

**HALF-YEAR FINANCIAL REPORT**  
**AT 30 JUNE 2008**  
**FINMECCANICA**

*Disclaimer*

*This Half-year Financial Report at 30 June 2008 has been translated into English solely for the convenience of the international reader. In the event of conflict or inconsistency between the terms used in the Italian version of the report and the English version, the Italian version shall prevail, as the Italian version constitutes the official document.*

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## BOARD AND COMMITTEES

### BOARD OF DIRECTORS

*(for the 2008-2010 term)*

*appointed by the Shareholders' Meeting on 06.06.2008*

PIER FRANCESCO GUARGUAGLINI (1)  
Chairman and Chief Executive Officer

PIERGIORGIO ALBERTI (2) (3)  
Director

ANDREA BOLTHO von HOHENBACH (1)  
Consigliere

FRANCO BONFERRONI (2) (3)  
Director

GIOVANNI CASTELLANETA (1)  
Director (\*)

MAURIZIO DE TILLA (2)  
Director

DARIO GALLI (1)  
Director

RICHARD GRECO (1)  
Director

FRANCESCO PARLATO (1) (3)  
Director

NICOLA SQUILLACE (1) (2)  
Director

RICCARDO VARALDO (3)  
Director

GUIDO VENTURONI (1)  
Director

### BOARD OF STATUTRY AUDITORS

*(for the 2006 / 2008 term)*

*appointed by the Shareholders' Meeting on 23.05.2006*

LUIGI GASPARI  
Chairman

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

MAURIZIO DATTILO, PIERO SANTONI  
Alternate Statutory Auditors

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LUCIANO ACCIARI  
Secretary of the Board of Directors

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### INDEPENDENT AUDITORS

*(for the 2006 / 2011 term)*

**PRICEWATERHOUSECOOPERS S.p.A.**

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

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

## Finmeccanica Group

### Interim report on operations at 30 June 2008

#### The results and financial position for the first six months

#### Highlights

€ millions	June 2008	June 2007	change	2007
<b>New orders</b>	6,809	6,478	5%	17,916
<b>Order backlog</b>	39,005	36,245		39,304
<b>Revenues</b>	6,433	6,079	6%	13,429
<b>Adjusted EBITA (*)</b>	400	351	14%	1,045
<b>Net profit</b>	297	177	68%	521
<b>Net invested capital</b>	7,741	7,751		6,590
<b>Net debt</b>	2,607	2,268		1,158
<b>FOCF (*)</b>	-1,347	-1,224	-10%	375
<b>ROS (*)</b>	6.2%	5.8%	0.4 p.p.	7.8%
<b>ROI (*)</b>	15.5%	14.8%	0.7 p.p.	18.9%
<b>ROE (*)</b>	12.2%	12.2%	0 p.p.	9.7%
<b>EVA (*)</b>	17	-32	n.a.	227

(\*): refer to the following sections for definitions.

Finmeccanica Group's consolidated results for the first half of 2008 show solid growth over the same period of the previous year.

As has been often mentioned, this was achieved despite the fact that the consolidated results for the first half are not entirely representative of the trend for the financial year as a whole since more than half of the Group's business is concentrated in the second half of the year.

In demonstration of this point, revenues for the first half of 2007 amounted to €mil. 6,079, while revenues for the second half of 2007 came to €mil. 7,350 and Adjusted EBITA for the second half of 2007 (€mil. 694) was considerably higher than for the first half of that year (€mil. 351).

With regard to the first half of 2008, as compared with the same period of the previous year, the primary Group indicators reveal strong commercial performance with an increase in new orders of about 5%, in revenues of 6% and in Adjusted EBITA of 14%. As a result, ROS amounted to 6.2%, a 0.4 percentage point increase over 30 June 2007 (5.8%).

The net profit at 30 June 2008 came to €mil. 297 compared with €mil. 177 for the first half of 2007, an increase of €mil. 120 (68%).

With regard to Group profitability, compared with the same period of last year (in brackets), return on investment (ROI) stood at 15.6% (14.8% in the first half of 2007), EVA came to a negative €mil. 17 (negative €mil. 32 in the first half of 2007) and return on equity (ROE) came to 12.2% (12.2% in the first half of 2007).

Finally, it should be noted that the figures (comments about which follow), although not revealing any significant lack of homogeneity between the two periods being compared, include, for the figures at 30 June 2008, the British Vega Group under the Defence and Security Electronics division. Vega specialises in providing hi-tech professional services.

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<i>Income Statement</i> €mil.	Section	<i>For the six months ended 30 June</i>	
		<i>2008</i>	<i>2007</i>
<b>Revenue</b>	(*)	6,433	6,079
Raw materials and consumables used and purchase of services and personnel costs	(**)	(5,811)	(5,540)
Depreciation and amortisation		(205)	(204)
Other net operating income (costs)	(***)	(17)	16
<b>Adjusted EBITA</b>		<b>400</b>	<b>351</b>
Non-recurring income/(costs)		-	-
Restructuring costs	(****)	(14)	(11)
PPA amortisation		(11)	(12)
<b>EBIT</b>		<b>375</b>	<b>328</b>
Net finance income (costs)	(*****)	10	(59)
Income taxes	13	(88)	(92)
<b>NET PROFIT (LOSS) BEFORE DISCONTINUED OPERATIONS</b>		<b>297</b>	<b>177</b>
Result of discontinued operations		-	-
<b>NET PROFIT (LOSS)</b>		<b>297</b>	<b>177</b>

*Notes on the reconciliation between the reclassified income statement and the statutory income statement:*

- (\*) Includes "revenues" and "revenues from related parties".
- (\*\*) Includes "costs from related parties", "raw materials and consumables used and purchases of services and personnel costs" (net of restructuring costs).
- (\*\*\*) Includes "other operating revenues (costs)" net of restructuring costs, "impairments" (included among "depreciation, amortisation and impairment").
- (\*\*\*\*) Includes the restructuring costs classified as "raw materials and consumables used and purchase of services and personnel costs" and "other operating revenues (costs)".
- (\*\*\*\*\*) Includes finance income and costs from related parties

Contributing to the net profit for the first half of 2008 (€nil. 297) was the €nil. 54 capital gain (recognised in the first quarter), net of the tax effects, from the sale of 2.9% of STM (about 26 million shares) to the French company FT1CI (held by Areva - the nuclear group controlled by the French government).

Excluding the impact of this event (net of the correlated tax effect), the net profit for the first half of 2008 came to roughly €nil. 243, a €nil. 66 increase over the same period of 2007.

The improvement in the Group's net profit is primarily due to: the increase in EBIT for €nil. 47, the improvement in financial costs due to a more favourable result of the measurements at fair value, partially used by lower dividends and higher finance costs (€nil. 15), and, finally, the improvement due to lower taxes for the period that resulted in a theoretical tax rate at 30 June 2008 of 32.82% (effective tax rate of 22.82%) for €nil 4.



## Primary Group indicators by segment

### June-08

	New orders	Order backlog	Revenues	Adj. EBITA	ROS %	R&D	Workforce (no.)
Helicopters	1,618	8,874	1,469	158	10.8%	126	10,021
Defence and Security Electronics	1,951	8,759	1,628	98	6.0%	272	19,487
Aeronautics	844	7,841	1,062	70	6.6%	245	13,778
Space	416	1,407	451	15	3.3%	29	3,531
Defence Systems	506	3,997	513	42	8.2%	122	4,049
Energy	1,063	3,733	512	37	7.2%	12	3,184
Transportation	564	4,835	813	50	6.2%	26	6,793
Other activities and eliminations	-153	-441	-15	-70	n.a.	2	1,066
	<b>6,809</b>	<b>39,005</b>	<b>6,433</b>	<b>400</b>	<b>6.2%</b>	<b>834</b>	<b>61,909</b>

### June-07

	New orders	Order backlog	Revenues	Adj. EBITA	ROS %	R&D	Workforce (no.)
		at 31.12.07					at 31.12.07
Helicopters	1,470	9,004	1,478	154	10.4%	147	9,556
Defence and Security Electronics	1,794	8,725	1,607	100	6.2%	266	19,589
Aeronautics	1,148	8,248	953	68	7.1%	264	13,301
Space	325	1,423	377	15	4.0%	26	3,386
Defence Systems	266	4,099	497	29	5.8%	110	4,149
Energy	599	3,177	477	31	6.5%	8	2,980
Transportation	595	5,108	725	17	2.3%	27	6,669
Other activities and eliminations	281	-480	-35	-63	n.a.	3	1,118
	<b>6,478</b>	<b>39,304</b>	<b>6,079</b>	<b>351</b>	<b>5.8%</b>	<b>851</b>	<b>60,748</b>

### Change

	New orders	Order backlog	Revenues	Adj. EBITA	ROS %	R&D	Workforce (no.)
	delta %	delta %	delta %	delta %	delta p.p.	delta %	delta %
Helicopters	10%	-1%	-1%	3%	0.3 p.p.	-14%	5%
Defence and Security Electronics	9%		1%	-2%	-0.2 p.p.	2%	-1%
Aeronautics	-26%	-5%	11%	3%	-0.5 p.p.	-7%	4%
Space	28%	-1%	20%		-0.7 p.p.	12%	4%
Defence Systems	90%	-2%	3%	45%	2.4 p.p.	11%	-2%
Energy	77%	18%	7%	19%	0.7 p.p.	50%	7%
Transportation	-5%	-5%	12%	194%	3.8 p.p.	-4%	2%

The primary changes that marked the Group's performance compared with the same half of the previous year are described below. A deeper analysis can be found in the section covering the trends in each business segment.

From a commercial perspective, the Group ended the first half of 2008 with acquisitions on the rise across all business segments, with the sole exception of the Aeronautics division. **New orders** at 30 June 2008 stood at €mil. 6,809, an increase of about 5% over the corresponding period of 2007 (€mil. 6,478).

New orders in the first half of 2008 were attributable to the Aerospace and Defence segments for 76% and Energy and Transportation for 24%.

In the Aerospace and Defence segment, new orders in the Defence Systems division were 90% higher in the first half of 2008 compared with the first half of 2007, thanks to the contribution of all segments, particularly missile systems.

There was also improvement in: Helicopters, with a 10% increase over the same period of the previous year due to growth in the military and commercial segments, and in Space, up 28% over 30 June 2007, due to higher orders related to the In-Orbit Validation (IOV) phase of the Galileo satellite navigation programme and good performance in the commercial telecommunications satellites segment. There was also a 9% improvement in the Defence and Security Electronics division as a result of the completion of the order for the additional tranche of the FREMM programme and significant new orders for information technology and security activities.

In the Aerospace and Defence segments, 54% of new orders for the first half of 2008 were attributable to the military market, a 1.5 percentage point increase over the first half of 2007.

As regards the Energy and Transportation sectors, there was once again excellent commercial performance in the Energy sector, with growth of 77% over the same period of 2007 due to numerous orders for machinery and parts from abroad and to the important domestic order for a new combined-cycle plant (Turano site).

\*\*\*\*\*

The **order backlog** at 30 June 2008 amounted to €mil. 39,005, a slight decrease of €mil. 299 from 31 December 2007 (€mil. 39,304), attributable to unfavourable exchange rates (euro/pound and euro/dollar), partially offset by the acquisition of new orders which exceeded customer billings.

The order backlog at 30 June 2008 can be broken down into 79% for Aerospace and Defence and 21% for Energy and Transportation.

The order backlog, based on workability, guarantees coverage of around 3 years of production for the Group.

\*\*\*\*\*

At 30 June 2008, **revenues** totalled €mil. 6,433 for an increase of €mil. 354, or 6%, over the same period of 2007.

The production increase in the first half of 2008 was divided between the Aerospace and Defence segment for 80% and the Energy and Transportation segments for 20%.

The increase in production volumes is mainly attributable to Aeronautics due to the higher contribution of the civil segment (increased production of ATR, B787 and A380 aircraft). There were also higher revenues in other sectors: Space, due to increased production in both segments (manufacturing and satellite services) and Transportation, due to greater activity in both segments (signalling and systems, vehicles).

\*\*\*\*\*

The **adjusted EBITA** at 30 June 2008 amounted to €mil. 400, a 14% increase over 30 June 2007 (€mil. 351).

In the Aerospace and Defence segment, the divisions that contributed the most to the improvement included the Defence Systems segment (up 45% compared with the first half of 2007), due to the improved profitability of missile systems and growth in underwater weapons systems. The Aeronautics, Helicopters, Space and Defence and Security Electronics divisions were fairly stable compared with 30 June 2007.

Finally, there was growth in the Energy division (up 19% over the same period of the previous year) due to increased production volumes and the greater industrial profitability of several foreign orders in the plant segment, and in Transportation due mainly to improved industrial profitability in the vehicles segment.

\*\*\*\*\*

**Research and development costs** at 30 June 2008 came to €mil. 834, a slight decrease of 2% from the first half of 2007 (€mil. 851).

Group R&D represents roughly 13% of consolidated revenues generated in the first six months of the year, with the bulk (95%) going to the Aerospace and Defence segments and the remainder (5%) to Energy and Transportation segments.

Of the research and developments costs in the Aerospace and Defence segments, it should be noted that the R&D costs in the first half of 2008 for the Aeronautics division totalled €mil. 245 (29% of the Group's total). This spending reflects the commitment to programmes being developed in the civil and military segments.

The Defence and Security Electronics division was also responsible for a considerable portion, with R&D costs of €mil. 272, or 33% of the Group's total R&D spending. The R&D costs for this segment relate in particular to: new electronic-scan radar systems for both surveillance and combat; continued development of the EFA programme; TETRA technology products and the new switching ALL-IP, software design radio, ad hoc networks and WIMAX product families in the communications segment; continuation of activity on the mobile three-dimensional early-warning radar system, naval command and control systems, the 3D Kronos and MFRA multi-functional active radar surveillance systems, and the upgrading the current SATCAS products.

Finally, as to the Helicopters division, R&D expenditure came to €mil. 126, or 15% of the Group total. This spending mainly regarded the activity to develop technologies primarily for military use (AW149) and to develop multi-role versions of the BA 609 convertiplane for national security.

\*\*\*\*\*

The **workforce** at 30 June 2008 came to 61,909, an increase of 1,161 over the 60,748 at 31 December 2007.

This increase is attributable to the positive turnover in almost all sectors, particularly in Helicopters, Aeronautics and Energy.

The geographical distribution of the workforce in the first half of 2008 was substantially in line with that at the end of 2007, with about 70% of the workforce in Italy, and 30% in foreign countries (largely the United Kingdom and France).

\*\*\*\*\*

<b>Balance sheet</b>	<b>Section</b>	<b>30.06.2008</b>	<b>31.12.2007</b>
<b>€mil.</b>			
Non-current assets		9,705	9,845
Non-current liabilities	(*)	(2,467)	(2,562)
		<b>7,238</b>	<b>7,283</b>
Inventories		3,945	3,383
Trade receivables	(**) 19/30	8,210	7,546
Trade payables	(***) 26/30	(10,559)	(10,481)
Provisions for short-term risks and charges	24	(480)	(545)
Other net current assets (liabilities)	(****)	(613)	(596)
<b>Net working capital</b>		<b>503</b>	<b>(693)</b>
<b>Net invested capital</b>		<b>7,741</b>	<b>6,590</b>
Capital and reserves attributable to equity holders of the Company		5,028	5,329
Minority interests in equity		106	103
<b>Shareholders' equity</b>	22	<b>5,134</b>	<b>5,432</b>
<b>Net debt (cash)</b>		<b>2,607</b>	<b>1,158</b>
<b>Net (assets) liabilities held for sale</b>	(*****)	<b>-</b>	<b>-</b>

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

(\*) Includes all non-current liabilities except "non-current borrowings".

(\*\*) Includes "trade receivables from related parties" (among "current receivables from related parties").

(\*\*\*) Includes "trade payables to related parties" (among "current payables to related parties").

(\*\*\*\*) Includes: "other current receivables from related parties" (among "current receivables from related parties"), "derivatives", "other assets" (excluding "financial assets at fair value" among "other assets"); net of "income tax payables", "other payables to related parties" (among "current payables to related parties"), "derivatives" and "other liabilities".

(\*\*\*\*\*) Includes the net of "non-current assets held for sale" and "liabilities directly related to assets held for sale"

\*\*\*\*\*

At 30 June 2008 the consolidated **net capital invested** came to €mil. 7,741, compared with €mil. 6,590 at 31 December 2007. This net increase of €mil. 1,151 is due to the €mil. 1,196 increase in **working capital** (positive €mil. 503 at 30 June 2008 compared with negative €mil. 693 at 31 December 2007) as a result of the dynamics of FOCF for the period (described further below). This increase was partially offset by the €mil. 45 net decline in **capital assets** (€mil. 7,238 at 30 June 2008 compared with €mil. 7,283 at 31 December 2007). This decrease is mainly attributable to the effect of the sale of the stake in STM, the significant change in exchange rates and to normal investments in property, plant and equipment and intangibles net of depreciation and amortisation.

\*\*\*\*\*

**Free Operating Cash Flow (FOCF)** at 30 June 2008 was negative (use of cash) in the amount of €mil. 1,347 compared with a negative €mil. 1,224 at 30 June 2007.

It should be noted that, in analysing FOCF for the first half of the year, seasonal factors have to be taken into account. The balance between trade collections and payments reveals that payments are particularly higher than collections.

Specifically, the worsening in FOCF of €mil. 123 between the two periods compared correlates to greater usage of cash in operations by €mil. 138, partially offset by lower usage of cash in ordinary investments by €mil. 15.

In the first half of 2008, investment activities, needed for product development, were largely concentrated in the Aeronautics (56%), Defence and Security Electronics (17%) and Helicopters (11%) divisions, with the remaining 16% equally distributed among the other divisions.

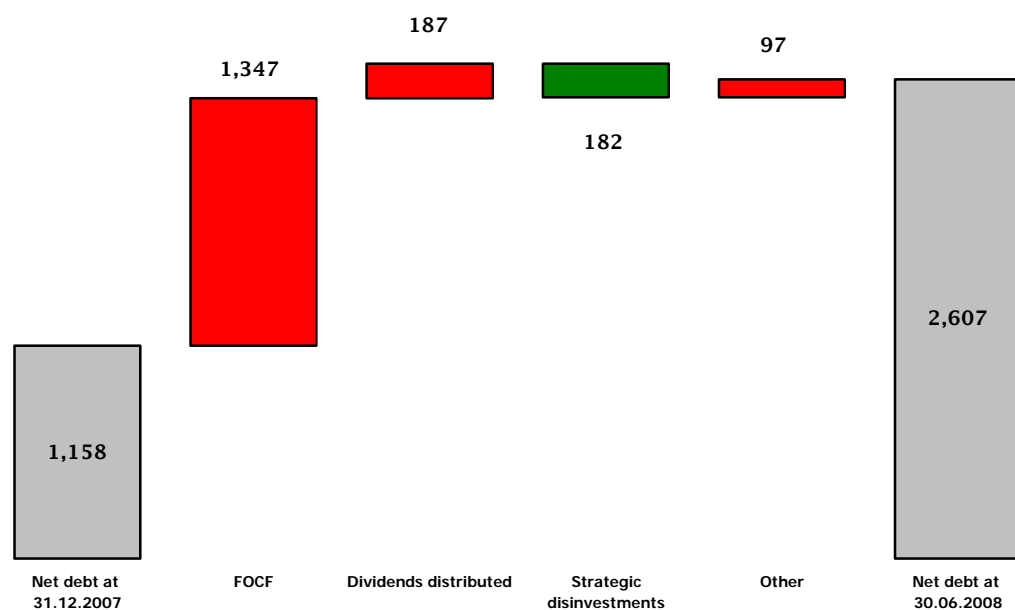
<i>€mil.</i>	<i>For the six months ended 30 June</i>	
	<i>2008</i>	<i>2007</i>
<b>Cash and cash equivalents at 1 January</b>	<b>1,607</b>	<b>2,003</b>
Gross cash flow from operating activities	635	669
Change in other operating assets and liabilities	(290)	(365)
<b>Funds From Operations (FFO)</b>	<b>345</b>	<b>304</b>
Change in working capital	(1,135)	(956)
<b>Cash flow generated from (used in) operating activities</b>	<b>(790)</b>	<b>(652)</b>
Cash flow from ordinary investing activities	(557)	(572)
<b>Free Operating Cash Flow (FOCF)</b>	<b>(1,347)</b>	<b>(1,224)</b>
Strategic operations	182	(416)
Change in other financing activities	(3)	(10)
<b>Cash flow generated from (used in) investing activities</b>	<b>(378)</b>	<b>(998)</b>
Net change in borrowings	71	211
Dividends paid	(187)	(151)
<b>Cash flow generated from (used in) financing activities</b>	<b>(116)</b>	<b>60</b>
Translation differences	(9)	(2)
<b>Cash and cash equivalents at 30 June</b>	<b>314</b>	<b>411</b>

\*\*\*\*\*

Group **net financial debt** (payables higher than financial receivables and cash and cash equivalents) at 30 June 2008 came to €nil. 2,607 (€nil. 1,158 at 31 December 2007 and €nil. 1,928 at 31 March 2008), for a net increase of €nil. 1,449 from December 2007.

The following graph shows the most significant movements that contributed to the change in net financial debt.

Net financial debt at 30 June 2008 - (millions of euros)



€mil.	30.06.08	31.12.07
Short-term financial payables	1,018	484
Medium/long-term financial payables	1,538	1,556
Cash and cash equivalents	(314)	(1,607)
<b>BANK DEBT AND BONDS</b>	<b>2,242</b>	<b>433</b>
Securities	(33)	(13)
Financial receivables from Group companies	(26)	(33)
Other financial receivables	(595)	(573)
<b>FINANCIAL RECEIVABLES AND SECURITIES</b>	<b>(654)</b>	<b>(619)</b>
Financial payables to related parties	539	560
Other short-term financial payables	360	665
Other medium/long-term financial payables	120	119
<b>OTHER FINANCIAL PAYABLES</b>	<b>1,019</b>	<b>1,344</b>
<b>NET FINANCIAL DEBT (CASH)</b>	<b>2,607</b>	<b>1,158</b>
Net financial debt (cash and cash equivalents) of discontinued operations	-	-



Consistent with the approach adopted in the presentation of the accounts over the last few years, it was decided - in view of the fact that a significant part of these transactions are designed to hedge “underlying” commercial positions - not to recognise as debt the balancing entries resulting from fair value measurement of the derivatives on the date that the accounts were closed. At 30 June 2008 these items showed a positive balance of €nil. 50.

As already mentioned in the section on FOCF, the deterioration from 31 December 2007 confirms the ordinary pattern of cash receipts and outlays, the latter of which resulted in considerable uses of cash in the period. This performance was also affected by investment activities carried out during the period and includes advances received on certain contracts entered into by Group companies for amounts larger than forecast at the end of December 2007.

The debt figure for the first half of the year includes, among other things, the effects of certain transactions that are not strictly related to ordinary management, specifically:

- the payment of roughly €nil. 62 relating to Finmeccanica’s purchase of an additional stake in the British company Vega Group Plc (a transaction begun last year and described in more detail elsewhere in this report);
- the payment of €nil. 12 for the purchase of an additional 18% stake in Sirio Panel S.p.A. by Selex Communications S.p.A.;
- the payment of €nil. 174 relating to the ordinary dividends paid out by the Group Parent for 2007;
- the payment of €nil. 12 relating to the minority interest portion of the ordinary dividends paid out by Ansaldo STS S.p.A. to its shareholders for 2007;
- the receipt of around €nil. 260 from the sale of 26,034,141 shares of STM, equal to about 2.9% of the remaining shares held by Finmeccanica, at the price of €10 each.

It should also be noted that in May the relevant Group companies made the first reimbursement payment of €mil. 297 (out of a total of €mil. 389) to the Ministry of Economic Development (MED) as a result of the decisions made concerning the methods for complying with the scheduled repayment plans and the corresponding finance costs related to programmes funded by Law 808/1985. This payment caused no change in either the related payable or FOCF, since the entire amount above was already included among net debt at 31 December 2007. Therefore, these payments only caused a corresponding change in cash on hand.

As with the previous period, the debt figure benefited from the offsetting effect of the consolidated taxation mechanism, with lower outlays for the period of about €mil. 213. Finally, it should be noted that the Group made assignments of non-recourse receivables totalling €mil. 75 during the first half of 2008.

As regards the composition of the debt items, there was a shift in total gross bank borrowings from €mil. 2,040 at 31 December 2007 to €mil. 2,556 at 30 June 2008 essentially due to a change in short-term debt from €mil. 484 at 31 December 2007 to €mil. 1,018 at 30 June 2008. There was a significant decline in cash and cash equivalents from €mil. 1,607 at December 2007 to €mil. 314 at June 2008. This cash was used to finance the ordinary operations and investments mentioned above as well as strategic activities, particularly with regard to the purchase of the shares of Vega Group Plc and the receipt of funds from the partial sale of STM shares (both transactions are described in another part of this report). The cash flow figure is also affected, as stated previously, by the payment of €mil. 297 to the MED.

The item “financial receivables and securities” equal to €mil. 654 (€mil. 619 at 31 December 2007) includes the amount of €mil. 558 in respect of the portion of financial receivables that the MBDA and Thales Alenia Space joint ventures hold vis-à-vis the other partners in implementation of existing treasury agreements. In accordance with the consolidation method used, these receivables, like all the other joint venture items, are included in the Group’s scope of consolidation on a proportionate basis.

The item “financial payables to related parties” includes the debt of €mil. 523 of Group companies in the above joint ventures for the unconsolidated portion.

Finmeccanica pursues a policy aimed at minimizing the average cost of debt (4%) and at extending the average remaining life (currently about 8 years). This contributes to making the Group's financial structure more sound by making its debt structure and medium and long-term financial returns compatible with the significant investments required to develop products.

It was possible to maintain a stable financial and capital structure through constant control over the companies' financial needs and proactive dealings with customers and suppliers.

As part of the centralisation of its financial operations, Finmeccanica S.p.A. has credit lines and guarantees to meet the Group needs. Specifically, it holds a medium-term revolving credit line of €nil. 1,200 agreed in 2004 with a pool of domestic and foreign banks, whose interest rates and maturity (current maturity 2012). At 30 June 2008, this credit line was used in the amount of €nil. 300. Finmeccanica also has additional short-term credit lines for cash amounting to around €nil. 1,050, of which €nil. 900 is unconfirmed and around €nil. 150 is confirmed; at 30 June 2008, these credit lines were used in the amount of €nil. 276. There are also unconfirmed guarantees of around €nil. 2,080.

Finally, as more fully described in the section on financial operations, it should be noted that, within the context of actions taken to fund the acquisition of the U.S. company DRS Technologies Inc., Finmeccanica S.p.A. signed an agreement for a senior term loan in the amount of €nil. 3,200 with a pool of organiser banks that subsequently syndicated the loan on the euro-market. The highly-successful syndication process was completed in early July, with subscriptions being more than double the amount of the operation. As a result, the amounts allotted to each bank were drastically reduced. At 30 June 2008, the loan was entirely unused.

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As to transactions with related parties, it should be noted that transactions between the companies are of a commercial, financial or other nature and relate to the ordinary accounts that govern receivables and payables between Group companies, ordinary loans given/received, and debiting/crediting of the related interest.

These transactions are carried out as part of ordinary management and generally at arms' length. A summary of the income statement and balance sheet items are found in the section on the "Condensed Consolidated Interim Financial Statements at 30 June 2008".

## “Non-GAAP” performance indicators

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

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

- **EBIT**: i.e. earnings before interest and taxes, with no adjustments. EBIT also does not include costs and income resulting from the management of unconsolidated equity investments and other securities, nor the results of any sales of consolidated shareholdings, which are classified on the financial statements either as “*finance income and costs*” or, for the results of equity investments accounted for with the equity method, under “*effect of the accounting for equity investments with the equity method*”.
  
- **Adjusted EBITA**: It is given by EBIT (as defined above) before exceptionals:
  - any impairment in goodwill;
  - amortisation of the portion of the purchase price allocated to intangible assets in relation to business combinations, as required by IFRS 3;
  - reorganization costs that are a part of significant, defined plans;
  - other exceptional costs or income, i.e. connected to particularly significant events that are not related to the ordinary performance of the business.

Adjusted EBITA is then used to calculate return on sales (ROS) and return on investment (ROI), which is calculated as the ratio of adjusted EBITA to the average value of capital invested during the two periods being compared, net of investments in STM and Avio.

A reconciliation of EBIT and Adjusted EBITA for the periods concerned is shown below:

	<i>For the six months ended 30 June</i>	
	<b>2008</b>	<b>2007</b>
<i>€mil.</i>		
Earnings before income taxes, finance net result and share of results of equity accounted investments (EBIT)	375	328
Amortisation of intangible assets acquired as part of business combinations	11	12
Restructuring costs	14	11
<b>Adjusted EBITA</b>	<b>400</b>	<b>351</b>

- **Adjusted net profit:** This is given by net profit before exceptionals.

A reconciliation of net profit and adjusted net profit for the periods concerned is shown below:

	<i>For the six months ended 30 June</i>		
	<b>2008</b>	<b>2007</b>	<b>Section</b>
<i>€mil.</i>			
Net profit	297	177	
Gain on disposal of STM shares	(56)	-	5
<b>Adjusted earning before taxes</b>	<b>241</b>	<b>177</b>	
Tax effect of the adjustments	2	-	5
<b>Adjusted net profit</b>	<b>243</b>	<b>177</b>	

This adjusted net profit is used to calculate return on equity (ROE), which is based on the average value of equity for the two periods being compared.

- **Free Operating Cash Flow (FOCF):** This is the sum of the cash flow generated by (used in) operating activities and the cash flow generated by (used in) investment and divestment of intangible assets, property, plant and equipment, and equity investments, net of cash flows from the purchase or sale of equity investments that,

due to their nature or significance, are considered “strategic investments”. The calculation of FOCF for the periods concerned is presented in the reclassified statement of cash flows shown in the previous section.

- ***Funds From Operations (FFO)***: This is cash flow generated by (used in) operating activities net of changes in working capital (as described under Section 28). The calculation of FFO for the periods concerned is presented in the reclassified statement of cash flows shown in the previous section.
  
