNERSHIP
182	KAZAKHSTAN TZ-ANSALDOSTS ITALY LLP	KAZAKHSTAN	49,000	49,000	ANSALDO STS SpA	OWNERSHIP
183	LARIMART SpA	ITALY	60,000	60,000	SELEX ELSAG SPA	OWNERSHIP
184	LASERTEL INC.	USA	100,000	100,000	SELEX GALILEO INC.	OWNERSHIP
185	LAUREL TECHNOLOGIES PARTNERSHIP	DELAWARE - USA	80,000	80,000	DRS SYSTEMS MANAGEMENT, LLC	OWNERSHIP
186	LIBYAN ITALIAN ADVANCED TECHNOLOGY COMPANY	LIBYA	50,000	25,000	AgustaWestland NV	OWNERSHIP
187	LMATTS LLC	DELAWARE - USA	100,000	100,000	ALENIA NORTH AMERICA, INC.	OWNERSHIP
188	Logistica Ricerca e Sviluppo SCARL	ITALY	11,450	5,650	ORANGEE SRL	OWNERSHIP
				5,800	SELEX ELSAG SPA	OWNERSHIP
189	MACCHI HUREL DUBOIS SAS	FRANCE	50,000	50,000	ALENIA AERMACCHI SpA	OWNERSHIP
190	MECCANICA HOLDINGS USA, INC.	DELAWARE - USA	100,000			OWNERSHIP
191	MECCANICA REINSURANCE S.A.	LUXEMBOURG	100,000	100,000	FINMECCANICA FINANCE S.A.	OWNERSHIP
192	METRO 5 Societa` per Azioni	ITALY	31,900	7,300	ANSALDOBREDA SpA	OWNERSHIP

	Company OWNED (name and legal form)	COUNTRY	%TOTAL	%	TROUGH	KIND OF POSSESSION
				24,600	ANSALDO STS SpA	OWNERSHIP
193	METRO BRESCIA Societa` a Responsabilita` Limitata	ITALY	50,000	9,600	ANSALDOBREDA SpA	OWNERSHIP
				40,400	ANSALDO STS SpA	OWNERSHIP
194	METRO C S.C.P.A.	ITALY	14,000	14,000	ANSALDO STS SpA	OWNERSHIP
195	MSSC COMPANY	USA	51,000	51,000	DRS TRAINING & CONTROL SYSTEMS, LLC	OWNERSHIP
196	MUSINET ENGINEERING SpA	ITALY	49,000	49,000	FATA SPA	OWNERSHIP
197	N.H. INDUSTRIES SARL	FRANCE	32,000	32,000	AGUSTAWESTLAND SpA	OWNERSHIP
198	N2 IMAGING SYSTEMS, LLC	DELAWARE - USA	30,000	30,000	DRS TECHNOLOGIES, INC.	OWNERSHIP
199	NAC scrl	ITALY	81,540	81,540	AERIMPIANTI SpA	OWNERSHIP
200	NASIF scrl	ITALY	12,000	12,000	AERIMPIANTI SpA	OWNERSHIP
201	Net Service SRL	ITALY	70,000	70,000	SELEX ELSAG SPA	OWNERSHIP
202	NGL Prime SPA	ITALY	30,000			OWNERSHIP
203	NICCO COMMUNICATIONS SAS	FRANCE	50,000	50,000	SELEX ELSAG SPA	OWNERSHIP
204	NIGHT VISION SYSTEMS, LLC	DELAWARE - USA	100,000	100,000	DRS TECHNOLOGIES, INC.	OWNERSHIP
205	NNS - SOCIETE´ DE SERVICE POUR REACTEUR RAPIDE snc	FRANCE	40,000	40,000	ANSALDO NUCLEARE SpA	OWNERSHIP
206	NOVACOM SERVICES SA	FRANCE	39,730	39,730	TELESPAZIO SpA	OWNERSHIP
207	ORANGEE SRL	ITALY	100,000	100,000	SELEX ELSAG SPA	OWNERSHIP
