INTERIM FINANCIAL REPORT

AT 31 MARCH 2008

FINMECCANICA

Disclaimer

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The results for the first three months of the year

Highlights

€ millions	Mar-08	Mar-07	Change	2007
New orders	3,292	2,430	35%	17,916
Order backlog	38,888	35,362		39,304
Revenues	2,916	2,740	6%	13,429
Adjusted EBITA (*)	133	118	13%	1,045
Net profit	126	19		521
Net invested capital	7,109	7,298		6,590
Net financial debt	1,928	1,970		1,158
FOCF (*)	-928	-1,107	16%	375
ROS (*)	*4.6%*	*4.3%*	*0.3 p.p.*	*7.8%*
ROI (*)	*16.2%*	*14.9%*	*1.3 p.p.*	*18.9%*
ROE (*)	*11.9%*	*12.6%*	*-0.7 p.p.*	*9.7%*
EVA (*)	-74	-90	18%	227
R&D costs	394	402	-2%	1,836
Workforce (no.)	61,396	58,685		60,748

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

Finmeccanica Group's consolidated results for the first quarter of 2008 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. Nonetheless, during the first quarter of 2008, the Group's results showed an improvement over the same period of 2007.

It should be noted that the figures (about which comments follow), although not revealing any significant lack of homogeneity between the two periods being compared, include, for the figures at 31 March 2008, the British company Vega Group Ltd under the Defence and Security Electronics division. Vega specialises in providing hi-tech professional services.

Compared with the same period of 2007, the results at 31 March 2008 showed an increase in revenues of roughly 6% and Adjusted EBITA rose by about 13%. Return on sales (ROS) rose, too, to 4.6% (4.3% in the first quarter of 2007) and orders acquired increased by 35% over 31 March 2007.

With regard to Group profitability, compared with the same period of last year (in brackets), return on investment (ROI) stood at 16.2% (14.9% in 2007), EVA came to a negative €mil. 74 (negative €mil. 90 in 2007) and return on equity (ROE) came to 11.9% (12.6% in 2007).

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Income Statement		*For the first three months ended 31 March*	
€mil.	***Section***	***2008***	***2007***
Revenues	*(*)*	2,916	2,740
Costs for purchases and personnel	*(**)*	(2,670)	(2,522)
Depreciation and amortisation		(98)	(99)
Writedowns		(4)	(4)
Other net operating income (costs)	*(***)*	(11)	3
Adjusted EBITA		**133**	**118**
Non-recurring income/(costs)		-	-
Restructuring costs	*(****)*	(4)	(3)
PPA amortisation		(6)	(6)
EBIT		**123**	**109**
Net finance income (costs)	*(*****)*	69	(27)
Income taxes	*12*	(66)	(63)
NET PROFIT (LOSS) BEFORE DISCONTINUED OPERATIONS		**126**	**19**
Result of discontinued operations		-	-
NET PROFIT (LOSS)		**126**	**19**

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", "costs for goods", "costs for services", and "personnel costs" (net of restructuring costs), net of "capitalised costs for internal production".

(***) Includes the net amount of the items "other operating revenues" and "other operating revenues from related parties" and "other operating costs" (net of restructuring costs).

(****) Includes the restructuring costs classified as "personnel costs" and "other operating costs".

(*****) Includes finance income and costs from related parties.

The Group's consolidated net profit for the first quarter of 2008 came to €mil. 126, compared with €mil. 19 for the same period of the previous year.

Contributing to the positive results for the first quarter of 2008 was the €mil. 54 capital gain (net of the tax effects) from the sale of 2.85% 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, the net profit for the first quarter of 2008 came to roughly €mil. 72, a €mil. 53 increase over the same period of 2007.

The improvement in the Group's net profit is primarily due to: the increase in EBIT of €mil. 14 and to the improvement in financial charges due to a more favourable result of the measurements at fair value and exchange rate differences of €mil. 40. Taxes were substantially in line in absolute terms for the two periods. The theoretical tax rate at 31 March 2008 came to about 47% (effective about 34%).

Primary Group indicators by segment

March 2008

	New orders	Order backlog	Revenues	Adjusted EBITA	ROS %	R&D	Workforce (no.)
Helicopters	795	8,679	713	85	11.9%	62	9,954
Defence Electronics and Security	857	8,616	677	21	3.1%	143	19,513
Aeronautics	526	8,092	491	19	3.9%	113	13,539
Space	211	1,460	203	3	1.5%	12	3,400
Defence Systems	303	4,098	247	18	7.3%	46	4,117
Energy	439	3,399	229	14	6.1%	5	3,081
Transportation	214	4,926	365	19	5.2%	12	6,731
Other activities and eliminations	-53	-382	-9	-46	n.s.	1	1,061
	3,292	**38,888**	**2,916**	**133**	**4.6%**	**394**	**61,396**

March 2007

	New orders	Order backlog	Revenues	Adjusted EBITA	ROS %	R&D	Workforce (no.)
		at 31.12.07					**at 31.12.07**
Helicopters	712	9,004	720	72	10.0%	71	9,556
Defence Electronics and Security	502	8,725	680	16	2.4%	127	19,589
Aeronautics	667	8,248	412	23	5.6%	122	13,301
Space	121	1,423	166	1	0.6%	11	3,386
Defence Systems	132	4,099	238	8	3.4%	54	4,149
Energy	145	3,177	218	12	5.5%	3	2,980
Transportation	170	5,108	330	10	3.0%	14	6,669
Other activities and eliminations	-19	-480	-24	-24	n.s.	0	1,118
	2,430	**39,304**	**2,740**	**118**	**4.3%**	**402**	**60,748**

Changes

	New orders	Order backlog	Revenues	Adjusted EBITA	ROS %	R&D	Workforce (no.)
	delta %	**delta %**	**delta %**	**delta %**	**delta p.p.**	**delta %**	**delta %**
Helicopters	12%	-4%	-1%	18%	1.9 p.p.	-13%	4%
Defence Electronics and Security	71%	-1%	-	31%	0.7 p.p.	13%	-
Aeronautics	-21%	-2%	19%	-17%	-1.7 p.p.	-7%	2%
Space	74%	3%	22%	200%	0.9 p.p.	9%	-
Defence Systems	130%	-	4%	125%	3.9 p.p.	-15%	-1%
Energy	203%	7%	5%	17%	0.6 p.p.	67%	3%
Transportation	26%	-4%	11%	90%	2.2 p.p.	-14%	1%
	35%	**-1%**	**6%**	**13%**	**0.3 p.p.**	**-2%**	**1%**

The primary changes that marked the Group's performance compared with the same quarter 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 quarter of 2008 with acquisitions on the rise across all business segments. In fact, **new orders** at 31 March 2008 stood at €mil. 3,292, an increase of about 35% over the corresponding period of 2007 (€mil. 2,430).
New orders in the first quarter of 2008 were attributable to the Aerospace and Defence segments for 82% and Energy and Transportation for 18%.

In the Aerospace and Defence segment, new orders in the Defence and Security Electronics division were 70% higher in the first quarter of 2008 compared with the same period of 2007 due in particular to additional orders for FREMMs and greater acquisitions in the information technology and security segment.

Specifically, 57% of new orders in the Aerospace and Defence segment for the period came from the military market.

There was also growth in the Space division (+ 74% compared with 31 March 2007), due to increased new orders in manufacturing and Defence Systems (+130% over the same period of 2007), thanks to the contributions of all segments, especially missile systems.

As regards the Energy and Transportation sectors, there was excellent commercial performance in the Energy sector, with growth of more than 200% over the same period of 2007, particularly due to increased orders for machinery and parts from abroad. In the Transportation sector, good commercial results (+26% compared with 31 March 2007) were achieved due to increased orders in the systems and vehicles segments.

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The **order backlog** at 31 March 2008 amounted to €mil. 38,888, a decrease of €mil. 416 from 31 December 2007 (€mil. 39,304), which was largely attributable to exchange rate differences.
The order backlog at 31 March 2008 can be broken down into 80% for Aerospace and Defence and 20% for Energy and Transportation.
The order backlog, based on workability, guarantees coverage of around 3 years of production for the Group.

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Revenues at 31 March 2008 totalled €mil. 2,916 for an increase of €mil. 176, or 6%, over the same period of 2007.
The production increase in the first three months of 2008 was divided between the Aerospace and Defence segments for 80% and the Energy and Transportation segments for 20%.
The increase in production volumes is mainly attributable to the Aeronautics division due to the higher contribution of the civil segment (increased production of ATR and B787 aircraft), and the military segment (greater activity on the C27J and EFA programmes). There were also higher revenues in the Space (increases in the manufacturing and services segments) and Transportation greater activity in the signalling segment the Asia Pacific region in particular and in the vehicles segment divisions.

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The **adjusted EBITA** at 31 March 2008 amounted to €mil. 133, a 13% increase over 31 March 2007 (€mil. 118).
This growth was characterised by widespread improvement across all the business sectors, with the sole of exception of the Aeronautics division which experienced a decline in absolute terms (€mil. 4).

In the Aerospace and Defence segment, the divisions that contributed the most to the improvement in the adjusted EBITA include:

- Helicopters (+18% over the first quarter of 2007) due to the increase in volumes on the civil production lines, especially the AW139 and the AW109, offset by a lower contribution from military contracts;
- Defence and Security Electronics (+31% over the first quarter of 2007) due to the improvement in the British portion of the avionics and electro-optical systems segment and to information technology and security activities;
- Defence Systems (+125% over the first quarter of 2007), thanks to a more profitable mix in the missile systems segment.

Finally, there was growth in the Transportation division (+90% over the same period of 2007) due mainly to improved industrial profitability in the vehicles segment.

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Research and development costs at 31 March 2008 came to €mil. 394, a slight decrease of 2% from the first quarter of 2007 (€mil. 402).
Group R&D represents roughly 13,5% of revenues generated, with the bulk (96%) going to the Aerospace and Defence segments and the remainder (4%) to the 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 of the Defence and Security Electronics division totalled €mil. 143, 36% 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, the development of the Falco tactical surveillance unmanned aerial vehicle (UAV), and continued development of the EFA programme, as well as development of TETRA technology products and the new switching ALL-IP, software design radio, ad hoc networks and WIMAX product families in the communications segment.

