OUR STRENGTH LIES IN OUR PEOPLE.

FINMECCANICA

SUSTAINABILITY REPORT

2010

FINMECCANICA SUSTAINABILITY REPORT 2010

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Pier Francesco Guarguaglini
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

LETTER FROM THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Last year's edition of the Sustainability Report ended with a statement of a number of commitments. It is from this point that I would like to start in presenting this year's Sustainability Report – because our responsibility lies in our ability to provide answers and be accountable for the promises we have made.

The first important goal we have achieved is this document itself, which is no longer merely a Sustainability Report, but a "Certified" Sustainability Report. This difference is not just semantic; it means that the contents and form comply with an internationally recognised standard, and that its full compliance has been verified by a third party, the auditing firm.

In order to achieve this, we have had to work on our internal organisation, setting out new responsibilities, assigning tasks, perfecting management processes and improving information flows. The result is that all the data, every statement made can be traced to its exact source and has been compiled using strict and verifiable methods.
Just as the financial community requires that financial statements be drawn up based on strict standards, the same is also being applied to communications on sustainability.

Another important new point is the considerable broadening of the scope of reporting, with the inclusion of ten leading companies through audits carried out at ten sites in Italy and the United Kingdom. This has made it possible to verify and certify the validity of processes and systems used by Finmeccanica to make further progress on the road to sustainability.
Furthermore, it has also allowed us to demonstrate the growing vitality of the Group and its companies, and to record and make known dozens of cases exemplifying good market practice that only needed to be discovered and registered and then leveraged.

This is the great heritage that Finmeccanica can draw on: over seventy-five thousand people whose responsible behaviour, each and every day, helps to strengthen the Group's reputation wherever they may be in a system of connected, yet independent businesses, rich in projects and skills, but with their own ability to stand out and be counted in any situation and in every part of the world.

Another goal that has been achieved was Finmeccanica's inclusion, in September 2010, in the Dow Jones Sustainability Indexes (DJSI) for Europe and the world. Together with three other companies from all over the world – only one of which is European – we have been chosen from among hundreds of players in the international economy to represent the Aerospace and Defence sector. This is a truly great result, proving that a Group like Finmeccanica, by means of fair and transparent relations with all its various stakeholders, can help to pursue more sustainable and long-lasting development through its everyday actions.

The first Certified Sustainability Report thus represents a step forward, proof of the fact that the Group is able to take on and overcome different, new challenges, creating value for shareholders and other stakeholders thanks to this innovative way of looking at – and managing – development of our business. This does not mean that we were not sustainable before, but rather that we are now able to give a better account of what we are doing on a day-to-day basis.

Now – and this is the main point – why are we doing all this? Here at Finmeccanica we are highly aware of the responsibility that a large industrial group has towards its stakeholders, particularly when it operates, as we do, in high-technology sectors such as aerospace, defence and security.

The decisions we make have a significant impact on the lives of the people working for us and their families; on our customers and our suppliers, whose safety depends on the quality of our products; on the communities that host our manufacturing sites; on investors, both large and small, who entrust their capital or their savings to us; and on future generations, to whom we will leave an environment that has been changed in some way.
It is our special duty, therefore, to take care of the assets and resources, tangible and intangible, environmental, social and economic, that are inevitably transformed in some way through our activities, and that we must return with added value.

But our intention and desire is also to have an effect at a cultural level. A multinational like Finmeccanica also plays an important role in determining the ways that the business community operates. If all our human resources, from management on down, behave in a way that is attentive to sustainability and make this part of their style of management, then we will help produce an effect that goes well beyond the confines of our direct operations.

In other words, we believe that, just as it is right to remunerate financial investments and all other types of investments, in the same way we owe our customers, our partners, the communities in which we operate a social dividend, because it is thanks to their support – which is only partially repaid in economic terms – that we are now a large international Group.

Pier Francesco Guarguaglini

KEY

Further details in internet link

Further details in other sections
of the Report, or in other documents

ECPI

CARBON DISCLOSURE PROJECT

sam 2011 gold class

sam 2011 sector mover

Dow Jones Sustainability Indexes

In 2010, Finmeccanica shares were admitted, for the first time, to the Dow Jones Sustainability World and Europe Indexes, which assess the performance of leading companies in terms of economic, environmental and social sustainability.

The Dow Jones Sustainability World Index includes just 10% of the world's 2,500 major companies with top sustainability levels. Among the four companies selected by DJSI World for the Aerospace and Defence sector, Finmeccanica was the only new company to be admitted to the sector out of a total of 30 that underwent assessment. Likewise, among the three companies selected for the DJSI Europe, Finmeccanica was the only new entry in the sector out of a total of 13 companies assessed.

PricewaterhouseCoopers has verified the GRI application level "B+" declared by Finmeccanica.

For further information: sostenibilita@finmeccanica.com

Presentation of the Certified Sustainability Report 2010

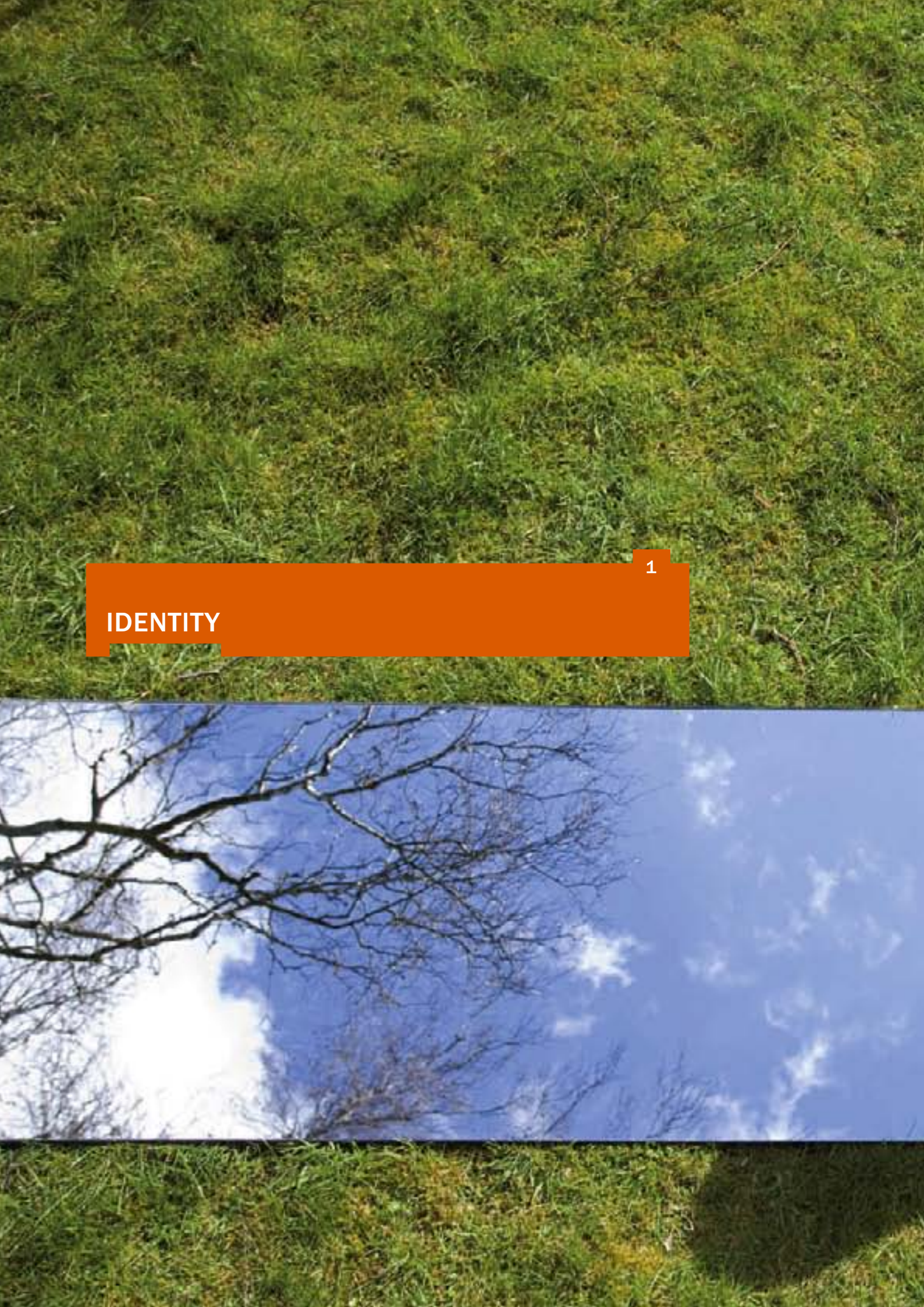
After three editions of the Report, this year Finmeccanica presents its first Certified Sustainability Report which, compared with the previous documents, adheres more closely to the reporting principles of the internationally recognised GRI 3 standard.

In this way, Finmeccanica fulfils the obligations made in previous years to improve its reporting by transforming informal values and procedures into aspects of management that are gradually integrated into the system of governance and organisation regulating the operations of both the Group Parent and its subsidiaries. Precise roles and responsibilities have been identified, more solid, straightforward processes have been developed, and a larger number of internal structures have become involved.

Approximately three hundred people were involved at various levels in drawing up this Report, which presents a Group that is organised into seven industrial business sectors and in three main domestic markets. These include an inter-departmental work group, which coordinated the entire project; an advisory group, consisting of all the company's top management, which was kept constantly up-to-date on progress and took action during crucial phases of the process; contact persons were identified in all the main operating companies, and they in turn activated an internal network; dozens of others were contacted to collect and process data and information. All these people have been made aware of, informed about or trained on questions of sustainability, and they form the nucleus of a corporate community.

The most visible result of all these efforts, from the point of view of the structure of this Report, is the fact that the scope of reporting has been extended to all sectors of activity. This has enabled more in-depth study of certain sustainability topics related to the specific context within which the companies in the Finmeccanica Group operate.

The Report contains a consolidated section, setting out sustainability issues and the indicators that are controlled at the Group level, and a section containing in-depth discussions for each business sector, in which the main performance and financial figures are also given. A number of projects, initiatives and good practices relating to sustainability matters are also dealt with, these being managed directly by the operating companies, in addiction to the sector views of certain particularly significant environmental performance indicators.



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IDENTITY

FINMECCANICA GROUP

We are working every day all over the world to create the best security systems. Thanks to a philosophy based on lasting partnerships and unceasing research into high technology, we design and build aircraft, helicopters and integrated systems capable of protecting transport networks, infrastructures, national land, sea and air borders and everyday life.

Snapshot

Finmeccanica by numbers

	2010	2009	%
Revenues	€mil. 18,695	€mil. 18,176	2.9%
Adjusted EBITA *	€mil. 1,589	€mil. 1,587	0.1%
Research and Development **	€mil. 2,030	€mil. 1,982	2.4%
New orders	€mil. 22,453	€mil. 21,099	6.4%
Order backlog ***	€mil. 48,668	€mil. 45,143	7.8%
Workforce at 31 December	75,197	73,056	2.9%
Sites	approx. 400	approx. 400	

* Please see the Consolidated Financial Statements for the definition of "adjusted".

** The figures include a portion of investments funded by customers.

*** The value of the order backlog is given net of contract work in progress.

€ millions

2010	NEW ORDERS	ORDER BACKLOG *	R&D	WORKFORCE * (no.)
Helicopters	5,982	12,162	409	13,573
Defence and Security Electronics	6,783	11,747	810	29,840
Aeronautics	2,539	8,638	369	12,604
Space	1,912	2,568	68	3,651
Defence Systems	1,111	3,797	260	4,112
Energy	1,403	3,305	38	3,418
Transportation	3,228	7,303	69	7,093
Other Activities	105	113	7	906
Eliminations	(610)	(965)		
	22,453	**48,668**	**2,030**	**75,197**

* As at 31 December 2010.

January - Finmeccanica completes the acquisition of the Polish group PZL-Świdnik, operating in the helicopters and aerostructures sector.

February - 2009 Innovation Award, handed out during a ceremony at the Finance Police barracks in Coppito (L'Aquila).

April - Memorandum of Understanding on nuclear development in Italy signed by Finmeccanica, Enel and EDF.

May/June - Finmeccanica reorganises certain areas of activity in the Defence and Security Electronics and Space divisions.

June - BE A PART OF IT: third edition of the Group's corporate culture survey, conducted at 300 sites in 27 countries.

September - Finmeccanica is among the founders of the "Foundation for Research & Enterprise", created to encourage development and integration between businesses and high-tech spin-off and start-up operations.

September - Finmeccanica is admitted to the Dow Jones Sustainability World and Europe Indexes for the first time.

September - Finmeccanica and Trenitalia sign a contract for high-speed trains.

October - The fourth satellite in the world's first dual-application Earth observation constellation, COSMO-SkyMed, is launched.

November - Finmeccanica and the Russian Railways sign a Memorandum of Understanding for a multi-year cooperation programme.

December - Finmeccanica signs an important partnership agreement with Russian Post and Poste Italiane.

Presence in Italy and the world

At the end of 2010, Finmeccanica carried out its usual half-yearly update of Group sites throughout the world. As at 31 December, the Group operates through a territorial structure comprising 402 sites, of which 257 are located abroad (64% of the total) and 145 in Italy.
Among the foreign sites, 81 are in the United States, 37 in the United Kingdom, 20 in France, 12 in Germany and 9 in India. The “operating” sites (plants and other installations that are mainly considered as manufacturing sites) number 184 (74 in Italy), equivalent to 46% of the total.

Finmeccanica is an international organisation with about 400 sites in more than 43 countries worldwide

Group activities

GROUP STRUCTURE AND BUSINESS SECTORS

Finmeccanica is among the world leaders in a number of high technology sectors. This position is the result of pursuing a growth strategy based on: acquisitions; industrial partnership agreements with a strong impetus towards internationalisation, innovation and integration in the development of products and services; market penetration ability.

The current organisational structure of Finmeccanica, founded in 1948, is the result of the Group’s historic and financial development, which was particularly significant around the start of the 2000s. Up to that point, Finmeccanica had been an industrial holding company owned by the government through IRI (*Istituto per la Ricostruzione Industriale* - Institute for Industrial Reconstruction), and organised into divisions. After privatisation and listing on the stock exchange, the Italian Ministry for the Economy and Finance retained ownership of approximately 30% of the capital, and the company started a process of complete transformation. This resulted in it being reorganised into operating companies controlled by a single Group Parent (Finmeccanica SpA) that provides strategic and industrial direction and control.

Today, the Finmeccanica Group's business is mainly concentrated on three strategic areas: Helicopters, Defence and Security Electronics and Aeronautics. In 2010, these three sectors produced 73% of the Group’s

revenues and involved 74% of its workforce. The Group also occupies a leading position in the Defence Systems sector, and boasts a consolidated presence in the Space sector – in which it has a strategic partnership with Thales SAS. Finally, it also operates successfully in the Transportation and Energy sectors.

Finmeccanica Group structure

HELICOPTERS

AgustaWestland
BAAC
NHIndustries

DEFENCE SYSTEMS

Oto Melara
WASS
MBDA

DEFENCE AND SECURITY ELECTRONICS

DRS Technologies
Elsag Datamat
SELEX Communications
SELEX Galileo
SELEX Sistemi Integrati
SELEX Service Management
Seicos

ENERGY

Ansaldo Energia
Ansaldo Fuel Cells
Ansaldo Nucleare

AERONAUTICS

Alenia Aeronautica
Alenia Aermacchi
SuperJet International
ATR
Eurofighter GmbH
GMAS

TRANSPORTATION

AnsaldoBreda
Ansaldo STS
BredaMenarinibus

SPACE

Telespazio
Thales Alenia Space

Owned company Joint venture

For further information on the companies and on the products and services in the various business sectors, please see the detailed review by sector

For further information on the history of Finmeccanica, please see www.finmeccanica.com, in The Group/History section

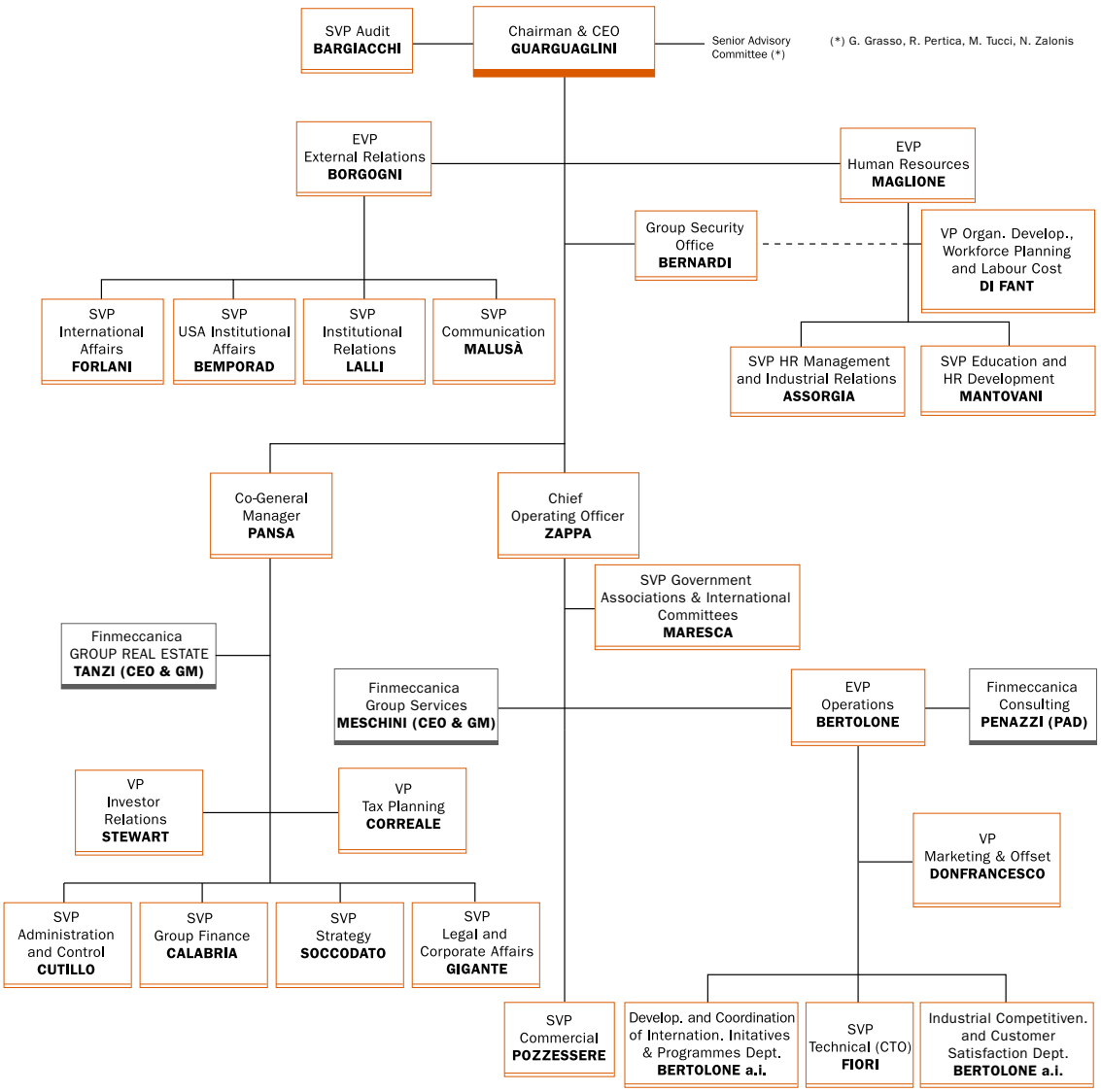
ROLE AND ORGANISATION OF THE GROUP PARENT

The Group Parent, Finmeccanica SpA, is organised into units tasked with guiding and exercising strategic control over various sectors of activity, and staff who are in charge of certain strategic departments (finance, human resources and institutional relations), together with coordination of technological research and development and commercial actions.

Finmeccanica Group Services (FGS), whose aim is to provide and deliver non business-critical services common to companies within the Group (Group ICT, Energy, Purchasing, Global Service, Logistics), and Finmeccanica Group Real Estate (FGRE) which deals with facility, property and asset management and coordinates implementation of environmental, health and safety policies, also fall under the control of Finmeccanica SpA.

Finally, Finmeccanica UK Ltd and Finmeccanica North America Inc, set up to coordinate the Group's activities in the other two main domestic markets outside Italy, are under the direct control of the Group Parent.

Finmeccanica SpA Organisation chart - 31 December 2010



APPOINTMENT OF THE BOARD OF DIRECTORS FOR THE THREE-YEAR PERIOD 2011-2013

The Shareholders' Meeting held on 4 May 2011 appointed the new Board of Directors of Finmeccanica SpA, made up of 11 directors, which will remain in office for the three-year period 2011-2013 and, therefore, until approval of the financial statements for 2013.

The new Board of Directors is made up as follows: Franco Bonferroni, Paolo Cantarella, Giovanni Catanzaro, Dario Galli, Pier Francesco Guarguaglini, Marco Iansiti, Silvia Merlo, Giuseppe Orsi, Francesco Parlato, Christian Streiff and Guido Venturoni.

These Board Members are joined by Diplomatic Advisor Carlo Baldocci who was appointed as a director without voting rights by decree of the Minister for the Economy and Finance, in agreement with the Minister for Productive Activities (now the Minister for Economic Development), under Article 5.1-ter letter d) of the company Bylaws.

The Shareholders' Meeting also appointed Pier Francesco Guarguaglini Chairman of the company's Board of Directors.

Finally, following the Shareholders' Meeting, the new Board of Directors of Finmeccanica assigned the position of Chief Executive Officer to Giuseppe Orsi, granting him the relevant powers.

The Board also voted to appoint Alessandro Pansa to the position of General Manager.

OBLIGATIONS AND ACTIONS FOR SUSTAINABILITY

Contribution to sustainable development

Finmeccanica interprets the concept of sustainability as the ability of an organisation to generate value over time. Value is to be understood in the broadest sense of the term, which includes financial aspects and those of environmental and social significance.
The aim of continuity can only be reached provided that all those contributing to the development of the business continue to make the investment that makes success possible. Together with the investments made by shareholders, there are other types of investment made by workers, by partners and by local communities. Each of these contributes to produce the final result; each one legitimately expects to gain recognition for its own commitment.

Finmeccanica feels the need to be accountable to all these players for its actions, through this Sustainability Report. This understanding of the idea of sustainability requires the integration of environmental and social considerations with business targets. It is not merely a question of finding a justification in hindsight for choices based upon purely financial reasons, but rather of pursuing multiple goals. This involves a continual search for dynamic balances, to satisfy expectations that are not always in line with one another, particularly on a short-term basis.

By doing this, Finmeccanica not only feels that it is pursuing its own interests over time, but that it is also contributing in some way towards a wider goal, namely ensuring the sustainability of the economic system as a whole.

Relations with stakeholders

For Finmeccanica, dialogue and continuous interaction with stakeholders are essential to implement its sustainability strategy. All the companies in the Group help identify the stakeholders and matters of common interest. These include subjects that, when assessed in terms of risks to be managed or opportunities to be taken, may have an influence on the Group's decisions, actions and services.

These subjects emerge from the numerous channels and tools used by the Group to interact with its stakeholders, both at a central and local level. They are not merely occasional surveys, but a complex system of communication, listening and involvement, which allows constant interaction and "advanced" monitoring of all issues relating to sustainability.

Main tools for interaction with stakeholders

PEOPLE
Management Convention
Seniores Award Ceremony
Finmeccanica InPortal
Group Magazine
Company intranet

CUSTOMERS AND MARKETS
Salons and events
Partnerships in international programmes
Customer satisfaction surveys

SOCIETY
Institutional meetings
Local site committees
Technological districts

FINANCIAL MARKETS
Investor Day
Roadshow
Conference call
One-to-one meetings
Rating questionnaires

ENVIRONMENT
Management systems
ENABLON
Dedicated survey (CDP, DJSI, etc.)

SUPPLIERS
Technological districts
Vendor rating campaigns

Reference map, targets and actions for sustainability

The system for listening and dialoguing with stakeholders enables us to prepare a reference "map" that is used to weigh the various issues and the consequent areas of commitment upon which transparent accountability is to be provided.
The issues fall within this map because they are of interest to the stakeholders and, at the same time, were found to be significant through the Group's self-assessment. These topics are grouped by sustainability category:

- **financial**, aimed at providing a solid base to achieve earnings and well-being for the financial stakeholders, and in any case significant for all those with interests that will benefit either directly or indirectly from the value created;
- **social**, aimed mainly at development and enhancement of the human and relationship capital, whose contribution is of fundamental importance to the Group's business;
- **environmental**, aimed at protecting the environmental capital and natural and energy resources, which must be used so as to respect the needs of future generations.

This map, which is published for the first time in this Report, will be kept up-to-date to reflect changes that may occur as a result of developments in business, changes in regulatory, economic and market situations, and more generally as a result of changes in social awareness.

Main issues identified through materiality assessment

ECONOMIC DIMENSION	SOCIAL DIMENSION	ENVIRONMENTAL DIMENSION
· research and innovation · technological development · integration and internationalisation · customer relations · management of the value chain	· employee training, occupation health and safety · respect for workers' rights · involvement of communities	· climate change and energy efficiency · prevention of pollution · use of natural resources · atmospheric emissions

For more information on the reference methods used for materiality assessment, please see the Reporting methodology

More specifically, in 2010 the Finmeccanica Group continued to address issues that have an impact on the three dimensions (economic, social and environmental) of sustainability. The scope of action, seen in the general overview given below, shows how Finmeccanica's sustainability is progressively being integrated into corporate management, so that it is no longer merely a complementary element to business.

It can be seen, in some of the courses of action, that Finmeccanica, over and above its main role of providing direction and control, strives to show strong leadership in spreading the culture of sustainability within the Group.

ECONOMIC DIMENSION

AREAS OF INVOLVEMENT	GOALS	ACTIONS AND RESULTS 2010
Continuity in value creation	Implementation of business strategies	Achieved record sales results, collecting orders amounting to over €bil. 22 for the first time in the Group's history.
		Economic and financial *guidance* parameters respected.
	Management of indebtedness	Debt duration in line with the average life of the Group's programmes - Substantially stable financial rating.
Correctness and transparency in business management	Maintenance of a governance and control system in line with best practices	Consolidation of assessment activities foreseen by the organisational model under Legislative Decree 231/2001.

Customer satisfaction	Implementation of the Through Life Cycle Management approach	Implemented Guidelines for the Customer Satisfaction Survey and completed the first pilot project 2009-2010.
		Continued with development of other significant Guidelines.
Investments in Research and Development	Enhancement of R&D activities	Significant growth in patents, in terms of quantity, quality and international interest.
	Maintenance of adequate levels of investment	Registered the highest level of investments in R&D over the last five years, with over €bil. 2.
	Presence in international R&D Programmes	Continuation of NATO, European Defence Agency and European Commission activities.
Commercial risk management	Development of common Group approaches regarding export control	Developed a directive for common sales promotions for all companies in the Group.
		Two new management areas created within the Parent Company to ensure application of the directives on “legal compliance” and “commercial compliance”.
Development of institutional and market relations	Supervision of business strategies	New products presented in the 12 international exhibitions on the calendar for 2010.
		Ongoing participation in the activities of main international associations in the sector.
	Development of joint ventures and participation in international programmes	Signed new partnership agreements in the Helicopters and Energy sectors.
		Signed new development agreements (Memorandum of Understanding) with Russian postal service and with Russian Railways.
Dialogue with investors	Improvement of the information available, also on questions of sustainability	Admission of Finmeccanica shares to the Dow Jones Sustainability Index World and to the Dow Jones Sustainability Index Europe.
Creation of value in the supply chain	Development of Supply Chain Management and procurement solutions for business critical goods and services	Development of an integrated system for management and control of the goods transportation process, involving suppliers, logistics operators and manufacturing sites.
		Extended use of the e-procurement platform developed by FGS.
		Extended performance monitoring for suppliers managed by FGS using quantitative and qualitative KPI.

SOCIAL DIMENSION

AREAS OF INVOLVEMENT	GOALS	ACTIONS AND RESULTS 2010
Growth, motivation and enhancement of the human resources capital	Development of a system to attract and motivate the best talents	Designed the architecture of a new international integrated system for the development, management and enhancement of talents at Group level.
		Continued with training and development courses aimed at young people in the Group.
		Extended the training and development courses aimed at executives and middle managers in the Group.
	Development of Professional Families	Creation of individual and collective assessments for the HR Professional Family and the Project Manager professional community.
Identity, integration and internationalisation	Promotion, enhancement and protection of an integrated corporate culture	Launch of the new institutional campaign “Your safety is not simply an aspiration. It’s a right” and the new corporate Internet site.
		Continuation of the plan for connection of foreign sites to the intragroup portal.
		Carried out an investigation on culture and atmosphere aimed at the entire company population.
	Support for mobility and international integration	Development of courses that encourage comparison between the resources of Group companies.
	Organisational, regulatory and contractual integration of employment agreements	Continuing trade union operations by the European Corporate Committees (ECC) set up in the United Kingdom and harmonisation of labour legislation management.
Dialogue with people and society	Development of involvement tools	Opening of the Finmeccanica employees Forum and the Finmeccanica Group managers Forum on the corporate intranet.
		New virtual communities dedicated to specific target areas of the corporate population set up.
		Presence of Finmeccanica within the main online communities.
Management of industrial relations	Ensure central management of trade union relations	Signed frame agreements with the three main trade unions for two important reorganisation projects.
		Set up an Industrial Relations work group to draw up policies on various significant questions.
Protection of health and safety	Spread of health and safety management systems	Increased the number of management systems certified under OHSAS 18001.
	Spread of a safety culture	Delivery of health, safety and environmental training plans.
		Development of training operations on information technology safety.

Development and growth of the territory	Development of relations with the world of education within the territory	Continuing implementation of the Memorandum of Understanding signed with the Italian Ministry for Education, Universities and Research (MIUR) for technical and professional training.
		Development of a project to enhance the value of technical culture.
	Promotion of technological districts	Continuation of activities in existing districts and the activities to set up the Lombardy aerospace district.
Support for communities	Promotion of culture, art and charitable activities	Cultural initiatives promoted and sponsored in several of the Group's reference communities.
		Support and promotion of solidarity operations with a financial commitment of €mil. 13.

ENVIRONMENTAL DIMENSION

AREAS OF INVOLVEMENT	GOALS	ACTIONS AND RESULTS 2010
Limitation of greenhouse gas emissions	Implementation of the Group Carbon Management System	CO_2 emission reduction targets set at Group level divided between operating companies.
		Specific training provided at site/company level.
		Coverage of the monitoring and reporting system extended.
		Plan of reduction operations developed.
	Improvement of energy efficiency	Implementation of the energy efficiency operations plan continued.
Product environmental efficiency	Spread of the concepts of eco-design and Life Cycle Assessment (LCA)	Planning and supply of training on eco-design for Group company design and engineering departments.
Improvement of environmental reporting	Monitoring and significance of environmental data	Set up workshops in Group companies to increase awareness of the need for more accurate accounting.
Reduction of the environmental impact of operations	Spread of environmental management systems	Implementation and certification of the first energy management system under BS 16001.
Reduction of the use of hazardous substances	Implementation of REACH Regulations	Supplied training courses and created guidelines for management of those substances that fall under the application of REACH (Registration, Authorization and Restriction of Chemical Substances).
Reduction of the environmental impact of indirect purchases	Implementation of good practices for management of suppliers and procurement choices	Extended performance monitoring for suppliers with quantitative and qualitative KPI.
		Inclusion of certain environmental and social criteria during the supplier selection and qualification phases.
		Continuing implementation of Green Procurement initiatives.

ETHICS, CORPORATE RESPONSIBILITY AND GOVERNANCE

We feel the responsibility of being a global player in a sector that is strategic and often involves matters of a sensitive nature. Adhering to the rules and managing all sources of risk are fundamental parts of our culture and of the way we do business. In our work, made up of day-to-day relations with our stakeholders, we are constantly guided by the values and principles of transparency and good practice expressed in the Code of Ethics.

Within the Finmeccanica Group our commitment to corporate sustainability is gradually becoming an integral part of our approach to all corporate processes, at strategic and operational levels. The result of this evolution, which carries with it a strong sense of cultural change, is that the various issues are not governed and managed in a central way, but rather using widely spread methods organized at various levels. They make up a "metasystem" that has grown over time according to the specific role of the Group Parent and the operating companies, following developments in regulations and in international best practices.

Maintaining a comprehensive vision, showing leadership and ensuring that commitments are consistent and results appropriate are Finmeccanica's prerogatives, exercised through the Strategy Committee for Sustainability.

The following are components of the metasystem:

- Finmeccanica SpA's Code of Ethics, which defines the ethical values and principles that form the basis for responsible behaviour by all stakeholders;
- the Corporate Governance model, which includes the internal audit system, aimed at guaranteeing proper governance of the company and supporting the organisation in achieving its goals in the interest of shareholders and all other stakeholders;
- risk management and management of the internal control system for the financial reporting process under Law 262/05;
- the organisational, management and control model under Legislative Decree 231/2001 (the "compliance model"), which identifies the potential areas of risk for corporate administrative responsibility, notes the individual activities and processes involved and indicates the specific controls considered necessary to prevent any crime from being committed;
- periodic risk assessment operations aimed at identifying and assessing the business risks and possible mitigating actions in view of the implementation of an overall integrated risk management system (Enterprise Risk Management);
- the processes and systems that govern specific functional areas, for example, technological innovation, human resources management, financial management and the quality, environmental, health and safety management systems developed and certified according to international standards (e.g., ISO 14000, ISO 9001, ISO 14001, OHSAS 18001).

Ethical business principles and values

Complying with laws, good management practices and transparency, good faith, trust and cooperation with stakeholders are the principles set down in Finmeccanica SpA's Code of Ethics, which expresses the guiding values behind the operations of all Group companies.

These principles and values must be followed by everyone acting on behalf of Group companies (members of corporate bodies, management, staff and contractors) and by those who do commercial and/or financial business with them.

The companies that are directly controlled by Finmeccanica have likewise adopted their own Codes of Ethics, in the form of an independent document or attachment to the compliance model pursuant to Legislative Decree 231/2001.[1]

Regarding respect for ethical business principles and values, in this Report the Finmeccanica Group confirms the following:

- it does not manufacture or sell small, non-conventional or controversial arms (mines, anti-personnel mines, cluster bombs, bacteriological, chemical or nuclear weapons);
- it complies with current laws on employment and human rights in the countries in which it operates, and applies the standards in force in its own countries of origin when legislation on these rights is deficient;
- in 2010 it was not subject to criminal prosecution or found guilty of engaging in corporate crimes.

As regards investigations by legal authorities involving several Group managers and companies in 2010, Finmeccanica confirms that its own assessment through its internal audit system revealed no critical problems, confirming the adequacy and effectiveness of the system itself. The internal audit system is in any case undergoing suitable improvements in all the Group companies and in the most sensitive areas.

For further information on the above subjects, please see the Corporate Governance Report and Shareholder Structure (pp. 131-187) accompanying the Consolidated Financial Statements

The Code of Ethics can be downloaded from www.finmeccanica.com, in the Investor Relations/Corporate Governance section

Corporate governance

The rules governing Finmeccanica's administrative and control bodies, found in the Corporate Governance model, are of particular importance for safeguarding the interests of investors. However, as these bodies guide the choice of corporate strategy, their activities and behaviour also impact the expectations of the other stakeholders.

The model adopted by Finmeccanica aims to strengthen the Group's reputation, to ensure a balance of power and avoid conflicts of interest, and to preserve independent management of operating companies, which are legally independent entities. Under this model, the Group Parent mainly plays the following role:

- provides direction and coordination at strategic level;
- regulates and controls relations within the Group;
- handles relations with institutional authorities as regards the Group's general interests.

The Italian Ministry for the Economy and Finance, which holds a 30.2% share of capital, has certain special powers (the so-called "golden share") which consists of the right to:

- oppose the acquisition of material shareholdings in Finmeccanica (at least 3% of the share capital);
- oppose the signing of pacts or agreements in which at least 3% of the share capital is represented;
- 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;
- appoint one non-voting member of the Board of Directors.

The structure and operation of Finmeccanica's Corporate Governance model take their inspiration from the Corporate Governance Code for Listed Companies, approved in March 2006 by the Corporate Governance Committee sponsored by Borsa Italiana SpA.

The Board of Directors in office until 31 December 2010 is made up of 12 directors, most of whom are independent directors. During their term in office, the directors have taken part in 18 specific induction initiatives, of which five during 2010 dedicated to broadening their knowledge of the Group's activities in its main foreign markets.

1. Reference to Legislative Decree 231/2001 applies to companies operating under Italian law.

The Chairman of the Board of Directors, Pier Francesco Guarguaglini *, is also the Chief Executive Officer. He works with the Lead Independent Director, a position introduced in 2008, in line with international best practice, who has the task of coordinating the requests and contributions made by non-executive directors, especially independent directors.

The Board of Directors has set up internal committees made up of independent directors, as indicated in the Corporate Governance Code:

- the Internal Audit Committee;
- the Remuneration Committee;
- the Strategy Committee.

The first two of these committees are envisaged by the Corporate Governance Code and operate under the regulations thereof. The Strategy Committee is in charge of the preliminary assessment of strategic options for enhancing the value of the Group and the relevant business plans, drawn up by the Chairman and CEO for approval by the Board of Directors. Each committee has its own rules of procedure.

The Board of Auditors is made up of five regular members, whose term of office runs for the period 2009-2011. The statutory audit firm is PricewaterhouseCoopers SpA, appointed for the period from 2006 to 2011.

The Chairman and CEO receives a fixed remuneration, which includes the part voted by the Shareholders' Meeting, and two types of variable compensation tied to the achievement of quantitative goals, dependent on performance and financial results. These are also applicable to all key Group personnel, and comprise bonus payments and the grant of bonus shares. All the above is determined and approved by the Remuneration Committee.

Non-executive directors' remuneration is established by the Shareholders' Meeting and is not linked to performance.

* Confirmed as the Chairman of the Board of Directors for the three-year period 2011-2013.

For further information on the remuneration of directors, please see the note accompanying the Consolidated Financial Statements

Internal audit system

The Board of Directors, with the assistance of the Internal Audit Committee and through the Executive Director in charge of the internal audit system, establishes the guidelines for the internal audit system. This is done so that the main risks to which the company and its subsidiaries are exposed are properly identified and adequately measured, managed and monitored, determining criteria for the compatibility of these risks with proper, sound management.

At Finmeccanica this also involves the following:

- 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 Auditors.

Based on legal requirements and the provisions of the Corporate Governance Code, Finmeccanica provides extensive annual information on the corporate governance system and shareholder structure of the Group. The following is a summary of the structure and operation of the bodies mentioned above, for the period 2008-2010.

Summary of administrative and control body operations for the years 2008-2010

Board of Directors	2010	2009	2008	Notes
Number of members	12	12	12	The Board was made up of the same members for the years 2009 and 2010. In 2008, four of the Board members were replaced
- of which non-executive	11	11	11	All except the Chairman and CEO
- of which independent	9	9	9	Defined independent based on the Corporate Governance Code and the Consolidated Law on Financial Intermediation.
- of which non-voting	1	1	1	Appointed by the Italian Ministry for the Economy and Finance
- of which nominated from minority lists	4	4	4	
Meetings held	13	10	14	
Level of attendance *	96%	98%	96%	
Meetings held by the group of independent directors	3	3	3	These meetings are not attended by the Chairman and CEO and non-independent directors

Internal Audit Committee	2010	2009	2008	Notes
Number of members	4	4	4	All independent directors
Meetings held	13	8	8	
Level of attendance *	94%	90%	91%	

Strategy Committee	2010	2009	2008	Notes
Number of members	8	8	8	During 2008, three members were changed
Meetings held	3	2	=	
Level of attendance *	100%	100%	=	

Remuneration Committee	2010	2009	2008	Notes
Number of members	5	5	5	Of which four are independent directors
Meetings held	5	6	5	
Level of attendance *	100%	93%	90%	

* Calculated as the number of members actually present/number of meetings called.

Board of Auditors	2010	2009	2008	Notes
Number of regular members	5	5	5	The term of the Board of Auditors is for the period 2009-2011 and includes two alternate auditors. In 2009, one regular member was replaced
- of which nominated from minority lists	2	2	2	
Meetings held	27	22		
Level of attendance *	94%	94%		

* Calculated as the number of members actually present/number of meetings called.

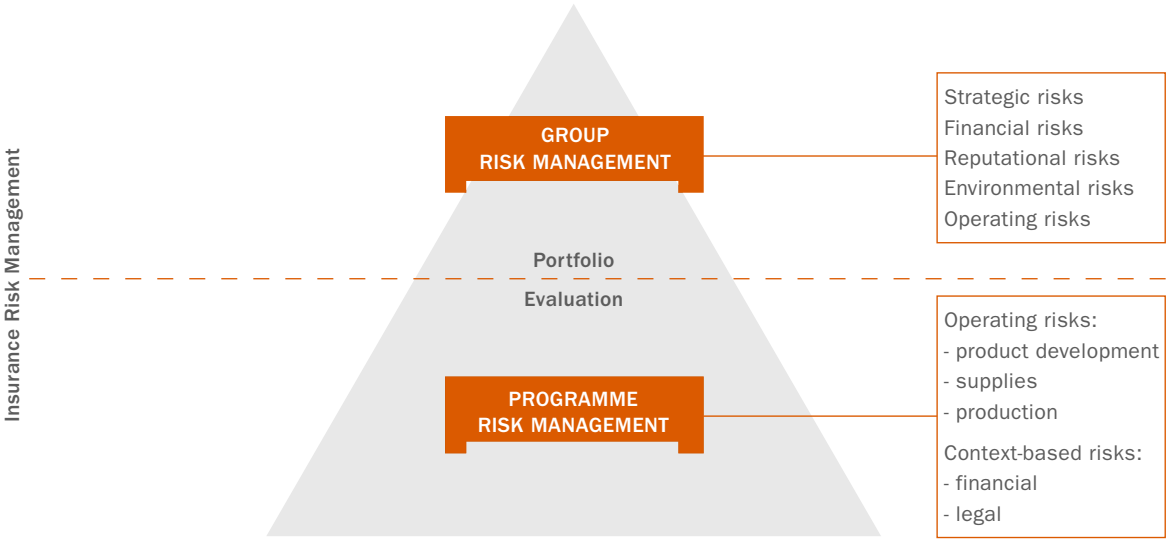
The Corporate Governance Code is available on the Borsa Italiana website (www.borsaitaliana.it)

The Corporate Governance Report is available on www.finmeccanica.com, in the Investor Relation/Corporate Governance section

Procedures for transactions with related parties pursuant to Article 4 of CONSOB Regulation no. 17221/2010

Risk management

Proper corporate governance and safeguarding of stakeholders require the company to make use of an appropriate enterprise risk management system. Proper management of the risks inherent to all company activities is, in effect, an essential requirement to ensure long-term preservation of the economic value created, and to protect tangible and intangible assets of interest to stakeholders.