208	ORIZZONTE - Sistemi Navali SpA	ITALY	49,000	49,000	SELEX Sistemi Integrati SPA	OWNERSHIP
209	OTO MELARA IBERICA SA	SPAIN	100,000	100,000	OTO MELARA SpA	OWNERSHIP
210	OTO MELARA NORTH AMERICA INC.	DELAWARE - USA	100,000	100,000	OTO MELARA SpA	OWNERSHIP
211	OTO MELARA SpA	ITALY	100,000			OWNERSHIP

	Company OWNED (name and legal form)	COUNTRY	%TOTAL	%	TROUGH	KIND OF POSSESSION
212	PANAVIA AIRCRAFT Gmbh	GERMANY	15,000	15,000	ALENIA AERONAUTICA SpA	OWNERSHIP
213	PCA ELECTRONIC TEST LTD	UNITED KINGDOM	100,000	100,000	DRS TECHNOLOGIES UK LIMITED	OWNERSHIP
214	PEGASO-Societa` consortile a responsabilita` limitata	ITALY	46,870	46,870	ANSALDO STS SpA	OWNERSHIP
215	PIVOTAL POWER, INC.	CANADA	100,000	100,000	3083683 NOVA SCOTIA LIMITED	OWNERSHIP
216	POLARIS SRL	ITALY	49,000	49,000	ANSALDO ENERGIA SpA	OWNERSHIP
217	PRZEDSIEBIORSTWO USLUG TRANSPORTOWYCH 'SWIDTRANS' SPOLKA Z OGRANICZONA ODPOWIEDZIALNOSCIA	POLAND	100,000	100,000	WYTWORNIA SPRZETU KOMUNIKACYJNEGO 'PZL-SWIDNIK' SP. AKCYJNA	OWNERSHIP
218	PZL INWEST SPOLKA Z OGRANICZONA ODPOWIEDZIALNOSCIA	POLAND	100,000	100,000	WYTWORNIA SPRZETU KOMUNIKACYJNEGO 'PZL-SWIDNIK' SP. AKCYJNA	OWNERSHIP
219	QUADRICS LTD (IN LIQUIDAZIONE)	UNITED KINGDOM	100,000	100,000	ALENIA AERONAUTICA SpA	OWNERSHIP
220	RARTEL SA	ROMANIA	61,061	10,000	TELESPAZIO HUNGARY SATELLITE TELECOMMUNICATIONS Ltd	OWNERSHIP
				50,061	TELESPAZIO SpA	OWNERSHIP
				1,000	TELESPAZIO HOLDING SRL	OWNERSHIP
221	REGIONALNY PARK PRZEMYSLOWY SWIDNIK SPOLKA Z OGRANICZONA ODPOWIEDZIALNOSCIA	POLAND	72,059	72,059	WYTWORNIA SPRZETU KOMUNIKACYJNEGO 'PZL-SWIDNIK' SP. AKCYJNA	OWNERSHIP
222	ROTORSIM SRL	ITALY	50,000	50,000	AGUSTAWESTLAND SpA	OWNERSHIP
223	S.C. ELETTRA COMMUNICATIONS SA	ROMANIA	50,500	1,500	SELEX Communications Romania SRL	OWNERSHIP
				49,000	SELEX ELSAG SPA	OWNERSHIP
224	SAITECH SpA (in fall)	ITALY	40,000	40,000	SO.GE.PA.-Societa` Generale di Partecipazioni SPA (in liquidazione)	OWNERSHIP
225	SANTA RADEGONDA SRL	ITALY	19,000	19,000	ANSALDO ENERGIA SpA	OWNERSHIP
226	SAPHIRE International Aviation & ATC Engineering Co. Ltd	CHINA	65,000	65,000	ALENIA AERONAUTICA SpA	OWNERSHIP
227	SCUOLA ICT SRL (in liquidazione)	ITALY	20,000			OWNERSHIP
228	SECBAT-SOC EUROPEENNE DE CONSTRUCTION DE L`AVION BREGUET ATLANTIC SARL	FRANCE	13,550	13,550	ALENIA AERONAUTICA SpA	OWNERSHIP
