HALF-YEAR FINANCIAL REPORT

AT 30 JUNE 2010

FINMECCANICA

Disclaimer

This Half-Year Financial Report at 30 June 2010 has been translated into English solely for the convenience of the international reader. In the event of conflict or inconsistency between the terms used in the Italian version of the report and the English version, the Italian version shall prevail, as the Italian version constitutes the sole official document.

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BOARDS AND COMMITTEES

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

PIER FRANCESCO GUARGUAGLINI (1)
Chairman / Chief Executive Officer

PIERGIORGIO ALBERTI (2) (3)
Director

ANDREA BOLTHO von HOHENBACH (1)
Director

FRANCO BONFERRONI (2) (3)
Director

GIOVANNI CASTELLANETA (1)
Director (*)

MAURIZIO DE TILLA (2)
Director

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

RICHARD GRECO (1)
Director

FRANCESCO PARLATO (1) (3)
Director

NICOLA SQUILLACE (1) (2)
Director

RICCARDO VARALDO (3)
Director

GUIDO VENTURONI (1)
Director

(*) Director without voting right, appointed by Ministerial Decree on 26.06.2008, pursuant to Decree-Law No 332/94, converted with amendments into Act No 474/94
(**) Member of the Remuneration Committee since 4.02.2009

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

BOARD OF STATUTORY AUDITORS
(for the 2009- 2011 term)
appointed by the Shareholders' Meeting of 29 April 2009

LUIGI GASPARI
Chairman

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

MAURIZIO DATTILO, PIERO SANTONI
Alternate Statutory Auditors

LUCIANO ACCIARI
Secretary of the Board of Directors

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

Finmeccanica Group

Interim report on operations at 30 June 2010

The results and financial position for the first six months

Highlights

€ million	June 2010	June 2009	change	2009
New orders	**8,050.00**	**8,327**	**(3.3%)**	**21,099**
Order backlog	**45,803**	**42,980**	**6.6%**	**45,143**
Revenues	**8,654**	**8,523**	**1.5%**	**18,176**
Adjusted EBITA	**586**	**605**	**(3.1%)**	**1,587**
Net profit	**194**	**242**	**(19.8%)**	**718**
Adjusted net profit	**194**	**242**	**(19.8%)**	**700**
Net capital invested	**11,530**	**10,934**	**5.5%**	**9,612**
Net financial debt	**4,624**	**4,615**	**0.2%**	**3,070**
FOCF	**(967)**	**(695)**	**(39.1%)**	**563**
ROS	***6.8%***	***7.1%***	***-0.3 p.p.***	***8.7%***
ROI	***14.0%***	***16.7%***	***-2.7 p.p.***	***16.7%***
ROE	***10.1%***	***9.9%***	***0.2 p.p.***	***11.0%***
EVA	**(73)**	**(38)**	**(92.1%)**	**290**
Research & Development	**880**	**887**	**(0.8%)**	**1,982**
Workforce (no.)	**76,527**	**73,517**	**4.1%**	**73,056**

Refer to the following section for definitions of the indicators.

As has been stated several times, Finmeccanica Group's (the Group) consolidated results for the first half are not entirely representative of the trend for the financial year as a whole since more than half of the Group's business is concentrated in the second half of the year.

However comparisons can be made with the performance of previous periods. The Group's results in the first half of 2010 were less positive than those of the same period of 2009, but nevertheless, they are in line with, and in some cases better than, expectations and do not threaten the outlook for all of 2010.
Before analysing the main indicators, it should be noted that, in comparing the periods, the US dollar appreciated against the euro by around 15% during the first half of 2010 (comparison of the prevailing exchange rates at 30 June 2010 and at 31 December 2009). This led to a sizable change in the balance-sheet items. The changes in the exchange rate for the two periods compared had virtually no impact on the income statement and the cash flow statement.
Compared with the first half of 2009, new orders were down around 3.3%, revenues rose by 1.5% and adjusted EBITA fell by about 3.1%, resulting in an alignment of return on sales (ROS) at 6.8% (equal to 7.1% for the first half of 2009).

Return on investment (ROI) and EVA also reflect the full impact of the DRS group in the calculation of average net capital invested. Compared with the same period of the previous year, ROI stood at 14.0% (16.7% at 30 June 2009), EVA came to a negative €mil. 73 (negative €mil. 38) and return on equity (ROE) amounted to 10.1% (9.9%).

The Group's net profit for the first half of 2010 amounted to €mil. 194 (€mil. 242 for the same period of 2009) and the primary items contributing to this result are attributable to the deterioration in EBIT (€mil. 32) and in net finance costs (€mil. 31) partially offset by lower taxes (€mil. -15). The effective tax rate at 30 June 2010 was 42.9% (40.0% at 30 June 2009).
The deterioration in net finance costs was essentially caused by the different composition of financial debt in addition to the loss on equity accounted investments. The first half of 2009 included the effects of the lower expense associated with the Senior Term Loan Facility, signed as a result of the acquisition of the DRS group. This financing was gradually repaid and replaced by bonds. This has led the average life of the Group's debt to be extended to over 10 years, in line with the Group's funding requirements. The interest component of the higher finance costs incurred in the first half, already reported in the first quarter of the year, is expected to diminish over the remainder of 2010, as occurred during corresponding periods of 2009.

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Income statement		*For the six months ended 30 June*	
	Note	***2010***	***2009***
€ million			
Revenue		8,654	8,523
Raw materials and consumables used and personnel costs	*(*)*	(7,744)	(7,616)
Amortisation and depreciation	*25*	(275)	(266)
Other net operating income (expenses)	*(**)*	(49)	(36)
Adjusted EBITA		**586**	**605**
Non-recurring income/(costs)		-	-
Restructuring costs		(16)	(7)
Impairment of goodwill		-	-
Amortisation of intangible assets acquired through a business combination	*25*	(43)	(39)
EBIT		**527**	**559**
Net finance income (costs)	***(***)***	(187)	(156)
Income taxes	*27*	(146)	(161)
NET PROFIT (LOSS) BEFORE DISCONTINUED OPERATIONS		**194**	**242**
Result of discontinued operations		-	-
NET PROFIT (LOSS)		**194**	**242**

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

(*) Includes "Raw materials and consumables used and personnel costs" net of "Restructuring costs".

(**) Includes "Other operating income", "Other operating expenses" (excluding restructuring costs, impairment of goodwill, non-recurring income/(costs) and including impairment).

(***) Includes "Finance income", "Finance costs" and "Share of profit (loss) of equity accounted investments".

Primary Finmeccanica Group indicators by segment

June 2010 (€ million)

	New orders	Order backlog	Revenues	Adj. EBITA	ROS %	R&D	Workforce (no.)
Helicopters	2,491	10,935	1,743	181	10.4%	174	14,172
Defence and Security Electronics	3,045	12,649	3,255	289	8.9%	341	30,204
Aeronautics	806	8,716	1,262	54	4.3%	161	12,905
Space	497	1,713	412	5	1.2%	26	3,652
Defence Systems	414	3,799	537	37	6.9%	125	4,075
Energy	374	3,030	677	67	9.9%	16	3,443
Transportation	733	5,864	926	35	3.8%	36	7,281
Other activities	38	139	114	(82)	n.a.	1	795
Eliminations	(348)	(1042)	(272)				
	8,050	**45,803**	**8,654**	**586**	**6.8%**	**880**	**76,527**

June 2009 (€ million)

	New orders	Order backlog	Revenues	Adj. EBITA	ROS %	R&D	Workforce (no.)
		at 31 Dec. 2009					at 31 Dec. 2009
Helicopters	1,821	9,786	1,646	162	9.8%	162	10,343
Defence and Security Electronics	3,306	12,280	3,075	274	8.9%	323	30,236
Aeronautics	651	8,850	1,208	60	5.0%	212	13,146
Space	565	1,611	435	13	3.0%	30	3,662
Defence Systems	566	4,010	514	42	8.2%	119	4,098
Energy	398	3,374	820	76	9.3%	16	3,477
Transportation	1,190	5,954	895	55	6.1%	24	7,295
Other activities	74	172	198	(77)	n.a.	1	799
Eliminations	(244)	(894)	(268)				
	8,327	**45,143**	**8,523**	**605**	**7.1%**	**887**	**73,056**

Change

	New orders	Order backlog	Revenues	Adj. EBITA	ROS %	R&D	Workforce (no.)
	delta %	delta %	delta %	delta %	delta p.p.	delta %	delta %
Helicopters	36.8%	11.7%	5.9%	11.7%	0.5 p.p.	7.4%	37.0%
Defence and Security Electronics	(7.9%)	3.0%	5.9%	5.5%	n.s.	5.6%	n.s.
Aeronautics	23.8%	(1.5%)	4.5%	(10.0%)	-0.7 p.p.	(24.1%)	(1.8%)
Space	(12.0%)	6.3%	(5.3%)	(61.5%)	-1.8 p.p.	(13.3%)	n.s.
Defence Systems	(26.9%)	(5.3%)	4.5%	(11.9%)	-1.3 p.p.	5.0%	(.6%)
Energy	(6.0%)	(10.2%)	(17.4%)	(11.8%)	0.6 p.p.	n.s.	(1.0%)
Transportation	(38.4%)	(1.5%)	3.5%	(36.4%)	-2.4 p.p.	50.0%	n.s.
Other activities	(48.6%)	(19.2%)	(42.4%)	6.5%	n.a.	n.a.	(.5%)
	(3.3%)	**1.5%**	**1.5%**	**(3.1%)**	**-0.3 p.p.**	**-0.8%**	**4.8%**

The primary changes that marked the Group's performance compared with the first half of 2009 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 reported a slight decline in **new orders,** which amounted to €mil. 8,050 at the end of the first half of 2010 compared with €mil.8,327 for the same period of 2009.