Research and development costs in the Aeronautic division were also significant, amounting to €mil. 113 (about 30% of the Group total). This spending reflects the considerable commitment to programmes being developed in the civil and military segments.

Finally, as to the Helicopters division, R&D expenditure came to €mil. 62, or 16% of the Group total. Mention should be made of the activity to develop technologies primarily for military use (AW149) and to develop multi-role versions of the BA 609 convertiplane for national security.

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The **workforce** at 31 March 2008 came to 61,396, an increase of 648 over the 60,748 at 31 December 2007.

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

The geographical distribution of the workforce in the first quarter 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).

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Balance sheet	***Section***	***31 March 2008***	***31 December 2007***
€mil.			
Non-current assets		9,493	9,845
Non-current liabilities	*(*)*	(2,508)	(2,562)
		6,985	**7,283**
Inventories		3,580	3,383
Trade receivables	*17/26*	7,752	7,546
Trade payables	*23/26*	(10,112)	(10,481)
Provisions for short-term risks and charges	*22*	(530)	(545)
Other net current assets (liabilities)	*(**)*	(566)	(596)
Net working capital		**124**	**(693)**
Net invested capital		**7,109**	**6,590**
Capital and reserves attributable to equity holders of the Company		5,074	5,329
Minority interests in equity		107	103
Shareholders' equity	*20*	**5,181**	**5,432**
Net debt (cash)	*xx*	**1,928**	**1,158**
Net (assets) liabilities held for sale	*(***)*	**-**	**-**

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

(*) *Includes all non-current liabilities except "financial liabilities to related parties" (which are included among "non-current liabilities to related parties") and" non-current financial debt".*

(**) *Includes "income tax receivables", "other current receivables from related parties" (included among "current receivables from related parties") and "other current assets", net of "income tax payables", "other payables to related parties" (included among "current liabilities to related parties"), "other current liabilities" and "derivative assets and liabilities".*

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

At 31 March 2008 the consolidated **net capital invested** came to €mil. 7,109, compared with €mil. 6,590 at 31 December 2007. This net increase of €mil. 519 is due to the €mil. 817 increase in **working capital** (positive €mil. 124 at 31 March 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. 298 net decline in **capital assets** (€mil. 6,985 at 31 March 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.

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Free Operating Cash Flow (FOCF) at 31 March 2008 was negative (use of cash) in the amount of €mil. 928 compared with a negative €mil. 1,107 at 31 March 2007.

It should be noted that, in analysing FOCF for the first quarter 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 improvement in FOCF of €mil. 179 between the two period compared correlates to lower usage of cash in investments by €mil. 47 and in operations by €mil. 132.

In the first quarter of 2008, investment activities, needed for product development, were largely concentrated in the Aeronautics (58%), Defence Electronics (17%) and Helicopters (11%) divisions.

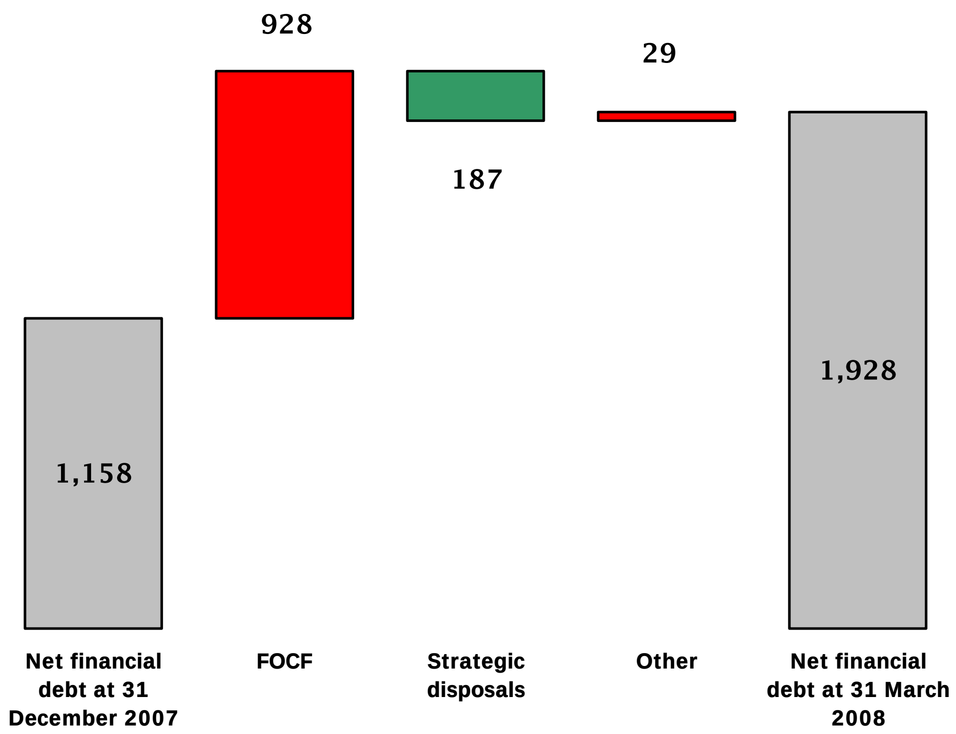
	For the three months ended 31 March			
	2008		***2007***	
Cash and cash equivalents at 1 January	1,607		2,003	
Gross cash flow from operating activities	285		263	
Changes in other operating assets and liabilities	(217)		(211)	
Funds From Operations (FFO)		**68**		**52**
Changes in working capital	(723)		(839)	
Cash flow generated from (used in) operating activities	(655)		(787)	
Cash flow from ordinary investing activities	(273)		(320)	
Free Operating Cash Flow (FOCF)		**(928)**		**(1,107)**
Strategic operations	187		(406)	
Change in other financing activities	(12)		44	
Cash flow generated from (used in) financing activities	(98)		(682)	
Dividends paid				
Cash flow from financing activities	(57)		(58)	
Cash flow generated from (used in) financing activities	(57)		(58)	
Translation differences	(8)		(4)	
Cash and cash equivalents as at the end period	789		472	

Group **net financial debt** (payables higher than financial receivables and cash and cash equivalents) at 31 March 2008 came to €mil. 1,928 (€mil. 1,158 at 31 December 2007), for a net increase of €mil. 770.

This debt level of 37% of consolidated shareholders' equity falls below the amount achievable by a careful and prudent financial management and the maximum limits set by the main rating companies.

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

Net financial debt at 31 March 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:

	For the three months ended 31 March	
€mil.	**2008**	**2007**
Earnings before income taxes, finance net result and share of results of equity accounted investments (EBIT)	123	109
Amortisation of intangible assets acquired as part of business combinations	6	6
Restructuring costs	4	3
Adjusted EBITA	**133**	**118**

- ***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:

	For the three months ended 31 March		
€mil.	**2008**	**2007**	**Section**
Net profit	126	19	
Gain on disposal of STM shares	(56)	-	5
Adjusted earning before taxes	**70**	**19**	
Tax effect of the adjustments	2	-	5
Adjusted net profit	**72**	**19**	

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 25). 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.

Financial position

	31 March 2008	*31 December 2007*
Short-term financial payables	443	484
Medium/long-term financial payables	1,531	1,556
Cash and cash equivalents	(789)	(1,607)
BANK DEBT AND BONDS	**1,185**	**433**
Securities	(33)	(13)
Financial receivables from Group companies	(30)	(33)
Other financial receivables	(535)	(573)
FINANCIAL RECEIVABLES AND SECURITIES	**(598)**	**(619)**
Financial payables to related parties	525	560
Other short-term financial payables	698	665
Other medium/long-term financial payables	118	119
OTHER FINANCIAL PAYABLES	**1,341**	**1,344**
NET FINANCIAL DEBT (CASH)	**1,928**	**1,158**
Net financial debt (cash and cash equivalents) of discontinued operations	-	-

The Group's net financial debt at 31 March 2008 amounted to €mil 1,928, compared with €mil. 1,158 at 31 December 2007.

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 31 December 2007 these items showed a positive balance of €mil. 55.

The figure at March 2008 deteriorated by €mil. 770 compared to that at 31 December 2007, confirming the ordinary pattern of cash receipts and outlays, the latter of which resulted in considerable uses of cash in the early part of the year.

The Free Operating Cash Flow (FOCF) was negative €mil. 928 compared with a negative €mil. 1,107 at 31 March 2007.

The debt figure at 31 March also includes several strategic transactions, specifically:

- the payment of roughly €mil. 61 relating to Finmeccanica's purchase of an additional 70% stake in the British company Vega Group Plc (a transaction begun last year and described in more detail elsewhere in these notes);

- the payment of €mil. 12 for the purchase of an additional 18% stake in Sirio Panel S.p.A. by Selex Communications S.p.A;

- the receipt of around €mil. 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.

Finally, it should be noted that the Group made assignments of non-recourse receivables totalling €mil. 29 during the period.

As regards the composition of the debt items, there was not a significant shift in total gross bank borrowings from €mil. 2,040 at 31 December 2007 to €mil. 1,974 at 31 March 2008. There was a significant decline in cash and cash equivalents from €mil. 1,607 at December 2007 to €mil. 789 at March 2008. This cash was used to finance ordinary operations and investments as well as strategic activities, particularly with regard to the purchase of the shares of the Vega Group Plc and the receipt of funds from the partial sale of STM shares (both transactions are described above).

The item "financial receivables and securities" equal to €mil. 598 (€mil. 619 at 31 December 2007) includes the amount of €mil. 510 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. 510 of Group companies in the above joint ventures for the unconsolidated portion.

As part of the centralisation of its financial operations, Finmeccanica S.p.A. has cash loans and endorsement loans facilities sufficient to meet the Group needs. Specifically, it holds a medium-term revolving credit line of €mil. 1,200 agreed in 2004 with a pool of domestic and foreign banks, whose interest rates and maturity (current maturity 2012) were renegotiated and improved in 2005. At 31 March 2008, this credit line was entirely unused. Finmeccanica also has additional short-term credit lines, for cash loans, amounting to around €mil. 1,170, of which €mil. 920 is unconfirmed and around €mil. 250 is confirmed; at 31 March 2008, these credit lines were also unused. There are also unconfirmed endorsement loan lines of around €mil. 2,010.