At Finmeccanica this area is dealt with using an integrated top-down and bottom-up approach by the Group Parent and the operating companies, in which specific responsibilities are determined by the type of risks being faced at different levels:

- strategic risks and financial risks are assessed, reduced and monitored directly by the Group Parent. The strategic risks include both those deriving from management of the business as a whole and the risk to its reputation, which is associated with the quality of relations with the Group's strategic stakeholders (Group Risk Management).
- technological/operating risks deriving from contracts are generally identified, assessed and reduced

directly by the subsidiaries, who provide appropriate information to the Group Parent. When dealing with more critical risks, the Group Parent's management is involved directly, and also provides operational support (Programme Risk Management).

- analysis of technological/operating risks involved in individual programmes combined with analysis of commercial risks (contract winning) associated with the programmes themselves, are aggregated at the company level, and subsequently at the Group level, in order to assess the inherent business risk as a whole. This risk is monitored and, if necessary, reduced, in order to guarantee that the targeted returns on investment and business portfolio value creation remain in line with expectations (Portfolio Evaluation).

Risks that can be insured against, once they have been identified and suitably reduced through specific loss prevention plans, are transferred to the insurance market in order to reduce Group exposure further, particularly with respect to potential catastrophic events. Management of these risks has been centralised by the Group Parent, both as regards risks that are common to the operating companies, for which specific Group insurance plans have been drawn up, such as those for fire, natural events, pollution, product liability, and as regards technological risks inherent to individual programmes. Accident management also takes place under the coordination and supervision of the Group Parent (Insurance Risk Management).

PROTECTION OF CORPORATE ASSETS AGAINST SECURITY RISKS

Finmeccanica considers protecting corporate assets against security risks to be an essential factor in the achievement of Group goals.

The Group's assets consist of all the tangible, intangible and human resources that are used to achieve corporate goals over time, and that are potentially exposed to security risks, resulting from possible accidents and the intensity of direct or indirect damage to corporate assets.

In order to develop a sustainable and effective approach to security risks, a global security governance model has been drawn up in line with international standards, and in compliance with the special directives issued by the competent authorities for companies or programmes subject to legal restrictions on the control of arms and military equipment and on the control of the import and export of advanced technologies and materials.

Security governance in the Finmeccanica Group is considered to be a management process for the development, maintenance and improvement of the security system based on:

- assignment of roles and responsibilities to Group departments and to individual companies;
- three competence areas regarding protection of corporate assets: Information Security, Operations Security and ICT Security;
- two application domains: prevention domain and emergency domain.

Management systems

Management systems are considered to be effective means of overseeing and governing certain specific points in the corporate sustainability strategy. Finmeccanica encourages their adoption by the various operating companies.

In 2010, development, implementation and certification plans continued, according to the relevant international management system standards:

- environmental management and carbon management;
- occupational health and safety;
- quality of products and services.

These plans are coordinated, in accordance with their respective areas of expertise, by Finmeccanica Group Real Estate and Finmeccanica Group Services.

In this regard, it should be noted that during 2010:

- SELEX Communications was the first company in the Group to obtain SA 8000 certification, the international standard that lists the requirements for ethically correct conduct on the part of businesses and their production chains with respect to workers;
- the SELEX Galileo Luton site (United Kingdom) certified its energy management system under BS 16001:2009.

For further details on the SA 8000 certification plan, please see the detailed review of the “Defence and Security Electronics” division. For further details on the environmental and health and safety certifications received by the Group, please see the “Environmental dimension of sustainability” section.

2

ECONOMIC DIMENSION OF SUSTAINABILITY

VALUE CREATION AND INNOVATION

We build economic value by bringing the market products, solutions and services that satisfy actual needs. We transform ideas into concrete projects, enhancing all the competitiveness factors, from investments in technology and research and development to the professionalism and skills of the people working at our company, to relations with strategic partners.

Snapshot

Main performance and financial results (€ millions)

	2010	2009	change	change %
Revenues	18,695	18,176	519	2.9%
Adjusted EBITA *	1,589	1,587	2	0.1%
Adjusted EBITA Margin *	8.5%	8.7%		(0.2) p.p.
Net profit	557	718	(161)	(22.4%)
FOCF	443	563	(120)	(21.3%)
Net financial debt	3,133	3,070	63	2.1%
New orders	22,453	21,099	1,354	6.4%
Order backlog	48,668	45,143	3,525	7.8%

* Please see the Glossary for the definition of Adjusted EBITA.

Investments in Research and Development in 2010: €mil. 2,030

20.1%	Helicopters
39.9%	Defence and Security Electronics
18.2%	Aeronautics
3.3%	Space
12.8%	Defence Systems
1.9%	Energy
3.4%	Transportation
0.3%	Other Activities

HIGHLIGHTS

Revenues and EBITA at the high end of the forecast (Guidance).

FOCF more than double that forecast (Guidance).

Order backlog at €mil. 48,668 (+7.8%), equivalent to over two and a half years of production.

Seventh edition of the Innovation Award held. Over 16,000 people have been involved in seven editions, for a total of almost 5,500 projects presented.

Patent applications filed for 15% of all the proposals submitted in the last two editions of the Award.

Industrial property portfolio has grown by 4% with respect to 2009: of these, 92% are international patents.

Value creation strategy

Finmeccanica is a major industrial group. This statement not only expresses a fact, but also represents a calling – it is through production that the Group can and wants to create value. While keeping a careful eye on its financial leverage, Finmeccanica intends to remain faithful to its industrial heritage and continue to invest in its core business, with prospects of lasting growth.

Generation and distribution of economic value and corporate strength represent the main points of economic sustainability, in terms of adequate remuneration and proper enhancement of the economic component in relations between the Group and all its stakeholders.

Finmeccanica's philosophy looks at value in a complex sense. Our reputation, the pride our workforce has in working for a Group that asks for and gives trust, the loyalty of our customers and partners, the bond with the communities in which we have a historic presence, are all forms of value that can only in part be translated into financial terms – but they represent an essential factor for our continuing existence and development.

The foundation of Finmeccanica's creation of long-term economic value rests on three pillars:

BUSINESS STRATEGY	Finmeccanica, with the Aerospace, Defence and Security sectors, continues working to consolidate its leadership on its domestic markets and to make itself known in emerging countries, which represent the most dynamic markets for forthcoming years. This means stressing its stronger know-how and enhancing the value of consolidated experience and competency.
OPERATING EFFICIENCY	Finmeccanica has drawn up a three-year plan (2010-2013) to recover all possible margins for improvement in operation and management. This plan relates to all sectors and activities, and takes the form of a great organised effort to manage production factors and resources in the best possible way.
DEBT MANAGEMENT	Acquisition of DRS Technologies required huge financial resources, obtained by using own capital and credit capital. The new financial organisation has required, and will continue to require, careful management in order to maintain certain, recognised financial equilibrium.

The generation and distribution of economic value and financial solidity are the main indicators of the sustainability of Group operations. Finmeccanica works to ensure an adequate return on the investment made by shareholders and to give proper relevance to the economic component in relations with the other stakeholders.

Performance and financial results and distribution of economic added value

Once again in 2010, Finmeccanica achieved performance and financial results that met, and in some cases exceeded, the forecasts announced to investors (the so-called "Guidance"; see the chapter "Relations with the financial markets"):

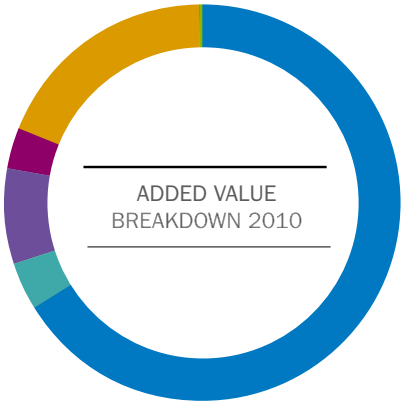
- revenues amounted to €mil. 18,695, compared with €mil. 18,176 in 2009, an increase of 2.9%;
- net profit amounted to €mil. 557, compared with €mil. 718 in 2009 (-22.4%). New orders rose to €mil. 22,453 (+6.4%), led by the growth of Helicopters (+86.6%), Space (+67%) and Transportation (+13.9%);
- the order backlog stood at €mil. 48,668 (+7.8%), equivalent to over two and a half years of production.

Economic added value, calculated as the difference between the value of production and intermediate costs for the purchase of goods and services, amounted to €mil. 7,209 in 2010 (-0.07% compared with 2009).[2]
Part of the added value attributable to the workforce is represented by restructuring costs incurred and allocation for reorganisation operations undertaken within various Group companies.

Corporate ethics and values are expressed not only in the way that wealth is produced, but also in the way it is distributed among the various stakeholders. In this regard, Finmeccanica is committed to finding a balance between the need to recognise and reward the work of those within the Group and that of providing an adequate return to investors for the risks taken.

2. To permit data comparability, the breakdown of added value given in the chart proposed by the Social Responsibility Report Study Group (*Gruppo di studio Bilancio Sociale* – GBS) has been maintained.

The way in which the added value generated in 2010 has been distributed has not changed in any significant way with respect to the preceding year.

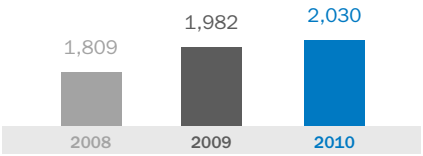


66.19%	Workforce
3.98%	Public Administration
7.78%	Borrowed capital
3.29%	Risk capital
18.59%	Corporate
0.17%	Gifts and sponsorships

Ongoing investment in innovation

Creation of value for shareholders and business sustainability are based on the ability to innovate on an ongoing basis. Fully convinced that innovation represents a strategic asset, Finmeccanica has constantly increased its investment in research and development, even during the recent adverse economic climate. In 2010, R&D spending amounted to €mil. 2,030 (+2.4% compared with 2009), approximately 11% of consolidated revenue.

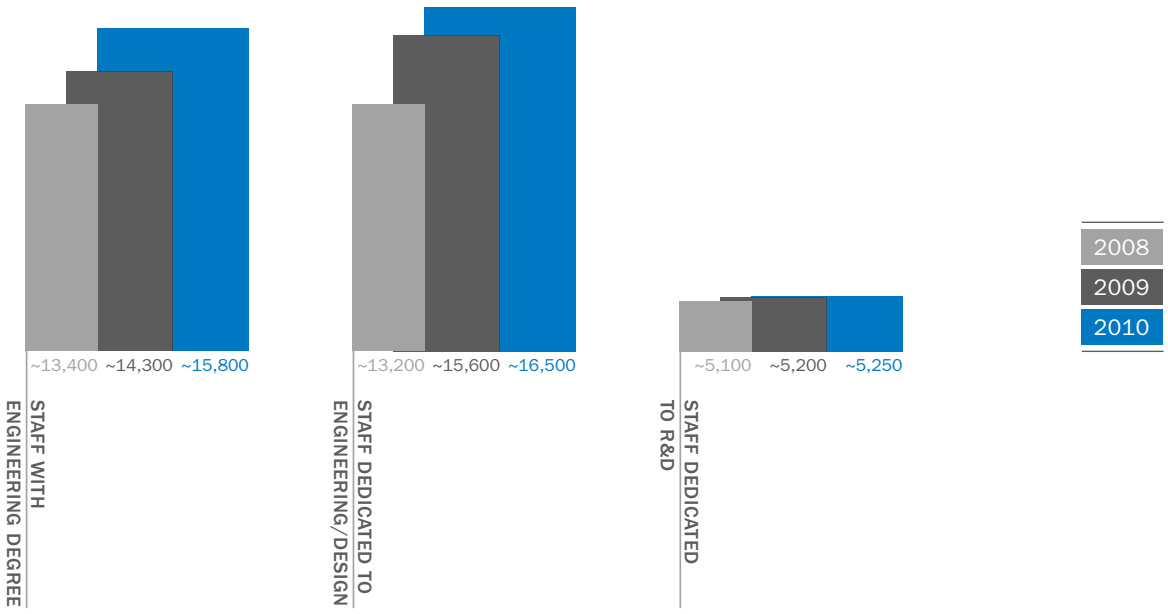
R&D investments (€ millions)



Most of these investments were made in dual-use technologies which, while originally developed for military applications, are now being applied in civilian projects with high strategic value. A good 78% of these investments are concentrated in the three strategic pillars: Helicopters, Defence and Security Electronics and Aeronautics.

Approximately 21,750 employees are involved in R&D, engineering and design (approximately 29% of the entire Group workforce).

Workforce dedicated to R&D, engineering and design



These R&D figures mean that Finmeccanica is:

- 1st among Italian companies;
- in 16th place on the overall list of major European Union groups and in 2nd place among European groups in the Aerospace, Defence and Security sector;
- among the top 50 in the world according to the International R&D Scoreboard 2010 issued by the British Department of Trade and Industry.

Strategic planning of innovation

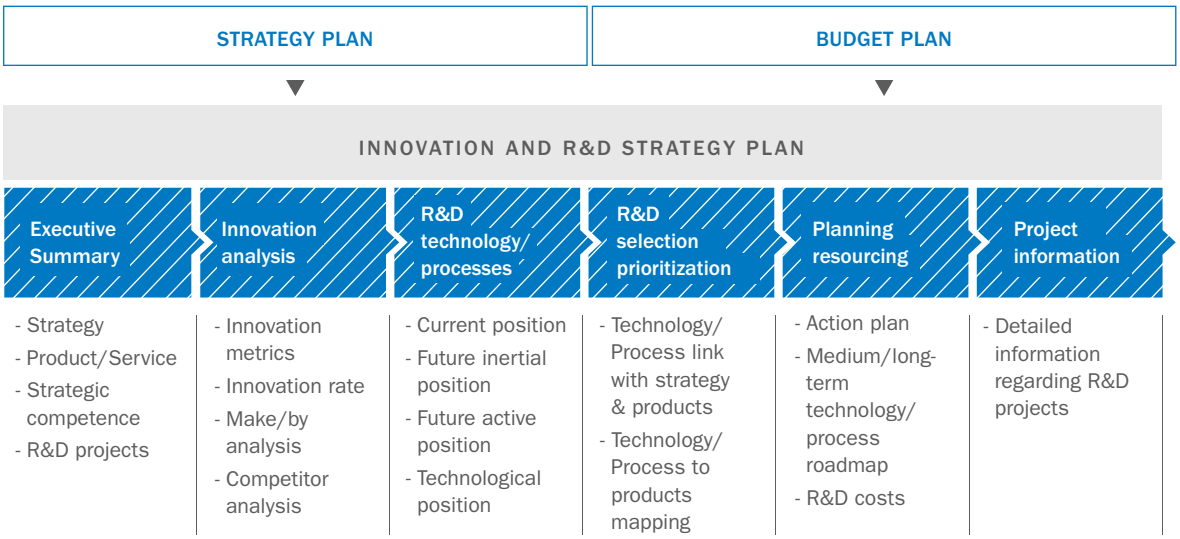
Innovation forms part of an integrated process that starts with strategic planning and with the budget targets, and then develops and concludes with the definition of a five-year plan.

Within this process, the Group Parent and operating companies have roles and responsibilities that are defined so as to foster cross-company synergies and continual monitoring of the effectiveness and efficiency of programmes.

The results of this process are described and collected in the Innovation and R&D Strategy Plan, which every company must prepare and present for approval to the Group Parent management.

The Innovation and R&D Strategy Plan provides a general overview that connects goals, technological innovation, product and process strategies of every Group's company, and is updated annually.

Phases in the development of the Innovation and R&D Strategy Plan



R&D activities

R&D activities are divided into "Technological R&D" and "R&D applied to products", thus allowing effective planning and risk mitigation by optimising the application of new technologies to products within a commercially acceptable time span. Logical integration of more recently acquired companies has resulted in more thorough analysis of the synergies that can be achieved within the Group, and in R&D as well.

In addition to activities within the Group, Finmeccanica also takes part in international research and development programmes carried out by NATO, the European Commission and the European Defence Agency (EDA).

For further information on the main R&D activities carried out by Group companies and on the international R&D programmes, please see the Consolidated Financial Statements.

Safeguarding and leveraging intellectual and technological assets

Innovation processes are stimulated and supported by Finmeccanica through intense technological governance operations that can be broken down into two main areas:

- safeguarding the Group's intellectual assets, through the Intellectual Property Governance programme;
- leveraging of the technological assets common to companies within the Group, through the MindSh@re project.

Intellectual Property Governance is a programme aiming to protect the Group's intellectual property, obtain patents and enhance the value of product and process innovations.

To ensure effective use of intellectual property rights (IPRs), it is necessary to invest in expertise that will enable an idea to be transformed into a product, and will ensure that the relevant patent is carefully applied, maintained over time or licensed out by means of mutually beneficial agreements.
Given the importance of IPRs, Finmeccanica governs them using a comprehensive system that includes the following aspects of IP management:

- protection of patents, models, designs and trademarks;
- management and optimisation of the portfolio, through harmonisation of Group IP policies and procedures;
- making the IPRs profitable, through licensing, sale, offset agreements.

In recent years, the Group has reported significant growth in the number, quality and international nature of patents.

	2010	2009	2008
Increase in filed patent portfolio with respect to previous year *	4%	36%[3]	2%
Division of patent portfolio by geographical area:			
- Italy	8%	9%	12%
- Foreign	92%	91%	88%

* Increase calculated net of lapsed patents.

MindSh@re is the Group's knowledge management project, developed to act as a cross-company technology incubator within the Group, and to encourage construction of a knowledge network to multiply ideas, projects and talents.
The project is a fundamental element of the Finmeccanica Group's culture of innovation, and represents the nerve centre animating the entire cooperative, interconnected network involving Group companies, partners, institutional customers, universities and research centres.

3. In 2009, the increase in the patent portfolio was due to acquisition of DRS Technologies.

MindSh@re 2010

- There are seven communities already up and running (Integrated development and planning environments; Logistics and customer services; Simulation technologies; Advanced materials and enabling technologies; Intellectual property; Radar; Software).
- Approximately 400 researchers and technicians are involved, and are considered to be some of the company's highest ranking professionals.
- Activation of four new projects:
  - "**Engineering processes associated with the NIILS Regulations**", capable of developing a common engineering "solution" for all companies to implement the requirements of the NIILS Regulations issued by the Secretary General of the Italian Defence Ministry (Segredifesa);
  - "**FIN BOX**", with the intention of providing a software platform for interoperation between systems in the various domains, in order to improve the efficiency of the integrated information distribution systems;
  - "**High stability of RF sources**", aimed at developing additional small or stealth object identification and location capacities for surveillance radars, by improving the image resolution of Synthetic Aperture Radars (SAR) in space applications;
  - "**Metamaterial Resonators**", a project to study metastructures for miniaturisation of microwave components, including resonators.

The Innovation Award – 7th edition

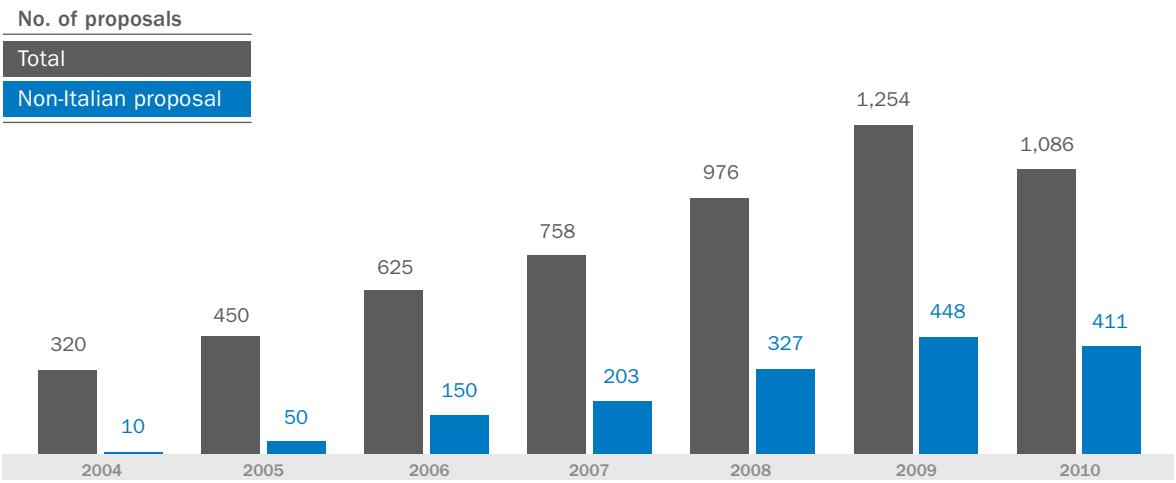
The Innovation Award is an internal competition for individual Group employees or teams to encourage them to try their hand at developing ideas and proposals, which are then assessed by a panel of independent judges, mainly from the academic and scientific research worlds. Since the first edition in 2004, over 16,000 people have taken part in the competition, submitting 5,500 innovative projects.

The return provided for the Finmeccanica Group by the Innovation Award is twofold:

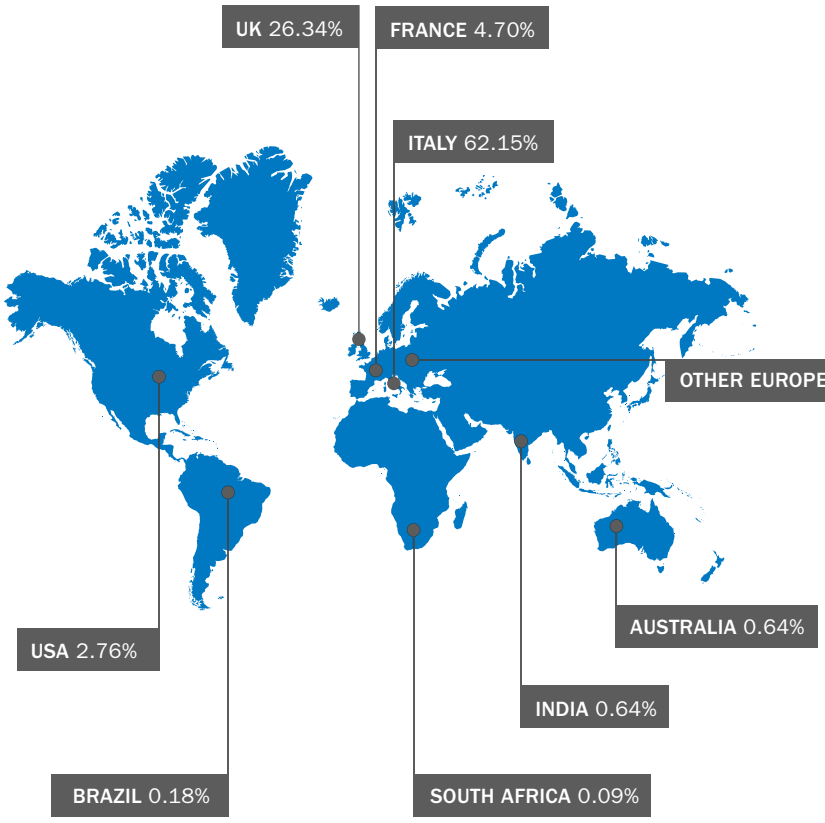
- it uncovers significant innovations and provides support for the patent process;
- it encourages cooperation and, therefore, promotes integration, both between different companies and between geographically distant locations of the same company.

The competition represents the Group's main source of patents: patent applications have been filed for 15% of all the proposals submitted in the last two editions of the Award.

Trend in the number of proposals submitted for the Innovation Award



Geographical origin of candidates for the Innovation Award 2010



ITALY	675
UK	286
USA	30
FRANCE	51
GERMANY	24
INDIA	7
AUSTRALIA	7
BRAZIL	2
SPAIN	2
SWEDEN	1
SOUTH AFRICA	1

Early in 2011, the award ceremony for the seventh edition of the Award, relating to activities in 2010, was held in Naples. This edition saw 1,086 proposals from 11 different countries (Italy, United Kingdom, United States, France, Germany, Spain, Australia, South Africa, Sweden, Brazil, and India).

Among all the proposals received in 2010, each Group company selected and presented a single project for final assessment. The 20 company projects were examined and assessed by an international committee coordinated by Stanford University (USA), with the following projects tying for first place:

SELEX Communications	***Multi Role Software Radio*** During the development of the software-defined radio, a new family of portable products was created to include small, low-cost products intended not just for military applications but also for security, governmental and private use.
WASS	***Intruder and obstacle warning system*** This is a sonar system built into a ship's bow that can identify obstacles on the surface of the water along the course that the ship is taking. Also provides a 3-D view of the sea bed along the route.
Thales Alenia Space	***Feed System with cross polarization cancellation for reflector based SAR*** This is an innovative project relating to space Synthetic Aperture Radars (SARs) developed using a combination of advanced antenna design methodologies, various enabling technological domains and practical experience from previous projects.

The committee also made three additional awards:

Finmeccanica Group Patent of the Year	to **DRS Technologies** for *A Pixel Structure Having an Umbrella Type Absorber with One or More Recesses or Channels Sized to Increase Radiation Absorption,* a sub-diffraction-limit hole applied to the sensing element of a microbolometer used as an uncooled sensor to obtain infrared images.
Best supplier 2010	to **Pratt & Whitney Canada**, a partner company of AgustaWestland in relation to numerous strategic programmes, demonstrating a high level of both professionalism and responsiveness in assisting AgustaWestland and its customers with any problems regarding the materials in use.
Industrial Award 2010	to **Ansaldo Energia**, for its *Gas burner assembly for a gas turbine* project: the VeLoNOx™ combustion system has been developed by Ansaldo Energia in order to meet the most severe and stringent requirements associated with the efforts towards a better environment sustainability.

PROCUREMENT MANAGEMENT

We transfer economic value in the supply chain by purchasing high volumes of goods and services. We promote cooperation and efficiency in the supply chain, with environmental sustainability and social responsibility becoming increasingly significant elements in negotiations with our suppliers.

Snapshot at 31 December 2010

19%	Helicopters
36%	Defence and Security Electronics
16%	Aeronautics
4%	Space
5%	Defence Systems
8%	Energy
10%	Transportation
2%	Other Activities

Division of purchases by geographical area (€ millions)

Italy	5,502
United Kingdom	1,534
United States	2,276
Other countries	2,874
Total	**12,186**

4. This includes both the item “Cost of goods and services” in the consolidated profit and loss account and capitalisation of technical fixed assets, and it does not take into account any changes in the stock of raw materials.

The value of procurement

Procurement of goods and services represents a considerable area of economic value that pours out from Finmeccanica into various supply chains in all the geographical areas in which the Group has sites. In many cases, the Finmeccanica manufacturing sites represent the main source of economic growth and development in these areas.
In 2010, the overall value of Finmeccanica's costs for goods and services amounted to €mil. 12,186 (equal to 65% of consolidated revenue). This proportion varies by sector, ranging from approximately 52% for Defence and Security Electronics to approximately 69% for Aeronautics.

The goods and services used directly in production (business critical goods and services) form the most significant part of Finmeccanica's purchasing (86% of total purchasing). The specific and critical nature of these supplies, which in many cases have to comply with strict quality requirements and form part of a complex and extensive supply chain, requires that the individual companies take total responsibility for strategic and operational management.

The Group's operating companies have implemented management processes aimed at maintaining a business critical supplier base that ensures high standards of quality and service and respect for environmental protection and health and safety standards.
The relationship with these suppliers is managed on the basis of how critical the procurement is – the greater the strategic importance of the goods and services supplied, the greater the level of cooperation, up to the point at which strategic partnership agreements are forged.

Finmeccanica Group Services supply chain management

Finmeccanica Group Services (FGS) is the Group company formed as part of a plan to rationalise procurement, launched at the start of the decade. FGS has grown in recent years to become a shared services company, whose range of action includes development of framework agreements for non business-critical purchasing, management of the e-procurement platform used by Group companies, governance of Group ICT (Information & Communication Technology) services, energy management, global service, logistics, business travel and certain HR services. FGS has always focused on the captive market, but since 2010 it also offers its services and solutions to companies outside the Finmeccanica Group.

As part of its mission, FGS has started to create the Routing Centre, a supply chain management solution whose first users will be Alenia Aeronautica and Alenia Aermacchi, as they signed an agreement to start the detailed design in September 2010.
It is an integrated system for management and control of the goods transport process, involving suppliers, logistics operators and manufacturing sites.
It represents a clear example of how economic benefits and reduction of environmental impact can be combined by using a collaborative planning system along the entire goods logistics chain:

- when planning transport, the system is able to reduce the frequency and timing of deliveries, optimise delivery and return routes, improve loads on the transport vehicles;
- when assigning transport, it reduces consumption and transport costs and increases the efficiency of management offices;
- in the actual transport phase, it reduces the distances travelled, increases management efficiency and effectiveness, reduces conflict and improves the quality of services.

FGS operates within the Routing Centre as the main contractor to companies, guaranteeing direct sourcing of transport service rates based on advanced real-time negotiation and contracting models. FGS will also be responsible for implementing the design phase and extending the service to the other Group companies. Specialised work for optimising transport flows will be entrusted to an international logistics partner who will be working as a sub-contractor of FGS.

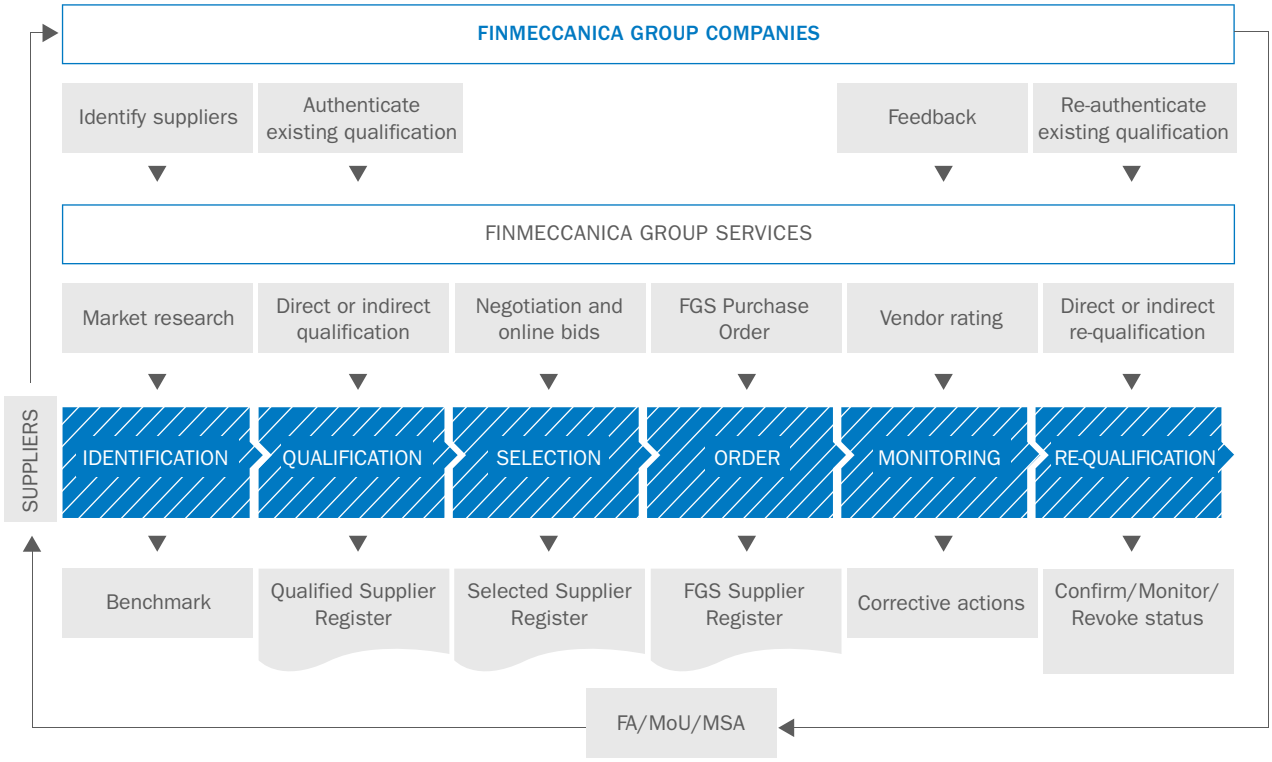
For other examples of supply chain management, please see the detailed review by sector

FGS and management of indirect purchasing (non business-critical purchasing)

Finmeccanica Group Services (FGS) plays a central role in managing procurement of indirect goods and services, intervening directly in the processes of supplier management, contract negotiation and development of dedicated procurement tools (e.g., the online negotiation platform). The "system" developed by FGS is available to the Group companies who use it for purchasing.

In 2010, purchasing carried out through the FGS system amounted to €mil. 1,650. There were approximately 350 suppliers with active framework agreements negotiated by FGS available to Group companies.

FGS supplier management system



Operating figures for the FGS supplier management system (€ millions)

	2010	2009
Selected suppliers/Suppliers with active agreements	350	343
- of which monitored using qualitative vendor ratings	130	100
- of which monitored using quantitative KPIs	14	9
- of which newly qualified	80	n.a.

In carrying out its mission, FGS has established itself over time as a company that provides supplier management and procurement practices that respond to the needs for efficiency, transparency and environmental sustainability.

In particular, the e-procurement platform, a tool that is under continuous development, is also used for online tenders in business-critical goods categories.

The platform guarantees vendors admitted to the negotiation phase:

- transparency and equal opportunity: the certainty that they will have full information in line with that available to competitors;
- clarity and uniformity of process: interaction methods that are clearly defined and applied in a consistent manner to negotiations by the buyer.

During 2010, approximately 3,500 online events were handled, with approximately 550 new suppliers registered on the Group portal, giving an overall total of approximately 6,300 suppliers.

The following is a detailed list of the main initiatives taken by FGS during 2010 with an impact on sustainable supply chain management issues.

AREA	OPERATIONS IMPLEMENTED IN 2010	RESULTS FOR 2010	AIM
Management of corporate fleet	Analysis of the Group's vehicle fleet emissions	Emission analysis 2010 for the Group's fleet is available	Reduction of pollutants Reduction of greenhouse gas emissions into the atmosphere Gradual alignment with the EU's emission limits for 2012
	Introduction of "environmentally-friendly" models	3 methane-fuelled cars out of 12 models on the "vehicle pool price list"	
		1 methane-fuelled car out of 13 models on the "middle-management vehicle price list"	
		1 hybrid-technology car out of 38 models on the "executive vehicle price list"	
	Environmental sustainability criteria as an element in assessment of suppliers during selection	5 suppliers assessed during re-negotiation of framework agreement based on activities/plans in the environmental field	
	Adoption of emission standards as a factor in choosing a vehicle	Indication of CO_2 emissions of vehicles in the list	
Business travel	Monitoring of Finmeccanica "travel" emissions	Estimate of emissions relating to Finmeccanica air travel for 2010 (70% coverage)	Increasing awareness of the need to limit greenhouse gas emissions into the atmosphere
	Introduction of video-conferences as a tool to reduce long-distance travel	Project carried out by Finmeccanica and SELEX Sistemi Integrati to introduce HD video-conferences	
Management of chemicals	Management of the entire product life-cycle using a service provider to guarantee appropriate disposal of chemicals and compliance with REACH	Letter of intent to sign a framework agreement with the service provider	Reduction of waste Proper disposal and possible recovery
Paper	Introduction of lighter weight quality paper and recycled paper at advantageous prices to encourage use	Supplier list updated in the agreement with 80 g paper to be replaced by 75 g	Less deforestation

Waste disposal	Procurement choices based on maximisation of the % of re-usable/ re-cycled waste Compliance with current waste management regulations	Assessment of supplier during the bidding phase based on the % of re-usable waste Verification of authorisations (validity, scope, application)	Recovery of waste produced, where possible Reduction of waste to be sent to waste disposal sites
Cleaning services	Introduction of supplier assessment parameters connected with workforce composition and the dosage and use of concentrates, promotion of waste separation, use of biodegradable products	Assessment of 10 suppliers involved in the bidding for 2010	**Workforce** · Prevent child labour · Promote first-time employment · Encourage equal opportunities **Management of materials** · Proper disposal and possible recovery · Reduction of pollutants
Environmental certificates	ISO 14000 certification as a criteria that helps assess the choice of supplier for categories such as: waste, housekeeping, food service, car hire	Waste: 13 out of 14 suppliers with framework agreements certified in 2010 Food service: 6 out of 7 suppliers with framework agreements certified in 2010 Housekeeping: 9 out of 10 suppliers with framework agreements certified in 2010 Long-term car hire: 1 out of 3 suppliers with framework agreements certified in 2010	Guarantee quality for facilities Gradual reduction in environmental impact according to the scheduled improvement plans drawn up
FGS projects	RFID (Radio Frequency Identification Device)	Technology applied in one Group company to manage incoming goods, inventories, production	Dematerialisation and digitalisation of documents Less deforestation
Occupational health and safety management	Framework agreement for preventing accidents and protecting safety in the workplace	1 supplier party to the agreement 6 companies party to the agreement	Increase the well-being and efficiency of workers in the workplace

As well as making progress on the activities mentioned above, in 2010 FGS also made several improvements to the system, specifically:

- integration of the self-certification form and supplier qualification questionnaire with ethical and social responsibility requirements;
- insertion of certain social responsibility parameters in supplier selection for certain categories of goods that are critical to ensure compliance with work ethics standards;
- monitoring of supplier performance (vendor rating) with indications of quality and quantity, which has been extended to cover 40% and 11% of overall expenditure, respectively.

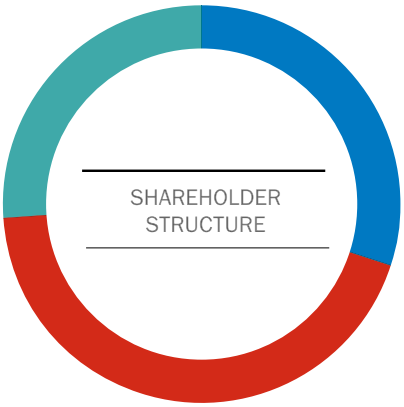
RELATIONS WITH THE FINANCIAL MARKETS

We consider credibility on financial markets to be one of the leading assets supporting corporate development. We operate in the most transparent manner to give adequate remuneration to our shareholders and lenders.

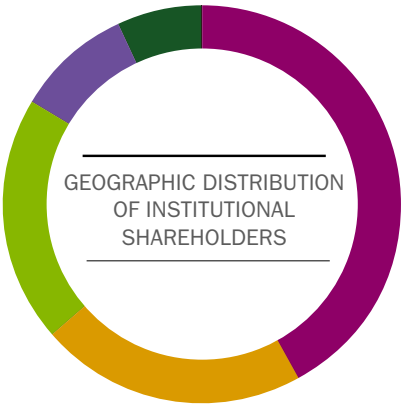
Snapshot at 31 December 2010

Share capital: € 2,543,861,738 represented by 578,150,395 ordinary shares, of which 712,515 treasury shares

Shareholder structure (updated first quarter 2011)

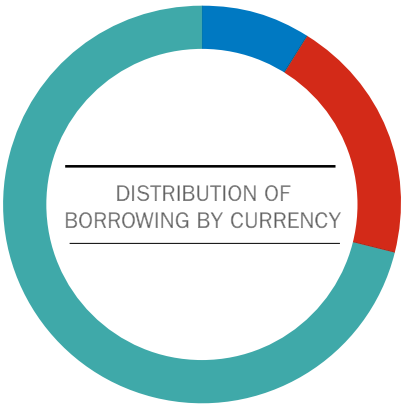


30.2%	Ministry for the Economy and Finance
43.8%	Institutional Investor
26.0%	Individual Investor

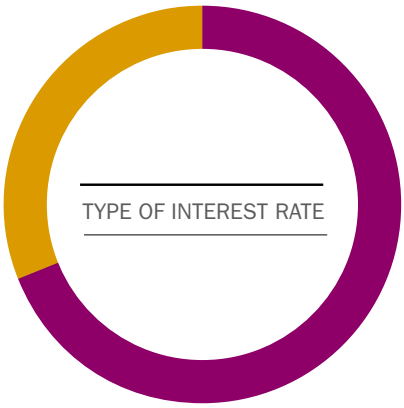


42.1%	North America
21.6%	UK/Ireland
20.0%	Rest of Europe
9.5%	Rest of the world
6.8%	Italian Institutions

Distribution of borrowing by currency and type of interest rate



9%	Sterling Bond
20%	Dollar Bond
71%	Euro Bond



69%	Fixed
31%	Floating

HIGHLIGHTS

Admission of Finmeccanica shares to the Dow Jones Sustainability Europe and World Indexes.

Organisation in London of the Fourth Investor Day with visits to the SELEX Galileo Edinburgh site.

New online Investor Relations section, easier to use and with more content, as part of the restyling of the Finmeccanica website.

In September 2010, signing of a revolving credit facility with a pool of major Italian and foreign banks for a total of €mil. 2,400.