With regard to the divisions that reported improvements in results, the following should be noted:

- *Helicopters:* an increase mainly due to the order for 12 AW101 helicopters for the Indian air force and component orders in the civil segment, which has experienced a significant rebound;
- *Aeronautics:* an increase in new orders, mainly in the military segment.

This improvement was partially offset by the decline across all other sectors, mainly due to the delays in new orders during the period.

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The **order backlog** at 30 June 2010 amounted to €mil. 45,803, an increase of €mil. 660 over 31 December 2009 (€mil. 45,143).

The net change is mainly due to the effect deriving from the translation of backlog expressed in foreign currencies largely as a result of the euro/US dollar exchange rate at the end of the period.

The order backlog, based on workability, guarantees coverage of about 2.5 years of production.

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Revenues at 30 June 2010 came to €mil. 8,654, compared with €mil 8,523 for the same period of 2009, an increase of €mil. 131 (1.5%).

The primary changes were due to higher production volumes in the following sectors:

- *Helicopters:* due to the AW139 and growth in product support activities;
- *Defence and Security Electronics:* in particular due to the growth in activity pertaining to *avionics and electro-optical systems* and, to a lesser extent, those relating to major integrated defence and security systems, command and control systems, and land and sea systems and value-added services in security applications.

All the other sectors, with the exception of the *Energy* division which saw lower production across both business segments (plants/components and services), remained substantially stable compared with the same period of the previous year.

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Adjusted EBITA at 30 June 2010 came to €mil. 586, compared with €mil. 605 for the same period of the previous year, for a decrease of €mil. 19.

The adjusted EBITA in almost all the divisions was substantially in line with that of the first half of 2009, except for the *Transportation* division, which experienced a decline, mainly in the vehicles and bus segments, and the *Space* division, due to lower output by the manufacturing segment.

There was improvement in:

- *Helicopters:* due to the increase in revenues and the different product mix mentioned above;
- *Defence and Security Electronics:* due to higher volumes and the initial impact of cost containment measures.

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Research and development costs at 30 June 2010 amounted to €mil. 880, down €mil. 7 compared with the first half of 2009 (€mil. 887).

Research and development costs in the *Aeronautics* segment amounted to €mil. 161 (about 18% of the Group total) in the first half of 2010, reflecting the commitment to programmes being developed in both the civil and military segments.

In *Defence and Security Electronics*, R&D costs totalled €mil. 341 (roughly 38% of the Group total) and related in particular to:

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

Finally, in the *Helicopters* segment, R&D costs came to €mil. 174 (about 20% of the Group's total) and mainly concerned the development of technologies primarily for military use (AW149) and of multi-role versions of the BA 609 convertiplane for national security.

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The **workforce** at 30 June 2010 came to 76,527, a net increase of 3,471 from 73,056 at 31 December 2009, of which 4,311 resulted from the consolidation of the Polish group Wytwornia Sprzetu Komunikacyjnego "PZL - WIDNIK" Spolka Akcyjna (PZL - SWIDNIK) in the *Helicopters* division, as well as the effect of reorganisation and negative turnover.

The geographical distribution of the workforce at the end of the first half of 2010 broke down into about 56% of the workforce in Italy and about 44% in foreign countries, largely the United States (16%), the United Kingdom (13%), Poland and France.

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Balance sheet	***Note***	***30 June 2010***	***31 Dec. 2009***
€ million			
Non-current assets		14,088	12,956
Non-current liabilities	*(*)*	(2,770)	(2,639)
		11,318	**10,317**
Inventories		4,833	4,662
Trade receivables	*(**) 13*	9,680	8,481
Trade payables	*(***) 21*	(12,674)	(12,400)
Working capital		**1,839**	**743**
Provisions for short-term risks and charges	*18*	(618)	(595)
Other net current assets (liabilities)	*(****)*	(1,009)	(853)
Net working capital		**212**	**(705)**
Net capital invested		**11,530**	**9,612**
Capital and reserves attributable to equity holders of the Company		6,689	6,351
Minority interests in equity		217	198
Shareholders' equity		**6,906**	**6,549**
Net financial debt (cash)	*17*	**4,624**	**3,070**
Net (assets) liabilities held for sale	*(*****)*	**-**	**(7)**

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

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

(**) Includes "Contract work in progress - net."

(***) Includes "Advances from customers- net".

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

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

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At 30 June 2010 the consolidated **net capital invested** came to €mil. 11,530, compared with €mil. 9,612 at 31 December 2009, for a net increase of €mil. 1,918.
More specifically, there was a €mil. 917 increase in **net working capital** (positive €mil.212 at 30 June 2010, compared with negative €mil. 705 at 31 December 2009). The level of working capital had a negative impact on the Group's ability to generate cash flow during the period (Free Operating Cash Flow) as described below.
As to **capital assets**, there was an increase of €mil. 1,001 (€mil. 11,318 at 30 June 2010, compared with €mil. 10,317 at 31 December 2009), largely due to the effect of translating the "goodwill" in the financial statements of the Group's foreign companies (primarily those denominated in US dollars and pound sterling).

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The ***Free Operating Cash Flow*** (FOCF) is to be analysed in the context of the period, and seasonal factors have to be taken into account. The balance between trade collections and payments reveals that payments are particularly higher than collections. At 30 June 2010, FOCF was negative (use of cash) in the amount of about €mil. 967, compared with negative €mil. 695 at 30 June 2009, for a deterioration of €mil. 272.

In the first half of 2010, investing activity, needed for product development, was concentrated in Aeronautics (40%), Defence and Security Electronics (26%) and Helicopters (14%).

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	For the six months ended 30 June			
	2010		*2009*	
Cash and cash equivalents at 1 January	**2,630**		**2,297**	
Gross cash flow from operating activities	1,008		1,019	
Changes in other operating assets and liabilities and provisions for risks and charges (*)	(493)		(241)	
Funds From Operations (FFO)		**515**		**778**
Changes in working capital	(1,059)		(1,024)	
Cash flow generated from (used in) operating activities	**(544)**		**(246)**	
Cash flow from ordinary investing activities	(423)		(449)	
Free Operating Cash Flow (FOCF)		**(967)**		**(695)**
Strategic operations	(93)		(160)	
Change in other investing activities (**)	3		(25)	
Cash flow generated from (used in) investing activities	**(513)**		**(634)**	
Dividends paid to shareholders	(257)		(254)	
Net change in borrowings	(438)		(447)	
Cash flow generated from (used in) financing activities	**(695)**		**(701)**	
Exchange gains/losses	41		2	
Cash and cash equivalents at 30 June	**919**		**718**	

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

(**) *Includes "Other investing activities", dividends received from subsidiaries and loss coverage for subsidiaries.*

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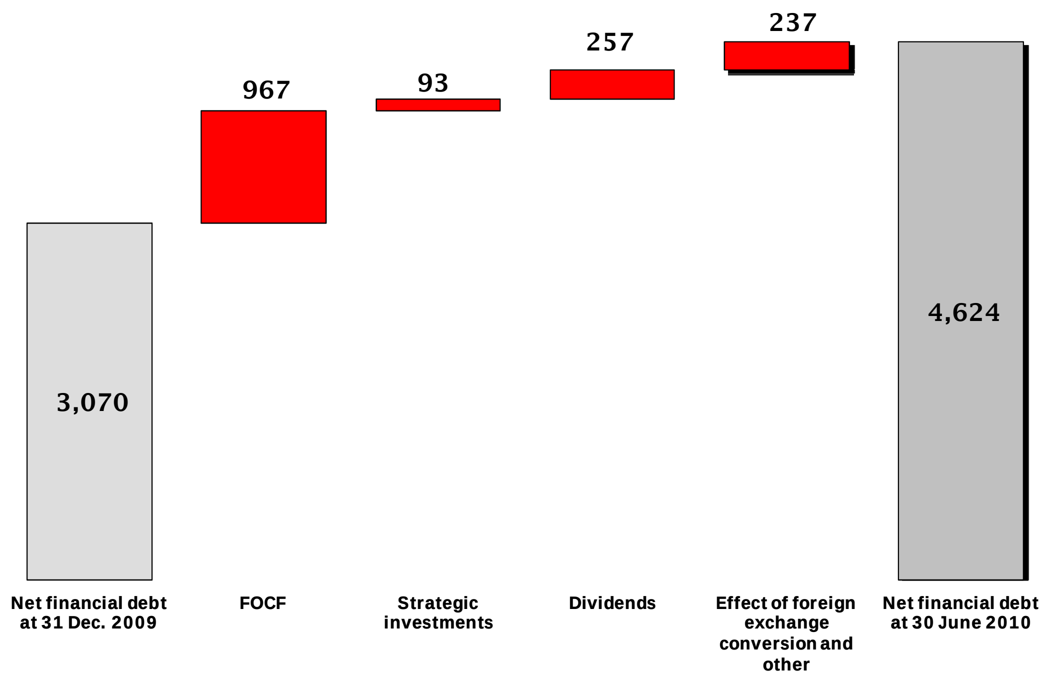
Group **net financial debt** (payables higher than financial receivables and cash and cash equivalents) at 30 June 2010 came to €mil. 4,624 (€mil. 3,070 at 31 December 2009), for a net increase of €mil. 1,554.

The following graph shows the most significant movements that contributed to the change in net financial debt between the two periods being compared:

Net financial debt at 30 June 2010 – (€ million)



€ million	*30 June 2010*	*31 December 2009*
Short-term borrowings	1,292	913
Medium/long-term borrowings	4,084	4,476
Cash and cash equivalents	(919)	(2,630)
BANK DEBT AND BONDS	**4,457**	**2,759**
Securities	(1)	(11)
Financial receivables from related parties	(49)	(34)
Other financial receivables	(745)	(763)
FINANCIAL RECEIVABLES AND SECURITIES	**(795)**	**(808)**
Borrowings from related parties	704	679
Other short-term borrowings	129	312
Other medium/long-term borrowings	129	128
OTHER BORROWINGS	**962**	**1,119**
NET FINANCIAL DEBT (CASH)	**4,624**	**3,070**

Once again for June 2010, consistent with the approach adopted in the presentation of the accounts over the last few years, the net debt figure does not include the net fair value of derivatives at the date the accounts were closed (negative balance of €mil. 30).