Performance by division

HELICOPTERS

€ millions	31.03.2008	31.03.2007	31.12.2007
New orders	795	712	3,970
Order backlog	8,679	8,496	9,004
Revenues	713	720	2,980
Adjusted EBITA	85	72	377
R.O.S.	11.9%	10.0%	12.7%
Research and Development	62	71	322
Workforce (no.)	9,954	8,999	9,556

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).

Total volume of **new orders** at 31 March 2008 came to €mil. 795, a 12% increase over the first quarter of 2007 (€mil. 712). The most significant new orders received 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 €mil. 54 to AgustaWestland;
- the contract to supply an additional 5 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 €mil. 106.

In the civil and government sector, too, AgustaWestland continued to demonstrate excellent performance given the availability of its modern, competitive product portfolio. In the first quarter of 2008, it recorded orders for 92 helicopters worth about €mil. 489. Of note in that regard are the following:

- orders for an additional 29 AW139 helicopters, totalling €mil. 246, including the contract for 5 helicopters for an important Asian customer and 2 helicopters for the Korean government for that country’s national coast guard. The order backlog for the AW139 continues to grow with 172 units ordered and awaiting delivery.
  Within the segment, orders were also obtained for a further 63 helicopters, of which 32 Grand, 5 of which were purchased by the Australian company Heliflite Helicopters; 13 AW109 Power, including the contract for 5 helicopters for Aerolíneas Ejecutivas, a Mexican operator; and 18 AW119 helicopters, including the contract with the Spanish company Helicopteros de Sureste, S.A. for 3 units.

The **order backlog** at 31 March 2008 came to €mil. 8,679 (€mil. 9,004 at 31 December 2007). The overall amount is sufficient to guarantee coverage of production for an equivalent of 3 years.
The order backlog at 31 March 2008 breaks down into 68% for helicopters, 30% for support activities, and 2% for engineering activities.

Revenues at 31 March 2008 came to €mil. 713, substantially in line with the figure at 31 March 2007 (€mil. 720) and is due to the regular advancement of programs already under way, as well as to the increase in volumes in the civil and government helicopters segment (AW109, AW139) and product support activities, including the integrated support contracts (IOS) for the British Ministry of Defence.

Adjusted EBITA at 31 March 2008 came to €mil. 85, up 18% over the same period of the previous year (€mil. 72).
This improvement is in line with the composition of revenues and therefore is correlated positively with the increase in production volumes on civil production lines,

especially AW139 and AW109, and its inversely correlated with the reduced contribution of military contracts. As a result of these factors, **ROS** increased to 11.9%, up 1.9 percentage point compared with 31 March 2007 (10.0%).

Research and development costs at 31 March 2008, amounting to €mil. 62 (€mil. 71 at 31 March 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 A149 and development of multi-role versions of the BA 609 convertiplane for national security;
- the area of product improvement research: which includes, 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 31 March 2008 came to 9,954, a 398 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 U.K. employee classification scheme for “apprentices” who, until 31 December 2007, were treated as temporary workers and thus were not includes in the workforce figure.

DEFENCE AND SECURITY ELECTRONICS

€ millions	31.03.2008	31.03.2007	31.12.2007
New orders	857	502	5,240
Order backlog	8,616	7,418	8,725
Revenues	677	680	3,826
Adjusted EBITA	21	16	427
R.O.S.	3.1%	2.4%	11.2%
Research and Development	143	127	557
Workforce (no.)	19,513	19,074	19,589

The division includes activities concerning 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 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 Elsag Datamat group; the Selex Communications group; Selex Service Management S.pA.; Seicos S.p.A and the Vega Group Plc (which was fully consolidated starting in 2007).

It should further be noted that, in addition to the realization of electronic equipment and systems for defence and security, the division also continued its intensive efforts concerning the provision of large-scale integrated systems based on complex architectures and network-centric techniques.

New orders at 31 March 2008 totalled €mil. 857 and posted strong growth (+71%) over the orders received during the first quarter of the prior year, thanks in particular to additional new orders for FREMMs and to increased information technology and security orders.

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

- avionics and electro-optical systems: additional orders for the European EFA programme relating, in particular, the second lot for the supply and construction of the simulator, as well as logistics; additional orders for the Saudi Arabia EFA order; the order for the SEASPRAY 7500E radar under the programme to revamp the HC-130H for the U.S. Coast Guard; space programme orders;
- land and naval command and control systems: the above-mentioned order for a significant amount for an additional four ships for the Italian FREMM programme;
- integrated communication networks and systems: additional orders for EFA communication systems; 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);
- information technology and security: the order for the physical security system for Monte dei Paschi di Siena and new orders from Poste Italiane specifically relating to variants of the New Network.

The **order backlog** came to €mil. 8,616, half of which related to the avionics and electro-optical systems segment, and which compares with €mil. 8,725 at 31 December 2007.

Revenues at 31 March 2008, amounting to €mil. 677, are substantially in line with those recorded for the first three months of 2006 (€mil. 680), with the contribution of the newly-acquired Vega which offset some delays in the start up of activity in the communications segment. 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, Nuova Unità Maggiore and FREMM vessels, to international cooperation contracts 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 information technology services 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.

Adjusted EBITA reached €mil. 21 at 31 March 2008 for an increase of €mil. 5 over the figure posted at 31 March 2007 thanks to improvement in the U.K. component of the avionics and electro-optical systems segment and in information technology and security activities. As a result, **ROS** improved by 0.7 percentage points to reach 3.1%.

Research and development costs at 31 March 2008 totalled €mil. 143 compared with €mil. 127 at 31 March 2007 and relate in particular 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) for the avionics and electro-optical systems segment; TETRA technology products and new product families such as ALL-IP switching, software design radio, ad hoc networks and WIMAX in the communications segment; 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 for the command and control systems segment.

The **workforce** at 31 March 2008 totalled 19,513, a decrease of 76 from 31 December 2007 due mainly to the effect of the industrial reorganisation plan in the communications segment.

AERONAUTICS

€ millions	31.03.2008	31.03.2007	31.12.2007
New orders	526	667	3,104
Order backlog	8,092	7,866	8,248
Revenues	491	412	2,306
Adjusted EBITA	19	23	240
R.O.S.	3,9%	5.6%	10.4%
Research and Development	113	122	581
Workforce (no.)	13,539	12,687	13,301

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 31 March 2008 came to €mil. 526, a slight decline of €mil. 141 from the €mil. 667 of the first quarter of 2007, which benefited from significant orders for ATR and EFA aircraft. The main orders received during the first quarter of 2008 included the following:

- in the military segment: the order for 7 C27J aircraft for Romania and orders for logistical support for EFA craft (Saudi Arabia) and for C130J and Tornado craft (Italian Air Force);

- the civil segment: orders for GIE-ATR, which received orders for 3 aircraft; orders for aerostructures for 13 B767 and additional lots for the A380, Falcon and A321 programmes and for engine nacelles.

The **order backlog** at 31 March 2008 came to €mil. 8,092, with a significant portion for the EFA (50%), B787 (18%) and C27J (5%) programmes, and is expected to continue expanding over the medium/long term.

Revenues for the first quarter of 2008 came to €mil. 491, an increase of €mil. 79 over the €mil. 412 achieved in the first quarter of 2007. The growth was mainly due to civil activities with the increase in production of ATR and B787 craft and, in the military segment, due to increased activity on the C27J and EFA programmes.

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 activities for the provision of the first two craft to the U.S. Army; the continuation of upgrades to the Tornado aircraft and the modernization of the avionics (ACOL) of the AMX;
- trainers: the production and logistical support for the MB339 and SF260 training aircraft and further development and test flights of the new M346 training aircraft;
- transformation: production for the B767 tanker program and the 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;
- 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, as well as on the production of engine nacelles and cargo transformations of the B767, MD10 and MD11 aircraft.

Adjusted EBITA at 31 March 2008 amounted to €mil. 19, a slight decrease of €mil. 23 from the same period of the previous year (ROS of 3.9% compared to 5.6% at 31 March 2007), primarily due to the different mix of activities and some delays in deliveries of aircraft which will be recovered over the next few months.

Research and development costs for the first quarter of 2008 came to €mil. 113 (€mil. 122 at 31 March 2007). This result reflects the significant 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, and Tornado) that have been commissioned by customers.

The **workforce** at 31 March 2008 numbered 13,539, an increase of 238 over the 13,301 employees at 31 December 2007 in order to meet the needs of higher workloads by Alenia Aeronautica and the subsidiary Alenia Composite S.p.A.

SPACE

€ millions	31.03.2008	31.03.2007	31.12.2007
New orders	211	121	979
Order backlog	1,460	1,251	1,423
Revenues	203	166	853
Adjusted EBITA	3	1	61
R.O.S.	1.5%	0.6%	7.2%
Research and Development	12	11	62
Workforce (no.)	3,400	3,252	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.

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 and Germany 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 quarter of 2008, the group acquired **new orders** in the amount of €mil. 211, up €mil. 90 from the same period of 2007 (€mil. 121) due to an increase in orders in the manufacturing 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; the sixth lot in the provision of 48 low-earth orbit (LEO) satellites for the second-generation Globalstar constellation; new orders for value-added TV services (specifically, the Express 3ATXP by RTI) and telecommunications satellite services (specifically, Camelot by Hughes);
- 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;
- 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; new monitoring and territorial management services (specifically, the FEP order for the German Defence Ministry);
- in the navigation and infomobility segment: additional orders related to the In Orbit Validation (IOV) Phase of the Galileo programme;
- in the satellite operations segment: new orders for in-orbit satellite management, particularly for the ESA's Artemis satellite;
- in the science programs segment: the additional lot for the Exomars Programme;
- in the equipment segment: new orders for onboard equipment.

The **order backlog** at 31 March 2008 came to €mil. 1,460, an increase of €mil. 37 over the same figure at 31 December 2007 (€mil. 1,423), largely due to the aforementioned increase in new orders. The order backlog, based on workability, guarantees coverage of 88% of production expected for the remaining nine months of the year. The backlog at 31 March 2008 is composed of manufacturing activities (57%

satellites and payloads, 13% infrastructures and equipment) for 70% and satellite services for the remaining 30%.