- ***Economic Value Added (EVA)***: This is calculated as adjusted EBITA net of taxes and the cost (comparing like-for-like in terms of consolidated companies) of the average value of invested capital (excluding the investments in STM and Avio) for the two periods concerned and measured on a weighted-average cost of capital (WACC) basis.

## Performance by division

### HELICOPTERS

€millions	30.06.2008	30.06.2007	31.12.2007
New orders	1,618	1,470	3,970
Order backlog	8,874	8,497	9,004
Revenues	1,469	1,478	2,980
Adjusted EBITA	158	154	377
R.O.S	10.8%	10.4%	12.7%
Research and Development	126	147	322
Workforce (no.)	10,021	9,212	9,556

### HIGHLIGHTS

**New orders:** increased by 10% driven by growth in the military and in the commercial segments. This figure does not include the contract to supply 50 T-129 attack and tactical reconnaissance (ATAK) helicopters plus an option for an additional 41 for the Turkish Ground Forces Command which became operational on 24 June but which will be carried out in the second half of the year. The contract is worth €mil. 1,070. In the first half of 2008, new orders for a total of 171 helicopters were acquired, compared with new orders for 147 (up 16%) for the same period of the previous year.

**Revenues:** in line with the figure reported at 30 June 2007, despite the considerable negative impact of the translation of financial statements in foreign currency (€mil. 92). Excluding this factor, revenues grew by €mil. 84 (6%), mainly due to the increase in the production rates of the commercial lines (AW139-AW109).

**Adjusted EBITA:** up 3% over the same period at the previous year (€mil. 154). This result, however, was affected by the negative impact of the translation of financial statements in foreign currency (€mil. 5).



The improvement of €nil. 9 (excluding this effect) is mainly correlated with increased production volumes on the commercial lines (AW139-AW109).

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Finmeccanica is, together with AgustaWestland NV and its subsidiaries, a leader in the extremely restricted circle of systems designers in the world helicopter industry with EADS (Eurocopter) and United Technologies (Sikorsky).

The total volume of **new orders** at 30 June 2008 came to €nil. 1,618, a 10% increase over the first half of 2007 (€nil. 1,470).

This figure does not include the contract to supply 50 T-129 attack and tactical reconnaissance (ATAK) helicopters (a version of the AW129 Mangusta used by the Italian Army), plus an option for an additional 41 for the Turkish Ground Forces Command, which became operational on 24 June but which will be carried out in the second half of the year. The contract is worth €nil. 1,070.

The most significant new orders received in the first half of 2008 in the military segment included:

- the exercise by the French and German governments of the contractual option to purchase 24 NH90 Tactical Transport Helicopters (TTH). The contract is worth €nil. 54 to AgustaWestland (Q1);
- the contract to supply an additional five EH101 helicopters out of a total of 14 to the Japanese Navy under the agreement signed in 2003 between Kawasaki Heavy Industries and AgustaWestland. The agreement requires AgustaWestland to manufacture the kits, while Kawasaki will carry out the customisation and final assembly in Japan. The contract is worth €nil. 106 (Q1);
- the contract, which became operational in May, for five LUH (light utility helicopter)-version AW109 helicopters for the government of New Zealand. The contract is worth €nil. 34 (Q2).

In the commercial (civil and government) sector, too, AgustaWestland continued to demonstrate excellent performance given the availability of its modern, competitive product portfolio. In the first half of 2008, it recorded orders for 166 helicopters (up 25 units compared with 30 June 2007) worth about €mil. 1,000 (30% over 30 June 2007). The following are the most significant acquisitions:

- the contract to supply two EH101 VVIP helicopters, a special configuration of the VIP version featuring high standards of safety and comfort for an important Saudi Arabian customer (Q2);
- orders for an additional 43 AW139 helicopters, totalling €mil. 370, including the contract for 5 helicopters for an important Asian customer (Q1) and 2 helicopters for the Korean government for that country's national coast guard (Q1). The order backlog for the AW139 continues to grow with 167 units ordered and awaiting delivery.

Within the segment, orders were also obtained for a further 121 helicopters, of which 61 Grand, 5 of which were purchased by the Australian company Heliflite Helicopters (Q1); 29 AW109 Power, including the contract for an additional 5 helicopters for the Japan National Police Agency (JNPA), under its programme to upgrade the fleet used by police forces (Q2); 5 helicopters for Aerolíneas Ejecutivas, a Mexican operator (Q1); the AW119 helicopter has also proven successful with contracts for 31 helicopters being signed in the first half of 2008 including the contract with the Spanish operator Helicopteros de Sureste, S.A. for 3 units (Q1).

The **order backlog** at 30 June 2008 came to €mil. 8,874, slightly lower (1.5%) than the €mil. 9,004 reported at 31 December 2007, due to the effect of translating the financial statements (in pound sterling and dollars) of the subsidiaries of AgustaWestland NV that fall within the scope of consolidation (€mil. 417).

The order backlog at 30 June 2008 breaks down into 69% for helicopters, 29% for support activities, and 2% for engineering activities. The overall amount is sufficient to guarantee coverage of production for an equivalent of 3 years.

**Revenues** at 30 June 2008 came to €nil. 1,469, in line with the figure at 30 June 2007 (€nil. 1,478), despite the considerable negative impact of the translation of financial statements in foreign currencies (€nil. 92). Excluding this factor, revenues grew by €nil. 84, mainly due to the increase in the production rates of the commercial lines.

Of particular significance was the performance of the AW139, which grew by 58%, and the entire AW109 (Power-Grand) line, which grew by 63%.

Steady growth of about 16% was reported for the NH90 line, for total revenues of €nil. 69.

Production of the EH101 is in line with the performance of the previous period due to the start of 4 new programmes for the Italian Navy (3<sup>rd</sup> lot), Algeria, Japan and the MK3A for the British government, respectively.

As a result of cutbacks in funding by the U.S. Department of Defense effective in fiscal year 2008, the VH71 programme, the helicopter for the President of the United States, suffered a slowdown in activity in expectation of new funding.

The production volumes for the AW119 remain substantially in line with the same period of the previous year.

Product Support business declined by 20%, compared with 30 June 2007, with the most marked decline in spare parts and servicing (39%) due to the completion of international programmes and the AW129 helicopter programme for the Italian Army. However, there was 22% growth in turnkey support (COMP – IMOS), which posted revenues of €nil. 160.

The number of helicopters delivered at 30 June 2008 came to 100 units, up 16% compared with the 86 units delivered during the same period of the previous year.

**Adjusted EBITA** at 30 June 2008 came to €nil. 158, up 3% over the same period of the previous year (€nil. 154). This result, however, was affected by the negative impact of the translation of financial statements in foreign currencies (€nil. 5).

Excluding the impact of translation, there was a €nil. 9 improvement positively correlated with the increase in production volumes on the commercial lines, particularly the AW139 and AW109, and negatively correlated with the reduced contribution of spare parts and serving contracts.

As a result of these factors, **ROS** increased to 10.8%, up 0.4 percentage point compared with 30 June 2007 (10.4%).

**Research and development** costs at 30 June 2008, amounting to €nil. 126 (€nil. 147 at 30 June 2007), primarily concerned:

- the area of pre-competitive research: which includes the development of technologies primarily for military use for a new helicopter of the 6/7-tonne class named the AW149 and development of multi-role versions of the BA 609 convertiplane for national security;
- the area of product improvement research: for the EH101, development of the new tail rotor;
- research and development into variants of base models: in connection with government/military and civil contracts.

The **workforce** at 30 June 2008 came to 10,021, a 465 employee increase over 31 December 2007 (9,556). This increase was necessary in order to meet the technical/production needs related to the increase in business volumes and, for roughly half the amount, was due to the change in the United Kingdom employee classification scheme for “apprentices” who, until 31 December 2007, were treated as temporary workers and thus were not included in the workforce figure.

## DEFENCE AND SECURITY ELECTRONICS

€millions	30.06.2008	30.06.2007	31.12.2007
New orders	1,951	1,794	5,240
Order backlog	8,759	7,860	8,725
Revenues	1,628	1,607	3,826
Adjusted EBITA	98	100	427
R.O.S.	6.0%	6.2%	11.2%
Research and Development	272	266	557
Workforce (no.)	19,487	19,066	19,589

### HIGHLIGHTS

**New orders:** completion of the order for the additional tranche of the FREMM programme and significant new orders for information technology and security activities

**Revenues and Adjusted EBITA:** substantially confirm the results reported in the previous year despite the unfavourable impact of the pound sterling/euro exchange rate in certain business areas, both of which were offset by improvements, in U.K. operations in the avionics and electro-optical systems segment, and in information technology and security.

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The division includes activities concerning the realisation of large-scale integrated systems for defence and security based on complex architectures and network-centric techniques and the manufacture of avionics and electro-optical equipment and systems, unmanned aircraft, radar systems, land and naval command and control systems, air traffic control systems, integrated communications systems and networks

for land, naval, satellite and avionic applications, and activities for private mobile radio communications systems, value-added services and IT and security activities.

Finmeccanica has a number of companies that are active in the Defence and Security Electronics industry, including: Selex Sensors and Airborne Systems Ltd; Galileo Avionica S.p.A.; Selex Sistemi Integrati S.p.A.; the Eltag Datamat group; the Selex Communications group; Selex Service Management S.p.A.; Seicos S.p.A and the Vega Group Plc (which was fully consolidated starting in 2007).

**New orders** at 30 June 2008 totalled €nil. 1,951, an increase (+9%) over the orders received during the first half of the prior year (€nil. 1,794), thanks to additional new orders for FREMMs and to increased information technology and security orders.

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

- avionics and electro-optical systems: additional orders for the European EFA programme (Q1-Q2) relating, in particular, to the second lot for the supply and construction of the simulator, as well as logistics; additional orders for the Saudi Arabian EFA order (Q1-Q2); orders for countermeasures (Q2); the order for the SEASPRAY 7500E radar under the programme to revamp the HC-130H for the U.S. Coast Guard (Q1); space programme orders (Q1-Q2);
- radar and command and control systems: the above-mentioned order for a significant amount for 4 additional ships for the Italian FREMM programme (Q1) and the order to upgrade the software on all systems installed in Romania's major airports and control towers (Q2);
- integrated communication networks and systems: additional orders for EFA communication systems (Q1-Q2); order for the development and supply of avionics systems interface control units and to manufacture the cockpit lighting system for the new Airbus A350 XWB (eXtra Wide Body) (Q1); the contract to develop and supply General Purpose Automatic Test Equipment (GPATE) for the avionics on the NH90 (Q2); the order for communications systems for additional FREMM vessels (Q2);

- information technology and security: the renewal of the contract with Poste Italiane to maintain letter sorting systems and to manage information systems (Q2); the order for the physical security system for Monte dei Paschi di Siena (Q1); integration of the project for INPS's Five-Year Plan to make sensitive applications more secure (Q2); the order to supply Telecom Italia with security logic devices to be installed at post offices (Q2); the order from the Carabinieri to upgrade license plate reading devices and to supply biometrics equipment (Q2); and new orders from Poste Italiane specifically relating to variants of the New Network (Q1);
- value-added services in security applications, the contracts to manage e-government applications for the Province of Rome (Q1) and for "Improving the availability of ICT services for industry" for the Region of Abruzzo (Q1).

It should further be noted that the division continued its intensive efforts concerning the provision of large-scale integrated systems based on complex architectures and network-centric techniques.

The **order backlog** came to €mil. 8,759, compared with €mil. 8,725 at 31 December 2007, reflecting the depreciation of the pound sterling with regard to the euro (about negative €mil. 300). Half of the order backlog related to the avionics and electro-optical systems segment.

**Revenues** at 30 June 2008 amounting to €mil. 1,628, are substantially in line with those recorded for the first half of 2007 (€mil. 1,607) despite the effect of the change in the euro/pound sterling exchange rate, which resulted in €mil. 90 in lower revenues. This was thanks to increased activity, in U.K. operations, in the avionics and electro-optical systems segment, and in information technology and security, as well as the consolidation of the newly-acquired Vega Group, which offset the drop in production values due to delays in starting activity on several programmes in communications and in command and control systems.

Revenues resulted from the following:

- avionics and electro-optical systems: the continuation of activities relating to DASS production and the production of avionics equipment and radar for the EFA program, as well as systems for countermeasures, devices for the helicopter and space programs, and logistics;
- radar and command and control systems: the continuation of activities relating to contracts for Orizzonte, FREMM and Upgrading, to international cooperation contracts for both land and naval systems, as well as to air traffic control programs both in Italy and, above all, abroad;
- integrated communication systems and networks: the continuation of activities relating to the construction of the national Tetra network, the development and manufacture of equipment for EFA and the NH90 and the provision of communication systems for the military both in Italy and the U.K.;
- information technology and security: activities relating to postal automation services, especially orders from the Italian and Russian postal services; information technology services and naval systems for the Defence division;
- value-added services: with regard to security applications, activities relating to the Interpol contract and to supplying broadband infrastructures and applications to the Region of Abruzzo for regional monitoring.

**Adjusted EBITA** reached €mil. 98 at 30 June 2008, substantially in line with the figure reported at 30 June 2007 (€mil. 100) thanks to the higher volumes and improved productivity of the U.K. component, of the avionics and electro-optical systems segment and of information technology and security activities, which offset the negative effect of the change in the euro/pound sterling exchange rate (roughly €mil. 9) and the decline in revenues in other business segments. As a result, **ROS** came to 6.0% (6.2% at 30 June 2007).

**Research and development** costs at 30 June 2008 totalled €mil. 272, compared with €mil. 266 at 30 June 2007 and relate in particular, in the avionics and electro-optical systems segment, to the continuation of the development for the EFA programme, new electronic-scan radar systems for both surveillance and combat and the Falco tactical surveillance unmanned aerial vehicle (UAV); in the communications segment, to the



development of TETRA technology products and new product families such as ALL-IP switching, software design radio, ad hoc networks and WIMAX; the command and control systems segment to the continuation of development of the mobile three-dimensional early-warning radar system, naval command and control systems, MFRA multi-functional 3D Kronos active radar surveillance systems and upgrading the current SATCAS products.

The **workforce** at 30 June 2008 totalled 19,487, a decrease of 102 from 31 December 2007 (19,589 employees) due mainly to the effect of the industrial reorganisation plan in the communications segment.

## AERONAUTICS

€millions	30.06.2008	30.06.2007	31.12.2007
New orders	844	1,148	3,104
Order backlog	7,841	7,798	8,248
Revenues	1,062	953	2,306
Adjusted EBITA	70	68	240
R.O.S.	6.6%	7.1%	10.4%
Research and Development	245	264	581
Workforce (no.)	13,778	12,811	13,301

## HIGHLIGHTS

**New orders:** good commercial performance despite the decline compared with the first half of the previous year which benefited from significant orders for ATR and EFA aircrafts.

**Revenues:** up 11.4%, mainly due to the increase in civil activities, particularly with regard to the production of ATR and aerostructures for the B787 and A380 crafts.

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The Aeronautics division includes Alenia Aeronautica S.p.A. (production of military aircraft for combat, transport and special missions, as well as civil applications such as aerostructures and regional turboprop aircraft) and its subsidiaries, including: Alenia Aermacchi S.p.A. (production of military training aircraft and engine nacelles for civil aeronautics); Alenia Aeronavali S.p.A. (cargo aircraft conversions and maintenance); and the GIE-ATR consortium, in which a 50% equity stake is held (marketing and

assembly of ATR aircraft) and Alenia North America which operates in the American market through a joint venture.

**New orders** at 30 June 2008 came to €mil. 844, a decline of €mil. 304 from the €mil. 1,148 of the first half of 2007, which however benefited from significant orders for ATR and EFA aircraft. The main orders received during the first half of 2008 included the following:

- in the military segment: the order for seven C27J aircraft for Romania (Q1); orders for logistical support for EFA craft from Saudi Arabia (Q1) and additional development tranches (Q2); logistical support for the C130J (Q1) and Tornado craft (Q1-Q2) for the Italian Air Force and the order from the Harbour Office for the third “green” ATR MP aircraft;
- the civil segment: orders for GIE-ATR, which received orders for 7 aircraft (3 in Q1 and 4 in Q2); orders for aerostructures for 13 B767 (Q1) and additional lots for the A380, A321 and Falcon programmes and for engine nacelles (Q1 and Q2).

The **order backlog** at 30 June 2008 came to €mil. 7,841, slightly down from 31 December 2007 (€mil. 8,248), with a significant portion for the EFA (about 50%), B787 (about 18%) and C27J (about 5%) programmes. It is expected to continue expanding over the medium/long term.

**Revenues** for the first half of 2008 came to €mil. 1,062, an increase of €mil. 109 (+11.4%) over the €mil. 953 achieved at 30 June 2007. The growth was mainly due to civil activities with the increase in production of ATR and aerostructures for the B787 and A380 crafts. Growth in the military segment was more limited, with increased production of EFA and training crafts.

The activities in the military segment mainly regarded:

- aircraft: logistics and continuation of development and production for the second lot of the EFA programme; production of the C27J aircraft, particularly for the Italian Air Force, for Bulgaria, Romania and Lithuania and for the U.S. Army to which the first two aircraft will be delivered in September and November 2008,

respectively; the continuation of upgrades to the Tornado aircraft and the ACOL modification and upgrading of the avionics of the AMX;

- trainers: the production of the M339 aircraft with regard to contracts for upgrading 14 aircrafts for the Italian Air Force and for supplying 8 crafts to the Royal Malaysian Air Force; further development and test flights of the new M346 training aircraft on two proto-types and on the first pre-series craft;
- transformation: production for the B767 tanker program; overhaul and logistical support for the B707 tanker and AWACS aircraft.

Projects for the following customers of the civil segment:

- Boeing: production of sections of fuselages and horizontal tail wings for the new B787 aircraft and of components for fuselages and control surfaces for the B767 and B777 aircraft. With regard to the B787, which underwent a slowdown due to delays in the programme announced by Boeing, during the period 3 fuselage sections and 3 horizontal stabilizers were delivered (at 30 June 2008 a total of 8 fuselages and 7 horizontal stabilizers had been delivered).
- Airbus: production of components for the central section of the fuselage of the A380, of a fuselage section for the A321, and of the tail cone and mechanical wing components for the A340;
- GIE ATR, in partnership with EADS-ATR: the production of the ATR 42 and 72 turboprops;
- Dassault Aviation: the fuselage section of the Falcon 2000 Extended Range and the engine nacelles for the Falcon 900EX.

For other customers, work also continued on the assembly and sale of ATR craft by GIE-ATR which delivered 22 aircraft (8 in Q1 and 14 in Q2) in the first half of the year, as well as on the production of engine nacelles and cargo transformations of the B767, MD10 and MD11 aircraft.

**Adjusted EBITA** came to €nil. 70 at 30 June 2008, substantially in line with the €nil. 68 reported at 30 June 2007. **ROS** fell slightly to 6.6%, compared with 7.1% at

30 June 2007 due to the different mix of activities and the depreciation of the US dollar.

**Research and development** costs for the first half of 2008 totalled €mil. 245 (€mil. 264 at 30 June 2007). This result reflects the commitment to programs being developed: C27J, M346, ATR ASW, UAV, A380, and engine nacelles. Research and development into technologies for innovative aerostructures using composite materials and system integration also continued.

Furthermore, a portion of these costs is related to the development of important military programs (EFA, JSF, Tornado and Neuron) that have been commissioned by customers.

The **workforce** at 30 June 2008 numbered 13,778, an increase of 477 over the 13,301 employees at 31 December 2007 as a result of higher workloads by Alenia Aeronautica.

## SPACE

€millions	30.06.2008	30.06.2007	31.12.2007
New orders	416	325	979
Order backlog	1,407	1,260	1,423
Revenues	451	377	853
Adjusted EBITA	15	15	61
R.O.S.	3.3%	4.0%	7.2%
Research and Development	29	26	62
Workforce (no.)	3,531	3,297	3,386

*Note that all figures refer to the two joint ventures (Thales Alenia Space S.A.S. and Telespazio Holding S.r.l) consolidated on a proportionate basis at 33% and 67%, respectively.*

### HIGHLIGHTS

**New orders:** up 28% compared with the corresponding period of 2007 due to increased orders tied to the In-Orbit Validation (IOV) Phase of the Galileo satellite navigation programme and good performance in the commercial telecommunications satellites segment.

**Revenues:** rose by 20% compared with 30 June 2007 due to increased production in both the manufacturing and satellite service segments.

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Finmeccanica S.p.A. operates in the space industry through the **Space Alliance** between Finmeccanica and Thales through two joint ventures in the space industry dedicated, respectively, to satellite services (Telespazio Holding S.r.l., which is based in Italy and has its main industrial facilities in Italy, France, Germany and Spain and in which Finmeccanica S.p.A. holds 67% and Thales 33%) and to manufacturing (Thales

Alenia Space S.A.S., which is based in France and has its main industrial facilities in France, Italy, Belgium and Spain, in which Finmeccanica S.p.A. holds 33% and Thales 67%).

More specifically, **Telespazio Holding S.r.l.** focuses on satellite services in the following segments: networks and connectivity (fixed and mobile telecommunications services, network services, TV, defence and security services, valued-added services), satellite operations (in-orbit satellite control, earth centre management), earth observation (data, thematic maps, operational services) and navigation and infomobility (Galileo, Egnos services).

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

From a commercial perspective, during the first half of 2008, the group acquired **new orders** in the amount of €nil. 416, up €nil. 91 compared with the same period of 2007 (€nil. 325) due to an increase in orders relating to the In-Orbit Validation (IOV) phase of the Galileo programme and the good performance of the commercial telecommunications satellites segment.

The most significant new orders for the period were:

- in the commercial telecommunications segment: the contracts for the provision of the W3B satellite to Eutelsat and of the Egyptian Nilesat 201 (Q1); the sixth lot in the provision of 48 low-earth orbit (LEO) satellites for the second-generation Globalstar constellation (Q1); contracts to supply the payloads for the Koreasat 6 satellite and the Israeli Amos 4 satellite (Q2); new orders for value-added TV services (Q1-Q2) and telecommunications satellite services (Q1-Q2);
- in the military and government telecommunications segment: the first lot of the order by TELEDIFE and the Italian Ministry of Defence relating to the Sicral 2 telecommunications satellite (Q1);
- in the earth observation segment: the order for the first lot of the Sentinel 3 mission (oceanography and territorial vegetation) relating to the Global

Monitoring for Environment and Security (GMES) programme for territorial control and security (Q1); new monitoring and territorial management services (Q1-Q2);

- in the navigation and infomobility segment: increased orders relating to the IOV phase of the Galileo Programme (Q1);
- in the satellite operations segment: new orders for in-orbit satellite management, particularly for the ESA's Artemis satellite (Q1);
- in the science programs segment: the additional lot for the Exomars Programme (Q1);
- in the equipment and devices segment: new orders for onboard equipment (Q1-Q2).

The **order backlog** at 30 June 2008 came to €nil. 1,407, a decrease of €nil. 16 from the same figure at 31 December 2007 (€nil. 1,423). The order backlog, based on workability, guarantees coverage of 89% of production expected for the remaining three months of the year. The backlog at 30 June 2008 is composed of manufacturing activities (57% satellites and payloads, 11% infrastructures and equipment) for 68% and satellite services for the remaining 32%.

**Revenues** in the first half of 2008 came to €nil. 451, an increase of €nil. 74 over the corresponding period of the previous year (€nil. 377). due to the higher level of production in both segments (manufacturing and satellite services). The principle sources of production revenues were the continuation of activities relating to:

- in the commercial telecommunications segment:
  - the satellite constellations Globalstar, W2A and W7 for Eutelsat, Yahsat, Alphabus, Thor 6, Palapa D, Rascom, Turksat 3A (launched on 12 June from the Kourou site in French Guiana, with an Ariane 5 ECA launcher), Jason-2 (launched on 20 June from the Vandenberg base in California, with a Delta II rocket) and those which are expected to be launched this year (StarOne C2, Chinasat 9, Ciel 2);



- development of the payloads for the AMC-21, Arabsat 4R and 5A/5B satellites, the Express AM33/34 and Express MD 1&2 satellites and the Louch 5A/5B satellite;
- the provision of telecommunications satellite services and the resale of satellite capacity;
- in the civil and governmental telecommunications segment: the 2<sup>nd</sup> and 3<sup>rd</sup> generation Meteosat programmes;
- in the military telecommunications segment: the Sicral 1B (the launch of which is expected within the year), Satcom BW and Syracuse III programmes;
- in the earth observation segment: the Cosmo-SkyMed programme, the satellites for the Sentinel 1 and 3 missions as part of the GMES programme, the GOCE satellite, and the provision of environmental monitoring products and services;
- in the science programs segment: the Herschel, Plank and Alma programmes;
- in the satellite navigation segment: the IOV phase of the Galileo programme and the Egnos programme;
- in the orbital infrastructure segment: programmes connected with the International Space Station;
- in the equipment and devices segment: the development of onboard equipment.

**Adjusted EBITA** at 30 June 2008 came to €mil. 15, in line with the figure posted at 30 June 2007 (€mil. 15) due to production efficiencies excluding lower profitability in certain programmes. As a result of this latter point, **ROS** came to 3.3%, down from the figure reported in June 2007 (4.0%).

**Research and development** costs for the half of 2008 came to €mil. 29, an increase of €mil. 3 from June 2007 (€mil. 26).

Activities in this area included the development of:

- systems and solutions for security and emergency management (GMES), for navigation/infomobility services (Galileo) and logistics;
- GIS platforms (Geodatabase) and algorithms and processors for the production of earth observation data (Cosmo);

- platforms for LEO and GEO applications;
- production technologies for band Ka mobile TV and/or broadband applications and for radar (band C/Ku flexible payloads) and optical instrumentation;

The **workforce** at 30 June 2008 came to 3,531, for an increase of 145 employees over the 3,386 at 31 December 2007, due to the inclusion of the Spanish company Aurensis (of which Telespazio acquired control on 1 April 2008) within the scope of consolidation and higher production in both segments.

## DEFENCE SYSTEMS

€millions	30.06.2008	30.06.2007	31.12.2007
New orders	506	266	981
Order backlog	3,997	4,024	4,099
Revenues	513	497	1,130
Adjusted EBITA	42	29	125
R.O.S.	8.2%	5.8%	11.1%
Research and Development	122	110	241
Workforce (no.)	4,049	4,145	4,149

*Note that the figures relating to the MBDA joint venture are consolidated on a proportionate basis at 25%.*

### HIGHLIGHTS

**New orders:** orders increased thanks to the contribution of all segments, especially missile systems.

**Adjusted EBITA:** a significant increase of €nil. 13 due to improved profitability in missile systems and growth in the underwater systems segment.

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Defence Systems includes the activities of MBDA, the joint venture with BAE Systems and EADS in which Finmeccanica holds a 25% stake, in missile systems, the Oto Melara group (which, from 1 January 2008, includes the fully consolidated subsidiary Oto Melara North America Inc.) in land, naval and air weapons systems, and WASS S.p.A. in underwater weapons (torpedoes and counter-measures) and sonar systems.

**New orders** in the first half of 2008 came to €mil 506, a significant increase of €mil. 240 over the figure for the same period of 2007 (€mil 266) thanks to the contributions of all segments, particularly missile systems. The most important new orders for the quarter, in the various segments, include:

- in missile systems: order for the Spada air defence system for the Pakistani Air Force (Q1), the contract from the U.K. Ministry of Defence for through-life support for Seawolf air defence naval systems (Q2); and the additional lot for the provision of missile systems for the FREMM frigates (Q1);
- in land, sea and air weapons systems: orders for six 120 mm for the Centauro from Oman (Q1), a 76/62 SR cannon and PFF shells from France (Q2), two 76/62 SR cannons from Mexico (Q2) and various logistics orders (Q1-Q2) including the Indian order (Q1);
- in underwater systems: orders for an additional lot for the FREMM programme (Q1), 6 counter-measure launch systems for Singapore (Q1), the first tranche of business for faster than light (FTL) torpedoes for France (Q2), launch systems for Schede ships for Morocco (Q2) and A244 light torpedoes for Indonesia (Q1).

The **order backlog** at 30 June 2008 came to €mil. 3,997 substantially in line with the figure reported at 31 December 2007 (€mil. 4,099), of which 70% related to missile systems.

**Revenues** for the first half of 2008 came to €mil 513, an increase of 3% compared with 30 June 2007 (€mil. 497), thanks in particular to increased activity recorded in the underwater systems and land, sea and air weapons systems segments.

Revenues were the result of the following activities:

- missile systems: activities relating to the production of MICA air-to-air missiles for Greece and France, of long-range air-to-surface SCALP missiles, of Aster missiles for PAAMS surface-to-air systems; activities relating to the development

of the air defence system in connection with the tri-national Medium Extended Air Defense System (MEADS) program in which the U.S, Germany and Italy participate, as well as customer support activities;

- land, sea and air weapons systems: the production of the PZH 2000 howitzers for the Italian Army; the production of Hitfist turrets kits for Poland, 76/62 SR cannons for various foreign customers; development of guided munitions, the production of medium armoured vehicles (MAV) for the Italian Army and logistics;
- underwater systems: activities relating to the Black Shark heavy torpedo, the MU90 light torpedo and to countermeasures for India.

**Adjusted EBITA** at 30 June 2008 totalled €mil. 42, an increase of €mil. 13 over the same period of the previous year (€mil. 29), thanks to increased business in underwater systems and the improved profitability of numerous missile systems programmes. As a result, **ROS** amounted to 8.2% at 30 June 2008 compared to 5.8% for the same period of 2007.

**Research and development** spending for the first half of 2008 came to €mil. 122, an 11% increase over the same period of 2007 (€mil. 110). Some of the key activities included those for the MEADS air-defence program mentioned above and the continuation of the development of the Meteor air-to-air missile; guided munitions programs, the SAMPT missile launcher and the development of the 127/64 LW cannon in the land, sea and air weapons segment; and those relating to the Black Shark heavy torpedo and the upgrading of the A244 light torpedo in the underwater systems segment.

The **workforce** at 30 June 2008 came to 4,049, a decrease of 100 from 31 December 2007 (4,149 employees) due primarily to the industrial restructuring and reorganisation in land, sea and air weapons systems segment.