Communication with the market

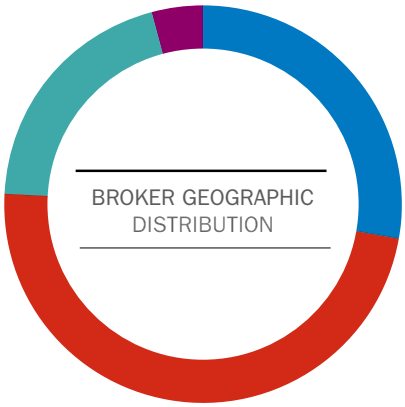
Finmeccanica is committed to providing full, transparent and timely information on all the Group's commercial and industrial operations, and on the financial effects that may be connected to them.

The Investor Relations (IR) unit provides all the key elements to ensure that the financial market has a perception of the company in line with the intrinsic value of Group operations.
The aim, which is pursued in line with the principles set down by all the best national and international practices – as well as in current laws and regulations – is to develop a transparent and ongoing dialogue with the financial community both in Italy and abroad, founded on a clear strategic view of Finmeccanica's businesses and their development.

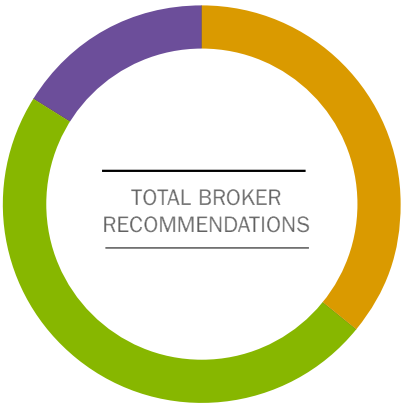
IR provides continuous communication with all investors (both institutional and retail) and financial analysts (sell side and buy side), providing information on the Group's financial performance and on its commercial situation, monitoring market consensus carefully and taking part in the preparation of the Guidance.

During 2010, as many as 25 sell-side analysts have produced periodic reports on Finmeccanica shares: 12 of these from the United Kingdom, 7 from Italy, 5 from France, and 1 from the United States.

Distribution of analyst coverage with recommendations (first quarter 2011)

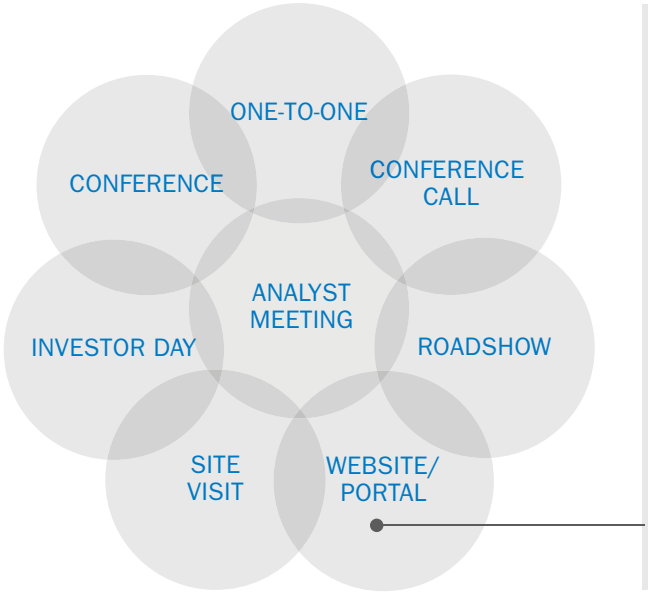


28%	Italy
48%	UK
20%	France
4%	USA



36%	Positive
48%	Neutral
16%	Negative

Tools and events for communication with the financial market



Shareholders' Meeting Online info box
When the annual Shareholders' Meeting takes place, a Shareholders' Meeting info box is set up on the Finmeccanica website in the IR section, dedicated mainly to retail shareholders.
The box, which is prepared in two languages, contains all the documents, a list of questions and answers and useful information about the Shareholders' Meeting. It also gives a freephone number (also active from abroad), which provides information and clarification on points on the agenda and on how to take part.

Through the Investor Relations unit, every year Finmeccanica organises events aimed both at improving the financial market's understanding of the Group and presenting the performance and financial results and the outlook for the future (performance and financial Guidance).

The most important event organised and managed by Investor Relations is the Investor Day, which is held once a year in Europe or in the United States. The Investor Day is intended to communicate the Group's operations and outlook through presentations by the top management of Finmeccanica and other Group companies and visits to the most representative industrial sites.

Also, at least two institutional roadshows are organised during the year, attended by the Group's top executives. These are preferably held to coincide with the publication of the Group's annual and half-year results, in line with the best practice of listed companies. The roadshows are mainly held in Europe and North America, and generally involve an opening presentation in London, followed by similar events in the other main European financial centres, such as Paris, Milan and Frankfurt. After this, the Finmeccanica roadshows move to North America, normally visiting New York, Boston and other United States financial centres (California, Chicago etc.), and finally moving to Canada.

For more information, please see www.finmeccanica.com, in the Investor Relations section

Dialogue with the market on sustainability issues: the case of Socially Responsible Investors

For listed companies, sustainability is becoming an increasingly important element in the assessments of brokers, rating agencies and dedicated investment funds, mainly based in Belgium, Canada, the United Kingdom, Norway, the Netherlands, Sweden, and the United States.

There are two main lines of interest:
- general issues relating to the Group's policies and sustainability management processes, which are subject to analysis and investigation above all by international rating agencies and specialised brokers;
- specific issues relating to the Aerospace and Defence sector (e.g., involvement in critical countries such as Iran, North Korea, Sudan) and/or in research, creation, production and sale of controversial products (mines, anti-personnel mines, chemical, bacteriological and nuclear weapons).

As well as monitoring performance through sustainability accounting, Finmeccanica periodically responds to a number of requests through official letters signed in the company name by the IR director and/or directly by the Chairman and CEO.
In 2010, Finmeccanica organised a seminar on the subject of sustainability at the Catholic University of Milan, and took part in the European Forum on Sustainable Development (held in Brussels) and in the meetings on ESG (Environmental, Social and Governance) strategies of the related international investment funds.

Targets set and targets achieved

Each year, Finmeccanica provides investors with performance and financial targets (Guidance), which represent a genuine commitment to financial stakeholders. Based on the Guidance targets and Finmeccanica's ability to achieve them, brokers formulate recommendations and investors decide whether or not to invest in the shares and in other financial instruments issued by the company. Achieving the Guidance targets is an essential part of assessing the credibility of management and maintaining a relationship of trust with the markets.

As has been the case since 2003, the year in which Finmeccanica adopted this market practice, once again in 2010 the Guidance targets announced to the market when the financial statements for 2009 were published have been achieved.

Guidance targets 2008-2010

	2008 Target	2008 Result	2009 Target	2009 Result	2010 Target	2010 Result	Target achieved
Revenues	€bil. 14.2-14.9	€bil. 13.4	€bil. 17.1-17.7	€bil. 18.2	€bil. 17.8-18.6	€bil. 18.7	✓ ✓ ✓
Adj. EBITA	€mil. 1,170-1,240	€mil. 1,305	€mil. 1,550-1,620	€mil. 1,590	€mil. 1,520-1,600	€mil. 1,589	✓ ✓ ✓
Operating Cash Flow Post Investments	About €mil. 375	€mil. 469	€mil. 400-500	€mil. 563	€mil. 200-300	€mil. 443	✓ ✓ ✓

Guidance targets 2011

	2011E
Revenues	€bil. 18.3-19
EBITA	€mil. 1,530-1,600
FOCF *	€mil. 400-500

NEW ORDERS 2011E >€BIL. 20, MAINTAINING A BOOK/BILL RATIO WELL ABOVE 1

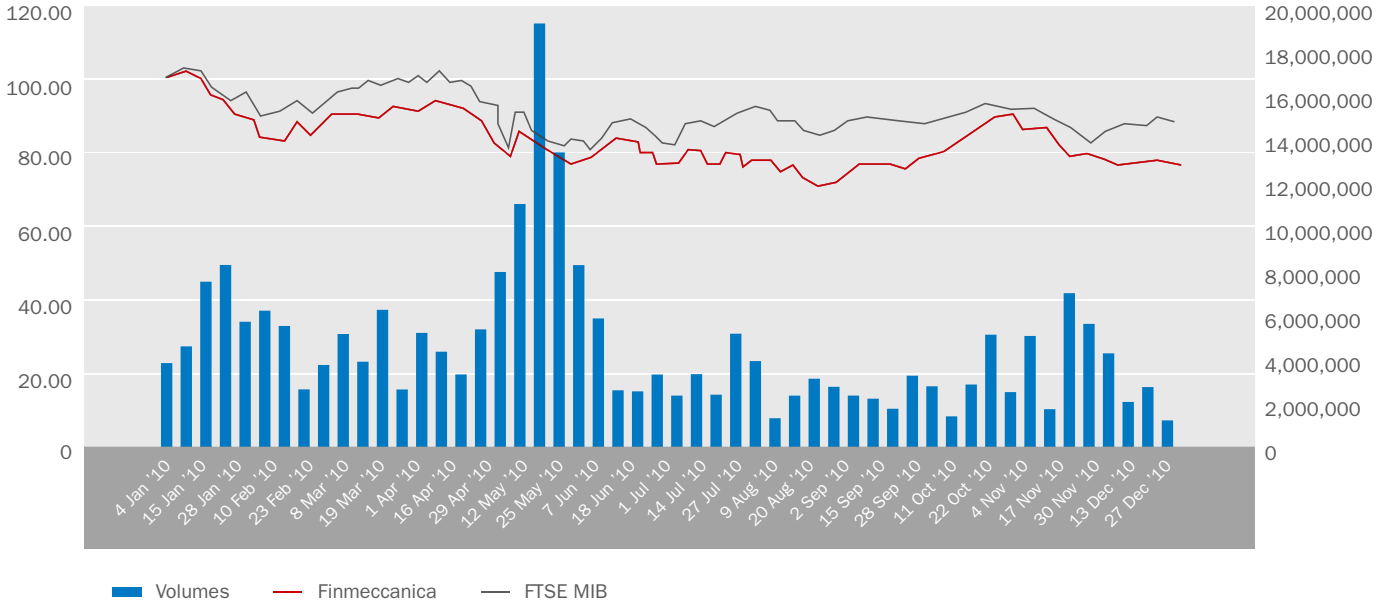
* Free Operating Cash Flow: cash flow from operating activities, net of investments, net finance costs and taxes.

Returns for shareholders

In 2011 (FY 2010), the Board of Directors proposed to the Shareholder's Meeting a dividend of €0.41 per share, unchanged with respect to previous years, thus maintaining a high dividend/price ratio (dividend yield approximately 4.5%) for the sector.

Performance of Finmeccanica shares

During 2010, the value of Finmeccanica shares was influenced more by external factors than by Group performance. The sovereign debt crisis, which emerged and spread rapidly through the countries in the euro area, had a negative impact on the stock prices of most of the companies in the Aerospace and Defence sector, which ended the year at values below those of 2009.



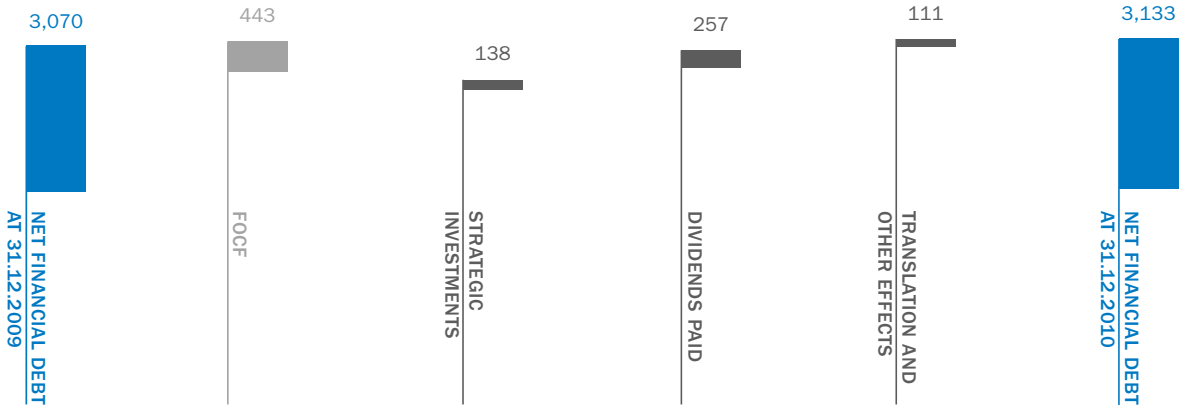
Relations with the banking and bond market

Finmeccanica has grown and developed its business, thanks in part to its sound financial structure and the support and availability of funds from the banking system and fixed-income investors. Thus, financial institutions, banks and bondholders must also be numbered among the Group's financial stakeholders, together with shareholders.

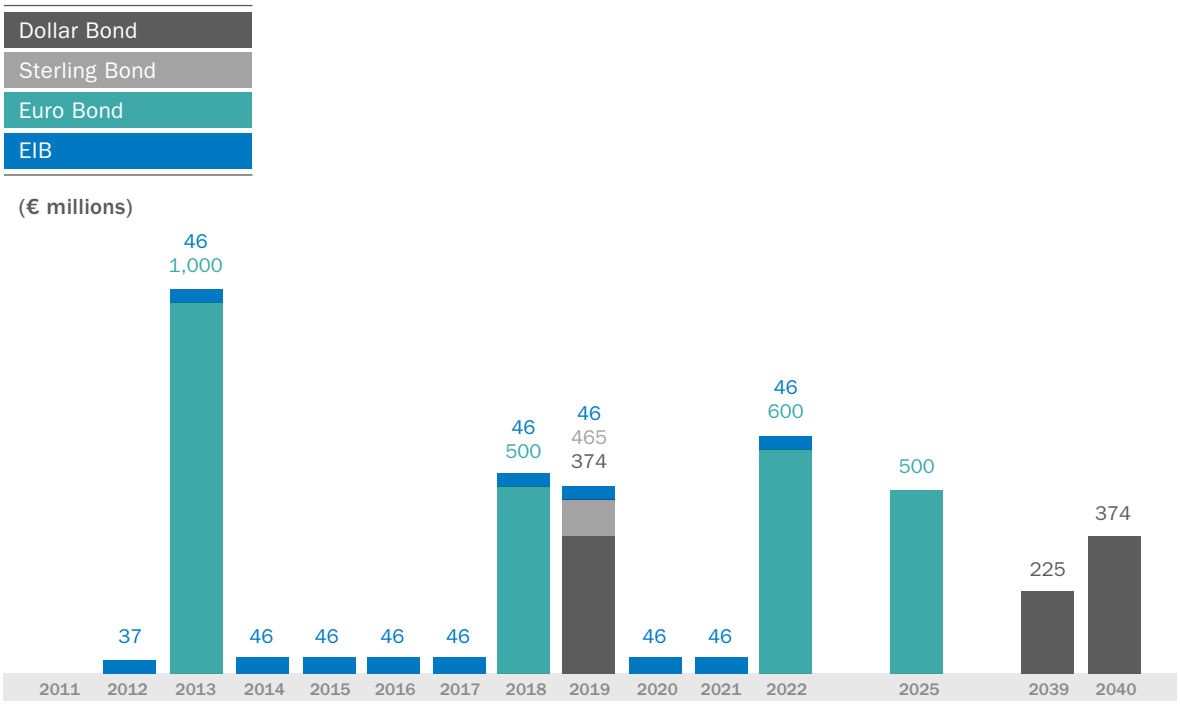
During the last five years, the industrial internationalisation process that has characterised the Group has been accompanied by a parallel internationalisation of the sources of financial resources, which have seen an expansion of the institutional fixed-income investor base beyond the euro area to include investors in the US dollar and pound sterling areas.

Debt management

At the end of 2010, the Group's financial debt net of financial receivables and cash and cash equivalents amounted to €bil. 3.1, substantially unchanged with respect to the previous year. The most significant operations that contributed to changes in net financial debt are shown in the table below.

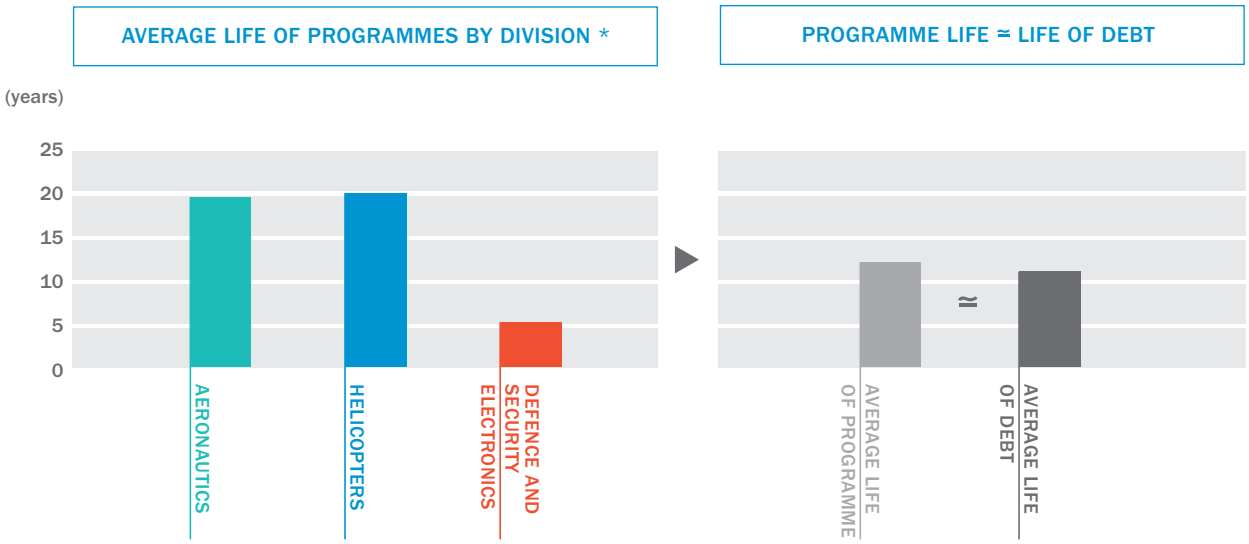


At year-end, the financial statements showed existing bonds amounting to an International Accounting Standards value of €mil. 4,610, with maturity dates falling between 2012 and 2040, as shown in the table below:



The debt structure features issues in the three main currencies for the Group (euro, pound sterling and US dollar), which represent 71%, 9% and 20% of total outstanding debt, respectively. Most debt is at fixed rate (70%). In 2010, the average cost of borrowing was 5.6%.

The average residual life of debt is over 10 years. Finmeccanica's ability to place thirty-year bonds (2039-2040) on the market underscores the confidence that domestic and foreign investors have in the Group's long-term sustainability. The maturity of debt is also aligned with the average life of Group projects, and thus ensures effective asset liability management, which guarantees long-term stability and financial equilibrium.



* Includes the major programmes.

In August 2010, Finmeccanica made full use of the €mil. 500 loan made available by the European Investments Bank (EIB) to fund the development of advanced aeronautical components. This loan has a maturity of 12 years, corresponding to the duration of the associated investments.

During 2010, Finmeccanica also successfully concluded operations to extend until 2015 the maturity of existing short-term confirmed lines of credit with maturities up to the end of 2012. In September 2010, a revolving credit facility was signed with a pool of major Italian and foreign banks for a total of €mil. 2,400. The new credit facility, the cost of which varies according to changes in the credit rating, provides an important source of medium-term liquidity to met the Group's working capital needs, mainly in connection with seasonal patterns in receipts.

Credit rating

Finmeccanica irrevocably and unconditionally guarantees all bonds issued, which are given a medium-term financial credit rating by the international rating agencies Moody's Investor Service, Standard & Poor's and Fitch.

International ratings

A rating expresses a composite assessment of the creditworthiness of the company being evaluated and its financial soundness. It measures the ability to repay the debt principal and pay interest in accordance with the terms set in the loan contract. It therefore represents confirmation of the company's equilibrium and ability to generate economic value.

The method used to assign the rating is based on analysis of significant risk factors (business risk and financial risk) and on the company's ability to manage those risks.

Agency	Date	Medium/long-term debt	Outlook
Moody's	29 August 2005	A3	Stable
Standard & Poor's	6 December 2010	BBB	Negative
Fitch	22 July 2009	BBB+	Stable

3

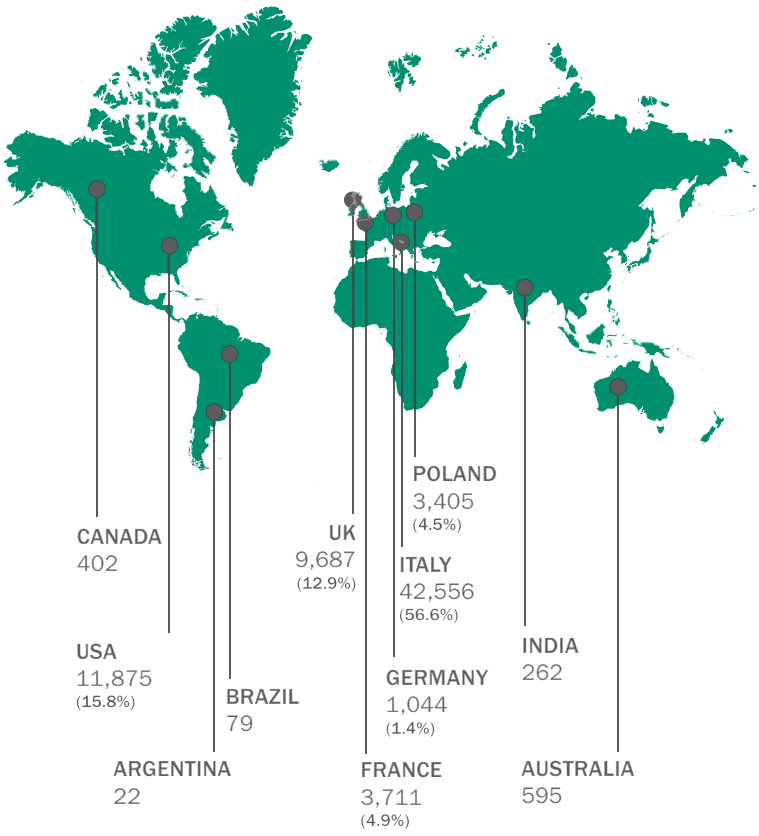
HUMAN RESOURCES AND PUBLIC RELATIONS

PEOPLE

We consider our company to be a community of people, and our people are one of its most competitive assets. We work with 75,000 employees with the aim of bringing out and rewarding the talents and abilities of each one. We work to strengthen a common industrial culture and identity and we are committed to providing welcoming, safe places to work.

Snapshot at 31 December 2010

Overall workforce: 75,197 employees *



EUROPE 61,367 (82%) **OTHER COUNTRIES 595**

18%	Helicopters
40%	Defence and Security Electronics
17%	Aeronautics
5%	Space
5%	Defence Systems
5%	Energy
9%	Transportation
1%	Other activities

Non-Italian employees account for 43.4% of total.

* Employees in joint ventures are consolidated, based on the share held by Finmeccanica Group (MBDA, Thales Alenia Space, Telespazio, ATR, SuperJet International).

NOTE: Percentage incidence of workforce on total is in brackets.

Intellectual assets: over **30%** of Group employees are university graduates and **47%** have high school diplomas, with a distinct prevalence of technical degrees and diplomas.

Technological soul: **16,000 engineers**, mainly in the aeronautics/aerospace, electronics, mechanical, information technology and telecommunications sectors.

Manufacturing vocation: **21,000 highly specialised technicians** working in the various Group companies.

Intergenerational exchange: **four** generations work side-by-side at Finmeccanica. This extraordinary intellectual and human asset is fed and strengthened above all by the creative energy of those aged under 35 (30% of the workforce) and by the experience of the "senior" employees aged 50 and over (31%).

Hours of training provided in 2010 (Finmeccanica Group in Italy): 931,513 *.

Average training hours per employee: 22.

Over 38,000 responses from 27 countries to the Business Culture survey on the Group's corporate culture and climate.

For more information on Finmeccanica's workforce, please refer to www.finmeccanica.com, in the People/People in the world sector

* The figure does not include the hours of training attributable to orders.

HIGHLIGHTS

RED Project, review and reallocation of assets and resources among companies in the Defence and Security Electronics and the Space sectors.

Planning of the Finmeccanica Elite Management System (FEMS).

First edition of the Executive Leadership Programme (ELP).

Confindustria confers upon Finmeccanica the "Orientagiovani" Award for its commitment to the promotion and enhancement of a technical culture both within the Group (Back to Basics) and at the national level (Technical institutes project).

BEST Masters: credited by ASFOR (Italian Management Training Association) as a Corporate Executive MBA (Masters in Business Administration); it was the first Masters in Italy to have been recognised as an e-learning MBA.

Creation of the FLIP Final Conference.

People: excellence, identity, international integration

Finmeccanica is moving out of a multi-domestic dimension and into an international one. This transition, which has also been the result of new acquisitions, imposes the need for integration and harmonisation of processes, practices and forms of behaviour. To reach these goals, the Human Resources Department and the External Relations Department are working on a day-to-day basis, implementing an integrated system dedicated to human resources that involves the Group Parent and its subsidiaries in a continual two-way process.

Again in 2010, Finmeccanica applied for and obtained UNI EN ISO 9001:2000 quality certification for "Design, performance and management of Finmeccanica Group human resources education and development projects"

In this scenario, strengthening Group identity plays a fundamental part. Finmeccanica works to ensure respect for people's origins and regional characteristics, and to encourage their recognition within a distinctive common culture.

Consolidating Group culture: dialogue with people

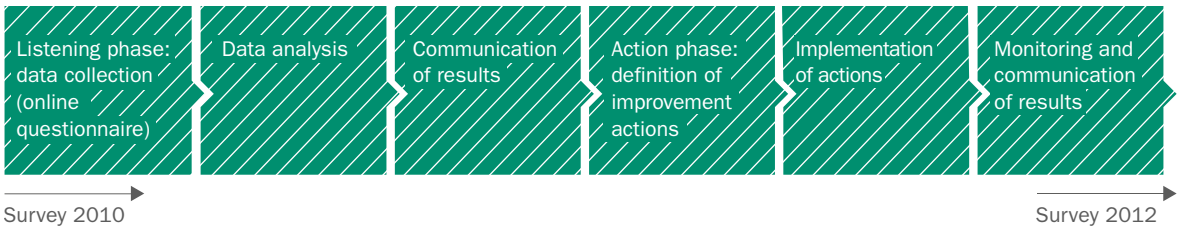
Finmeccanica supports the development of a distinct, multicultural identity by implementing innovative plans and tools to increase involvement, listening and dialogue and to facilitate the creation of a network that will improve Group assets.

Listening to people's opinions and noting how their needs change are the main goals of the Business Culture survey on climate and culture aimed at all Group employees, conducted every two years by Finmeccanica. Every employee is called upon to express his or her opinion on his or her work and corporate life, and to take part in important projects for change that follow the "listening" phase.

The 2010 survey (third edition) had a distinctly international flavour, involving as it did for the first time the employees at DRS Technologies and many of the Group's foreign sites in Australia, Africa and Asia. The questionnaire looked in depth at certain specific topics that have become of particular interest to Finmeccanica over recent years: health and safety in the workplace, care for the environment, sharing of corporate values, employee motivation and satisfaction, merit-based promotion, efficiency of management style and opportunities for development and training offered by the Group.

The results of the 2010 survey appear as a whole to have expanded with respect to previous editions.

Process and timing of the Business Culture Project 2010-2011



2010-2011 survey figures

71,782 people involved *

27 countries represented

11 languages used for the questionnaire

330 company offices involved

38,139 responses received (56.5 participation rate)

* The Polish company PZL – Świdnik, recently acquired by AgustaWestland, is considered to be within the scope of the survey (4,281 employees when the survey was launched in June 2010), but this population was excluded from the statistical analyses performed, since it took part in the initiative of February 2011.

Some significant highlights in terms of sustainability *

Subjects	Group average 2010	2008
Job satisfaction and company climate		
I'm satisfied with the job I do	79.5	77.8
I'm satisfied to work in my company	77.8	75.5
Sense of belonging		
I feel a strong sense of beloning to my company	76.7	73
Pride and trust in the future		
I'm proud to work at Finmeccanica	79.8	n.a.
I have faith in the future of Finmeccanica	81.6	n.a.
Points of satisfaction		
I consider myself satisfied as a whole with my working environment	70.5	68.6
Safety at work and protection of the environment		
In my company there is attention and involvement in health and safety questions	74.8	n.a.
My company pays attention to environmental protection	70.3	n.a.
Customer satisfaction		
In my company we are oriented towards customer satisfaction (internal and external)	79.9	82.1

* The results are expressed as the percentage of those in agreement, which includes those who stated they were *fairly* and *very much in agreement* with the contents of each of the questions.

Analysing the results of the 2010 survey has identified two priority areas for intervention at the Finmeccanica Group level, and each company is identifying areas for improvement that will be communicated, launched and monitored during the whole of 2011:

LEVERAGING PEOPLE	Leveraging the talents of individual people, rewarding merit, professionalism and willingness to take on responsibility. Promoting the values of *attention to people* and *team spirit* at all levels of the organisation and in all Finmeccanica sites throughout the world. Spreading a style of management that encourages employees to give the best of themselves, aids the professional growth of partners and their direct involvement in the achievement of results.
ENHANCING INDUSTRIAL PROCESSES	Facilitate the development of synergism and integration processes within each company and between the Group companies. Improve performance and reduce costs. Respond effectively to this vision in a flexible, fast way.

INTERNAL COMMUNICATION TOOLS AND EVENTS

Mutual exchange of information and knowledge, essential to developing and strengthening Group culture, takes place daily using two-way communication tools.
The External Relations Department, which manages internal communication in coordination with the Human Resources Department, connects to the companies by means of an internal communications network made up of sixty persons from the communications and human resources departments. These people not only share day-to-day operations – informing Finmeccanica of what is going on within the companies (e.g., contracts, events, points of excellence) – but also engage in periods of reflection and training, which in turn allow them to transfer "Group thinking" to their companies.

Communication takes place using tools and events dedicated to employees, as shown in the table below:

TOOLS	DESCRIPTION	OPERATIONS AND RESULTS 2010
Sustainability Report	This is the most important means of spreading the culture of sustainability within the Group.	Publication of the third Sustainability Report for the year 2009 with integration of the Environmental Report. Started transition to the Sustainability Report 2010.
Group Intranet portal	This is the main instrument for Group employees, and is used to share news about companies, social and cultural events and press folders.	Continued with the work to connect up all foreign sites. Increase in visits to the portal: peak of 230,000 in the month of October.

Finmeccanica Forum	Available to all in the Communication section of the Group portal, it aims to create a two-way connection between top management and employees, by making it possible to ask questions, write personal comments and receive the relevant answers. It also contains information from the press, news agencies and statements which are updated systematically.	**Visits:** 5,236 **Pages viewed:** 8,182 *
Management Forum	Dedicated exclusively to managers, it was launched in the month of October, in preparation for the annual Management Convention. Designed to be a "virtual meeting place" in which to pose topics for debate, consideration and comparison, after the event the Forum has been used to share questions, documents and films, allowing managers to involve their partners in the debate as well.	**Users:** 1,300 **Pages viewed:** 17,012 **
Finmeccanica Magazine	Since 2004 this has been an important communication tool in which to share management decisions, Group points of excellence and future prospects with employees.	Enclosures have been introduced to give visibility and added information on the various business segments.

EVENTS AND MEETINGS	DESCRIPTION	OPERATIONS AND RESULTS 2010
Management Convention	Annual convention for executives from all Group companies, during which challenges and opportunities are analysed and areas for improvement for the coming year are discussed.	Held in Turin-Caselle (over 1,500 participants). Subjects of the 2010 edition were agility and flexibility, considered key factors in dealing with the crisis and improving performance.
Seniores Award Ceremony	Celebration of employees who have been with the company for 35, 40 and 45 years and Master Workers.	Held in Pratica di Mare (Rome) (over 1,000 participants). Stressed the value of experience, which is considered one of the fundamental principles for guaranteeing the Group increasing growth in the future.
Energy Day	A day aimed at making all Finmeccanica staff in Italy, the United Kingdom and the United States aware of energy saving issues.	The savings generated by the energy stratagems adopted during the day were donated to charity.

* Data refering to June 2010 through December 2011.
** Data refering to 3 November 2010 through 28 February 2011.

ENHANCEMENT OF THE HUMAN RESOURCES CAPITAL

Finmeccanica works to strengthen a distinctive approach within the Group. This involves not only culture, but also languages, methods, shared metrics, through:

- formation of a class of managers with international excellence and authority;
- consolidation of an industrial culture centred on Finmeccanica's core expertise;
- a firmly rooted culture of merit aimed at allowing the talents of those working within the Group to emerge.

The system is organised into the areas Education, Development & Knowledge Management, which oversees and governs enhancement of talent and development of skills, and HR Management & Industrial Relations, which works towards optimum management of human resources and governance of the industrial relations system.

Education, Development & Knowledge Management

	2010	2009
Training hours provided *	931,513	859,131 **
Training hours per employee ***	22	20.2

* The figures refer to employees in Italy.
** At 30 June 2010.
*** Ratio between the hours of training and number of employees.

INDUSTRIAL KNOWLEDGE

The integrated Industrial Knowledge system constantly watches over core competencies to develop and enhance the Group's intangible assets.
In 2010, the following activities were carried out:

PROGRAMME	DESCRIPTION	ACTIVITIES IN 2010
Project Management Programme (PMP)	A training programme aimed at developing the methods to support order management by adopting the best programme/project management practices.	Overall figures for the three-year period 2008-2010: - 22 companies involved, 1,993 participants from 15 nations, 23 training sites in 5 countries (Italy, France, United Kingdom, United States and Australia), over 100,000 hours of training provided (mainly funded), 221 editions, 184 PMs certified from 2008 to date. In 2010: - expansion of participant pool (not just PMs, but all persons on project teams); - creation of a survey on 2008-2009 participants to assess the effectiveness of the PMP from the point of view of training and applicability of the PM model within individual companies.
Finmeccanica Economics Programme 2.0	A blended programme using advanced distance learning methods based on the application of Web 2.0 technology.	300 participants in 2010; since the start of the initiative in 2006 there have been a total of over 1,400 participants. Business simulation in the classroom has been extended and is also provided in the United Kingdom. Finally, a specialised module on Industrial Cost Control and on the Planus Method has been developed.

YOUNG PEOPLE PROGRAMME

Young People Programme is a training and development programme dedicated to young people in the Finmeccanica companies, and it has the aim of improving specific professional and managerial skills and spreading distinctive Group values. This programme includes the following:

PROGRAMME	DESCRIPTION	ACTIVITIES IN 2010
FHINK	**FHINK**, the Masters in International Business Engineering, is an ambitious project aimed at identifying, on the global market, human resources with outstanding motivation and professional characteristics. The skills sought are the ones that will immediately be able to give an effective contribution to the various company operating processes and, above all, to the evolution of Group culture.	**Participants:** - 26 students of 12 nationalities; - average age of 25 years. **Training:** - approximately 1,500 hours in all. **Overall number of persons** from the Finmeccanica Masters programme **who have entered Group companies:** - 128.
FLIP	**FLIP (Finmeccanica Learning Induction Programme)** is an orientation course for the Group's new hires to illustrate Finmeccanica's distinctive set of values, develop a sense of belonging to the Group and provide participants with the necessary information to better understand the organisation and so be more effective in their work. The course uses a blended learning approach based on a mixture of classroom lessons, e-learning and team work (both virtual and in person).	- Since 2005 approximately 1,300 persons have taken part in FLIP. - In 2010, the orientation course was launched at the international level; approximately 300 participants from 4 countries (United Kingdom, United States, Italy, France) were involved. Following the training course, **a final conference, broadcast via live streaming on the web**, was held on 4 November 2010 in partnership with the "Guido Carli" LUISS University, Rome. The approximately 300 participants from all over the world were able, during a debate entitled "2 generations face-to-face for the future of Finmeccanica", to directly interact with Chairman Guarguaglini and several of the Group's top managers to discuss 4 issues that the young people themselves have identified as priorities to follow up the growth they experienced: 1) the values and competencies of Finmeccanica's Generation Y; 2) intergenerational dialogue; 3) the future of Finmeccanica; 4) integration of Group business and companies. The event was conceived with particular emphasis on issues of the environment and eco-sustainibility: the event was paper free, and participants were transferred from place to place using electric shuttle buses (ZEUS) made available by BredaMenarinibus, one of the Group companies.
BEST	**BEST (Business Education Strategic Ten)** is the one-year Masters in General Management dedicated to young high-potential graduates from all Group companies with up to three years seniority. The main aims of the Masters are to develop leadership and teamworking skills.	This Masters has been certified as a Corporate Executive MBA by ASFOR (Italian Management Training Association) and is also the first corporate Masters in Italy to have received this prestigious recognition as an e-learning MBA. There have been 3 editions, with a total of 55 participants. Since 2008, a total of over 700 young people from various companies have taken part in BEST.

Future L.I.F.E.	**Future L.I.F.E. (Learning Intensive Finmeccanica Experience)** is aimed at all young people in Group companies who have distinguished themselves as the best in class of the various editions of the BEST Masters. Future L.I.F.E. is a novel training experience aimed at encouraging participants to experiment with the practices, knowledge and tools that are essential for working effectively within the Finmeccanica world. The aim is to offer them the opportunity to compare notes with "models of excellence" at the international level, and then bring what they have learned directly back into the Group's management.	In 2010, approximately 20 participants had this experience, which took them during the live interactive session to Toulouse, as the guests of Thales Alenia Space and GIE-ATR. Since 2005, over 60 young people from the Group have taken part in Future L.I.F.E.
New CHANGE	**CHANGE (Challenge Hunters Aiming at New Generation Excellence) for Rockets** is an initiative that aims to develop Group resources exhibiting excellence with approximately 10 years seniority in the company (Rockets), who have international standing and exceptional potential for growth towards roles of greater responsibility. It is a course designed to accelerate individual development and an opportunity for collective training that increases participants' awareness of market trends and the international scenarios in which the Group operates, as well as facilitating inter-group mobility and inter-company dialogue.	Key facts: - 200 young people from various Group companies have taken part; - during the course's 3-day launch, special panels of experts from inside and outside the Group debated "Technological innovation, internationalisation, value creation"; - during the following months, 5 work projects on the issues of innovation, value creation, technological development/operations, multicultural and internationalisation were carried out. The various editions of this initiative have involved approximately 300 young people from the Group.

EXECUTIVE & MIDDLE MANAGER PROGRAMME

Managerial training aimed at executives and middle managers, with the aim of increasing professional expertise and encouraging the development of a managerial culture based on a Finmeccanica leadership style.

PROGRAMME	DESCRIPTION	ACTIVITIES IN 2010
Competency Lab (CLab)	A training and development programme for managerial skills, divided into training courses that are customised according to individual needs.	Completion of the pilot phase, with overall involvement of approximately 150 executives and 500 middle managers from all Group companies. In December the first edition for executives was held in the United Kingdom, and labs are currently starting in the United States as well.
From technology to values	A managerial training seminar aimed at high-potential international executives.	Two editions of the seminar have been held, and were attended by 42 executives of various nationalities (Italy, United States, United Kingdom, Australia). To date, the community of participants in the various editions of the project comprises 311 executives who, in 2010, were actively involved as mentors for young graduates who had newly joined companies in the Group and were taking part in FLIP.

Finmeccanica Executive Leadership Programme	High-level management training and development programme dedicated to a selected number of executives from the Group's various operating companies at the international level.	A total of 33 high-potential executives (27 Italian and 6 foreign) who already hold key positions within the companies were involved. The course was developed with the support of Imperial College, London, as part of a wider strategic cooperation agreement that had been signed in 2009 with Finmeccanica.
Focus on pensions	An initiative aimed at executives in the companies enrolled in the Pension Fund for Group executives, with the aim of: • conveying general information on the supplementary pension funds; • facilitating access to information on the Group Pension Fund; • providing more specific training on pension fund law and finance.	The Plan is based on two training operations: 1) Professional Improvement Course on "Supplementary Pension Finance and Management" 2) Course on "Technical Training on the Supplementary Pension Scheme". The initiative involved a total of approximately 1,400 Group executives.

As well as the programmes mentioned above, the other main initiatives for development of human resources completed in 2010 were:

- the **People Review** process, which is complementary to the Management Review and focuses on middle managers and on young people with high potential (Rockets). More than 600 people are involved;
- the Finmeccanica **Assessor Academy**, an international qualification and certification process aimed at training assessors in the HR Professional Family in order to "internalise" the core skills needed to analyse and assess the potential of personnel, using standardised tools and methods, in order to arrive at a "Finmeccanica model" that is increasingly able to identify and develop the Group's talent pool. Twenty-two assessors have been trained and certified. In 2010 they were already able to apply the Finmeccanica assessment methods in company and Group development programmes (Future Leader Review for PMs, assessment of potential).

The Finmeccanica Elite Management System (FEMS)

One of the main areas of action in 2010 was Talent Management & Development. A new integrated model for the development, management and training of human resources has been designed, known as the Finmeccanica Elite Management System (FEMS). FEMS helps to cultivate a management class of international standing that allows the Finmeccanica Group to successfully take on business challenges employing a structured approach that guarantees the necessary turnover at the management level in years to come. FEMS also seeks to enhance the talents of people, offering opportunities for professional development thanks in part to the support of a portfolio of targeted training initiatives.
Implementation and full operation of this new model is one of the strategic goals for 2011, and is shared by the Group Parent's Human Resources Department and by all the HR departments in the operating companies.