Revenues in the first quarter of 2008 came to €mil. 203, an increase of €mil. 37 over the corresponding period of the previous year (€mil. 166). 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 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 monitoring products and services;
- in the civil and governmental telecommunications segment: the 2nd and 3rd generation Meteosat programmes;
- in the commercial telecommunications segment:
    - the satellite constellations Globalstar, W2A and W7 for Eutelsat, Yahsat, Alphabus, Thor 6, Palapa D, Rascom and those which are expected to be launched this year (StarOne C2, Turksat 3A, 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 Loutch 5A/5B satellite;
    - the provision of telecommunications satellite services and the resale of satellite capacity;
- 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 science programs segment: the Herschel/ Plank and Alma programmes;
- in the satellite navigation segment: the Galileo and Egnos programmes;
- 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 31 March 2008 was €mil. 3, an improvement of €mil. 2 compared with the figure posted at 31 March 2007 (€mil. 1) due to greater profitability in certain programmes. As a result of the above, **ROS** came to 1.5%, which is an increase over the figure at March 2007 (0.6%).

Research and development costs for the first quarter of 2008 came to €mil. 12, an increase of €mil. 1 from March 2007 (€mil. 11).
Activities in this area included the development of:

- systems and solutions 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 31 March 2008 came to 3,400, for an increase of 14 employees over the 3,386 at 31 December 2007, due to higher production in both segments.

DEFENCE SYSTEMS

€ millions	31.03.2008	31.03.2007	31.12.2007
New orders	303	132	981
Order backlog	4,098	4,133	4,099
Revenues	247	238	1,130
Adjusted EBITA	18	8	125
R.O.S	7.3%	3.4%	11.1%
Research and Development	46	54	241
Workforce (no.)	4,117	4,213	4,149

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

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 quarter of 2008 came to €mil 303, a significant increase over the figure for the same period of 2007 (€mil +171) 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 and the additional lost for the provision of missile systems for the FREMM frigates;

- in land, sea and air weapons systems: the order for 6 120 mm towers for the Centauro from Oman and various logistics orders including the Indian order mentioned above;
- in underwater systems: orders for an additional lot for the FREMM programme, 6 counter-measure launch systems for Singapore and A244 light torpedoes for Indonesia.

The **order backlog** at 31 March 2008 came to €mil 4,098, of which 70% related to missile systems, in line with the figure reported at 31 December 2007.

Revenues for the first quarter of 2008 came to €mil 247, an increase of 4% over the same quarter of 2007, thanks in particular to increased activity recorded in the underwater systems segment.

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 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 and logistics;
- underwater systems: activities relating to the Black Shark heavy torpedo, the MU90 light torpedo and to countermeasures for India.

Adjusted EBITA at 31 March 2008 totalled €mil 18, an increase of €mil 10 over the same period of the previous year thanks to a mix of more profitable work in the missile systems segment. As a result, **ROS** amounted to 7.3% at 31 March 2008 compared to 3.4% for the same period of 2007.

Research and development spending for the first quarter of 2008 came to €mil 46, a 15% decrease from the same period of 2007. 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 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 31 March 2008 came to 4,117, a decrease of 32 from 31 December 2007.

ENERGY

€ millions	31.03.2008	31.03.2007	31.12.2007
New orders	439	145	1,801
Orders backlog	3,399	2,396	3,177
Revenues	229	218	1,049
Adjusted EBITA	14	12	93
R.O.S	6.1%	5.5%	8.9%
Research and development	5	3	20
Workforce (no.)	3,081	2,864	2,980

During the first quarter of 2008, as part of a process of growth and development of renewable energy, Ansaldo Energia 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 Finmeccanica Group company

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. Sagem S.r.l., Asia Power Projects Private Ltd, Energy Service Group GmbH and Thomassen Turbine Systems BV.

In the first quarter of 2008, **new orders** totalled €mil. 439, compared to €mil. 145 during the same period of the previous year, for an increase of €mil. 294.

This result is largely due to the increase in orders in the plants and components segment driven by the numerous provisions to the export market in particular.

The major new orders in the components segment included two large-size gas turbines and the related alternators for the Congo and two steam turbo groups for Chile. In addition, two reservation fees were obtained from Atel (Switzerland) to build two 400 MW turnkey combined cycle plants at the San Severo (Italy) and Bayet (France) sites. It should be noted that, in the first quarter, only the two reservation fees were received, while the entire contract will be completed at a later time. In the service segment, new

orders included the long term service agreement (LTSA) for the Dunamenti site in Hungary, and a flow agreement with Enel for the Brindisi site.
Finally, regarding the nuclear segment, there were new engineering contracts from China as part of the partnership with Westinghouse on the Sanmen project.

The **order backlog** at 31 March 2008 came to €mil. 3,399, compared with €mil. 3,177 at 31 December 2007.
The composition of the backlog at 31 March 2008 has remained fairly stable since the end of 2007 and is attributable for 53% to plant and manufacturing-related activities, 46% to service activities (largely constituted of scheduled maintenance contracts), and the remaining 1% to nuclear work processes.

At 31 March 2008, **revenues** came to €mil. 229, a 5% increase over the same period of the previous year (€mil. 218). The growth in production volumes was due to work on orders for plants (specifically Larbaa, Batna, M'Sila and Rizziconi), and to the service segment (specifically flow agreements).

Adjusted EBIT during the first quarter of 2008 came to €mil. 14, compared with €mil 12 for the same period of 2007, attributable to the aforementioned increase in production volumes.
ROS came to 6.1% at 31 March 2008, an improvement of 0.6 percentage points over the first quarter of 2007.

Research and development costs for the first quarter of 2008 came to €mil. 5, compared with €mil. 3 for the first quarter of 2007.
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 31 March 2008 came to 3,081 as compared with 2,980 at 31 December 2007 due to normal turnover and changes in consolidation area.

TRANSPORTATION

€ millions	31.03.2008	31.03.2007	31.12.2007
New orders	214	170	1,786
Order backlog	4,926	4,540	5,108
Revenues	365	330	1,356
Adjusted EBITA	19	10	(110)
R.O.S.	5.2%	3.0%	(8.1%)
Research and development	12	14	47
Workforce (no.)	6,731	6784	6,669

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

The performance by the three business divisions in the first quarter of 2008 was as follows:

- Systems: an increase in order volume compared to 31 March 2007. Adjusted EBITA was in line with the same period of last year and ROS was equal to 10.3%.
- Signalling: orders acquired were slightly down from 31 March 2007. Production volumes and Adjusted EBITA increased compared to the first quarter of 2007. ROS was equal to 9.1%.
- Vehicles: order volumes rose compared to 31 March 2007. Financial performance was characterized by slight operating losses, which was nevertheless an improvement over the first quarter of 2007.

New orders at 31 March 2008 came to €mil. 214, an increase of €mil. 44 over the first quarter of 2007 (€mil. 170), due to more new orders in the Systems and Vehicles segments. New orders for the period include:

- Systems: the order regarding the Rome Line C metro;

- 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; orders from the Rio Tinto mining company and contracts as parts of the agreement signed with Australian Rail Track Corporation (ARTC) in Australia; orders for components;
- Vehicles: service orders.

At 31 March 2008 the **order backlog** for the division totalled €mil. 4,926, down €mil. 182 compared to 31 December 2007 (€mil. 5,108). The order backlog at 31 March 2008 breaks down as follows: 41% for Vehicles, 37% for Systems and 22% for Signalling.

Revenues at 31 March 2008 were equal to €mil. 365, up €mil. 35 compared to the first quarter of 2007 (€mil. 330), due to the impact of increased activity in Signalling, in particular in Asia-Pacific, and in Vehicles. Noteworthy orders in the Transportation division include:

- 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;
- 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) in Australia; the order for the Ghaziabad-Kanpur line in India and orders for components;
- Vehicles: trains for regional service for Ferrovie Nord Milano; high-volume passenger trains for Morocco; trains for the Madrid and Milan metros; trains for the Dutch and Belgian railways; the Circumvesuviana, 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 31 March 2008 came to €mil. 19, an improvement of €mil. 9 compared to the same period of 2007 (€mil. 10), due mainly to increased industrial profitability in the Vehicles division. **ROS** for the sector rose as a result, reaching 5.2% compared with 3.0% for the first quarter of 2007.

Research and development costs at 31 March 2008 were equal to €mil. 12, down €mil. 2 from the figure reported at 31 March 2007 (€mil. 14). Specifically the activities involving Signalling projects included:

- railway signalling: 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: 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 31 March 2008 stood at 6,731, representing an increase of 62 compared to 31 December 2007 (6,669), mainly attributable to the increase in Vehicles employees due to the plan for optimising and developing human resources.

OTHER ACTIVITIES

€ millions	31.03.2008	31.03.2007	31.12.2007
New orders	23	10	557
Order backlog	543	316	597
Revenues	64	47	345
Adjusted EBITA	(46)	(24)	(168)
R.O.S.	n.s.	n.s.	n.s.
Research and development	1	-	6
Workforce (no.)	1,061	812	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. (for which the reorganization process begun during the 2005 fiscal year has been completed) 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 €mil. 17 at 31 March 2008, compared with €mil. 11 at 31 March 2007. Among the most important acquisitions in the first quarter 2008 were the Zargan project (Iran) involving preparations for the construction of large-scale plants in partnership with Ansaldo Energia for an advance of €mil. 8 (Power line) and the order for Baosteel (China) or a steel processing line worth €mil 7 (Hunter line).

Revenues at 31 March 2008 came to €mil. 39, an increase of €mil. 2 over the same period of 2007 (€mil. 37). The production volumes generated in the first quarter of 2008 related to progress on the Hormozal and Qatalum contracts (Smelter line), on the Chinese, Korean and Romanian contracts (Hunter line) and on the Moncalieri, Vado and Leinì orders (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 31 March 2008 totalled 264 employees.

The division also includes BredaMenarinibus S.p.A., which manufactures urban and interurban buses. In the first quarter of 2008 BredaMenarinibus S.p.A. acquired **new orders** amounting to €mil. 6, of which €mil. 3 related to the bus business segment corresponding to 12 units, and €mil. 3 related to post-sales services. **Revenues** at 31 March 2008 came to €mil. 14, of which 76% was due to the bus segment and 24% to post-sale services. The **workforce** at 31 March 2008 came to 299.

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 in the quarter and events subsequent to closure of the accounts for the period

Industrial transactions

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.