229	SEICOS SPA	ITALY	100,000	100,000	SELEX ELSAG SPA	OWNERSHIP

	Company OWNED (name and legal form)	COUNTRY	%TOTAL	%	TROUGH	KIND OF POSSESSION
230	SEL PROC SOCIETA' CONSORTILE A RESPONSABILITA` LIMITATA	ITALY	100,000	30,000	SEICOS SPA	OWNERSHIP
				70,000	SELEX Sistemi Integrati SPA	OWNERSHIP
231	SELEX Communications do Brasil Ltda	BRAZIL	100,000	0,199	AMTEC SpA	OWNERSHIP
				99,801	SELEX ELSAG SPA	OWNERSHIP
232	SELEX Communications Gmbh	GERMANY	100,000	100,000	SELEX ELSAG Holdings Ltd	OWNERSHIP
233	SELEX Communications Inc.	USA	100,000	100,000	SELEX ELSAG Holdings Ltd	OWNERSHIP
234	SELEX Communications Romania SRL	ROMANIA	99,976	99,976	SELEX ELSAG SPA	OWNERSHIP
235	SELEX Electronic Systems SpA	ITALY	100,000			OWNERSHIP
236	SELEX Elsag Cyberlabs Srl	ITALY	49,000	49,000	SELEX ELSAG SPA	OWNERSHIP
237	SELEX ELSAG Holdings Ltd	UNITED KINGDOM	100,000	100,000	SELEX ELSAG SPA	OWNERSHIP
238	SELEX ELSAG LTD	UNITED KINGDOM	100,000	100,000	SELEX ELSAG Holdings Ltd	OWNERSHIP
239	SELEX ELSAG SPA	ITALY	100,000			OWNERSHIP
240	SELEX GALILEO (PROJECTS) LTD	UNITED KINGDOM	100,000	100,000	SELEX GALILEO LTD	OWNERSHIP
241	SELEX GALILEO ELECTRO OPTICS (OVERSEAS) LTD	UNITED KINGDOM	100,000	100,000	SELEX GALILEO LTD	OWNERSHIP
242	SELEX GALILEO INC.	DELAWARE - USA	100,000	100,000	SELEX GALILEO LTD	OWNERSHIP
243	SELEX GALILEO INDIA PRIVATE LIMITED	INDIA	100,000	99,990	SELEX GALILEO LTD	OWNERSHIP
				0,010	SELEX GALILEO (PROJECTS) LTD	OWNERSHIP
244	SELEX GALILEO INFRARED LTD	UNITED KINGDOM	100,000	100,000	SELEX GALILEO LTD	OWNERSHIP
245	SELEX GALILEO LTD	UNITED KINGDOM	100,000			OWNERSHIP
246	SELEX GALILEO MUAS SPA	ITALY	100,000	100,000	SELEX GALILEO SpA	OWNERSHIP
247	SELEX GALILEO SAUDI ARABIA COMPANY LIMITED	SAUDI ARABIA	100,000	95,000	SELEX GALILEO LTD	OWNERSHIP
				5,000	SELEX GALILEO (PROJECTS) LTD	OWNERSHIP

	Company OWNED (name and legal form)	COUNTRY	%TOTAL	%	TROUGH	KIND OF POSSESSION
248	SELEX GALILEO SpA	ITALY	100,000			OWNERSHIP
249	SELEX Komunikasyon A.S.	TURKEY	99,999	3,216	SELEX ELSAG Holdings Ltd	OWNERSHIP
				0,001	SELEX ELSAG LTD	OWNERSHIP
				96,781	SELEX ELSAG SPA	OWNERSHIP
				0,001	SIRIO PANEL SPA	OWNERSHIP
250	SELEX PENSION SCHEME (TRUSTEE) LIMITED	UNITED KINGDOM	100,000	100,000	SELEX GALILEO LTD	OWNERSHIP