HR Management & Industrial Relations

Finmeccanica also works with the aim of ensuring optimum management of people by drawing up professional career and succession plans in line with the motivation/expectations of individuals and with business needs, management of mobility paths, definition of tools to measure performance and relevant incentive systems.
Since 2002, an annual meeting has been held with Group companies in order to analyse, share and verify company policies and initiatives for the management, enhancement and development of human resources at Finmeccanica.

It also ensures central, unified management of industrial relations and relations with trade unions, together with monitoring of labour laws and relevant operations for their implementation at the Group level.

In 2010, activities were carried out in the following areas.

PROGRAMME	DESCRIPTION AND ACTIVITIES IN 2010
Succession plans	Activities within the annual **Management Review** (MR) process. Based on the evaluations made by the operating companies (performance/potential), and also shared by the Group Parent Finmeccanica in cooperation with the heads of the Professional Families, the succession plans for top level management positions in the main Group companies are drawn up. The plans are then discussed in the usual MR meetings between the Human Resources Department and top management.
Compensation	As part of the Group compensation policy, which defines systemic and coordinated management of fixed and variable compensation, in line with the specific requirements of the various countries, the scope of participants in the MBO system has been further consolidated, with involvement approaching 100% of the Group's management/executive population, in line with and in support of the Group's internationalisation process.
Incentive systems	With specific reference to the Performance Share Plan 2008-2010, in December 2010 the vesting period for assessment of the performance targets achieved in terms of EVA and new orders ended. The granting and delivery of the third and final installment of free Finmeccanica shares will take place early in 2011. With the approval of the Remuneration Committee, given on 16 December 2010, a new medium/long-term incentive plan has been set up for the three-year period 2011-2013, called the Performance Cash Plan. Approximately 300 employees will be given medium/long-term performance incentives. The incentives awarded will be given in cash and not in the form of free shares, unlike the previous three-year plans.

Connecting knowledge: the Professional Families

To support the processes for integration and internationalisation of culture, market and business, Finmeccanica has drawn up professional communities, the ideal place in which to share opinions and experiences and compare international practices.

Currently there are nine Professional Families in the Group:

1) Procurement
2) Legal & Corporate Affairs
3) Internal Auditing
4) External Relations
5) Human Resources
6) Strategies
7) Information & Communication Technology
8) Sales & Marketing (Commercial)
9) Administration, Finance and Control

Their ultimate goal is to create a common language and a single reference that is shared by all the companies, fed by periodic meetings, dedicated training courses, knowledge sharing, monitoring and exploitation of the professional skills present in the Group.

The development operations created and carried out in 2010 for the Professional Families included two editions of the **Future Leader Review** (individual and collective assessment), dedicated to the HR Professional Family and to the Project Management Professional Community, both involving executives and middle managers.

HEALTH AND SAFETY

In compliance with current legal provisions and all other regulations in force in this area, when managing matters of health and safety Finmeccanica:

- is committed to safeguarding the health of workers, taking all necessary and advisable measures on the basis of the best technical and scientific knowledge, in view of guaranteeing that its workplaces comply fully with the highest safety and hygiene standards;
- spreads and consolidates a culture of safety, to protect the health of workers in the workplace, develop awareness of risks and encourage responsible behaviour on the part of all employees and other partners.

In view of this, Finmeccanica shares, enhances and constantly brings into the Group companies its knowledge and experience of health and safety issues, by:

- drawing up common guidelines, methods and procedures for continual improvement of safety measures on the workplace;
- continual monitoring of regulations on this subject, encouraging their use throughout the Group;
- developing operations to support the health and safety culture by activating communication and training tools, including those for suppliers, external partners and any other party involved in corporate manufacturing processes;
- preparation of health protocols and preventive measures to be applied at the Group level, created based on a centre for the systematic collection of health control statistics.

Specifically, the Health and Safety Coordination Committee, set up in 2008 within the Finmeccanica Human Resources Department and including representatives of the relevant areas (such as regulatory, training, organisation, prevention and protection, and occupational medicine), has promoted the following initiatives:

- preparation of operating guidelines and methods to be applied at the Group level on work-related stress, in compliance with current regulations;
- preparation of uniform health protocols in relation to health controls;
- seminars on specific topics (work-related stress) and on general health and safety issues, aimed at addressing the most important subjects at the Group level.

Again in 2010, a project to investigate the health and safety of workers travelling abroad to high-risk countries was set up, particularly regarding the following:

- regulatory and legal framework;
- estimated number of workers involved and identification of the countries at risk;
- health supervision measures to be implemented;
- communication and information tools;
- training initiatives.

In 2011, this activity should result in the issue of a policy at the Group level.

TRAINING ON HEALTH, SAFETY AND THE ENVIRONMENT

Safety in the Workplace. Awareness and managerial control. Resources, powers and responsibilities
Aimed at: managers and middle managers in the HR Department (management, organisation, industrial relations, training) in each of the Group companies and in the various regions who have the task of directing and coordinating preventive measures in accordance with the company's governance policies.
Number of editions completed: 2.
Course duration: 2 days.
Participants involved: 60, belonging to various areas of the HR Department.

Workshop on assessment of workplace stress
Aimed at: specialists in occupational medicine, representatives of the HR Professional Family, RSPP (Prevention and Protection Services Managers).
Course duration: 1 day.
Participants involved: 60.

Below is a summary of workplace accidents for the Group companies using frequency ratios:[5]

	2010	2009
Frequency ratio	9.3	10.2

For further details on questions of "Environment, Health and Safety", please see the "Environmental dimension of sustainability" section.

SOCIAL & HEALTH CARE SERVICES

The promotion and provision of social services continued in 2010, and services to safeguard the health of employees were enhanced and coordinated alongside traditional health care activities (medical centre, postural gymnastics and check-ups) to provide a series of preventive medicine and health awareness initiatives.

In particular, the following activities were carried out within Finmeccanica:

- Prevention programme - postural gymnastics
  from January 2010
  over 100 participants;
- Anti-smoking programming - Conference organised in November 2010;
- Prevention programme - thyroid screening
  May 2010
  130 participants;
- Ageing and skin disease prevention programme - dermatology check-up. This programme was provided by dermatology specialists from Catania University.
  June 2010
  over 150 participants.

All the programmes and initiatives undertaken as part of the Finmeccanica's Health Care Service, including supporting information, are distributed and promoted to all the Italian operating companies, which may, if they consider it necessary, offer these initiatives fully or in part (with obvious returns in terms of economies of scale).

5. The frequency ratio is calculated as the ratio of the number of accidents in one year to the number of hours worked. To make the result easier to read, this is then multiplied by 10^6. For the purposes of the indicator, accidents are considered to be those resulting in an inability to work equal to or more than one day, excluding the day on which the accident took place. Accidents that occur while commuting are not included.

INDUSTRIAL AND TRADE UNION RELATIONS

In Italy

The consolidated level of trade union membership in 2010, net of executive staff, was 41.17% for the Italian part of the Group.
In Italy, 100% of the employees are covered by the metal-working and engineering industry National Collective Bargaining Agreement (NCBA), with negotiations taking place at company level for renewal of the company-specific collective bargaining agreements.

Once again in 2010 Finmeccanica maintained its tradition of unified industrial relations, based on cooperation for the common solution of problems, in spite of the complex situation that arose following failure by the Italian trade union FIOM – CGIL to sign the NCBA on 15 October 2009.

Industrial and trade union relations during the year have played a significant role in various company reorganisation and renovation efforts, which have been managed in such a way as to limit their impact at social and employment level. The most significant events included:

- the signing of framework agreements with the three unions regarding two important reorganisation plans relating, respectively, to Defence and Security Electronics (agreement dated June 2010) and concentration of the Group's real estate in FGRE (agreement dated September 2010);
- management of the Group's internal processes for reallocation of staff from companies that have gone into liquidation (Elsacom and So.Ge.Pa);
- introduction, together with the trade unions, of plans to improve the efficiency of certain Group companies (Ansaldo Energia, Elsag Datamat, Telespazio and AnsaldoBreda);
- the signing of second-tier supplemental agreements for MBDA (4 June 2010) and BredaMenarinibus (17 June 2010);
- the signing of agreements to activate the social safety nets required for the reorganisation of certain Group companies;
- coordination and management, ongoing from previous years, of the intragroup mobility processes (so-called "compensation pools").

In particular, as regards the Aeronautics division, all legal means allowed for managing a corporate reorganisation (early retirement and wage supplementation) were used.

During 2010 certain companies in the Group introduced voluntary early retirement processes in order to optimise staffing both in terms of an adequate professional mix and in terms of numbers.
More specifically, the companies that signed agreements with trade union for that purpose were:

- **Ansaldo Energia** (May 2010): 140 employees;
- **Elsag Datamat** (April 2010): 130 employees;
- **AnsaldoBreda** (March 2010): 200 employees;
- within the **Aeronautics division** (November 2010): 900 employees.

Ansaldo STS has also requested permission to place 140 employees in early retirement in order to rationalise the business management structures, the related support functions and to increase its competitiveness on international markets.

Furthermore, to address the particularly unfavourable economic situation, some companies have made use of wage supplementation, which is an instrument that does not impact employment but only involves suspending the employment relationship for a limited period of time.
In particular, it should be noted that:

- **AnsaldoBreda** has begun a thorough reorganisation process, making use of the special wage supplementation mechanism aimed at requalification and training of staff, in order to be competitive with other international players. In 2010, this operation involved an average of 450 employees;
- **Aeronautics division:**

1) due to closure of the Brindisi factory, 71 employees were covered by the special wage supplementation procedure, at the end of which 58 were reassigned within the Aeronautics division itself;

2) following reduction in the volume of certain operations relating to sites in southern Italy (Pomigliano, Casoria, Nola, Foggia) and to the Venice site, ordinary wage supplementation was used for an average of 70 employees (during the first half of 2010) and for 200 workers, respectively.

An industrial relations working group (also comprising the industrial relations officers from certain operating companies) has also been set up on an experimental basis aimed at improving information and solution of cross-company problems with the greatest impact. This working group will be drawing up a policy on questions of flexibility, the labour market, corporate welfare, supplementary health services, training, health and safety, and equal opportunities.

At the international level

Particular care is taken in achieving gradual organisational, regulatory and contractual integration of employment agreements, in order to support the business internationalisation process. In this regard, during 2010:

- development activities aimed at harmonising how labour law matters are addressed and in implementing synergies between the structures of the various companies in the United Kingdom continued, encouraging the creation of central human resources shared services and defining standard staff benefit policies;
- analysis and assessment of possible synergies at the Group level in the United States continued;
- review of the agreements for staff in international mobility continues, with the specific aim of guaranteeing effective global harmonisation and better alignment with market best practice.

Two other areas of significant action from an industrial and trade union relations point of view in the United Kingdom were:

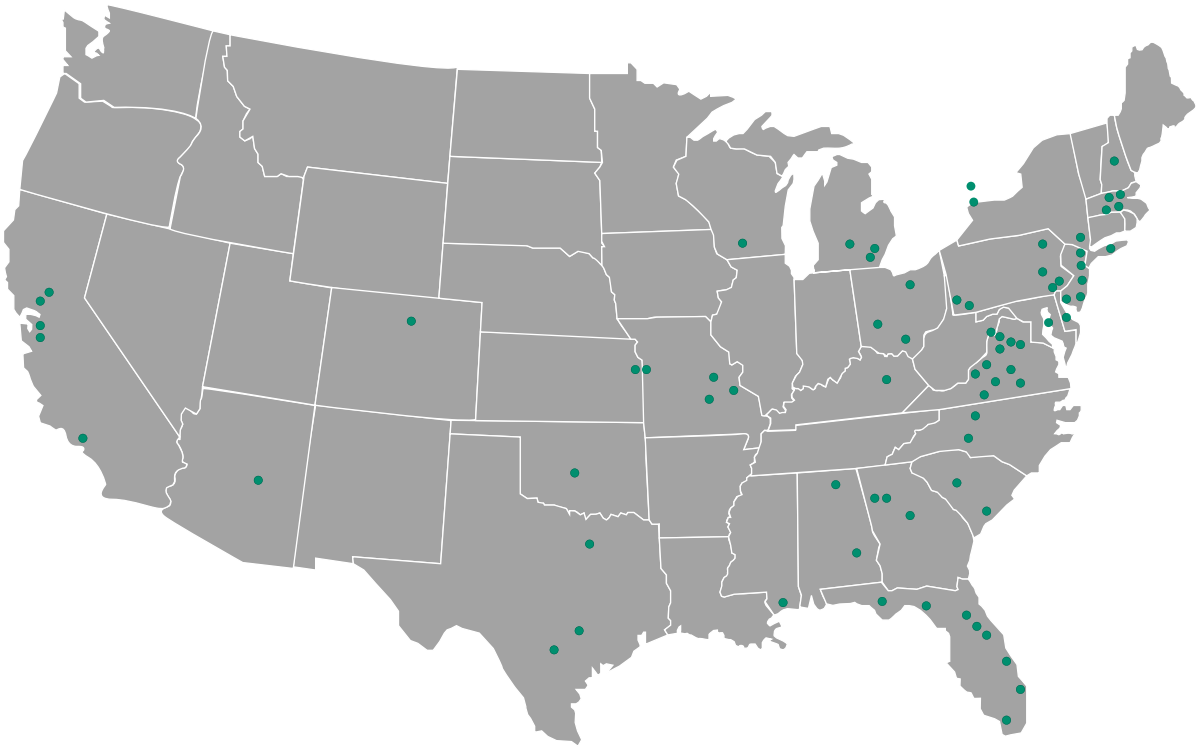
- pension schemes, where governance of the Group Future Planner fund has continued. This defined-contribution plan currently includes all new employees of the British companies and, while ensuring competitive pension benefits for employees, allows for the company's obligations to be managed in a low-risk manner so as to not impact the debit side of the balance sheet;
- trade union operations by the European Works Councils (EWC) established in the United Kingdom, respectively, in AgustaWestland in 2008 and in SELEX Galileo in 2009, which provide information and consultation on company performance and programmes.

Finally, also as to pensions, defined-benefit plans continue to be provided in the United States for DRS Technologies only.

SOCIETY

We develop and exchange innovation and technology all over the world. We bring skills and expertise to various countries, aim to share values and know-how with the communities in which we operate, and help preserve the local cultural heritage in a responsible manner.

Snapshot at 31 December 2010



Relations with various parties representing the interests of society at all levels:

- European Union;
- national and local governments and institutions, especially in the domestic markets (Italy, United Kingdom, United States);
- international institutions including NATO, the Organisation for Joint Armament Cooperation, the European Defence Agency, European security agencies (ENISA, FRONTEX, EMSA);
- industry-specific associations (AeroSpace and Defence Industries Association of Europe – ASD);
- non-governmental organisations;
- universities, other academic institutions, professional bodies, research centres and national and international think tanks;
- stakeholders in the local communities where industrial sites are present.

Sponsorships and donations amounting to approximately €mil. 13.

HIGHLIGHTS

"Orientagiovani" Award given to Finmeccanica by Confindustria.

Contribution to creation of the 20th Century Art Museum in Milan.

Participation in the creation of the Foundation for Research and Enterprise.

Governance of external relations

In a group as complex as Finmeccanica, maintaining continuing relations with all the categories of stakeholder is of prime importance, both at general and at local levels.
These relations are coordinated and managed by the Group Parent, through its External Relations Department, which works constantly to guarantee a balance between the opportunities offered by the ongoing internationalisation process and those connected with the strong roots that Finmeccanica companies have in their various countries of origin.

The Group Parent's direction and control takes the form both of development of general guidelines for action addressed to the corresponding units in the subsidiaries, and of direct coordination of communications, when the importance of the subject being dealt with is of strategic significance (e.g., monitoring of national and European parliamentary operations). Each company has sufficient responsibility and independence to allow management of any needs that may arise locally during management of production sites, through a structured dialogue with representatives of the local area.

Relations with national and international public bodies

Finmeccanica is a global group, and operates in over 50 countries on every continent. Therefore, the Group frequently operates under inter-governmental cooperation agreements, which are regulated by specific protocols.
Finmeccanica's strong relations with national and international institutions is not restricted to matters relating to defence and security. More and more frequently the Group is being consulted to help with activities aimed at improving policies on mobility (air and rail transport, both in the sense of independent systems and networks to be managed), energy, the environment, research and the competitiveness of the European industrial sector.
Interaction with national and international governments and institutions takes place constantly, in the manners and forms allowed by law, both when defining and when implementing public policies in the industrial, environmental, safety and mobility fields. Finmeccanica's contribution to these areas of discussion serves both to assess the impact of certain reforms or new regulations, and to provide important advice to the various bodies or organisations responsible, based on Finmeccanica's direct experience in the field.

At the European level, Finmeccanica takes an active part in the preparation of European space policy and the relevant research programmes, such as GALILEO and GMES. It also contributes to the definition of the Common Strategic Framework (formerly the 8th Framework Programme), regarding matters relating to the sectors in which the Group operates: green aeronautics, security, mobility/transport technology, development in security and home affairs issues for the safety of citizens, European investment policies for environmental protection and social innovation.
In 2010, Finmeccanica continued to work:

- to encourage the development of Community regulations and standards, compliance with the European Code of Conduct in order to facilitate both the transfer of products in complete security and respect for UN and European Union guidelines;
- to increase and consolidate cooperation between European defence industries, at the same time increasing the transparency of relevant processes thanks to updates to a common list of military equipment, aimed at avoiding differences in national interpretations;
- to support the Group's commercial and industrial initiatives through institutional relations.

Relations at the local level

Group offices and manufacturing sites are mainly concentrated in Italy, where the Group is present in almost all regions, and in the other domestic markets – the United Kingdom (38 sites) and the United States (78 sites).
The Group also maintains a significant presence in France, Germany, India, Australia, and in various other countries, including Poland, where acquisition of the historic helicopter manufacturer PZL-Świdnik was recently completed. The fact that Finmeccanica sites are often distributed widely throughout the relevant geographical areas, above all in very different areas, has prompted the Group to develop its own strategy of relations, aimed at creating a Finmeccanica "sustainable model" common to all sites, based above all on respect for the cultural, environmental and economic differences in the territories involved.

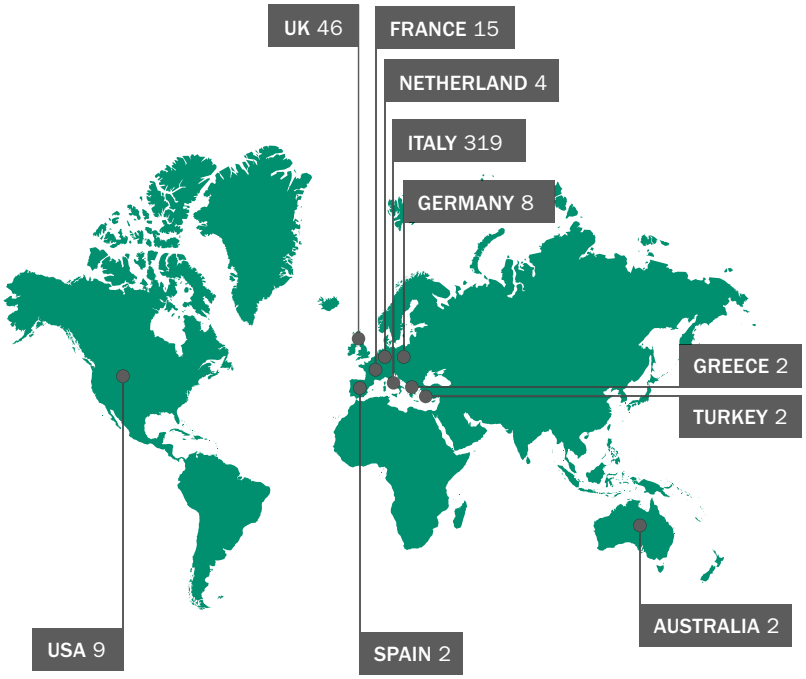
At the local level, Finmeccanica's attention is mainly turned to relations with representatives from the local communities and areas in which it is present. The main topics of discussion relate to the:

- sustainability of the impact relating to sites;
- economic effects on the area;
- protection, qualification and job training for human resources;
- support for local cultural and social initiatives.

Finmeccanica takes an active role in providing information about its technological skills and materials to the areas in which it operates, in order to share its responsible development and cooperation model. It operates in close cooperation with the various local actors, in particular with the academic world. The Group maintains relations (research agreements, teaching activities, internships, scholarships, masters and other educational programmes) with approximately 50 universities and 19 research centres in Italy, and with approximately 60 universities and research centres elsewhere.

At the national level, Finmeccanica has contributed towards creation of the Foundation for Research and Enterprise, together with Fondazione Politecnico di Milano, Istituto Italiano di Tecnologia, Scuola Superiore Sant'Anna in Pisa, Enel, Telecom Italia and Intesa Sanpaolo. The Foundation has been created with the aim of providing support for and encouraging the growth of small and medium enterprises and high-tech start-ups that will provide vital new life for the Italian industrial fabric.

Distribution of relations between Group companies and universities throughout the world



ITALY 76.7%

UK 11%

USA 2.1%

For simplicity only countries with more than 2 relations have been considered

Finmeccanica and top level cooperation

Some of the top universities with which the Finmeccanica Group interacts, by geographical area.

ITALY
Università degli Studi di Roma "La Sapienza"
Università degli Studi di Roma Tor Vergata
Università degli Studi di Napoli Federico II
Università di Pisa
Università degli Studi di Genova
Università degli Studi di Firenze
Politecnico di Milano
Università di Bologna
Università Commerciale Luigi Bocconi, Milano
Scuola Superiore Sant'Anna, Pisa

UNITED KINGDOM
Imperial College London
University of Bristol
University of Liverpool
University of York
Cranfield University

UNITED STATES
Massachusetts Institute of Technology (MIT)
University of Pennsylvania
Princeton University
Cornell University
Stanford University
University of California, Berkeley

FRANCE
Ecole Centrale de Paris
Ecole des Ponts ENSIAME Valenciennes
ESTACA Paris
INSA de Lyon
Université d'Orléans
ENSI de Limoges

Also in 2010 Finmeccanica strengthened its partnership with various universities in its three domestic markets:

- L'Aquila University (investment in the joint research laboratories, following the earthquake in 2009);
- Imperial College London (as part of the Executive Leadership Programme);
- Stanford University, California, United States (establishment of the Finmeccanica Provostial Professorship Fund at Leland Stanford Junior University).

Other forms of cooperation are established based on the relevant country. For example, in Italy, there has been growing use of memorandums of understanding which, in some cases, have evolved into technological districts.

Finmeccanica and the technological districts

The main aim of these districts is to promote research and development, but it is not unusual for the presence of so many players within a region to gradually transform that area into what is actually a form of mutual policy for local development. Large industries, local SMEs, governments, universities, public and private research centres and bank foundations all take part.

To date, there are three aerospace technological districts, located in Campania, Piedmont and Puglia, and Finmeccanica participates in them through the constant commitment of its companies in those areas. Meetings continued in 2010 to set up the new aerospace district in Lombardy, which is expected to be founded in 2011.

This commitment to the territory has been recognised through Finmeccanica's receipt from Confindustria of the "Orientagiovani" Award for the following actions:

- for having constructed an integrated, international training and development system whose aim is to attract, identify and enhance the value of highly talented individuals and to develop and enrich their skills and core competencies while, at the same time, ensuring that they are promptly shared within the Group;
- for having created, within the Young People Programme, initiatives aimed at encouraging shared knowledge, skill development and, for the top achievers, opportunities for professional growth through corporate businesses;
- for having promoted and enhanced the value of "technical and scientific knowledge" and the "know-how" culture through ongoing dialogue and structured cooperation with the academic world (see boxes below).

Back to Basics

Project aimed at strengthening the partnership between Group companies and technical and professional institutes to encourage proper alignment of the needs of enterprises, in terms of skills required, with the technical profiles of school leavers.
During the two-year period 2009-2010 Finmeccanica carried out an initial survey aimed at all the Group's Italian sites to "map" the relations existing between companies and the world of high school technical education in order to assess the numbers, quality and frequency of relations, and to collect information on the needs of the various companies. In the period under consideration it was seen that various type of cooperation had been set up (framework agreements for apprenticeships, internships, etc.) with over 60 technical schools, in particular in the North West, where the Group companies have important manufacturing sites and are deeply rooted in the area. The survey highlighted the importance of increasingly close cooperation between the business world and that of education, in order to encourage efficient matching of the demand and supply of technical skills.

Technical institutes project

Created following the signing of the memorandum of understanding between Finmeccanica and the Italian Ministry for Education, Universities and Research (MIUR) at the end of 2009, the project involves creation of technical institutes (ITS) to train highly specialised technicians working in fields of particular interest to the Group companies.
ITS are high-level two-year training courses in technical and scientific subject intended for persons possessing a high school diploma.
In 2010, Finmeccanica, in collaboration with MIUR, the Italian Ministry for Economic Development and the regional authorities involved, worked to:

- create the foundations that will manage the ITS at the local level;
- identify the "profiles" of interest to Group companies;
- prepare the syllabus and teaching methods.

The training courses are expected to start in 2011.

Spreading culture to society

For an international industrial group like Finmeccanica, safeguarding and promoting the cultural heritage are a basic part of doing business, and represent the key to a modern view of social sustainability. The Group has an extensive geographical presence, and thus it wants to be a player in cultural development through its own independent and responsible strategy that is capable of creating and strengthening modern culture. This is why Finmeccanica tries to contribute to activities and projects that will have a positive effect on the development of a civil society. More specifically, Finmeccanica:

- formulates and develops its own cultural identity, which is capable of contributing to business culture through its initiatives;
- works to spread culture, cooperating with all those who, from its own stakeholders upwards, share the conviction that culture is important, supporting and promoting its own cultural initiatives or those organised by others, particularly within the regions in which it operates.

Science Festival

Finmeccanica has a privileged relationship with the region of Genoa, where its companies have operated for over 150 years. Together with various cultural sponsorships, the Group has been taking part in the Science Festival held in the Ligurian city ever since the first edition in 2003. This is one of the most important and popular events in the world of European scientific awareness, thanks to a programme of extremely prestigious scientific events and a language that enables experts and the general public to relate to each other. Finmeccanica considers the Festival to be a significant opportunity to improve the Group's relations with numerous local stakeholders from year to year, starting with local institutions and the university and scientific communities.

During 2010, Finmeccanica contributed to the enhancement of culture by supporting several important projects and initiatives. It continued its involvement – particularly in exhibitions, anniversaries, theatrical, film and musical events – begun in previous years, especially in areas where it has more of its sites. In Italy, activities were mainly concentrated in Rome, Genoa and Naples, with the cooperation of municipal authorities and the various agencies and institutions working in the region. The year 2010 also saw the start of a multi-year project with the City of Milan to support creation of the Museo del Novecento (20th Century Art Museum), established to showcase a century in which art and technology represented the driving forces of innovation.

MAIN FINMECCANICA CULTURAL INITIATIVES AND EVENTS IN ITALY

ROME	Roma Capitale Film Festival
GENOA	Science Festival 2010 Genova Spettacolare 2010 New Year's Eve 2010
MILAN	Museo del Novecento (20th Century Art Museum) Presentation of Finmeccanica publications Presentation of the historic Romeo Ro.37 aircraft
OTHER CITIES	Naples: Airforce Academy Rimini: Meeting for Friendship among Nations

Museo del Novecento

Opened in December 2010 in the heart of Milan, the 20th Century Art Museum houses approximately four hundred works of art that describe a century marked by innovation. Finmeccanica is a sponsor of the Museum, as a public institution sensitive to issues of innovation.

Mission

- To spread awareness of 20th century art and generate a plurality of views and critical skills. To conserve, study and promote the public heritage and artistic culture of the 20th century through research and teaching activities.
- To work on a number of levels to encourage an intercultural approach, involving and stimulating all different members of the public.

Under the strategic guidelines provided by the Group Parent, all Group companies also take steps within their own regions to provide constant support for the development of specific projects, in response to requests made by the relevant stakeholders.

Promotion of business culture: the Ansaldo Foundation

The Ansaldo Foundation plays a fundamental role in encouraging the wider distribution of an economic, business and labour culture. It is becoming one of the most important institutions for the development of an enterprise and labour-related culture at national level. This role can only be taken on and developed when it is based on partnership with the approval and involvement of social actors. The Foundation promotes studies and research, cultural events and initiatives, high-level training programmes and is also involved in safeguarding and enhancing the documentary heritage produced by businesses and other economic figures.

The following is a list of some of the main activities undertaken in 2010:

ACTIVITIES IN 2010	
Scientific research	Continuing involvement in the following research activities: "Lo Stato da gestore di grandi imprese a referente nel loro governo" ("The State, from manager of large businesses to player in their governance"); "Regioni e macroregioni nel cambiamento economico: il Nord Ovest italiano e l'Italia meridionale" ("Regions and macro-regions in economic flux: north-western and southern Italy") and "Paradigmi industriali ed evoluzione tecnologica delle imprese italiane: occasioni mancate ed opportunità di rilancio" ("Industrial paradigms and technological evolution of Italian businesses: missed opportunities and opportunities for re-launch"). This research has been the subject of discussion and debate under the Science Committee.
Training activities	Completion, in July 2010, of the Masters in "International Business Leadership", with final examinations; completion of teaching activities in the Masters in "Sustainability, safety and security in transportation systems and infrastructures" and in "ICT & Security for innovation in manufacturing contexts and development of new markets"; continuation of cooperation in the Masters in the "Science and technology of nuclear plants"; completion of the Mediterranean Project training course.
Documentaries	"Fermi al primo approdo - lo sciopero dei marittimi del 1959" (Stopped at the dockside - the 1959 maritime workers' strike); "Saturnia. Immigrazione italiana in Canada" (Saturnia. Italian immigration to Canada); "Baby Boom"; "La Svolta. Donne contro l'Ilva" (The Turning point. Women against Ilva); "Alto Adige 1945-1948"; "Genova, il Genoa e l'Argentina" (Genoa, Genoa Football Club and Argentina); "Genova e il calcio nel 1900" (Genoa and football in the Nineteen hundreds); "Confini" (Boundaries); "Roberto Gavioli".

Mwana Simba project

Mwana Simba is the most important international solidarity project undertaken by Finmeccanica to help improve social conditions in Africa. This three-year project was concluded at the end of 2010.
The project is the most recent example of the Group's ongoing efforts to help populations hard hit by poverty and social need. Mwana Simba took the form a trio of three-year charitable projects, set up with the Pontifical Council for Culture, the International Volunteer Service for Development (VIS) and the Assumpta Science Center Owerri (ASCO) association, aimed at guaranteeing sustainable development – particularly in terms of educating young people and professional training – in various communities located in three African countries – Cameroon, Democratic Republic of Congo and Nigeria.

In **Congo**, at the Salesian School in Kinshasa/Masina, a technical/science laboratory has been set up, fully equipped as of 2010 and available to students, together with several computer classrooms.

In **Cameroon**, in the village of Mbanda (district of Eseka), 7 km of new road have been laid through the jungle, and construction is being completed on a church, a reception centre and an infirmary, all forming part of a "mini-village" intended to become the focal point for a community of 1,200 inhabitants. Work on the planned woodworking and sewing workshops, destined to make the local community independent, will be completed in 2011.

In **Nigeria**, after holding the First Science Festival in this African country at Owerri (State of Imo), a temporary Science Centre was set up (visited by over 15,000 students) fitted out with all the equipment and experiments, which will shortly be transferred to a permanent Science Centre which is due to be built in 2011.

Emergency in Haiti

Following the earthquake in Haiti in January 2010 and the resulting severe humanitarian and health crisis, Finmeccanica immediately took action to collect funds to assist the local population and facilitate the long and difficult recovery process. For this purpose, a website link was set up to allow direct online donations to the Haiti Relief and Development Fund set up by the American Red Cross.
Also, at the prompting of the Italian Ministry of Defence, Finmeccanica cooperated and made a significant contribution to the use of the Italian aircraft carrier Cavour for the Haiti emergency, providing aid and logistic support.
As part of this humanitarian effort, the Cavour operated as a floating hospital in which medical officers (also from other countries) were able to provide aid and medical treatment to the people hit by the devastating earthquake that destroyed the majority of the island's hospitals and healthcare structures.

Relations with the media

For a worldwide group such as Finmeccanica, proper presentation of its identity, operations and image to society and to its various stakeholders is a key element in development, whatever the region or social and economic context.
For this reason, media relations is one of the most important communication challenges.
Talking about the work of the Group and its companies, the challenges they face at local, national and international levels, means providing stakeholders with the right tools for understanding the major issues and the technological and operational scenarios that relate to Finmeccanica.
In 2010, these efforts took the form of 90 press releases, which resulted in over 5,000 articles dedicated to the Group in major national and international newspapers and periodicals, and the presence of the Group in the main online communities and social networks.

Finmeccanica's presence in social media

In 2010, Finmeccanica started a process aimed at bringing its operations "closer" to and "representing" them in the major social media.
This initiative was created to provide a simple, immediate communication tool that would be an effective means of reaching the workforce and all stakeholders.
An official Finmeccanica channel has now been set up on YouTube and on Twitter, allowing journalists, analysts and investors who do not have access to press agencies to keep track of Finmeccanica news in real time.
Opening of a Flickr channel and updating of the Wikipedia articles relating to the Group are also being planned.

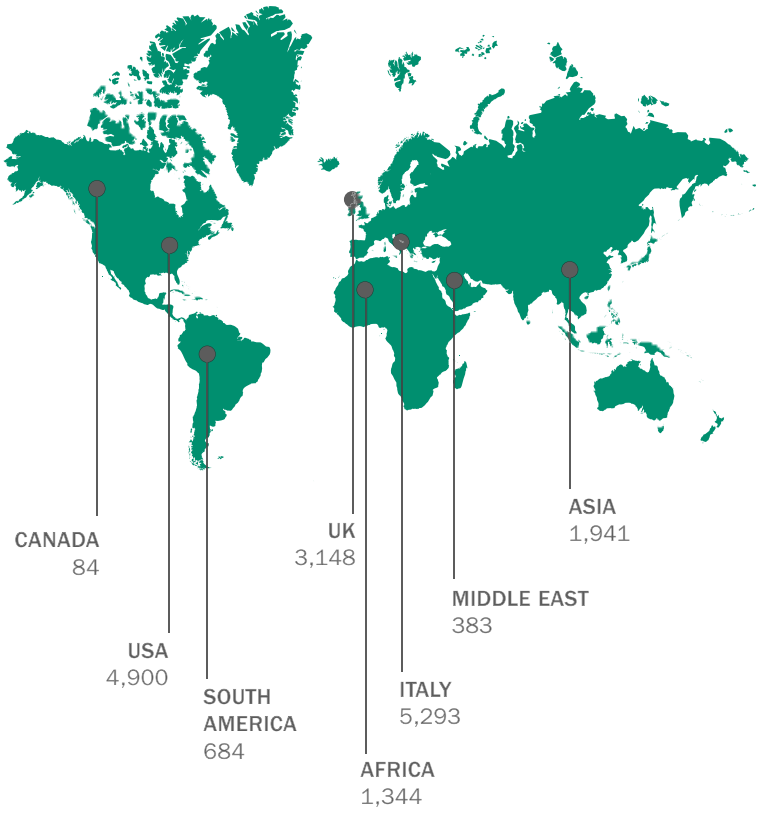
CUSTOMERS AND MARKETS

We provide state-of-the-art technological solutions to meet complex needs. We consider our customers to be essential partners who must be provided with effective answers, ensuring constant long-term support throughout the product life cycle. In 2010, we received new orders totalling over €bil. 22.

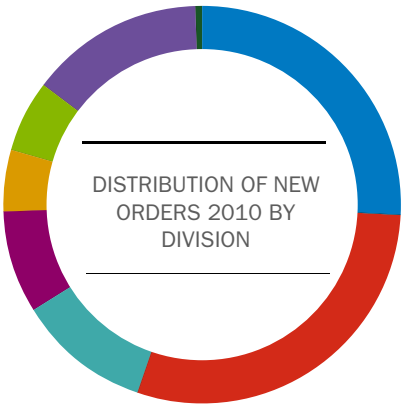
Snapshot at 31 December 2010

Total volume of new orders 2010: €mil. 22,453

Distribution of new orders 2010 by geographic area (€ millions)



REST OF EU COUNTRIES 4,446 | **REST OF NON-EU COUNTRIES** 230



25.94%	Helicopters
29.41%	Defence and Security Electronics
11.01%	Aeronautics
8.29%	Space
4.82%	Defence Systems
6.08%	Energy
14.00%	Transportation
0.46%	Other activities

Growth of the Group in emerging markets higher than expected (40% of the value of new orders is from outside the domestic market).

Creation of new partnerships to build assembly plants in the Helicopters division.

Strong growth in orders in the Helicopters division (+87%).

Commercial results

The value of orders acquired by Finmeccanica in 2010 grew overall by 6.4% with respect to the previous year, for the first time exceeding €bil. 22.

This result is particularly significant and represents an effective indication of the Group's competitive ability in a market context that was characterised, during the year in question:

- by modest signs of economic recovery;
- by extremely aggressive competition, particularly in emerging countries capable of significant spending that are targeted in the Group's strategy for expansion;
- by limitation of expenditure in the defence segment, particularly in more industrialised countries.

The Helicopters, Space and Transportation divisions made the greatest contribution to this positive sales trend, counteracting the decreases seen above all in Defence and Security Electronics and in Aeronautics, where the figure for 2009 reflected a single order for €bil. 1.1 relating to the third part of the Eurofighter programme.

This also affected the distribution of sales by customer type, with the civil segment growing in 2010 from 40% to approximately 45% of all sales.

The 2010 order backlog grew by 7.8% from the previous year, at a higher rate than sales, ensuring approximately two and a half years of production for the Group.

Joint ventures and international partnerships

Finmeccanica builds and maintains the relationship capital essential to develop the market in many areas. Among the most important of these are joint ventures and participation in international programmes where Group companies have been able to enter and frequently take a leading role.

These are product and market development situations, and completion of extremely complex orders that require great listening powers, transparency and cooperation and where the largest players in the various business sectors measure their abilities and put them to the test, laying the foundations on which to select partners for future joint operations.

DIVISION AND COMPANY	JOINT VENTURE/PROGRAMME	PARTNER
Aeronautics (Alenia Aeronautica)	EFA (Eurofighter)	BAE Systems, Cassidian
	Joint Strike Fighter	Lockheed Martin
	C-27J Spartan	L3 Communications
	ATR	EADS
	SuperJet International	Sukhoi
	B787	Boeing
Helicopters	CH47	Boeing
	Production and sale of models 412, 212, 206	Bell Helicopter Textron
Transportation (AnsaldoBreda)	High-speed train	Bombardier

During 2010, other significant partnerships were set up through agreements made, in particular, in the Helicopters division:

- the agreement with Russian Helicopters to build an assembly plant for the AW139 helicopter in Russia;
- the agreement with Tata Sons to build an assembly plant for the AW119 helicopter in India;
- the agreement with Boeing for the new US Presidential helicopter programme.

Aerospace exhibitions

Participation in aerospace exhibitions is another essential means of engaging customers and developing Finmeccanica's relationship capital on the market.

These events, which take place throughout the year in all areas of the globe, can be used to showcase the Group's technological excellence and innovative capabilities to civil and military authorities, commercial operators and ordinary visitors. They can also create the conditions necessary to negotiate or agree upon important projects.

In 2010, Finmeccanica attended the following events:

AUSA Annual Meeting	Washington, DC (USA) from 25 to 27 October 2010	AgustaWestland North America, DRS Technologies and SELEX Communications
Innotrans (International Trade Fair for Transport Technology)	Berlin (Germany) from 21 to 24 September 2010	AnsaldoBreda, Ansaldo STS and SELEX Communications
Air & Space Conference and Technology Exposition	Gaylor National, Washington, DC (USA) from 13 to 15 September 2010	Alenia North America, DRS Technologies and Finmeccanica US
Farnborough Airshow	Farnborough (UK) from 19 to 25 July 2010	AgustaWestland, Alenia Aermacchi, Alenia Aeronautica, DRS Technologies, Elsag Datamat, Seicos, SELEX Communications, SELEX Galileo, SELEX Service Management, SELEX Sistemi Integrati, Telespazio and Thales Alenia Space
Eurosatory	Paris (France) from 14 to 18 June 2010	DRS Technologies, Elsag Datamat, Oto Melara, SELEX Galileo and SELEX Sistemi Integrati
TechFOr (International Exhibition of Technologies for Security)	Rome (Italy) from 17 to 20 May 2010	Elsag Datamat, SELEX Sistemi Integrati, SELEX Communications and SELEX Galileo
Navy League Sea Air Expo	Washington, DC (USA) from 3 to 5 May 2010	DRS Technologies
DSA (Defence Services Asia)	Kuala Lumpur (Malaysia) from 19 to 22 April 2010	AgustaWestland, Alenia Aeronautica, Oto Melara, SELEX Sistemi Integrati and SELEX Galileo
FIDAE (International Air & Space Fair)	Santiago de Chile (Chile) from 23 to 28 March 2010	Alenia Aeronautica, Alenia Aermacchi, SELEX Sistemi Integrati and SuperJet International
DEFEXPO India	New Delhi (India) from 15 to 18 February 2010	AgustaWestland, Alenia Aeronautica, DRS Technologies, Oto Melara, SELEX Communications, SELEX Galileo and WASS
SAT Expo Europe (International Expo-Forum on Space Services, Applications and Integrated Telecommunications)	Rome (Italy) from 4 to 6 February 2010	Alenia Aeronautica, Elsag Datamat, SELEX Galileo, SELEX Service Management, Seicos, Telespazio and Thales Alenia Space
Singapore Air Show	Singapore, from 2 to 7 February 2010	Alenia Aeronautica, Alenia Aermacchi, SELEX Galileo and Eurofighter

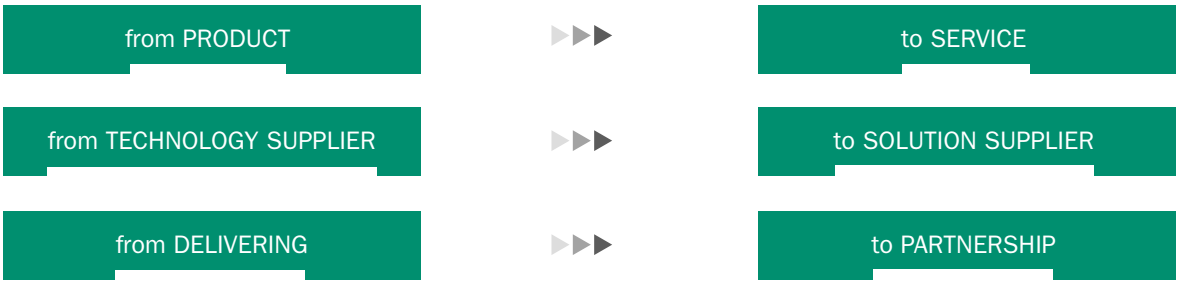
Additional display and experience at Farnborough

Once again this year, one of the most important events was the Farnborough Airshow, during which Finmeccanica intentionally gave out a strong message, showing the Group's real and current ability to support acquisition and management of systems and products capable of satisfying customer operating requirements and their evolution, through the "Integrated Capabilities Area", a virtual space located at the centre of the stand.
The experiment started at Farnborough 2008 with the presentation of products from the Group companies and demonstration of their interoperation, thereby communicating the added value provided by Finmeccanica, a group whose products range from large systems to the smallest and most sophisticated sensors, with the ability to find solutions using the products and skills of its individual companies.
By displaying products from its various companies at the Farnborough stand and in the static area, and thanks above all to the revived slogan "Towards a safer world" and the new slogan "Lifetime Commitment", Finmeccanica was able to illustrate in full the ability of its companies to integrate its network of capabilities and businesses, and above all to offer through them quality, security and protection, using Group skills to the best advantage to face and deal with every type of threat, whether internal or external.