With regard to the ***Aeronautics*** division, on 29 February 2008, **Finmeccanica** presented its "**Progetto Corso Marche**" in confirmation of its industrial expansion strategy in Piedmont. The project 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), where new buildings will be constructed and existing ones extended by 2010. At the same time, Alenia Aeronautica's empty site in Corso Marche will be redeveloped and upgraded by 2015-2016 in a manner in keeping with the need for deindustrialisation of urban areas.

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.

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 1 April 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 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

In 2007, Finmeccanica carried out no transaction on the capital markets. 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 €mil. 1,756 (under IAS/IFRS). The average term of maturity is approximately 8.5 years.

Below is a list of bonds outstanding at 31 March 2008, including the transactions placed on the market by Finmeccanica S.p.A. and by Finmeccanica Finance S.A.:

Issuer		Year of issue	Maturity	Amount (€mil)	Annual coupon	Type of offer	IAS recog. amts €mil. (5)
Finmeccanica Finance S.A.	(1)	2002	30-Dec-08	297	Variable	Italian retail	299
Finmeccanica Finance S.A.	(2)	2003	8-Aug-10	501	0.375%	European institutional	456
Finmeccanica Finance S.A.	(3)	2003	12-Dec-18	500	5.75%	European institutional	505
Finmeccanica S.p.A.	(4)	2005	24-Mar-25	500	4.875%	European institutional	496

(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 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 31 March 2008, this valuation method led to posting a debt €mil. 45 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 regulations with standard legal clauses for this type of corporate transactions. In the case of the Finmeccanica issues, these clauses do not require any commitment for specific financial parameters (financial covenants) but 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 creating guarantees 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 creation 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.

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.

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.

Outlook

Performance in the first three 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.

It is important to remember that the size of the order backlog, defined based on its workability, is such as to guarantee 85% coverage of expected production for the next nine months of the current period.

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

Accounting statements and Notes to the Interim Financial Report at 31 March 2008

Income Statement

(€mil.)	Notes	For the three months ended 31 March 2008	2007	
Revenue		2,645	2,575	
Revenues from related parties	*26*	271	165	
Purchase and personnel costs	*9*	(2,665)	(2,512)	(*)
Costs to related parties	*26*	(7)	(11)	
Amortisation, depreciation and impairment		(108)	(109)	
Other operating income (costs)	*10*	(13)	1	
		123	109	
Finance income (costs)	*11*	75	(25)	(*)
Finance income (costs) from related parties	*26*	(6)	(3)	
Share of profit (loss) of equity accounted investments		-	1	
Profit before taxes and discontinued operations		**192**	**82**	
Income taxes	*12*	(66)	(63)	
(Loss) profit from discontinued operations		-	-	
Net profit		**126**	**19**	
. equity holders of the Company		*119*	*13*	
. minority interests		*7*	*6*	
Earnings per share				
Basic		*0.280*	*0.028*	
Diluted		*0.280*	*0.028*	
Earnings per share net of discontinued operations				
Basic		*0.280*	*0.028*	
Diluted		*0.280*	*0.028*	

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

Balance Sheet

(€mil.)	*Notes*	***31.03.08***	***31.12.07***
Non-current assets			
Intangible assets	*13*	5,265	5,266
Property, plant and equipment	*14*	2,842	2,855
Financial assets at fair value	*15*	226	589
Non-current receivables from related parties	*26*	10	11
Deferred taxes		445	450
Other assets	*16*	705	674
		9,493	**9,845**
Current assets			
Inventories		3,580	3,383
Current receivables from related parties	*26*	484	486
Trade receivables	*17*	7,318	7,095
Financial receivables		545	586
Derivatives	*18*	207	162
Other assets	*19*	922	884
Cash and cash equivalents		789	1,607
		13,845	**14,203**
Non-current assets held for sale			
Total assets		**23,338**	**24,048**
Shareholders' equity			
Share capital	*20*	1,862	1,864
Other reserves	*20*	3,212	3,465
Capital and reserves attributable to equity holders of the Company		**5,074**	**5,329**
Minority interests in equity	*20*	107	103
Total shareholders' equity		**5,181**	**5,432**
Non-current liabilities			
Borrowings		1,649	1,675
Employee liabilities	*21*	950	946
Provisions for risks and charges	*22*	321	353
Deferred taxes		427	442
Other liabilities	*24*	810	821
		4,157	**4,237**
Current liabilities			
Current payables from related parties	*26*	634	666
Trade payables	*23*	10,047	10,400
Borrowings		1,141	1,149
Income tax payables		109	68
Provisions for risks and charges	*22*	530	545
Derivatives	*18*	152	109
Other liabilities	*24*	1,387	1,442
		14,000	**14,379**
Liabilities directly correlated with assets held for sale			
Total liabilities		**18,157**	**18,616**
Total liabilities and shareholders' equity		**23,338**	**24,048**

Cash Flow Statement

(€mil.)	*Notes*	***For the three months ended 31 March***		
		2008	***2007***	
Cash flow from operating activities:				
Gross cash flow from operating activities	*25*	285	263	(*)
Changes in working capital	*25*	(723)	(839)	
Changes in other operating assets and liabilities, taxes and finance costs		(217)	(211)	(*)
Net cash generated from operating activities		**(655)**	**(787)**	
Cash flow from investing activities:				
Acquisitions of subsidiaries, net of cash acquired		187	(6)	
Call option paid to BAE System		-	(400)	
Purchase of property, plant and equipment and intangible assets		(275)	(322)	
Proceeds from sale of property, plant and equipment and intangible assets		2	3	
Other investing activities		(12)	43	
Net cash used in investing activities		**(98)**	**(682)**	
Cash flow from financing activities:				
Net change in other borrowings		(57)	(58)	
Net cash used in financing activities		**(57)**	**(58)**	
Net increase (decrease) in cash and cash equivalents		(810)	(1,527)	
Exchange losses on cash and cash equivalents		(8)	(4)	
Cash and cash equivalents at 1 January		1,607	2,003	
Cash and cash equivalents at 31 March		**789**	**472**	

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

Statement of Recognised Income and Expenses

(€mil.)	*31.03.08*	*31.03.07*
Reserves of income (expense) recognised in equity		
- Available-for-sale financial assets	(159)	22
- Actuarial gains (losses) on defined-benefit plans	(70)	13
- Changes in cash-flow hedges	7	6
- Exchange gains/losses	(183)	(22)
Tax on expense/(income) recognised in equity	16	(6)
Income/(expense) recognised in equity	(389)	13
Profit (loss) for the year	126	19
Total income and expense for the year	**(263)**	**32**
Attributable to:		
- equity holders of the Company	(267)	27
- minority interests	4	5

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, aeronautics, defence electronics and security, defence systems, space, energy and transportation.

2. FORM, CONTENT AND APPLICABLE ACCOUNTING STANDARDS

The interim financial report of the Finmeccanica Group at 31 March 2008 was prepared in accordance with Article 82 of Issuers' Regulation no. 11971/99, as subsequently changed and amended, under IAS 34, based on the IASs/IFRSs endorsed by the European Commission at 31 March 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 consolidated financial statements 2007.

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 quarterly report are the same that were used in the preparation of the consolidated financial statements at 31 December 2007 and the quarterly report at 31 March 2007, except for Section 4.

The accounting statements presented have also been changed from those in the quarterly report at 31 March 2007 to reflect the changes in the accounting treatment of defined-benefit plans (Section 4).

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

This consolidated quarterly report, which was prepared in accordance with IFRSs, is not audited.

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 effective 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

4.1 Recognition of defined-benefit plans with the adoption of the equity option

From the consolidated financial statements at 31 December 2007, the Group adopts the equity option to recognise actuarial gains and losses, whereas it previously used the corridor approach. 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.

Interest costs and expected results on plan assets are now more properly reported as finance income and expense.

As envisaged by IAS 8 “Accounting policies, changes in accounting estimates and errors”, the Group adopted the new standard retrospectively, and also changed the comparative figures presented: therefore, the comparative balance sheet and income statement at 31 March 2007 have been changed to reflect the effects of adopting the new standard.

The effects on the comparative income statement at 31 March 2007 were as follows:

(€mil.)	**31 March 2007**	**Effect of changes**	**31 March 2007 restated**
Revenue	2,575		2,575
Revenues from related parties	165		165
Purchase and personnel costs	(2,520)	8	(2,512)
Costs to related parties	(11)		(11)
Amortisation, depreciation and impairment	(109)		(109)
Other operating income (costs)	1		1
	101	8	109
Finance income (costs)	(18)	(7)	(25)
Finance income (costs) from related parties	(3)		(3)
Share of profit (loss) of equity accounted investments	1		1
Profit before taxes and discontinued operations	**81**	**1**	**82**
Income taxes	(63)		(63)
(Loss) profit from discontinued operations	-		-
Net profit	**18**	**1**	**19**

The effects on the comparative balance sheet at 31 March 2007 were as follows:

(€mil.)	**31 March 2007**	**Effect of changes**	**31 March 2007 restated**
Non-current assets			
Intangible assets	5,430		5,430
Property, plant and equipment	2,774		2,774
Financial assets at fair value	862		862
Non-current receivables from related parties	18		18
Deferred taxes	447	17	464
Other assets	578		578
	10,109	**17**	**10,126**
Current assets			
Inventories	3,237		3,237
Current receivables from related parties	440		440
Trade receivables	6,631		6,631
Financial receivables	386		386
Derivatives	120		120
Other assets	975		975
Cash and cash equivalents	472		472
	12,261	**-**	**12,261**
Non-current assets held for sale	119		119
Total assets	**22,489**	**17**	**22,506**
Shareholders' equity			
Share capital	1,860		1,860
Other reserves	3,444	(29)	3,415
Capital and reserves attributable to equity holders of the Company	**5,304**	**(29)**	**5,275**
Minority interests in equity	85		85
Total shareholders' equity	**5,389**	**(29)**	**5,360**
Non-current liabilities			
Borrowings	1,969		1,969
Employee liabilities	1,231	43	1,274
Provisions for risks and charges	355		355
Deferred taxes	342	3	345
Other liabilities	1,320		1,320
	5,217	**46**	**5,263**
Current liabilities			
Current payables from related parties	470		470
Trade payables	8,691		8,691
Borrowings	508		508
Income tax payables	156		156
Provisions for risks and charges	551		551
Derivatives	91		91
Other liabilities	1,329		1,329
	11,796	**-**	**11,796**
Liabilities directly correlated with assets held for sale	87		87
Total liabilities	**22,489**	**17**	**22,506**

4.2 Reform of severance pay legislation (the 2007 Finance Law and enabling acts)

With regard to the severance pay (TFR), that was recognised as a defined-benefit plan, Law no. 296 of 27 December 2006 ('Finance Law 2007') and subsequent Decrees and Regulations issued in 2007 introduced, as part of the reform of the social security system, significant changes as to where to allocate the severance pay provision.