As discussed in the section on FOCF, the deterioration seen over the period confirmed the ordinary pattern of the balance between trade collections and payments reveals that payments are particularly higher than collections, with significant use of cash in operating activities.

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

- the payment of €mil. 237 relating to the ordinary dividends paid out by the Group Parent to its shareholders for 2009;
- the payment of €mil. 20 relating to the minority interest portion of the ordinary dividends paid out by other Group companies (including €mil. 19 from Ansaldo STS) to their shareholders for 2009;
- moreover, as explained elsewhere in this report, in January AgustaWestland purchased a further stake in the Polish group PZL-SWIDNIK. The overall impact of this on the Group's net debt, between the purchase price paid (€mil. 77 net of cash acquired) and inclusion of the new company and its subsidiaries within the scope of consolidation (with a net debt of €mil. 38) came to about €mil. 115.

The net debt figure also heavily reflects the considerable appreciation of the US dollar against the euro reported at 30 June 2010 compared with at the end of 2009, particularly with respect to the translation of net debt denominated in dollars.

In the first half of 2010, the Group made assignments of non-recourse receivables totalling around €mil. 518 (€mil. 521 in the first half of 2009).

As regards the composition of the debt items, with particular regard to bank borrowings and bonds, which went from €mil. 5,389 at 31 December 2009 to €mil. 5,376 at 30 June 2010, the main changes were as follows:

- short-term borrowings fell from €mil. 913 at 31 December 2009 to €mil. 1,292 at 30 June 2010 mainly due to the effect of the repurchase of around €mil. 51 nominal value of bonds exchangeable into STM shares as a result of the €mil. 501 bond issue of August 2003, with maturity of August 2010 (see the section “Financial transactions”), as well as the use of a part of the short-term lines of credit for financing Group activities;
- medium/long-term borrowings fell from €mil. 4,476 at 31 December 2009 to €mil. 4,084 at 30 June 2010, mainly due to net impact of the full repayment of the Revolving Credit Facility of €mil. 639 - a line of credit arising from the transformation of the final instalment (tranche C) of the Senior Term Loan Facility originally signed upon the purchase of the American company DRS (see the section “Financial transactions”) – and the increase due to the appreciation of the dollar and the pound sterling against the euro.

Cash and cash equivalents declined significantly from €mil. 2,630 at 31 December 2009 to €mil. 919 at 30 June 2010, caused mainly by the higher use of cash in ordinary operations, investing activities and the payment of dividends. A portion of the cash available was used to repay debt existing at 31 December 2009, as described above.

The item “financial receivables and securities” equal to €mil. 795 (€mil. 808 at 31 December 2009) includes the amount of €mil. 662 (€mil. 708 at 31 December 2009) in respect of the portion of financial receivables that the MBDA and Thales Alenia Space joint ventures hold vis-à-vis the other partners in implementation of existing treasury agreements. In accordance with the consolidation method used, these receivables, like all the other joint venture items, are included in the Group’s scope of consolidation on a proportionate basis.

The item “borrowings from related parties” amounting to €mil. 704 (€mil. 679 at 31 December 2009) includes the debt of €mil. 624 (€mil. 646 at 31 December 2009) of Group companies in the above joint ventures for the unconsolidated portion, and the debt of €mil. 76 (€mil. 23 at 31 December 2009) to the company Eurofighter Jagdflugzeug Gmbh, of which Alenia Aeronautica owns 21%. In regard to this, under the existing treasury agreement, surplus cash and cash equivalents are to be distributed among the partners.

Moreover, as part of the centralisation of its financial operations, Finmeccanica has credit lines and guarantees to meet the Group needs. Specifically, it holds a medium-term revolving credit line of €mil. 1,200 agreed in 2004 with a pool of domestic and foreign banks (current maturity 2012). At 30 June 2010, this credit line was used in the amount of €mil. 450, while the Revolving Credit Facility of €mil. 639 (current maturity June 2011), obtained in February 2010, was entirely unused at the close of the period.
Also on that date Finmeccanica had additional short-term credit lines for cash amounting to around €mil. 1,407, of which €mil. 670 is confirmed and €mil. 737 is unconfirmed, that were used in the amount of €mil. 1.
There are also unconfirmed guarantees of around €mil. 2,375.

In July 2010, Finmeccanica made a proposal to a group of banks for extending the maturity of the current confirmed lines of credit (with maturities up through 2012) to 2015. This transaction would be carried out under current market terms and conditions for instruments of analogous maturities and credit ratings. It should be noted that these are revolving lines of credit and have been primarily used in connection with the seasonal pattern of the Group's collections.

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<u>Transactions with related parties</u>

Transactions with related parties concern activities in the ordinary course of business and are carried out at arm's length (where they are not governed by specific contractual conditions), as is the settlement of interest-bearing payables and receivables.
These mainly relate to the exchange of assets, the performance of services and the generation and use of net cash from and to associated companies, held under common control (joint ventures), consortia, and unconsolidated subsidiaries.

The section “Condensed consolidated half-year financial report at 30 June 2010” contains a summary of income statement and balance sheet balances attributable to transactions with related parties, as well as the percentage impact of these transactions on the respective total balances (Note 22).

"Non-GAAP" performance indicators

Finmeccanica's management assesses the Group's performance and that of its business segments based on a number of indicators that are not envisaged by the IFRSs. Specifically, adjusted EBITA is used as the primary indicator of profitability, since it allows us to analyse the Group's marginality by eliminating the impact of the volatility associated with non-recurring items or items unrelated to ordinary operations.

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

- ***EBIT***: i.e. earnings before interest and taxes, with no adjustments. EBIT also does not include costs and income resulting from the management of unconsolidated equity investments and other securities, nor the results of any sales of consolidated shareholdings, which are classified on the financial statements either as "finance income and costs" or, for the results of equity investments accounted for with the equity method, under "share of profit (loss) of equity accounted investments".

- ***Adjusted EBITA***: it is arrived at by eliminating from EBIT (as defined above) the following items:
  - any impairment in goodwill;
  - amortisation of the portion of the purchase price allocated to intangible assets in relation to business combinations, as required by IFRS 3;
  - restructuring costs that are a part of significant, defined plans;
  - other exceptional costs or income, i.e. connected to particularly significant events that are not related to the ordinary performance of the business.

  Adjusted EBITA is then used to calculate return on sales (ROS) and on a 12-month basis 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).

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

	For the six months ended 30 June		
€ millions	**2010**	**2009**	***Note***
EBIT	527	559	
Amortisation of intangible assets acquired through a business combination	43	39	*25*
Restructuring costs	16	7	*23/24*
Adjusted EBIT	**586**	**605**	

- ***Adjusted net profit:*** This is arrived at by eliminating from net profits the positive and negative components of income that are the effects of events which, due to their scale and departure from the Group's usual performance, are treated as extraordinary.
  This adjusted net profit is used to calculate return on equity (ROE) for the last 12 months, which is based on the average value of equity for the two periods being compared.
  There are no components of net profit to be reconciled for the 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 Note 28). The calculation of FFO for the periods concerned is presented in the reclassified statement of cash flows shown in the previous section.

- ***Economic Value Added (EVA)***: This is calculated as adjusted EBITA net of taxes and the cost (comparing like-for-like in terms of consolidated companies) of the average value of invested capital in the two periods concerned and measured on a weighted-average cost of capital (WACC) basis.

- ***Working capital***: this includes trade receivables and payables, contract work in progress and advances received.

- ***Net working capital***: this is equal to working capital less current provisions for risks and charges and other current assets and liabilities.

- ***Net capital invested***: this is the algebraic sum of non-current assets, non-current liabilities and net working capital.

- ***Net financial debt***: the calculation model complies with that provided in paragraph 127 of Recommendation CESR/05-054b implementing EC Regulation 809/2004. For details on its composition, refer to Note 17.

- ***Research and Development spending***: the Group classifies under R&D all internal and external costs incurred relating to projects aimed at obtaining or employing new technologies, knowledge, materials, products and processes. These costs may be partly or entirely reimbursed by customers, funded by public institutions through grants or other incentives under law or, lastly, be borne by the Group. From an accounting standpoint, R&D costs can be categorised differently as indicated below:
    - if they are reimbursed by the customer pursuant to a contract, they are classified under "work in progress";
    - if they relate to research - or if they are at a stage at which it is not possible to demonstrate that the activity will generate future economic benefits - they are taken to profit or loss in the period incurred;
    - finally, if they relate to a development activity for which the technical feasibility, the capability and the willingness to see the project through to the end, as well as the existence of a potential market for generating future economic benefits can be shown, they are capitalised under "intangible assets".

In the case in which a grant is given towards these expenses, the carrying value of the intangible assets is reduced by the amount received or to be received.

- ***New orders*****:** this is the sum of contracts signed with customers during the period that satisfy the requirements for being recorded in the order book.

- ***Order backlog*****:** this figure is the difference between new orders and invoiced orders (income statement) during the reference period, excluding the change in contract work in progress. This difference is added to the backlog for the preceding period.

- ***Workforce*****:** the number of employees reported on the last day of the year.

Performance by division

HELICOPTERS

€ million	30 June 2010	30 June 2009	31 December 2009
New orders	2,491	1,821	3,205
Order backlog	10,935	10,610	9,786
Revenues	1,743	1,646	3,480
Adjusted EBITA	181	162	371
ROS	10.4%	9.8%	10.7%
Research & Development	174	162	328
Workforce (no.)	14,172	10,335	10,343

HIGHLIGHTS

New orders: up 36.8%. The increase is mainly due to the order from the Indian Air Force for twelve AW101 helicopters for governmental transport use (€mil. 560). The civil-government segment also experienced a significant recovery, up around 60% in terms of units sold compared with 30 June 2009.