Through Life Cycle Management

The markets on which Finmeccanica operates demand increasingly wide-ranging, divisible and complex needs, both in the civil and in the military segments.

As well as making use of its relationship capital, Finmeccanica considered it essential to use a structured, targeted approach aimed at improving its ability to read market trends and translate them into effective, sustainable business development lines.



Through Life Cycle Management is the approach that the Group is gradually implementing as an internal measure. The approach is divided into various areas of action, which include both the development of the range of products, which is more oriented towards solutions with a strong service component, and development of customer relations tending more towards partnership."A good product" is no longer enough to satisfy customers, who more and more often require "solution of a complex problem". As a result, this new type of approach does not end with purchase, but on the contrary starts when the agreement is signed and continues throughout the contract period. Giving concrete form to the idea of a partnership with customers requires the ability to listen, along with transparency and cooperation. Traditional post-sales service tools are not necessarily effective and applicable to relationships as complex and unique as those between the Group companies and their customers.

For this reason Finmeccanica has a directing and coordinating role in various areas that relate to market development and interaction with customers, through the activities of the Industrial Competitiveness and Customer Satisfaction Department.

In particular, in 2010:

- meetings were held in the operating companies to facilitate implementation of the KPI and Customer Satisfaction guidelines, aimed at measuring and monitoring customer satisfaction;
- work proceeded on development of the Obsolescence, Life Cycle Cost Configuration Management and RFID (Radio Frequency Identification Device) guidelines;
- development of the "Guidelines for management of the customer interface for product and customer support activities" was started. This important guideline is aimed at precisely and clearly identifying the roles and responsibilities at the various levels and in the various phases of customer engagement;
- assessment continued of a strategic plan to be set up with an international partner who, operating at the global level, is able to provide "one stop shop" services both for customers and for Group companies, with the aim of providing integrated contract support services.

Customer satisfaction

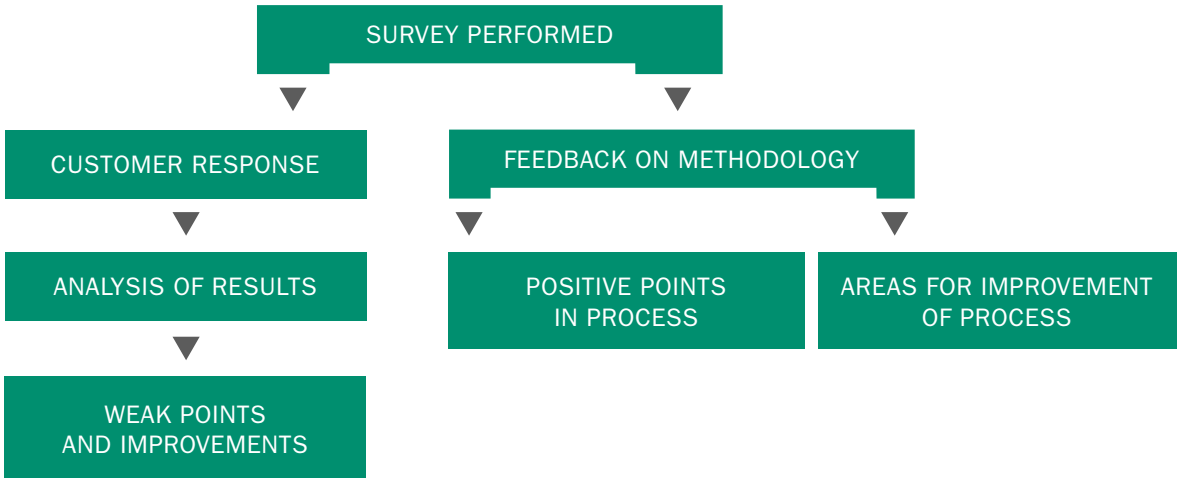
The Customer Satisfaction Survey is one of the main programmes launched as part of Through Life Cycle Management. This programme, managed by the Customer Services Solutions (CS2) community, aims to organise and systemise the various operations used to measure customer satisfaction that are already used by the individual Group companies.

The programme has resulted in an initial pilot project carried out in Italy during the two-year period 2009-2010. It involved 241 interviews with the representatives of 33 customers in the Italian Ministry of Defence (Navy, Air Force, Army, Finance Police) with regard to SELEX Galileo, SELEX Sistemi Integrati, SELEX Communications and Telespazio.

Answers were grouped together by macro-factors, based on two different criteria:

- "by Project" – assessment of the main factors typically deriving from project management: cost, quality, managerial skill, technical skills, commercial skills;
- "by Process" – assessment of the effectiveness of the main corporate processes: acquiring business, managing programmes, planning, manufacturing, support.

As expected, the results of the survey revealed strengths and areas for improvement. These are still the subject of meetings among the corporate bodies involved.



Finmeccanica's performance in the United Kingdom

The United Kingdom is one of Finmeccanica's three domestic markets and where the Group employs approximately 10,000 people at 16 main sites. The companies most involved on this market are SELEX Galileo, SELEX Sistemi Integrati, SELEX Communications and AgustaWestland, who supply the British Ministry of Defence (MoD) with approximately 60% of the avionics systems for the Typhoon and also support most of the helicopters used in operations throughout the world. 2010 is the first year in which the MoD Supplier Relation Team (SRT) assessed the performance of Finmeccanica as a single unit, using its own methods.
The assessment positioned Finmeccanica in the upper quarter, above average for key suppliers, and confirmed the improving trend seen over the last four years when considering the sum of the results for the individual Group companies.

Commercial risk prevention and management

In view of corporate sustainability and responsibility, the relationship capital with the market must not only be developed and increased, but also preserved from the point of view of risk management. For this reason, the Group Parent watches over certain sensitive areas of the market, such as stipulation of commercial promotion and consultancy service contracts, and compliance with national and international export control regulations.

In 2010, Finmeccanica strengthened this important control both from the point of view of procedure and organisation. More specifically:

- a Group directive was prepared, and will be issued early in 2011, aimed at establishing common guidelines, roles and responsibilities regarding the signing of commercial promotion and commercial service/consultancy contracts by the operating companies in support of commercial activities with governmental agencies, institutional customers and publicly-controlled companies;
- under AIAD (an Italian organisation representing the interests of the Aerospace, Defence and Security Industry), initiatives were carried out to highlight and propose to lawmakers the best solution for optimum implementation in Italy of the European Union directive (2009/43/EC) on "intra community transfer" regarding simplification of the methods and conditions for transfer of defence-related products within the European Union;
- the roles and responsibilities of two new units within the Group Parent have been defined. These are: in the Legal and Corporate Affairs Department, the Compliance and Regulation unit in charge of overseeing legal risks (Legal Compliance) and, in the Commercial Department, the Commercial Processes unit, which ensures application of Group directives relating both to Commercial Compliance operations and, with the coordination of the Institutional Relations Department, compliance with international regulations on import/export (Import Export Compliance).

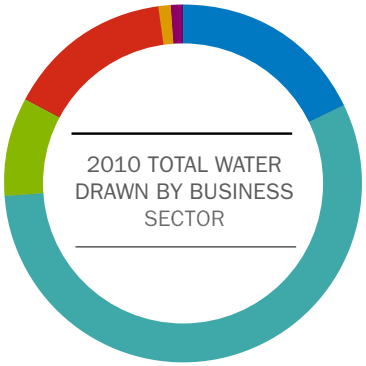
4

ENVIRONMENTAL DIMENSION OF SUSTAINABILITY

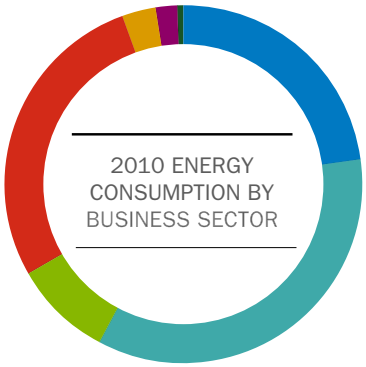
FINMECCANICA GROUP'S COMMITMENT TO THE ENVIRONMENT

For Finmeccanica, natural resources and energy sources are precious assets that must be used responsibly. We promote environmental education so that people become the main source of responsible behaviour. We expand our understanding of the impact of our operations and our products in order to adopt the most effective technical and management solutions for reducing them.

Snapshot at 31 December 2010[6]



18% (14 sites)	Helicopters
56% (17 sites)	Aeronautics
9% (28 sites)	Energy/Transportation
15% (101 sites)	Defence and Security Electronics
1% (5 sites)	Defence Systems
1% (4 sites)	Space



26% (14 sites)	Helicopters
34% (17 sites)	Aeronautics
9% (28 sites)	Energy/Transportation
26% (101 sites)	Defence and Security Electronics
3% (5 sites)	Defence Systems
2% (4 sites)	Space
0.3% (3 sites)	Other

23% (14 sites)	Helicopters
43% (17 sites)	Aeronautics
22% (28 sites)	Energy/Transportation
10% (101 sites)	Defence and Security Electronics
2% (5 sites)	Defence Systems

6. The data and information provided in this chapter refer to the scope of reporting indicated in the Reporting methodology.

HIGHLIGHTS

Waste production reduced by 13%.

Consumption of hazardous substances reduced by 12%.

Water consumption reduced by 8%.

Environmental product declaration received for the Brescia metro train.

Certification of the first energy efficiency management system under BS 16001:2009.

To view the Group's Environmental Policy, please see www.finmeccanica.com, in the Sustainability/Finmeccanica and the Environment section

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 areas of management attention.

The interests of various categories of stakeholder 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.

Governance and EHS expenditure

Operational management of the environmental impact caused by operations is the responsibility of the companies, in line with the Group governance model. The Group Parent establishes a common policy and promotes guidelines to ensure that actions are uniform and to encourage achievement of the improvement targets. Coordination and control, on behalf of the Group Parent, is carried out by Finmeccanica Group Real Estate (FGRE) and, for energy efficiency matters only, by Finmeccanica Group Services.

The new mission of Finmeccanica Group Real Estate

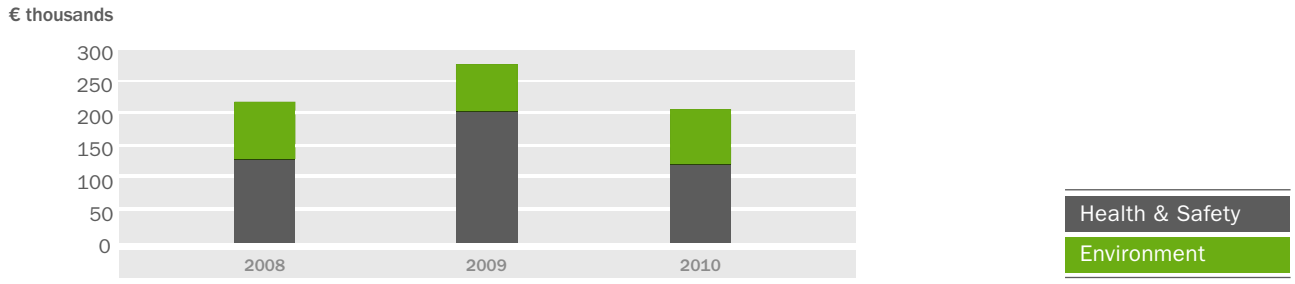
Finmeccanica Group Real Estate (FGRE) deals with the management, optimisation and leveraging of corporate real estate holdings and all its administrative, technical/maintenance and environmental aspects in an integrated manner.
The extension of FGRE's activities accelerated considerably in 2010, culminating in July in the redefinition of the company's mission by the Group Parent and the start of a project to transfer certain properties located in various parts of Italy and the personnel responsible for performing real estate functions within the companies.
The companies affected by these transfers were Alenia Aeronautica, AnsaldoBreda, Elsag Datamat, Finmeccanica Group Services, Oto Melara and SELEX Communications.
Thanks to this important operation, Finmeccanica, through FGRE, will be able to manage its unique real estate holdings in an optimised, efficient and uniform manner, in environmental terms as well.

Each company has a compliance model that is appropriate to its characteristics and specific operating requirements. In the majority of cases, the work of the relevant personnel at the different manufacturing sites is coordinated by a specific person.
Corporate know-how is the property of the Group Environment, Health & Safety (EHS) Community, currently made up of approximately 80 dedicated staff members who meet periodically to share best practices and their own management experiences.

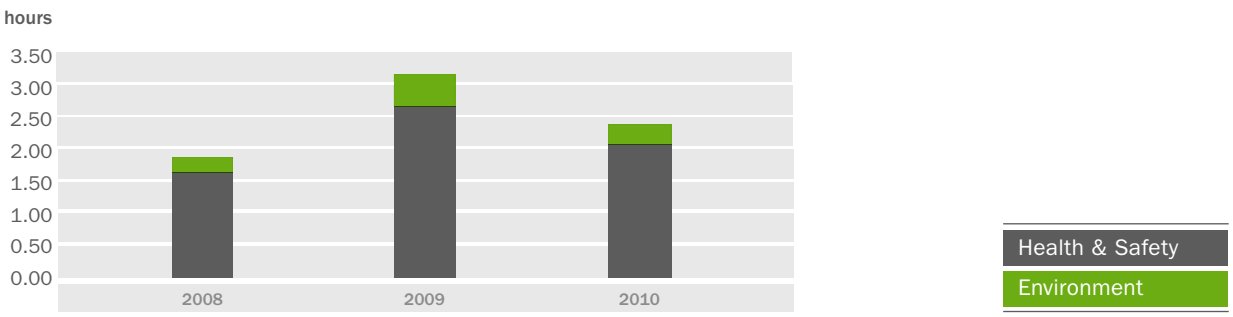
In 2010, the Finmeccanica Group supported its EHS commitment with financial resources and by investing in human resources:

- more than €mil. 35 invested in programmes aimed at reducing the environmental impact and ensuring safety in the workplace;
- almost 154,000 hours of training on issues pertaining to the environment, health and safety. Along with specific issues relating to activities carried out at the sites, FGRE provided courses on the Carbon Management System, REACH regulations and SISTRI (the new Italian waste tracking system) at the central level.

Average EHS investments per site



Per-capita training



In 2011, a training course on eco-design will be organised for 30 designers from Group companies. Starting with the design phase, eco-design involves performing a global assessment of the product life span, examining all the effects that have repercussions on the environment during extraction of raw materials, use of certain resources (materials, energy, water), production, distribution, use and, finally, disposal, attempting to facilitate dismantling of components and recycling/re-use of certain parts or materials. The aim is, therefore, to minimise the environmental impact of each phase of the process. It is estimated that approximately 80% of the total environmental impact of products is determined by the design phase. The involvement of the technical team is thus fundamental in the new eco-friendly design system, where designers have the aim of creating long-lasting products with a limited environmental impact and the ability to maintain their performance levels unchanged so as to give uniform obsolescence of all materials and components.

Guidelines and management systems

The guidelines and management systems continue to be considered the primary means of proper and efficient management of the environment and protection of health and safety. Finmeccanica promotes their use in all the Group companies.

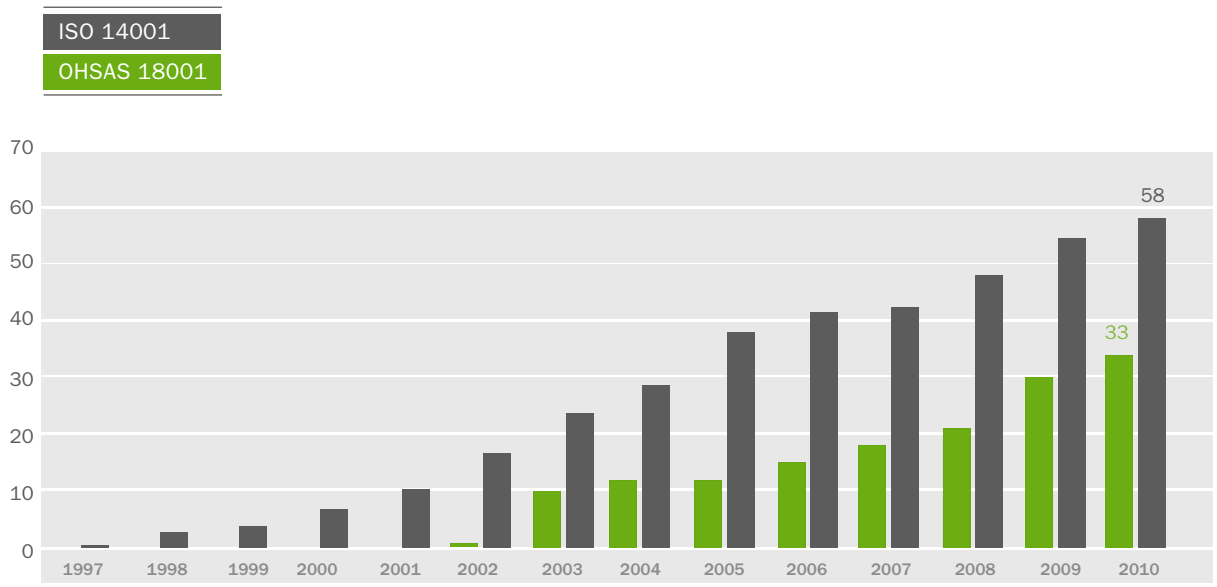
In 2010, FGRE drew up guidelines relating to primary factors in the management of aspects of environmental protection and safety relating to water, environmental emergencies, hazardous substances and EHS audits (the last two are in the process of being issued).

In addition, the guidelines on waste management are currently under review. Distribution of guidelines, regulations and detailed coverage of specific topics takes place by direct delivery and using the EHS Inportal platform, where approximately 120 documents are available.

In line with previous years, the number of sites holding special certifications increased again in 2010. The sites already certified have been joined by those of Alenia Aeronautica in Caselle (ISO 14001), and SELEX Communications in Milan and Montevarchi (OHSAS 18001).

The overall situation at the end of 2010 shows:

- 58 sites certified under ISO 14001:2004 (EMS – Environmental Management System);
- 2 sites registered in accordance with EMAS regulations (Eco-Management and Audit Scheme);
- 33 factories certified under OHSAS 18001:2007.



During the last year, a total of over 100 audits of environmental management systems were carried out by external bodies.

As well as the EMS certifications mentioned, two other initiatives were of particular significance:

- AnsaldoBreda's experience with regard to the environmental product declaration (EPD). In 2010, certification was obtained for the Brescia metro train, and work began on the life cycle assessment (LCA) needed to prepare the declaration for Rome's Metro C, certification of which is expected in 2011;
- the experience of SELEX Galileo, which implemented the first energy management system under BS 16001:2009 for its Luton – Capability Green (UK) site.

Carbon Management System

The year 2010 proved to be particularly important for the actions taken by Finmeccanica to help reduce greenhouse gas emissions. The target of reducing Scope I emissions[7] and Scope II emissions by 15-20% by 2015 is evenly distributed among the individual companies.

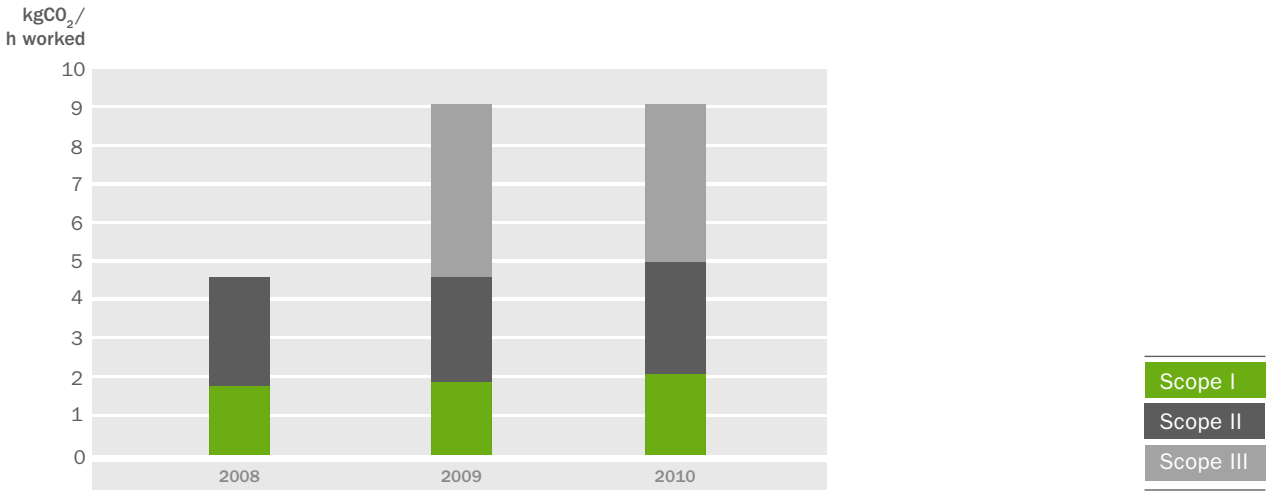
This is possible thanks to the gradual spread within the Group of the Carbon Management System (CMS), a management tool that, starting from quantification of emissions, has enabled more certain identification of the areas and actions for improvement.
In 2010, approximately 120 actions to reduce greenhouse gas emissions were identified within the Group, and these will be implemented in the 2010-2012 period. These actions relate mainly to reductions in electricity and natural gas consumption and obtaining energy from renewable sources.
In this regard, mention should be made of the conversion of the AgustaWestland sites at Vergiate, Frosinone and Brindisi to natural gas, where elimination of the use of fuel oil will result in overall savings of 7,000 metric tons of CO_2 equivalent per year.

The results of CMS calculations highlighted a 5% increase in emissions compared with 2009, with a prevalence of indirect Scope III emissions (equal to 45% of the whole), followed by indirect Scope II emissions (32%) and direct Scope I emissions (23%).

Emissions (tCO_2e)	2008	2009	2010
Scope I	161,391	199,218	247,293
Scope II	269,581	316,007	344,269
Scope III	n.a.	512,634	489,540
Total	**430,972**	**1,027,859**	**1,081,102**

7. Finmeccanica accounts for its emissions by classifying them according to the Greenhouse Gas Protocol. Direct emissions, Scope I, derive from sources owned by or under the control of the company. Scope II emissions, indirect, relate to the production of purchased electricity. Indirect Scope III emissions, a category for which reporting is defined as optional in the Protocol, derive from sources not controlled by the company, for example: extraction of raw materials, air travel by employees.

CO_2e emissions



A fundamental part of the commitment to managing greenhouse gases was 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.[8]

Finmeccanica takes part in the Carbon Disclosure Project

The Carbon Disclosure Project (CDP) 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.
In 2010, approximately 2,500 companies from 60 different countries measured and divulged their greenhouse gas emissions and their strategies for reducing them through the CDP. In Italy, in 2010, 21 companies out of the top 60 listed on the Italian stock exchange responded, including Finmeccanica, which joined the CDP in 2008.

EMISSIONS TRADING

In 2010, there were no changes in the sites falling within the scope of application of the Emissions Trading Directive. All 12 of the sites included in the scheme have obtained certification of their emissions by an agency authorised by the Italian Ministry for the Environment.

8. To date, the majority of Group companies (AgustaWestland, Alenia SIA, AnsaldoBreda, Ansaldo Energia, Ansaldo Nucleare, Ansaldo STS, DRS Technologies, Elsag Datamat, FATA, Finmeccanica Group Services, Oto Melara, WASS, SELEX Communications, SELEX Galileo, SELEX Service Management, Seicos, Space Software Italia) have appointed their own carbon managers.

Company	No. sites involved	Emissions allocated (metric tons/year)	Emissions measured 2009 (metric tons/year)	Emissions measured 2010 (metric tons/year)
AgustaWestland	3	25,683	31,641	31,441
Alenia Aeronautica	6	72,659	45,154	46,244
AnsaldoBreda	1	4,778	5,605	5,056
Ansaldo Energia	1	2,407	1,009	1,462
Oto Melara	1	5,594	6,347	6,807
Finmeccanica Group	**12**	**111,121**	**89,756**	**91,010**

Energy management

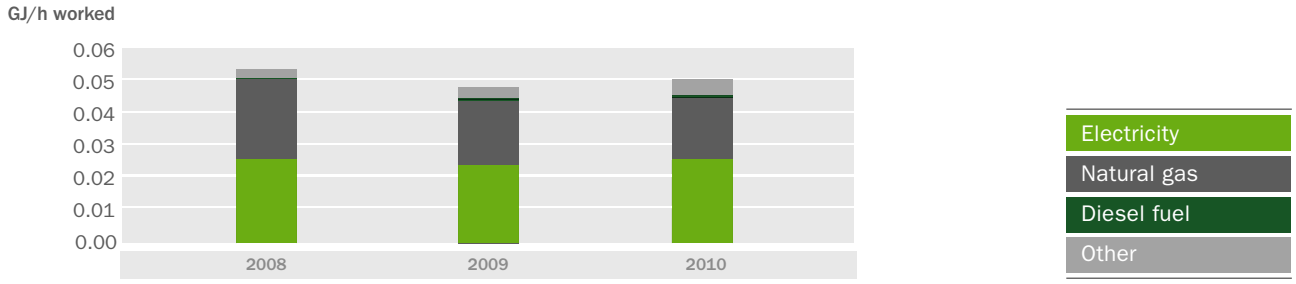
Through its subsidiary FGS, Finmeccanica coordinates the Group's energy expenditure and consumption along three lines:

- Energy Supply: management and rationalisation of the Group's energy expenditure;
- Energy Demand: management of the Group's energy efficiency programme, launched in 2005;
- Social Services Communication: coordination of the Community of Energy Managers and of initiatives, carried out in conjunction with the Group's Communication Department, to increase awareness of the need for rational use of energy resources.

Power consumption at the Group level is substantially unchanged with respect to previous years. In 2010, there was an increase in total consumption of approximately 7%, which is in part attributable to changes in the scope of reporting (see the Reporting methodology) and improvements in the methods for monitoring fuel used in testing aircraft. The Aeronautics and Helicopters divisions consume the most energy, in line with the characteristics of the relevant industrial processes.
Electricity and natural gas represent approximately 91% of all power consumption. The ratio of fuel consumed to hours worked confirms the stability of specific consumption and the use of different energy sources.

Energy source	2008	2009	2010
Electricity	2,426	2,810	3,021
Natural gas	2,402	2,333	2,393
Diesel fuel for energy and heat	71	79	66
Other	310	352	482
Total (TJ)	**5,209**	**5,573**	**5,961**

Energy consumption by source



During 2010, approximately 20 operations were carried out to improve plant energy efficiency, with an investment of approximately €mil. 1.7, 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.

For 2011, FGS has also entered into electricity service contracts certifying that 21% of the energy for use in the main Italian sites comes from renewable sources. Of this, 4% comes from power supplied by hydroelectric plants and 17% is provided indirectly from renewable resources, through the purchase of RECS (Renewable Energy Certificate System) certificates.

Statement on Finmeccanica's Energy Efficiency Programme

Launched by Finmeccanica Group Service in 2006, the programme is aimed at controlling and reducing the Group's energy consumption, and encouraging the use of efficient technologies, starting with careful analysis of site use levels. In all, in the period 2006-2010, the Energy Efficiency Programme has resulted in approximately 160 operations at plants in Italy, the United Kingdom and the United States, with a total investment of approximately €mil. 15.7. During 2010 the Programme enabled over 20 operations on plant to be carried out, with an investment of approximately €mil. 1.7.

Below is the breakdown of investments by industrial sector:

AERONAUTICS	47.41%
DEFENCE AND SECURITY ELECTRONICS	23.32%
HELICOPTERS	16.43%
SPACE	7.23%
ENERGY AND TRANSPORTATION	4.21%
DEFENCE SYSTEMS	1.41%

ENVIRONMENTAL PERFORMANCE

Environmental performance in 2010 reflects the various efforts undertaken to optimise industrial processes and reduce the related environmental impact.

Among the main structural operations implemented during 2010 were:

- transformation of the power supply at the AgustaWestland Vergiate site from heavy fuel oil to natural gas;
- work on the water supply system at the SELEX Galileo site in Nerviano and the Alenia Aeronautica site in Caselle (overall savings estimated at 240,000 cubic metres);
- replacement of the water-based paint spray booths with booths fitted with activated carbon filters at the SELEX Communications plant in Latina (estimated saving in the production of liquid waste of approximately 4,000 litres).

Other actions were of an operational nature, contracting with waste disposal companies for the recovery of wood from the Ansaldo STS sites in Piossasco (Turin) and Genoa (reduction of approximately 8 metric tons of waste).

During 2010, a total of 18 environmental accidents were reported and dealt with at Group sites, none of which was significant in terms of business continuity. Twelve of these events related to spills, the largest of which was of approximately 1,000 litres and did not involve pollution of the soil and subsoil. Furthermore, 8 violations of environmental regulations at the Group level were found by monitoring bodies.

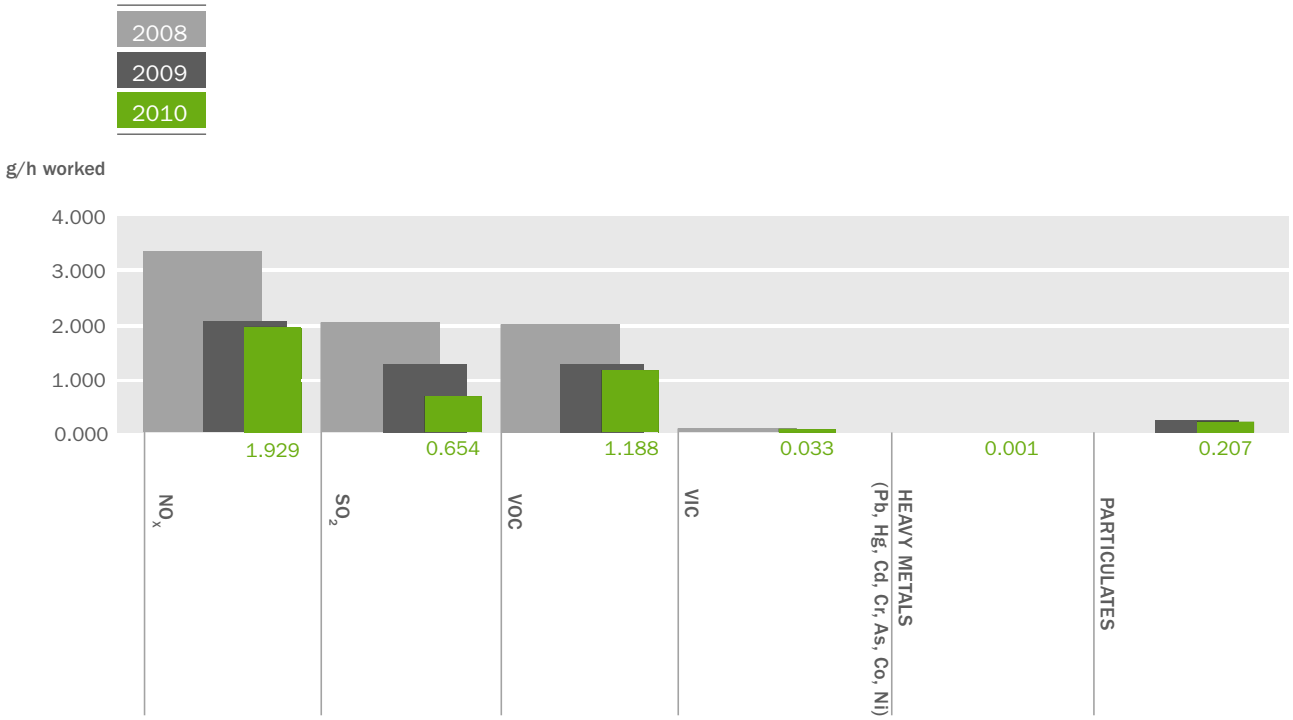
Atmospheric emissions

The atmospheric emissions produced by Group sites are due to combustion processes and to industrial processes. There are approximately 2,400 authorised emission points, an increase of 15% with respect to 2009 due to inclusion of the PZL-Świdnik factory in the scope of reporting.
The quality of atmospheric emissions is monitored to ensure they fall within legal limits. The most significant items measured in determining air quality are NO_X, SO_2, Volatile Organic Compounds (VOC), Volatile Inorganic Compounds (VIC), heavy metals (Pb, Hg, Cd, Cr, As, Co, Ni) and particulates.

Specific emissions into the atmosphere, calculated with respect to hours worked, decreased in 2010 for all pollutants, following the downward trend seen in the previous two years.

Emissions (metric tons)	2008	2009	2010
NO_X	309	238	231
SO_2	188	139	78
VOC	184	147	142
VIC	4	2	4
Heavy metals	4	0.2	0.1
Particulates	0.5	24	25

Atmospheric emissions



Water resource management

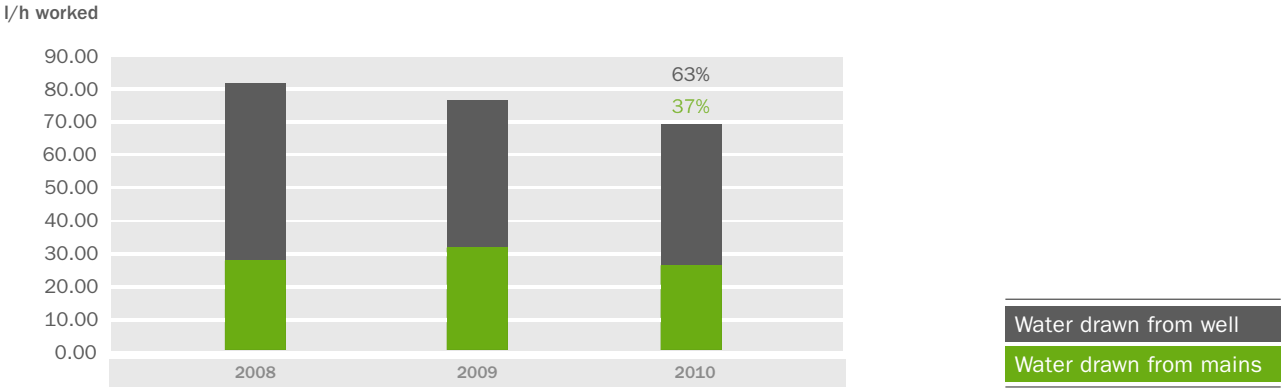
Water consumption by the Group is mainly for civil uses, industrial use (e.g. surface treatments, cooling systems, etc.) and irrigation of the extensive green areas found in particular at the sites of the Aeronautics and Helicopters divisions. The sum of their consumption amounted to approximately three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

Approximately 37% of the water used for civil and industrial purposes is taken from the mains, while about 63% is drawn from onsite wells.

Renewal of the commitment of the Group companies to improve management of water resources resulted in an 8% reduction in total water consumption compared with 2009. Over the last three years, the ratio of water consumed to hours worked has decreased by approximately 17%. Reduction of water use has been achieved thanks also to the increased number of sites equipped with water re-circulation systems (to date 21), which has allowed savings of approximately 6% on total water drawn, equivalent to about 494,000 cubic metres.

Water consumption	2008	2009	2010
Mains	2,671	3,554	3,089
Well	5,219	5,405	5,181
Total (m^3 x 1,000)	**7,890**	**8,959**	**8,270**

Water use



Total wastewater produced by the Group in 2010 amounted to approximately 6.4 million cubic metres, of which 53% was domestic wastewater.
Wastewater is mainly returned to the public drainage system (around 75%). The remaining part is discharged directly into surface water, as it does not require any further purification treatment (approximately 25%). Finally, a limited amount is disposed of as waste.

The quality of wastewater is an essential factor in assessing the environmental impact of discharge water.
Three main parameters have been selected to represent water quality:[9] Biochemical Oxygen Demand (BOD), Chemical Oxygen Demand (COD) and Total Solids in Suspension (TSS).

Parameters	2009	2010
Industrial wastewater discharged by Finmeccanica site purification plants (m^3 x 1,000,000)	1.865	1.735
BOD (metric tons)	14	33
COD (metric tons)	53	121
SST (metric tons)	74	49

The noticeable change in the COD parameter is mainly attributable to the increase in production volumes connected with certain process lines, and in part to more accurate accounting.

9. The figure relates exclusively to wastewater discharged downstream of the onsite treatment plants within Finmeccanica sites (23 domestic water treatment plants and 31 industrial water treatment plants).

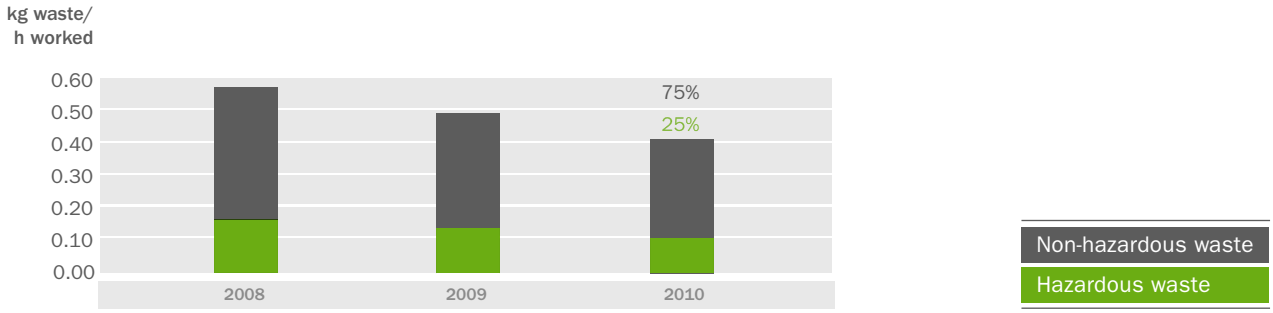
Waste production and management

Production of waste is one of the most significant environmental aspects of Group activities. Of the waste produced, 90% comes from the Aeronautics, Helicopters and Energy/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.

According to European directives and international legislation on waste management, waste is classified as hazardous or non-hazardous based on the concentration of certain substances.
In 2010, waste production decreased by approximately 13% with respect to the previous year. A strong decrease was also seen for the specific ratio of total waste produced per labour hour, which has been dropping steadily over the last three years.

	2008	2009[10]	2010
Non-hazardous waste	39,680	40,680	36,370
Hazardous waste	13,788	15,354	12,443
Total (metric tons)	**53,468**	**56,034**	**48,813**

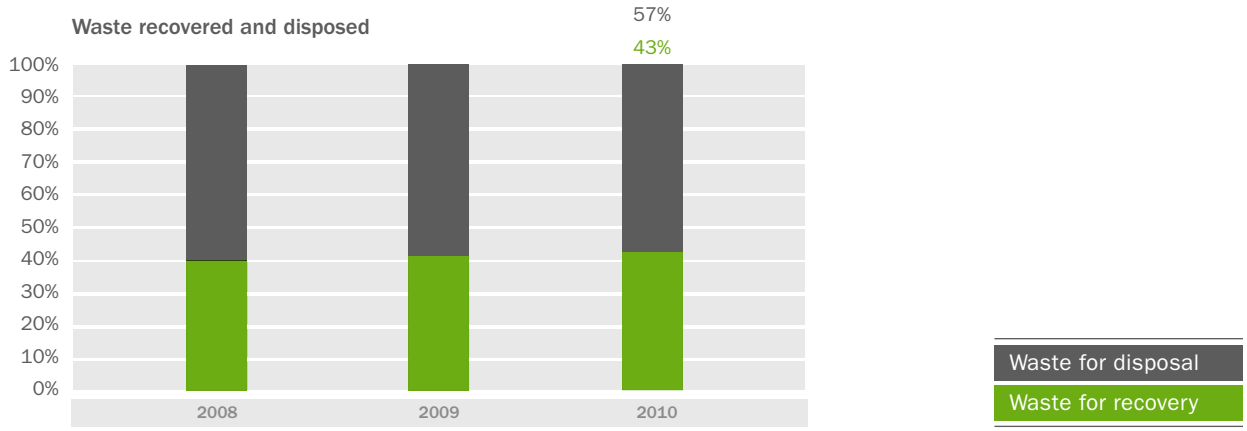
Waste produced



The final destination of waste is more or less stable, with approximately 43% (as compared with 41% in 2009) of waste being sent for recovery and approximately 57% for disposal.