## ENERGY

€millions	30.06.2008	30.06.2007	31.12.2007
New orders	1,063	599	1,801
Order backlog	3,733	2,587	3,177
Revenues	512	477	1,049
Adjusted EBITA	37	31	93
R.O.S.	7.2%	6.5%	8.9%
Research and Development	12	8	20
Workforce (no.)	3,184	2,920	2,980

## HIGHLIGHTS

**New orders:** up 77% due to greater new orders in the New Unit segment as a result of numerous supply contracts for machinery and components for foreign markets and the significant order for a combined-cycle plant on the domestic market (Turano site).

**Adjusted EBITA:** up 19% compared with the same period of the previous year due to increased volumes of production and the greater industrial profitability of certain orders in the plant segment (specifically foreign orders).

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During the first half of 2008, as part of a process of growth and development of renewable energy, Ansaldo Energia S.p.A. acquired 78.43 % of Ansaldo Fuel Cells S.p.A. (a company specialising in the production of fuel cells), from So.Ge.Pa S.p.A., a company wholly-owned by Finmeccanica.

As a result of this acquisition, the scope of the companies that are directly controlled by Ansaldo Energia S.p.A. includes: Ansaldo Nucleare S.p.A. Ansaldo Ricerche S.p.A. Ansaldo Fuel Cells S.p.A. Sagemi S.r.l. Aspl Ltd, Energy Service Group GmbH and Thomassen Turbine Systems BV.

In the first half of 2008, **new orders** totalled €nil. 1,063, up 77%, from the same period of the previous year (€nil. 599).

The most significant new orders for the period were:

- in the New Unit segment:
  - Congo: supply of two V94.2 turbo groups (Q1);
  - Chile: a steam turbo group for the Nueva Ventanas site (Q1); two steam turbo groups for the Angamos site (Q1);
  - France: a reservation fee from Atel to build a 400 MW combined-cycle plant at Bayet (Q1);
  - Italy: a reservation fee from Atel to build a 400 MW combined-cycle plant at San Severo (Q1); an 800 MW combined-cycle plant at Turano (Q2);
  - Hungary: a V94.3A steam turbo group for Dunamenti (Q2);
  - Russia: four V64.3A steam turbo groups for the Pervomaiskaya plant (Q2);
  - Israel: a steam turbo group for Tzafit (Q2).
  
- in the services segment: acquisition of the spare parts contract for the Dunamenti site in Algeria (Q1), the solution contract (changes to parts of the turbine) with Enel for the Brindisi site (Q1), and acquisition of the long-term service agreement (LTSA) for the Turano site (Q2),
  
- in the nuclear segment: with regard to plants, the new order from China as a result of the agreement reached with Westinghouse at the end of 2007 (Q1), new engineering contracts for the completion of the Mohovce plant in Slovakia (Q2); with regard to service, the assistance contract for the Superphoenix reactor for the Creyes Malville plant (Q2).

The **order backlog** at 30 June 2008 came to €nil. 3,733, compared with €nil. 3,177 at 31 December 2007.

The composition of the backlog at 30 June 2008 has remained fairly stable since 31 December 2007 and is attributable for 55% to plant and manufacturing-related

activities, 44% to service activities (largely constituted of scheduled maintenance contracts), and the remaining 1% to nuclear work processes.

**Revenues** at 30 June 2008 amounted to €nil. 512, a 7% increase over the same period of the previous year (€nil. 477). The growth in production volumes was due to work on orders for plants (specifically the Algerian orders for Larbaa, Batna and M'Sila) and the Iranian (Phase 3) and Naples Levante orders.

**Adjusted EBITA** during the first half of 2008 came to €nil. 37, compared with €nil 31 at 30 June 2007, due to the increase in production volumes and the higher industrial productivity of several plant orders (foreign orders in particular).

**R.O.S.** at 30 June 2008 came to 7.2%, an improvement of 0.7 percentage points over the first half of 2007 (6.5%) .

**Research and development** costs for the first half of 2008 came to 12, up €nil 4 from 30 June 2007 (€nil. 8). Research and development mainly included large-size gas and steam turbine development projects and continued development of the new air-cooled generator model.

The **workface** at 30 June 2008 came to 3,184, compared with 2,980 at 31 December 2007, due to normal turnover.



## TRANSPORTATION

€millions	30.06.2008	30.06.2007	31.12.2007
New orders	564	595	1,786
Order backlog	4,835	4,560	5,108
Revenues	813	725	1,356
Adjusted EBITA	50	17	(110)
R.O.S.	6.2%	2.3%	(8.1%)
Research and Development	26	27	47
Workforce (no.)	6,793	6,885	6,669

### HIGHLIGHTS

**New orders:** a 5% decrease compared with the first half of 2007 due to fewer new orders in the Signalling and Systems division as a result of a decline in Systems offset by the growth in Signalling, specifically the order for the high-speed train from China and significant orders from Sweden and Tunisia. There was an increase in orders in the Vehicles division thanks to the greater contribution of the service segment.

**Revenues:** increased 12% compared with the first half of 2007, with improvements across all divisions.

**Adjusted EBITA:** up €mil. 33 compared to the first half of 2007 due mainly to improved performance in the Vehicles division, which, despite continuing to have slightly negative operating profitability, showed considerable recovery compared with the same period of the previous year.

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The transportation division includes the Ansaldo STS group (Systems and Signalling) and AnsaldoBreda S.p.A. and its subsidiaries (Vehicles).

**New orders** at 30 June 2008 came to €mil. 564, a decrease of €mil. 31 from the first half of 2007 (€mil. 595), due to fewer new orders in the Signalling and Systems division as a result of a decline in Systems which benefited during the corresponding period of the previous year from the first significant acquisition relating to the Rome Line C metro project, partially offset by the positive performance in the service segment of the Vehicles division. New orders for the period include:

- **Signalling and Systems:**
  - **Signalling:** the order for onboard equipment from the French railway agency; the contract from Tunisia for the provision of signalling systems and command and control systems for the railway network in the Banlieue sud de Tunis area (Q1); the order for the Zhengxi high-speed line in China (Q2); the contract to supply European Traffic Management System (ERTMS) railway signalling systems in Sweden (Q2); the order from Trenitalia for the 6<sup>th</sup> implementing contract for onboard SCMT equipment (Q2); two contracts for the extension of line 2 of the Shanghai metro (Q2); orders under the agreement signed with Australian Rail Track Corporation (ARTC) in Australia (Q1 -Q2) and various orders for components (Q1 -Q2);
  - **Systems:** orders regarding the Rome Line C metro (Q1-Q2);
- **Vehicles:** service orders.

At 30 June 2008 the **order backlog** came to €mil. 4,835, down €mil. 273 from 31 December 2007 (€mil. 5,108). The order backlog at 30 June 2008 breaks down as follows: 60% for Systems and Signalling and 40% for Vehicles.

**Revenues** at 30 June 2008 were equal to €mil. 813, up €mil. 88 compared to the first half of 2007 (€mil. 725), due to increased activity in Vehicles, primarily relating to regional service trains for Ferrovie Nord Milano, the Milan metro and the Circumvesuviana, and in Signalling and Systems as a result of growth in the Asia-Pacific area for Signalling. Noteworthy orders in the Transportation division include:

- **Signalling and Systems:**
  - **Signalling:** high-speed train orders for the Milan-Bologna line and for the automated train control systems (SCMT) orders, both wayside and on-board, for Italy; the Cambrian Line in the U.K.; orders under the agreement signed with the Australian Rail Track Corporation (ARTC) and with the Fortescue Metals Group in Australia; the order for the Ghaziabad-Kanpur line in India; the order for the Union Pacific Railroad project and orders for components;
  - **Systems:** the metro systems of Copenhagen, Genoa, Rome Line C, Naples Line 6 and Brescia; the Alifana regional line; and high-speed rail orders in Italy;
- **vehicles:** trains for regional service for Ferrovie Nord Milano; high-volume passenger trains for Morocco; trains for the Dutch and Belgian railways; trains for the Madrid metro; the Circumvesuviana, trains for the Milan metro; trams for the city of Los Angeles; trains for the Danish railways; E403 locomotives for Trenitalia; various Sirio orders; and service activities.

**Adjusted EBITA** at 30 June 2008 came to €nil. 50, an improvement of €nil. 33 compared to the same period of 2007 (€nil. 17), due mainly to increased industrial profitability in the Vehicles division. There was also improvement in the Signalling and Systems division essentially due to the increase in the production margin for Signalling. **ROS** for the sector rose as a result, reaching 6.2% compared with 2.3% for the first half of 2007.

**Research and development** costs at 30 June 2008 were equal to €nil. 26, down €nil. 1 from the figure reported at 30 June 2007 (€nil. 27). Activities mainly involved the Signalling and Systems division, particularly Signalling, including:

- **railway signalling market:** projects related to systems based on European standards for traffic management, aimed at guaranteeing the interoperability of lines (ERTMS - European Rail Traffic Management System);
- **mass transit market:** a project related to the development of a CBTC (Communications Based Train Control) system, based on radio communications system for metro-type applications.

The **workforce** at 30 June 2008 stood at 6,793, representing an increase of 124 compared to 31 December 2007 (6,669), mainly attributable to the increase in Vehicles division employees due to the plan for optimising and developing human resources.

## OTHER ACTIVITIES

€millions	30.06.2008	30.06.2007	31.12.2007
New orders	41	416	557
Order backlog	471	697	597
Revenues	173	135	345
EBITA	(70)	(63)	(168)
R.O.S.	n.a.	n.a.	n.a.
Research and Development	2	3	6
Workforce (no.)	1,066	1,107	1,118

The division includes: the Elsacom N.V. group, which manages satellite telephony services; Finmeccanica Group Services S.p.A., the Group service management company; Finmeccanica Finance S.A. and Aeromeccanica S.A., which provide financial support to the Group; and So.Ge.Pa. - Società Generale di Partecipazioni S.p.A., which is responsible for centrally managing the pre-winding-up/winding-up and rationalization processes of companies falling outside the business sectors through transfer/repositioning transactions.

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

With regard to Fata S.p.A., from a commercial standpoint, the company received **new orders** totalling €nil. 26 at 30 June 2008, down €nil. 370 from the same period of 2007 (€nil. 396). This decline is traceable to the receipt of the order for the Qatar plan in the first half of 2007.

Among the most important acquisitions in the first half of 2008 were the Zargan project (Iran) involving preparations for the construction of large-scale plants in partnership with Ansaldo Energia for an advance of €nil. 8 (Power line). There were several changes to the Qatalum (Qatar) contract for the Smelter line. For the Hunter line, there was the order from Baosteel (China) for a steel processing line worth €nil 7.

**Revenues** at 30 June 2008 came to €nil. 122, up €nil. 52 over the same period of the previous year (€nil. 70), mainly due to increased production on the Smelter line. Progress was made in the first half of 2008 on the Hormozal, Hormozal Phase 2 and Qatalum contracts (Smelter line), on the Chinese, Korean and Romanian contracts (Hunter line) and on the Moncalieri order (Power line). Finally, note should be made of the progress made in normal logistics activities carried out by Fata Logistic S.p.A. primarily for Finmeccanica Group companies. Its **workforce** at 30 June 2008 totalled 273 employees.

The division also includes BredaMenarinibus S.p.A., which manufactures urban and interurban buses and offers related services. In the first half of 2008, BredaMenarinibus S.p.A. acquired **new orders** amounting to €nil. 15, down slightly by €nil. 8 compared with the first half of 2007, attributable to the bus business segment. Of these orders, €nil. 8 related to the bus business segment corresponding to 36 units, and €nil. 7 related to post-sales services. **Revenues** at 30 June 2008 came to €nil. 23, down €nil. 15 compared with the first half of 2007, attributable to bus business segment. Of these revenues, 72% was due to the bus business segment and 28% to post-sales services. The **workforce** at 30 June 2008 came to 294.

This division's figures also include those of Finmeccanica S.p.A., which for some years has been undergoing an extensive transformation process, altering its focus from a financial company to that of an industrial company. This process, which is not yet complete, received a boost during the preceding fiscal year with a commitment from management to press on with a series of actions concerning industrial, technological and commercial integration. The Group will then be able to benefit from an additional

impetus in improving its own productivity through processes to increase efficiency and rationalization.

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

## **Significant events and events subsequent to closure of the accounts for the six-month period**

### **Industrial transactions**

In the *Helicopters* division, on 16 May 2008, **AgustaWestland** and the Russian company **Oboronprom Corporation**, based on a Letter of Intent signed in the summer of 2007 to promote cooperation between the two companies, began long-term, large-scale collaboration in the civil helicopter field. The first step in this collaboration was the signing of a distribution agreement for a series of helicopters (such as the AW119Ke, AW109 Power, the Grand and the A139) for a variety of applications (i.e., VIP Corporate, medical transport, support for energy and oil operations). The agreement also covers the sale of AgustaWestland helicopters in Russia and CIS countries. The second stage involves the joint establishment by AgustaWestland and Oboronprom Corporation of a network of maintenance centres for AgustaWestland helicopters in Russia, for both the domestic and international markets. AgustaWestland and Oboronprom Corporation also plan to sign an agreement for joint production of AgustaWestland civil helicopters in Russia.

In the *Defence and Security Electronics* division, on 17 March 2008, with regard to **postal automation**, **Poste Italiane** and **Egypt Post** signed an agreement for the technological development and expansion of the Egyptian postal service with **Elsag Datamat** chosen to act as the project's technological partner. The goal is to provide solutions to improve the postal service's organisation, automation and the distribution of correspondence and deliveries, security systems, applications for the peripheral network of Egyptian post offices, ICT innovation and training of personnel.

On 30 November 2007, **Finmeccanica** acquired on the market a 28.2% stake in **Vega Group Plc** (Vega), a UK firm listed on the London Stock Exchange and active in the defence, aerospace, and government services sectors, following the announcement on 29 November 2007 of a public tender offer (PTO) for the cash acquisition of Vega. On 16 January 2008, given that a level of participation of 65.1% in Vega capital had been



reached, which, together with the shares purchased previously, brought Finmeccanica's total share to 93.3%, the tender offer was deemed to be irrevocable, and payment of the purchase price was made. Furthermore, given that the level required by law had been reached and in accordance with the tender document, Finmeccanica began the process of delisting the shares from the London Stock Exchange, as well as the squeeze-out of the remaining shares not acquired as part of the buyout. Vega's shares were taken off of the London Stock Exchange on 13 February 2008, and the squeeze-out was completed in March.

Starting 1 January 2008, Galileo Avionica S.p.A. and Selex Sensors and Airborne Systems Ltd began operating under the name **Selex Galileo** to offer products, benefiting from the combined reputations of the two companies, in the fields of sensors, electro-optics, electronic warfare and tactical Unmanned Aerial Vehicles. This new name will allow the companies to present themselves as leaders in integrated solutions for airborne sensors, surveillance and protection systems, radar and imaging.

On 27 April 2008, **Selex Communications** completed the purchase of 18% of **Sirio Panel**, a company that designs and produces cockpits and panels for aeronautic platforms, to add to its existing 75% stake. The agreement gives Selex Communications the option of purchasing the remaining 7% starting from 2011.

On 12 May 2008, the Board of Directors of **Finmeccanica** decided to enter the shareholding of **Eurotech**, an Italian company listed on the Milan Stock Exchange and a leader in research, development, production and sale of miniaturised computers and high performance computing computers. Finmeccanica purchased an 11.1% stake (3,936,461 shares) from a number of the company's founders at a price of €4.60 per share. The purchase agreement was signed on 26 May 2008, along with a shareholders' agreement with the current management of Eurotech (which hold around 10.7% of the share capital of the company). The entrance into the share capital will reinforce the strategic partnership initiated in July 2006 through an agreement for commercial and scientific cooperation.

On 13 May 2008, **Finmeccanica** and **DRS Technologies (DRS)**, a U.S. company listed on the New York Stock Exchange and a leader in the integrated Defence Electronics products and services industry, announced that they signed an agreement under which Finmeccanica will acquire, for cash, 100% of DRS for US\$1 per share. The transaction, valued at approximately US\$bil. 5.2 (€bil. 3.4), inclusive of US\$bil. 1.2 in net debt, following the early conversion of DRS's convertible notes, represented a premium of 32% over DRS's average stock price on the NYSE in the thirty days prior to the date the transaction was announced.

DRS will be integrated with the Finmeccanica Group though it will maintain its current management and headquarters. This transaction, which should be completed in the fourth quarter of 2008, will permit Finmeccanica to consolidate its role as the international leader in integrated Defence and Security systems and to achieve the top position in the US market in this area, too. It also provides DRS with new, significant growth prospects in the US and abroad.

The financial structure of the operation is described in more detail in the next section.

With regard to the *Aeronautics* division, on 29 February 2008, **Finmeccanica** presented its “**Progetto Corso Marche**”. This initiative provides for the transfer of **Alenia Aeronautica's** project design activities from Corso Marche to Turin Caselle (the production, integration, engineering and flight test site), as well as the future redevelopment and upgrading of the empty site.

Additionally, on 27 March 2008, **Alenia Aermacchi**, a leader in the military trainer aircraft market, and **ENAER** (Empresa Nacional de Aeronautica de Chile) signed a Memorandum of Understanding that sets out the terms of partnership for programmes relating to the M-346 (advanced new-generation trainer) and M-311 (basic-advanced trainer) aircraft. The agreement provides for the joint manufacture and sale of M-346 and M-311 aircraft in Latin America to effectively meet the diverse needs of the region's Air Forces for basic, advance and Lead-In-Fighter training and in the operational role of Close Air Support.

On 26 May 2008, **Finmeccanica**, through its subsidiary **Alenia Aermacchi**, and **Boeing** signed an agreement to cooperate in the international training aircraft market.

The companies agreed to jointly pursue marketing, sales, training and product support activities in international markets for the M-346 (next-generation advanced trainer) and the M311 (basic-advanced trainer). Under the agreement, Boeing Integrated Defense Systems' Support Systems Division will be responsible for several aspects of the logistics support and training. This collaboration, which increases the efficiency and reliability of training missions, will reduce the total costs of the operational cycle and strengthen the advantages of the M-346 and the M-311.

On 7 April 2008, L-3 Communications Integrated Systems sold to **Alenia North America** a stake equal to 1% of the 50/50 joint venture Global Military Aircraft Systems (GMAS), created in 2005 and active in the Joint Cargo Aircraft (JCA) programme for the U.S. Army and Air Force through the provision of the C27J tactical transport aircraft. As a result of this sale, Alenia North America now holds a 51% stake in the joint venture.

In the *Space* division, on 2 April 2008, **Telespazio** (67% Finmeccanica; 33% Thales) acquired 100% of the Spanish company **Aurensis**, which specialises in technologies for territorial applications and satellite and aerial Earth observation services. With this acquisition, Telespazio continues its international expansion and consolidation of its position as European leader in the Earth observation sector.

More generally, in terms of leveraging its civil activities, on 17 March 2008, **AnsaldoBreda** and **Bombardier Transportation** signed an agreement to jointly develop, market and manufacture a new high-speed train capable of reaching speeds of over 300 km/h, which overcomes existing concepts and takes into account important aspects such as efficiency, safety, enhanced seating capacity and compliance with the latest European interoperability standards.

On 20 June 2008, the Board of Directors of **Ansaldo STS** approved the merger of the subsidiaries **Ansaldo Trasporti – Sistemi Ferroviari S.p.A.** and **Ansaldo Segnalamento Ferroviario S.p.A.** into Ansaldo STS. This decision represents a further step in the rationalisation and simplification of the Ansaldo STS launched at the end of 2007, which also includes the dissolution of the Dutch sub-holding

company **Ansaldo Signal N.V.**, as a result of which some of the foreign operating companies, such as **Ansaldo STS France** and the U.S. company **Union Switch & Signal**, will be directly controlled by the group parent.

On 27 February 2008, **Ansaldo Fuel Cells** and **Enel** signed a partnership agreement to develop, build and test a molten carbonate fuel cells generation plant. The agreement marks the start of an important collaboration in the development of such technology.

### **Financial transactions**

As more fully described in the previous section, on 13 May 2008 Finmeccanica and DRS Technologies Inc. (DRS) announced that they had reached an agreement under which Finmeccanica will acquire 100% of DRS for US\$81 per share in cash. The Boards of Directors of Finmeccanica and DRS approved the terms of the agreement. Finmeccanica will acquire DRS by forming a new corporation under U.S. law into which DRS will be merged, with a view to obtaining the immediate delisting of DRS.

The transaction is financially structured to create value for the shareholders and maintain the solid capital structure and financial flexibility of the Finmeccanica Group.

Finmeccanica will fund the acquisition with a Senior Term Loan Facilities that will be repaid through a combination of equity issuance, long-term debt issuance and divestiture of assets. These include an IPO of Ansaldo Energia. The terms and conditions of these operations will be determined closer to their execution.

The transaction is subject to the approval of the shareholders of DRS and the receipt of the regulatory approvals required for this type of transaction, including by the U.S. Antitrust Authorities, the Committee on Foreign Investment in the United States (CFIUS) and the Defense Security Service (DSS). The transaction is currently expected to close by the end of the fourth quarter of 2008.

As mentioned, the acquisition was financed through Senior Term Loan Facilities, totalling €3,200,000,000, obtained by Finmeccanica from four banks serving as

bookrunners (Goldman Sachs Int'l, Intesa SanPaolo S.p.A, Mediobanca-Banca di Credito Finanziario S.p.A and Unicredit Group through Bayerische Hypo-Und VereinsBank).

The transaction is divided into three tranches (A, B and C):

- tranche A: €1,000,000,000 with a maturity of 364 days and a spread of the 0.70 percentage points per year on the applicable Euribor;
- tranche B: €1,500,000,000 and an initial maturity of 364 days, renewable at Finmeccanica's discretion for a further 364 days and with a spread of 0.70 percentage points (plus an extension fee of 0.15 points);
- tranche C: €700,000,000 with a maximum maturity of three years and a spread of 0.85 percentage points per year.

The term of maturity of each tranche starts from the date of signing of the agreement. The spreads are subject to adjustment in the event Finmeccanica's current debt rating improves or worsens.

The agreement includes the usual terms found in syndicated loans offered on the European market and found in previous Finmeccanica contracts (e.g., representations, warranties, undertakings, negative pledge, events of default, etc.), as well as several special clauses described below.

Due to its nature as bridge financing, the agreement contains a mandatory prepayment clause under which proceeds from Finmeccanica capital increases, divestments of non-strategic assets (including through IPOs of Group companies) and assumptions of new debt, including bond issues, must be used to repay the Senior Term Loan until the amount outstanding falls below 20% of the initial loan amount. Finmeccanica has already planned these operations and is in the process of finalising them. The agreement requires that an initial repayment of €nil. 800 be made by 31 March 2009 out of the proceeds from the capital increase and the divestment of assets.

The agreement also contains financial covenants under which the debtor, during the life of the loan, must comply with the following ratios:

Net debt// EBITDA < = 3

EBITDA/Net interest = > 5

These indicators will be checked annually based on the Group's consolidated accounts.

Finally, the agreement provides that new strategic investments funded through debt may be made in addition to ordinary investments up to a total amount of about €bil. 1 spread over the life of the loan. This restriction does not apply to listed Group companies nor to joint ventures that are currently consolidated by the Finmeccanica Group. These restrictions (mandatory prepayment, financial covenants and limit on strategic investments) will cease to apply once the amount of the Senior Term Loan falls below the threshold of 20% of the initial loan amount provided that at that time the expected Finmeccanica capital increase has been performed and Finmeccanica has been able to maintain its investment grade rating.

Over the life of the loan, all the borrowing and guarantee activities relating to the Group's ordinary business will continue to be carried out using existing lines of credit.

Projections that the Group's total net debt will increase as a result of the acquisition of DRS and the related operations have prompted the ratings agencies S&P and Moody's to place Finmeccanica on a negative credit watch, although Fitch has not done so. The credit watch should be lifted once the aforementioned debt reduction measures have been successfully completed.

The loan was syndicated among domestic and international banks, which were invited to lend amounts equal to €nil. 250, €nil. 150 and €nil. 75 based on the role assigned, divided proportionally into three tranches. The syndication process was successfully completed on July 14. Thirty-eight banks took part for a total subscription of about €nil. 7,000, which was much higher than the transaction amount. As a result, average allotments were reduced by more than 50%.

The loan was entirely unused at 30 June 2008.

In connection with the DRS acquisition, Finmeccanica hedged the exchange rate risk associated with fact that the acquisition cost was denominated in US dollars. On 30 June 2008, hedging transactions totalling US\$bil. 3.1 (at an average exchange rate of 1.5625, equal to €bil. 2) were carried out.

During the semester Finmeccanica did not carry out new bond issues. As a result, there was no substantial change in the structure of medium to long-term debt, particularly with regard to bonds, which stood at around €nil. 1,771. The average term of maturity is approximately 8 years.

Below is a list of bonds outstanding at 30 June 2008, including the transactions placed on the market by Finmeccanica S.p.A. and by Finmeccanica Finance S.A.:

Issuer		Year of issue	Maturity	Nominal Amount (€nil)	Annual coupon	Type of offer	IAS recog. amts €nil. (5)
Finmeccanica Finance S.A.	(1)	2002	30-Dec-08	297	Floating	Italian retail	296
Finmeccanica Finance S.A.	(2)	2003	8-Aug-10	501	0.375%	European institutional	461
Finmeccanica Finance S.A.	(3)	2003	12-Dec-18	500	5.75%	European institutional	512
Finmeccanica S.p.A.	(4)	2005	24-Mar-25	500	4.875%	European institutional	502

- (1) Bonds exclusively offered to the public in Italy and listed on the TLX market, which is managed by Trading Lab Banca S.p.A. - Unicredito Italiano Group. Issued as part of the Euro Medium Term Notes (EMTN) programmes for a maximum €bil. 2.5, the bonds are governed by a specific Italian regulation. Transaction authorised pursuant to Article 129 of Legislative Decree no. 385/93. Prospectus filed with CONSOB on 4 December 2002 (authorisation notified with note no. 2079342/3.12.02)
- (2) Exchangeable bonds with a maximum number of 20,000,000 shares in STMicroelectronics N.V. (STM) at a conversion price of €25.07 per share. Starting from the third anniversary of the issue, Finmeccanica Finance can ask for the loan to be converted if the average price recorded during the 30 working days prior to the date of notice to bond-holders exceeds 125% of the conversion price. At the maturity date Finmeccanica Finance can repay in cash or, upon prior notice to be given with at least 15 working days, through a combination of STM shares valued at the average prices

recorded in the prior 5 working days. Transaction authorised pursuant to Article 129 of Legislative Decree no. 385/93. Bonds are listed on the Luxembourg Stock Exchange.

- (3) Bonds issued as part of the EMTN programmes for a maximum of €bil. 2.5 The entire issue was converted from a fixed-rate issue to a floating-rate one for the first two years of the loan. The transaction was authorised pursuant to Article 129 of Legislative Decree no. 385/93. Bonds listed on the Luxembourg Stock Exchange.

Rate derivative transactions were made on these bonds and led to benefit throughout 2005 from low floating rates with an effective cost of some 3.25%. During 2006, the effective cost of the loan returned to a fixed rate equal to an average value of some 5.8%.

- (4) Bonds issued as part of the EMTN programmes for a maximum of €bil. 2.5 The transaction was authorised pursuant to Article 129 of Legislative Decree no. 385/93. Bonds listed on the Luxembourg Stock Exchange. Some rate transactions were made to optimise collection costs.

- (5) The difference between the face value of bonds and book value is due to interest rates being classified as to increase debt and to discounts being recognised to decrease debt. Furthermore, as regards the issue of exchangeable bonds in (2) above, IAS 39 provides for the separation of the financial debt component and the call option sold. The debt component is measured by applying the market interest rate at the issue date in place of the nominal interest rate, while the option component, excluded from the financial position, is subject to periodic measurement at fair value. At 30 June 2008, this valuation method led to posting a debt €nil. 40 less than the face value of the bond. This differential will gradually come down as the maturity date draws near.

All the bond issues of Finmeccanica Finance S.A. are irrevocably and unconditionally secured by Finmeccanica S.p.A.

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

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



and, starting from July 2006, the establishment of assets for the use indicated in Article 2447 bis *et seq.* of the Italian Civil Code.

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

All Finmeccanica S.p.A. and Finmeccanica Finance S.A. bonds were given a medium-term financial credit rating by the three international rating agencies: Moody's Investors Service, Fitch and Standard and Poor's. More specifically, at the reporting date these credit ratings were A3 (Moody's) and BBB (Fitch and Standard and Poor's), all with a stable outlook. As previously explained, Moody's and S&P placed Finmeccanica on negative credit watch following the announcement of the acquisition of DRS.

Finally, we note that in July 2008 there was the extension for further twelve months of the EMTN programme for new bond issues amounting to €bil. 2.5.

### **Other operations**

As already described in the 2007 financial statements, on 16 January 2008 the Shareholders' Meeting of **Finmeccanica** S.p.A approved the share buy back programme proposed by the Board of Directors on 21 November 2007 up to a maximum of about 8% of the share capital of the Company (a maximum of 34 million ordinary shares).

The purchased shares will be available in the form of treasury shares and may be used for industrial projects or extraordinary financial operations, if any.

On 28 February 2008, in order to initiate the programme and to complete it within the appropriate time frame, Finmeccanica's Board of Directors, exercising the mandate

granted by the Shareholders' Meeting, confirmed the powers granted to the Chairman and Chief Executive Officer for the execution of the Shareholders' resolution.

Since the start of the programme through 30 June 2008, Finmeccanica has arranged to acquire a total of 400,000 ordinary shares (equal to roughly 0.09407% of the share capital), of which about 150,000 shares purchased on 1 July 2008, for an overall value of €6,922,325.

The daily volume of shares purchased did not exceed 20% of the average daily volume of Finmeccanica shares traded on the market.

Along with signing the agreement to purchase DRS Technologies, Finmeccanica's Board of Directors suspended the resolution authorising the buy back programme, except for shares purchased to service the Group's employee incentive plans.

Moreover, on 26 February 2008, Finmeccanica, Cassa Depositi e Prestiti and FT1CI (a company owned by Areva), as shareholders of STMicroelectronics Holding NV (STH), the Dutch company which owns 27.54% of the share capital of **STMicroelectronics NV** (STM), signed an agreement amending the existing shareholders' agreement concerning the joint Italian-French governance of STH.