Revenues: up 5.9%. This increase is attributable to regular progress made on programmes already begun, higher volumes on the AW139 line (+8.7% over 30 June 2009, and an increase in product support activity (+23.2% compared with 30 June 2009), including the integrated support contracts (IOS) with the UK Ministry of Defence.

Adjusted EBITA: up 11.7%. This improvement is correlated with the rise in revenues and the different product mix mentioned above. As a result, **ROS** amounted to 10.4% **(**9.8% at 30 June 2009).

Finmeccanica, through the AgustaWestland NV group, is a world leader in the civil and military helicopter industry. The figures at 30 June 2010 include the effect of the line-by-line consolidation of the recently-acquired Polish group PZL-SWIDNIK from 1 January 2010.

The total volume of **new orders** at 30 June 2010 came to €mil. 2,491, a 36.7% increase over the same period of 2009 (€mil. 1,821), and breaks down into 63.1% for helicopters (new helicopters and upgrading) and 36.9% for support (spare parts, inspections and integrated support). The helicopters division recovered significantly compared with the same period of the previous year, both in absolute and percentage terms, particularly in the civil-government helicopter segment. Excellent performance was posted in product support activities, mainly in spare parts and customer support.

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

- the order from the Indian Air Force for twelve AW101 helicopters for governmental transport use. The contract, including 5-year logistics support, is worth €mil. 560 (Q1);
- the order from the UK Ministry of Defence to upgrade ten Lynx Mk 9 helicopters, a variant of the Super Lynx helicopter used by the UK armed forces, in order to ensure support to military operations prior to the entry into operation of the new Future Lynx helicopter. The contract is worth €mil. 47 (Q1);
- the order for a customer in the southern Mediterranean area for 30 helicopters, worth a total of around €mil. 450 (Q2).

In the civil-government segment, new orders for 63 helicopters were received in the first half of 2010, worth a total of about €mil. 600. Of note in that regard are the following:

- the contract with Era Group Inc for ten AW139 helicopters in offshore configuration (Q1)*;*

- the order from Esperia Aviation Services SpA, a company operating in the business aviation sector, for four helicopters (two AW119; one AW139; one AW109 Grand) (Q1);
- the order for four AW139 helicopters from the Trinidad and Tobago Air Guard for coastal patrols and related pilot training (Q2).

The value of the **order backlog** at 30 June 2010 came to €mil. 10,935, up 11.7% over 31 December 2009 (€mil. 9,786) and is sufficient to guarantee coverage of production for an equivalent of about 3 years.

On 24 May 2010, AgustaWestland and the Boeing Company signed an agreement for the VXX helicopter programme to replace the US Navy’s Marine One helicopter for transporting the President of the United States. Boeing secured the rights to use AgustaWestland’s intellectual property, data and production rights to integrate the AW101 helicopter’s platform into a Boeing product solely for the VXX programme. AgustaWestland will play a role in developing the programme and will carry out a significant portion of the design and production activities.

On 22 June 2010, Russian Helicopters and AgustaWestland began work on a jointly run plant, located in the Tomilino industrial area near Moscow, for the final assembly of the civil version of the AW139 medium twin-engine helicopter. The factory will be operated by Helivert, an equally-owned joint venture between Russian Helicopters and AgustaWestland.

Revenues at 30 June 2010 came to €mil. 1,743, up 5.9% from the figure at 30 June 2009 (€mil. 1,646). This increase is attributable to regular progress made on programmes already begun, higher volumes on the AW139 line (+8.7% over 30 June 2009, and an increase in product support activity (+23.2% compared with 30 June 2009), including the integrated support contracts (IOS) with the UK Ministry of Defence.

Adjusted EBITA came to €mil. 181 at 30 June 2010, up 11.7% compared with the €mil. 162 reported at 30 June 2009. This improvement is correlated with the rise in revenues and the different product mix mentioned above. As a result, **ROS** amounted to 10.4% **(**9.8% at 30 June 2009).

Research and development costs for the first half of 2010 came to €mil. 174 (€mil.162 for the same period of 2009) and mainly concerned:

- the development of technologies primarily for military use for a new helicopter of the 6/7-tonne class named the AW149;
- the development of multi-role versions of the BA 609 convertiplane for national security;
- the development of a new twin-engine helicopter of the 4-tonne class named the XX9.

The **workface** at 30 June 2010 came to 14,172, a 3,829 employee net increase over 31 December 2009 (10,343), resulting from the consolidation of the PZL - WIDNIK group (4,311) and negative turnover and the effect of reorganisation plan for the newly-acquired Polish group.

DEFENCE AND SECURITY ELECTRONICS

€ million	30 June 2010	30 June 2009	31 December 2009
New orders	3,045	3,306	8,215
Order backlog	12,649	11,239	12,280
Revenues	3,255	3,075	6,718
Adjusted EBITA	289	274	698
ROS	8.9%	8.9%	10.4%
Research & Development	341	323	711
Workforce (no.)	30,204	30,277	30,236

HIGHLIGHTS

New orders: down 7.9%. **Revenues:** up 5.9% due to activities relating to avionics and electro-optical systems and, to a lesser extent, those for major integrated systems for defence and security and land and sea command and control systems and value-added services for security applications. **Adjusted EBITA:** up 5.5% due to higher volumes and the initial impact of cost containment measures that offset the decline in revenues and a less profitable product mix reported in some segments.

Finmeccanica has a number of companies that are active in the defence and security electronics industry, including: the SELEX Galileo[1] Group, the SELEX Sistemi Integrati Group, the Elsag Datamat Group, the SELEX Communications Group, the SELEX Service Management SpA Group, the Seicos SpA Group and the DRS Group.

The division covers activities relating to the creation of major integrated systems for defence and security based on complex architectures and network-centric techniques, the provision of integrated products, services and support for military forces and government agencies, manufacture of avionics and electro-optical equipment and

[1] Starting 1 January 2010 Galileo Avionica SpA changed its name to SELEX Galileo SpA and SELEX Sensors and Airborne Systems Ltd changed its name to SELEX Galileo Ltd.

systems, unmanned aircraft, radar systems, land and naval command and control systems, air traffic control systems, integrated communications systems and networks for land, naval, satellite and avionic applications, and activities for private mobile radio communications systems, value-added services and IT and security activities.

New orders at 30 June 2010 totalled €mil. 3,045, slightly below the figure posted for the previous year (€mil. 3,306).

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

- *avionics and electro-optical systems*: orders for the EFA programme, specifically avionics and combat radar equipment for the third lot of the European programmes, as well as logistics (Q1-Q2); two contracts for the provision of Precision Approach Radar (PAR) from the Italian and Swiss air forces (Q1); orders for equipment for NH90 helicopters (Q1-Q2); orders for countermeasure systems (Q2); contracts from the UK Ministry of Defence for an integrated Defensive Aids System for Royal Air Force helicopters (Q2)*;* space programme orders and customer support activity (Q1-Q2).
- *radar and command and control systems*: a contract to implement a Vessel Traffic Management System (VTMS) in Turkey to monitor and manage maritime traffic (Q1); the order for the provision of a naval radar system from the Peruvian Navy (Q1); the contract from ENAV to upgrade computers and software (Q1) and to upgrade primary radar for tracking routes and approaches at various airports (Q2); two contracts from the Moroccan Civil Aviation Authority to supply an air traffic control radar station at the Fes-Saiss airport and a simulator for Menara airport in Marrakech (Q1);
- *integrated communication networks and systems*: the order from the Buenos Aires police department for a TETRA telecommunications system (Q1); order from a local Russian operator for a TETRA network (Q2); order for communications equipment for the Indian Navy (Q2); additional orders for communications systems for medium armoured vehicles (MAV) from the Italian Army (Q1); various orders for communications systems under the EFA programme (Q1-Q2); various orders for communications systems for helicopter platforms (Q1-Q2).

- *information technology and security*: a contract with Russian Post to expand Moscow's central post office (Q2); a contract with Aeroporti di Roma to build the new automated baggage sorting system at the Leonardo da Vinci Airport in Fiumicino (Q1); an order from the Ministry for Cultural Heritage to revitalise the archaeological site at Pompeii (Q1); a contract for security systems from the City of Rome (Q2).
- *DRS group*: orders from the US Army for additional activities related to the Thermal Weapon Sight (TWS) system issued to soldiers (Q1); to supply additional Driver's Vision Enhancers (DVE) under framework agreement signed in 2009 (Q2); the production of 275 M1000 trailers (Q1); to supply additional computers and displays for JV-5 rugged vehicle systems (Q2); activities in support of the Mast Mounted Sight (MMS) system for helicopters.

The **order backlog** came to €mil. 12,649 at 30 June 2010, compared with €mil. 12,280 at 31 December 2009, one-third of which related to the avionics and electro-optical systems segment, and one-fifth to major integrated systems, radar systems and command and control systems and the activities of DRS.

Revenues at 30 June 2010 amounted to €mil. 3,255, up €mil. 180 over the figure reported at 30 June 2009 (€mil. 3,075). There was an increase over 30 June 2009 in activities relating to *avionics and electro-optical systems* and, to a lesser extent, those for major integrated systems for defence and security and land and sea command and control systems and value-added services for security applications.