The positive results achieved during 2010 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 mentioned above, 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.

Waste recovered and disposed



10. Values for 2009 have been updated following in-depth study and specific analysis.

Soil and subsoil

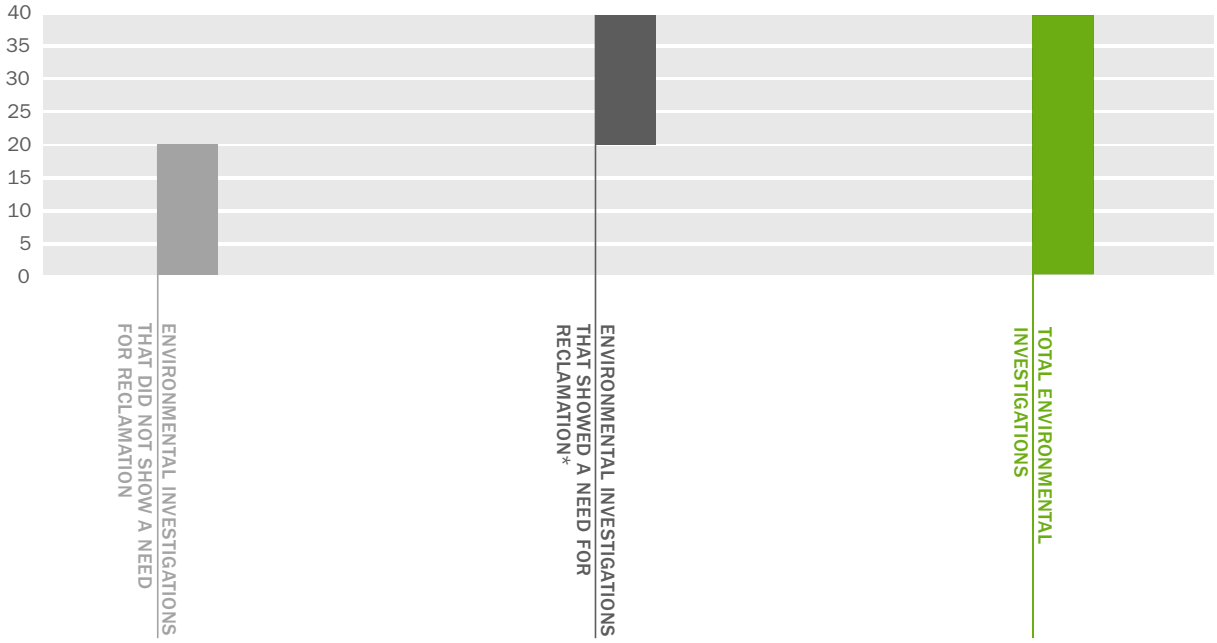
The total surface area occupied by Group sites amounts to about 1,500 hectares, of which 42% is made up of green areas.

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, 19% of sites are located less than 1 km from a natural area.

The Group companies have performed environmental assessments 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.

One of the main potential sources of soil pollution at the 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 above ground tanks, or being eliminated to reduce the risk of soil contamination. In 2010, a further 10 were removed, bringing the total at year end down to 261.

Environmental investigations 1999-2010



* In accordance with the procedures, programmes and timetables established by the competent bodies.

2010 International Year of Biodiversity

The term biodiversity refers to the wide variety of living beings that inhabit the Earth, and is measured at gene, species, population and ecosystem level.
Biodiversity is a universal heritage for all humanity, and its conservation is therefore of prime importance. For this reason, the General Assembly of the United Nations has declared 2010 the International Year of Biodiversity.
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.

An example of this is the monitoring carried out at the AgustaWestland site in Frosinone. Within this site, near the runways, lies a depression in the land that is a home to flora and fauna of various species from the end of winter well into spring. During that period in particular, rain turns this area into a marsh in which several species of migratory birds (snipe, grey herons, lapwings, little egrets, blackcaps, ducks) winter and sometimes nest. The depression is also home to typical marsh plants and amphibians. Monitoring of this unique area was carried out in 2010, to analyse the data obtained and draw up specific environmental protection plans for that area.

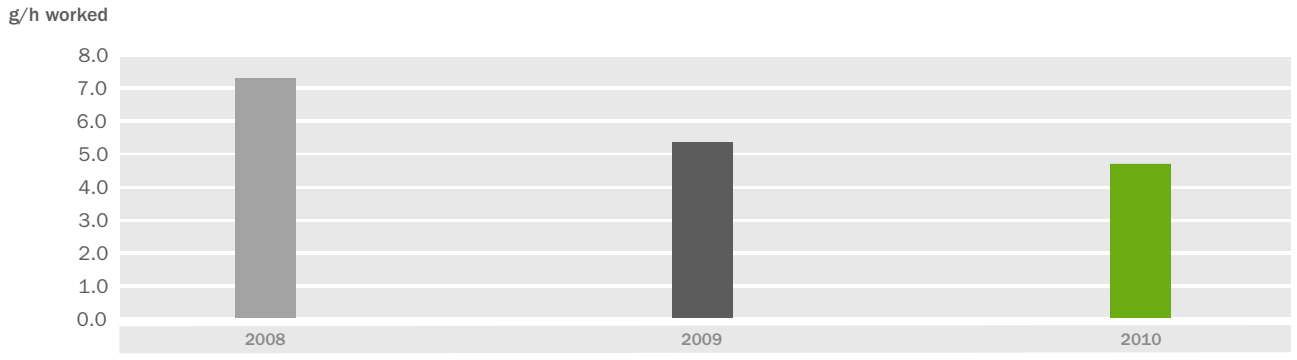
Furthermore, in 2010 FGRE studied and selected a set of specific indicators, which have already been entered into the web-based system for the collection of environmental and carbon data that, as of 2011, will allow thorough and widespread monitoring of biodiversity in the sites within the scope of reporting.

Hazardous substances

For some of the production processes carried out by the Group, in particular in the Aeronautics, Helicopters and Defence and Security Electronics divisions, the use of substances such as paints, adhesives, solvents, impregnating agents or acids is essential. Some of these substances are classified as hazardous under European regulations:[11]

Hazardous substances (metric tons)	2008	2009	2010
R40 - Possible risks of irreversible effects	537	490	449
R45 - May cause cancer	129	112	115
R49 - May cause cancer by inhalation	28	27	9

Consumption of hazardous substances sum of R40, R45, R49



11. Directive 2009/2/EC relating to legislative, regulatory and administrative provisions for the classification, packaging and labelling of hazardous substances.

For some time now, the Group's policy has been to find less hazardous and non-hazardous replacement products, in line with the requirements of REACH regulations. In this regard, some companies are involved in implementing actions to optimise or reduce the consumption of hazardous substances: among these, Alenia Aeronautic has been carrying out intense research in this area for a number of years. In 2010, for example, the use of soda reagents and hydrochloric acid decreased at the Casoria site, thanks to installation of a reverse osmosis water pre-treatment plant.
Also at the Casoria site, and at the Foggia site, the use of solvents has been reduced by creating a plant for the re-use of MEK[12] in the paint spraying area.

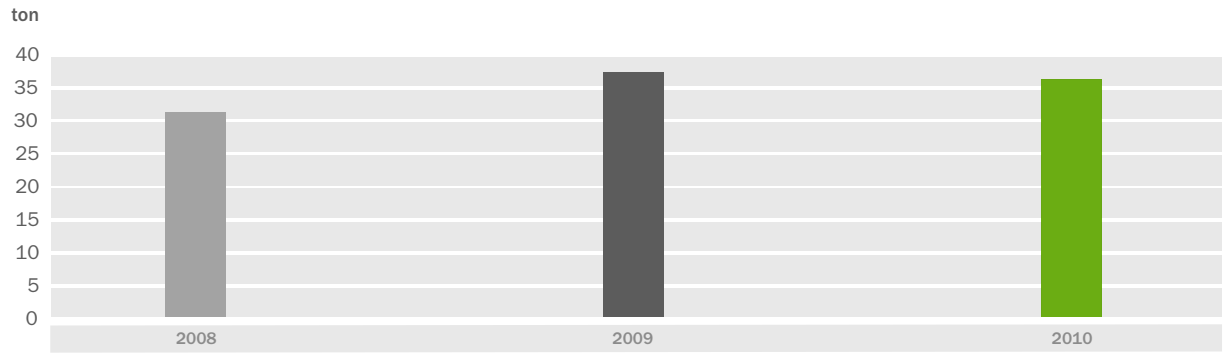
The sites listed in the table are those classified as having a Major Accident Risk (MAR)[13] and those subject to the Integrated Pollution Prevention & Control (IPPC) Directive.[14]

Company	MAR	IPPC
AgustaWestland	Anagni (Frosinone), Cascina Costa (Varese), Frosinone, Vergiate (Varese), Yeovil	Anagni (Frosinone), Brindisi, Frosinone, Vergiate (Varese), Yeovil
Alenia Aermacchi	Venegono Superiore (Varese)	Venegono Superiore (Varese)
Alenia Aeronautica	Caselle (Turin), Casoria (Naples), Nola (Naples)	Caselle (Turin), Casoria (Naples), Nola (Naples), Pomigliano (Naples), Venice
Oto Melara	La Spezia	La Spezia
SELEX Galileo	-	Southampton

Ozone-depleting substances

At Finmeccanica Group sites, ozone-depleting substances are mainly present in cooling and air conditioning systems.
As at 31 December 2010, a census of these substances within the sites, currently nearing completion, showed that there are approximately 37 metric tons of ozone-depleting substances at the Group's 79 sites.
In 2010, numerous companies took action to replace these substances with other ozone-friendly ones; for example, Telespazio has removed over 90% of the ozone-depleting substances from its headquarters in Rome.

Ozone-depleting substances



12. MEK: Methyl ethyl ketone.
13. Sites that fall within the scope of application of Directive 2003/105/EC. In the United States there is a similar regulation, the Chemical Accident Prevention Program, but none of the Finmeccanica sites has a sufficient amount of these substances to be included in it.
14. Sites that fall within the scope of application of Directive 2008/1/EC.

5

DETAILED REVIEW BY SECTOR

Helicopters

The helicopter is the most suitable form of aircraft when operating in complex or even extreme environments. For this reason, safety and reliability have always been the most important features of this type of vehicle, both when used in civil and in military roles.
The future challenge to remain a leader in the global market will again centre around these fundamental elements, but in the meantime the ability to improve overall efficiency and reduce the environmental impact throughout the entire life cycle of the product will also become increasingly significant as competitive factors. This is undoubtedly the way to enable helicopters to become more fully integrated with other means of transport, so as to contribute to the development of even more advanced sustainable mobility systems.

THE SECTOR

Finmeccanica is active in the helicopters sector through the company AgustaWestland.

BRIEF HISTORY

AgustaWestland is the result of a merger of two companies with great traditions, Agusta and Westland that have been working in the aeronautics sector since the early 20th century.

The aeronautical fate of Agusta took a decided turn in 1952, the year in which the company signed an agreement with the Bell Aircraft Corporation, aimed at production under license in Europe of the famous Model 47. Two years later, the Agusta-Bell 47G came onto the market and, with over 1,200 units built, formed the foundation of the helicopter industry in Italy.

Westland was an aeronautical company founded before the Second World War. Following the war, it specialised in the manufacture of helicopters. During the post-war period, the company merged with other British firms in the sector, finally taking the name Westland Helicopters and then GKN-Westland. After the successes achieved with various programmes commercialised all over the world and an initial 50% merger with Agusta in 2001, Finmeccanica acquired the entire shareholding of the company and renamed it AgustaWestland four years later.

ACTIVITIES

AgustaWestland manages all phases of a helicopter's life: from conducting a preliminary analysis and establishing operating requirements, to designing, developing and producing gearboxes, rotors, metal and composite structures and avionics systems, all the way to integrating these components in the complete "helicopter system".

The products offered by the company are aimed at both the civil and defence sectors, and range from the 1.8 metric ton lightweight, single-engine SW-4 to the 16 metric ton, triple-engine AW101, the standard for the medium/heavyweight helicopter class.
Development of considerable expertise in the creation of trainers has also allowed AgustaWestland to extend this area of activity, becoming one of the main suppliers of training solutions for the helicopter sector.

AgustaWestland has manufacturing plants in Italy, United Kingdom, the United States and Poland (where it recently acquired the helicopter company PZL-Świdnik), and it has also opened research centres in these countries. The company also operates at the international level through joint ventures and partnership agreements with other world leaders in the aeronautics sector, for example, for the NH90 designed for NATO, and for the project being developed with Boeing to compete for the contract to supply the helicopter for the President of the United States.

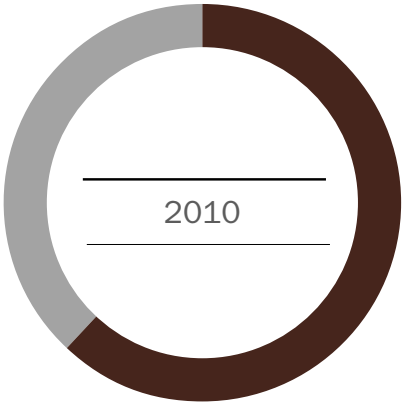
WEBSITES

www.finmeccanica.com/Helicopters
www.agustawestland.com

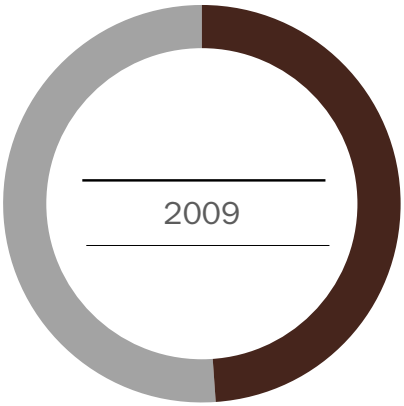
Performance and financial highlights

€ millions	2010	2009	%
Revenues	3,644	3,480	4.7%
Adjusted EBITA	413	371	11.3%
R&D investments	409	328	24.7%
New orders	5,982	3,205	86.6%
Order backlog	12,162	9,786	24.3%
Workforce (no.)	13,573	10,343	31.2%

Revenues by customer type



62%	Defence
38%	Civil



49%	Defence
51%	Civil

EHS indicators

	Unit of measurement	2010	2009
Number of sites within scope of reporting		14	13
Energy consumption	GJ	1,542,249	1,279,981
Total waste produced	metric tons	10,983	9,669
Water consumption	thousands of m^3	1,472	1,398
Accident frequency ratio		7.4	8.53

HIGHLIGHTS 2010

- After receiving approval from the antitrust authorities, acquisition of the Polish company Wytwornia Sprzetu Komunikacyjnego "PZL- ŚWIDNIK" Spolka Akcyjna (also referred to as PZL- Świdnik) manufacturer of helicopters and aerostructures, was completed.
- AgustaWestland and Boeing Company signed the agreement for the US Navy Marine One United States Presidential helicopter programme (VXX). AgustaWestland will have a role in developing the programme and will be responsible for a significant portion of the design and production.
- New partnerships have been established to build assembly plants with Russian Helicopters in Russia for the AW139 and with Tata Sons in India for the AW119.
- The AW169, the new latest-generation, multi-role helicopter for civil use, was officially presented at the 2010 Farnborough Airshow.
- The 300th AW139 was delivered with the customer being the Italian Coast Guard.
- The AgustaWestland Fleet Operations Centre is fully operational. This centre, which is located near Milan's Malpensa Airport, is active 24 hours a day, 7 days a week, with a team of engineering, logistics and maintenance specialists ready to provide on-the-spot services for civil customers in order to get grounded machines back in the air as quickly as possible.

Projects, initiatives and best practices

RESEARCH AND DEVELOPMENT

Technology for the near future: the BA609 tiltrotor

The BA609 tilrotor represents the extreme frontier in the technological evolution of the helicopter. This is a fixed-wing aircraft of medium size, capable of transporting up to 2.5 metric tons of useful load at a top speed of 275 knots and with a maximum range of 700 nautical miles.
The BA609 takes off and lands like a helicopter using tiltrotor technology (rotation of the engine gondola only) and flies at double the speed, with twice the range and at an altitude that can only be reached by pressurised aircraft.
The BA609 is not an experimental programme or a technological demonstration. It is a product under development, the fruit of decades of investment, tests, improvements and operating experience, with final testing for approval and commercialisation already in progress.

CUSTOMERS AND MARKETS

Building solutions with customers: the Ornge and Rega case studies

HEMS (Helicopter Emergency Medical Service) is the type of use that demonstrates the value of the helicopter most clearly. AgustaWestland has over thirty years of experience in this segment. Today there are over 300 AgustaWestland HEMS helicopters in operation in America, Europe, Africa and the Far East. Two case studies illustrate the ability to construct solutions in a global market that, at the local level, involves widely differing needs.

Ornge, a Canadian non-profit operator, has selected the AW139 to develop an innovative "transport medicine" concept. With this approach, the focus of medical intervention changes from "bringing the patient to the hospital" to "bringing the hospital to the patient", considerably reducing the scope of the operation and increasing its efficiency. Performance that is superior to its competitors, thanks in part to the full de-icing system, which allows the AW139 to fly even when there is ice, and more space in the cabin for the medical team and medical equipment, thus reducing stress levels and improving the efficiency of operations, are the features that make the AW139 a winner in meeting customer needs.

On the other hand Rega, a Swiss operator, carries out its emergency missions in a context that involves some of the most difficult conditions in the world: at high altitudes of up to 4,000 metres, and in 50% of cases at night, when the altitude and temperatures are extremely taxing for both machines and operators. For this reason Rega and AgustaWestland have together developed the "Da Vinci", a new

generation helicopter based on the Grand, which has been equipped with state-of-the-art avionics systems, including systems for operation by a single pilot including the use of night vision devices. A reduction in weight to improve performance at high altitudes is the other feature on which the customer has based its winning partnership with AgustaWestland.

www.ornge.ca
www.rega.ch

SUPPLY CHAIN

Recognising the value of strategic suppliers: the Pratt & Whitney case

Pratt & Whitney Canada, a partner with AgustaWestland in various strategic programmes, has shown a high level of professionalism and responsiveness in providing AgustaWestland and its customers with support for all problems relating to materials in use. Pratt & Whitney Canada's engines have shown themselves to be extremely reliable; some of the engines that were checked during the TBO (Time Between Overhaul) were found still to be in top condition.
During the initial stages of development of the AW169, the cooperation between AgustaWestland and Pratt & Whitney Canada was essential in defining the mechanical, electrical and aerodynamic aspects of installing the PW120 engine in the helicopter. In spite of stringent planning requirements, the effectiveness of this joint effort enabled AgustaWestland to complete work on schedule.
The hard work and professionalism provided, together with the results achieved, led to the awarding of the Group prize for "Best supplier" to Pratt & Whitney as part of the Innovation Award 2010.

PEOPLE AND COMMUNITIES

VertiPass: vertical take-off air transport for a state-of-the-art mobility system in Italy

The advent of second generation positioning and navigation systems (Galileo and EGNOS in Europe), together with innovations in terms of safety and environmental compatibility that are already fitted in the more innovative AgustaWestland helicopters like the AW139, the GrandNew and the revolutionary BA609 tilrotor, will allow unprecedented operating capacity in almost any weather conditions, with levels of safety and comfort comparable to those of a passenger airline and the ability to make prompt connections even with minimal infrastructures on the ground.
These are the elements at the root of VertiPass, a strategic plan launched by AgustaWestland in the form of several proposals relating to areas of action necessary to spur vertical mobility in Italy:

- infrastructures – preparation of guidelines for integration of vertical take-off aircraft into the national transport and infrastructures system;
- flight and airway procedures – establishment of regulations and administrative procedures to facilitate the construction of heliports;
- informing the public opinion – creation of a communication campaign to explain the project and respond to the implicit demand for safety and non-invasiveness;
- incentives – perfection of mechanisms for supporting businesses or local governments in giving backing to new heliport infrastructure projects.

The proposals in the plan are aimed at, among others, certain institutional stakeholders who are essential for implementation of the plan itself, such as ENAC (Italian Civil Aviation Authority), ENAV (Italian Company for Air Navigation Services) and regional authorities.

Relations with the territory are strengthened: the AWParc consortium is born

In 2010, an important partnership with the Lombardy region was finalised with creation of the AgustaWestland – Milan Bovisa Polytechnic consortium called the Advanced Rotorcraft Centre (AWParc). The Milan-based consortium will have a very wide range of action, with the aim of carrying out the following:

- performing feasibility studies, technological check-ups, testing and certification of equipment, components and systems; perfecting or developing processes and systems in the vertical take-off

aircraft sector, taking part in research projects and national and international technology transfer programmes;

- promoting and organising highly specialised professional training courses in the vertical take-off aircraft sector, as well as exchanging knowledge by means of national and international seminars and conferences;
- creating and managing a laboratory for the vertical take-off aircraft sector, required for research and technical and scientific consulting activities, both for the industry and for public bodies.

Aeronautics

Aeronautics is a sector that is of vital importance for achieving economic growth, security and quality of life goals that have been set. However, on a number of occasions it has shown itself to be vulnerable in the face of global events, whether of a strictly economic or geopolitical nature, and in the face of natural and environmental factors.
The aeronautics sector must thus be even more capable of foreseeing and managing the effects of these variables. In this scenario, research and development on advanced processes and materials play an increasingly central role. These activities require considerable investments, combined with continual improvements in product design, integration and systems management. Thanks to its technological excellence and the operational capability of the companies in this sector, Finmeccanica has carved out a key role for Italian industry in the most important international aeronautics development programmes.

THE SECTOR

Finmeccanica Group's aeronautic division is led by Alenia Aeronautica. It also includes various subsidiaries or affiliates, including Alenia Aermacchi, SuperJet International, ATR and Eurofighter GmbH.

BRIEF HISTORY

Alenia Aeronautica, created in 1990 as a result of the merger of Aeritalia and Selenia, is heir to the rich Italian aeronautics tradition, with almost 13,000 aircraft designed and built by the companies that preceded it.
Its first factory was in Turin, where SIT (Società Italiana Transaerea) started to operate in 1910, continuing later with Pomilio and Ansaldo (builder of the famous SVA biplanes). After the First World War, activities were transferred to Fiat. The other original nucleus stems from Nicola Romeo, founder of Alfa Romeo, who set up his first aeronautical workshop in Naples in 1917. The company was later absorbed by Breda and taken over during the post-war period by Finmeccanica as Aerfer, which moved into the aerostructures sector in 1966 with production of fuselage panels for the DC-9.
Aerfer and Fiat merged their aircraft operations in 1969, creating Aeritalia. This concentration led to involvement in fundamental programmes such as the Tornado European multi-role aircraft, the ATR family and the AMX. Aeritalia, partner in the Boeing 767 from the start of the programme, played a key role in creating the Italian aeronautics industry.

Aermacchi (today Alenia Aermacchi), which has been in operation since 1913, has built more than 7,000 aircraft, including the famous MC-72 racing hydroplane (which in 1934 set the overall world speed record, which still stands in the hydroplane category), series 200 fighters and above all, starting from the post-war period, an extremely successful family of trainer aircraft that is still at the forefront in its sector with the ultra-modern M-346. The company was purchased by Finmeccanica in 2003.

ACTIVITIES

Alenia Aeronautica has full systems development and integration capabilities in the most advanced fields, including high performance fighter planes, military and civil cargo planes, unmanned aircraft (UAV), aerostructures in composite materials for passenger aircraft and – through its subsidiary Alenia Aermacchi – a complete range of trainer aircraft. Each of the systems sold to customers all over the world is followed up and backed by a full support service. The company has a number of proprietary products including the C-27J, the only true tactical cargo aircraft currently available in the world, and the ATR 42 MP and ATR 72 ASW, aircrafts specifically designed for maritime patrol missions. The company is involved in a number of partnerships both in the military segment, such as the Eurofighter Typhoon, the Joint Strike Fighter F-35 and the European UCAV (Unmanned Combat Aerial Vehicle) demonstrator Neuron, and in the commercial segment, including the design and manufacture of advanced aerostructures such as the Airbus A380 and, above all, the Boeing 787 Dreamliner.
Alenia Aeronautica is also among the leaders in regional turboprop aircraft through ATR, a 50/50 joint venture with EADS, and SuperJet International, a joint venture with the Russian company Sukhoi for the Sukhoi Superjet 100, the most modern regional jet available on the market.

Alenia Aermacchi, which operates in Venegono Superiore (Varese), is a leader in the design, production and support of military trainer aircraft. These include the M-346, the only LIFT (Lead-In Fighter Trainer) at the European level, and the MB339 which is also used by the *Frecce Tricolori*, Italy's national aerobatics team. The company is also involved in a number of international military programmes (AMX, Eurofighter Typhoon, Tornado and C-27J), while in the civil aviation market it manufactures structural parts and components for engine nacelles on Airbus, Boeing, Embraer and Dassault aircraft.

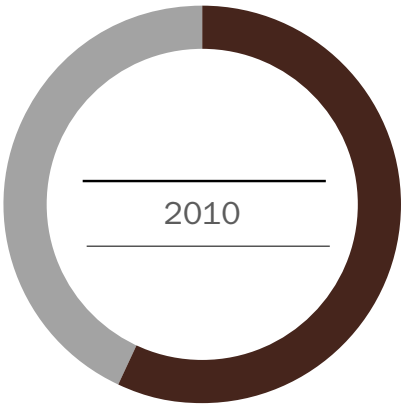
WEBSITES

www.finmeccanica.com/Aeronautics
www.alenia.it
www.aermacchi.it

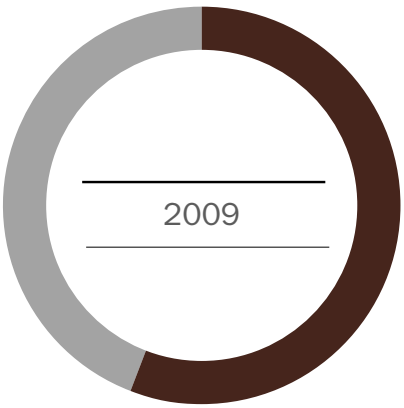
Performance and financial highlights

€ millions	2010	2009	%
Revenues	2,809	2,641	6.4%
Adjusted EBITA	205	241	-14.9%
R&D investments	369	474	-22.2%
New orders	2,539	3,725	-31.8%
Order backlog	8,638	8,850	-2.4%
Workforce (no.)	12,604	13,146	-4.1%

Revenues by customer type



57%	Defence
43%	Civil



56%	Defence
44%	Civil

EHS indicators

	Unit of measurement	2010	2009
Number of sites within scope of reporting		17	16
Energy consumption	GJ	2,019,484	1,906,614
Total waste produced	metric tons	20,979	25,774
Water consumption	thousands of m^3	4,592	5,084
Accident frequency ratio		16.9	14.65

HIGHLIGHTS 2010

- The sites in Turin (April) and Pomigliano (June) hosted meetings for the Clean Sky project, the largest European aeronautical research programme (2008-2014) involving 54 industries, of which 20 small and medium enterprises, 15 research centres and 17 universities from 16 European nations.
- The pre-series ATR 42-600 made its maiden flight at the Toulouse plant.
- Alenia Aeronautica delivered the thousandth tail fin for the Boeing 767 programme, an aircraft that has played a decisive role in the history of the aeronautics industry for its use of composite materials.
- SuperJet International signed an important contract to supply 30 modern Sukhoi SuperJet 100 aircraft to the American Pearl Aircraft Corporation.
- The C-27J and Eurofighter Typhoon fleets in service with the Italian Air Force at Pisa and Grosseto, respectively, reached 10,000 hours in flight.
- Alenia Aermacchi signed an important contract with the Republic of Singapore to supply twelve M-346 advanced trainer aircraft for the south-east Asian country's Air Force.
- Alenia Aermacchi completed the official roll-out of the first two examples of the T-346A aircraft at its plant in Venegono Superiore (Varese). They are destined for the Italian Air Force.
- Alenia Aeronautica took part in the important Air Force exhibition *Il secolo con le ali* ("The century with wings"), organised in Turin to celebrate one hundred years of military flight in Italy.

Projects, initiatives and best practices

RESEARCH AND DEVELOPMENT

Public and private partnerships for cleaner skies

Alenia Aeronautica and Alenia Aermacchi are among the partners in the strategic Clean Sky project, which aims to guide the development and sale of more eco-friendly aircrafts. The project is managed as a Joint Technology Initiative (JTI) at the European level, using public and industrial funds that are combined in a risk sharing structure.

The aim is to accelerate development, by 2020, of aircraft whose environmental performance is significantly better than those currently in use: a 50% reduction in emissions of CO_2, an 80% reduction in NO_x and a 50% reduction in noise levels from engines.

The project, launched in 2008, will result in the development of 6 full-scale Integrated Technology Demonstrators (ITD), which will allow integrated validation of the new technologies developed and the new design concepts:

1) SMART Fixed Wing Aircraft: on the study and development of new aircraft configurations and new wing technology;

2) Green Regional Aircraft: development of lighter aerostructures and new aircraft configurations to reduce noise levels, integrating the results of other ITDs (e.g. propulsion system, energy generation, systems architecture, etc.);

3) Green Rotorcraft: focusing on helicopter rotors for reducing noise levels, integrating diesel engine and electrical systems technology, and reducing fuel consumption;

4) Sustainable and Green Engine: development of five demonstration engines to integrate noise and NO_x emissions reduction technologies;

5) Systems for Green Operations: focusing on the concept of the all-electric aircraft and on systems architectures for onboard energy management and optimisation of flight paths, with the aim of reducing fuel consumption and noise levels in airport areas (in close synergy with the European SESAR – Single European Sky ATM Research project);

6) Eco-design: focusing on the optimal use of raw materials, on reducing the use of non-reusable materials, on the emission of pollutant fumes with application of REACH regulations.

The results of these ITDs will provide European aeronautics industries with a competitive advantage based on the market launch of new products with a low environmental impact both in terms of emissions and re-use of materials.

www.cleansky.eu

CUSTOMERS AND MARKETS

Alenia Aeronautica and the armed forces

The Italian Air Force was the first to adopt the new Eurofighter Typhoon fighter aircraft, the most advanced military aircraft ever to have been developed in Europe.
Alenia Aeronautica has a 19.5% share in creation of the aircraft, which is currently also used by the United Kingdom, Germany and Spain, and has been ordered by Austria and selected by Greece.

Alenia's responsibilities include designing and manufacturing the left wing, the rear fuselage and the wing pylons, as well as designing the navigation, defensive system, utility control and propulsion systems and the secondary power supplies for all aircraft.

The extraordinary complexity of this programme has made it necessary to create a new model for cooperation between armed forces and industry, in order to provide an increasingly "demanding" logistic support and maintain high standards of excellence. Unlike the other nations in the programme, the Italian Air Force has decided to ensure operation of the Eurofighter fleet by adopting an innovative logistic support system created through cooperation between customer and industry in which the expertise and tools gained during the development and planning of the aircraft have been placed at the disposal of the customer and are jointly provided under the responsibility of the industry.
This setting abandons the traditional approach of the armed forces, which is focused only on purchasing products, replacing it with purchasing services developed in partnership to maximise results, create synergies between the armed forces and industry and reduce the overall programme costs by minimising duplication.

SUPPLY CHAIN

Working with the supply chain to develop the product: Alenia Aermacchi

Together with its strategic suppliers, Alenia Aermacchi has developed and created a new sound panel for Embraer 170 aircraft engine nacelles. The project, which was developed during 2007-2008, took concrete form in 2010 when it was put into production. During the development phase the multinational Excel, supplier of the composite material used to create a special honeycomb with Septum inserted in the cells, and the British Advanced Composite Group, supplier of the equipment used to manufacture the sound panel were involved in the process.

Various results are obtained by applying this technology: greater construction simplicity, reduced weight, reduced manufacturing costs and, finally, a considerable reduction in the aircraft's overall acoustic impact.
The experience gained also resulted in two patents, one for the manufacturing process and the other for the tool specially designed for boring operations. The expertise acquired allows Alenia Aermacchi to offer a sound panel that is at the top of the market in terms of performance and quality, with the chance to provide the same distinctive technology when offering engine nacelles to the market.

PEOPLE AND COMMUNITIES

High-level training for the aeronautics sector

The aeronautics sector is one of the Group's most active as regards high-level training, both at Industrial Technical Schools (ITIS) and at the university and post-graduate level. With the contribution of Alenia Aeronautica, seven scholarships were set up during 2010 at the Turin Polytechnic for degree courses in Aerospace Engineering, while post-diploma courses were set up with the support of Finmeccanica at the "pilot" ITISs Grassi in Turin and Fauser in Novara, and at the Foundation for the Technical School for Sustainable Mobility – Puglia Aerospace sector, newly created at the Fermi ITIS in Francavilla (Brindisi).

Alenia Aeronautica and Alenia Aermacchi are also among the founding members of the European consortium ECATA (European Consortium for Advanced Training in Aerospace) which promotes management training programmes for high-potential engineers. As part of this programme, every year the companies select participants for the Aerospace Business Integration course, which deals with management of international aeronautical programmes.
Since 2009, Alenia Aermacchi and Alenia Aeronautica have involved one of their suppliers (DEMA SpA), giving their backing to the supplier's candidate, who is thus able to benefit from the high-profile training provided by the consortium.

The Project Study assigned to candidates in 2010 was entitled: *"Shaping the Green Revolution: the future of air transportation is all about protecting the environment and responding to increasing energy costs in a balanced way. We will need airplanes that are quieter and more fuel efficient, and cleaner-burning fuels to power them. We are challenging industry to introduce these new technologies without impairing the convenience, safety and security of commercial air transportation."*

www.ecata.org

Natural…mente scuola: innovation and sustainable development

The aim of the "*Natural…mente scuola*" project is to educate the younger generation and increase its awareness of fundamental issues like the relationship between safeguarding the environment and technological innovation. All secondary schools in the Puglia region are actively involved in this project. Carried out for the first time in 2008-2009 in the province of Taranto, where Alenia Aeronautica and Boeing Company are deeply rooted thanks to one of the operative phases of the international programme for the 787 Dreamliner, which is conducted at the Monteiasi – Grottaglie factory (Taranto), it involved approximately 15,000 students. The considerable success of the programme provided the motivation to extend the project target to cover the whole of the Puglia region in the 2009-2010 academic year. At the international level and under DESS (*Decennio di Educazione allo Sviluppo Sostenibile* – Decade of Education for Sustainable Development), "*Natural…mente scuola*: environmental education and technology" was inserted as one of the activities promoted during the Week for Education on Sustainable Development during which three science laboratories were set up in three schools in Foggia, Taranto and Grottaglie.

Defence and Security Electronics

Security is one of mankind's most instinctive, deep-rooted and natural desires. "Feeling safe" from external dangers of all kinds is, in fact, a primary condition for individuals and communities to carry on their own economic and social development in harmony. The new frontier of security is protection of the territory, in the sense of integrated tools to defend citizens and communities. Guaranteeing this in a world where the local and geopolitical balance is increasingly complex and unforeseeable is a complicated task that can only be fulfilled using systems that combine different technologies and capabilities, guided by a reliable shared intelligence. This know-how is at the heart of Finmeccanica's work.

THE SECTOR

In recent years there have been important developments in Finmeccanica's Defence and Security Electronics division, which now ranks second in Europe and sixth in the world.
The new group has a strong presence, with numerous manufacturing sites, in the Group's three domestic markets (Italy, United Kingdom and United States). It includes companies such as SELEX Galileo, SELEX Sistemi Integrati, SELEX Communications, Elsag Datamat and DRS Technologies, the latter being an important acquisition made in 2008 in the American market. SELEX Service Management and Seicos are also an integral part of the division.

BRIEF HISTORY

The original core of SELEX Sistemi Integrati dates back to 1951, when Microlambda (Finmeccanica/Raytheon) was founded in Fusaro (near Naples), to produce radar systems under licence for land and naval applications. In 1960, an international industrial agreement led to the creation of Selenia, which quickly gained worldwide recognition for civil and military surveillance systems. In 1989, Selenia merged with Aeritalia to form Alenia, a company operating in the aeronautics, radar, naval, systems, missiles, space and engine sectors.
Alenia was subsequently reorganised into two units, Aerospace and Defence. The latter dealt with radars, missiles, naval systems, avionics, and included the company Otobreda (artillery). Then in 1999 came the international alliance with GEC-Marconi, and Alenia Marconi Systems (later AMS) was born. A few months later, Marconi was taken over by British Aerospace (BAe) which, following the merger with GEC-Marconi, took the new name of BAE Systems. The British company formed part of the joint venture until 2005, when Finmeccanica acquired the Italian shares of AMS, including BAE Systems' activities in air traffic management and traffic control in the United Kingdom and the United States, thus bringing what is now SELEX Sistemi Integrati into being.

SELEX Galileo reaps the fruits of over a hundred years' experience by Italian and British companies in this sector, starting with the old Officine Galileo (1864), which later merged with other companies (FIAR, Meteor, Alelco, Tecnospazio, Ce.Te.V), and with the avionics units of Aeritalia and Selenia.
After the merger with Alenia, in 1994 the Avionics and Opto-electric sections were incorporated into GF Sistemi Avionici which later, with Agusta OMI, became the foundation for the new Avionics Systems and Equipment division of Alenia Difesa.
The British part has its origins in the Marconi Company (1898), which became the English Electric Company in 1946 and was subsequently purchased in 1968 by General Electric Company (GEC).
In a few years GEC become a foremost defence contractor, assisted by its acquisition of Plessey (1989) and Ferranti (1990-1993).
The defence arm of GEC was acquired by British Aerospace in 1999 to form BAE Systems. In 2005 BAE Systems' avionics activities entered the Finmeccanica Group as SELEX Sensors and Airborne Systems.
In November 2001, the divisions of Alenia Difesa were finally joined to form Galileo Avionica SpA, which since 2008 has adopted the common trade mark SELEX Galileo along with the British firm SELEX Sensors and Airborne Systems Ltd.

For the history of Elsag Datamat, SELEX Communications and DRS Technologies please refer to the website.

ACTIVITIES

- Major systems for homeland protection, systems and sensors for applications in naval and land segments, for maritime and coastal surveillance, and for air and airport traffic management and control.
- Advanced communication, navigation and identification systems to protect communities, the territory and critical infrastructures for the civil, military and government segments.
- Onboard mission systems, defence systems and systems with ISTAR (Intelligence, Surveillance, Target Acquisition, and Reconnaissance) capabilities for operating scenarios, unmanned aerial systems (UAS), integrated systems such as ATOS (Airborne Tactical Observation and Surveillance) and HIDAS (Helicopter Integrated Defensive Aid Suite), space sensors, scientific and robotic equipment for navigation and missions within current space platforms.
- Systems, services and solutions for automation, security, transportation, information technology.

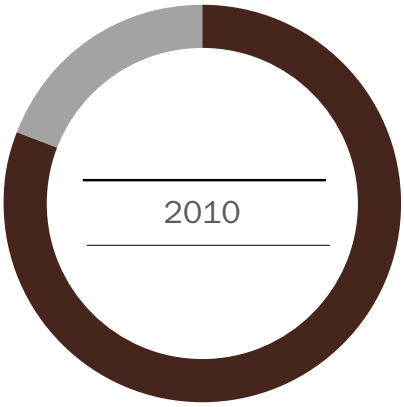
WEBSITES

www.finmeccanica.com/Defence and Security Electronics
www.selexgalileo.com
www.selex-si.com
www.selex-comms.com
www.elsagdatamat.com
www.drs.com

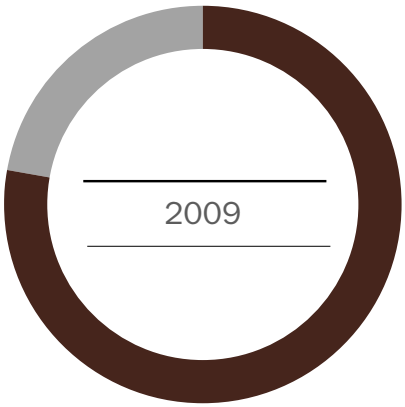
Performance and financial highlights

€ millions	2010	2009	%
Revenues	7,137	6,718	6.2%
Adjusted EBITA	735	698	5.3%
R&D investments	810	711	13.9%
New orders	6,783	8,215	-17.4%
Order backlog	11,747	12,280	-4.3%
Workforce (no.)	29,840	30,236	-1.3%

Revenues by customer type



81%	Defence
19%	Civil



78%	Defence
22%	Civil

EHS indicators

	Unit of measurement	2010	2009
Number of sites within scope of reporting		101	97
Energy consumption	GJ	1,528,959	1,530,703
Total waste produced	metric tons	4,873	20,112
Water consumption	thousands of m^3	1,217	1,578
Accident frequency ratio		2.6	2.33

HIGHLIGHTS 2010

- SELEX Communications reached the target of 12,000 antennas produced in the United Kingdom.
- SELEX Galileo's Luton site received the prestigious "Investors in People" Gold Standard Award. This award follows the ones received in 2009 by the Basildon and Edinburgh sites, the company's other two main sites in the United Kingdom. This site was also awarded the "Sword of Honour" by the British Safety Council.
- SELEX Communications was the first Finmeccanica company to received SA 8000 (Social Accountability) certification for Corporate Social Responsibility.
- Finmeccanica's Innovation Award 2010 given to SELEX Communications in a tie with other companies.
- SELEX Galileo was given the "Queen's Award", the most prestigious recognition for a British company. The award was given in the international trade category, in which the company was recognised for its contribution to exports.
- DRS Technologies supplied the infrared sensor modules for NASA's new Wide-field Infrared Survey Explorer spacecraft, which was launched in December from California's Vandenberg Air Force Base.

Projects, initiatives and best practices

RESEARCH AND DEVELOPMENT

SELEX Sistemi Integrati leads Europe in funded research for homeland security

SELEX Sistemi Integrati is at the head of two international consortiums made up of major industries, small and medium enterprises, prestigious research institutes and universities that have been awarded European Community funding for two important research and development projects in the field of homeland security, for a total of approximately €mil. 20 out of a total of €mil. 118 made available under the Seventh Framework Programme.