Under the agreement, the Italian and French parties agreed to rebalance their respective stakes in STM, indirectly held through STH. Specifically, Finmeccanica, as shareholder of STH, agreed to sell to FT1CI the equivalent of 26,034,141 shares of STM at the price of €10 per share, plus an earn-out equal to 40% of any positive price differential of STM stock between the base price of €10 and the average market price calculated over a three-month period starting nine months from the date of signing of the agreement, up to €4 per share. Upon completion of the operation, Finmeccanica received approximately €mil. 260.

Additionally, the agreement establishes that the Italian and French parties will continue to share governance of STH equally subject to certain conditions.

On 26 June 2008, the Board of Directors of Finmeccanica agreed, in accordance with Art. 2443 of the Italian Civil Code, to propose to the next Extraordinary Shareholders' Meeting - scheduled for 31 July for first call and 1 August 2008 for second call - that the Board be authorised to increase the company's capital by way of an issue of shares

for cash in one or more tranches for a maximum amount, including a price premium, of €bil. 1.4, and to revoke the previous resolution authorising a capital increase by the Extraordinary Shareholders' Meeting of 30 May 2007.

The capital increase may take place, pursuant to Art. 2441(1) of the Italian Civil Code, by way of an issue of ordinary shares having the same characteristics as those currently in circulation, to be offered to existing shareholders by way of preferential subscription rights and which could, in part, be used to service convertible bonds – as permitted under Art. 2420-*ter* of the Italian Civil Code – or for warrants to be offered by way of rights to the shareholders. Under the proposal, the Board may exercise the mandate to implement the operation, in accordance with the procedures and criteria described herein, by 31 July 2009. It is believed that the Board will launch the operation by the end of the current year.

Under the proposal, the Shareholders' Meeting is also expected to give the Board a mandate to establish the procedures, terms and conditions of the operation and, therefore, to determine, closer to the launch of the operation and subject to market conditions and to the Ministry for the Economy and Finance maintaining a stake of not less than 30% of the share capital, as provided in the Prime Ministerial Decree of 28 September 1999: (i) the subscription price for the shares, including the price premium, taking into account, among other things, the performance of the company's shares and market practices for similar operations, (ii) the exact number of ordinary shares to be issued and the rights ratio, and (iii) the exact size of the capital increase, which cannot exceed a maximum value of €bil. 1.4.

The capital increase is part of the broader financing operation linked the aforementioned acquisition of DRS Technologies by Finmeccanica.

## **Outlook**

Performance in the first six months of 2008 improved with respect to that in the same period of the previous year, in line with the forecasts made at that time. In the light of developments to date, there would appear to be no circumstances that would alter the forecasts made during the preparation of the 2007 annual report.

The size of the orders backlog, defined based on its workability, is such as to guarantee 90% coverage of expected production for the current year, thus making it likely that the financial targets set will be reached.

As a result, during 2008 we expect overall growth in Group revenues of between 6% and 11% with an increase in Adjusted EBITA of between 12% and 19% over 2007.

We also expect Group Free Operating Cash Flow (FOCF) to generate cash surpluses relatively comparable to the levels achieved in 2007, given the significant investments in the development of products necessary to sustain growth that, as in 2007, will focus especially on the Aeronautics, Helicopters and Defence and Security Electronics divisions.

**Condensed Consolidated Interim Financial Statements at 30 June 2008**

## Income Statement

<i>(€mil.)</i>	<i>Section</i>	<i>For the six months ended 30 June</i>	
		<i>2008</i>	<i>2007</i>
Revenue		5,803	5,560
Revenues from related parties	30	630	519
Purchase and personnel costs	9	(5,789)	(5,514) (*)
Costs from related parties	30	(31)	(34)
Amortisation, depreciation and impairment	10	(220)	(232)
Other operating income (costs)	11	(18)	29
		<u>375</u>	<u>328</u>
Finance income (costs)	12	12	(57) (*)
Finance income (costs) from related parties	30	(12)	(9)
Share of profit (loss) of equity accounted investments		10	7
<b><i>Profit before taxes and the effect of discontinued operations</i></b>		<u><b>385</b></u>	<u><b>269</b></u>
Income taxes	13	(88)	(92)
(Loss) profit from discontinued operations		-	-
<b><i>Net profit</i></b>		<u><b>297</b></u>	<u><b>177</b></u>
<i>. equity holders of the Company</i>		278	159
<i>. minority interests</i>		19	18
<b>Earnings per share</b>	29		
<i>Basic</i>		0.655	0.375
<i>Diluted</i>		0.654	0.374
<b>Earnings per share net of discontinued operations</b>	29		
<i>Basic</i>		0.655	0.375
<i>Diluted</i>		0.654	0.374

(\*) *Items changed due to the retrospective change in the treatment of defined-benefit plans and the severance pay provision (Section 4).*

## Balance Sheet

<i>(€mil.)</i>	<i>Section</i>	<u><i>30.06.08</i></u>	<u><i>31.12.07</i></u>
<i>Non-current assets</i>			
Intangible assets	14	5,369	5,266
Property, plant and equipment	15	2,894	2,855
Financial assets at fair value	17	223	589
Non-current receivables from related parties	30	15	11
Deferred taxes		436	450
Other non-current assets	18	768	674
		<u><b>9,705</b></u>	<u><b>9,845</b></u>
<i>Current assets</i>			
Inventories		3,945	3,383
Current receivables from related parties	30	539	486
Trade receivables	19	7,718	7,095
Financial receivables		595	586
Derivatives	20	168	162
Other current assets	21	926	884
Cash and cash equivalents		314	1,607
		<u><b>14,205</b></u>	<u><b>14,203</b></u>
<i>Non-current assets held for sale</i>			
<b>Total assets</b>		<u><b>23,910</b></u>	<u><b>24,048</b></u>
<i>Shareholders' equity</i>			
Share capital	22	1,860	1,864
Other reserves	22	3,168	3,465
<i>Capital and reserves attributable to equity holders of the Company</i>		<u><b>5,028</b></u>	<u><b>5,329</b></u>
<i>Minority interests in equity</i>	22	106	103
<i>Total shareholders' equity</i>		<u><b>5,134</b></u>	<u><b>5,432</b></u>
<i>Non-current liabilities</i>			
Borrowings	25	1,658	1,675
Employee liabilities	23	973	946
Provisions for risks and charges	24	329	353
Deferred taxes		370	442
Other liabilities	27	795	821
		<u><b>4,125</b></u>	<u><b>4,237</b></u>
<i>Current liabilities</i>			
Current payables from related parties	30	643	666
Trade payables	26	10,487	10,400
Borrowings	25	1,378	1,149
Income tax payables		98	68
Provisions for risks and charges	24	480	545
Derivatives	20	118	109
Other liabilities	27	1,447	1,442
		<u><b>14,651</b></u>	<u><b>14,379</b></u>
<i>Liabilities directly correlated with assets held for sale</i>			
<b>Total liabilities</b>		<u><b>18,776</b></u>	<u><b>18,616</b></u>
<b>Total liabilities and shareholders' equity</b>		<u><b>23,910</b></u>	<u><b>24,048</b></u>

## Cash flow Statement

<i>(€mil.)</i>	<i>Section</i>	<i>For the six months ended 30 June</i>	
		<i>2008</i>	<i>2007</i>
<b><i>Cash flow from operating activities:</i></b>			
Gross cash flow from operating activities	28	635	669
Changes in working capital	28	(1,135)	(956)
Changes in other operating assets and liabilities		(183)	(208)
Finance costs paid		(40)	(66)
Taxes paid		(67)	(91)
<b>Net cash flow used in operating activities</b>		<b>(790)</b>	<b>(652)</b>
<b><i>Cash flow from investing activities:</i></b>			
Acquisitions of subsidiaries, net of cash acquired		(78)	(416)
Proceeds from sale of STM shares		260	
Purchase of property, plant and equipment and intangible assets		(541)	(614)
Proceeds from sale of property, plant and equipment and intangible assets		6	13
Other investing activities		(25)	19
<b>Net cash used in investing activities</b>		<b>(378)</b>	<b>(998)</b>
<b><i>Cash flow from financing activities:</i></b>			
Net change in borrowings		71	211
Dividends paid to Group Parent's shareholders		(174)	(149)
Dividends paid to minority interests		(13)	(2)
<b>Net cash used in financing activities</b>		<b>(116)</b>	<b>60</b>
Net increase (decrease) in cash and cash equivalents		(1,284)	(1,590)
Exchange losses on cash and cash equivalents		(9)	(2)
Cash and cash equivalents at 1 January		1,607	2,003
<b>Cash and cash equivalents at 30 June</b>		<b>314</b>	<b>411</b>



## Statement of Recognised Income and Expenses

<i>(€mil.)</i>	<i>For the six months ended 30 June</i>	
	<i>2008</i>	<i>2007</i>
Reserves of income (expense) recognised in equity		
- Changes in available-for-sale financial assets	(162)	14
- Actuarial gains (losses) on defined-benefit plans	(105)	165
- Changes in cash-flow hedges	(24)	8
- Exchange gains/losses	(162)	(10)
		0
Tax on expense/(income) recognised in equity	34	(57)
Income/(expense) recognised in equity	<u>(419)</u>	<u>120</u>
Profit (loss) for the period	<u>297</u>	<u>177</u>
<b>Total income and expense for the period</b>	<b><u>(122)</u></b>	<b><u>297</u></b>
Attributable to:		
- equity holders of the Company	(137)	279
- minority interests	15	18

## **1. GENERAL INFORMATION**

Finmeccanica is a company limited by shares based in Rome (Italy), at Piazza Monte Grappa 4, and is listed on the Milan stock market (S&P/MIB).

The Finmeccanica Group is a major Italian high technology organisation. Finmeccanica S.p.A., the holding company responsible for guiding and controlling operations and strategy, coordinates its operating subsidiaries (the Finmeccanica Group or, simply, the Group), which are especially concentrated in the fields of Helicopters, Defence and Security Electronics, Aeronautics, Space, Defence Systems, Energy and Transportation.

## **2. FORM, CONTENT AND APPLICABLE ACCOUNTING STANDARDS**

The half-year financial report of the Finmeccanica Group at 30 June 2008 was prepared in accordance with Article 154-*ter* of Legislative Decree 58/98 (Consolidated Law on Financial Intermediation), as subsequently changed and modified, under IAS 34, based on the IASs/IFRSs endorsed by the European Commission at 30 June 2008 and supplemented by the relevant interpretations issued by the International Accounting Standard Board (IASB).

In accordance with IAS 34, these notes are presented in a condensed form and do not include all the information required to be disclosed in the annual financial statements, because it relates only to those items whose amount, breakdown or changes are key to the understanding of the financial condition of the Group. Therefore, this report must be read in conjunction with the 2007 consolidated financial statements.

Likewise, the balance sheet and the income statement are presented in a condensed form as compared with the annual financial statements. The reconciliation between the quarterly and the year-end balance sheet and income statement is provided in the relevant notes for the items contained in the condensed financial statements.

The accounting principles and basis of accounting that have been used in the preparation of this half-year report are the same that were used in the preparation of the consolidated financial statements at 31 December 2007 and in the half-year report at 30

June 2007, except for Section 4, to which the reader should refer for an analysis of the adjustments made to the individual items of the comparative statements presented.

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

This consolidated half-year financial report, which was prepared in accordance with IFRSs, was subject to a limited audit by PricewaterhouseCoopers S.p.A..

### **3. TREATMENT OF INCOME TAXES APPLIED IN THE PREPARATION OF INTERIM REPORTS AND SEASONALITY OF OPERATIONS**

#### **Treatment of income taxes**

In the interim financial statements, income taxes are estimated by applying the expected annual tax rate to the interim pre-tax result.

#### **Cash flows relating to operations**

The businesses in which the Group is primarily active are characterized by a high concentration of cash flows from customers in the closing months of the year. This pattern affects both the interim cash flow statements and the volatility of the debt situation of the Group over each interim period, which shows a marked improvement in the final months of the calendar year.

### **4. EFFECTS OF CHANGES IN ACCOUNTING POLICIES ADOPTED**

#### ***Recognition of defined-benefit plans with the adoption of the equity option***

Until the 2006 consolidated financial statements, the Finmeccanica Group applied the corridor approach in recognising actuarial gains and losses relating to “defined-benefit plans”, under which effects of changes in the valuation parameters were diluted over several years, amortising these items only when certain quantitative parameters were exceeded over a period equal to the remaining useful life of plan participants. These

items, together with the unwinding of the discount of the liability and the effects on the financial assets connected with the pensions plans, were reported as “personnel costs”.

From the consolidated financial statements at 31 December 2007, the Group has adopted the equity option method for recognising actuarial gains and losses under IAS 19 as revised in 2006. Therefore, the liability is now reported at the amount resulting from the valuation performed by external actuaries. Actuarial gains and losses are fully and directly recognised against a specific equity reserve (“reserve for actuarial gains(losses) to equity”) in the period in which they occur, with the following benefits:

- the amount of the liability recognised is now in line with that resulting from actuarial valuations, and there is no deferred recognition of the effects of the changes in demographic, actuarial and financial estimates and parameters;
- the entire amount of these effects is directly and fully recognised when they occur against equity, with no effects on the income statement;
- the income statement no longer includes actuarial items, which were not correlated to the estimated amount of the liability.

Interest costs and expected results on plan assets, which are particularly significant with regard to the pension plans for the Group’s U.K. employees, are now more properly reported as financial income and expense.

As envisaged by IAS 8 “*Accounting policies, changes in accounting estimates and errors*”, the Group adopted the new standards retrospectively, and also changed the comparative figures presented: therefore, the comparative balance sheet and income statement have been changed to reflect the effects of adopting the new standard.

The effects on the comparative income statement at 30 June 2007 were as follows:

<i>(€mil.)</i>	<b>30 June 2007</b>	<b>Effect of changes</b>	<b>30 June 2007 restated</b>
Revenue	5,560		5,560
Revenues from related parties	519		519
Purchase and personnel costs	(5,529)	15	(5,514)
Costs to related parties	(34)		(34)
Amortisation, depreciation and impairment	(232)		(232)
Other operating income (costs)	29		29
	<u>313</u>	<u>15</u>	<u>328</u>
Finance income (costs)	(42)	(15)	(57)
Finance income (costs) from related parties	(9)		(9)
Share of profit (loss) of equity			
Accounted investments	7		7
<b><i>Profit before taxes and the effect of discontinued operations</i></b>	<b><u>269</u></b>	<b><u>-</u></b>	<b><u>269</u></b>
Income taxes	(92)		(92)
(Loss) profit from discontinued operations	-		-
<b><i>Net profit</i></b>	<b><u><u>177</u></u></b>	<b><u><u>-</u></u></b>	<b><u><u>177</u></u></b>

The effects on the comparative balance sheet at 30 June 2007 were as follows:

<i>(€mil.)</i>	<b>30 June 2007</b>	<b>Effect of changes</b>	<b>30 June 2007 restated</b>
<i>Non-current assets</i>			
Intangible assets	5,620		5,620
Property, plant and equipment	2,795		2,795
Investment properties	1		1
Equity investments	140		140
Financial assets at fair value	854		854
Non-current receivables from related parties	12		12
Receivables	425		425
Deferred taxes	484	12	496
Other assets	6		6
	<b>10,337</b>	<b>12</b>	<b>10,349</b>
<i>Current assets</i>	<b>12,775</b>		<b>12,775</b>
<i>Non-current assets held for sale</i>	-		-
<b>Total assets</b>	<b>23,112</b>	<b>12</b>	<b>23,124</b>
<i>Shareholders' equity</i>			
Share capital	1,861		1,861
Other reserves	3,453	74	3,527
<i>Capital and reserves attributable to equity holders of the Company</i>	<b>5,314</b>	<b>74</b>	<b>5,388</b>
<i>Minority interests in equity</i>	95		95
<i>Total shareholders' equity</i>	<b>5,409</b>	<b>74</b>	<b>5,483</b>
<i>Non-current liabilities</i>			
Borrowings	1,953		1,953
Severance pay and other employee liabilities	1,218	(110)	1,108
Provisions for risks and charges	393		393
Deferred taxes	344	48	392
Other liabilities	1,236		1,236
	<b>5,144</b>	<b>(62)</b>	<b>5,082</b>
<i>Current liabilities</i>	<b>12,559</b>		<b>12,559</b>
<i>Liabilities directly correlated with assets held for sale</i>	-		-
<b>Total liabilities</b>	<b>17,703</b>	<b>(62)</b>	<b>17,641</b>
<b>Total liabilities and shareholders' equity</b>	<b>23,112</b>	<b>12</b>	<b>23,124</b>

## 5. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

On 26 February 2008 **Finmeccanica, Cassa Depositi e Prestiti** and **FT1CI** (a company owned by Areva), as shareholders of **STMicroelectronics Holding NV** (“STH”), a Dutch company holding 27.54% of **STMicroelectronics NV** (“STM”) share capital, executed a change in the shareholders’ agreement governing the Italian-French controlling company of STH.

Based on this change, the Italian and the French parties agreed to align their respective shares in STM indirectly held through STH. Specifically, Finmeccanica as shareholder of STH has agreed to sell to FT1CI 26,034,141 STM shares at the price of €10 per share, plus an earn-out equal to 40% of the increase in value of the STM shares, if any, between the basic price of €10 and the market average calculated over a period of three months from the ninth month after the date of the agreement, with a cap of €4 per share. As the transaction was completed, Finmeccanica had collected some €mil. 260.

This agreement also provides that the Italian and the French parties maintain joint control of STH based on specific terms and conditions.

Below is a summary of the effects of the transactions:

	<i>€mil.</i>
Proceeds from sale	260
Gain	56
Tax expense	(2)

The share held indirectly in STM after the partial sale is 3.7% of the share capital.

\*\*\*\*\*

Following up on the loans granted under **Law 808/1985** described in the 2007 financial statements, on 11 March 2008 the European Commission decided on the individual aids granted by Italy for R&D projects in the aeronautics sector under Article 3(a) of Law 808/1985.

This decision declares these aids to be compatible with the common market, under Article 87 of the EC Treaty, on the condition that the Italian Government has them reimbursed, including the related finance costs, within two months of the decision date. In May, payment was made on the reimbursements due in 2007, including finance costs, in line with the allocation made in the Group's financial statements.

Finally, it should be noted that the Commission, with the decision described more fully above, retained the right to request further information on two helicopter projects before taking a final decision on the matter. The Group believes it has proved the full compatibility of these projects with EC rules, as they are national security programmes. Further exchanges of information between the Commission and the Italian Government are currently under way.



## 6. SCOPE OF CONSOLIDATION

### List of companies consolidated on a line-by-line basis

Company Name	Registered Office	% owned by the Group		% owned by the Group
		Directly	Indirectly	
ABS TECHNOLOGY SPA	Florence		60	60
AEROMECCANICA S.A.	Luxembourg	99.967		100
AGUSTA AEROSPACE CORP. USA	Wilmington Delaware (USA)		100	100
AGUSTA AEROSPACE SERVICES A.A.S. S.A.	Grace Hologne (Belgium)		98	98
AGUSTA HOLDING BV	Amsterdam (the Netherlands)		100	100
AGUSTA SPA	Cascina Costa (Varese)		100	100
AGUSTA US INC.	Wilmington, Delaware (USA)		100	100
AGUSTAWESTLAND AUSTRALIA PTY LTD	Melbourne (AUSTRALIA)		100	100
AGUSTAWESTLAND BELL LLC	Wilmington, Delaware (USA)		51	51
AGUSTAWESTLAND DO BRASIL LTDA	Sao Paulo (Brazil)		100	100
AGUSTAWESTLAND INTERNATIONAL LTD	Farnborough (U.K.)		100	100
AGUSTAWESTLAND HOLDINGS LTD	Yeovil Somerset (U.K.)		100	100
AGUSTAWESTLAND INC.	Wilmington, Delaware (USA)		100	100
AGUSTAWESTLAND MALAYSIA SDN BHD	Kuala Lumpur (Malaysia)		100	100
AGUSTAWESTLAND NORTH AMERICA INC.	Wilmington, Delaware (USA)		100	100
AGUSTAWESTLAND NV	Amsterdam (the Netherlands)	100		100
AGUSTAWESTLAND PROPERTIES LTD	Yeovil Somerset (U.K.)		100	100
ALENIA AERMACCHI SPA	Venegono Superiore (Varese)		99.998	99.998
ALENIA AERONAUTICA SPA	Pomigliano (Naples)	100		100
ALENIA AERONAVALI SPA	Tessera (Venice)		100	100
ALENIA COMPOSITE SPA	Grottaglie (Taranto)		97	97
ALENIA IMPROVEMENT SPA	Pomigliano D'Arco (Naples)		98	98
ALENIA NORTH AMERICA-CANADA CO	Halifax (Canada)		100	88.409
ALENIA NORTH AMERICA INC.	New Castle, Delaware (USA)		88.409	88.409
ALENIA SIA SPA	Turin		100	100
AMTEC SPA	Piancastagnaio (Siena)		100	100
ANITE DEUTSCHLAND GMBH & CO KG	Cologne (Germany)		100	100
ANITE DEUTSCHLAND HOLDING GMBH	Cologne (Germany)		100	100
ANITE DEUTSCHLAND LOGISTIK GMBH	Cologne (Germany)		100	100
ANITE DEUTSCHLAND MANAGEMENT GMBH	Cologne (Germany)		100	100
ANITE TRAVEL SYSTEMS GMBH	Cologne (Germany)		100	100
ANSALDO ENERGIA SPA	Genoa	100		100
ANSALDO FUEL CELLS SPA	Genoa		78.434	78.434
ANSALDO NUCLEARE SPA	Genoa		100	100
ANSALDO RICERCH SPA	Genoa		100	100
ANSALDO SEGNALEM. FERROVIARIO SPA	Tito (Potenza)		100	40.0655
ANSALDO STS AUSTRALIA PTY LTD	Sidney (Australia)		100	40.0655
ANSALDO STS BEIJING LTD	Beijing (China)		80	32.0524
ANSALDO STS DEUTSCHLAND GMBH	Berlino (Germany)		100	40.0655
ANSALDO STS ESPANA S.A.U.	Madrid (Spain)		100	40.0655
ANSALDO STS FINLAND O.Y.	Helsingfors (Finland)		100	40.0655
ANSALDO STS FRANCE SA	Les Ulis (France)		100	40.0655
ANSALDO STS HONG KONG LTD	Hong Kong (China)		100	40.0655
ANSALDO STS MALAYSIA SDN BHD	Kuala Lumpur (Malaysia)		100	40.0655
ANSALDO SIGNAL NV (IN LIQ.)	Amsterdam (the Netherlands)		100	40.0655
ANSALDO STS IRELAND LTD	CO. KERRY (Ireland)		100	40.0655
ANSALDO STS SWEDEN AB	Spanga (Sweden)		100	40.0655
ANSALDO STS TRASP. SYST. INDIA PRIV. LTD ex UNION SWIT. & SIGN. PRIV. LTD	Bangalore (India)		100	40.0655
ANSALDO STS UK LTD	Londra (U.K.)		100	40.0655
ANSALDO STS SPA	Genoa	40.0655		40.0655
ANSALDO TRASPORTI - SIST. FERROV. SPA	Naples		100	40.0655
ANSALDOBREDA ESPANA S.L.U.	Madrid (Spain)		100	100
ANSALDOBREDA INC.	New York (USA)		100	100
ANSALDOBREDA SPA	Naples	100		100
ASIA POWER PROJECTS PRIVATE LTD	Bangalore (India)		100	100
AUTOMATISMES CONTROLES ET ETUDES ELECTRONIQUES ACELEC SA	Les Ulis (Francia)		99.999	40.0651
BREDAMENARINIBUS SPA	Bologna	100		100
CREW GROUP LTD	Hertfordshire (UK)		100	100
DATASPAZIO-TELESPAZIO e DATAMAT PER L'INGEGNERIA DEI SISTEMI SPA	Rome		100	83.83
DAVIES INDUSTRIAL COMMUNICATIONS LTD	Coventry (U.K.)		100	100
ELECTRON ITALIA SRL	Rome		80	80
ELSACOM NV	Amsterdam (the Netherlands)		100	100
ELSACOM SPA	Rome		100	100
ELSAG DATAMAT SPA	Genoa	100		100
ELSAG BANKLAB SPA	Genoa		100	100

**List of companies consolidated on a line-by-line basis (continued)**

<i>Company Name</i>	<i>Registered Office</i>	<i>% owned by the Group</i>		<i>% owned by the Group</i>
		<i>Directly</i>	<i>Indirectly</i>	
ELSAG INC.	Delaware (USA)		100	100
ELSAG NORTH AMERICA LLC ex REMINGTON ELSAG LAW ENFORCEMENT SYST.	Madison (USA)		100	100
ENERGY SERVICE GROUP AG	Wurenlingen (Switzerland)		100	100
E-SECURITY SRL	Montesilvano (Pescara)		79.688	79.688
FATA ENGINEERING SPA	Pianezza (Turin)		100	100
FATA GROUP SPA (IN LIQ.)	Pianezza (Turin)		100	100
FATA HUNTER INC.	Riverside (USA)		100	100
FATA SPA	Pianezza (Turin)	100		100
FATA LOGISTIC SYSTEMS SPA	Pianezza (Turin)		100	100
FINMECCANICA FINANCE SA	Luxembourg	73.6395	26.3575	99.997
FINMECCANICA GROUP REAL ESTATE SPA	Rome	100		100
FINMECCANICA GROUP SERVICES SPA	Rome	100		100
GALILEO AVIONICA SPA	Campi Bisenzio (Florence)		100	100
GLOBAL MILITARY AIRCRAFT SYSTEMS LLC	Greenville (USA)		51	45.0886
ITALDATA INGEGNERIA DELL'IDEA SPA	Rome		51	51
LARIMART SPA	Rome		60	60
MECFINT (JERSEY) S.A.	Luxembourg		99.999	99.996
NET SERVICE SRL	Bologna		70	70
OTE MOBILE TECHNOLOGIES LIMITED	Warwckshire (U.K.)		100	100
OTO MELARA IBERICA SA	Valencia (Spain)		100	100
OTO MELARA SPA	La Spezia	100		100
OTO MELARA NORTH AMERICA INC.	Dover, Delaware (USA)		100	100
QUADRICS LTD	Bristol (U.K.)		100	100
SAGEM ITALIA SRL	Genoa		100	100
SEICOS SPA	Rome	100		100
SELENIA MARINE CO. LTD (IN LIQ.)	Coventry (U.K.)		100	100
SELENIA MOBILE SPA	Chieti Scalo (Chieti)		100	100
SELEX COMMUNICATIONS DO BRASIL LTDA	Rio de Janeiro (Brazil)		100	100
SELEX COMMUNICATIONS GMBH	Backnang (Germany)		100	100
SELEX COMMUNICATIONS HOLDINGS LTD	Chelmsford (U.K.)		100	100
SELEX COMMUNICATIONS INC	Mountain View (USA)		100	100
SELEX COMMUNICATIONS INTERNATIONAL LTD	Coventry (U.K.)		100	100
SELEX COMMUNICATIONS LTD	Coventry (U.K.)		100	100
SELEX COMMUNICATIONS ROMANIA SRL	Bucharest (Romania)		99.976	99.976
SELEX COMMUNICATIONS SPA	Genoa	100		100
SELEX COMMUNICATIONS SECURE SYSTEMS LTD	Coventry (U.K.)		100	100
SELEX KOMUNIKASYON AS	GOLBASI (Turkey)		99.999	99.999
SELEX SENSORS AND AIRBORNE SYSTEMS SPA	Campi Bisenzio (Florence)	100		100
SELEX SENSORS AND AIRBORNE SYSTEMS LTD	Basildon, Essex (U.K.)		100	100
SELEX SENSORS AND AIRBORNE SYSTEMS (US) INC	Wilmington, Delaware (USA)		100	100
SELEX SERVICE MANAGEMENT SPA	Rome	100		100
SELEX SISTEMI INTEGRATI GMBH	Neuss (Germany)		100	100
SELEX SISTEMI INTEGRATI INC.	Delaware (USA)		100	100
SELEX SISTEMI INTEGRATI LTD	Portsmouth, Hampshire (U.K.)		100	100
SELEX SISTEMI INTEGRATI SPA	Rome	100		100
SC ELETTRA COMMUNICATIONS SA	Ploiesti (Romania)		50.5	50.4997
SIRIO PANEL SPA	Montevarchi (Arezzo)		93	93
SISTEMI E TELEMATICA SPA	Genoa		92.79	92.79
SO.GE.PA. SOC. GEN. DI PARTECIPAZIONI SPA	Genoa	100		100
SPACE SOFTWARE ITALIA SPA	Taranto		100	100
TECNOSIS SPA	Genoa		100	100
THOMASSEN SERVICE GULF LLC	Abu Dhabi, United Arab Emirates		48.667	100
THOMASSEN TURBINE SYSTEMS BV	Rheden (the Netherlands)		100	100
TRANSCONTROL CORPORATION	Wilmington, Delaware (USA)		100	40.0655
UNION SWITCH & SIGNAL INC. (USA)	Dover, Delaware (USA)		100	40.0655
UNION SWITCH & SIGNAL INC. (CAN)	Burlington, Ontario (Canada)		100	40.0655
UNION SWITCH & SIGNAL INT. CO.	Wilmington, Delaware (USA)		100	40.0655
UNION SWITCH & SIGNAL INT. PROJECTS CO.	Dover, Delaware (USA)		100	40.0655
VEGA CONSULTING & TECHNOLOGY SL	Madrid (Spain)		100	100
VEGA GROUP PLC	Hertfordshire (UK)	100		100
VEGA IT GMBH	Darmstadt (Germany)		100	100
VEGA SPACE SYSTEMS ENGINEERING LTD	Hertfordshire (UK)		100	100
VEGA TECHNOLOGIES SAS	Toulouse (France)		100	100
WESTLAND HELICOPTERS INC.	Wilmington, Delaware (USA)		100	100
WESTLAND HELICOPTERS LTD	Yeovil, Somerset (U.K.)		100	100
WESTLAND INDUSTRIES LTD	Yeovil, Somerset (U.K.)		100	100
WESTLAND SUPPORT SERVICES LTD	Yeovil, Somerset (U.K.)		100	100
WESTLAND TRANSMISSIONS LTD	Yeovil, Somerset (U.K.)		100	100
WHITEHEAD ALENIA SIST.SUBACQUEI SPA	Genoa	100		100
WING NED B.V.	Rotterdam (the Netherlands)		100	100