Revenues resulted mainly from the following segments, specifically:

- *avionics and electro-optical systems*: the continuation of activities relating to Defensive Aids Sub-System (DASS) production and the production of avionics equipment and radar for the EFA programme; systems for countermeasures; devices for the helicopter and space programmes and logistics;
- *major integrated systems for defence and security,* start up of the Forza NEC programme and the border control programme for Libya and activities under

the contract with the Italian Department of Civil Protection for the emergency management system;

- *radar and command and control systems*: the continuation of activities relating to air traffic control programmes, especially in Italy; contracts for FREMM and upgrading; the Medium Extended Air Defense System (MEADS) international cooperation programme; the programme to supply Fixed Air Defence Radar (FADR) for the domestic customer;
- *integrated communication systems and networks*: the continuation of activities relating to the construction of the national TETRA network; the development and manufacture of equipment for the EFA and the NH90; the provision of communication systems for the military both in Italy and the UK; the continuation of activities relating to the FREMM programme;
- *information technology and security*: activities relating to postal automation and industrial services for domestic customers, the combat system for the FREMM and ICT services for government agencies;
- *the DRS group*: provision of DVE infrared goggles for land vehicles; additional deliveries for programmes to upgrade the target acquisition sub-systems for Bradley fighting vehicles; additional TWS orders; activity pertaining to the repair and provision of spare parts for the MMS system for helicopters; provision of services and products for the Rapid Response contract and satellite communications services; the continuation of deliveries of rugged computers and displays for vehicles and the beginning of supplying the Movement Tracking System (MTS) programme obtained last year; deliveries of Tactical Quiet Generators (TQG).

Adjusted EBITA reached €mil. 289 at 30 June 2010, up €mil. 15 over the figure reported at 30 June 2009 (€mil. 274), due to higher volumes and the initial impact of cost containment measures that offset the decline in revenues and a less profitable product mix reported in some segments. As a result, **ROS** came to 8.9%, in line with the figure at 30 June 2009.

Research and development costs at 30 June 2010 totalled €mil. 341, substantially in line with the figure at 30 June 2009, relating specifically to:

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

The **workforce** at 30 June 2010 came to 30,204 as compared with 30,326 at 31 December 2009, a decrease of 32, attributable in part to the ongoing reorganisation process.

AERONAUTICS

€ million	30 June 2010	30 June 2009	31 December 2009
New orders	806	651	3,725
Order backlog	8,716	7,829	8,850
Revenues	1,262	1,208	2,641
Adjusted EBITA	54	60	241
ROS	4.3%	5.0%	9.1%
Research & Development	161	212	474
Workforce (no.)	12,905	13,849	13,146

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

HIGHLIGHTS

New orders: up 23.8% mainly due to the *military segment*, including the order for eight C27J aircraft from the United States Air Force, the first lot of the order for facilities and technical assistance for the production of F-35- JSF aircraft at the Italian Air Force base in Cameri, and order for logistics support for the EFA programme.

Revenues: up 4.5%, due to greater activity in the *military segment*, specifically to increased production for the C27J and G222 programmes.

Adjusted EBITA: down 10.0% mainly due to the different mix of progress made on the programmes in the backlog.

The Aeronautics division includes Alenia Aeronautica SpA (production of military aircraft for combat, transport and special missions, as well as civil applications such as aerostructures and regional turboprop aircraft) and its subsidiaries, including: Alenia Aermacchi SpA (production of military training aircraft and engine nacelles for civil aeronautics), the GIE-ATR joint venture, in which a 50% equity stake is held (final assembly and marketing of ATR aircraft), Alenia North America Inc, operating in the

American market through a joint venture and Superjet International SpA, in which a 51% equity stake is held (sale and assistance for Superjet aircraft).
Finally, Alenia Aeronavali SpA and Alenia Composite SpA were merged with Alenia Aeronautica SpA from 1 January 2010.

New orders at 30 June 2010 came to €mil. 806, up €mil. 155 (+23.8%), from the €mil. 651 reported at 30 June 2009; this increase is due to higher orders in the *military segment*. New orders in the *civil segment* were on par with those of the first half of 2009.

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

- the order for eight C27J aircraft from the United States Air Force (Q2). This order brings the total number of aircraft ordered under the USA Joint Cargo Aircraft (JCA) contracted signed in 2007 to 21 aircraft;
- the first lot of the order under the F-35 - JSF programme for a combination of infrastructures, equipment and technical assistance, for the manufacture of wings and for the assembly of aircraft for Italy and the Netherlands at the Italian Air Force base in Cameri (Q2). The remaining orders under the contract (Final Assembly and Check-Out – FACO) will be received during the second half of 2010;
- orders to provide logistics support for EFA and C27J aircraft (Q1-Q2);
- the order to supply four MB339 aircraft reconfigured in the National Acrobatic Flight Team version for the United Arab Emirates (Q1).

The main orders received in the *civil segment* include:

- GIE-ATR received new orders for seven ATR aircraft from airlines: two aircraft for the Swedish airline Golden Air (Q1), two for Syrian Arab Airlines, two for Laos Aviation (Q2) and one for Air Mauritius (Q2);
- aerostructure orders for the final lots of the B767, B777, ATR, and A321 programmes and for engine nacelles (Q1-Q2).

The **order backlog** at 30 June 2010 came to €mil. 8,716 (€mil. 8,850 at 31 December 2009) and is expected to continue expanding over the medium/long term. The breakdown revealed a significant portion for the EFA (about 49%) and B787 (about 21%) and C27J (about 6%) programmes.

Revenues at 30 June 2010 came to €mil. 1,262, an increase of €mil. 54 (+4.5%) over the €mil. 1,208 reported at 30 June 2009, due to greater activity in the *military segment*, specifically to increased production for the C27J and G222 programmes. In the *civil segment* volumes reached the same levels reported for the first half of 2009 thanks to increased production for the B787 programme which mostly offset the decline in other programmes.

In the first half of 2010, production in the *military segment* regarded:

- *for aircraft*: continuation of development and production relating to the second lot of the EFA programme and logistics support (of which two aircraft were delivered to the Italian Air Force during the period); the production of C27J aircrafts for the United States, Romania (to which the first two aircraft were delivered), Morocco and the activities for the Italian Air Force; the continuation of upgrades to the Tornado aircraft and logistic support for the AMX aircraft; continuation of activities relating to the upgrading of G222 aircraft commissioned by the US Air Force; the production of M346 aircraft and upgrading of MB339 aircraft for the Italian Air Force; reconfiguration of MB339 aircraft for the United Arab Emirates.

Production in the *civil segment* in first half of 2010 mainly related to orders for the following customers:

- Boeing: production of sections of fuselages and horizontal tail wings for the new B787 aircraft, for which 13 fuselage sections and 10 horizontal stabilisers were completed during the first half of 2010 (in the first half of 2009, five sections and four stabilisers were delivered), and production of control surfaces for the B2009 and B5 aircraft;
- Airbus: production of components for the central section of the fuselage of the A380, of a fuselage section for the A321, and of the tail cone and mechanical wing components for the A340;

- GIE ATR: the production of the ATR 42 and ATR 72 turboprops;
- Dassaul Aviation: production of the fuselage section for the extended-range version of the Falcon 2000 and the engine nacelles for the Falcon 900EX.

Orders for other customers included work on the assembly of ATR craft by GIE-ATR, which delivered 26 aircraft in the first half of 2010.

Adjusted EBITA at 30 June 2010 came to €mil. 54, a €mil. 6 decrease compared with the €mil. 60 reported at 30 June 2009, mainly due to the different mix of progress made on the programmes. As a result, **ROS** decreased to 4.3% compared with the same period of 2009 (5.0%).

Research and development costs at 30 June 2010 totalled €mil. 161 (€mil. 212 at 30 June 2009) and reflect the progress made in the main programmes under development: M346, C27J, ATR ASW and UAV. Furthermore, development on important military programmes (EFA, JSF, Tornado and Neuron) and the B787 civil programme that have been commissioned by customers and research and development into technologies for innovative aerostructures using composite materials and system integration also continued.

The **workforce** at 30 June 2010 numbered 12,905, a decrease of 241 (-1.8%) from the 13,146 at 31 December 2009, essentially due to turnover and the rationalisation of resources.

SPACE

€ million	30 June 2010	30 June 2009	31 December 2009
New orders	497	565	1,145
Order backlog	1,713	1,546	1,611
Revenues	412	435	909
Adjusted EBITA	5	13	47
ROS	1.2%	3.0%	5.2%
Research & Development	26	30	87
Workforce (no.)	3,652	3,673	3,662

Note that all figures refer to the two joint ventures (Thales Alenia Space SAS and Telespazio Holding Srl) are consolidated on a proportionate basis at 33% and 67%, respectively.

HIGHLIGHTS

New orders: down 12.0% due to fewer orders in both the satellite services and manufacturing segments.

Revenues: down 5.3%.

EBITA Adjusted: down 61.5% due to a lower level of production in the manufacturing segment.

***

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

From a commercial perspective, in the first half of the year, the Group acquired **new orders** in the amount of €mil. 497, down €mil. 68 from 2009 (€mil. 565) due to fewer new orders for the period in the manufacturing segment, particularly in the earth observation and satellite services segments.

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

- in the *commercial telecommunications segment:* the contracts for the provision of the W6A satellites for Eutelsat (Q2) and the APSTAR 7B satellites for APT Satellite Company Limited (Q2); the contract for the YAMAL programme (Q2); the contract to supply the Pos3B altimeter (Q1); the additional lots for the O3B constellation (Q1); the order to provide telecommunications satellite services to TIM Brasile (Q1);
- in the *military and government telecommunications segment*: new orders for military telecommunications satellite services based on the capacity of the Sicral 1B (Q1-Q2);
- in the *earth observation segment***:** the contract from the French Space Agency (CNES) for the Jason 3 earth observation satellite (Q1); the contract from the ESA to supply the second satellite for the Sentinel 3 mission under the Kopernikus programme (previously named GMES) (Q1);
- in the *satellite navigation segment:* the “Support System” contract for the Full Operation Capacity (FOC) phase under the Galileo Programme (Q1);
- in the *orbital infrastructure segment:* the additional lot of the order from Orbital Science Corporation to provide NASA (CYGNUS COTS programme)

with pressurised modules for transport connected with the International Space Station);

- in the *science programmes segment:* additional lot for the Bepi-Colombo programme; the order from ESA for the development of a prototype of the atmospheric re-entry vehicle called the Intermediate eXperimental Vehicle (IXV) .