The SeaBILLA (Sea Border surveILLAnce) project will result in the development and demonstration of advanced technology solutions to improve, first of all, the performance of maritime surveillance systems, including orbiting Earth observation systems, coastal systems, naval systems, systems installed on manned and unmanned aircraft, and certain innovative systems such as passive radar. From an operational standpoint, this will translate into timely and effective detection of illicit actions, both along the coast and out at sea, to protect the maritime borders of Europe.

Through the CUSTOM (Drugs and Precursor Sensing by Complementing Low Cost Multiple Techniques) project, on the other hand, SELEX Sistemi Integrati will apply its own sophisticated photon technology to goods control operations typical of European customs, in order to prevent drugs trafficking. In this case, a sensor will be developed based on the integration of two chemical detection methods: high-sensitivity photo-acoustic spectroscopy and high-selectivity biochemical fluorescence. At the end of the project, a low cost, compact, portable system will be available, that can carry out rapid screening of a number of chemical compounds and discriminate between them, reducing false alarms and increasing the probability of detection.

CUSTOMERS AND MARKETS

Customer service aimed at meeting the needs of customers: the Giugliano service desk

The service desk set up at the site in Giugliano (Naples) has been created as a response to the contractual service requirements for the Vessel Traffic System (VTS), developed for the Italian Coast Guard and the Genoa port authorities, which is also being extended to other civil system programmes.
It comprises an infrastructure that allows service requests to be sent by customers/users via e-mail, and is supported by a cutting-edge "trouble ticketing" system (the MAXIMO tool has been specially modified for SELEX Sistemi Integrati, starting from a commercial IBM product) with extensive internal and user reporting capabilities, such as monitoring of service level indicators, operation statistics, feedback for users, etc.
The service desk acts as a collection point for notifications and distribution of maintenance operations to the various structures (local and central) providing service, according to specific requests.

PEOPLE AND COMMUNITIES

Bringing young people closer to technology: SELEX Galileo's experience in the United Kingdom

For the fifth consecutive year, SELEX Galileo is among the sponsors of the Edinburgh International Science Festival, one of the most important international events for scientific and technological dissemination.
The festival is held in the City Arts Centre and lasts for two weeks, during which over 100,000 children and young people go on a journey designed to give them more confidence in science and engineering subjects in a direct, interactive way. In 2010, SELEX Galileo's stand was designed to use shop-floor production and assembly principles; the children were encouraged to create their own robots and test them in play, going on to make adjustments based on their experience in the field.
The annual visit by employees' children, which takes place at all the company's sites, is another moment when young people are brought closer to the world of SELEX Galileo. The children are given a chance to understand the application of technology by carrying out various activities alongside their parents in the workplace.
Every year, the Luton, Basildon and Edinburgh sites also host the "Robotic Games", which are attended by children from local schools. The feedback from teachers is very positive, underscoring the value of the initiative as a support to the various Young Engineers and Scientists Clubs organised within schools.

The experience of SELEX Communications in SA 8000 certification

Inspired by the guiding principles of the International Labour Organization (ILO) conventions, the Universal Declaration of Human Rights, the International Convention on the Rights of the Child and the United Nations Convention on Discrimination Against Women, SA 8000 aims to guarantee socially responsible management of working processes.
Compared to other ISO standards, with which it shares the formal structure and ongoing improvement logic, SA 8000 is a standard that, because of its impact and the depths to which it goes, involves the whole of the company, requiring care and participation by directors, top management, employees, suppliers and customers alike.
SELEX Communications started the process of implementing SA 8000 at the end of 2008, with a feasibility study carried out with the agreement of trade union representatives. During the first half of 2009, the procedures were drawn up and interviews with employees were conducted, and during the following 6 months, the corporate functions involved in applying the procedures (Human Resources and Organisation, Purchasing, Public Relations and Communications) were subject to auditing, together with the most important suppliers. During the early months of 2010, the company management, with the participation of workers' representatives, examined the initial results of the process, followed by the start of the pre-certification phase, leading finally to the issue of the SA 8000 certification. At the same time, controls were carried out successfully at SELEX Communications sites, with the aim of maintaining ISO 14001 (Environmental Management Systems) and OHSAS 18001 (Occupational Health and Safety Management Systems) certifications.

SELEX Sistemi Integrati "Progetto Benessere" ("Wellbeing Project")

The company nursery school "Nanna Bella" is an initiative that forms part of the SELEX Sistemi Integrati "Progetto Benessere", created in 2005 to offer staff innovative solutions and services to reconcile their private and working lives.

The first infrastructure of its kind within the Group, this 3,000 m^2 nursery school has been set up at the Rome headquarters, with an extensive green area and outdoor playground.
From a psycho-pedagogic point of view, the service provided is based on a community care education model with three goals: full integration of the architectural project and the educational project, promotion of quality of life and creation of a network to support families.
As well as the children of company employees and those from other companies in the Group, the nursery school is also used by a group of children from the local municipal area (27 non-employee children out of a total of 69 available places).
Given the success of this initiative, it has been decided to set up a kindergarten as well, and in February 2010 the paperwork required to apply for the necessary permits was completed. The kindergarten is expected to open in the second half of 2011.

ENVIRONMENT

The SELEX Galileo Green Company Programme

SELEX Galileo has faced up to its commitment to environmental sustainability by using a 360° approach aimed at fully integrating the target reductions in environmental impact into corporate management.
This approach hinges on defining the organisational model and raising awareness, which fully mirrors the company's multi-cultural characteristics.
The Green Company Programme is managed by a transnational work group that has the job of supporting the planning and implementation of various initiatives, and of keeping all employees informed about the progress on the programme and on the results achieved.
Initiatives fall into four different categories (energy, waste, supply chain and mobility) and each has a representative in Italy and in the United Kingdom. Internal information and communication is provided on dedicated pages on the respective company portals, in which interactive environmental education tools have also been provided, such as the CO_2 calculator and the forum to open discussions on specific subjects.
Finally, people are encouraged to provide suggestions using a dedicated e-mail address.

Reduction of the carbon footprint in the defence sector: the commitment of DRS Technologies

Finmeccanica companies forming part of the Defence and Security Electronics division are among those most closely involved in the ambitious programmes to reduce environmental impact, set up by the armed forces of the main Western nations.
DRS Technologies (DRS) deals in particular with the US Army and the US Navy. One of the many areas of cooperation is supplying drinking water to those engaged in theatres of operations. This activity normally involves the preparation of transports, by land or by air, from the various supply sources, which carries a considerable environmental impact, costs and operating risk.
DRS has developed and put into operation the Expeditionary Water Packaging System (EWPS) which, housed in a standard 20 foot (610 cm) container, can be transported and connected to any source of drinking water, ready to start production. The system uses pre-formed capsules which are transformed into bottles, then sterilised using UV light treatment before being filled and capped. The volume of consumables is thus reduced by 90% against an expected production rate of 60,000 bottles per week.

Another area of technological development is the generation of energy to power utilities. DRS has developed and put into operation the portable Combined Heating and Air Conditioning Medium Mobile Power System (CHAMMPS), which provides heating, cooling and electricity by re-using the heat dissipated from its motor. An even more efficient version of this system is currently being developed, also equipped with mini solar and wind power systems.
For 2012, on the other hand, sea testing of the Hybrid Electric Drive (HED) system for the propulsion of the "Arleigh Burke" class US Navy frigates is being planned. The system is designed to operate at low speeds, reducing use of the turbines. DRS has estimated energy savings of almost two million litres

(504,000 gallons) of fuel per year, equivalent to over 4.5 million metric tons of CO_2, during the entire lifespan of the 66 units planned.

New technology to reduce the environmental impact of radar systems

Among the agreements entered into by SELEX Sistemi Integrati with universities and research centres is the one for development of technology based on gallium nitride (GaN), which is the "enabling technology" for a radical evolution in radar systems based on the new generation of solid state integrated circuits. Thanks to the physical characteristics of GaN-HEMT transistors, it is actually possible to obtain impressive microwave performance with power amplification much superior to that possible using silicon (Si), gallium arsenate (GaAs) or HBT technology (SiGe or GaAs/AlGaAs) devices.

However, the strategic value of this technology does not only lie in the excellent functions that it makes available, but also the ability to drastically reduce the size of devices and monolithic circuits, while delivering the same amount of power, thus using a smaller amount of raw materials during manufacture and increasing energy efficiency (by up to 30%) during the operating phase.

Space

The commitment to relate the principles of sustainability to a context as unique as the exploration and use of space is still just beginning, but it is attracting growing interest from the various stakeholders, in particular at the government level.
Among the specific issues identified and shared within the various international bodies operating in this field, mention must be made, from an environmental point of view, of the reduction in space waste and the maintenance of high standards of security, by monitoring traffic and preventing the collision of objects in orbit.
However, there is no doubt that the real challenge will be how to use space for peaceful purposes, aimed at promoting scientific, technological and economic progress.

THE SECTOR

Finmeccanica is present in the Space sector with two companies created with the Thales Group as part of the Space Alliance: Telespazio (67% Finmeccanica and 33% Thales) and Thales Alenia Space (67% Thales and 33% Finmeccanica).

BRIEF HISTORY

Telespazio was created in 1961 under the auspices of the National Research Council (Consiglio Nazionale delle Ricerche – CNR) and the Italian Post and Telecommunications Ministry.
From the very beginning, the heart of its activity was telecommunications using artificial satellites, and it very soon started to partner with NASA.
In 1963, the Fucino Space Centre was established (in the province of L'Aquila), officially inaugurated in 1967 by the then Italian Prime Minister Aldo Moro.
Telespazio, which quickly became a point of reference in the space sector, became part of the Finmeccanica Group in 2002.
The Space Alliance with Thales, from which Telespazio and Thales Alenia Space sprang, dates from 2007. Through this project, Finmeccanica has become the European leader in the space sector.

ACTIVITIES

Telespazio is among the leading global companies in satellite management and Earth observation, satellite navigation, integrated connectivity and added value services. The company, which employs more than 2,500 people, has a network of four space centres and 25 sites located all over the world. These include the Fucino Space Centre, in Abruzzo, the largest commercial teleport in the world with over 90 working antennas. Telespazio is closely involved in some of the largest international space programmes: Galileo, EGNOS, GMES and COSMO-SkyMed.

Thales Alenia Space, the European leader in cutting-edge satellite systems for orbiting infrastructures, is a worldwide reference point for telecommunications, optical and radar Earth observation, defence and security, and science. It has 11 industrial sites in four European countries (France, Italy, Spain and Belgium) with over 7,200 employees worldwide. Thales Alenia Space plays a central role in the principal high-performance satellite technology fields, for both civil and defence, and is an industrial leader in environmental (GMES), satellite navigation (EGNOS and Galileo), defence and security (Syracuse, Sicral and COSMO-SkyMed) programmes, without forgetting the essential contribution it makes, in the field of space infrastructures, to the development of the International Space Station (ISS). Thales Alenia Space is also the leading company in European and international scientific programmes, with a top role in missions such as Gravity Field and Steady-State Ocean Circulation Explorer (GOCE), Herschel & Planck and ExoMars.

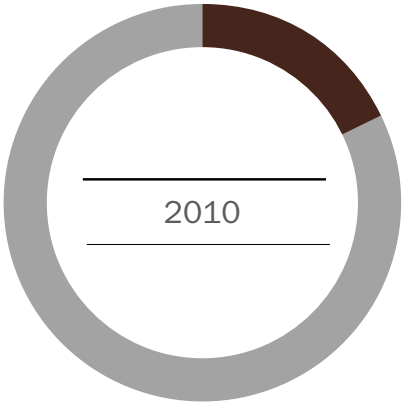
WEBSITES

www.finmeccanica.com/Space
www.telespazio.it
www.thalesgroup.com/Thales Alenia Space

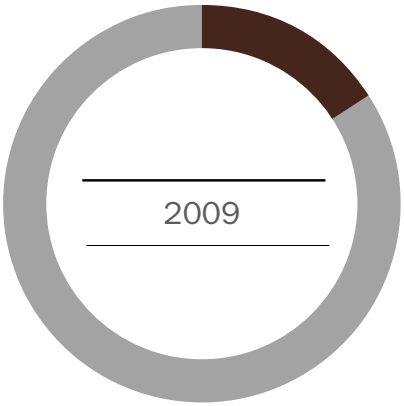
Performance and financial highlights

€ millions	2010	2009	%
Revenues	925	909	1.8%
Adjusted EBITA	39	47	-17.0%
R&D investments	68	87	-21.8%
New orders	1,912	1,145	67.0%
Order backlog	2,568	1,611	59.4%
Workforce (no.)	3,651	3,662	-0.3%

Revenues by customer type



18%	Defence
82%	Civil



16%	Defence
84%	Civil

EHS indicators

	Unit of measurement	2010	2009
Number of sites within scope of reporting		4	4
Energy consumption	GJ	130,838	122,730
Total waste produced	metric tons	153	202
Water consumption	thousands of m^3	67	58
Accident frequency ratio		2.7	2.8

HIGHLIGHTS 2010

- With the Spaceopal joint venture, Telespazio and DLR GfR (German Space Agency company) have been awarded a contract with the European Space Agency (ESA) to manage the operations that will bring the European satellite navigation system Galileo up to full operating capacity. The contract is worth €mil. 194 and has an initial duration of four years.
- Opening of the Galileo Control Centre (GCC) at the Fucino Space Centre. The 5,000 m^2 structure will allow 100 specialised technicians (when fully operational) to manage the 30 satellites in the European navigation system Galileo.
- The fourth satellite in the COSMO-SkyMed Earth observation programme was launched and put into orbit from the Vandenberg Air Force Base, in California.
- e-GEOS (80% Telespazio, 20% Italian Space Agency) and Google signed a partnership agreement to develop and distribute solutions based on Google Earth Enterprise technology in Italy.
- Finmeccanica's Innovation Award 2010 was awarded to Thales Alenia Space in a tie with other companies.

Projects, initiatives and best practices

RESEARCH AND DEVELOPMENT

Satellite technology at the service of institutional operators

Telespazio has been involved for several years in developing and managing satellite solutions for emergency support, and providing innovative, customised services for the governmental bodies involved in this sector.

The current offer, consolidated in recent years and undergoing technological development to improve performance and extend the range of applications supported, is based on the availability of broadband connectivity services, to guarantee emergency management following environmental disasters. In these cases, the terrestrial telecommunication infrastructures may frequently be unusable.
The service is provided via fixed terminals (approximately 200) located in the main command and control centres of the various governmental bodies involved (Civil Protection Situations Room, National Fire Corps Coordination Centres at the Ministry of the Interior and at Montelibretti, 13 regional Civil Protection operations rooms) and mobile stations (approximately 20), which can be transported by helicopter or by road, used for rapid set-up of centres for management of terrestrial (remote VHF, Tetra, GSM networks) and satellite communications.
Telespazio is also involved in creating cross-border emergency management networks, integrating existing solutions with those used in neighbouring countries.
Further technological development programmes have the aim of extending the benefits to the entire nation, by involving other governmental bodies (Emergency medical services number 118, Red Cross, Forestry Service, etc.) and large companies (Eni, Enel, Ferrovie dello Stato, Autostrade) that are responsible for energy and transportation infrastructures in Italy.

CUSTOMERS AND MARKETS

A global service for the world market

With its subsidiary e-GEOS, Telespazio carries out all activities relating to the Earth observation market; from acquisition and processing of satellite data, to development of software and products, down to their commercialisation. The services offered are aimed at institutions and agencies for regional study and control, civil protection, prevention and management of natural events, cartography and agricultural applications. e-GEOS also sells COSMO-SkyMed data throughout the world.

PEOPLE AND COMMUNITIES

The culture of safety is growing in Telespazio

Implementation of the health and safety management system accelerated during 2010 in Telespazio as well. A massive information campaign, extended to all employees and contract workers, encouraged the active involvement of workers and laid the foundations for all the other initiatives.

In particular, the company drew up a specific training plan (more than 10 hours of lessons per person) to be provided using different, innovative methods, preferring e-learning to classroom training wherever possible so as to give workers the chance to decide when, how and for how long to train, and thus guarantee greater participation. The choice of content was made so as to make it understandable to the worker, avoiding cryptic wording and complex language.

More specifically in the field of health, the company has set up a health centre in addition to the health support provided by the legally-required occupational physician. This centre, as well as guaranteeing health services during working hours, is an active part of the campaign to promote health, with various projects relating to heart attack and breast cancer prevention.

The management system will now be subject to assessment for OHSAS 18001 certification.

Space is for the young

There are two projects dedicated to the younger generation, who represent the future of Telespazio.
“Progetto giovani” (“Project for the young”) involves approximately 110 university graduates with between 3 and 7 years work experience. The aim of the project, which lasts one year in all, is to guide professional growth through development and training courses that take into account the motivation, tendencies, skills and potential of each one.
The three phases include an initial survey, assessment sessions to identify motivation and attitudinal characteristics, and training courses aimed at strengthening professional and management skills in line with the results of the preceding steps.
The “Transnational integration project” brings together talented individuals from all Telespazio companies and aims to increase the sense of belonging, spread Finmeccanica Group values, strengthen the internal network, and enhance the value of knowledge and skills within the international context typical of the space sector. The first edition, started at the end of 2009 and completed in March 2011, saw the participation of 12 people from Italy, France, Germany, Spain, Romania, Brazil and Argentina, selected from various company areas.

The Space Academy Foundation activities

The Space Academy Foundation, in which Telespazio, Thales Alenia Space and the University of L’Aquila all take part, is based in Rome and has been set up with the aim of facilitating an exchange of knowledge and experience for innovation and development of expertise in the space sector. The Academy plans to be a “container” for excellence, to promote a network of knowledge among businesses, universities, research centres and institutions, bringing know-how into the system in a sector characterised by distinctive, highly-specialised skills.
The Foundation has its own faculty capable of maintaining the skills that distinguish the space sector at the cutting edge, through high-level training activities such as masters at space centres, summer/winter schools, science conventions, seminars, workshops and conferences.
In June 2010, the Foundation published the collection of documents from the international conference “Women and Space”, held in 2009 at the Accademia dei Lincei to celebrate International Astronomy Year, sponsored by the Italian President, the Italian Space Agency and the Italian Celestial Mechanics and Astrodynamics Association. The event, which was dedicated to the contribution provided by women to the progress of space activities in the world, was attended by some of the most brilliant women in the field of science, research, journalism, writing and space.

www.spaceacademy.it

ENVIRONMENT

The 2010 edition of the "Love Planet Earth" calendar is dedicated to deserts

The calendar, which in 2011 will be in its fifth edition, was dedicated in 2010 to deserts.
Covering one third of all dry land, deserts are genuine "sentinels" of climate change, representing the most obvious symbol of the aridity that characterises ever larger areas of our planet, but also often a resource to be preserved and a source of riches to be developed.

Observing the belt that goes from the Tropic of Capricorn to the Tropic of Cancer, Telespazio's calendar explores some of the issues typical of these areas: from desertification to indiscriminate exploitation of raw materials, from the conflicts triggered by a lack of natural resources to the challenge of transforming deserts into alternative energy sources.

The full version of the calendar, with all the images and additional information, can be downloaded from the e-GEOS website (www.e-geos.it).

Defence Systems

Protection of the territory is one of the first, most basic and hardest challenges of any state and government, and is also an essential condition for a democratic life. For this reason, every advanced country has a dedicated industry of great strategic importance. Finmeccanica companies represent the historic and technological heritage of Italy in this sector, and thanks to this, they have also become a reference point at the world level for naval artillery and submarine systems.

THE SECTOR

Finmeccanica operates in the Defence Systems sector through its subsidiaries Oto Melara and Whitehead Alenia Sistemi Subacquei (WASS) and via the joint venture MBDA (25% Finmeccanica).

BRIEF HISTORY

Oto Melara was founded at the start of the last century as a joint venture specially created by Vickers and Acciaierie di Terni to develop and produce arms and systems for the Italian Army and Navy. Following the First World War, military industries were reconverted and merged with other manufacturers. In the meantime, Terni had joined the Odero naval works at Genoa and the Orlando works at Livorno (from which the OTO part of the name comes). As a result of the 1929 crisis, the government was forced to take over OTO which, together with Ansaldo, became the main core around which Istituto per la Ricostruzione Industriale (Institute for Industrial Reconstruction – IRI) was built and developed.
When Italy joined NATO, during the early 1950s, the company (which in the meantime had been re-named Oto Melara) continued to expand its production in the defence sector. In 1994, it merged with Breda Meccanica Bresciana, a company founded in 1925, to form a single company structure that is also capable of producing smaller calibre products.

The original core of WASS dates back to the inventor of the torpedo, Robert Whitehead, who started to develop the new weapon in Fiume, in 1864, going on to manufacture it in various countries, including Italy. Between the Wars, Fiat became one of the shareholders of the Italian operations, which were transferred to Livorno. After various other changes in ownership, the company was taken over by Finmeccanica as WASS in 1995.

ACTIVITIES

At its sites in La Spezia and Brescia, Oto Melara manufactures large, medium and small-calibre naval artillery, using cutting-edge technology to provide its customers with complete solutions. The company also has research and development structures that cover various sectors: from artillery to armoured vehicles, from guided missiles to anti-aircraft systems and robots.
Finally, in a 50/50 consortium with Iveco (Fiat Group), it designs, develops and manufactures tanks and armoured combat vehicles.
Oto Melara products are used in approximately 60 nations throughout five continents.

WASS, with factories in Livorno, Genoa and Naples, is the world leader in underwater systems. Products include light and heavy torpedoes, anti-torpedo countermeasure systems for submarines and surface vessels, underwater and sonar surveillance systems.

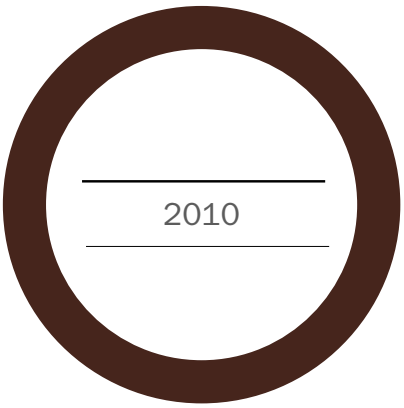
WEBSITES

www.finmeccanica.com/Defence Systems
www.otomelara.it
www.wass.it

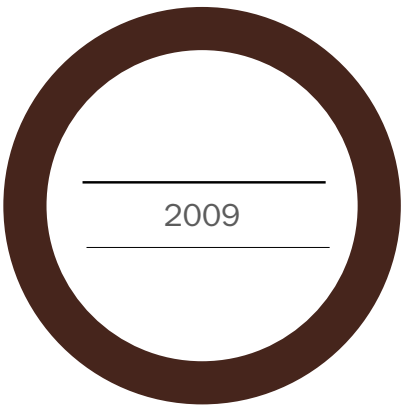
Performance and financial highlights

€ millions	2010	2009	%
Revenues	1,210	1,195	1.3%
Adjusted EBITA	107	130	-17.7%
R&D investments	260	235	10.6%
New orders	1,111	1,228	-9.5%
Order backlog	3,797	4,010	-5.3%
Workforce (no.)	4,112	4,098	0.3%

Revenues by customer type



100%	Defence
0%	Civil



100%	Defence
0%	Civil

EHS indicators

	Unit of measurement	2010	2009
Number of sites within scope of reporting		5	5
Energy consumption	GJ	199,954	189,368
Total waste produced	metric tons	958	1,003
Water consumption	thousands of m^3	123	134
Accident frequency ratio		15.5	22.37

HIGHLIGHTS 2010

- Oto Melara and Babcock International Group's Marine Division signed an agreement to offer the 127 mm, 64-calibre light weight (LW) cannon to the British Ministry of Defence (MoD) to equip the Royal Navy's Type 26 frigates.
- Completion of the firing tests carried out together with the Italian Navy unit Foscari using the DAVIDE system produced by Oto Melara, integrated with the NA25 Firing Control System, produced by SELEX Sistemi Integrati.
- Signing of an agreement between Oto Melara and Tawazun, the industrial and commercial branch of the Offset Programme Bureau of the United Arab Emirates, for cooperation and commercialisation of the "Draco" system.
- Testing at Oto Melara of the first 127 mm, 64-calibre Vulcano for the Italian Navy's FREMM (*FRegate Europee Multi-Missione* – European Multi-Mission Frigates) programme.
- Signing of an agreement that allows the National Fire Corps to test new robotics technology developed by Oto Melara to guarantee greater safety for its staff.
- Finmeccanica's Innovation Award 2010 awarded to WASS in a tie with other companies.

Projects, initiatives and best practices

RESEARCH AND DEVELOPMENT

Participation in the Ligurian Marine Technologies District

Through Finmeccanica, Oto Melara is a shareholder in Distretto Ligure delle Tecnologie Marine (DLTM – Ligurian Marine Technologies District), a mixed public/private consortium set up in 2009 with the main aim of promoting a technological district in Liguria. This refers to a geographical and socio-economic area in which a strategy is implemented to strengthen research and development in the marine technology sector and related or complementary sectors, as well as accelerating the installation and growth of business enterprises relating to those sectors.
Marine technology operating sectors are identified as being the development of systems for naval and recreational shipyards, development of naval defence systems, monitoring and reclamation of the marine environment, which refers to matters relating to shipyards, recreational vessels and mega-yachts, naval and port systems, instruments and equipment/systems for naval and underwater applications and materials for marine applications.

CUSTOMERS AND MARKETS

Working with the customer to develop specific solutions for specific needs

The engineers at Oto Melara and the researchers at the Scuola Superiore Sant'Anna in Pisa have created a robot capable of reproducing human movement, operated by remote control, that can perform with extreme precision any sampling operation on objects or parts of objects of limited size.
During 2010, various improvements were made to the project, which have transformed the robot into an extremely high-technology mechanism capable of dual use.
For example, it has been used to examine an isolated container in the port of Genoa, suspected of containing radioactive material. Fine tuning of the robot was performed in close cooperation with the customer's staff (National Fire Corps).

SUPPLIERS

Transparency and responsibility in the supply chain

Oto Melara seeks to supply high-quality products and services that satisfy the needs and expectations of its customers. The company believes that suppliers are an important part of its processes, with whom the responsibility for customer satisfaction must be shared. For this reason, one of Oto Melara's strong points is its integrated quality management with respect to suppliers, involving a completely transparent approach.

The company's website contains an ample section in which suppliers can find the information and documentation necessary to begin the qualification process, and to proceed properly with provisioning, as well as managing any subcontractors in a suitable way.

Creation of value for suppliers: Consorzio Elettronica Melara

Consorzio Elettronica Melara (Melara Electronic Consortium) was set up at the instigation of Oto Melara to form a strategic supplier/partner with greater critical weight, capable of being more efficient and making the investments required to manage large orders.

Three long-time suppliers from the La Spezia district seized this opportunity for growth and change. After careful analysis and assessment, various functions (Commercial and Contracts, Purchasing, Finance and Quality) were transferred to the consortium for management. Only production functions for the activities managed by the consortium remained within the member companies. Sharing information on manufacturing programmes (both those relating to activities carried out for customers of the consortium and to outside activities, i.e. those relating to the individual consortium member only) resulted in optimisation of workloads and a consequent improvement in the use of plants.
The investment programmes, in particular those relating to control, testing and screening equipment, were made transparent in order to avoid duplicate purchases. Relations with suppliers have become more direct and there have been noticeable savings.

All this has increased the know-how of the individual companies both in technical terms and in the management of customers, suppliers and their own structures. The most concrete and obvious result is the increase in pro-capita revenues, which went from approximately €thous. 100 in 2000 to approximately €thous. 200 in 2006, reaching overall revenues of €mil. 34.7 in 2009 with 130 employees, and a further increase of 10% and 15 employees in 2010.

www.elettronicamelara.it

COMMUNITY

Relationships with the academic world

In 2010, Oto Melara strengthened its relationships with Genoa and Parma universities and with the Scuola Superiore di Studi Sant'Anna in Pisa, and added Rome "La Sapienza" University to its list of partners.
Interaction between the company and the academic world is aimed at carrying out research and development activities, training and teaching in the fields of advanced technology and innovation, using resources and skills that exist within the university world, in Finmeccanica and in other Group companies.

Energy

Rising energy demand, increases and volatility in oil prices, international tensions centring around the control of supplies and climate change are the most obvious signs of the interrelation and interdependence of energy and sustainability.
Implementation policies promoted at the international level identify energy efficiency – not only during end use, at the domestic, civil and industrial levels, but also during the generation of electricity – as one of the guidelines for priority action to safeguard the economy and the environment.

THE SECTOR

Finmeccanica is present in the Energy sector with Ansaldo Energia and its subsidiaries. Finmeccanica's Energy division also maintains and develops the heritage of knowledge in the field of nuclear systems and design of components for nuclear plants. Ansaldo Nucleare has in fact made a significant contribution to the construction of the first two units at the Cernavoda plant (in Romania), one of which is among the very few to be built in Europe over the past ten years.

BRIEF HISTORY

Ansaldo Energia has been in operation since 1853, when it constructed the steam boilers used during the industrial revolution, and has taken part in all the changes in this sector, right down to today's ultra-modern thermoelectric power plants. During its development, the company has implemented various processes to update and re-launch its industrial experience: two important steps took place in 1966, the year in which site operations were abandoned and nuclear operations started, and 1978 when, as a result of the stoppage of nuclear activities in Italy, company reorganisation took place to highlight its position as an international group that has always operated in energy, transportation and industry. Acquisition of Franco Tosi, which had been manufacturing steam turbines based on Westinghouse technology for forty years, took place in 1991.
In 2005, the company gained technological independence with mutual termination of the Siemens license for gas turbines, which dated from 1991. This allowed Ansaldo Energia to offer itself as a direct competitor to the main companies in the sector.
In September 2006, Ansaldo Energia completed acquisition of Thomassen Turbine System BV (TTS), a Dutch company specialised in servicing gas turbines and a centre of excellence for servicing gas turbines using General Electric technology, going on to develop new technological solutions and strategic products.

ACTIVITIES

Ansaldo Energia is the main Italian manufacturer of thermoelectric plants. The company, which is based in Genoa, operates on the international market developing turnkey power plants for public bodies, independent producers and industrial customers. It is a direct manufacturer of gas turbines, steam turbines and generators, all featuring cutting-edge technology and designed to satisfy the most complex customer needs in terms of efficiency, reliability and environmental impact. Its installed capacity amounts to 177,000 MW in over 90 countries.

Its range of products and services is completed by a wide selection of post-sales services (from repairs and supply of spare parts, to on-site operations, including servicing and updating, all the way to long-term service agreements offering full service) and by its recent arrival in the renewable energy sector (photovoltaic and wind power), as well as by a renewed commitment to geothermal power.

Thanks to the combination of its manufacturing know-how with the experience of Ansaldo Thomassen and Ansaldo ESG, Ansaldo Energia presents itself to the market under the trade mark OSP™ (Original Service Provider), so that it can also service components manufactured by its main international competitors.

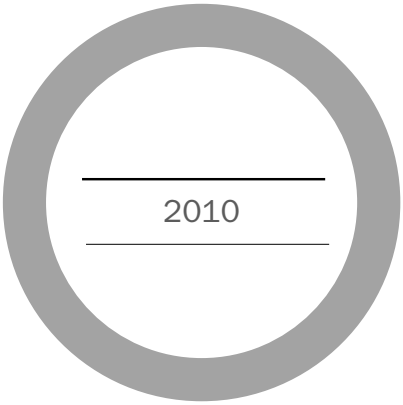
WEBSITES

www.finmeccanica.com/Energy
www.ansaldoenergia.com

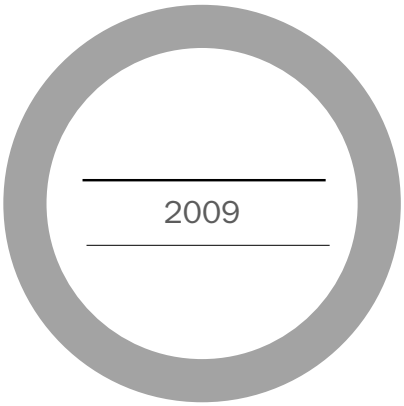
Performance and financial highlights

€ millions	2010	2009	%
Revenues	1,413	1,652	-14.5%
Adjusted EBITA	145	162	-10.5%
R&D investments	38	36	5.6%
New orders	1,403	1,237	13.4%
Order backlog	3,305	3,374	-2.0%
Workforce (no.)	3,418	3,477	-1.7%

Revenues by customer type



0%	Defence
100%	Civil



0%	Defence
100%	Civil

EHS indicators *

	Unit of measurement	2010	2009
Number of sites within scope of reporting		28	33
Energy consumption	GJ	527,289	528,913
Total waste produced	metric tons	10,864	13,451
Water consumption	thousands of m^3	779	696
Accident frequency ratio		20.1	28.32

* The figures include the Energy and the Transportation divisions.

HIGHLIGHTS 2010

- Ansaldo Energia returned to the geothermal energy supply segment through the order secured from Enel Green Power to supply three steam turbines with generators, to be installed at geothermal plants in Tuscany.
- The year 2010 also marked the start of Ansaldo Energia's entry into the renewable energy market as an EPC (Engineering Procurement & Construction) and systems integrator. Orders for €mil. 83 were received in the wind power segment and for €mil. 52 in the photovoltaic segment, mainly in Italy.
- The Italian President visited the Ansaldo Energia plant during celebrations, in Genoa, of the 150th anniversary of the departure of Garibaldi's "Mille".
- During the Edison Annual Safety Workshop, Ansaldo Energia received an award for ensuring safety during activities carried out in Greece at the Thisvi plant.

Projects, initiatives and best practices

RESEARCH AND DEVELOPMENT

Commitment to fighting climate change

Ansaldo Energia plays a leading role within the Group in the research and development of CO_2 capture technology.
In 2010, the most important R&D activity was company membership in the European Platform for Zero Emission Power Plant (EU-ZEP), with an overall commitment of approximately 240 man-days. Among the results achieved in this sector are extension of knowledge on existing technology, identification of certain demo-plants where test applications and in-depth assessment of costs/benefits can be carried out. Activities will continue in 2011 with the aim of making further progress in existing programmes and capitalising on the experience gained so far.

www.zeroemissionsplatform.eu

CUSTOMERS AND MARKETS

A public relations capital built on customer trust

Capitalising on professionalism and good customer relations has been key to Ansaldo Energia in two recent market successes.

The first of these was a tender for construction of a power plant, in Finland, using diesel motors – a component that is not present in the company's product mix. The relationship established with the Finnish technicians, and the trust generated by the Ansaldo Energia team during the whole of the technical negotiation period, convinced the customer to accept an alternative solution to the original one, based on the company's machines.

A second indication of success was received from the customer Sorgenia, following construction, completed in 2010, of the 800 MW combined-cycle plant in Turano Lodigiano (Lodi). This is proof of the high level of professionalism shown during construction, and the customer's full satisfaction with performance of the plant when in operation.

PEOPLE AND COMMUNITIES

Genoa Smart City

The bond between Ansaldo Energia and the region dates back more than a century, and relates to various areas: from the economic, with 20% of expenditure on goods and services remaining in Liguria, to higher education, to sponsorship of cultural events and social initiatives.

Ansaldo Energia partnered with Genoa municipal authorities for the Smart City project, a series of initiatives aimed at combining regional competitiveness and sustainable urban development. The project, which was started during the final months of the year, is aimed at medium-sized cities, and Genoa was the first Italian city to adhere to it. Smart cities are identified and measured by the following: mobility, environment, tourism and culture, economy of knowledge and tolerance, and urban transformation to improve quality of life.
The involvement of Ansaldo Energia is currently aimed at planning sustainable alternatives for urban mobility, through the Group company Ansaldo Electric Drives, and generating power from alternative sources.

ENVIRONMENT

Technology at the service of the environment

The VeLoNOx™ combustion system is a retro-fit solution that can be fitted to certain models of gas turbines manufactured by the company. The system, patented in 2005, is based on an innovative system that involves passing from the original concept of a premixed flame with a diffusion pilot to a premixed flame with a premixed pilot.
This application satisfies the most severe and stringent requirements of environmental sustainability, with particular reference to reduction of NO_x and CO_2 emissions.
Application of the system gained Ansaldo Energia the “Industrial Award 2010” during the Seventh edition of Finmeccanica’s Innovation Award.

Transportation

The paradigm of sustainability in the Transportation sector is strongly linked to issues of sustainable mobility. Urban and suburban transportation systems must increasingly reconcile the opportunities for economic and social growth associated with increased mobility, with the need to reduce negative externalities such as greenhouse gas emissions, air and noise pollution, congested urban traffic and accidents, all of which have a social cost that weighs on local communities and society as a whole. Particularly significant is Finmeccanica's commitment in the railway sector, universally recognised as being the most eco-friendly and safe means of mass transportation.

THE SECTOR

Finmeccanica operates in the Transportation sector through AnsaldoBreda, BredaMenarinibus and Ansaldo STS, the latter being listed on the Milan Stock Exchange, with Finmeccanica holding 40%.

BRIEF HISTORY

AnsaldoBreda is the result of a merger, in 2001, between a business unit of Ansaldo Trasporti and Breda Costruzioni Ferroviarie, whose origins date back to the historic firms Giovanni Ansaldo, established in Genoa in 1854 and manufacturer of the first steam locomotive in Italy, and Società Italiana Ernesto Breda, founded in 1886 in Milan and which, in 1907, had already delivered its thousandth locomotive.

BredaMenarinibus sprang from the acquisition by Breda Costruzioni Ferroviarie, in 1989, of Menarini, which was founded in 1919 as a coachwork repair company and over the years has become a leading figure in the Italian urban bus, regional bus and coach market. BredaMenarinibus was acquired by Finmeccanica in 2001.

The origins of Ansaldo STS date back to 1853, with the company Giovanni Ansaldo. In 1980, after various transfers, it was taken over by Ansaldo Trasporti SpA, a joint venture between Finmeccanica and Ansaldo, which over the years implemented a policy of international acquisitions in the signalling and transport systems sector.
In 2001, Ansaldo Trasporti was taken over by Finmeccanica together with its subsidiaries, and in 2005 it took on its current name, becoming a joint stock company (SpA). The company's current organisation has been extended following transfer by Finmeccanica of control over Ansaldo Signal NV and Ansaldo Trasporti Sistemi Ferroviari, which took place in February 2006, in view of its listing on the stock exchange.

ACTIVITIES

AnsaldoBreda specialises in the manufacture of technologically advanced rolling stock for railway and urban train networks: high-speed trains, diesel and electrical locomotives, double-decker electric trains, Electric Multiple Units (EMU), Diesel Multiple Units (DMU), modern driverless metros and Sirio modular trams. The company has four manufacturing sites in Italy, one site in France and one in the United States.

BredaMenarinibus is the second largest manufacturer of buses in Italy, and has been involved in some of the main technological evolutions in this sector, including the use of disc brakes (since the early 1980s), the first short and medium-length buses with lowered floors, independent suspension on all wheels, multiplex electrical systems with onboard diagnosis and, during the 1990s, the first mass-produced methane-powered buses.

Ansaldo STS designs, builds, manages and maintains turnkey railway and metropolitan railway transport and traffic signalling and supervision systems, in which signalling systems are of fundamental importance.

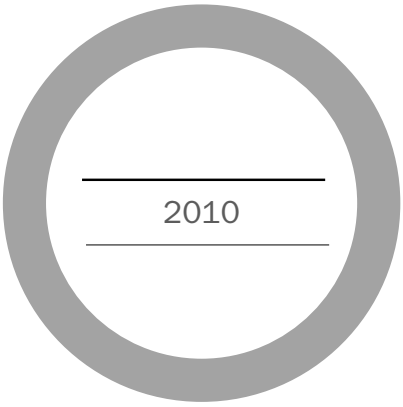
WEBSITES

www.finmeccanica.com/Transportation
www.ansaldobreda.it
www.bredamenarinibus.it/
www.ansaldo-sts.com

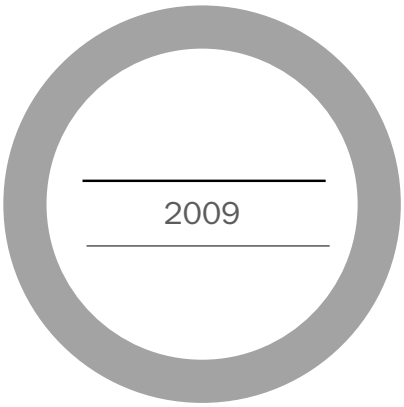
Performance and financial highlights

€ millions	2010	2009	%
Revenues	1,962	1,811	8.3%
Adjusted EBITA	97	65	49.2%
R&D investments	69	110	-37.3%
New orders	3,228	2,834	13.9%
Order backlog	7,303	5,954	22.7%
Workforce (no.)	7,093	7,295	-2.8%

Revenues by customer type



0%	Defence
100%	Civil



0%	Defence
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EHS indicators *

	Unit of measurement	2010	2009
Number of sites within scope of reporting		28	33
Energy consumption	GJ	527,289	528,913
Total waste produced	metric tons	10,864	13,451
Water consumption	thousands of m^3	779	696
Accident frequency ratio		20.1	28.32

* The figures include the Transportation and the Energy divisions.

HIGHLIGHTS 2010

- The consortium AnsaldoBreda – Bombardier signed a contract with Trenitalia to supply 50 high-speed trains worth €mil. 1,540.
- The Brescia driverless metro, built with the contribution of AnsaldoBreda (trains) and Ansaldo STS (railway tracks), was the first of its kind in the world to be awarded environmental product declaration certification.
- The Copenhagen metro, managed by Ansaldo STS since going into operation in 2002, was nominated "Word's Best Driverless Metro" for the third straight year.
- The AnsaldoBreda factory in Naples was awarded the "Safe Business Award 2010" by the Workplace Safety Observatory (Osservatorio sulla sicurezza sui luoghi di lavoro), an organisation comprising INAIL (Italian Workers' Compensation Authority), the region of Campania, the province of Naples, local health authorities, trade unions and business associations, ANMIL (National Association of Injured Workers) and universities.