Specifically, the employee may choose to put the new accruals to the severance pay provision in supplementary pension schemes of his choice, or to keep them at the company (for companies with less than 50 employees), or to transfer them to the INPS (for companies with more than 50 employees). Based on these regulations, and on the generally accepted interpretations, the Group believed that:

- for the severance pays accrued at 31 December 2006, the provision is a defined-benefit plan to be measured on actuarial rules but without including future pay increases.
- for the severance pays accruing after 31 December 2006, the nature of supplementary pension funds and of funds allocated to the INPS treasury fund is that of a defined-contribution plan, without including actuarial estimates in the determination of the portion of cost attributable to the period.

5. SIGNIFICANT NON-RECURRING EVENTS OR 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 260 million euros.

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 transaction:

	€mil.
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.

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

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.

To that regard, the balance sheet and the income statement 2007 fully reflected the effects of this decision.

Moreover, with this decision the Commission retained the right to request for 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.

6. SCOPE OF CONSOLIDATION

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

- the Vega Group, which was purchased in 2007, was fully consolidated since that date on a line-by-line basis;
- Alenia Composite S.p.A., which was previously consolidated using the equity method, has been fully consolidated on a line-by-line basis since 1 January 2008;
- 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 and was previously consolidated using the equity method, has been fully consolidated on a line-by-line basis since 1 January 2008;
- Superjet International S.p.A., which was incorporated on 1 August 2007 and was previously consolidated using the equity method, 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;
- Alenia Improvement S.p.A., 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, was fully consolidated on a line-by-line basis since its incorporation;

- BredaMenarinibus S.p.A., which was previously reported as a discontinued operation, was fully consolidated on a line-by-line basis again since the half-year report 2007;
- 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. in liquidation, which was fully consolidated on a line-by-line basis until the financial statements 2007, has now been consolidated using the equity method since 1 January 2008;
- Alkan SA, which was previously consolidated on a line-by-line basis (25%), was deconsolidated after it was sold by MBDA SAS to third parties in May 2007.

The Income Statement includes figures for the comparative period presented, only from the date of purchase and until the date of sale (or date of efficacy of the deed).

The Balance Sheet at 31 December 2007 does not include figures for the groups and companies consolidated after that date.

7. SIGNIFICANT CHANGES IN THE EXCHANGE RATES APPLIED

Always with reference to data comparability, the first three 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 31 March 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 + 6.90% and euro/sterling pound 7.85%); average exchange rates for the period (euro/US dollar + 12.62% and euro/sterling pound + 11.50%).

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

	At 31 March 2008		At 31 December 2007	At 31 March 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	1.49976	1.58120	1.47210	1.31049	1.33180
Pound Sterling	0.75771	0.79580	0.73335	0.67054	0.67980

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 31 March 2008, as compared with those of the same period of the previous year, are as follows:

31 March 2008

	Helicopters	Defence and Security Electronics	Aero-nautics	Space	Defence Systems	Energy	Transportation	Other activities	Elimin-ations	Total
Revenue from external customers	676	573	361	198	214	229	342	52		2,645
Revenue from other segments	37	104	130	5	33		23	12	(73)	271
Result before tax and finance income and costs	83	18	19	3	13	14	19	(46)		123
Finance income and costs - net										69
Share of result of associates										
Tax expense										(66)
Profit (loss) from discontinued operations										
Profit for the period										126
Group share of net result										119
Minority share										7
Investments	22	48	127	8	11	12	8	2		238

31 March 2007

	Helicopters	Defence and Secury Electron-ics	Aero-nautics	Space	Defence Systems	Energy	Transportation	Other activities	Elimin-ations	Total
Revenue from external customers	718	601	320	160	210	217	339	10		2,575
Revenue from other segments	2	79	92	6	28	1	(9)	37	(71)	165
Result before tax and Finance income and costs	75	9	23	1	1	12	10	(22)		109
Finance income and costs net										(28)
Share of result of associates								1		1
Tax expense										(63)
Profit (loss) from discontinued operations										
Profit for the period										19
Group share of net result										13
Minority share										6
Investments	40	42	213	6	10	2	6	3		322

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

31 March 2008

	Helicopters	Defence and SecurityEl Electron-ics	Aero-nautics	Space	Defence Systems	Energy	Transportation	Other activities	Elimin-ations	Total
Assets	5,510	6,656	5,090	1,067	2,410	1,300	1,864	3,727	(4,286)	23,338
Liabilities	3,303	3,930	4,768	564	1,701	1,216	1,652	5,441	(4,418)	18,157

31 December 2007

	Helicopters	Defence and Security Electron-ics	Aero-nautics	Space	Defence Systems	Energy	Transportation	Other activities	Elimin-ations	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. RAW MATERIALS AND CONSUMABLE USED AND PURCHASE OF SERVICES AND PERSONNEL COSTS

The break down of this item is as follows:

	31 March 2008	*31 March 2007*
Purchase of materials from third parties	1,208	1,152
Change in inventories	(167)	(76)
Total raw materials and consumable used	**1,041**	**1,076**
Services rendered by third parties	869	714
Costs of acquiring satellite capacity	18	17
Costs of airplane leases	3	3
Costs of rents, operating leases and rental fees	36	40
Total cost of services	**926**	**774**
Wages and salaries	689	654
Costs of PSP	6	7
Cost of LTIP	1	1
Social security contributions	186	174
Costs of severance pay	-	14
Costs related to other defined-benefit plans	13	21
Costs related to defined-contribution plans	28	8
Employee disputes	1	-
Net reorganization costs	3	1
Other costs	17	10
Total personnel costs	**944**	**890**
Changes in inventories of work in progress, semi-finished and finished goods	(75)	(14)
Capitalised costs for internal production	(171)	(214)
Total purchases, services and personnel costs	**2,665**	**2,512**

The average workforce numbered 60,311 at 31 March 2008 compared with 57,769 for the same period of 2007. The net increase is due to the change in the scope of consolidation, especially abroad, and to the positive turnover in certain sectors, including through the use of new contractual forms, such as Aeronautics, Helicopters, and Energy, offset by the decrease in the Defence and Security Electronics and in the Transportation sectors.

The total workforce increased by 648 from 60,748 at 31 December 2007 to 61,396 at 31 March 2008.

"Personnel costs" came to €mil. 944 compared with €mil. 890 at 31 March 2007. The increase is largely due to the reasons stated above. It should be noted that the significant changes in the severance pay, the defined-contribution plans and defined-benefit plans items are the result of the reform of severance pay legislation under which allocations to the severance pay provision are included among the costs relating to defined-contribution plans, and to the increase in the discount rate for the plans of AgustaWestland and Selex Sensors and Airborne Systems Ltd.

10. OTHER OPERATING INCOME (COSTS)

These regard:

	31 March 2008		***31 March 2007***	
	Income	Costs	Income	Costs
Grants for research and development costs	8	-	7	-
Exchange rate difference on operating items	57	(53)	25	(23)
Indirect taxes	-	(8)	-	(9)
Gains/Losses on sales of assets	-	-	1	-
Insurance reimbursements	1	-	2	-
Gains/losses on operating receivables	7	-	5	-
Reversals of/Accruals to provisions for risks	17	(23)	29	(25)
Other operating income (costs)	3	(22)	9	(20)
Total	93	(106)	78	(77)

11. FINANCE INCOME AND COSTS

The breakdown of finance income and costs is as follows:

	31 March 2008			*31 March 2007*		
	Income	**Expense**	**Net**	**Income**	**Expense**	**Net**
Gain from sale of STM	56	-	56	-	-	-
Dividends	-	-	-	-	-	-
Gains on investments and securities	-	-	-	1	-	1
Discounting of receivables, liabilities and provisions	1	(2)	(1)	1	-	1
Interest income/expense	28	(33)	(5)	28	(33)	(5)
Commission income/expense (including commissions on non-recourse items)	-	(2)	(2)	-	(2)	(2)
Fair value adjustments through profit or loss	42	(8)	34	12	(15)	(3)
Premiums paid/received on forwards	4	(5)	(1)	5	(16)	(11)
Exchange rate differences	173	(169)	4	60	(58)	2
Value adjustments to equity investments	-	(1)	(1)	-	-	-
Interest cost on defined benefit plans (less expected returns on plan assets)	-	(5)	(5)	-	(7)	(7)
Other finance income and costs	2	(6)	(4)	2	(3)	(1)
	306	(231)	75	109	(134)	(25)

A comparison with the first quarter of 2007 is strongly affected by the capital gain from the sale of roughly 26 millions share of STM for €mil. 56 (Section 5).

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

	31March 2008			*31March 2007*		
	Income	**Expense**	**Net**	**Income**	**Expense**	**Net**
Swaps	4	(1)	3	3	(1)	2
Forex options	-	(1)	(1)	1	(2)	(1)
Interest rate swaps	1	-	1	2	(7)	(5)
Options on STM	19	-	19	-	-	-
Ineffective component of hedging swap	17	(5)	12	4	(2)	2
Option embedded in the exchangeable bond	1	(1)	-	2	(2)	-
Other equity derivatives	-	-	-	-	(1)	(1)
	42	(8)	34	12	(15)	(3)

Income from options on STM relates to the decrease in the value of the underlying position.

12. INCOME TAXES

This item represents the algebraic sum of:

	31 March 2008	*31 March 2007*
Corporate income tax (IRES)	33	33
Regional tax on productive activities (IRAP)	24	27
Benefit under consolidated tax mechanism	(25)	(27)
Other income taxes	21	11
Provisions for tax disputes	-	1
Deferred tax liabilities (assets)- net	13	18
	66	63

13. INTANGIBLE ASSETS

Intangible assets at 31 March 2008 came to €mil. 5,265 compared with €mil. 5,266 at 31 December 2007.