**List of companies consolidated using the proportionate method**

<i>Company Name</i>	<i>Registered Office</i>	<i>% owned by the Group</i>		<i>% owned by the Group</i>
		<i>Directly</i>	<i>Indirectly</i>	
THALES ALENIA SPACE SAS	Paris (France)	33		33
THALES ALENIA SPACE FRANCE SAS	Paris (France)		100	33
THALES ALENIA SPACE ITALIA SPA	Rome		100	33
THALES ALENIA SPACE ESPANA SA	Madrid (Spain)		100	33
THALES ALENIA SPACE ETCA SA	Charleroi (Belgium)		100	33
THALES ALENIA SPACE ANTWERP SA	Hoboken (Belgium)		100	33
THALES ALENIA SPACE NORTH AMERICA INC	Wilmington (USA)		100	33
FORMALEC SA	Paris (France)		100	33
MARILEC SA	Paris (France)		100	33
VANELEC SAS	Paris (France)		100	33
TELESPAZIO HOLDING SRL	Rome	67		67
TELESPAZIO FRANCE SAS	Toulouse (France)		100	67
TELESPAZIO DEUTSCHLAND GMBH	Gilching (Germany)		100	67
TELESPAZIO SPA	Rome		100	67
E-GEOS SPA	Matera		55	36.85
EURIMAGE SPA	Rome		51	34.17
TELESPAZIO BRASIL SA	Rio de Janeiro (Brazil)		98.534	66.018
TELESPAZIO NORTH AMERICA INC.	Doover, Delaware (USA)		100	67
TELESPAZIO HUNGARY SAT. TELECOM. LTD	Budapest (Hungary)		100	67
RARTEL SA	Bucarest (Romania)		61.061	40.91
TELESPAZIO ARGENTINA S.A.	Buenos Aires (Argentina)		100	66.95
MARS SRL	Naples		100	67
FILEAS S.A.	Paris (France)		85	56.95
AURENSIS S.L.	Barcelona (Spain)		100	67
GAF AG	Munich (Germany)		100	67
EUROMAP SATELLITENDATEN-VERTRIEB MBH	Neustrelitz (Germany)		100	67
AMSH BV	Amsterdam (the Netherlands)	50		50
MBDA SAS	Paris (France)		50	25
MBDA TREASURE COMPANY LTD	Jersey (U.K.)		100	25
MBDA FRANCE SAS	Paris (France)		100	25
MBDA INCORPORATED	Wilmington, Delaware (USA)		100	25
MBDA ITALIA SPA	Rome		100	25
MBDA UK LTD	Stevenage (U.K.)		100	25
MARCONI OVERSEAS LTD	London (U.K.)		100	25
MATRA ELECTRONIQUE SA	Paris (France)		100	25
MBDA SERVICES SA	Paris (France)		99.76	24.94
LFK-LENKFLUGKORPERSYSTEME GMBH	Unterschleißheim (Germany)		100	25
BAYERN-CHEMIE GMBH	Germany		100	25
TAURUS SYSTEMS GMBH	Germany		67	16.75
TDW GMBH	Germany		100	25
AVIATION TRAINING INTERNATIONAL LIMITED	Dorset (U.K.)		50	50
CONSORZIO ATR GIE e S.P.E.	Toulouse (France)		50	50
GLOBAL AERONAUTICA LLC	Delaware (USA)		50	44.2045
LMATTS LLC	Georgia (USA)		50	44.2045
SUPERJET INTERNATIONAL S.P.A.	Venice		51	51

**List of companies consolidated using the equity method**

Company Name	Registered Office	% owned by the Group		% owned by the Group
		Directly	Indirectly	
ABRUZZO ENGINEERING SCPA	L'Aquila		30	30
ABU DHABI SYSTEMS INTEGRATION LLC	Abu Dhabi (United Arab Emirates)		43.043	43.043
ADVANCED AIR TRAFFIC SYSTEMS SDN BHD	Darul Ehsan (Malaysia)		30	30
ADVANCED LOGISTICS TECHNOLOGY ENGINEERING CENTER SPA	Turin		51	16.83
ALENIA HELLAS SA	Kolonaki (Atens) (Greece)		100	100
ALIFANA DUE SCRL	Naples		53.34	21.371
ALIFANA SCRL	Naples		65.85	26.38
ANSALDO ARGENTINA SA	Buenos Aires (Argentina)		99.9933	99.9933
ANSALDO ELECTRIC DRIVES SPA	Genoa		100	100
ANSALDO - E.M.I.T. SCRL	Genoa		50	50
ANSALDO ENERGY INC.	Wilmington, Delaware (USA)		100	100
ANSERV SRL	Bucarest (Romania)		100	100
AUTOMATION INTEGRATED SOLUTIONS SPA	Pianezza (Turin)		40	40
BELL AGUSTA AEROSPACE COMPANY LLC	Wilmington, Delaware (USA)		45	45
BRITISH HELICOPTERS LTD	Yeovil, Somerset (U.K.)		100	100
CARDPRIZE TWO LIMITED	Basilton, Essex (U.K.)		100	100
CLOSED JOINT STOCK COMPANY MAREMS	Moscow (Russia)		49.001	49.001
COMLENIA SENDIRIAN BERHAD	Selangor Darul Ehsan (Malaysia)		30	30
CONSORZIO START SPA	Rome		40	40
CONTACT SRL	Naples		30	30
DATAMAT (SUISSE) SA (IN LIQ.)	Lugano (Switzerland)		100	100
DIGINT S.R.L.	Milan		49	49
DOGMATIX LEASING LIMITED	Mauritius Islands		100	50
ECOSEN SA	Caracas (Venezuela)		48	19.23
ELETTRONICA SPA	Rome	31.333		31.333
ELSACOM BULGARIA AD (IN LIQ.)	Sofia (Bulgaria)		90	90
ELSACOM HUNGARIA KFT	Budapest (Hungary)		100	100
ELSACOM SLOVAKIA SRO	Bratislava (Slovakia)		100	100
ELSACOM-UKRAINE JOINT STOCK COMPANY	Kiev (Ukraine)		49	49
ELSAG EASTERN EUROPE SRL (IN LIQ.)	Bucharest (Romania)		100	100
ENERGECO GAS ITALIA SRL	Brindisi		20.99	20.99
EURISS NV	Leiden (the Netherlands)		25	8.25
EUROFIGHTER AIRCRAFT MANAGEMENT GMBH	Hallbergmoos (Germany)		21	21
EUROFIGHTER JAGDFLUGZEUG GMBH	Hallbergmoos (Germany)		21	21
EUROFIGHTER INTERN. LTD	London (U.K.)		21	21
EUROFIGHTER SIMULATION SYSTEMS GMBH	Unterhaching (Germany)		24	24
EUROMIDS SAS	Paris (France)		25	25
EUROPEA MICROFUSIONI AEROSPAZIALI SPA	Morra De Sanctis (Avellino)		49	49
EUROPEAN SATELLITE NAVIGATION INDUSTRIES GMBH	Ottobrunn (Germany)	18.939	18.94	25.1892
EUROSATELLITE FRANCE SA	France		99.76	32.92
EURO PATROL AIRCRAFT GMBH	Munich (Germany)		50	50
EUROSYSNAV SAS	Paris (France)	50		50
FATA DTS SPA	Pianezza (Turin)		100	100
FATA HUNTER INDIA PVT LTD	New Dehli (India)		100	100
FEDER PETROLI GREEN ENERGY S.R.L.	Rome		20	20
FINMECCANICA NORTH AMERICA INC.	Dover, Delaware (USA)		100	100
FINMECCANICA UK LTD	London (U.K.)		100	100
GALILEO INDUSTRIES SA	Brussels (Belgium)	18.939	18.94	25.1892
GROUPEMENT IMMOBILIER AERONAUTIQUE G.I.A. S.A.	Blagnac (France)		20	20
GRUPO AURENSIS S.A. DE C.V.	Bosque de Duraznos (Mexico)		100	67
HR GEST SPA	Genoa		30	30
IAMCO SCRL	Mestre (Venice)		20	20
ICARUS SCPA	Turin		49	49
IMMOBILIARE CASCINA SRL	Gallarate (Varese)		100	100
IMMOBILIARE FONTEVERDE SRL	Rome		60	48
INDRA ESPACIO SA	France		49	16.17
INTERNATIONAL LAND SYSTEMS INC.	Wilmington, Delaware (USA)		28.365	19.005
INTERNATIONAL METRO SERVICE S.R.L.	Milan		49	19.63
IRIDIUM ITALIA SPA (IN LIQ.)	Rome		35	35
I.M. INTERMETRO SPA	Rome		33.332	23.343
IVECO FIAT - OTO MELARA SCRL	Rome		50	50
JIANGXI CHANGE AGUSTA HELICOPTER CO. LTD	Zone Jiangxi Province (China)		40	40
LIBYAN ITALIAN ADVANCED TECHNOLOGY CO	Tripoli (Lybia)	25	25	50
MACCHI HUREL DUBOIS S.A.S.	Meudon La Foret (France)		50	49.99
MEDESSAT SAS	Toulouse (France)		28.801	19.296
METRO 5 SPA	Milan		31.9	17.156
MUSI NET ENGINEERING SPA	Turin		49	49
NAHUELSAT S.A.	Buenos Aires (Argentina)	33.332		33.33
NGL PRIME SPA	Turin		30	30
N.H. INDUSTRIES SARL	Aix en Provence (France)		32	32
NICCO COMMUNICATIONS SAS	Colombes (France)		50	50

### List of companies consolidated using the equity method (continued)

Company Name	Registered Office	% owned by the		% owned by the Group
		Directly	Indirectly	
NNS – SOC. DE SERV. POUR REACTEUR RAPIDE S.N.C.	Lyon (France)		40	40
ORIZZONTE – SISTEMI NAVALI SPA	Genoa	49		49
OTE M	Moscow (Russia)		100	100
PEGASO SCRL	Rome	46.87		18.748
POLARIS SRL	Genoa		50	50
PT DAYALISTRIK PRATAMA (IN LIQ.)	Jakarta (Indonesia)		45	45
QUADRICS INC (IN LIQ.)	New Castle, Delaware (USA)		100	100
ROXEL SAS	Le Plessis Robinson (France)		50	12.5
SAN GIORGIO SA (IN LIQ.)	Paris (France)		99.969	99.969
SAPHIRE INTERNAT. ATC ENGINEERING CO. LTD	Beijing (China)		65	65
SATELLITE TERMINAL ACCESS SA (IN LIQ.)	France		21.19	6.993
SCUOLA ICT SRL	L'Aquila	20		20
SELEX PENSION SCHEME (TRUSTEE) LTD	Basildon (UK)		100	100
SELEX SENSORS AND AIRBORNE SYSTEMS ELECTRO OPTICS (OVERSEAS) LTD	Basildon, Essex (U.K.)		100	100
SELEX SENSORS AND AIRBORNE SYSTEMS (PROJECTS) LTD	Basildon, Essex (U.K.)		100	100
SELEX SENSORS AND AIRBORNE SYSTEMS INFRARED LTD	Basildon, Essex (U.K.)		100	100
SELEX SISTEMI INTEGRATI DE VENEZUELA S.A.	Caracas (Venezuela)		100	100
SERVICIOS TECNICOS Y ESPECIALIZADOS DE INFORM. S.A. DE C.V.	Bosque de Duraznos (Mexico)		100	67
SEVERNYJ AVTOBUZ Z.A.O.	St. Petersburg (Russia)		35	35
SISTEMI DINAMICI SPA	S. Piero a Grado (Pisa)		40	40
SOGELI – SOCIETA' DI GESTIONE DI LIQ. SPA	Rome		100	100
SOSTAR GMBH (IN LIQ.)	Immerstad (Germany)		28.2	28.2
TELBIOS SPA	Milan		32.86	22.02
TELESPAZIO NETHERLAND BV	Enschede (the Netherlands)		100	67
THOMASSEN SERVICE AUSTRALIA PTY LTD	Canning Vale (Australia)		100	100
TRADE FATA B.V.	Rotterdam (the Netherlands)		100	100
TRIMPROBE SPA (IN LIQ.)	Rome	100		100
TURBOENERGY SRL	Cento (Ferrara)		25	25
WESTLAND INDUSTRIAL PRODUCTS LTD	Yeovil, Somerset (U.K.)		100	100
WITG L.P. INC.	Dover, Delaware (USA)		24	21.22
WITG L.P. LTD	Dover, Delaware (USA)		20	17.68
WORLD'S WING SA	Geneva (Switzerland)		100	100
XAIT SRL	Ariccia (Rome)		100	100
ZAO ARTETRA	Moscow (Russian Federation)		51	51

### List of companies valued at fair value

Company Name	Registered Office	% owned by the Group		% owned by the Group
		Directly	Indirectly	
BCV INVESTMENTS S.C.A.	Luxembourg		15	15
BCV MANAGEMENT S.A.	Luxembourg		14.999	14.999
STMICROELECTRONICS HOLDING NV (*)	Amsterdam (the Netherlands)	20		20

(\*) Valutata come "attività disponibile per la vendita"

### List of subsidiaries and associates valued at cost

Company Name	Registered Office	% owned by the Group		% owned by the Group
		Directly	Indirectly	
ALENIA NORTH AMERICA DEFENSE LLC	Wilmington, Delaware (USA)		100	88.409
CCRT SISTEMI SPA (IN FALL.)	Milan		30.34	30.34
DRAGON MERGER SUB INC.	Wilmington, Delaware (USA)	100		100
FOSCAN SRL (IN FALL.)	Anagni (Frosinone)		20	20
IND.AER.E MECC.R.PIAGGIO SPA(AMM.STR.)	Genoa	30.982		30.982
SESM - SOLUZIONI EVOLUTE PER LA SISTEMISTICA E I MODELLI - S.C.R.L.	Giugliano in Campania (Naples)		100	100
SAITECH SPA (IN FALL.)	Passignano (Perugia)		40	40
UNION SWITCH & SIGNAL (CHILE) LTDA	Santiago (Chile)		68	27.244
U.V.T. SPA (IN FALL.)	San Giorgio Jonico (Taranto)		50.614	50.614
U.V.T. ARGENTINA S.A.	Buenos Aires (Argentina)		60	30.368

For ease of understanding and comparability, below are the main changes in the scope of consolidation:

- the group Vega Group, which was purchased in 2007, was fully consolidated since that date on a line-by-line basis;
- Global Military Aircraft LLC, previously consolidated proportionally (50%) through the 2007 financial statements, has been consolidated on a line-by-line basis since 1 January 2008;
- Selex Sensors and Airborne Systems Inc., previously consolidated using the equity method through the 2007 financial statements, is now consolidated on a line-by-line basis;
- Oto Melara North America Inc, which was previously consolidated using the equity method, has been fully consolidated on a line-by-line basis since 1 January 2008;
- Wing Ned B.V., which was incorporated on 11 July 2007, has been fully consolidated on a line-by-line basis since that date;
- Superjet International S.p.A., which was incorporated on 1 August 2007 and was previously consolidated using the proportional method (51%), has been fully consolidated on a line-by-line basis since 1 January 2008;
- ABS Technology S.p.A., which was purchased on 27 December 2007, has been fully consolidated on a line-by-line basis since 1 January 2008;
- Thomassen Service Gulf LLC, which was previously consolidated using the equity method, has been fully consolidated on a line-by-line basis since 1 January 2008;
- AgustaWestland Malaysia SDH BHD, which was incorporated on 14 August 2007, has been fully consolidated on a line-by-line basis since its incorporation;
- the BayemChernie group, which was acquired by MBDA SAS in August 2007, was consolidated on a line-by-line basis (25%) since the acquisition date;

- Trimprobe S.p.A. which was fully consolidated on a line-by-line basis until the financial statements 2007, following the initiation of the liquidation process has been consolidated using the equity method since 1 January 2008;
- Fata DTS, following the initiation of the liquidation process, has been consolidated using the equity method since 1 January 2008;
- Aurensis S.L., acquired by Telespazio S.p.A. on 1 April 2008, has been consolidated on a proportional basis (67%) from that date.

## 7. SIGNIFICANT CHANGES IN THE EXCHANGE RATES APPLIED

Always with reference to data comparability, the first six months of 2008 have been marked by changes in the euro against the main currencies of interest for the Group. Specifically, the currency exchange rates at 30 June 2008 and the average exchange rates for the period showed, for the main currencies, these changes from 2007: final exchange rates for the period (euro/US dollar + 7.09% and euro/sterling pound + 8.03%); average exchange rates for the period (euro/US dollar + 15.16% and euro/sterling pound + 14.91%).

Below are the exchange rates adopted for the currencies that are most significant for the Group:

	At 30 June 2008		At 31 December 2007	At 30 June 2007	
	average exchange rate for the period	closing exchange rate for the period	closing exchange rate for the year	average exchange rate for the period	closing exchange rate for the period
US Dollar	1.53088	1.57640	1.47210	1.32935	1.35050
Pound Sterling	0.77527	0.79225	0.73335	0.67466	0.67400

## 8. SEGMENT INFORMATION

### Primary basis

The Group operates in a variety of industry segments: helicopters, defence and security electronics, aeronautics, space, defence systems, energy, transportation and other activities.

For a more detailed analysis of the main programmes, outlooks and operating indicators for each segment, see the Report on Operations. The results for each segment at 30 June 2008, as compared with those of the same period of the previous year, are as follows:

#### 30 June 2008

	Helicopters	Defence and Security Electronics	Aero-nautics	Space	Defence Systems	Energy	Transportation	Other activities	Eliminations	Total
Revenue from external customers	1,425	1,347	738	441	441	512	756	143		5,803
Revenue from other segments	44	281	324	10	72		57	30	(188)	630
Result before tax and finance income and costs	154	84	70	15	36	37	49	(70)		375
Finance income and costs - net										-
Share of result of associates		1	6	1	1			1		10
Tax expense										(88)
Profit (loss) from discontinued operations										-
Profit for the period										297
Group share of net result										278
Minority share										19
Investments	57	88	268	16	25	21	15	5		495

#### 30 June 2007

	Helicopters	Defence and Security Electronics	Aero-nautics	Space	Defence Systems	Energy	Transportation	Other activities	Eliminations	Total
Revenue from external customers	1,472	1,357	674	359	424	476	707	92		5,560
Revenue from other segments	6	250	279	18	73	2	18	43	(170)	519
Result before tax and finance income and costs	150	85	68	13	24	31	17	(60)		328
Finance income and costs net										(66)
Share of result of associates		1	8		(1)			(1)		7
Tax expense										(92)
Profit (loss) from discontinued operations										-
Profit for the period										177
Group share of net result										159
Minority share										18
Investments	75	102	388	13	24	9	10	10		631



The assets and liabilities attributable to the segments at 30 June 2008 and at 31 December 2007 are as follows:

<i>30 June 2008</i>										
	Helicopters	Defence and Security Electronics	Aero-nautics	Space	Defence Systems	Energy	Transportation	Other activities	Eliminations	Total
Assets	5,837	6,541	5,066	1,179	2,393	1,338	1,913	4,231	(4,588)	23,910
Liabilities	3,738	4,048	4,702	678	1,673	1,282	1,684	5,701	(4,730)	18,776

<i>31 December 2007</i>										
	Helicopters	Defence and Security Electronics	Aero-nautics	Space	Defence Systems	Energy	Transportation	Other activities	Eliminations	Total
Assets	5,394	6,827	5,129	1,049	2,444	1,269	1,866	4,360	(4,290)	24,048
Liabilities	3,151	3,985	4,821	555	1,743	1,196	1,650	5,950	(4,435)	18,616

## 9. PURCHASE AND PERSONNEL COSTS

The break down of this item is as follows:

	<u><i>30 June 2008</i></u>	<u><i>30 June 2007</i></u>
Costs of raw materials and consumables	2,363	2,366
Cost of services	2,019	1,774
Personnel costs	1,911	1,821
<i>Wages and salaries</i>	<i>1,778</i>	<i>1,671</i>
<i>Costs of stock grant plans</i>	<i>13</i>	<i>19</i>
<i>Costs of defined-benefit plans</i>	<i>28</i>	<i>72</i>
<i>Costs of defined-contribution plans</i>	<i>55</i>	<i>20</i>
<i>Reorganisation costs</i>	<i>9</i>	<i>8</i>
<i>Other personnel costs</i>	<i>28</i>	<i>31</i>
Changes in inventories of work in progress, semi-finished and finished goods	(155)	(37)
Work performed by the Group and capitalised	(349)	(410)
<b>Total purchase, and personnel costs</b>	<b><u>5,789</u></b>	<b><u>5,514</u></b>

With regard to personnel, the average workforce increased from 58,301 in the first half of 2007 to 60,641 for the same period of 2008. The net increase was particularly significant in the Group's foreign operations, largely attributable to the acquisition of

the Vega Group (791 average workforce in the first six-months of 2008) and to the positive turnover in certain sectors, including through the use of new contractual forms, such as Helicopters, Energy, Space and Aeronautics. The total workforce at 30 June 2008 came to 61,909 compared with 60,748 at 31 December 2007. The net change in “personnel costs” (€nil. 1,911 at 30 June 2008 compared with €nil. 1,821 for the same period of 2007) largely reflects the increase in the workforce.

It should be noted that the changes in the “costs of defined-benefits plans” and the “costs of defined-contribution plans” are the result of the reform of the national severance pay system (Section 23).

“Costs for services” includes, among other things, the costs for the acquisition of satellite capacity for the JV Telespazio joint venture (offset by revenues from sales) amounting to €nil. 38 (€nil. 37 at 20 June 2007), the costs of leasing airplanes for GIE ATR (€nil. 4 compared with €nil. 5 at 30 June 2007) and the costs of rents, operating leases and rental fees (€nil. 81 compared with €nil. 75 at 30 June 2007).

## 10. AMORTISATION, DEPRECIATION AND IMPAIRMENT

	<u>30 June 2008</u>	<u>30 June 2007</u>
Amortisation	74	71
<i>Development costs (Section 14)</i>	<i>12</i>	<i>14</i>
<i>Non-recurring costs (Section 14)</i>	<i>17</i>	<i>18</i>
<i>Intangible assets acquired through a business combination</i>	<i>11</i>	<i>12</i>
<i>Other</i>	<i>34</i>	<i>27</i>
Depreciation	142	145
Impairment of receivables	4	16
<b>Total amortisation, depreciation and impairment</b>	<b><u>220</u></b>	<b><u>232</u></b>

## 11. OTHER OPERATING INCOME (COSTS)

These regard:

	<i>30 June 2008</i>		<i>30 June 2007</i>	
	Income	Costs	Income	Costs
Grants for research and development costs and training	19	-	20	-
Exchange rate difference on operating items	117	(125)	58	(53)
Indirect taxes	-	(20)	-	(20)
Gains/(losses) on sales of assets	-	-	7	(4)
Insurance reimbursements	14	-	5	-
Reversal of impairment of receivables	3	-	8	-
Gains/(losses) on operating receivables	-	(5)	-	(2)
Restructuring costs	-	(5)	9	(12)
Reversals of/(Accruals to) provisions for risks	47	(44)	45	(68)
Other operating income (costs)	17	(36)	72	(36)
<b>Total</b>	<b>217</b>	<b>(235)</b>	<b>224</b>	<b>(195)</b>

## 12. FINANCE INCOME (COSTS)

The breakdown of finance income and costs is as follows:

	<i>30 June 2008</i>			<i>30 June 2007</i>		
	Income	Costs	Net	Income	Costs	Net
Gain from sale of STM	56	-	56	-	-	-
Dividends	2	-	2	20	-	20
Gains on investments and securities	1	-	1	1	-	1
Discounting of receivables, liabilities and provisions	2	(5)	(3)	6	(3)	3
Interest income/expense	47	(101)	(54)	44	(87)	(43)
Commission income/expense (including commissions on non-recourse items)	-	(12)	(12)	-	(5)	(5)
Fair value adjustments through profit or loss	72	(23)	49	47	(36)	11
Premiums paid/received on forwards	8	(7)	1	11	(23)	(12)
Exchange rate differences	244	(244)	-	95	(96)	(1)
Value adjustments to equity investments	2	(9)	(7)	-	(12)	(12)
Interest cost on defined-benefit plans (less expected returns on plan assets)	-	(11)	(11)	-	(15)	(15)
Other finance income and costs	13	(23)	(10)	6	(10)	(4)
<b>Total</b>	<b>447</b>	<b>(435)</b>	<b>12</b>	<b>230</b>	<b>(287)</b>	<b>(57)</b>

Finance income and costs were positive in the amount of €nil. 12 for the period (negative in the amount of €nil. 57 for the first half of 2007). A comparison with the first half of 2007 is strongly affected by the capital gain from the sale of roughly 26 millions share of STM for €nil. 56 (Section 5).

“Interest” includes the Group cash flow operations, including received/paid on interest rate hedges (IRS).

Net income from measurement of fair value through profit or loss is as follows:

	<i>30 June 2008</i>			<i>30 June 2007</i>		
	<b>Income</b>	<b>Costs</b>	<b>Net</b>	<b>Income</b>	<b>Costs</b>	<b>Net</b>
Swaps	4	(4)	-	6	-	6
Forex options	-	(4)	(4)	5	(1)	4
Interest rate swaps	17	(9)	8	18	(23)	(5)
Options on STM	16	-	16	8	-	8
Ineffective component of hedging swap	33	(4)	29	6	(11)	(5)
Option embedded in the exchangeable bond	1	(1)	-	1	(1)	-
Other equity derivatives	1	(1)	-	3	-	3
	<u>72</u>	<u>(23)</u>	<u>49</u>	<u>47</u>	<u>(36)</u>	<u>11</u>

“Income from options on STM” relates to the decrease in the value of the underlying position. Additionally, further transactions were completed during the period involving 20 million shares of STM, generating income of €nil. 8, included among “other finance income”.

“Interest costs” includes the cost of interest deriving from the expected date of maturity of the defined-benefit plan liability drawing near, less the expected results on the financial assets of the plan. As described in more detail in Section 4, the comparative figures for 2007 were adjusted to reflect the effects of the different recognition of these costs starting from the consolidated financial statements at 31 December 2007.

### 13. INCOME TAXES

Income tax expense as reported in the income statement can be broken down as follows:

	<u>30 June 2008</u>	<u>30 June 2007</u>
Corporate income tax (IRES)	87	96
Regional tax on productive activities (IRAP)	50	59
Benefit under consolidated tax mechanism	(72)	(79)
Other income taxes	58	36
Provisions for tax disputes	1	2
Deferred tax liabilities (assets)- net	(36)	(22)
	<u>88</u>	<u>92</u>

“Other income taxes” include €nil. 29 for the tax which, under the 2008 Finance Act, discharges the temporary differences deducted in past periods.

### 14. INTANGIBLE ASSETS

Intangible assets break down as follows:

	<u>30 June 2008</u>	<u>31 December 2007</u>
Goodwill	3,408	3,434
Development costs	407	332
Non-recurring costs	785	684
Patents and similar rights	6	6
Concessions, licenses and trademarks	91	93
Other	672	717
<b>Total intangible assets</b>	<u>5,369</u>	<u>5,266</u>

More specifically, the most significant changes involved the following:

- goodwill fell by €nil. 26 due to translation differences generated by shares of goodwill relating to assets denominated in pound sterling, only partially offset by the acquisition of Aurensis S.L. in the Space division (€nil. 3) and the remaining stake in the Vega Group (€nil. 65) and Sirio Panel S.p.A. (€nil. 8);

- amortisation came to €mil. 74 (Section 10). No impairment was recognised during the period.
- total investments amounted to €mil. 253, broken down thusly:

	<u>30 June 2008</u>	<u>30 June 2007</u>
Development costs	85	74
Non-recurring costs	135	223
Patents and similar rights	1	1
Concessions, licenses and trademarks	5	6
Other	27	26
<b>Total intangible assets</b>	<u>253</u>	<u>330</u>

Additionally, there are commitments to purchase intangible assets amounting to €mil. 78.

## 15. PROPERTY, PLANT AND EQUIPMENT

	<u>30 June 2008</u>	<u>31 December 2007</u>
Land and buildings	962	987
Plant and machinery	470	478
Equipment	564	539
Other	898	851
<b>Total property, plant and equipment</b>	<u>2,894</u>	<u>2,855</u>

More specifically, the most significant changes related to:

- depreciation amounting to €mil. 142 (Section 10). No impairment was recognised during the period.
- total investments came to €mil. 242, broken down as follows:

	<u>30 June 2008</u>	<u>30 June 2007</u>
Land and buildings	4	15
Plant and machinery	23	34
Equipment	67	210
Other	148	42
<b>Total property, plant and equipment</b>	<u>242</u>	<u>301</u>

Property, plant and equipment includes €mil. 27 (€mil. 28 at 31 December 2007) of assets held under contracts that can be qualified as finance leases. “Other” includes helicopters for €mil. 17 owned by the AgustaWestland group (9 at 31 December 2007) and aircraft owned by the GIE ATR group, as well as aircraft that did not meet the requirements, in terms of the substantial transfer of the risks of ownership, for recognition of the operation, despite the fact that sales contracts have been concluded with external customers for €mil. 149 (€mil. 169 at 31 December 2007).

Additionally, there are commitments to purchase property, plant and equipment amounting to €mil. 17 (€mil. 135 at 31 December 2007).

## **16. BUSINESS COMBINATIONS**

The following summarises the business combinations that took place during the periods presented. With regard to the first half of 2008, Group net cash outlays totalled €mil. 78 (€mil. 416 in the corresponding period of 2007).

### *Acquisition of Aurensis S.L.*

On 1 April, the Telespazio joint venture (consolidated proportionally at 67%) purchased 100% of Aurensis S.L., a Spanish company specialising in technologies for territorial applications as well as aerial, satellite and earth observation services.