Projects, initiatives and best practices

RESEARCH AND DEVELOPMENT

Innovation at high speed

The ETR 1000, with which AnsaldoBreda and Bombardier have won the tender for high-speed trains in Italy, is the latest generation, two-way, single-level train featuring a fixed composition and distributed power. It represents the fastest environmentally-friendly, mass transportation system in Europe. The reduced aerodynamic resistance means lower power consumption and less noise, for a smaller environmental impact. For this reason, new solutions have been developed to provide overall benefits, at the system level, to the driver in service, passengers and those in charge of maintenance: the bogies are fitted with active side suspension to maximise comfort and rolling dynamics; the cutting-edge passenger information system provides real-time connectivity and multimedia facilities; the train and its systems are designed using a new maintenance approach, aimed at optimising availability of the train and minimising costs.
Furthermore, the ETR 1000 complies with the most recent safety requirements in terms of resistance to impact, and guarantees top level performance in accordance with the most recent European Railway Agency (ERA) Technical Specifications for Interoperability (TSI).

PEOPLE AND COMMUNITIES

The AnsaldoBreda health and safety management system is up and running

In June 2009, AnsaldoBreda certified its management system under OHSAS 18001. This certification requires the company to spread and consolidate a company safety culture, as well as making continual improvements to the protection of worker health and safety.

To support this commitment, new initiatives and projects were developed and launched at many manufacturing sites during 2010, according to their various characteristics. The most significant of these are:

- the "Culture of safety" training course: 5 hours in the classroom, entirely planned and provided by the company's Prevention Service, involved almost all the company's production workforce during 2010, using interactive methods, presentations and folders, INAIL films on risks and safe behaviour, made-to-measure exercises in the classroom on working operations, and assessment questionnaires to measure the safety culture;
- distribution of the "Prevention Diary": this is a tool provided to the officers in charge, in order to make actual compliance with the safety precautions assigned them systematic and documented. These include, for example, proper use of PPD (Personal Protection Devices) by workers, notification of any malfunctions or accidents and recording of training activities carried out directly in the field, as well as assessing their effectiveness;

- a specific pilot operation in the Safety and Environment area, as part of the Lean Production "ABLean" project. This initiative is based on the principles of self-control and visual communication, and involves the use of instruments, such as visual guidelines to be drawn up and affixed at each workstation, and daily self-assessments of safety.

The AnsaldoBreda safety management system has resulted in a gradual decrease in the rate of accidents for an approximately 30% drop in the frequency index over the last three years.

Relations with the territory: the "Pistoia meets high-speed trains" conference

AnsaldoBreda has always been involved in developing strong relationships with the local communities in which its factories are located. This commitment, which is further stressed by the impact that questions of mobility have on people's lives, often escapes these boundaries and reaches the cities where company products are to be found.

Following award of the tender for high-speed trains in Italy, which represents an opportunity for growth, work and innovation not only for AnsaldoBreda, but for the entire Pistoia region and Italy as a whole, at the end of 2010 AnsaldoBreda offered its factory as a favoured base for a meeting between the Pistoia Chamber of Commerce, the Businessmen's Association, the Municipal and Provincial Authorities of Pistoia, the Tuscany Regional authorities and the Ministry for Transportation and Infrastructures.

Specialised training: university masters courses

AnsaldoBreda works with universities with the aim of helping to train high-level professionals and set up strong bonds with the academic and research worlds. In this essential field, the company provides direct sponsorship or contributes towards various university-level special training courses.

- Masters in Infrastructure and Railway Systems Engineering, offered at Rome's "La Sapienza" University. This is a multi-disciplinary course in the railway transportation sector, including visits to plants, experience in the field and meetings with managers of the Ferrovie dello Stato Group and other companies in the sector. At the end of the course, participants will be offered an internship with one of the partner companies.
- Masters in Railway Services and Systems Engineering, for a maximum of 25 students, set up at Federico II University, Naples. The aim is to train an innovative professional position, with advanced skills relating to all the main activities in the railway supply chain necessary for dealing with technical and management problems regarding the construction, maintenance and running of railway systems.
- Transport Engineering, a degree course established at Pistoia University to train engineers with specific skills in the fields of transportation vehicles, technologies, systems and infrastructures, capable of working together to set up and develop the design and manufacture of transportation vehicles and services, both by road and rail.

ENVIRONMENT

Life Cycle Assessment application: the Brescia metro

Receipt of the Environmental Product Declaration (EPD), Environmental Statement Type III, governed by the ISO 14025 standard, for the Brescia MetroBus driverless metro is proof of how AnsaldoBreda integrates consideration of the environment into its industrial development strategies.

This environmental statement is the first in the world to be issued and certified by an external body for a railway product.
This began with the definition of the contents of the PCR (Product Category Rules) set down by UNIFE (the Union of European Railway Industries). The PCR includes all the main rules for issue of the EPD, and had to be approved in advance by the International EPD Consortium (IEC).
After drawing up all the main rules in the PCR, preparation of the EPD began with subsequent certification. IEC also issued the Climate Declaration for the EPD, showing the greenhouse gas emissions for the product covered by the EPD, expressed as CO_2 equivalent.

6

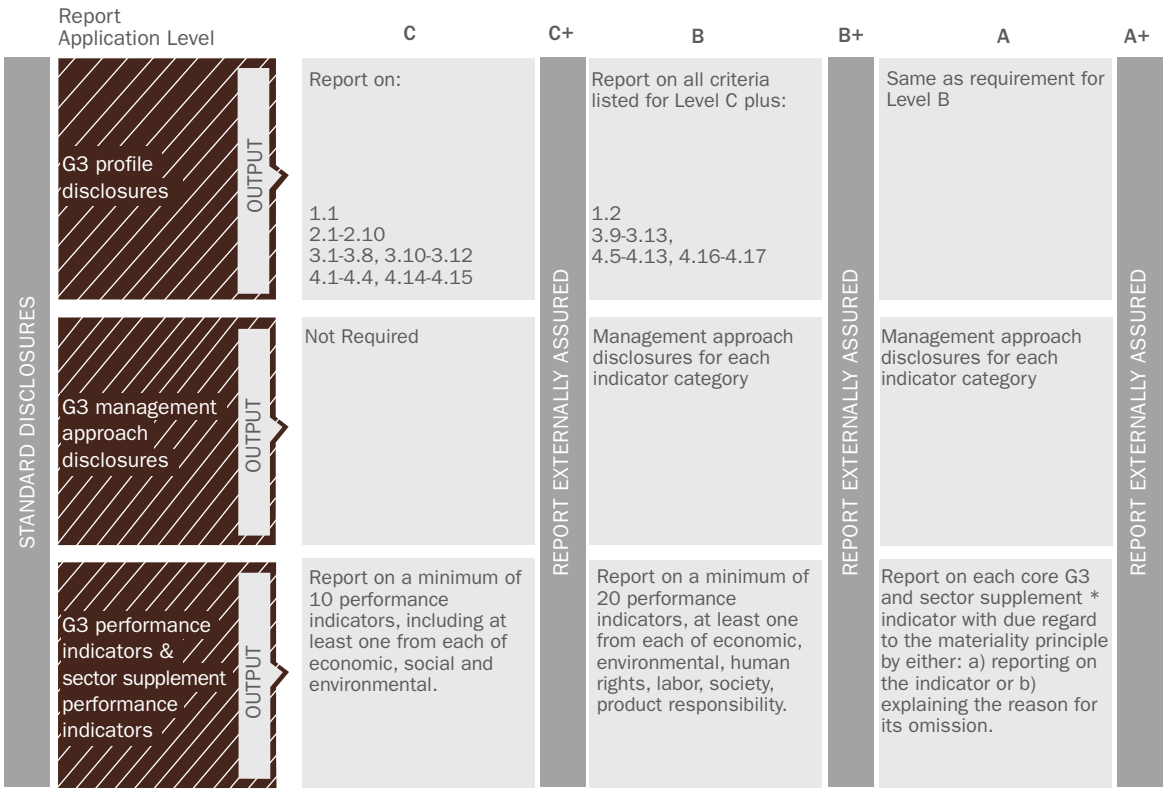
ENCLOSURES

Reporting methodology

GUIDELINES USED AND STATED APPLICATION LEVEL

The Finmeccanica Sustainability Report has been drawn up in accordance with the guidelines set out by GRI (Global Reporting Initiative) G3, and the stakeholder engagement section has been drawn up using the guidelines indicated in the AA1000 Stakeholder Engagement Standard (AA1000SES).

The level of application of the GRI guidelines (disclosure) has increased to level B+. The detailed grid referring to each applicable aspect of the standard can be found on pp. 145-150 of the Report.



* Sector supplement in final version.

The guidelines on corporate responsibility found in ISO 26000 were used as a reference in performing the materiality assessment. The topics addressed therein were developed using information obtained from sectoral studies and methods for assessing sustainability applied by international rating agencies.

THE PROCESS AND SCOPE OF REPORTING

The data and contents provided in the Report were collected under the coordination of the Finmeccanica SpA departments and units involved and special points of contact within certain operating companies, working in a special integrated work group.

The scope of reporting for the Sustainability Report involves a substantial part of all the companies, and is becoming increasingly similar to the scope of consolidation used in the Consolidated Financial Statements. As in the past, any differences between the two scopes are indicated as relevant in this document.

In particular, environmental data and performance reporting covered a total of 172 sites,[15] two more than in 2009, representing 85%[16] of the Group's workforce. The sites belong to all the business sectors and geographical areas in which Finmeccanica operates, and they have been identified using the following factors:

- Finmeccanica's stake in the company;
- significance of the environmental aspects;[17]
- number of employees.

Sector of activity	No. plants/offices	Geographical area	No. plants/offices
Aeronautics	17	Italy	88
Defence Systems	5	UK	17
Helicopters	14	USA	46
Space	4	Rest of the world	21
Defence and Security Electronics	101		
Energy and Transportation	28		
Other	3		
Total number of plants/offices	172	Total number of plants/offices	172

For sites included within the scope of reporting, 100% of the figure or information has been consolidated, regardless of Finmeccanica's stake in the company.

Where pertinent, environmental performance levels are shown as an indicator with respect to the labour hours to allow analysis of the situation over various years.
Labour hours are, in effect, the most suitable parameter for making a comparative assessment of performance levels connected with the various activities carried out by Group companies.

Finally, regarding the detailed review by sector, the most important companies were taken into consideration as follows:

- Helicopters: AgustaWestland;
- Aeronautics: Alenia Aeronautica;
- Defence and Security Electronics: SELEX Galileo, SELEX Sistemi Integrati, SELEX Communications, DRS Technologies;
- Defence Systems: Oto Melara;
- Space: Telespazio;
- Energy: Ansaldo Energia;
- Transportation: AnsaldoBreda.

RELIABILITY

After having been examined by the Strategy Committee, the Sustainability Report was approved by the Board of Directors of Finmeccanica SpA. PricewaterhouseCoopers subsequently performed an independent verification. This verification was carried out using the limited assurance criteria indicated in the International Standard on Assurance Engagement 300 – Assurance Engagement other than Audits of Reviews of Historical Financial Information (ISAE 3000), issued by the International Auditing and Assurance Standards Board.

15. Coverage of Scope III emissions amounts to 94%.
16. This percentage increases to above 90% if employees of joint ventures are excluded; joint ventures are consolidated in proportion to the Finmeccanica Group's stake in the joint venture.
17. In line with the contents of ISO 14001 section 3.1, an environmental aspect is significant when it refers to activities that involve mechanical processes, treatment of metal and non-metal materials, heat treatment, surface treatment, gluing or resining.

Controls were carried out through meetings, interviews, discussions and detailed verification at the manufacturing sites, with contact persons at Finmeccanica SpA headquarters and the subsidiaries, in order to:

- gain a better understanding of the processes used, to comply with the preparation standards found in the GRI-G3 guidelines;
- assess the internal control processes and procedures supporting the collection, aggregation, processing and transmission of data and information to the unit responsible for preparing the Report.

Details of the activities carried out are given in the certificate of conformity enclosed with the Report (p. 156).

Reference to GRI indicators

The following table contains the information used to assess coverage of the information requirements provided by GRI-G3 accounting standards. The table is made up of three columns:

- the column **Presence** indicates the level of adherence to the standard (disclosure) based on the key provided below:
  - ● Accounted for in full (the data/information comply in full with the requirements of the standard)
  - ○ Accounted for in part (the data/information only complies in part with the requirements of the standard)
  - \- Not accounted for (the data/information has not been collected or is not sufficiently representative)
  - n.a. Not applicable (the data/information provided by the standard is not significant or is not material);
- the column **References** indicates the pages in the Report in which the contents that relate to the standard requirement appear (pages in italics indicate detailed review by sector);
- the column **Notes/Comments** contains additional information or further clarification on the information provided in the Report.

		PRESENCE	REFERENCES	NOTES/COMMENTS
STRATEGY AND ANALYSIS				
1.1	Top manager statement - Letter from the Chairman	●	pp. 5, 7	
1.2	Description of the main impacts, risks and opportunities (in terms of sustainability)	●	pp. 17, 18, *108, 113, 118, 124, 129, 133, 137*	
PROFILE				
2.1	Name of the organisation	●	Front cover	
2.2	Main activities	●	pp. 14, 15, *108, 113, 114, 118, 119, 124, 129, 133, 137*	
2.3	Organisational structure	●	pp. 15, 16	
2.4	Location of main headquarters	●	Back cover	
2.5	Territorial control	●	p. 14	
2.6	Shareholder structure	●	p. 46	
2.7	Markets served	●	pp. 82, 83	
2.8-2.9	Size of the organisation and significant changes in size, structure and ownership	●	pp. 12, 13	
2.10	Recognitions and awards received during the period	●	pp. 8, 57	
REPORT PARAMETERS				
3.1-3.3	Document reference period, last report published and frequency of reporting	●	p. 9	The Report refers to the year 2010. The last document published is the Sustainability Report 2009. Reporting is carried out annually.
3.4	Contacts and addresses	●	p. 8 and back cover	
3.5-3.7	Reporting process, scope and limits	●	pp. 9, 142, 143	
3.8	Information on joint ventures, subsidiaries, leased plants, outsourcing and other activities	●	pp. 14, 15, *108, 113, 118, 124, 129, 133, 137*	
3.9	Data measurement methods and bases for calculation	●	pp. 142, 143	Other relevant information is provided in the Report
3.10	Explanation of the effects of any changes in information contained in previous reports, and reasons	●	pp. 62, 102	
3.11	Significant changes in measurement target, scope or method used	●	pp. 142, 143	
3.12	Table of G3 contents	●	pp. 145-150	
3.13	Policies and practices relating to external audits	●	pp. 8, 142-144	

		PRESENCE	REFERENCES	NOTES/COMMENTS
GOVERNANCE, COMMITMENTS AND STAKEHOLDER INVOLVEMENT				
4.1	Governance structure	•	pp. 15, 16, 23-26	
4.2	Executive functions of the Chairman	•	p. 25	
4.3	Independence of governing bodies	•	pp. 24, 25	
4.4	Mechanisms available to shareholders and employees to provide recommendations or directives to top governing bodies	○	pp. 23, 48, 49	Investors are called upon to exercise their rights at the Shareholders' Meeting. For details of operation of the Shareholders' Meetings see, in the Consolidated Financial Statements, the Corporate Governance Report and Shareholder Structure, pp. 181-183 (*Shareholders' Meetings*). Finmeccanica SpA has an Investor Relations unit to encourage dialogue with shareholders
4.5	Connection between compensation and performance of the organisation	•	pp. 24, 66	
4.6	Activities to guarantee the absence of conflicts of interest	•	pp. 23-26	
4.7	Processes to determine the qualifications of the highest governing body directing the strategy of the organisation	•	pp. 23-26	See also the Corporate Governance Report and Shareholder Structure in the Consolidated Financial Statements, pp. 144-150 *(Appointment and composition of the BoD)*
4.8	Mission, values and Code of Conduct	•	pp. 12, 22, 23	
4.9	Procedures and committees for management of sustainability-related performance	•	p. 22	
4.10	Assessment of the performance of members of the highest governing body	•	p. 24	See also the Corporate Governance Report and Shareholder Structure in the Consolidated Financial Statements, pp. 150-155 (*Role of the BoD*) and pp. 162, 163 (*Remuneration Committee*)
4.11	Explanation of any changes in application of the principle of prudence or prudent approach	•	pp. 26, 27	See also the Consolidated Financial Statements, pp. 82-86 *(Finmeccanica and risk management)*
4.12	Signature and adoption of codes of conduct, principles and papers developed by external organisations	•	pp. 23, 24, 97	
4.13	Membership in industry associations	•	p. 73	
4.14	List of stakeholders with whom the company interacts	•	pp. 17, 18, 73	
4.15	Principles for the identification of stakeholders	•	pp. 17, 18	
4.16	Approach adopted for activities to involve stakeholders	•	pp. 17, 18, 49, 50, 58-61 74, 80, 84, 85, 87	
4.17	Results of involvement	•	pp. 18, 59	

PERFORMANCE INDICATORS

	PRESENCE	REFERENCES	NOTES/COMMENTS
ECONOMIC INDICATORS (EC)			
Disclosure on management approach (EC)	•	pp. 17-19, 32-34, 42, 74, 75	
EC1 core: economic value generated directly and distributed	•	pp. 34, 35	Added value is shown gross of expenses for the purchase of goods and services (EC5). See also the footnote 2 on p. 34
EC2 core: economic and financial implications connected to climate change	-		
EC3 core: coverage of commitments made when drawing up the pension scheme (benefit plan obligations)	•	p. 70	Under the defined benefit plans, the Group is obliged to guarantee a certain level of future benefit for participants. If the assets invested are less than the promised benefits in terms of value, the Group will duly set down an amount equal to the relevant deficit in the liabilities; as at 31 December 2010, this amounted to €mil. 309

	PRESENCE	REFERENCES	NOTES/COMMENTS
EC4 core: significant government funding	-		
EC5 add: ratio between the wages of new hires and the minimum local wage in the most significant operating sites	-		
EC6 core: policies, practices and percentage expenditure concentrated on local suppliers	○	pp. 41-44	
EC7 core: procedures for hire of persons resident in the area where main activities take place and percentage senior managers hired from the local community	-		
EC8 core: impact of investment in infrastructures for the benefit of local communities, through commercial agreements, donation of products/services or pro-bono activities	●	pp. 72, 75-79	
EC9 add: analysis and description of the main indirect economic impacts taking into consideration the externalities generated	-		
ENVIRONMENTAL INDICATORS (EN)			
Disclosure on management approach (EN)	●	pp. 93-98	
EN1 core: raw materials used, by weight and volume	-		
EN2 core: percentage materials used that derive from recycled materials	-		
EN3 core: direct energy consumption divided by primary energy source	●	p. 98	Energy consumption by sector of activity is indicated in the detailed review
EN4 core: indirect energy consumption divided by primary energy source	●	p. 98	
EN5 add: energy saving due to conservation and improvements in terms of efficiency	○	p. 99	
EN6 add: initiatives to supply energy-efficient products or services or ones based on renewable energy sources, and reduction in energy requirements as a result of these initiatives	○	pp. 99, *115, 116, 139*	
EN7 add: initiatives aimed at reducing indirect energy consumption, and reductions achieved	-		
EN8 core: total water drawn, divided by source	●	p. 101	Water drawings by sector of activity are indicated in the detailed review
EN9 add: water sources from which significant drawings were taken	○	p. 101	With the new Environmental Reporting system, the Finmeccanica Group is taking action to show this indicator according to GRI requirements
EN10 add: total percentage and volume of water that is recycled and re-used	●	p. 101	
EN11 core: location and size of land owned, rented or managed in protected areas (or adjacent areas) or in areas with a high level of biodiversity outside protected areas	-		
EN12 core: description of the main impacts of activities, products and services on the biodiversity of protected areas or of areas with a high level of biodiversity outside protected areas	-		
EN13 add: protected or restored habitats	○	p. 104	
EN14 add: strategies, action taken, future plans for management of impacts on biodiversity	●	p. 104	
EN15 add: number of protected species whose habitat lies within the areas where the organisation operates, divided by risk of extinction level	-		
EN16 core: total direct and indirect greenhouse gas emissions, by weight	●	pp. 97, 98	
EN17 core: other significant indirect greenhouse gas emissions, by weight	●	p. 97	
EN18 add: initiatives to reduce greenhouse gas emissions and results achieved	●	pp. 96-98, *135*	
EN19 core: emissions of substances harmful for the ozone layer, by weight	●	p. 105	
EN20 core: NO_x, SO_x and other significant emissions into the atmosphere, by type and weight	●	p. 100	
EN21 core: total water discharged, by quality and destination	●	p. 101	
EN22 core: total weight of waste, by type and disposal method	●	p. 102	Weight of waste by sector of activity is indicated in the detailed review

	PRESENCE	REFERENCES	NOTES/COMMENTS
EN23 core: total number and volume of significant spillages	•	p. 99	
EN24 add: weight of hazardous waste that is transported, imported, exported or treated, and the percentage transported abroad	-		
EN25 add: identity, size, state of protection and biodiversity value of aquatic flora and fauna and relevant habitats that are affected in a significant manner by water discharge	-		
EN26 core: initiatives to mitigate the environmental impact of products and services and extent to which said impact is mitigated	○	pp. *115, 116, 123, 139, 140*	
EN27 core: percentage of products sold and relevant packaging material recycled or re-used, by category	-		
EN28 core: monetary value of significant fines and number of non-monetary fines due to failure to respect environmental laws and regulations	•	p. 99	
EN29 add: significant environmental impacts of transport of goods/materials used for the organisation's activities and for staff movements	○	pp. 96, 97	See in particular footnote 7 on p. 96
EN30 add: expenses and investments for environmental protection, divided by type	○	p. 94	
LABOUR INDICATORS (LA)			
Information on management methods (LA)	•	pp. 20-23, 27, 28, 56-58, 62, 65-67	
LA1 core: total number of employees, divided by type, type of contract and territorial distribution	○	pp. 56, 57	
LA2 core: total number of staff and turnover rate, divided by age, sex and geographical area	-		
LA3 add: benefits provided for full-time workers	-		
LA4 core: percentage of workers covered by collective bargaining agreements	○	p. 69	The figure indicated refers to the Italian operations only
LA5 core: minimum notice required for changes in function (organisational changes), indicating whether or not these conditions are included in collective bargaining	○	p. 69	This subject is managed in the national collective bargaining agreements (see LA4)
LA6 add: percentage of workers represented on the health and safety coordination committee	○	p. 67	
LA7 core: rate of workplace accidents, sickness, lost working days, absenteeism and total number of deaths, divided by geographical area	○	p. 68	Accident rates by sector of activity are indicated in the detailed review
LA8 core: programmes for education, training, consultation, risk prevention and control set up to support workers, their families or the community, in relation to health problems or severe illnesses	•	pp. 67, 68	
LA9 add: trade union health and safety agreements	-		
LA10 core: average training hours per annum for each employee, divided by category of worker	○	p. 62	See note LA4
LA11 add: programmes for the management of skills and to promote progressive training/updating to support continuing use of employees and to manage the final phases of their careers	•	pp. 62-65, *117, 127, 140*	
LA12 add: percentage of employees who receive regular assessments of performance and career development	○	p. 66	
LA13 core: composition of the company's governance bodies and division of employees by category according to sex, age, protected category and other indexes of diversity	-		
LA14 core: ratio of base salary for men compared to that for women of the same category.	-		
HUMAN RIGHTS INDICATORS (HR)			
Information on management methods (HR)	•	pp. 22, 23	
HR1 core: number and percentage of investments that include clauses on the respect of human rights	-		
HR2 core: percentage of suppliers and contractors subject to assessment on questions of human rights, and relevant action taken	○	p. 45	
HR3 add: total training hours of employees on policies and procedures relating to human rights and percentage of workers trained	-		

	PRESENCE	REFERENCES	NOTES/COMMENTS
HR4 core: total number of episodes related to discrimination and action taken	○	See note	Finmeccanica SpA's supervisory board has not been notified of violations of the Code of Ethics
HR5 core: identification of the activities in which freedom of association and collective bargaining may be exposed to significant risks, and action taken to defend these rights	•	pp. 69, 70	Finmeccanica respects the right to trade union membership freedom, and where trade unions are present holds regular meetings with those that its employees decide to join
HR6 core: identification of operations involving a high risk of child labour and measures taken to help eliminate them	•	p. 23	Finmeccanica complies with current laws on employment and human rights in the countries in which it operates, and applies the standards in force in its own countries of origin when legislation on these rights is deficient
HR7 core: activities with a high risk of forced or compulsory labour and measures taken to help eliminate them	•	pp. 23, 45	See above
HR8 add: percentage staff in charge of safety who have received training on procedures and policies relating to human rights	-		
HR9 add: number of violations of the rights of the local community, and action taken	-		
SOCIETY INDICATORS (SO)			
Information on management methods (SO)		pp. 72-74	
SO1 core: nature, aim and efficiency of programmes and/or practices to assess and manage impact on a given community, including start-up, operating and shut-down phases	○	pp. 69, 70, 95, 96, 102, 103	Finmeccanica promotes the adoption of environmental impact management systems in all the sites in which it operates. Occupational impact deriving from company reorganisation is managed under the rules and instruments provided by law
SO2 core: percentage business units analysed for the risk of corruption	○	pp. 22, 23, 73	Finmeccanica is a member of the AeroSpace and Defence Industries Association of Europe (ASD), and contributes towards working in a transparent, correct market without corruption by following the principles found in the Common Industry Standards provided by the ASD Ethics and Anti-Corruption Task Force
SO3 core: percentage employees trained on anti-corruption measures	○	See note	Completed training on the organisational model under Legislative Decree 231/2001 for all Finmeccanica SpA's executives and middle managers, a total of approximately 200 people
SO4 core: actions taken in response to episodes of corruption	•	p. 23	See also the Corporate Governance Report and Shareholder Structure in the Consolidated Financial Statements, pp. 144-150 (*Appointment and composition of the BoD*)
SO5 core: positions regarding public policies, participation in the development of public policies and pressure exercised	•	pp. 74, 75	
SO6 add: total financial contributions and benefits given to political parties, politicians and institutions, by country	•	See note	Finmeccanica SpA does not pay contributions, either direct or indirect, in any form, to political parties, movements, committees and political and trade union organisations, their representatives and candidates, except for those foreseen by specific regulations
SO7 add: total legal actions relating to unfair competition, antitrust and monopolistic activities, and relevant decisions	-		
SO8 core: monetary value of significant fines and total of non-monetary fines for non-compliance with laws or regulations	-		

	PRESENCE	REFERENCES	NOTES/COMMENTS
PRODUCT RESPONSIBILITY INDICATORS (PR)			
Information on management methods (PR)	•	pp. 86-88	
PR1 core: impact of the product on health and safety	-		
PR2 add: total cases of non-compliance with voluntary regulations and codes	-		
PR3 core: consumer info and labelling	n.a.	See note	Finmeccanica does not sell consumer goods, but products and services with a high technological content that are delivered to customers and end users accompanied by specific information and training programmes
PR4 add: total cases of non-compliance with voluntary regulations or codes relating to info and labelling of products/services	-		
PR5 add: customer satisfaction practices	•	pp. 87, 88	
PR6 core: support for voluntary laws, standards and codes relating to marketing activities	•	p. 22	See also note SO2
PR7 add: total cases of non-compliance with voluntary regulations or codes relating to marketing activities	-		
PR8 add: number of complaints regarding violations of privacy and loss of consumer information	n.a.	See note	See note PR3
PR9 core: amount of fines for violation of rules on supply and use of products and services	-		

Glossary

Accountability
Need to provide an account of the processes implemented and the results achieved by those responsible for the business or the parties interested in their work and actions, in order to increase social legitimacy. Accounting can be considered instrumental to a corporation's need for accountability.

Adjusted EBITA
Adjusted EBITA is used as the main indicator of profitability, as it allows analysis of Group margins, eliminating the volatility caused by non-recurrent economic elements or those outside normal management operations. For more details go to p. 31 of the Consolidated Financial Statements.

Asset Liability Management
Practice of managing risks that arise due to imbalances between bank assets and liabilities.

Atmospheric emissions
Any solid, liquid or gaseous substance coming from a plant/system and introduced into the atmosphere that may produce air pollution.

BS 16001:2009
This standard was created in United Kingdom and allows organisations to develop and implement actions that keep energy consumption and costs under control.

Buy side (analysts)
Analysts that work on behalf of individuals who deal with bulk asset management and purchase financial tools such as investment funds, hedge funds etc. on their own behalf.

Carbon Management System
System developed by Finmeccanica to implement greenhouse gas emission reductions policy and define goals and targets. The Carbon Management System includes efficient planning, measurement, implementation and accounting.

CO_2
Carbon dioxide.

Directive 2003/87/EC
European Parliament and Council Directive of 13 October 2003 setting up a system for trading greenhouse gas emission allowances in the European Union.

Directive 2003/105/EC
European Council Directive modifying Directive 86/82 concerning the control of major-accident hazards related to certain hazardous substances.

Directive 2008/1/EC
This Directive concerns pollution prevention and control.

Domestic or comparable wastewater
Wastewater coming from residential type settlements and from services predominantly deriving from human metabolism and domestic or comparable activities.

Dow Jones Sustainability Indexes
Global indexes monitoring the financial performance of leading sustainability-driven companies throughout the world.

Dual use
Goods and technologies that can be used both for civil and military purposes.

EDA
European Defence Agency, one of the youngest European Union agencies. It was set up to provide support to the Council and member states in their efforts to improve the European Union's defence capabilities under the common security and defence policy (CSDP).

EHS
Acronym for Environment, Health & Safety.

EMAS
Acronym for Eco-Management and Audit Scheme, an environmental management and audit scheme pursuant to Regulation (EEC) no. 1836/93, revised and updated by Regulation (EC) no. 761/2001.

EMSA
Acronym for European Maritime Safety Agency.

ENISA
Acronym for European Network and Information Society Agency.

Environmental aspect
Element of the activities, products or services of an organisation that may interact with the environment.

Environmental characterisation
Description of the characteristics of the environmental components both at the site and in the area affected by it.

Environmental impact
Any modification of the environment, detrimental or beneficial, caused in whole or in part by the environmental aspects of an organisation.

Environmental indicator
Quantitative parameter able to concisely represent an environmental value.

Environmental management system
The part of an organisation's system of management used to develop and implement its environmental policy and to manage its environmental aspects.

Environmental reclamation
The whole of operations suitable for eliminating sources of pollution and polluting substances or reducing concentrations of polluting substances present in the soil, in the subsoil, and in surface or subsurface water.

FRONTEX
European Agency for the Management of Operational Cooperation at the External Borders of the member states of the European Union.

GJoule
A joule is the unit of measurement of energy and work, and is defined as being the work required to exert a force of one Newton for a distance of 1 meter; 1 Gjoule (or Gigajoule) equals 1 billion (10^9) joules.

Green areas
Lawns, flowerbeds, areas covered with various kinds of bushes/shrubs and trees assigned to the care of specialised firms.

GRI 3
Internationally recognised standard for sustainability reporting. Promotes harmonisation of the three different accounting methods: environmental, social and economic.

KPI
Quantitative measurements that help define and measure the progress made towards achieving corporate goals.

Hazardous substances
Substances which due to their intrinsic properties or conditions of use may be damaging to health or to the environment.

Hazardous substances labelled R40
These include harmful substances that may cause irreversible effects as defined under Directive 67/548/EC.

Hazardous substances labelled R45
These include substances that may cause cancer as defined under Directive 67/548/EC.

Hazardous substances labelled R49
These include substances that may cause cancer due to inhalation as defined under Directive 67/548/EC.

Hazardous waste
Pursuant to the legislation in force in the European Union, hazardous waste is defined as that having the characteristics contained in Article 2 and in any case listed in the EC Decision of 3 May 2000, no. 532. Pursuant to the legislation in force in the United States, hazardous waste is defined as waste included in one of the four lists (F-list, K-list, P-list, U-list) compiled by the Environmental Protection Agency or that has at least one of the following four characteristics: explosiveness, corrosiveness, reactivity or toxicity.

Industrial wastewater
Any type of wastewater coming from buildings or installations where business activities or the production of goods take place (e.g. water used for cooling, washing, etc.), which differs in terms of quality from domestic wastewater and runoff of precipitation.

IPCC
Intergovernmental Panel on Climate Change, an organisation founded by the United Nations Environment Programme and the World Meteorological Organization to provide a scientific view of the current situation in terms of climate change and its potential environmental and socio-economic consequences.

IPPC
Integrated Pollution Prevention and Control, a tool created by the European Union to implement the principles of industrial pollution prevention and control and promote the best methods available.

ISO 14001:2004
Environmental management systems standard ("Environmental Management Systems: Requirements and Guide for Use") issued by the ISO (International Organization for Standardization).

ISO 14015:2001
Standard for Environmental Assessment of Sites and Organizations or EASO, issued by the ISO (International Organization for Standardization).

ISO 14040:2006
Standard issued by the ISO (International Organization for Standardization) specifying the framework, principles and limitations for conducting life cycle assessment studies (Environmental Management – Life cycle Assessment – Principles and Framework).

ISO 14064:2006
Standard issued by the ISO (International Organization for Standardization) regarding calculation and accounting of greenhouse gas emissions.

ISO 9001
Series of standards and guidelines drawn up by the International Organization for Standardization, defining the requirements for implementation of a quality management system within an organisation, so as to manage company processes, improve effectiveness and efficiency in product manufacture and services, obtain and increase customer satisfaction.

LCA
Acronym for Life Cycle Assessment: objective method for the assessment and quantification of the energy and environmental burdens and potential impacts associated with a product/process/activity over the entire life cycle, from acquisition of the raw materials to the end of their life ("from cradle to grave").

Non-hazardous waste
Pursuant to the legislation in force in the European Union, non-hazardous waste is defined as listed in the EC Decision of 3 May 2000, no. 532, and not having the characteristics contained in Article 2 of the same. Pursuant to the legislation in force in the United States, non-hazardous waste is considered to be waste not included in the four lists (F-list, K-list, P-list, U-list) compiled by the Environmental Protection Agency and that do not have any of the following four characteristics: explosiveness, corrosiveness, reactivity or toxicity.

OHSAS 18001:2007
Standard issued by the British Standards Institution that establishes the requirements that must be met by a management system for safeguarding health and safety in the workforce and that identifies an international standard (OHSAS: Occupational Health and Safety Assessment Series).

Ozone-depleting substances
Such substances include halons, chlorofluorocarbons and hydrofluorocarbons used mainly in fire prevention/fire fighting equipment and systems, and refrigeration and air conditioning systems, which, if dispersed in the atmosphere, generate processes causing degradation of stratospheric ozone.

REACH
Registration, Evaluation, Authorization and Restriction of CHemical Substances. This refers to Regulation (EC) no. 1907/2006, the aim of which is to augment the protection of human health and the environment through more effective identification of the intrinsic properties of chemical substances.

Representativeness
Number of sites that provided a given value compared with the total number of Group locations covered by the environmental section of this Report.

Roadshow
Institutional event held by management for analysts and institutional investors.

SA 8000
International certification standard drawn up by CEPAA (Council of Economical Priorities Accreditation Agency) and aimed at certifying certain aspects of corporate management relating to corporate social responsibility. These are: respect for human rights, the rights of workers, protection against exploitation of child labour, guaranteeing the healthiness and safety of the workplace.

Sell side (analysts)
Analysts that typically work on behalf of stock brokers or dealers and whose activities consist in directing the investment choices of their customers.

Significant environmental aspect
For the purposes of this document, an environmental aspect is significant when it refers to activities that involve mechanical processes, treatment of metal and non-metal materials, heat treatment, surface treatment, gluing or resining.

Site
Separate manufacturing unit, with its own systems and storage for the finished product.

Stakeholder
All those individuals who – whether consciously or unconsciously – are affected by and in turn affect the activities of an organisation.

Stakeholder engagement
Stakeholder engagement is the result of a gradual process involving the entire organisation, through dialogue and involvement, and has the aim of identifying and understanding the needs, expectations and perceptions of stakeholders and the areas of significance for internal and external stakeholders.

VOC
Volatile Organic Compounds.

VIC
Volatile Inorganic Compounds.

Waste
Pursuant to the legislation in force in the European Union, waste is considered to be any substance or object whose holder gets rid of or has decided to get rid of or has an obligation to get rid of, as provided under Directive 75/442/EEC.
Pursuant to the legislation in force in the United States, waste is considered to be any unwanted material deriving from an activity or production process.
This document does not take into consideration waste left to the public collection service for handling.

Wastewater
Water coming from domestic or comparable activities or industrial activities that are directed and subsequently discharged into surface waters, in the soil, in the subsoil, into the sewer system or managed as waste.

Yield
Annual rate expressing the return on an investment in general, expressed as a percentage.

FINMECCANICA SPA

INDEPENDENT REPORT ON THE LIMITED ASSURANCE ENGAGEMENT OF THE SUSTAINABILITY REPORT 2010

INDEPENDENT REPORT ON THE LIMITED ASSURANCE ENGAGEMENT OF THE SUSTAINABILITY REPORT 2010

To the Shareholders of
Finmeccanica SpA

1 We have carried out the limited assurance engagement of the Sustainability Report as of 31 December 2010 (hereafter the "Report") of the Finmeccanica Group (hereafter the "Group") following the verification procedures summarized in paragraph 3 of the present document. The Board of Directors of Finmeccanica SpA are responsible for the preparation of the Report in accordance with the "Sustainability Reporting Guidelines", version 3.0, issued by Global Reporting Initiative as described in the paragraph "Reporting methodology" of the Report. The Board of Directors are also responsible for the definition of the Group objective regarding the sustainability performance and the reporting of the achieved results. We are responsible for the preparation of this report on the basis of the work performed.

2 Our work has been conducted in accordance with the principles and guidelines established by the "International Standard on Assurance Engagements 3000 - Assurance Engagements other than Audits or Reviews of Historical Financial Information" (ISAE3000), issued by the International Auditing and Assurance Standards Board. ISAE3000 requires the compliance with ethical principles ("Code of Ethics for Professional Accountants"), including professional independence. It also requires that our work is planned and performed with the aim of obtaining a limited assurance, rather than a reasonable assurance, that the Report is free of material errors. A limited assurance engagement of the sustainability report consists in interviews, primarily with company's personnel responsible for the preparation of the information included in the sustainability report, in the analysis of the sustainability report and in other verification procedures.

3 The verification procedures performed on the Report are summarized as follow:

a) comparison between the economic and financial information and data included in the Report with those included in the Group consolidated financial statements as of 31 December 2010;
b) analysis of design and implementation of governance and management system of sustainability topics related to strategy and operation of the Group;
c) analysis of processes underlying the generation, recording and management of quantitative data included in the Report. In particular, we have carried out the following procedures:
   - meetings and discussions with management representatives of Finmeccanica SpA, Finmeccanica Group Real Estate SpA, Finmeccanica Group Services SpA, Oto Melara SpA, Alenia Aeronautica SpA, Telespazio SpA, SELEX Sistemi Integrati SpA, Selex Galileo SpA, Selex Galileo ltd, Agusta SpA, WESTLAND Helicopters ltd and Ansaldo Energia SpA to achieve a general understanding of the information, accounting and reporting systems in use to prepare the Report, as well as of the internal control processes and procedures supporting the collection, aggregation, processing and transmission of data and information to the department responsible for drawing it up. These representatives were selected on the basis of a qualitative and quantitative risk analysis;

- on-site verifications at:
  - Campi Bisenzio (Florence) of Selex Galileo SpA, Crew Toll (UK) of Selex Galileo ltd, Rome Via Tiburtina of SELEX Sistemi Integrati SpA (Defence and Security Electronics sector);
  - Cascina Costa (Varese) of Agusta SpA, Yeovil (UK) of WESTLAND Helicopters ltd (Helicopters division);
  - Genova Campi of Ansaldo Energia SpA (Energy division);
  - La Spezia of Oto Melara SpA (Defence Systems division);
  - Rome via Tiburtina of Telespazio SpA (Space division);
  - Caselle Nord (Turin) and Nola (Naples) of Alenia Aeronautica SpA (Aeronautics division);

d) analysis, on a sample basis, of the documentation supporting the Report, in order to confirm the reliability of data and information collected through meetings, interviews and on-site verifications and to confirm they were properly managed;

e) verification of how data and information are managed in the selected sites and how they are subsequently aggregated and consolidated at Group level;

f) analysis of the completeness and internal consistency of qualitative information included in the Report in comparison with the reporting guidelines referred to in paragraph 1 of this report;

g) obtaining a representation letter, signed by the legal representative of Finmeccanica SpA, relating to the completeness and reliability of the Report and of the information and data included in it, as well as to the compliance with the guidelines identified in paragraph 1 of the present document.

This is the first sustainability report subject to a limited assurance engagement. Prior year's data, which are presented for comparative purposes, were not subject to any assurance work.

A limited assurance engagement is less in scope than a reasonable assurance engagement carried out in accordance with ISAE3000 and, as a consequence, it provides a lower level of assurance that we became aware of all the significant events and circumstances that a reasonable assurance engagement could have identified.

4 Based on the procedures carried out, nothing came to our attention that causes us to believe that the Sustainability Report as of 31 December 2010 of the Finmeccanica Group is not in compliance, in all material respects, with the "Sustainability Reporting Guidelines", version 3.0, application level B+, issued by Global Reporting Initiative, as stated in paragraph "Reporting Methodology" of the Report.

Turin, 13 May 2011

PricewaterhouseCoopers Advisory SpA

Signed by

Paolo Bersani
(Partner)

This report has been translated from the original, which was issued in Italian, solely for the convenience of international readers.

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Printed in July 2011

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