251	SELEX Service Management SpA	ITALY	100,000	100,000	SELEX ELSAG SPA	OWNERSHIP
252	SELEX Sistemi Integrati de Venezuela SA	VENEZUELA	100,000	100,000	SELEX Sistemi Integrati SPA	OWNERSHIP
253	SELEX SISTEMI INTEGRATI DO BRASIL LTDA	BRAZIL	99,999	99,999	SELEX Sistemi Integrati SPA	OWNERSHIP
254	SELEX Sistemi Integrati SPA	ITALY	100,000			OWNERSHIP
255	SELEX Systems Integration GmBH	GERMANY	100,000	100,000	SELEX Sistemi Integrati SPA	OWNERSHIP
256	SELEX SYSTEMS INTEGRATION INC.	DELAWARE - USA	100,000	100,000	SELEX Sistemi Integrati SPA	OWNERSHIP
257	SELEX SYSTEMS INTEGRATION LTD	UNITED KINGDOM	100,000	100,000	SELEX Sistemi Integrati SPA	OWNERSHIP
258	SERVICIOS TECNICOS Y ESPECIALIZADOS Y DE INFORMACION SA DE CV	MEXICO	100,000	100,000	AURENSIS S.L	OWNERSHIP
259	SESAMO SECURITY AND SAFETY MOBILITY SCARL	ITALY	19,000	2,000	ANSALDO STS SpA	OWNERSHIP
				17,000	SESM SOLUZIONI EVOLUTE PER LA SISTEMATICA E I MODELLI SOCIETA` CONSORTILE A RESPONSABILITA` LIMITATA	OWNERSHIP
260	SESM SOLUZIONI EVOLUTE PER LA SISTEMATICA E I MODELLI SOCIETA` CONSORTILE A RESPONSABILITA` LIMITATA	ITALY	100,000	10,000	SELEX GALILEO SpA	OWNERSHIP
				90,000	SELEX Sistemi Integrati SPA	OWNERSHIP
261	SEVERNYJ AVTOBUS ZAO	RUSSIAN FEDERATION	35,000	35,000	ANSALDOBREDA SpA	OWNERSHIP
262	SIIT Societa` Consortile per Azioni	ITALY	16,700	2,300	ANSALDO ENERGIA SpA	OWNERSHIP
				2,300	ANSALDO STS SpA	OWNERSHIP

	Company OWNED (name and legal form)	COUNTRY	%TOTAL	%	TROUGH	KIND OF POSSESSION
				0,500	SELEX GALILEO SpA	OWNERSHIP
				2,300	OTO MELARA SpA	OWNERSHIP
				7,000	SELEX ELSAG SPA	OWNERSHIP
				2,300	SELEX Sistemi Integrati SPA	OWNERSHIP
263	SIRIO PANEL Inc.	DELAWARE - USA	100,000	100,000	SIRIO PANEL SPA	OWNERSHIP
264	SIRIO PANEL SPA	ITALY	100,000	100,000	SELEX ELSAG SPA	OWNERSHIP
265	SISTEMI DINAMICI SPA	ITALY	40,000	40,000	AGUSTAWESTLAND SpA	OWNERSHIP
266	SISTEMI SOFTWARE INTEGRATI SPA	ITALY	100,000	100,000	SELEX Sistemi Integrati SPA	OWNERSHIP
267	SO.GE.PA.-Societa` Generale di Partecipazioni SPA (in liquidazione)	ITALY	100,000			OWNERSHIP
268	SPACEOPAL GMBH	GERMANY	50,000	50,000	TELESPAZIO SpA	OWNERSHIP
269	SUPERJET INTERNATIONAL SPA	ITALY	51,000	51,000	WING NED BV	OWNERSHIP
270	T-S HOLDING CORPORATION	USA	100,000	100,000	TECH-SYM, LLC	OWNERSHIP