	31 March 2008	*31 December 2007*
Goodwill	3,387	3,434
Development costs	372	332
Non-recurring costs	727	684
Patents and similar rights	6	6
Concessions, licenses and trademarks	94	93
Other	679	717
Total intangible assets	5,265	5,266

More specifically:

- goodwill fell by €mil. 47 due to:
  - an increase of €mil. 72 due to the acquisition of an additional stake in the Vega Group (€mil. 60), the purchase of 18% of Sirio Panel S.p.A. (€mil. 7) and the consolidation of ABS Technology S.p.A. (€mil. 5);

- a decrease of €mil. 119 due mainly to the exchange rate differences deriving from companies with reporting currencies other than the euro (British pounds in particular);

- "development costs" and "non-recurring costs" increased by €mil. 83 due to the capitalisations for the period (€mil. 41 and €mil. 66 respectively), mainly due to Aeronautics (€mil. 62) and Defence and Security Electronics (€mil. 25) programmes. In addition, as regards programmes that benefit from the provisions of Law 808 and are classified as functional to national security, the portion of capitalised non-recurring costs whose fairness must be assessed yet by the grantor is separately disclosed within other non-current assets (Section 16);

- "Other" includes €mil. 516 of the residual value of the intangible assets identified in the course of corporate aggregation operations, in accordance with IFRS 3. Of this, €mil. 112 relates to internally-developed technological knowledge and software, €mil. 46 to trademarks, €mil. 343 to activities related to the backlog of acquired companies, and their commercial positioning and to acquired programmes, and €mil. 15 to licences.

14. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at 31 March 2008 came to €mil. 2,842 (€mil. 2,855 at 31 December 2007) representing a net decrease of €mil. 13:

	31 March 2008	***31 December 2007***
Land and buildings	966	987
Plant and machinery	464	478
Equipment	547	539
Other	865	851
Total property, plant and equipment	2,842	2,855

Property, plant and equipment includes €mil. 28 (€mil. 28 at 31 December 2007) of assets held under contracts that can be qualified as finance leases, of which €mil. 24

(€mil. 24 at 31 December 2007) relates to land and buildings and €mil. 4 (€mil. 4 at 31 December 2007) to plant and machinery, equipment and other assets.

"Other assets" includes €mil. 10 (€mil 9 at 31 December 2007) for helicopters owned by the AgustaWestland group and €mil. 154 (€mil. 169 at 31 December 2007) for aircraft owned by the GIE ATR group, as well as for aircraft that did not meet the requirements, in terms of the substantial transfer of the risks of ownership, for recognition of the, despite the fact that sales contracts have been concluded with external customers.
The item also includes the value of assets under construction totalling €mil. 561 (€mil. 529 at 31 December 2007).

The most significant investments amounted to €mil. 60 for Aeronautics (mainly for the start-up of the B787 programme), €mil. 18 for Defence and Security Electronics, €mil. 12 for Energy, €mil. 7 for Space, and €mil. 8 for Transportation.

15. FINANCIAL ASSETS AT FAIR VALUE

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

Below are the changes for the periods being compared:

	2008	***2007***
1 January	589	840
Purchases for the period	-	-
Sales for the period	(257)	-
Fair value adjustment	(106)	(251)
Period end	226	589

The decrease in the fair value adjustment was offset by a specific equity reserve named 'reserve for assets available for sale' (€mil. -38, including the translation reserve which was negative in the amount of €mil. 7 relating to prior years). 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.

16. OTHER NON-CURRENT ASSETS

Other non-current assets came to €mil. 705 compared with €mil. 674 at 31 December 2007:

	31 March 2008	*31 December 2007*
Third-party financing	44	39
Security deposits	18	19
Receivables for finance leases	9	10
Deferred receivables Law 808/85	60	51
Other	34	39
Non-current receivables	**165**	**158**
Real estate investments	1	1
Equity investments	144	148
Financial accrued income - non-current	4	4
Other accrued income - non-current	1	1
Other non-current assets	-	-
Non-recurring costs awaiting interventions under Law 808/1985	390	362
Non-current assets	**540**	**516**
Total other non-current assets	**705**	**674**

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

The item “deferred receivables 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 (€mil. 38, compared with €mil. 39 at 31 December 2007) is classified among other current assets (Section 19). 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.

17. TRADE RECEIVABLES

Trade receivables at 31 March 2008 came to €mil. 7,318, compared with €mil. 7,095 at 31 December 2007:

	31 March 2008	***31 December 2007***
Receivables	3,884	4,037
Impairment	(166)	(169)
	3,718	3,868
Work in progress (gross)	7,143	6,426
Advances from customers	(3,543)	(3,199)
Work in progress (net)	3,600	3,227
Total trade receivables	7,318	7,095

18. DERIVATIVES

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

	31 March 2008		*31 December 2007*	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Forward forex instruments	142	120	115	80
Forex options	-	4	-	3
Interest rate swaps	3	28	3	25
Options on STM	62	-	43	-
Exchangeable bond option	-	-	1	1
	207	152	162	109

Interest rate swaps totalled €mil. 1,030 (notional amount) and hedge medium/long-term financial transactions in the amount of €mil. 1,798 (nominal amount).

At 31 March 2008 the Group held 33.7 million shares of STMicroelectronics NV (“STM”), classified as “available for sale”, with a fair value of €mil. 226 (Section 15). 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 11). At 31 March 2008 held options on 40 million STM shares.

19. OTHER CURRENT ASSETS

Other current assets came to €mil. 922, compared to €mil. 884 at 31 December 2007:

	31 March 2008	***31 December 2007***
Accrued income - current portion	82	82
Equity investments	1	1
Receivables for contributions	64	69
Receivables from employees and social security	40	40
Indirect tax receivables	197	161
Deferred receivables Law 808/85 (Section 16)	38	39
Other assets	205	202
Total current assets	627	594
Parent Company income tax receivables	127	122
Receivables assigned without recourse	106	106
Other income tax receivables/payables	29	49
Total income tax receivables	262	277
Bonds	1	1
Other securities	32	12
Total assets available for sale	33	13
Total other current assets	922	884

The item “deferred receivables 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 receivables and other non-current assets (Section 16).

“Other assets” include, among others, receivables from the Camozzi group in the amount of €mil. 14 (€mil. 14 at 31 December 2007), sundry advances in the amount of €mil. 30 (€mil. 20 at 31 December 2007) and receivables from the Ministry of Defence in connection with the settlement of disputes in the amount of €mil. 37 (€mil. 37 at 31 December 2007.

"Parent Company receivables" relate to IRPEG/I.Re.S. (corporate income tax) receivables of €mil. 58 (€mil. 56 at 31 December 2007), to interest on tax receivables of €mil. 61 (€mil. 59 at 31 December 2007) and other receivables (IRAP, regional tax on productive activities, and ILOR, local income tax) of €mil. 8 (€mil. 7 at 31 December 2007). "Receivables assigned without recourse" relates to IRPEG receivables maintained as Group assets, even though they have been sold to third parties, because this is not included in the requirements of IAS 39 on derecognition. A financial payable of the same amount is recognised against these tax receivables.

"Other securities" relates almost exclusively to a cash investment of the Parent Company in units of a fund organised under the laws of Italy and to a certificate of indebtedness issued by a foreign institution.

20. SHAREHOLDERS' EQUITY

Shareholders' equity at 31 March 2008 came to €mil. 5,181 (€mil. 5,432 at 31 December 2007), a net decrease of €mil. 251.

Share capital

	Number of ordinary shares	**Par value €mil.**	**Treasury shares €mil.**	**Total €mil.**
Outstanding shares	425,135,260	1,870	-	1,870
Treasury shares	(343,777)	-	(6)	(6)
31 December 2007	424,791,483	1,870	(6)	1,864
Shares subscribed during the period	64,130		-	
Repurchase of treasury shares, less shares sold	(100,000)	-	(2)	(2)
31March 2008	424,755,613	1,870	(8)	1,862
broken down as follows:				
Outstanding shares	425,199,390	1,870	-	1,870
Treasury shares	(443,777)	-	(8)	(8)
	424,755,613	1,870	(8)	1,862

The Parent Company's share capital fully subscribed and paid-up is divided into 425,199,390 ordinary shares with a par value of €4.40 each, including 443,777 treasury shares.

At 31 March 2008, the Ministry for the Economy and Finance held 33.720%, Fidelity International Ltd held 2.127%, Capital Research and Management Company held 2.117% and Barclays Global Investors UK Holding Ltd held 2.014% of the shares.

Other reserves

	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	Other reserves	Total
1 January 2007 (restated)	2,933	372	58	20	(37)	35	-	3,381
Dividends paid								
Surplus on share capital increases	3							3
Revaluation of assets acquired in previous years								
Actuarial profits (losses) *					7			7
Changes to UK pension plans								
Other changes								
Stock options/grant plans:								
- services rendered				6				6
- stock grant assigned								
Fair value adjustments and transfers to the income statement		22	4					26
Net profit for the period *	13							13
Exchange gains/losses						(21)		(21)
*31 March 2007 **	2,949	394	62	26	(30)	14	-	3,415
31 December 2007	3,224	121	71	32	167	(150)	-	3,465
Dividends paid								
Surplus on share capital increases	1							1
Actuarial profits (losses)					(51)			(51)
Other changes	8							8
Stock options/grant plans:								
- services rendered				5				5
- stock grants assigned								
Fair value adjustments and transfers to the income statement		(159)	5					(154)
Net profit for the period	119							119
Translation differences						(181)		(181)
31 March 2008	3,352	(38)	76	37	116	(331)	-	3,212

* *Item modified due to the effect of the retrospective change in the treatment of defined-benefit plans (Section 4)*

Shareholders' equity of minority interests

	31 March 2008	*31 March 2007*
1 January	103	81
Change in scope of consolidation and other minority shareholders	-	(2)
Translation differences	(2)	(1)
Fair value adjustments through profit and loss	(1)	1
Net profit for the period	7	6
Period end	107	85

21. EMPLOYEE LIABILITIES

	31 March 2008	*31 December 2007*
Severance obligations	701	736
Defined-benefit retirement plans	193	152
Share of joint venture pension obligation	38	41
Defined-contribution plans	18	17
	950	946

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

	31 March 2008	*31 December 2007*	*31 December 2006*	*31 December 2005*	*31 December 2004*
Present value of obligations	1,004	1,038	1,126	1,025	709
Fair value of the plan's assets	(811)	(886)	(796)	(641)	(474)
Plan excess (deficit)	(193)	(152)	(330)	(384)	(235)

Total net deficit mainly relates to the AgustaWestland plan (€mil. 91) and the Selex Sensors and Airborne Systems Ltd plan (€mil. 25). The deficit increase is largely due to the rise in interest rates during the period.