This operation resulted in the recognition of goodwill amounting €mil. 3 with the following effects on the Group’s balance sheet:

Cash and cash equivalents	-
Receivables	1
Inventories and contract work in progress	1
Other liabilities	(1)
Net assets acquired	<u>1</u>
Price paid	4
Transactions costs	-
Total cost of the acquisition	<u>4</u>
Goodwill resulting from the acquisition	3
Cash acquired	-
Net cash outlays	4

#### *Transactions with minority shareholders*

In the first half of 2008, the Group entered into transactions with minority shareholders. In this regard, it should be noted that IFRS 3 applies solely to transactions that involve the acquisition of control by the acquiring entity over the assets of the acquired company. Therefore, acquisitions of additional shares after control has already been achieved are not specifically governed by the IFRSs. Under the current doctrine, these transactions may be recognised as equity transactions (with the difference between the acquisition cost and the carrying value of the minority stakes acquired being directly attributed to the Group's shareholders' equity) or, in accordance with the parent company approach (which treats minority shareholders as third parties), allocating the difference between the acquisition cost and the carrying value of the minority stakes acquired to goodwill.

Consistent with its approach to the sale of shares that do not lead to the loss of control, the Group treats such transactions using the "parent company approach", which presently complies with the current version of IAS 27, recognising the difference as goodwill.

The details of these transactions are as follows:

- *Vega Group*. On 29 November 2007 Finmeccanica announced the launch of a Public Offer on the shares of the Vega Group Plc, a company listed on the London Stock Exchange, at a price per share of 280 pence, to be completed in the period 7 December 2007 - 28 December 2007, with an extension to 16 January 2008. On 30 November Finmeccanica performed the acquisition of 28.2% of Vega Plc, with a



total outlay of €mil. 23. In 2008, following the successful completion of the Public Offer, Finmeccanica began the squeeze-out process and delisting of the shares, bringing its total stake to 100% with a total outlay in 2008 of €mil. 62.

- *Sirio Panel*. In 2008, the Group, which already held 75% of Sirio Panel, purchased a further 18% stake for a price of €mil. 12. Based on the put & call options on the remaining 7% held by third parties, the Group has recognised the value of these rights among borrowings and consolidates the company without recognising any minority interests.

The total effects of these transactions on the performance and financial position of the Group were as follows:

	<u>Vega Group</u>	<u>Sirio Panel</u>	<u>Total</u>
Cash paid	61	12	73
Transactions costs	1	-	1
Deferred payments	-	4	4
	<u>62</u>	<u>16</u>	<u>78</u>
Minority interests acquired	<u>(3)</u>	<u>8</u>	<u>5</u>
Goodwill resulting from the acquisition	<u>65</u>	<u>8</u>	<u>73</u>

## 17. FINANCIAL ASSETS AT FAIR VALUE

The item relates to the indirectly-owned interest in STMicroelectronics (STM), amounting to 3.7% of the share capital, classified entirely as “assets available for sale”.

Below are the changes for the periods being compared:

	<u>2008</u>	<u>2007</u>
<i>1 January</i>	589	840
Purchases for the period	-	-
Disposals for the period	(257)	-
Fair value adjustment	(109)	(251)
<i>Period end</i>	<u>223</u>	<u>589</u>

The decrease in the fair value adjustment was offset by a specific equity reserve named “reserve for assets available for sale”. At 30 June 2008, this reserve was negative in the amount of €nil. 33 (including the translation reserve which was negative in the amount of €nil. 9 relating to prior years) due to the tensions reported in the financial markets in June which pushed the value of the stock below the carrying value from the second half of the month. The strategy for hedging the STM instrument is designed to limit the negative effects of a partial depreciation of the security. The Group, on the contrary, is exposed in the event the coverage limits are exceeded.

## 18. OTHER NON-CURRENT ASSETS

	<i>30 June 2008</i>	<i>31 December 2007</i>
	<hr/>	<hr/>
Third-party financing	50	39
Security deposits	19	19
Receivables for finance leases	7	10
Deferred receivables under Law 808/85	59	51
Other	31	39
<b>Non-current receivables</b>	<hr/> <b>166</b> <hr/>	<hr/> <b>158</b> <hr/>
Investment properties	1	1
Equity investments	157	148
Non-recurring costs awaiting interventions under Law 808/1985	440	362
Other non-current assets	4	5
<b>Non-current assets</b>	<hr/> <b>602</b> <hr/>	<hr/> <b>516</b> <hr/>
<b>Total other non-current assets</b>	<hr/> <b>768</b> <hr/> <hr/>	<hr/> <b>674</b> <hr/> <hr/>

Receivables for finance leases relate to transactions qualifying as finance leases made by GIE ATR where the Group is the lessor; in this case, the aircraft being the subject-matter of the lease contract is removed from assets and replaced by a receivable, and the relevant finance income is recognised progressively over the term of the contract at the effective interest rate applicable to the lease contract.

The item “deferred receivables under Law 808/85” includes the receivables from the Ministry of Economic Development relating to the current value of the interventions pursuant to Law 808/85 in national security and similar projects for which collections were deferred. The portion for which collection is expected within 12 months (€nil. 21, compared with €nil. 39 at 31 December 2007) is classified among other current assets (Section 21). Non-recurring costs awaiting interventions under Law 808 include the portion of non-recurring costs paid on programmes that benefit from the provisions of Law 808/1985, are classified as being functional to national security, and whose expenses have not been assessed yet by the issuer. After the legal requirements for the recognition of the receivable from the Ministry are fulfilled, the recognised amount is reclassified as a receivable (current or non-current, based on the expected payment plan). The amount shown is calculated based on an estimate made by management that reflects the reasonable probability that funds are received and the effects of time value in the case of deferment over more than one year of the granting of funds.

## 19. TRADE RECEIVABLES

	<i>30 June 2008</i>	<i>31 December 2007</i>
	<hr/>	<hr/>
Receivables	4,066	4,037
Impairment	(168)	(169)
	<hr/>	<hr/>
	3,898	3,868
	<hr/>	<hr/>
Work in progress (gross)	8,227	6,426
Advances from customers	(4,407)	(3,199)
	<hr/>	<hr/>
Work in progress (net)	3,820	3,227
	<hr/>	<hr/>
<b>Total trade receivables</b>	<b>7,718</b>	<b>7,095</b>
	<hr/> <hr/>	<hr/> <hr/>

## 20. DERIVATIVES

The table below provides a breakdown of the equity items related to derivative instruments:

	<i>30 June 2008</i>		<i>31 December 2007</i>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
Forward forex instruments	124	90	115	80
Forex options	-	7	-	3
Interest rate swaps	9	21	3	25
Options on STM	35	-	43	-
Exchangeable bond option	-	-	1	1
	<u>168</u>	<u>118</u>	<u>162</u>	<u>109</u>

Interest rate swaps totalled €mil. 930 (notional amount) and hedge medium/long-term financial transactions in the amount of €mil. 1,798 (nominal amount).

At 30 June 2008 the Group held 33.7 million shares of STMicroelectronics NV (“STM”), classified as “available for sale”, with a fair value of €mil. 223 (Section 17). In the last few years the Group has had derivatives to hedge most of its portfolio against the risk of fluctuations in the market price of the STM shares. These hedges are classified as trading operations and therefore the fair value is recognised in the income statement (Section 12). At 30 June 2008, the Group held options on 30 million STM shares.

The table below provides the fair values of the different derivative instruments:

		<u>Fair Value at 30 June 2008</u>	<u>Fair Value at 31 December 2007</u>
<b>Assets</b>			
Interest rate swap			
	<i>Trading</i>	7	2
	<i>Fair value hedge</i>	-	-
	<i>Cash flow hedge</i>	2	1
Currency forward/swap/option			
	<i>Trading</i>	-	-
	<i>Fair value hedge</i>	-	-
	<i>Cash flow hedge</i>	124	115
Equity instruments (trading)		35	43
Embedded derivatives (trading)		-	1
<b>Liabilities</b>			
Interest rate swaps			
	<i>Trading</i>	20	23
	<i>Fair value hedge</i>	-	-
	<i>Cash flow hedge</i>	1	2
Currency forward/swap/option			
	<i>Trading</i>	7	3
	<i>Fair value hedge</i>	-	-
	<i>Cash flow hedge</i>	90	80
Equity instruments (trading)		-	-
Embedded derivatives (trading)		-	1

## 21. OTHER CURRENT ASSETS

	<u>30 June 2008</u>	<u>31 December 2007</u>
Income tax receivables	269	277
Assets available for sale	33	13
Other current assets:	624	594
<i>Accrued income - current portion</i>	75	82
<i>Receivables for contributions</i>	62	69
<i>Receivables from employees and social security</i>	41	40
<i>Indirect tax receivables</i>	215	161
<i>Deferred receivables under Law 808/85</i>	21	39
<i>Other assets</i>	210	203
<b>Total other current assets</b>	<u>926</u>	<u>884</u>

Income tax receivables include IRPEG (corporate income tax) receivables of €mil. 106 assigned without recourse maintained as Group assets, even though they have been sold to third parties, because this transaction does not meet the requirements of IAS 39 on

derecognition. A financial payable of the same amount is recognised against these tax receivables.

The item “deferred receivables under Law 808/85” includes the receivables from the Ministry for Economic Development relating to interventions pursuant to Law 808/85 in national security and similar projects for which collection is expected within 12 months. Portions with later collection dates are classified among other non-current assets (Section 18).

## 22. SHAREHOLDERS' EQUITY

### *Share capital*

	<b>Number of ordinary shares</b>	<b>Par value €mil.</b>	<b>Treasury shares €mil.</b>	<b>Total €mil.</b>
Outstanding shares	425,135,260	1,870	-	1,870
Treasury shares	(343,777)	-	(6)	(6)
<i>31 December 2007</i>	<u>424,791,483</u>	<u>1,870</u>	<u>(6)</u>	<u>1,864</u>
Shares subscribed during the period	83,045		-	-
Repurchase of treasury shares, less shares sold	(250,000)	-	(4)	(4)
<i>30 June 2008</i>	<u>424,624,528</u>	<u>1,870</u>	<u>(10)</u>	<u>1,860</u>
<i>broken down as follows:</i>				
Outstanding shares	425,218,305	1,870	-	1,870
Treasury shares	(593,777)	-	(10)	(10)
	<u>424,624,528</u>	<u>1,870</u>	<u>(10)</u>	<u>1,860</u>

The Parent Company's share capital fully subscribed and paid-up is divided into 425,218,305 ordinary shares with a par value of €4.40 each, including 593,777 treasury shares.

At 30 June 2008 the Ministry for the Economy and Finance held about 33.718%, Fidelity International Ltd held 2.127%, the New Perspective Fund Inc. held 2.120% and Barclays Global Investors UK Holding Ltd held 2.014% of the shares.

### Other reserves and minority interests

	Retained earnings and consolidation reserve	Reserve for assets available for sale	Cash-flow hedge reserve	Reserve for stock-option and stock-grant plans	Reserve for actuarial profits (losses) posted to shareholders' equity	Translation reserve	Total other Group reserves	Minority interests
<i>1 January 2007</i>	2,933	372	58	20	(37)	35	3,381	81
Dividends paid	(149)						(149)	(2)
Capital increases	5						5	-
Total income and costs	159	14	6		111	(11)	279	18
Stock option/grant plans:								
- value of services rendered				15			15	1
Other changes	(4)						(4)	(3)
<i>30 June 2007</i>	2,944	386	64	35	74	24	3,527	95
<i>1 January 2008</i>	3,224	121	71	32	167	(150)	3,465	103
Dividends paid	(174)						(174)	(13)
Capital increases	1						1	
Total income and costs	278	(162)	(16)		(76)	(161)	(137)	15
Stock option/grant plans:								
- value of services rendered				10			10	1
Other changes	3	8				(8)	3	-
<i>30 June 2008</i>	3,332	(33)	55	42	91	(319)	3,168	106

### 23. EMPLOYEE LIABILITIES

	<i>30 June 2008</i>	<i>31 December 2007</i>
Severance obligations	677	736
Defined-benefit retirement plans	236	152
Share of joint venture pension obligation	37	41
Defined-contribution plans	23	17
	973	946

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

	<i>30 June 2008</i>	<i>31 December 2007</i>	<i>31 December 2006</i>	<i>31 December 2005</i>	<i>31 December 2004</i>
Present value of obligations	1,054	1,038	1,126	1,025	709
Fair value of the plan's assets	(818)	(886)	(796)	(641)	(474)
Plan excess (deficit)	<u>(236)</u>	<u>(152)</u>	<u>(330)</u>	<u>(384)</u>	<u>(235)</u>

Total net deficit mainly relates to the AgustaWestland plan (€nil. 133) and the Selex Sensors and Airborne Systems Ltd plan (€nil. 24). The deficit increase is largely due to the decreased return on plan assets.

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

	<i>30 June 2008</i>	<i>30 June 2007</i>
Costs of current service	<u>28</u>	<u>72</u>
Costs recognised as "personnel costs"	<u>28</u>	<u>72</u>
Interest expense	41	44
Expected return on plan assets	(30)	(29)
Costs recognised as "finance costs"	<u>11</u>	<u>15</u>
	<u><u>39</u></u>	<u><u>87</u></u>

The decrease in "costs of current service" is mainly due to the accounting effects of the changes to severance pay legislation made by the 2007 Finance Law. Up until the entry into force of the new law, the severance pay provision was treated as a defined-benefit plan, and the related allocations were included among the costs for current services related to defined-benefit plans. Due to the legislative changes, the severance pay provision (for companies with more than 50 employees) accrued subsequent to the date for the option is now treated as a defined-contribution plan. Therefore, the cost is now recognised in connection with these plans (Section 9). By contrast, the severance pay maintained with the company accrued up until the date for the option between the complementary funds or the INPS funds is recognised as a defined-benefit plan.



## 24. PROVISIONS FOR RISKS AND CHARGES

	<i>30 June 2008</i>		<i>31 December 2007</i>	
	<b>Non-current</b>	<b>Current</b>	<b>Non-current</b>	<b>Current</b>
Guarantees given	32	26	36	16
Restructuring	16	14	16	23
Penalties	43	23	34	20
Product guarantees	105	77	110	91
Other	133	340	157	395
	<b>329</b>	<b>480</b>	<b>353</b>	<b>545</b>

“Other provisions for risks and charges” came to a total of €mil. 473 (€mil. 552 at 31 December 2007) and specifically include:

- the provision for risks on the business of G.I.E./ATR in the amount of €mil. 68 (unchanged from 31 December 2007);
- the provision for risks and contractual charges in the amount of €mil. 56 (€mil. 74 at 31 December 2007) related, in particular, to business in the Defence and Security Electronics, Space, Defence Systems and Other Activities segments;
- the provision for risks on equity investments in the amount of €mil. 18 (€mil. 25 at 31 December 2007), which includes allocations for losses exceeding the carrying value of the equity investments, decreased mainly as a result of the exit of C.P.G. S.r.l. (in liquidation) from the Group;
- the provision for taxes in the amount of €mil. 48 (€mil. 49 at 31 December 2007);
- the provision for disputes with employees and former employees in the amount of €mil. 36 (€mil. 41 at 31 December 2007);
- the provision for pending litigation in the amount of €mil. 78 (€mil. 96 at 31 December 2007);

- other provisions in the amount of €nil. 169 (€nil. 199 at 31 December 2007).

With regard to the risk provisions, the Group's operations regard industries and markets where many disputes are settled only after a considerable period of time, especially in cases where the customer is a government entity.

In application of related accounting standards, provisions have been made for any obligations related to probable and quantifiable risks. Likewise, to the best of our knowledge, regarding other disputes against the Group, no specific allocation has been made since the Group reasonably believes that such disputes may be resolved satisfactorily and without any significant impact on the results.

The situations below, mentioned here for the purposes of full disclosure, underwent change as reported in the financial statements for 2007, to which the reader should refer for more information:

- with regard to the litigation commenced by Reid in 2001 against Finmeccanica and Alenia Spazio before the Court of Texas to object against alleged breaches by the former Finmeccanica-Space Division of agreements for the project for the implementation of the Gorizont satellite programme. The litigation had a favourable outcome, after more than five years, due to the lack of jurisdiction of the Court of Texas. On 11 May 2007, Reid served Finmeccanica and Alcatel Alenia Space Italia (now Thales Alenia Space Italia) with a Complaint commencing a new lawsuit before the Court of Chancery of Delaware.

In the new lawsuit, Reid makes the same claims for compensation that were demanded in the prior Texas lawsuit, without specifying an amount for the damage incurred.

On 29 June 2007 Finmeccanica filed a Motion to Dismiss objecting to the time-barring of and the statute of limitations on the action and the lack of jurisdiction of the Court of Delaware. On 27 March 2008, the Court denied the plaintiff's motion, finding the action to be time-barred. This decision has been challenged by the opposing party before the Supreme Court of Delaware.

- o the dispute initiated by Telespazio S.p.A against the Agenzia delle Entrate, Rome District 4 challenging a tax assessment regarding direct income taxation (IIDD) for the year 2000, which contained a demand for a total of about €mil. 30 consisting of additional taxes, penalties and interest. The notice of assessment, served on 27 November 2006, relates to a tax audit completed in 2001 in which the Tax Authority challenged the deductibility of the loss regarding receivables from a foreign company taken by Telespazio S.p.A. within the context of a non-recourse sale carried out following many fruitless attempts to recover these receivables. Specifically, the Tax Authority, deeming the actions undertaken by the Company to forcibly collect the receivables and therefore the evidence of the foreign debtor's solvency or lack thereof to be insufficient, found that the requirements of certainty and precision under the law were not met to allow the loss to be fully deducted, regardless of the fact that the loss was conclusively realised by Telespazio S.p.A. within the context of the non-recourse sale of the receivables arguing that sale per se guarantees certainty only of the legal loss of the receivable but not the financial loss. The case is currently pending before tax court of first instance and no provision has been made in the financial statements since, in the Company's opinion, it can prove that the transaction was accounted for properly. In February 2008 the Company received a request for the provisional payment of some €mil. 8.3 for additional tax accrued plus interest, as envisaged by the current provisions pending the sentence of the court of first instance. The Company requested and obtained suspension of this payment until November 2008. The hearing was held in May 2008 before the court of first instance and we are awaiting a decision;
- o the dispute initiated by Telespazio S.p.A. (TSP) against the Agenzia delle Entrate, Rome District 4 challenging a tax assessment for the purposes of direct income taxation (IIDD) and regional business taxation (IRAP) for the year 2001 containing an adjustment of about €mil. 9.7 in taxable income at the time the tax statement was prepared. Considering that the adjustment, for IIDD purposes, results in a reduction by an amount equal to the final tax loss in 2001 and that this loss was fully used by the Company in 2006, the total amount owed to the Tax Authority would be about €mil. 7 plus additional taxes, penalties and interest. The notice of assessment, served

on 27 November 2006, relates to a tax audit completed in 2003 in which the Tax Authority challenged Telespazio S.p.A.'s decision to reserve tax treatment until the completion of the Astrolink contract. Specifically, in November 2001, the customer Astrolink at its discretion terminated a long-term contract, triggering Telespazio's right to compensation under the contract equal to the costs (plus 20% and in any event "to be agreed" with the customer) that Telespazio would incur as a result of the early termination. Since it was not possible in 2001 to determine and agree upon the total amount of these costs (and the corresponding compensation revenues), the Company prudentially allocated €nil 48.5 in the 2001 financial statements to a provision for risks and charges, as it deemed that amount to not be tax deductible. The auditors, starting, instead, with the assumption that Telespazio could have calculated the amount of compensation due from the counterparty as early as 2001 since the costs that it would have incurred as a result of the early termination of the contract were determinable, challenged the failure to account for revenues in the amount of €nil. 58.2 and also gave full tax effect to the amount of €nil. 48.5 in the provision for risks and charges which Telespazio instead treated as fully taxed. As a result, the Tax Authority determined that Telespazio had €nil. 9.7 more in taxable income in 2001 for direct income taxation and regional business taxation purposes. No provision has been made in the financial statements since, in the Company's opinion, it can prove that the transaction was accounted for properly. The hearing was held in May 2008 before the court of first instance and we are awaiting a decision.

Beyond the merits, it should be pointed out that it is currently impossible to estimate the substantive costs to be borne by the Finmeccanica Group considering that the liability, if it should be found to exist, would be neutralised by the guarantees issued by Telecom Italia within the scope of the contract selling its shares of Telespazio in November 2002;

- the dispute initiated by So.Ge.Pa. S.p.A. against the Agenzia delle Entrate, Rome District 4 challenging a tax assessment regarding direct income taxation (IIDD) for the year 2001, which contained a demand for a total of about €nil. 18 consisting of additional taxes, penalties and interest. The tax claim, served on 27 December 2006,

traces back to a tax audit completed in 2004 against ALS S.p.A., a Finmeccanica Group company absorbed by So.Ge.Pa. in 2006, in which the tax inspectors - without including any formal comments - merely notified the tax office responsible for the assessment of possible violations in applying the regulations concerning the tax appraisal of work in progress inventories within the context of the long-term contract for the provision and launching of the Atlantic Bird1 satellite obtained in 2000. Specifically, the warning originates from the fact the company had, over the years, accounted for these inventories based on the percentage completed (calculated using the cost-to-cost method), thereby rendering the settlement and payments received over the medium-term upon the achievement of various milestones irrelevant since they are not, under the contract, final settlements and therefore recognising as revenues (and therefore taxable) the entire amount of the inventories only when ownership of the satellite was transferred in 2002 upon acceptance in orbit of the satellite by the customer as contractually agreed. By contrast, the tax inspectors asked the competent tax office to assess whether, in reality, under the contract, the various milestones could have been treated using the Work Status (WS) process, so as to include in the tax assessment of work-in-progress inventories the payments received based on the achievement of the WS objectives, regardless of the amounts recognised in the financial statements, on the assumption that the object of the contract could be divided into individual, “autonomous” lots for which each payment represents a final settlement of payments owed.

The tax officials, receiving the auditors’ report and without carrying out any further analysis of the matter although it involves a rather complex contractual relationship, issued the notice of assessment against the company. The case is currently pending before tax court of first instance and no provision has been made in the financial statements since, in the Company’s opinion, it can prove that the transaction was accounted for properly.

In April 2008, the Company received the request for the provisional payment of €mil. 5.2 for additional tax accrued plus interest, as envisaged by the current provisions pending the decision of the court of first instance, payment of which the Company did not request suspension since a hearing was held in May 2008 to argue

the case before the provincial tax commission; we are still awaiting the court's decision.

## 25. BORROWINGS

	<i>30 June 2008</i>	<i>31 December 2007</i>
	<hr/>	<hr/>
Bonds	1,771	1,758
Bank borrowings	785	282
Finance leases	19	20
Payable for non-recourse factoring	106	109
Other borrowings	355	655
<b>Total borrowings</b>	<hr/> <b>3,036</b> <hr/>	<hr/> <b>2,824</b> <hr/>
of which:		
current	1,378	1,149
non-current	1,658	1,675

“Other borrowings” fell significantly (€mil. 286) attributable largely to the payment of €mil. 297 (out of a total of €mil. 389) to the Ministry of Economic Development (MED) as a result of the decisions made concerning the methods for complying with the scheduled repayment plans and the corresponding finance costs related to programmes funded by Law 808/1985 (Section 5). The increase in bank borrowings is related to the use of lines of credit due to the cash flow for the period.

Below is the financial information required under CONSOB communication no. DEM/6064293 of 28 July 2006:

	<u>30.06.2008</u>	<u>31.12.2007</u>
Cash	(16)	(3)
Bank deposits	(298)	(1,604)
Securities held for trading	(33)	(13)
<b>LIQUIDITY</b>	<b>(347)</b>	<b>(1,620)</b>
<b>CURRENT FINANCIAL RECEIVABLES</b>	<b>(621)</b>	<b>(606)</b>
Current bank borrowings	666	133
Current portion of non-current borrowings	356	356
Other current borrowings	895	1,220
<b>CURRENT NET DEBT</b>	<b>1,917</b>	<b>1,709</b>
<b>CURRENT NET DEBT (CASH)</b>	<b>949</b>	<b>(517)</b>
Non-current bank borrowings	119	149
Bonds issued	1,419	1,407
Other non-current borrowings	120	119
<b>NON-CURRENT NET DEBT</b>	<b>1,658</b>	<b>1,675</b>
<b>NET DEBT</b>	<b>2,607</b>	<b>1,158</b>

## 26. TRADE PAYABLES

	<u>30 June 2008</u>	<u>31 December 2007</u>
Trade payables	3,854	3,923
Advances from customers (gross)	15,231	15,457
Work in progress	(8,598)	(8,980)
Advances from customers (net)	6,633	6,477
<b>Total trade payables</b>	<b>10,487</b>	<b>10,400</b>

## 27. OTHER LIABILITIES

	Non-current		Current	
	<i>30 June 2008</i>	<i>31 December 2007</i>	<i>30 June 2008</i>	<i>31 December 2007</i>
Employee obligations	51	50	428	333
Deferred income	52	89	115	100
Social security payable	3	3	268	294
Payable to Min. of Econ. Dev. Law 808/1985	290	288	8	8
Payable to Min. of Econ. Dev. for monopoly rights Law 808/1985	98	56	21	17
Other liabilities Law 808/1985	220	258	-	-
Indirect tax payables	-	-	143	192
Other payables	81	77	464	498
	<u>795</u>	<u>821</u>	<u>1,447</u>	<u>1,442</u>

The payables to the Ministry for Economic Development (MED) relate to the payables for royalties accrued pursuant to Law 808/1985 for “national security” and similar projects, in addition to payables for disbursements received from the Ministry for Economic Development supporting development of non-national security and similar programmes eligible for the incentives under Law 808/85. The payables are reimbursed on the basis of a scheduled repayment plan, without the incurral of finance costs.

The item “Other liabilities Law 808/1985” includes the difference between the subsidies received or to be received pursuant to Law 808/1985, relating to programmes qualifying as programmes “of European interest”, with regard to the share of the subsidised costs classified among non-recurring costs, as well as the differential between the monopoly rights charged for the programmes of national security and the effective payable accrued based on the established reimbursement ratio.

Other payables include:

- the amount of €nil. 44 (€nil. 48 at 31 December 2007) among non-current liabilities due to the “BAAC reorganisation”, which involved the acquisition of 100% of the construction and marketing rights for the AW 139 helicopter, of which 25% was previously owned by Bell Helicopters;



- the amount of €nil. 19 (€nil. 10 at 31 December 2007) due to EADS NV from GIE/ATR (consortium owned by Alenia Aeronautica S.p.A. and EADS NV);
- the amount of €nil. 37 (€nil. 32 at 31 December 2007) for customer deposits;
- the amount of €nil. 21 (€nil. 24 at 31 December 2007) in respect of contractual penalties;
- the amount of €nil. 24 (€nil. 36 at 31 December 2007) due to the repurchase of a G222 aircraft;
- commissions due in the amount of €nil. 24 (€nil. 35 at 31 December 2007);
- royalties due in the amount of €nil. 25 (€nil. 22 at 31 December 2007).

## 28. CASH FLOW FROM OPERATING ACTIVITIES

<b>Cash flow from operating activities</b>	<b><i>For the six months ended 30 June</i></b>	
	<b><i>2008</i></b>	<b><i>2007</i></b>
Net profit	297	177
Amortisation, depreciation and impairment	220	232
Effect of the measurement of equity investments using the equity method	(10)	(7)
Income taxes	88	92
Costs of pension and stock grant plans	41	91
Net finance income (costs)	-	66
Other non-monetary items	(1)	18
	<b>635</b>	<b>669</b>

The costs of pension and stock grant plans include the portion of costs relating to defined-benefit pension plans that is recognised as a personnel cost (the portion of costs relating to interest is carried among net finance costs) and those relating to the stock grant plan.