271	TECH-SYM, LLC	USA	100,000	100,000	DRS TECHNOLOGIES, INC.	OWNERSHIP
272	TECNOSSAN SpA (in fall)	ITALY	12,328	12,328	SO.GE.PA.-Societa` Generale di Partecipazioni SPA (in liquidazione)	OWNERSHIP
273	TELESPAZIO ARGENTINA SA	ARGENTINA	100,000	5,000	TELESPAZIO BRASIL SA	OWNERSHIP
				95,000	TELESPAZIO SpA	OWNERSHIP
274	TELESPAZIO BRASIL SA	BRAZIL	98,774	98,774	TELESPAZIO SpA	OWNERSHIP
275	TELESPAZIO DEUTSCHLAND GMBH	GERMANY	100,000	100,000	TELESPAZIO FRANCE Sas	OWNERSHIP
276	TELESPAZIO FRANCE Sas	FRANCE	100,000	100,000	TELESPAZIO HOLDING SRL	OWNERSHIP
277	TELESPAZIO HOLDING SRL	ITALY	67,000			OWNERSHIP
278	TELESPAZIO HUNGARY SATELLITE TELECOMMUNICATIONS Ltd	HUNGARY	100,000	99,000	TELESPAZIO SpA	OWNERSHIP
				1,000	TELESPAZIO HOLDING SRL	OWNERSHIP

	Company OWNED (name and legal form)	COUNTRY	%TOTAL	%	TROUGH	KIND OF POSSESSION
279	TELESPAZIO NEDERLAND B.V.	NETHERLANDS	100,000	100,000	TELESPAZIO FRANCE Sas	OWNERSHIP
280	TELESPAZIO NORTH AMERICA Inc	DELAWARE - USA	100,000	100,000	TELESPAZIO SpA	OWNERSHIP
281	TELESPAZIO SpA	ITALY	100,000	100,000	TELESPAZIO HOLDING SRL	OWNERSHIP
282	THALES ALENIA SPACE SAS.	FRANCE	33,000			OWNERSHIP
283	Tradexim SRL (in liquidazione)	ITALY	18,180	18,180	SELEX ELSAG SPA	OWNERSHIP
284	TRAM DI FIRENZE SpA	ITALY	17,464	13,664	ANSALDOBREDA SpA	OWNERSHIP
				3,800	ANSALDO STS SpA	OWNERSHIP
285	TRANSIT SAFETY RESEARCH ALLIANCE (No Profit Corporation)	USA	100,000	100,000	ANSALDO STS USA INC.	OWNERSHIP
286	TRIMPROBE SPA (in liquidazione)	ITALY	100,000			OWNERSHIP
287	TURBOENERGY SRL	ITALY	16,805	16,805	ANSALDO ENERGIA SpA	OWNERSHIP
288	U.V.T. (Ultraviolet Technology) SpA (in fall)	ITALY	50,614	50,614	SO.GE.PA.-Societa` Generale di Partecipazioni SPA (in liquidazione)	OWNERSHIP
289	UIRNET SPA	ITALY	12,057	7,599	SELEX ELSAG SPA	OWNERSHIP
				4,458	TELESPAZIO SpA	OWNERSHIP
290	UNION SWITCH & SIGNAL INC.	DELAWARE - USA	100,000	100,000	ANSALDO STS USA INC.	OWNERSHIP
291	VEGA CONSULTING & TECHNOLOGY SL	SPAIN	100,000	100,000	VEGA SPACE Limited	OWNERSHIP
292	VEGA CONSULTING SERVICES LTD	UNITED KINGDOM	100,000	100,000	SELEX SYSTEMS INTEGRATION LTD	OWNERSHIP
293	VEGA DEUTSCHLAND GMBH	GERMANY	100,000	100,000	SELEX ELSAG SPA	OWNERSHIP
294	VEGA SPACE GmbH	GERMANY	100,000	100,000	VEGA SPACE Limited	OWNERSHIP