22. PROVISIONS FOR RISKS AND CHARGES

The provisions for risks and charges came to €mil. 851, compared to €mil. 898 at 31 December 2007:

	31 March 2008		*31 December 2007*	
	Non-current	**Current**	**Non-current**	**Current**
Guarantees given	34	17	36	16
Restructuring	15	17	16	23
Penalties	33	25	34	20
Product guarantees	107	86	110	91
Other	132	385	157	395
	321	530	353	545

"Other provisions for risks and charges" came to a total of €mil. 517 (€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. 58 (€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 bad debts of €mil. 20 (€mil. 25 at 31 December 2007) includes accruals to cover losses exceeding the carrying amounts of unconsolidated investees;
- the provision for taxes in the amount of €mil. 49 (unchanged from 31 December 2007);
- the provision for disputes with employees and former employees in the amount of €mil. 41 (unchanged from 31 December 2007);

- the provision for pending litigation in the amount of €mil. 99 (€mil. 96 at 31 December 2007);

- other provisions in the amount of €mil. 182 (€mil. 153 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:

- o 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.

- 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 SpA within the context of a non-recourse sale carried out following many fruitless attempts to recover these receivables. Specifically, the Tax Authority, deeming the actions undertaken by the Company to forcibly collect the receivables and therefore the evidence of the foreign debtor's solvency or lack thereof to be insufficient, found that the requirements of certainty and precision under the law were not met to allow the loss to be fully deducted, regardless of the fact that the loss was conclusively realised by Telespazio 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 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 €mil. 18 consisting of additional taxes, penalties and interest. The tax claim, served on 27 December 2006, traces back to a tax audit completed in 2004 against ALS 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 had been set for May 2008 to argue the case before the provincial tax commission.

23. TRADE PAYABLES

Trade payables came to €mil. 10,047, compared with €mil. 10,400 at 31 December 2007:

	31 December 2007	*31 December 2007*
Trade payables	3,714	3,923
Advances from customers (gross)	15,355	15,457
Work in progress	(9,022)	(8,980)
Advances from customers (net)	6,333	6,477
Total trade payables	10,047	10,400

24. OTHER LIABILITIES

	Non-current		**Current**	
	31 March 2008	*31 December 2007*	*31 March 2008*	*31 December 2007*
Employee obligations	52	50	369	333
Deferred income	76	89	95	100
Social security payable	3	3	260	294
Payable to Min. of Econ. Dev. Law 808/1985	293	288	8	8
Payable to Min. of Econ. Dev. for monopoly rights Law 808/1985	57	56	17	17
Other liabilities Law 808/1985	262	258	-	-
Indirect tax payables	-	-	167	192
Other payables	67	77	471	498
	810	821	1,387	1,442

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 disbursement 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 incurrent 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 €mil. 44 (€mil. 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 €mil. 26 (€mil. 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 €mil. 29 (€mil. 32 at 31 December 2007) for customer deposits;
- the amount of €mil. 19 (€mil. 24 at 31 December 2007) in respect of contractual penalties;
- the amount of €mil. 23 (€mil. 36 at 31 December 2007) due to the repurchase of a G222 aircraft;
- commissions due in the amount of €mil. 30 (€mil. 35 at 31 December 2007);
- royalties due in the amount of €mil. 28 (€mil. 22 at 31 December 2007).

25. CASH FLOW FROM OPERATING ACTIVITIES

	For the three months ended 31 March	
	2008	***2007***
Net profit	126	19
Depreciation, amortisation and impairment	108	109
Effect of the measurement of equity investments on the equity method	-	(1)
Income taxes	66	63
Provisions	11	(4)
Costs of pension and stock grant plans	47	50
Net finance costs	(69)	28
Other non-monetary items	(4)	(1)
	285	263

Costs of pension and stock grant plans include the portion of costs relating to defined-benefit and defined-contribution 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 sale of consolidated companies and exchange gains/losses, are as follows:

	For the three months ended 31March	
	2008	***2007***
Inventories	(238)	(196)
Contract work in progress and advances received	(470)	(384)
Trade receivables and payables	(15)	(259)
Changes in working capital	(723)	(839)

26. 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 31 MARCH 2008***	**Non current financial receivables**	**Other non-current receivables**	**Current financial receivables**	**Trade receivables**	**Other current receivables**	**Total**
Subsidiaries						
Other companies with unit amount lower than €mil. 5			10	3	1	14
Associates						
Eurofighter Jagdflugzeug GmbH				109		109
Iveco Fiat/Oto Melara S.c.a.r.l.				42		42
Orizzonte - Sistemi Navali S.p.A.				22		22
Eurosysnav SAS				7		7
Abruzzo Engineering S.c.p.a.				13		13
NH Industries S.a.r.l.				23		23
Macchi Hurel Dubois SAS				8		8
Euromids SAS				8		8
Metro 5 S.p.A.				8		8
Other companies with unit amount lower than €mil. 5	2		1	20	2	25
J.V.(*)						
MBDA SAS				85		85
Thales Alenia Space SAS				24		24
GIE ATR					26	26
Global Military Aircraft Syst. LLc				8		8
Aviation Training International Ltd	8					8
Other companies with unit amount lower than €mil. 5			3	3		6
Consortiums (**)						
Saturno				11		11
Trevi - Treno Veloce Italiano				13		13
C.I.S. DEG				9		9
Other consortiums with unit amount lower than €mil. 5			6	18	1	25
Total	**10**	**0**	**20**	**434**	**30**	**494**

(millions of euros) *PAYABLES AT 31 MARCH 2008*	**Non-current financial payables**	**Other non-current payables**	**Current financial payables**	**Trade payables**	**Other current payables**	**Total**
Subsidiaries						
Other companies with unit amount lower than €mil. 5			1	8	1	10
Associates						
Consorzio Start S.p.A.				16		16
Eurosysnav SAS			12			12
Iveco Fiat/Oto Melara S.c.a.r.l.					24	24
Metro 5 S.p.A.					6	6
Other companies with unit amount lower than €mil. 5			2	15		17
J.V. (*)						
MBDA SAS			484	11		495
Thales Alenia Space SAS			21	8		29
Other companies with unit amount lower than €mil. 5			5	1	1	7
Consortiums *(**)*						
Trevi - Treno Veloce Italiano					12	12
Other consortiums with unit amount lower than €mil. 5				6		6
Total	**-**	**-**	**525**	**65**	**44**	**634**

(millions of euros) ***RECEIVABLES AT 31 DECEMBER 2007***	**Non current financial receivables**	**Other non-current receivables**	**Current financial receivables**	**Trade receivables**	**Other current receivables**	**Total**
Subsidiaries						
Other companies with unit amount lower than €mil. 5			9	7	1	17
Associates						
Eurofighter Jagdflugzeug GmbH				108		108
Iveco Fiat/Oto Melara S.c.a.r.l.				33		33
Orizzonte - Sistemi Navali S.p.A.				29		29
Eurosysnav 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
J.V.(*)						
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
Consortiums (**)						
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
Total	**11**	**0**	**20**	**451**	**15**	**497**

(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**
Subsidiaries						
Other companies with unit amount lower than €mil. 5				8	1	9
Associates						
Consorzio Start S.p.A.				16		16
Eurosysnav 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 €mil. 5			3	21		24
J.V. (*)						
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 €mil. 5			3	5		8
Consortiums *(**)*						
Trevi - Treno Veloce Italiano					12	12
Other consortiums with unit amount lower than €mil. 5				11		11
Total	**-**	**-**	**560**	**81**	**25**	**666**

(millions of euros) 31 March 2008	**Revenue**	**Other operating income**	**Costs**	**Finance income**	**Finance costs**
Subsidiaries					
Other companies with unit amount lower than €mil. 5	4		3		
Associates					
Eurofighter International Limited	84				
Iveco Fiat/Oro Melara S.c.a.r.l.	27				
NH Industries S.a.r.l.	36				
Macchi Hurel Dubois SAS	7				
Euromids S.a.S.	7				
Eurofighter Jagdflugzeug GmbH	6				
Other companies with unit amount lower than €mil. 5	16		4		1
J. V./(*).					
GIE ATR	28				
MBDA SAS	16				
Thales Alenia Space SAS (+)	6				
Global Military Aircraft Syst LLC	8				
Other companies with unit amount lower than €mil. 5	1				5
Consortiums (**)					
Saturno	20				
Other consortiums with unit amount lower than €mil. 5	5				
Total	**271**		**7**		**6**

(millions of euros) 31 March 2007	**Revenue**	**Other operating income**	**Costs**	**Finance income**	**Finance costs**
Subsidiaries					
Other companies with unit amount lower than €mil. 5			6		
Associates					
Eurofighter Jagdflugzeug GmbH	68				
Iveco Fiat/Oro Melara S.c.a.r.l.	23				
Other companies with unit amount lower than €mil. 5	20		4	1	1
J. V./(*).					
GIE ATR	20				
MBDA SAS	11				
Alcatel Alenia Space SAS	8				
Other companies with unit amount lower than €mil. 5	1		1		3
Consortiums (**)					
Saturno	12				
Other consortiums with unit amount lower than €mil. 5	2				
Total	**165**		**11**	**1**	**4**

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

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

(+) Former Alcatel Alenia Space SAS

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

Declaration of the officer responsible for the interim financial report at 31 March 2008 in compliance with Article 154-*bis*(2) of the Consolidated Finance Act (TUF)

I, Alessandro Pansa, as joint General Manager for Finmeccanica S.p.A. and the officer in charge of preparing the company's accounting documents, hereby declare, in accordance with the provisions of Article 154-*bis*, paragraph 2, of the Consolidated Finance Act (TUF, *Testo Unico della Finanza*), that the interim financial report for the period ended 31 March 2008 corresponds to the related accounting records and supporting documentation.

Officer in charge of preparing
company accounting documents
(Alessandro Pansa)

Rome, 12 May 2008