The changes in working capital, net of the effects of the acquisition and disposal of consolidated companies and translation differences, are as follows:

	<i>For the six months ended 30 June</i>	
	<i>2008</i>	<i>2007</i>
Inventories	(622)	(295)
Contract work in progress and advances received	(371)	(349)
Trade receivables and payables	(142)	(312)
<b>Changes in working capital</b>	<b>(1,135)</b>	<b>(956)</b>

## 29. EARNINGS PER SHARE

Earnings per share (EPS) are calculated as follows:

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

<i>Basic EPS</i>	<i>30 June 2008</i>	<i>30 June 2007</i>
Average number of shares for the period (in thousands)	424,806	424,328
Net result (not including minority interests) (€mil.)	278	159
Result of continuing operations (not including minority interests) (€mil.)	278	159
<i>Basic EPS</i>	0.655	0.375
<i>Basic EPS from continuing operations</i>	0.655	0.375

<i>Diluted EPS</i>	<i>30 June 2008</i>	<i>30 June 2007</i>
Average number of shares for the period (in thousands)	425,494	425,256
Adjusted result (not including minority interests) (€mil.)	278	159
Adjusted result of continuing operations (not including minority interests) (€mil.)	278	159
<i>Diluted EPS</i>	0.654	0.374
<i>Diluted EPS from continuing operations</i>	0.654	0.374

### 30. TRANSACTIONS WITH RELATED PARTIES

In general, commercial relations with related parties are carried out at arm's length, as is settlement of the interest-bearing receivables and payables when not governed by specific contractual conditions. The following table summarises the situation:

(millions of euros)

RECEIVABLES AT 30 JUNE 2008

	Non-current financial receivables	Other non-current receivables	Current financial receivables	Trade receivables	Other current receivables	Total
<b>Subsidiaries</b>						
Finmeccanica UK Ltd			5		1	6
Finmeccanica North America Inc.			3			3
Soluzioni Evolute per la Sistemistica e i Modelli S.c.a.r.l.			3			3
Trimprobe S.p.A. (in Liq.)			2			2
Ansaldo Argentina S.A.				1		1
Alifana due S.c.r.l.				1		1
Ansaldo Electric Drives S.p.A.			1			1
Other companies with unit amount lower than €mil. 1				1		1
<b>Associates</b>						
Eurofighter Jagdflugzeug GmbH				104		104
Orizzonte - Sistemi Navali S.p.A.				59		59
Iveco Fiat/Oto Melara S.c.a.r.l.				37		37
NH Industries S.a.r.l.				23		23
Abruzzo Engineering S.c.p.a.				20		20
Macchi Hurel Dubois SAS				9		9
Euromids SAS				9		9
Metro 5 S.p.A.				5		5
Eurosynav SAS				4		4
Nicco Communications SAS				4		4
Eurofighter Simulation System GmbH				3		3
HR Gest S.p.A.				3		3
Advanced Air Traffic Systems Sdn Bhd				2		2
Abu Dhabi Systems Integration LLC				2		2
Elettronica S.p.A.				1		1
Nahuelsat S.A.		2		1		3
I.M. Intermetro S.p.A.				1		1
Consorzio Start S.p.A.				1		1
Contact S.r.l.				1		1
Industrie Aeronautiche e Meccaniche Rinaldo Piaggio S.p.A. (Amm. Str.)				1		1
Other companies with unit amount lower than €mil. 1				1		1
<b>J.V.(*)</b>						
MBDA SAS				101		101
Thales Alenia Space SAS		5	5	28		38
GIE ATR					19	19
Aviation Training International Ltd		8	1			9
Superject International S.p.A.				3		3
Telespazio S.p.A.				1		1
Other companies with unit amount lower than €mil. 1			1			1

(millions of euros)  
**RECEIVABLES AT 30 JUNE 2008**

	<b>Non- urrent financial receivables</b>	<b>Other non- current receivables</b>	<b>Current financial receivables</b>	<b>Trade receivables</b>	<b>Other current receivables</b>	<b>Total</b>
<b><u>Consortiums (**)</u></b>						
Saturno				26		26
Trevi - Treno Veloce Italiano				13		13
C.I.S. DEG				8		8
Elmac				5		5
Filobus Vesuvio				3		3
S3LOG				2		2
Thamus			3			3
CREO - Centro Ricerche Elettroniche			2			2
Ferroviano Vesuviano				3		3
Ferroviano S.Giorgio Volla				1		1
R.E.S.-Raggruppamento Europeo per la Sicurezza				2		2
Telaer				1		1
Other consortiums with unit amount lower than €nil. 1				1	1	2
<b>Total</b>	<b>15</b>	<b>0</b>	<b>26</b>	<b>492</b>	<b>21</b>	<b>554</b>

(millions of euros)  
PAYABLES AT 30 JUNE 2008

	Non-current financial payables	Other non-current payables	Current financial payables	Trade payables	Other current payables	Total
<b><u>Subsidiaries</u></b>						
Finmeccanica UK Ltd				4		4
Alifana Due S.c.r.l.				3		3
Soluzioni Evolute per la Sistemistica e i Modelli S.c.a.r.l.				3		3
Finmeccanica North America Inc				2		2
Selex Sensors and Airborne Systems						
Electro Optics (overseas) Ltd				1		1
Other companies with unit amount lower than €nil. 1			1			1
<b><u>Associates</u></b>						
Iveco Fiat/Oto Melara S.c.a.r.l.					25	25
Eurosysnav SAS			13			13
Consorzio Start S.p.A.				11		11
Metro 5 S.p.A.					6	6
Eurofighter Jagdflugzeug GmbH				4		4
Pegaso S.c.r.l.				4		4
HR Gest S.p.A.				3		3
Abruzzo Engineering S.c.p.a.				2		2
Automation Integrated Solution				2		2
Bell Agusta Aerospace Company LLC				1		1
Contact S.r.l.				2		2
Libyan Italian Advanced Technology Company			1			1
NH Industries S.a.r.l.				1		1
Orizzonte - Sistemi Navali S.p.A.				1		1
Eurofighter International Ltd			1			1
Other companies with unit amount lower than €nil. 1				1		1
<b><u>J.V. (*)</u></b>						
MBDA SAS			497	11		508
Thales Alenia Space SAS			25	10		35
Telespazio S.p.A.			1	1		2
Other companies with unit amount lower than €nil. 1					1	1
<b><u>Consortiums (**)</u></b>						
R.E.S.-Raggruppamento Europeo per la Sicurezza				1		1
Thamus				1		1
Other consortiums with unit amount lower than €nil. 1				3		3
<b>Total</b>	<b>-</b>	<b>-</b>	<b>539</b>	<b>72</b>	<b>32</b>	<b>643</b>

(\*) Amounts refer to the portion not eliminated for consolidation

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

(millions of euros)  
**RECEIVABLES AT 31 DECEMBER  
2007**

	<b>Non- current financial receivables</b>	<b>Other non- current receivables</b>	<b>Current financial receivables</b>	<b>Trade receivables</b>	<b>Other current receivables</b>	<b>Total</b>
<b><u>Subsidiaries</u></b>						
Other companies with unit amount lower than €mil. 5			9	7	1	17
<b><u>Associates</u></b>						
Eurofighter Jagdflugzeug GmbH				108		108
Iveco Fiat/Oto Melara S.c.a.r.l.				33		33
Orizzonte - Sistemi Navali S.p.A.				29		29
Eurosynav SAS				8		8
Abruzzo Engineering S.c.p.a.				13		13
NH Industries S.a.r.l.				13		13
Macchi Hurel Dubois SAS				11		11
Metro 5 S.p.A.				7		7
Other companies with unit amount lower than €mil. 5	2			22	2	26
<b><u>J.V.(*)</u></b>						
MBDA SAS				87		87
Thales Alenia Space SAS				25		25
GIE ATR					10	10
Aviation Training International Ltd	9					9
Other companies with unit amount lower than €mil. 5			3	3	1	7
<b><u>Consortiums (**)</u></b>						
Saturno				42		42
Trevi - Treno Veloce Italiano				14		14
C.I.S. DEG				10		10
Elmac				6		6
Other consortiums with unit amount lower than €mil. 5			8	13	1	22
<b>Total</b>	<b>11</b>	<b>0</b>	<b>20</b>	<b>451</b>	<b>15</b>	<b>497</b>

(millions of euros)

PAYABLES AT 31 DECEMBER .2007

	Non-current financial payables	Other non-current payables	Current financial payables	Trade payables	Other current payables	Total
<b><u>Subsidiaries</u></b>						
Other companies with unit amount lower than €nil. 5				8	1	9
<b><u>Associates</u></b>						
Consorzio Start S.p.A.				16		16
Eurosynav SAS			13			13
Iveco Fiat/Oto Melara S.c.a.r.l.					6	6
Metro 5 S.p.A.					6	6
Other companies with unit amount lower than €nil. 5			3	21		24
<b><u>J.V. (*)</u></b>						
MBDA SAS			494	11		505
Telespazio S.p.A.			23			23
Thales Alenia Space SAS			24	9		33
Other companies with unit amount lower than €nil. 5			3	5		8
<b><u>Consortiums (**)</u></b>						
Trevi - Treno Veloce Italiano					12	12
Other consortiums with unit amount lower than €nil. 5				11		11
<b>Total</b>	<b>-</b>	<b>-</b>	<b>560</b>	<b>81</b>	<b>25</b>	<b>666</b>

(\*) Amounts refer to the portion not eliminated for consolidation

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

(millions of euros) 30 June 2008

	Revenue	Other operating income	Costs	Finance income	Finance costs
<b><u>Subsidiaries</u></b>					
Alifana Due S.c.r.l.	2		4		
Finmeccanica UK Ltd			3		
Finmeccanica North America Inc.			2		
Soluzioni Evolute per la Sistemistica e i Modelli S.c.a.r.l.			1		
<b><u>Associates</u></b>					
Eurofighter Jagdflugzeug GmbH	258				
Iveco Fiat/Oro Melara S.c.a.r.l.	58		1		2
NH Industries S.a.r.l.	44				
Orizzonti - Sistemi Navali S.p.A.	30				
Macchi Hurel Dubois SAS	14				
Euromids SAS	12				
Abruzzo Engineering S.c.p.a	12				
Eurofighter Simulation Systems GmbH	9				
Eurosynav SAS	8				
Metro 5 S.p.A.	2				
Abu Dhabi Systems Integration LLC	2				
Elettronica S.p.A.	1				
Nicco Communications S.a.S.	1				
Consorzio Start S.p.A.	1		4		
HR Gest S.p.A.	1		2		
Pegaso S.c.r.l			3		
Contact S.r.l.			1		
Advanced Air Traffic Syst. SDN BHD	1				
Other companies with unit amount lower than €nil. 1	4	1			
<b><u>J. V./(*).</u></b>					
GIE ATR	54		4		
MBDA SAS	40				10
Thales Alenia Space SAS	17		2		1
Telespazio S.p.A.	1				
Aviation Training International Ltd.				1	
Superjet International S.p.A.	1				
<b><u>Consortiums (**)</u></b>					
Saturno	49		2		
C.I.S.DEG	4		2		
S3LOG	1				
Ferroviano Vesuviano	1				
Ferroviano S.Giorgio Volla 2	1				
Other consortiums with unit amount lower than €nil. 1	1				
<b>Total</b>	<b>630</b>	<b>1</b>	<b>31</b>	<b>1</b>	<b>13</b>

(\*) Amounts refer to the portion not eliminated for consolidation

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

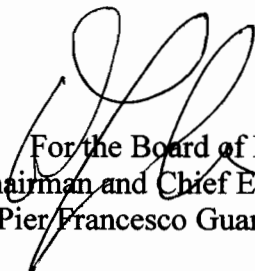


(millions of euros) 30 June 2007

	Revenue	Other operating income	Costs	Finance income	Finance costs
<b><u>Subsidiaries</u></b>					
Other companies with unit amount lower than €mil. 5	1		10		
<b><u>Associates</u></b>					
Eurofighter Jagdflugzeug GmbH	223				
Iveco Fiat/Oro Melara S.c.a.r.l.	52		1		2
Eurosynnav SAS	27				
Orizzonti - Sistemi Navali S.p.A.	21				
Macchi Hurel Dubois SAS	15				
Euromids SAS	8				
Eurofighter Simulation Systems GmbH	6				
NH Industries S.a.r.l.	5				
Consorzio Start S.p.A.			5		
Other companies with unit amount lower than €mil. 5	15	1	4		
<b><u>J. V./(*)</u></b>					
GIE ATR	44				
Thales Alenia Space SAS	20		5		
MBDA SAS	24				7
Other companies with unit amount lower than €mil. 5	2			1	1
<b><u>Consortiums (**)</u></b>					
Saturno	37		1		
CMS Italia	11		6		
Other consortiums with unit amount lower than €mil. 5	8	1	2		
<b>Total</b>	<b>519</b>	<b>2</b>	<b>34</b>	<b>1</b>	<b>10</b>

(\*) Amounts refer to the portion not eliminated for consolidation

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

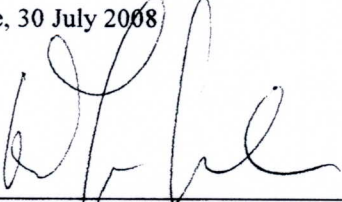
  
 For the Board of Directors  
 the Chairman and Chief Executive Officer  
 (Pier Francesco Guarguaglini)

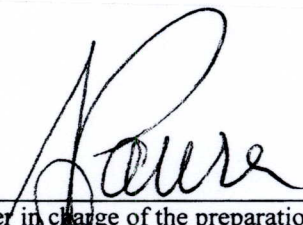
**Certification of the condensed consolidated interim financial statements pursuant to art. 154-bis, paragraph 5 of Legislative Decree 58/98, as amended**

1. The undersigned, Pier Francesco Guarguaglini, Chairman and Chief Executive Officer, and Alessandro Pansa, the manager in charge of the preparation of the company accounting documents of Finmeccanica S.p.A., certify, in accordance with Art. 154-*bis*, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998:
  - the appropriateness of the financial report with regard to the nature of the business; and
  - the effective application of administrative and accounting procedures in preparing the condensed consolidated interim financial statements at 30 June 2008.
2. Nothing significant to report.
3. It is also certified that:
  - 3.1 the condensed consolidated interim financial statements:
    - a. were prepared in accordance with the international accounting standards endorsed by the European Community pursuant to Regulation (EC) no. 1606/2002 of 19 July 2002 of the European Parliament and Council;
    - b. correspond to the entries in the books and accounting records;
    - c. were prepared in accordance with Art. 154-*ter* of Legislative Decree 58/98 and provides a true and fair representation of the performance and financial position of the issuer and all the companies included in the scope of consolidation.
  - 3.2 the interim report on operations contains reference to important events that occurred during the first six months of the year and their impact on the condensed consolidated interim financial statements, along with a description of the primary risks and uncertainties for the remaining six months of the year and information on significant transactions with related parties.

This certification is also made pursuant to and for the purposes of Art. 154-*bis*, paragraph 2, of Legislative Decree no. 58 of 24 February 1998.

Rome, 30 July 2008

  
Chairman and Chief Executive Officer  
Pier Francesco Guarguaglini

  
Manager in charge of the preparation of  
company accounting documents  
Alessandro Pansa

**AUDITORS' REPORT ON THE REVIEW OF  
CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS**

**FINMECCANICA SPA**

**CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS AS OF 30 JUNE 2008**

**AUDITORS' REPORT ON THE REVIEW OF CONDENSED CONSOLIDATED  
INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE  
2008**

To the Shareholders of  
Finmeccanica SpA

- 1 We have reviewed the condensed consolidated interim financial statements of Finmeccanica SpA and subsidiaries (Finmeccanica Group) as of 30 June 2008 and the six months then ended, comprising the balance sheet, income statement, statement of recognised income and expenses and cash flow statement and related explanatory notes. Finmeccanica SpA's Directors are responsible for the preparation of the condensed consolidated interim financial statements in accordance with the international accounting standard IAS 34, applicable to interim financial reporting, as adopted by the European Union. Our responsibility is to issue this report based on our review.
  
- 2 Our work was conducted in accordance with the criteria for a review recommended by the National Commission for Companies and the Stock Exchange (CONSOB) with Resolution no 10867 of 31 July 1997. The review consisted principally of inquiries of company personnel about the information reported in the condensed consolidated interim financial statements and about the consistency of the accounting principles utilised therein as well as the application of analytical review procedures on the data contained in the above mentioned consolidated financial statements. The review excluded certain auditing procedures such as compliance testing and verification and validation tests of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, unlike an audit on the annual consolidated financial statements, we do not express a professional audit opinion on the condensed consolidated interim financial statements.

Regarding the comparative amounts of the consolidated financial statements of the prior year and the condensed consolidated interim financial statements of the prior year presented in the condensed consolidated interim financial statements, reference should be made to our reports dated 22 April 2008 and 24 September 2007, respectively.

- 3 Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements of the Finmeccanica Group have not been prepared, in all material respects, in accordance with the international accounting standard IAS 34, applicable to interim financial reporting, as adopted by the European Union.

Rome, 7 August 2008

PricewaterhouseCoopers SpA

**Signed by**

Corrado Testori  
(Partner)

**This report has been translated into the English language solely for the convenience of international readers.**

**Appendix: List of relevant equity investments under Art. 125 of Consob resolution 11971 of 14 May 1999 and subsequent modifications and integrations**

Company OWNED (name and legal form)	COUNTRY	%TOTAL	% INDIRECT	TROUGH	KIND OF POSSESSION
1 ABRUZZO ENGINEERING SOCIETA' CONSORTILE PER AZIONI	ITALY	30,000	30,000	SELEX Service Management SpA	Voting right ownership
2 ABS TECHNOLOGY SPA	ITALY	60,000	60,000	AMTEC SpA	Voting right ownership
3 ABU DHABI SYSTEMS INTEGRATION (ADSI) LLC	UNITED ARAB EMIRATES	43,043	43,043	SELEX Sistemi Integrati SPA	Voting right ownership
4 ADVANCED AIR TRAFFIC SYSTEMS Sdn Bhd	MALAYSIA	30,000	30,000	SELEX Sistemi Integrati SPA	Voting right ownership
5 AERIMPIANTI SpA	ITALY	100,000	100,000	SO.GE.PA.-Societa' Generale di Partecipazioni S.p.A.	Pledge
6 AEROMECCANICA SA	LUXEMBOURG	99,967			Voting right ownership
7 AGUSTA AEROSPACE CORPORATION	DELAWARE - USA	100,000	100,000	AGUSTA SpA	Voting right ownership
8 AGUSTA AEROSPACE SERVICES - A.A.S.	BELGIUM	98,000	98,000	AGUSTA SpA	Voting right ownership
9 AGUSTA HOLDING BV	NETHERLANDS	100,000	100,000	AgustaWestland NV	Voting right ownership
10 AGUSTA SpA	ITALY	100,000	100,000	AGUSTA HOLDING BV	Voting right ownership
11 AGUSTA U.S. Inc.	DELAWARE - USA	100,000	100,000	AGUSTA SpA	Voting right ownership
12 AgustaWestland International Limited	UNITED KINGDOM	100,000	50,000	AGUSTA SpA	Voting right ownership
			50,000	WESTLAND HELICOPTERS LIMITED	Voting right ownership
13 AGUSTAWESTLAND AUSTRALIA PTY LTD	AUSTRALIA	100,000	100,000	AgustaWestland NV	Voting right ownership
14 AGUSTAWESTLAND DO BRASIL LTDA	BRAZIL	100,000	99,000	AGUSTA SpA	Voting right ownership
			1,000	WESTLAND HELICOPTERS LIMITED	Voting right ownership
15 AgustaWestland Holdings Limited	UNITED KINGDOM	100,000	100,000	AgustaWestland NV	Voting right ownership
16 AgustaWestland Inc	DELAWARE - USA	100,000	100,000	AgustaWestland North America Inc	Voting right ownership
17 AGUSTAWESTLAND MALAYSIA SDN. BHD	MALAYSIA	100,000	100,000	AGUSTA SpA	Voting right ownership
18 AgustaWestland North America Inc	DELAWARE - USA	100,000	100,000	AgustaWestland Holdings Limited	Voting right ownership
19 AgustaWestland NV	NETHERLANDS	100,000			Voting right ownership

Company OWNED (name and legal form)	COUNTRY	%TOTAL	% INDIRECT	TROUGH	KIND OF POSSESSION
20 AgustaWestland Properties Limited	UNITED KINGDOM	100,000	100,000	AgustaWestland Holdings Limited	Voting right ownership
21 AgustaWestlandBell LLC	DELAWARE - USA	51,000	51,000	AgustaWestland North America Inc	Voting right ownership
22 ALENIA AERMACCHI SpA	ITALY	99,998	7,229	ALENIA AERMACCHI SpA	Voting right ownership
			92,769	ALENIA AERONAUTICA SpA	Voting right ownership
23 ALENIA AERONAUTICA SpA	ITALY	100,000			Voting right ownership
24 ALENIA AERONAVALI SpA	ITALY	100,000	100,000	ALENIA AERONAUTICA SpA	Voting right ownership
25 ALENIA COMPOSITE S.p.A.	ITALY	97,000	97,000	ALENIA AERONAUTICA SpA	Voting right ownership
26 ALENIA HELLAS S.A.	GREECE	100,000	100,000	ALENIA AERONAUTICA SpA	Voting right ownership
27 ALENIA IMPROVEMENT S.P.A.	ITALY	98,000	98,000	ALENIA AERONAUTICA SpA	Voting right ownership
28 ALENIA NORTH AMERICA DEFENSE LLC	DELAWARE - USA	100,000	100,000	ALENIA NORTH AMERICA, INC.	Voting right ownership
29 ALENIA NORTH AMERICA, INC.	DELAWARE - USA	88,409	88,409	ALENIA AERONAUTICA SpA	Voting right ownership
30 ALENIA NORTH AMERICA-CANADA, CO.	CANADA	100,000	100,000	ALENIA NORTH AMERICA, INC.	Voting right ownership
31 Alenia SIA SpA	ITALY	100,000	60,000	ALENIA AERONAUTICA SpA	Voting right ownership
			30,000	GALILEO AVIONICA SpA	Voting right ownership
			10,000	SELEX COMMUNICATIONS SpA	Voting right ownership
32 ALIFANA - Societa' Consortile a responsabilita' limitata	ITALY	65,850	65,850	ANSALDO TRASPORTI-SISTEMI FERROVIARI SpA	Voting right ownership
33 ALIFANA DUE - Societa' Consortile a r.l.	ITALY	53,340	53,340	ANSALDO TRASPORTI-SISTEMI FERROVIARI SpA	Voting right ownership
34 ALLIANCE GROUND SURVEILLANCE INDUSTRIES GMBH (in liq.)	GERMANY	10,239	10,239	GALILEO AVIONICA SpA	Voting right ownership
35 AMSH B.V.	NETHERLANDS	50,000			Voting right ownership
36 AMTEC SpA	ITALY	100,000	100,000	ELSAG DATAMAT SPA	Voting right ownership
37 ANITE DEUTSCHLAND GMBH & CO. KG	GERMANY	100,000	0,250	ANITE DEUTSCHLAND HOLDING GMBH	Voting right ownership



Company OWNED (name and legal form)	COUNTRY	%TOTAL	% INDIRECT	TROUGH	KIND OF POSSESSION
			99,750	ANITE DEUTSCHLAND MANAGEMENT GMBH	Voting right ownership
38 ANITE DEUTSCHLAND HOLDING GMBH	GERMANY	100,000	100,000	ANITE DEUTSCHLAND MANAGEMENT GMBH	Voting right ownership
39 ANITE DEUTSCHLAND LOGISTIK GMBH	GERMANY	100,000	100,000	ANITE DEUTSCHLAND GMBH & CO. KG	Voting right ownership
40 ANITE DEUTSCHLAND MANAGEMENT GMBH	GERMANY	100,000	100,000	VEGA GROUP PLC	Voting right ownership
41 ANITE TRAVEL SYSTEMS GMBH	GERMANY	100,000	100,000	ANITE DEUTSCHLAND GMBH & CO. KG	Voting right ownership
42 ANSALDO ARGENTINA SA	ARGENTINA	99,993	99,993	SO.GE.PA.-Societa` Generale di Partecipazioni S.p.A.	Voting right ownership
43 ANSALDO ELECTRIC DRIVES SpA	ITALY	100,000	100,000	ANSALDO RICERCHE SpA	Voting right ownership
44 ANSALDO EMIT SCRL	ITALY	50,000	50,000	SO.GE.PA.-Societa` Generale di Partecipazioni S.p.A.	Voting right ownership
45 ANSALDO ENERGIA SpA	ITALY	100,000			Voting right ownership
46 ANSALDO ENERGY Inc	DELAWARE - USA	100,000	100,000	ANSALDO ENERGIA SpA	Voting right ownership
47 ANSALDO FUEL CELLS SpA	ITALY	78,434	78,434	ANSALDO ENERGIA SpA	Voting right ownership
48 ANSALDO NUCLEARE SpA	ITALY	100,000	100,000	ANSALDO ENERGIA SpA	Voting right ownership
49 ANSALDO RICERCHE SpA	ITALY	100,000	100,000	ANSALDO ENERGIA SpA	Voting right ownership
50 ANSALDO SEGNALAMENTO FERROVIARIO SpA	ITALY	100,000	100,000	ANSALDO TRASPORTI-SISTEMI FERROVIARI SpA	Voting right ownership
51 ANSALDO SIGNAL N.V. (in liq.)	NETHERLANDS	100,000	100,000	ANSALDO STS SpA	Voting right ownership
52 ANSALDO STS AUSTRALIA PTY Ltd	AUSTRALIA	100,000	100,000	ANSALDO STS SpA	Voting right ownership
53 ANSALDO STS BEIJING LTD	CHINA	80,000	80,000	ANSALDO STS FRANCE SA	Voting right ownership
54 ANSALDO STS DEUTSCHLAND GMBH	GERMANY	100,000	100,000	ANSALDO SEGNALAMENTO FERROVIARIO SpA	Voting right ownership
55 ANSALDO STS ESPANA S.A.	SPAIN	100,000	100,000	ANSALDO STS FRANCE SA	Voting right ownership
56 ANSALDO STS FINLAND O.y.	FINLAND	100,000	100,000	ANSALDO STS SWEDEN AB	Voting right ownership
57 ANSALDO STS FRANCE SA	FRANCE	100,000	99,999	ANSALDO SIGNAL N.V. (in liq.)	Voting right ownership

Company OWNED (name and legal form)	COUNTRY	%TOTAL	% INDIRECT	TROUGH	KIND OF POSSESSION
			0,001	ANSALDO SIGNAL N.V. (in liq.)	Voting right as per contractual commitments
58 ANSALDO STS HONG KONG Ltd	CHINA	100,000	99,999	ANSALDO STS FRANCE SA	Voting right ownership
			0,001	ANSALDO STS FRANCE SA	Voting right as per contractual commitments
59 ANSALDO STS IRELAND LIMITED	IRELAND	100,000	99,999	ANSALDO SIGNAL N.V. (in liq.)	Voting right ownership
			0,001	UNION SWITCH & SIGNAL Inc	Voting right ownership
60 ANSALDO STS MALAYSIA SDN BHD	MALAYSIA	100,000	100,000	ANSALDO STS AUSTRALIA PTY Ltd	Voting right ownership
61 ANSALDO STS SWEDEN AB	SWEDEN	100,000	100,000	ANSALDO SIGNAL N.V. (in liq.)	Voting right ownership
62 ANSALDO STS TRANSPORTATION SYSTEMS INDIA PRIVATE LTD	INDIA	100,000	0,001	ANSALDO STS SpA	Voting right ownership
			99,999	ANSALDO STS AUSTRALIA PTY Ltd	Voting right ownership
63 ANSALDO STS UK LTD.	UNITED KINGDOM	100,000	100,000	ANSALDO SIGNAL N.V. (in liq.)	Voting right ownership
64 ANSALDO TRASPORTI-SISTEMI FERROVIARI SpA	ITALY	100,000	100,000	ANSALDO STS SpA	Voting right ownership
65 ANSALDOBREDA ESPANA S.L.U.	SPAIN	100,000	100,000	ANSALDOBREDA SpA	Voting right ownership
66 ANSALDOBREDA SpA	ITALY	100,000			Voting right ownership
67 ANSALDOBREDA, Inc.	USA	100,000	100,000	ANSALDOBREDA SpA	Voting right ownership
68 ANSERV SRL	ROMANIA	100,000	100,000	ANSALDO NUCLEARE SpA	Voting right ownership
69 ASIA POWER PROJECTS PRIVATE LTD	INDIA	100,000	99,997	ANSALDO ENERGIA SpA	Voting right ownership
			0,003	SAGEM ITALIA Srl	Voting right ownership
70 AURENSIS S.L	SPAIN	100,000	100,000	TELESPAZIO SpA	Voting right ownership
71 AUTOMATION INTEGRATED SOLUTIONS SpA	ITALY	40,000	40,000	FATA SPA	Voting right ownership
72 AUTOMATISMES CONTROLES ET ETUDES ELECTRONIQUES ACELEC SA	FRANCE	99,999	0,001	ANSALDO STS HONG KONG Ltd	Voting right ownership
			99,994	ANSALDO STS FRANCE SA	Voting right ownership

Company OWNED (name and legal form)	COUNTRY	%TOTAL	% INDIRECT	TROUGH	KIND OF POSSESSION
				0,004 ANSALDO STS FRANCE SA	Voting right as per contractual commitments
73 AVIATION TRAINING INTERNATIONAL LIMITED	UNITED KINGDOM	50,000	50,000	WESTLAND HELICOPTERS LIMITED	Voting right ownership
74 BCV INVESTMENT S.C.A.	LUXEMBOURG	14,321	14,321	AEROMECCANICA SA	Voting right ownership
75 BCV MANAGEMENT S.A.	LUXEMBOURG	14,999	14,999	AEROMECCANICA SA	Voting right ownership
76 BELL AGUSTA AEROSPACE COMPANY LLC	DELAWARE - USA	40,000	40,000	AGUSTA U.S. Inc.	Voting right ownership
77 BREDAMENARINIBUS SpA	ITALY	100,000			Voting right ownership
78 BRITISH HELICOPTERS LIMITED	UNITED KINGDOM	100,000	100,000	WESTLAND HELICOPTERS LIMITED	Voting right ownership
79 C.I.R.A. (Centro Italiano di Ricerche Aerospaziali) SCpA	ITALY	11,989	2,757	ALENIA AERMACCHI SpA	Voting right ownership
			8,912	ALENIA AERONAUTICA SpA	Voting right ownership
			0,320	SELEX COMMUNICATIONS SpA	Voting right ownership
80 CARDPRIZE Two Limited	UNITED KINGDOM	100,000	100,000	SELEX Sensors and Airborne Systems Ltd	Voting right ownership
81 CCRT SISTEMI SpA (in fall)	ITALY	30,340	30,340	SO.GE.PA.-Societa` Generale di Partecipazioni S.p.A.	Voting right ownership
82 Closed Joint Stock Company MAREMS	RUSSIAN FEDERATION	49,001	49,001	SO.GE.PA.-Societa` Generale di Partecipazioni S.p.A.	Voting right ownership
83 COMLENIA Sendirian Berhad	MALAYSIA	30,000	30,000	SELEX Sistemi Integrati SPA	Voting right ownership
84 CONSORZIO START Societa` per Azioni	ITALY	40,000	40,000	SPACE SOFTWARE ITALIA SpA	Voting right ownership
85 CONTACT SRL	ITALY	30,000	30,000	ANSALDOBREDA SpA	Voting right ownership
86 CREW GROUP LTD	UNITED KINGDOM	100,000	100,000	VEGA GROUP PLC	Voting right ownership
87 Datamat Suisse SA (in liq.)	SWITZERLAND	100,000	100,000	ELSAG DATAMAT SPA	Voting right ownership
88 DATASPAZIO - Telespazio e Datamat per l'ingegneria dei Sistemi - SpA	ITALY	100,000	51,000	ELSAG DATAMAT SPA	Voting right ownership
			49,000	TELESPAZIO SpA	Voting right ownership
89 DAVIES INDUSTRIAL COMMUNICATIONS Ltd	UNITED KINGDOM	100,000	100,000	SELEX Communications Ltd	Voting right ownership