295	VEGA SPACE Limited	UNITED KINGDOM	100,000	100,000	TELESPAZIO SpA	OWNERSHIP
296	VEGA TECHNOLOGIES SAS	FRANCE	100,000	100,000	TELESPAZIO FRANCE Sas	OWNERSHIP
297	WESTERN INVESTORS TECHNOLOGY GROUP Inc	DELAWARE - USA	24,000	24,000	ALENIA NORTH AMERICA, INC.	OWNERSHIP

	Company OWNED (name and legal form)	COUNTRY	%TOTAL	%	TROUGH	KIND OF POSSESSION
298	WESTERN INVESTORS TECHNOLOGY GROUP Ltd Partnership	DELAWARE - USA	20,000	20,000	ALENIA NORTH AMERICA, INC.	OWNERSHIP
299	WESTLAND SUPPORT SERVICES LIMITED	UNITED KINGDOM	100,000	100,000	AGUSTAWESTLAND LIMITED	OWNERSHIP
300	WESTLAND TRANSMISSIONS LIMITED	UNITED KINGDOM	100,000	100,000	AgustaWestland Holdings Limited	OWNERSHIP
301	WHITEHEAD ALENIA SISTEMI SUBACQUEI SpA	ITALY	100,000			OWNERSHIP
302	WIN BLUEWATER SERVICES PRIVATE LIMITED	INDIA	100,000	0,001	WHITEHEAD ALENIA SISTEMI SUBACQUEI SpA	TRANSFER OF V0TING RIGHT
				99,999	WHITEHEAD ALENIA SISTEMI SUBACQUEI SpA	OWNERSHIP
303	WING NED BV	NETHERLANDS	100,000	100,000	ALENIA AERONAUTICA SpA	OWNERSHIP
304	WORLD` S WING SA	SWITZERLAND	94,944	94,944	ALENIA AERONAUTICA SpA	OWNERSHIP
305	WYTWORNIA SPRZETU KOMUNIKACYJNEGO 'PZL-SWIDNIK' SP. AKCYJNA	POLAND	96,092	96,092	AgustaWestland NV	OWNERSHIP
306	XAIT SRL	ITALY	100,000	100,000	SELEX Service Management SpA	OWNERSHIP
307	YENI AEN INSAAT ANONIM SIRKETI	TURKEY	99,996	99,996	ANSALDO ENERGIA SpA	OWNERSHIP
308	YENI ELEKTRIK URETIM ANONIM SIRKET	TURKEY	40,000	40,000	ANSALDO ENERGIA SpA	OWNERSHIP
309	ZAKLAD NARZEDZIOWY W SWIDNIKU SP. Z O.O.	POLAND	51,658	30,716	PZL INWEST SPOLKA Z OGRANICZONA ODPOWIEDZIALNOSCIA	OWNERSHIP
				20,942	WYTWORNIA SPRZETU KOMUNIKACYJNEGO 'PZL-SWIDNIK' SP. AKCYJNA	OWNERSHIP
310	ZAKLAD OBROBKI PLASTYCZNEJ SP. Z O.O.	POLAND	100,000	28,684	PZL INWEST SPOLKA Z OGRANICZONA ODPOWIEDZIALNOSCIA	OWNERSHIP
				71,316	WYTWORNIA SPRZETU KOMUNIKACYJNEGO 'PZL-SWIDNIK' SP. AKCYJNA	OWNERSHIP
311	ZAKLAD REMONTOWY SP. Z O.O.	POLAND	100,000	99,310	PZL INWEST SPOLKA Z OGRANICZONA ODPOWIEDZIALNOSCIA	OWNERSHIP
				0,690	WYTWORNIA SPRZETU KOMUNIKACYJNEGO 'PZL-SWIDNIK' SP. AKCYJNA	OWNERSHIP
312	ZAKLAD UTRZYMANIA RUCHU SP. Z O.O.	POLAND	100,000	100,000	WYTWORNIA SPRZETU KOMUNIKACYJNEGO 'PZL-SWIDNIK' SP. AKCYJNA	OWNERSHIP
313	ZAO ARTETRA	RUSSIAN FEDERATION	51,000	51,000	SELEX ELSAG SPA	OWNERSHIP