Finally, in May 2010, the Group received the order to design and build the IRIDIUM NEXT constellation, composed of 81 satellites for providing mobile telecommunications services. At 30 June 2010, new orders included only the work on engineering systems and satellite development.

The **order backlog** at 30 June 2010 totalled €mil. 1,713, an increase of €mil. 102 over the same figure at 31 December 2009 (€mil. 1,611). The backlog at 30 June 2010 is composed of manufacturing activities (56.8%) and satellite services (43.2%).

Revenues in the first half of 2010 came to €mil. 412, a decrease of €mil. 23 from the corresponding period of the previous year (€mil. 435). Production mainly related to the continuation of activities in the following segments:

- in the *commercial telecommunications segment* for the Yahsat, Globalstar, W3B and W3C satellites for Eutelsat and the Rascom 1R; development of the payloads for the Arabsat 5A/5B satellites; the provision of telecommunications satellite services and the resale of satellite capacity;
- in the *military telecommunications segment* for the Satcom BW and CSO (post Helios) programmes; the provision of military telecommunications satellite services based on the capacity of the Sicral 1B;
- *in the earth observation segment* for the COSMO-SkyMed programme, the satellites for the Sentinel 1 (radar) and 3 (optics) of the Kopernikus programme, earth monitoring services;
- in the *science programmes segment* for the Bepi-Colombo and Exomars programmes;
- in the *satellite navigation segment* for the system engineering and earth mission segment work on the IOV phase of the Galileo programme;

- in the *orbital infrastructure segment* for the CYGNUS COTS programme connected with the International Space Station;
- in the *equipment and devices segment* for the development of onboard equipment.

Adjusted EBITA at 30 June 2010 came to €mil. 5, a decrease of €mil. 8 compared with the figure posted at 30 June 2009 (€mil. 13), specifically due to the aforementioned lower production volumes. As a result, **ROS** came to 1.2%, compared with the 3.0% reported at 30 June 2009.

Research and development costs for the first half of 2010 came to €mil. 26, a decrease of €mil. 4 from the figure posted for the same period of 2009 (€mil. 30).
Activities in this area largely included the development of systems, solutions and applications for security, emergency management, homeland security (Kopernikus programme) and for navigation/infomobility services (Galileo programme); processing systems for earth observation SAR data (COSMO-SkyMed); flexible payloads for military telecommunications applications; Phase A studies for the second-generation COSMO-SkyMed system; studies on landing systems for planetary exploration, on technologies for orbiting structures and life-support systems, and on the treatment of space debris.

The **workforce** at 30 June 2010 came to 3,652, a decrease of 10 employees from the 3,662 reported at 31 December 2009.

<u>DEFENCE SYSTEMS</u>

€ million	30 June 2010	30 June 2009	31 December 2009
New orders	414	566	1,228
Order backlog	3,799	3,982	4,010
Revenues	537	514	1,195
Adjusted EBITA	37	42	130
ROS	6.9%	8.2%	10.9%
Research & Development	125	119	235
Workforce (no.)	4,075	4,036	4,098

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

<u>HIGHLIGHTS</u>

New orders: down 26.9% due to the *missile systems segmen*t, which saw significant new foreign orders in the first half of the previous year.

Revenues: up 4.5% attributable to *missile systems* and *underwater systems*.

Adjusted EBITA: down 11.9% due to non-operational items coupled with substantial confirmation of the industrial results of the various segments.

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

New orders at 30 June 2010 came to €mil. 414, down 27% from 30 June 2009 (€mil.566) due to a decline in *missile systems*, where, in the first half of 2009, significant new foreign orders were reported, and due to a more modest reduction for the *land, sea and air weapons systems segment*, while there was growth in *underwater systems* due to the receipt of a sizable foreign order.

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

- in the *missile systems segment:* the initial orders from the UK Ministry of Defence to develop and supply new complex weapons (Q1) and various orders for customer support activities (Q1-Q2);
- in the *land, sea and air weapons systems segment:* orders for PDA kits for Libya (Q1); orders for two 76/62 SR naval cannons from Fincantieri for the United Arab Emirates (Q1); order for Mom-Sapom ammunition for Singapore (Q1) and for Aster launchers from MBDA France (Q2).
- in *underwater systems:* the order for 128 upgrade kits for the A244 light torpedo from a foreign customer (Q2).

The **order backlog** at 30 June 2010 came to €mil. 3,799 (€mil. 4,010 at 31 December 2009), of which two-thirds related to *missile systems*.

Revenues at 30 June 2010 came to €mil. 537, up about 4.5% from 30 June 2009 (€mil.514); this increase is due to *missile systems* and *underwater systems.*

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

- *missile systems*: activities for the production of Aster and Mistral surface-to-air missiles; activities relating to the development of the air defence system in connection with the tri-national Medium Extended Air Defense System (MEADS) programme in which the US, Germany and Italy participate; customer support;
- *land, sea and air weapons systems* : the production of the PZH 2000 howitzers and MAVs for the Italian Army; Hitfist turrets kits for Poland; 76/62 SR cannons for various foreign customers; the development of guided munitions systems; FREMM programme activities; the production of SampT missile launchers and logistics*;*

- *underwater systems*: activities relating to the Black Shark heavy torpedo; the MU90 and A244 light torpedoes and to countermeasures and activities relating to the FREMM programme.

Adjusted EBITA at 30 June 2010 totalled €mil. 37, a decrease from the figure reported for 2009 (€mil. 42), due solely to non-operational items pertaining to the previous year reported for underwater systems. As a result, **ROS** amounted to 6.9% at 30 June 2010, (8.2% at 30 June 2009).

Research and development costs at 30 June 2010 totalled €mil. 125, substantially in line with the figure posted at 30 June 2009 (€mil. 119), mainly relating to *missile systems* and, to a lesser extent, *underwater systems.* Some of the key activities included those for the MEADS air defence programme and the continuation of development of the Meteor air-to-air missile in the *missile systems segment*; activities for guided munitions programmes and for the development of the 127/64 LW cannon in the *land*, *sea and air weapons systems segment*; and activities relating to the Black Shark heavy torpedo in the *underwater systems segment*.

The **workforce** at 30 June 2010 came to 4,075, a decrease of 23 from the 4,098 employees at 31 December 2009, due largely to turnover.

ENERGY

€ million	30 June 2010	30 June 2009	31 December 2009
New orders	374	398	1,237
Order backlog	3,030	3,311	3,374
Revenues	677	820	1,652
Adjusted EBITA	67	76	162
ROS	9.9%	9.3%	9.8%
Research & Development	16	16	36
Workforce (no.)	3,443	3,409	3,477

HIGHLIGHTS

New orders: down 6.0% due to delays in receiving several contracts.
Revenues: down 17.4%, due to lower production volumes in the plants and components and in the services segments.
Adjusted EBITA: down 11.8% as a result of the aforementioned decline in production volumes.

Ansaldo Energia and its subsidiaries make up the division of Finmeccanica specialising in providing *plants and components* for generating electricity (conventional thermal, combined-cycle and simple-cycle, cogeneration and geothermal power plants), *post-sale services* and *nuclear* activities (plant engineering, services, decommissioning). The scope of the companies directly controlled by Ansaldo Energia includes Ansaldo Nucleare SpA, Ansaldo Fuel Cells SpA, Asia Power Projects Private Ltd, Ansaldo ESG AG and the Ansaldo Thomassen group.

In the first half of 2010 **new orders** for €mil. 374 were acquired, a decrease of €mil. 24 compared with the same period of the previous year (€mil. 398), due to delays in receiving several important contracts.

The most significant new orders received in the various segments during the period include:

- in the *plants and components segment*: a turbogroup with a V94.2 turbine for the Shyllet site (Bangladesh) (Q1); two turbogroups with a V94.2 turbine for the Fingrid site (Finland) (Q1);
- in the *service segment*: new solution contracts (changing parts of the turbine) and spare parts contracts (Q1-Q2); a long-term service agreement (LTSA) for the Ballylumford plant (Ireland)(Q2);
- in the *nuclear segment*: as regards the power station side, new engineering contracts from China as part of the partnership with Westinghouse on the Sanmen project (Q1-Q2); on the service-related side, the new Superphoenix reactor support contract for the Creyes Malville power station in France (Q1-Q2) and scheduled maintenance contracts for the Outage Embalse (Argentina) power station (Q1); as regards the waste and decommissioning side, there were contract changes for the Ignalina site (Lithuania)(Q2) and an order for resin treatment at Trino (Vercelli)(Q2).

The **order backlog** at 30 June 2010 came to €mil. 3,030 compared with €mil. 3,374 at 31 December 2009.
The composition of the backlog is attributable for 37.3% to plant and manufacturing-related activities, 59.2% to service activities (largely scheduled maintenance contracts), 2.5% to nuclear work processes, and the remaining 1.0% to renewable energy.

Revenues at 30 June 2010 amounted to €mil. 677, a decrease of €mil. 143 from the €mil. 820 reported for the first half of 2009, attributable to lower production volumes in the plants and components and in the services segments.
Activities mainly regarded the following segments:

- *plants and components:* orders for the Batna, Larbaa and M’Sila plants (all in Algeria), the Bayet plant (France) and the Turano and San Severo plants (Italy);
- *service:* the LTSAs for Sparanise and Rosignano (Italy);

- *nuclear:* as to power plants, engineering activities continued on the Sanmen project in China with Westinghouse and on the Mochovce power station in Slovakia; as to services, activity involved the Outage Embalse (Argentina) and Creys Malville (France) plants; and in waste and decommissioning, work involved resin treatment at Trino (Vercelli).