Company OWNED (name and legal form)	COUNTRY	%TOTAL	% INDIRECT	TROUGH	KIND OF POSSESSION
90 DIGINT SRL	ITALY	49,000	49,000	FINMECCANICA GROUP SERVICES SPA	Voting right ownership
91 DRAGON MERGER SUB INC.	USA	100,000			Voting right ownership
92 e - GEOS SpA	ITALY	55,000	2,000	EURIMAGE SpA	Voting right ownership
			53,000	TELESPAZIO SpA	Voting right ownership
93 E-SECURITY S.r.l.	ITALY	79,688	79,688	ELSAG DATAMAT SPA	Voting right ownership
94 ECOSEN CA	VENEZUELA	48,000	48,000	ANSALDO STS FRANCE SA	Voting right ownership
95 ELECTRON ITALIA S.r.l.	ITALY	80,000	80,000	ELSAG DATAMAT SPA	Voting right ownership
96 ELETTRONICA SpA	ITALY	31,333			Voting right ownership
97 ELSACOM BULGARIA AD (in liq.)	BULGARIA	90,000	90,000	SO.GE.PA.-Societa` Generale di Partecipazioni S.p.A.	Voting right ownership
98 ELSACOM HUNGARIA KFT	HUNGARY	100,000	100,000	ELSACOM NV	Voting right ownership
99 ELSACOM NV	NETHERLANDS	100,000			Voting right ownership
100 ELSACOM SLOVAKIA SRO	SLOVAKIA	100,000	100,000	ELSACOM NV	Voting right ownership
101 ELSACOM SpA	ITALY	100,000	100,000	ELSACOM NV	Voting right ownership
102 ELSACOM UKRAINE Joint Stock Company	UKRAINE	49,000	49,000	ELSACOM NV	Voting right ownership
103 ELSAG BANKLAB SpA	ITALY	100,000	100,000	ELSAG DATAMAT SPA	Voting right ownership
104 ELSAG DATAMAT SPA	ITALY	100,000			Voting right ownership
105 ELSAG Eastern Europe Srl (in liq)	ROMANIA	100,000	100,000	ELSAG DATAMAT SPA	Voting right ownership
106 ELSAG INC.	WASHINGTON -USA	100,000	100,000	ELSAG DATAMAT SPA	Voting right ownership
107 ELSAG NORTH AMERICA LLC	USA	100,000	100,000	ELSAG INC.	Voting right ownership
108 ENERGEKO GAS ITALIA SRL	ITALY	20,990	20,990	SAGEM ITALIA Srl	Voting right ownership
109 ENERGY SERVICE GROUP LTD	SWITZERLAND	100,000	100,000	ANSALDO ENERGIA SpA	Voting right ownership

Company OWNED (name and legal form)	COUNTRY	%TOTAL	% INDIRECT	TROUGH	KIND OF POSSESSION
110 EURIMAGE SpA	ITALY	51,000	51,000	TELESPAZIO SpA	Voting right ownership
111 EURO PATROL AIRCRAFT GmbH	GERMANY	50,000	50,000	ALENIA AERONAUTICA SpA	Voting right ownership
112 EUROFIGHTER AIRCRAFT MANAGEMENT GmbH	GERMANY	21,000	21,000	ALENIA AERONAUTICA SpA	Voting right ownership
113 EUROFIGHTER INTERNATIONAL Ltd	UNITED KINGDOM	21,000	21,000	ALENIA AERONAUTICA SpA	Voting right ownership
114 EUROFIGHTER JAGDFLUGZEUG GmbH	GERMANY	21,000	21,000	ALENIA AERONAUTICA SpA	Voting right ownership
115 EUROFIGHTER SIMULATION SYSTEMS GmbH	GERMANY	24,000	24,000	GALILEO AVIONICA SpA	Voting right ownership
116 EUROMAP SATELLITENDATEN-VERTRIEBSGESELLSCHAFT MBH	GERMANY	100,000	100,000	GAF A.G.	Voting right ownership
117 EUROMIDS SAS	FRANCE	25,000	25,000	SELEX COMMUNICATIONS SpA	Voting right ownership
118 EUROPEA MICROFUSIONI AEROSPAZIALI SpA	ITALY	49,000			Voting right ownership
119 EUROPEAN SATELLITE NAVIGATION INDUSTRIES GMBH	GERMANY	18,939			Voting right ownership
120 EUROSYSNAV SAS	FRANCE	50,000			Voting right ownership
121 FATA DTS SpA	ITALY	100,000	100,000	SO.GE.PA.-Societa` Generale di Partecipazioni S.p.A.	Voting right ownership
122 FATA ENGINEERING SpA	ITALY	100,000	100,000	SO.GE.PA.-Societa` Generale di Partecipazioni S.p.A.	Voting right ownership
123 FATA GROUP SpA (in liq.)	ITALY	100,000	100,000	SO.GE.PA.-Societa` Generale di Partecipazioni S.p.A.	Voting right ownership
124 FATA HUNTER INC.	USA	100,000	100,000	FATA SPA	Voting right ownership
125 FATA HUNTER INDIA PVT LTD	INDIA	100,000	100,000	FATA SPA	Voting right ownership
126 FATA LOGISTIC SYSTEMS SpA	ITALY	100,000	100,000	FATA SPA	Voting right ownership
127 FATA SPA	ITALY	100,000			Voting right ownership
128 FEDER PETROLI GREEN ENERGY SRL	ITALY	20,000	20,000	FATA SPA	Voting right ownership
129 FILEAS S.A.	FRANCE	85,000	85,000	TELESPAZIO SpA	Voting right ownership
130 FINMECCANICA FINANCE SA	LUXEMBOURG	99,997	26,358	FINMECCANICA GROUP SERVICES SPA	Voting right ownership

	Company OWNED (name and legal form)	COUNTRY	%TOTAL	% INDIRECT	TROUGH	KIND OF POSSESSION
131	FINMECCANICA GROUP REAL ESTATE SPA	ITALY	100,000			Voting right ownership
132	FINMECCANICA GROUP SERVICES SPA	ITALY	100,000			Voting right ownership
133	FINMECCANICA NORTH AMERICA Inc.	DELAWARE - USA	100,000			Voting right ownership
134	FINMECCANICA UK LIMITED	UNITED KINGDOM	100,000			Voting right ownership
135	FOSCAN srl (in fall)	ITALY	20,000	20,000	SO.GE.PA.-Societa` Generale di Partecipazioni S.p.A.	Voting right ownership
136	GAF A.G.	GERMANY	100,000	100,000	TELESPAZIO SpA	Voting right ownership
137	GALILEO AVIONICA SpA	ITALY	100,000	100,000	SELEX Sensors and Airborne Systems SpA	Voting right ownership
138	GALILEO INDUSTRIES S.A	BELGIUM	18,939			Voting right ownership
139	GLOBAL AERONAUTICA, LLC	DELAWARE - USA	50,000	50,000	ALENIA NORTH AMERICA, INC.	Voting right ownership
140	GLOBAL MILITARY AIRCRAFT SYSTEMS, LLC	DELAWARE - USA	51,000	51,000	ALENIA NORTH AMERICA, INC.	Voting right ownership
141	GROUPEMENT IMMOBILIER AERONAUTIQUE - GIA SA	FRANCE	20,000	20,000	SO.GE.PA.-Societa` Generale di Partecipazioni S.p.A.	Voting right ownership
142	GRUPPO AURENSIS S.A. DE C.V.	MEXICO	100,000	100,000	AURENSIS S.L	Voting right ownership
143	HR GEST SpA	ITALY	30,000	30,000	ELSAG DATAMAT SPA	Voting right ownership
144	I.M. INTERMETRO SpA	ITALY	33,332	16,666	ANSALDOBREDA SpA 16,666 ANSALDO TRASPORTI-SISTEMI FERROVIARI SpA	Voting right ownership Voting right ownership
145	IAMCO-INTERNATIONAL AEROSPACE MANAGEMENT COMPANY srl	ITALY	20,000	20,000	ALENIA AERONAUTICA SpA	Voting right ownership
146	ICARUS SCpA	ITALY	49,000	49,000	SO.GE.PA.-Societa` Generale di Partecipazioni S.p.A.	Voting right ownership
147	IMMOBILIARE CASCINA S.r.l.	ITALY	100,000	100,000	FINMECCANICA GROUP SERVICES SPA	Voting right ownership
148	IMMOBILIARE FONTEVERDE Srl	ITALY	60,000	60,000	ELECTRON ITALIA S.r.l.	Voting right ownership
149	INDUSTRIE AERONAUTICHE E MECCANICHE RINALDO PIAGGIO SpA (in amministrazione straordinaria)	ITALY	30,982			Voting right ownership
150	INFOLOGISTICA S.p.A.	ITALY	11,111	11,111	SISTEMI & TELEMATICA S.p.A.	Voting right ownership

	Company OWNED (name and legal form)	COUNTRY	%TOTAL	% INDIRECT	TROUGH	KIND OF POSSESSION
151	Innovazione e Progetti Societa` Consortile per Azioni (in liq.)	ITALY	15,000	15,000	SELEX Service Management SpA	Voting right ownership
152	INTERNATIONAL LAND SYSTEMS INC.	DELAWARE - USA	28,365	28,365	GAF A.G.	Voting right ownership
153	INTERNATIONAL METRO SERVICE SRL	ITALY	49,000	49,000	ANSALDO TRASPORTI-SISTEMI FERROVIARI SpA	Voting right ownership
154	IRIDIUM ITALIA SpA (in liq)	ITALY	35,000	35,000	SO.GE.PA.-Societa` Generale di Partecipazioni S.p.A.	Voting right ownership
155	ITALDATA INGEGNERIA DELL'IDEA SpA	ITALY	51,000	51,000	ELSAG DATAMAT SPA	Voting right ownership
156	ITP srl (in fall)	ITALY	13,584			Voting right ownership
157	IVECO FIAT - OTO MELARA Societa` Consortile a responsabilita` limitata	ITALY	50,000	50,000	OTO MELARA SpA	Voting right ownership
158	Jiangxi Changhe Agusta Helicopter Co. Ltd	CHINA	40,000	40,000	AGUSTA SpA	Voting right ownership
159	LARIMART SpA	ITALY	60,000	60,000	SELEX COMMUNICATIONS SpA	Voting right ownership
160	LIBYAN ITALIAN ADVANCED TECHNOLOGY COMPANY	LIBYA	50,000	25,000	AgustaWestland NV	Voting right ownership
161	LMATTS LLC	GEORGIA - USA	50,000	50,000	ALENIA NORTH AMERICA, INC.	Voting right ownership
162	MACCHI HUREL DUBOIS SAS	FRANCE	50,000	50,000	ALENIA AERMACCHI SpA	Voting right ownership
163	MARS-MICROGRAVITY ADVANCED RESEARCH AND USER SUPPORT CENTER srl	ITALY	100,000	100,000	TELESPAZIO SpA	Voting right ownership
164	MECFINT (JERSEY) SA	LUXEMBOURG	99,999	99,999	FINMECCANICA FINANCE SA	Voting right ownership
165	MEDESSAT S.A.S.	FRANCE	28,801	28,801	TELESPAZIO FRANCE Sas	Voting right ownership
166	METRO 5 Societa` per Azioni	ITALY	31,900	7,300	ANSALDOBREDA SpA	Voting right ownership
				24,600	ANSALDO TRASPORTI-SISTEMI FERROVIARI SpA	Voting right ownership
167	METRO C S.C.P.A.	ITALY	14,000	14,000	ANSALDO TRASPORTI-SISTEMI FERROVIARI SpA	Voting right ownership
168	MIDSCO INC	USA	18,000	18,000	SELEX COMMUNICATIONS SpA	Voting right ownership
169	MUSINET ENGINEERING SpA	ITALY	49,000	49,000	FATA SPA	Voting right ownership
170	N.H. INDUSTRIES SARL	FRANCE	32,000	32,000	AGUSTA SpA	Voting right ownership

Company OWNED (name and legal form)	COUNTRY	%TOTAL	% INDIRECT	TROUGH	KIND OF POSSESSION
171 NAC srl	ITALY	81,540	81,540	AERIMPIANTI SpA	Voting right ownership
172 NAHUELSAT SA	ARGENTINA	33,332			Voting right ownership
173 NASIF srl	ITALY	12,000	12,000	AERIMPIANTI SpA	Voting right ownership
174 Net Service S.r.l.	ITALY	70,000	70,000	ELSAG DATAMAT SPA	Voting right ownership
175 NGL Prime S.p.A.	ITALY	30,000			Voting right ownership
176 NICCO COMMUNICATIONS SAS	FRANCE	50,000	50,000	SELEX COMMUNICATIONS SpA	Voting right ownership
177 NNS - SOCIETE´ DE SERVICE POUR REACTEUR RAPIDE snc	FRANCE	40,000	40,000	ANSALDO NUCLEARE SpA	Voting right ownership
178 ORIZZONTE - Sistemi Navali SpA	ITALY	49,000			Voting right ownership
179 OTE M	RUSSIAN FEDERATION	100,000	100,000	SELEX COMMUNICATIONS SpA	Voting right ownership
180 OTE MOBILE TECHNOLOGIES LTD	UNITED KINGDOM	100,000	100,000	SELEX COMMUNICATIONS SpA	Voting right ownership
181 OTO MELARA IBERICA S.A.	SPAIN	100,000	100,000	OTO MELARA SpA	Voting right ownership
182 OTO MELARA NORTH AMERICA INC.	DELAWARE - USA	100,000	100,000	OTO MELARA SpA	Voting right ownership
183 OTO MELARA SpA	ITALY	100,000			Voting right ownership
184 PANAVIA AIRCRAFT GmbH	GERMANY	15,000	15,000	ALENIA AERONAUTICA SpA	Voting right ownership
185 PEGASO-Societa` consortile a responsabilita` limitata	ITALY	46,870	46,870	ANSALDO TRASPORTI-SISTEMI FERROVIARI SpA	Voting right ownership
186 POLARIS SRL	ITALY	50,000	50,000	ANSALDO ENERGIA SpA	Voting right ownership
187 PT DAYALISTRIK PRATAMA (in liq.)	INDONESIA	45,000	45,000	ANSALDO ENERGIA SpA	Voting right ownership
188 QUADRICS INC. (in liq.)	DELAWARE - USA	100,000	100,000	QUADRICS LTD	Voting right ownership
189 QUADRICS LTD	UNITED KINGDOM	100,000	100,000	ALENIA AERONAUTICA SpA	Voting right ownership
190 RARTEL SA	ROMANIA	61,061	10,000	TELESPAZIO HUNGARY SATELLITE TELECOMMUNICATIONS Ltd	Voting right ownership
			50,061	TELESPAZIO SpA	Voting right ownership



Company OWNED (name and legal form)	COUNTRY	%TOTAL	% INDIRECT TROUGH	KIND OF POSSESSION	
			1,000	TELESPAZIO HOLDING S.R.L.	Voting right ownership
191 S.C. ELETTRA COMMUNICATIONS S.A.	ROMANIA	50,500	1,500	SELEX Communications Romania S.r.l.	Voting right ownership
			49,000	SELEX COMMUNICATIONS SpA	Voting right ownership
192 SAGEM ITALIA Srl	ITALY	100,000	100,000	ANSALDO ENERGIA SpA	Voting right ownership
193 SAITECH SpA (in fall)	ITALY	40,000	40,000	SO.GE.PA.-Societa` Generale di Partecipazioni S.p.A.	Voting right ownership
194 SAN GIORGIO SA (in liq.)	FRANCE	99,969	99,969	SO.GE.PA.-Societa` Generale di Partecipazioni S.p.A.	Voting right ownership
195 SAPHIRE International Aviation & ATC Engineering Co. Ltd	CHINA	65,000	65,000	ALENIA AERONAUTICA SpA	Voting right ownership
196 SCUOLA ICT SRL	ITALY	20,000			Voting right ownership
197 SECBAT-SOC EUROPEENNE DE CONSTRUCTION DE L'AVION BREGUET ATLANTIC SARL	FRANCE	13,550	13,550	ALENIA AERONAUTICA SpA	Voting right ownership
198 SEICOS SPA	ITALY	100,000			Voting right ownership
199 SELENIA MARINE COMPANY Ltd. (in liq.)	UNITED KINGDOM	100,000	100,000	SELEX Communications Holdings Ltd	Voting right ownership
200 SELENIA MOBILE S.p.A.	ITALY	100,000	100,000	SELEX COMMUNICATIONS SpA	Voting right ownership
201 SELEX Communications do Brasil Ltda	BRAZIL	100,000	0,199	AMTEC SpA	Voting right ownership
			99,801	SELEX COMMUNICATIONS SpA	Voting right ownership
202 SELEX COMMUNICATIONS SpA	ITALY	100,000			Voting right ownership
203 SELEX Communications (International) Ltd	UNITED KINGDOM	100,000	100,000	SELEX Communications Holdings Ltd	Voting right ownership
204 SELEX Communications Gmbh	GERMANY	100,000	100,000	SELEX Communications Holdings Ltd	Voting right ownership
205 SELEX Communications Holdings Ltd	UNITED KINGDOM	100,000	100,000	SELEX COMMUNICATIONS SpA	Voting right ownership
206 SELEX Communications Inc.	CALIFORNIA -USA	100,000	100,000	SELEX Communications Holdings Ltd	Voting right ownership
207 SELEX Communications Ltd	UNITED KINGDOM	100,000	100,000	SELEX Communications Holdings Ltd	Voting right ownership
208 SELEX Communications Romania S.r.l.	ROMANIA	99,976	99,976	SELEX COMMUNICATIONS SpA	Voting right ownership

	Company OWNED (name and legal form)	COUNTRY	%TOTAL	% INDIRECT	TROUGH	KIND OF POSSESSION
209	SELEX Communications Secure Systems Ltd	UNITED KINGDOM	100,000	100,000	SELEX Communications Holdings Ltd	Voting right ownership
210	SELEX Komunikasyon A.S.	TURKEY	99,999	6,525	SELEX Communications Holdings Ltd	Voting right ownership
				0,002	SELEX Communications (International) Ltd	Voting right ownership
				0,002	SELEX Communications Ltd	Voting right ownership
				93,470	SELEX COMMUNICATIONS SpA	Voting right ownership
211	SELEX PENSION SCHEME (TRUSTEE) LIMITED	UNITED KINGDOM	100,000	100,000	SELEX Sensors and Airborne Systems Ltd	Voting right ownership
212	SELEX Sensors and Airborne Systems (Projects) Ltd	UNITED KINGDOM	100,000	100,000	SELEX Sensors and Airborne Systems Ltd	Voting right ownership
213	SELEX SENSORS AND AIRBORNE SYSTEMS (US) Inc.	DELAWARE - USA	100,000	100,000	SELEX Sensors and Airborne Systems Ltd	Voting right ownership
214	SELEX Sensors and Airborne Systems Electro Optics (Overseas) Ltd	UNITED KINGDOM	100,000	100,000	SELEX Sensors and Airborne Systems Ltd	Voting right ownership
215	SELEX Sensors and Airborne Systems InfraRed Ltd	UNITED KINGDOM	100,000	100,000	SELEX Sensors and Airborne Systems Ltd	Voting right ownership
216	SELEX Sensors and Airborne Systems Ltd	UNITED KINGDOM	100,000	100,000	SELEX Sensors and Airborne Systems SpA	Voting right ownership
217	SELEX Sensors and Airborne Systems SpA	ITALY	100,000			Voting right ownership
218	SELEX Service Management SpA	ITALY	100,000			Voting right ownership
219	SELEX Sistemi Integrati de Venezuela S.A.	VENEZUELA	100,000	100,000	SELEX Sistemi Integrati SPA	Voting right ownership
220	SELEX Sistemi Integrati GmBH	GERMANY	100,000	100,000	SELEX Sistemi Integrati Ltd	Voting right ownership
221	SELEX Sistemi Integrati Inc.	DELAWARE - USA	100,000	100,000	SELEX Sistemi Integrati Ltd	Voting right ownership
222	SELEX Sistemi Integrati Ltd	UNITED KINGDOM	100,000	100,000	SELEX Sistemi Integrati SPA	Voting right ownership
223	SELEX Sistemi Integrati SPA	ITALY	100,000			Voting right ownership
224	SERVICIOS TECNICOS Y ESPECIALIZADOS Y DE INFORMACION SA DE CV	MEXICO	100,000	100,000	AURENSIS S.L	Voting right ownership
225	SESAMO SECURITY AND SAFETY MOBILITY SCARL	ITALY	19,000	19,000	SESM SOLUZIONI EVOLUTE PER LA SISTEMATICA E I MODELLI SOCIETA' CONSORTILE A RESPONSABILITA' LIMITATA	Voting right ownership

	Company OWNED (name and legal form)	COUNTRY	%TOTAL	% INDIRECT	TROUGH	KIND OF POSSESSION
226	SESM SOLUZIONI EVOLUTE PER LA SISTEMATICA E I MODELLI SOCIETA' CONSORTILE A RESPONSABILITA' LIMITATA	ITALY	100,000	10,000	GALILEO AVIONICA SpA	Voting right ownership
				90,000	SELEX Sistemi Integrati SPA	Voting right ownership
227	SEVERNYJ AVTOBUS ZAO	RUSSIAN FEDERATION	35,000	35,000	ANSALDOBREDA SpA	Voting right ownership
228	SIIT Societa' Consortile per Azioni	ITALY	16,200	2,300	ANSALDO ENERGIA SpA	Voting right ownership
				2,300	ANSALDO SEGNALAMENTO FERROVIARIO SpA	Voting right ownership
				4,700	ELSAG DATAMAT SPA	Voting right ownership
				2,300	OTO MELARA SpA	Voting right ownership
				2,300	SELEX COMMUNICATIONS SpA	Voting right ownership
				2,300	SELEX Sistemi Integrati SPA	Voting right ownership
229	SIRIO PANEL SPA	ITALY	93,000	93,000	SELEX COMMUNICATIONS SpA	Voting right ownership
230	SISTEMI & TELEMATICA S.p.A.	ITALY	92,793	92,793	ELSAG DATAMAT SPA	Voting right ownership
231	SISTEMI DINAMICI SPA	ITALY	40,000	40,000	AGUSTA SpA	Voting right ownership
232	SO.GE.PA.-Societa' Generale di Partecipazioni S.p.A.	ITALY	100,000			Voting right ownership
233	SOGELI - Societa' di Gestione di Liquidazioni SpA	ITALY	100,000	100,000	SO.GE.PA.-Societa' Generale di Partecipazioni S.p.A.	Voting right ownership
234	SOSTAR GMBH (in liq.)	GERMANY	28,200	28,200	GALILEO AVIONICA SpA	Voting right ownership
235	SPACE SOFTWARE ITALIA SpA	ITALY	100,000	100,000	ELSAG DATAMAT SPA	Voting right ownership
236	STMicroelectronics Holding NV	NETHERLANDS	20,000			Voting right ownership
237	SUPERJET INTERNATIONAL SPA	ITALY	51,000	51,000	WING NED BV	Voting right ownership
238	TCAR Industries GmbH (in liq.)	GERMANY	16,000	16,000	GALILEO AVIONICA SpA	Voting right ownership
239	TecnoSIS SpA	ITALY	100,000	100,000	ELSAG DATAMAT SPA	Voting right ownership
240	TECNOSSAN SpA (in fall)	ITALY	12,328	12,328	SO.GE.PA.-Societa' Generale di Partecipazioni S.p.A.	Voting right ownership

Company OWNED (name and legal form)	COUNTRY	%TOTAL	% INDIRECT	TROUGH	KIND OF POSSESSION
241 TELBIOS SpA	ITALY	32,860	32,860	TELESPAZIO SpA	Voting right ownership
242 TELESPAZIO ARGENTINA S.A.	ARGENTINA	100,000	5,000	TELESPAZIO BRASIL SA	Voting right ownership
			95,000	TELESPAZIO SpA	Voting right ownership
243 TELESPAZIO BRASIL SA	BRAZIL	98,534	98,534	TELESPAZIO SpA	Voting right ownership
244 TELESPAZIO DEUTSCHLAND GMBH	GERMANY	100,000	100,000	TELESPAZIO FRANCE Sas	Voting right ownership
245 TELESPAZIO FRANCE Sas	FRANCE	100,000	100,000	TELESPAZIO HOLDING S.R.L.	Voting right ownership
246 TELESPAZIO HOLDING S.R.L.	ITALY	67,000			Voting right ownership
247 TELESPAZIO HUNGARY SATELLITE TELECOMMUNICATIONS Ltd	HUNGARY	100,000	99,000	TELESPAZIO SpA	Voting right ownership
			1,000	TELESPAZIO HOLDING S.R.L.	Voting right ownership
248 TELESPAZIO NEDERLAND B.V.	NETHERLANDS	100,000	100,000	TELESPAZIO FRANCE Sas	Voting right ownership
249 TELESPAZIO NORTH AMERICA Inc	DELAWARE - USA	100,000	100,000	TELESPAZIO SpA	Voting right ownership
250 TELESPAZIO SpA	ITALY	100,000	100,000	TELESPAZIO HOLDING S.R.L.	Voting right ownership
251 THALES ALENIA SPACE S.A.S.	FRANCE	33,000			Voting right ownership
252 THOMASSEN SERVICE AUSTRALIA PTY LTD	AUSTRALIA	100,000	100,000	THOMASSEN TURBINE SYSTEMS B.V.	Voting right ownership
253 THOMASSEN SERVICE GULF LLC	UNITED ARAB EMIRATES	100,000	48,667	THOMASSEN TURBINE SYSTEMS B.V.	Voting right ownership
			51,333	THOMASSEN TURBINE SYSTEMS B.V.	Pledge
254 THOMASSEN TURBINE SYSTEMS B.V.	NETHERLANDS	100,000	100,000	ANSALDO ENERGIA SpA	Voting right ownership
255 TRADE FATA B.V.	NETHERLANDS	100,000	100,000	FATA SPA	Voting right ownership
256 Tradexim S.r.l. (in liq.)	ITALY	18,180	18,180	ELSAG DATAMAT SPA	Voting right ownership
257 TRAM DI FIRENZE SpA	ITALY	17,464	13,664	ANSALDOBREDA SpA	Voting right ownership
			3,800	ANSALDO TRASPORTI-SISTEMI FERROVIARI SpA	Voting right ownership

	Company OWNED (name and legal form)	COUNTRY	%TOTAL	% INDIRECT	TROUGH	KIND OF POSSESSION
258	TRANSCONTROL Corporation	DELAWARE - USA	100,000	100,000	UNION SWITCH & SIGNAL Inc	Voting right ownership
259	TRANSIT SAFETY RESEARCH ALLIANCE (No Profit Corporation)	USA	100,000	100,000	UNION SWITCH & SIGNAL Inc	Voting right ownership
260	TRIMPROBE SPA (in liq.)	ITALY	100,000			Voting right ownership
261	TURBOENERGY SRL	ITALY	25,000	25,000	ANSALDO ENERGIA SpA	Voting right ownership
262	U.V.T. (Ultraviolet Technology) SpA (in fall)	ITALY	50,614	50,614	SO.GE.PA.-Societa` Generale di Partecipazioni S.p.A.	Voting right ownership
263	UNION SWITCH & SIGNAL CHILE Ltda	CHILE	68,000	67,000	TRANSCONTROL Corporation	Voting right ownership
				1,000	UNION SWITCH & SIGNAL INTERNATIONAL Co	Voting right ownership
264	UNION SWITCH & SIGNAL Inc	DELAWARE - USA	100,000	100,000	ANSALDO SIGNAL N.V. (in liq.)	Voting right ownership
265	UNION SWITCH & SIGNAL INC (Canada)	ONTARIO - CANADA	100,000	100,000	UNION SWITCH & SIGNAL Inc	Voting right ownership
266	UNION SWITCH & SIGNAL INTERNATIONAL Co	DELAWARE - USA	100,000	100,000	UNION SWITCH & SIGNAL Inc	Voting right ownership
267	UNION SWITCH & SIGNAL INTERNATIONAL PROJECTS Co	DELAWARE - USA	100,000	100,000	UNION SWITCH & SIGNAL Inc	Voting right ownership
268	UVT ARGENTINA SA	ARGENTINA	60,000	60,000	U.V.T. (Ultraviolet Technology) SpA (in fall)	Voting right ownership
269	VEGA CONSULTING & TECHNOLOGY SL	SPAIN	100,000	96,774	CREW GROUP LTD	Voting right ownership
				3,226	VEGA GROUP PLC	Voting right ownership
270	VEGA GROUP PLC	UNITED KINGDOM	100,000			Voting right ownership
271	VEGA IT GMBH	GERMANY	100,000	100,000	VEGA GROUP PLC	Voting right ownership
272	VEGA SPACE SYSTEMS ENGINEERING LTD	UNITED KINGDOM	100,000	100,000	VEGA GROUP PLC	Voting right ownership
273	VEGA TECHNOLOGIES SAS	FRANCE	100,000	100,000	CREW GROUP LTD	Voting right ownership
274	WESTERN INVESTORS TECHNOLOGY GROUP Inc	DELAWARE - USA	24,000	24,000	ALENIA NORTH AMERICA, INC.	Voting right ownership
275	WESTERN INVESTORS TECHNOLOGY GROUP Ltd Partnership	DELAWARE - USA	20,000	20,000	ALENIA NORTH AMERICA, INC.	Voting right ownership
276	WESTLAND HELICOPTERS INC	DELAWARE - USA	100,000	100,000	WESTLAND HELICOPTERS LIMITED	Voting right ownership

Company OWNED (name and legal form)	COUNTRY	%TOTAL	% INDIRECT	TROUGH	KIND OF POSSESSION
277 WESTLAND HELICOPTERS LIMITED	UNITED KINGDOM	100,000	100,000	AgustaWestland Holdings Limited	Voting right ownership
278 WESTLAND INDUSTRIAL PRODUCTS LIMITED	UNITED KINGDOM	100,000	100,000	WESTLAND INDUSTRIES LIMITED	Voting right ownership
279 WESTLAND INDUSTRIES LIMITED	UNITED KINGDOM	100,000	100,000	WESTLAND HELICOPTERS LIMITED	Voting right ownership
280 WESTLAND SUPPORT SERVICES LIMITED	UNITED KINGDOM	100,000	100,000	WESTLAND HELICOPTERS LIMITED	Voting right ownership
281 WESTLAND TRANSMISSIONS LIMITED	UNITED KINGDOM	100,000	100,000	AgustaWestland Holdings Limited	Voting right ownership
282 WHITEHEAD ALENIA SISTEMI SUBACQUEI SpA	ITALY	100,000			Voting right ownership
283 WING NED BV	NETHERLANDS	100,000	100,000	ALENIA AERONAUTICA SpA	Voting right ownership
284 WORLD`S WING S.A.	SWITZERLAND	100,000	100,000	ALENIA AERONAUTICA SpA	Voting right ownership
285 XAIT SRL	ITALY	100,000	100,000	SELEX Service Management SpA	Voting right ownership
286 ZAO ARTETRA	RUSSIAN FEDERATION	51,000	51,000	SELEX COMMUNICATIONS SpA	Voting right ownership