Adjusted EBITA for the first half of 2010 came to €mil. 67, down €mil. 9 from the same period of the previous year. **ROS** at 30 June 2010 stood at 9.9%, up 0.6 percentage points over the first half of 2009 (9.3%), thanks to higher industrial profitability on certain orders in the plants segment.

Research and development costs at 30 June 2010 totalled €mil. 16, in line with the figure reported for the first half of 2009, and represent 2.3% of revenues.
Research and development activities focused primarily on large gas and steam turbine development programmes and continued work on the new model of air-cooled alternator.

The **workforce** stood at 3,443 at 30 June 2010, a decrease of 34 units compared with 3,477 at 31 December 2009, due to routine turnover.

TRANSPORTATION

€ million	30 June 2010	30 June 2009	31 December 2009
New orders	733	1,190	2,834
Order backlog	5,864	5,118	5,954
Revenues	926	895	1,811
Adjusted EBITA	35	55	65
ROS	3.8%	6.1%	3.6%
Research & Development	36	24	110
Workforce (no.)	7,281	7,135	7,295

HIGHLIGHTS

New orders: down 38.4% due to particularly sizable orders across all segments during the previous period..

Revenues: up 3.5% essentially due to the increase in activity in the *signalling and transport systems segment.*

Adjusted EBITA: down €mil. 36.4in the *vehicles segment*, mainly attributable to contractual obligations for certain foreign customers, and in the *buses segment,* specifically, the completion of initial delivery of the new 18-meter articulated bus model.

The Transportation division comprises the Ansaldo STS group (signalling and transport systems), AnsaldoBreda SpA and its subsidiaries (vehicles) and BredaMenarinibus SpA (buses).

New orders at 30 June 2010 came to €mil. 733, down €mil. 457 compared with the first half of 2009 (€mil. 1,190), which was characterised by particularly sizable orders across all segments.

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

- in the *signalling and transport systems segment*:

    - *in signalling:* the order to upgrade the technology for the Genoa railway hub (Q2); orders from Australian Rail Track Corporation (ARTC) in Australia; various components orders and service and maintenance orders;
    - *in transport systems:* the contract for the operation and maintenance of the Copenhagen driverless metro system (Q1); orders relating to the Naples Line 6 project (Q2) and the Genoa metro project (Q1);
- in the *vehicles segment*: the order for revamping the Milan tram (Q2) and other service orders;
- in the *buses segment*: various orders for a total of 95 buses.

At 30 June 2010 the **order backlog** amounted to €mil. 5,864, slightly down from 31 December 2009 (€mil. 5,954). The order backlog breaks down as follows: 66% for systems and signalling, 33% for vehicles and 1% buses.

Revenues at 30 June 2010 were equal to €mil. 926, up €mil. 31 over the first half of 2009 (€mil. 895), essentially due to the *signalling and transport systems segment.*
Major orders include:

- in the *signalling and transport systems segment*:
    - *in the signalling:* high-speed train orders and orders for automated train control systems (SCMT) for Italy; orders for ARTC in Australia; the Cambrian Line in the UK; the high-speed Zhengzhou-Xi'an line in China; orders for the Bogazkopru-Ulukisla-Yenice and Mersin-Toprakkale lines and for the Ankara metro in Turkey; the contract for Lines 7 and 12 of the São Paulo metro in Brazil; the Union Pacific Railroad project; various orders for components;
    - in the *transport system:* the metro systems of Naples Line 6, Copenhagen, Rome Line C, Brescia, Riyadh and Genoa;
- in the *vehicles segment*: trains for the Dutch and Belgian railways; trains for regional service for Ferrovie Nord of Milan; trains for the Milan and Rome Line C metros; trains for the Danish railways; various Sirio orders and service orders;
- in the *bus segment:* revenues were generated by a number of orders for buses (82% of revenues for the segment) and for post-sales services.

Adjusted EBITA stood at €mil. 35 at 30 June 2010, down from the €mil. 55 reported for the same period of the previous year. This change is mainly attributable to the *vehicles segment,* mainly due to contractual obligations for certain foreign customers, and to the *buses segment*, specifically, the completion of initial delivery of the new 18-meter articulated bus model. **ROS** for the sector came to 3.8%, compared with 6.1% at 30 June 2009).

Research and development costs at 30 June 2010 were equal to €mil. 36 (€mil. 24 at 30 June 2009) and mainly regarded signalling projects in the *signalling and transport systems segment* and continuation of development of certain products in the railway side of the *vehicles segment*.

The **workforce** stood at 7,281 at 30 June 2010, a 14 employee increase over the 7,295 reported at 31 December 2009.

OTHER ACTIVITIES

€ million	30 June 2010	30 June 2009	31 December 2009
New orders	38	74	113
Order backlog	139	284	172
Revenues	114	198	410
Adjusted EBITA	(82)	(77)	(127)
ROS	n.s.	n.s.	n.s.
Research & Development	1	1	1
Workforce (no.)	795	803	799

The division includes, *inter alia*: the Elsacom NV group, which manages satellite telephony services; Finmeccanica Group Services SpA, the Group services management company; Finmeccanica Finance SA, and Meccanica Holdings USA Inc, which provide financial support to the Group; Finmeccanica Group Real Estate SpA, which manages, rationalises and improves the Group's real estate holdings; and So.Ge.Pa. - Società Generale di Partecipazioni SpA, which manages the pre-winding-up/winding-up and rationalisation processes of companies falling outside the activity sectors through transfer/repositioning transactions.

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

From a commercial standpoint, Fata received **new orders** totalling €mil. 38 at 30 June 2010, down €mil. 36 from the same period of 2009 (€mil. 74). It is noted that the first half of 2009 had benefited from the acquisition of the Torino Nord order. Among the major new orders for the first half of 2010 was the order relating to a project in China for a six-roller rolling mill, the first of its kind for the company, and the order from

Syria for a cold rolling mill and a revamping of a hot rolling mill, both for processing aluminium.

Fata’s **revenues** at 30 June 2010 came to €mil. 74, down €mil. 59 from the previous year (€mil. 133).
Production broke down as follows: 55% attributable to the Smelter line, 14% to the Hunter line, 9% to the Power line and 22% to logistics.
Specifically, progress was made on the Hormozal, Hormozal Phase 2 and Qatalum orders (Smelter line), on the Chinese, Korean and Romanian orders (Hunter line) and on the Moncalieri order (Power line). Logistics activities carried out by Fata Logistic, primarily for Group companies, contributed to these results.

Fata’s **workforce** at 30 June 2010 totalled 286 employees, compared with 291 employees at 31 December 2009.

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

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

Industrial transactions

In the ***Helicopters*** division, on 29 January 2010, the purchase of 87.67% of **PZL - SWIDNIK**, a Polish company which produces helicopters and aerostructures, was completed after the necessary antitrust approval was obtained. This stake is in addition to the 6.2% already held by AgustaWestland. This acquisition should further solidify AgustaWestland’s leadership by extending its geographical positioning in Europe and through making it more industrially competitive by leveraging PZL-SWIDNIK unique technical expertise in the manufacture of aerostructures and the efficiencies to be obtained from a competitive cost structure.

On 6 February 2010, following the signing of the Memorandum of Understanding in February 2009, AgustaWestland and **Tata Sons** - an Indian business group active in the ICT, engineering, materials, services and energy sectors - signed the final agreement to form an Indian joint venture for the final assembly of the AW119 helicopter. The new joint venture will be responsible for AW119 final assembly and customisation worldwide, while AgustaWestland will remain responsible for worldwide marketing and sales and will provide shipsets for assembly and compliance with customer requirements on location. The completion of the transaction is subject to the obtainment of the necessary regulatory authorisations.

On 24 May 2010, Finmeccanica announced the signing of an agreement between AgustaWestland and the **Boeing Company** for the US Navy’s Marine One presidential helicopter programme (VXX). Boeing secured the rights to use AgustaWestland’s intellectual property, data and production rights in order to utilise the AW101 helicopter platform for the realization by Boeing of a configuration for the VXX programme. AgustaWestland will play a role in developing the programme and will carry out a significant portion of the design and production activities.

On 22 June 2010, **Russian Helicopters** (a subsidiary of JSC UIC Oboronprom, part of Russian Technologies State Corporation) and AgustaWestland started the set up of a joint civil AW139 medium twin helicopter final assembly plant in Russia (near Moscow), mainly destined for the Russian market and CIS countries

In the ***Defence and Security Electronics*** division, on 20 November 2009, SELEX Galileo Ltd (formerly Sensor & Airborne Systems Ltd) and its US subsidiary SELEX Galileo Inc signed with the listed American company **Pressteck** the final agreements for the purchase of the US company **Lasertel**, a company active in the production and marketing of electro-optical components (i.e. laser diodes). The transaction was completed following the obtainment of certain regulatory authorizations, including the approval of the Committee on Foreign Investment in the United States (CFIUS), which was obtained on 5 February 2010. The transaction was completed on 5 March 2010 through a reverse triangular merger which allowed the forced purchase of the capital held even by a small minority.

In line with its programme to optimise its industrial structures in the Defence and Security Electronics and Space sectors, as previously announced at the 30 April 2010 Shareholders' Meeting, on 20 May 2010, Finmeccanica's Board of Directors approved a rationalisation process intended to improve its business model and the industrial performance of the companies involved. In particular, the organisational rationalisation will involve a number of specific business lines, enabling the Group to take advantage of the technological complimentarity within its structure and to define clear responsibilities to end customers. The Group companies involved in the optimisation programme are SELEX Sistemi Integrati, SELEX Galileo, Elsag Datamat and Telespazio. The first part of the operation, which involved the Defence and Security Electronics sector, was completed on 1 July 2010. The reorganisation of the Space sector, necessarily involving Thales, should be completed by the end of the year.

On 7 June 2010, **DRS Technologies** and Boeing signed an agreement regarding the NewGen Tanker programme. DRS will work with Boeing on console design and will manufacture the Aerial Refueling Operator Station (AROS), contingent upon Boeing receiving the contract from the United States Air Force. DRS will also provide the interconnect design and associated cable sets to integrate the AROS into the Tanker.

In the ***Aeronautics*** division, the rationalisation process of the Aeronautics division was completed in December 2009 with the merger by takeover of the two subsidiaries Alenia Composite SpA and Alenia Aeronavali SpA into Alenia Aeronautica SpA, with date of efficacy of 1 January 2010.

In the ***Energy*** division, on 9 April 2010 Ansaldo Energia and Ansaldo Nucleare, **Enel** and **EDF** signed a Memorandum of Understanding at the Fifth Forum of Italian-French dialogue held in Paris to develop nuclear power in Italy. Specifically, the aim of the agreement is to define areas of co-operation between Enel-EDF and Ansaldo Energia (which holds 100% of Ansaldo Nucleare) in developing and building at least four nuclear plants planned by Enel and EDF for Italy using Evolutionary Pressurised Reactor (EPR) technology. Enel and EDF will play the role of investors and architect engineers, which means they will have overall responsibility for the project and for managing the building of the plants. In this regard, they will draw on the wealth of experience of Ansaldo Energia in designing, planning and commissioning the nuclear systems and in providing support to licensing operations. In addition, Ansaldo Energia will participate in the qualification and tender process carried out by Enel and EDF in Italy and abroad for the supply of engineering services, equipment, installation and engineering systems.

Also on 9 April 2010, Ansaldo Energia and **Areva** signed a Memorandum of Understanding to develop a progressive industrial partnership, starting with existing Areva projects, and later extending to future Italian projects, as well as other projects planned in countries such as France and the UK. The collaboration will cover the production of special components and support with building and commissioning by Ansaldo Energia and Ansaldo Nucleare.

Financial transactions

The first half of 2010 there were no new transactions to obtain funds in the bond markets generally, nor in the banking market. As a result of aggressive refinancing over the previous year (described in more detail in the 2009 annual report), the average life of the Group’s debt has been extended to over 10 years, strengthening, as a result, the Group’s capital structure.
As more fully described in the footnotes on the individual bond issues reported below, a series of rate transactions have been undertaken to convert a portion of the interest rate exposure from fixed-rate to floating rate, thereby making it possible to minimise the total cost of the debt.

Below is a list of bonds outstanding at 30 June 2010, which shows, respectively, the euro-denominated bonds issues by Finmeccanica and by the subsidiary Finmeccanica Finance, the pound sterling-denominated bond issue by Finmeccanica Finance, the remaining amounts of the dollar-denominated bond issues by DRS, as well as the 10-year and 30-year bonds issued by Meccanica Holdings USA for the US market:

Issuer		**Year of issue**	**Maturity**	**Nominal amount (€mil)**	**Annual coupon**	**Type of offer**	**IAS recog. Amts €mil. (11)**
Finmeccanica Finance SA	(1)	2003	2010	450	0.375%	European institutional	449
Finmeccanica Finance SA	(2)	2003	2018	500	5.75%	European institutional	513
Finmeccanica SpA	(3)	2005	2025	500	4.875%	European institutional	502
Finmeccanica Finance SA	(4)	2008	2013	1,000	8.125%	European institutional	1,048
Finmeccanica Finance SA	(5)	2009	2022	600	5.25%	European institutional	614

Issuer		**Year of issue**	**Maturity**	**Nominal Amount (GBPmil)**	**Annual coupon**	**Type of offer**	**IAS recog. amts €mil. (11)**
Finmeccanica Finance SA	(6)	2009	2019	400	8.000%	European institutional	485

Issuer		**Year of issue**	**Maturity**	**Nominal Amount**	**Annual coupon**	**Type of offer**	**IAS recog. amts €mil. (11)**

				(US$mil)			
DRS Technolgies Inc	(7)	2003	2013	3	6.875%	American institutional	-
DRS Technolgies Inc	(7)	2006	2016	12	6.625%	American institutional	9
DRS Technolgies Inc	(7)	2006	2018	5	7.625%	American institutional	5

Issuer		Year of issue	Maturity	Nominal Amount (US$mil)	Annual coupon	Type of offer	IAS recog. amts €mil. (11)
Meccanica Holdings USA Inc	(8)	2009	2019	500	6.25%	American institutional Rule 114A/Reg. S	413
Meccanica Holdings USA Inc	(9)	2009	2039	300	7.375%	American institutional Rule 144A/Reg. S	246
Meccanica Holdings USA Inc	(10)	2009	2040	500	6.25%	American institutional Rule 144A/Reg. S	414

(1) 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 business days prior to the date of notice to bondholders exceeds 125% of the conversion price. At the maturity date Finmeccanica Finance can repay in cash or, upon 15-business days prior notice, through a combination of STM shares valued at the average prices recorded in the prior 5 business days. Transaction authorised pursuant to Article 129 of Legislative Decree 385/93. Bonds are listed on the Luxembourg Stock Exchange. The difference in the nominal value at 30 June 2010 compared with 31 December 2009 (€mil. 501) is the result of repurchasing a portion of the bond issue.

(2) Bonds issued as part of the EMTN programmes for a maximum of €bil. 3.8. The entire issue was converted from a fixed-rate issue to a floating-rate one for the first two years of the loan. The transaction was authorised pursuant to Article 129 of Legislative Decree 385/93. Bonds listed on the Luxembourg Stock Exchange.

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

(3) Bonds issued as part of the EMTN programmes for a maximum of €bil. 3.8. The transaction was authorised pursuant to Article 129 of Legislative Decree 385/93. Bonds listed on the

Luxembourg Stock Exchange. The amount of €mil. 250 of this issue was converted to a floating rate to hedge against increases in the interest rate.

(4) Bonds issued as part of the EMTN programmes for a maximum of €bil. 3.8. Bonds listed on the Luxembourg Stock Exchange. Of the issue, €mil. 750 was converted to a floating rate, with a benefit of over 2 percentage points. The proceeds of the issues (the US dollar equivalent) were originally used to refinance (through an intercompany loan agreement) the DRS bonds redeemed early in January 2009.

(5) Bonds issued as part of the EMTN programmes for a maximum of €bil. 3.8. Bonds listed on the Luxembourg Stock Exchange. No rate transactions on the issue were made. The proceeds of the issue were partly used to repay the Senior Loan Facility.

(6) Bonds issued as part of the EMTN programmes for a maximum of €bil. 3.8. Bonds listed on the Luxembourg Stock Exchange. The proceeds of the issue were translated into euros and were completely used to partially repay the Senior Loan Facility. Rate transactions were made to optimise the total cost of the debt and were completed during the first half of 2010. These transactions generated revenues of around €mil. 24, for a profit of around €mil. 37. The exchange rate risk arising from the transaction was fully hedged. Finmeccanica does not rule out the possibility of re-converting the bond into pound sterling to partially hedge strategic investments in Great Britain.

(7) DRS requested and received permission to delist all the bond issues on regulated US markets in December 2008. Therefore, the outstanding DRS bonds are no longer covered by the US Securities Act of 1933 and are no longer registered with the Securities and Exchange Commission (SEC).

(8) Bonds issued under Rule 144A and Regulation S of the US Securities Act. No rate transactions on the issue were made.

(9) Bond issued under Rule 144A and Regulation S of the US Securities Act. The proceeds of this issue, as well as of that referred to in footnote (8), were entirely used by Meccanica Holdings USA to finance the purchase of DRS, partially replacing Finmeccanica in the intercompany loan granted to DRS by Finmeccanica in January 2009. Finmeccanica in turn used this amount to partially repay the Senior Term Loan Facility. No rate transactions on the issue were made.

(10) Bond issued under Rule 144A and Regulation S of the US Securities Act. The proceeds were entirely used by Meccanica Holdings USA to finance the purchase of DRS, as described in footnote (9). No rate transactions on the issue were made.

(11) The difference between the face value of bonds and book value is due to interest rates being classified as to increase debt and to discounts being recognised to decrease debt. Furthermore, as regards the issue of exchangeable bonds in (1) above, IAS 39 provides for the separation of the financial debt component and the call option sold. The debt component is measured by applying the market interest rate at the issue date in place of the nominal interest rate, while the option component, excluded from the financial position, is subject to periodic measurement at fair value. At 30 June 2010, this valuation method led to posting a debt €mil. 1 less than the face

value of the bond. This differential is expected to disappear at the maturity date. The difference in the nominal value at 30 June 2010 compared with 31 December 2009 (€mil. 501) is the result of repurchasing a portion of the bond issue.

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

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

Based on negative pledge clauses, Group issuers, Finmeccanica SpA and their material subsidiaries (companies whose issuer or guarantor owns more than 50% of share capital or represents at least 10% of total revenues) are expressly prohibited from pledging collateral security to secure financial transactions to the partial benefit of one or more creditors, without prejudice to the generalities of the foregoing. Exceptions to this prohibition are securitisation and, starting from July 2006, the establishment of assets for the use indicated in Article 2447-bis *et seq*. of the Italian Civil Code.

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

In 2009, Finmeccanica signed a €mil. 500 loan agreement with the European Investment Bank (EIB) for Alenia Aeronautica (100%-owned by Finmeccanica) to be used for the production and development of technologically innovative aeronautical components. Repayment of the 12-year loan will begin in the third year. The loan will be disbursed by 31 January 2011, upon demand by Finmeccanica. The interest rate may be either variable or fixed, at the prior discretion of Finmeccanica. Although the loan was entirely unused at 30 June 2010, after the close of the period, Finmeccanica drew upon the full amount of the loan in accordance with its terms.

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

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

In the first quarter, Finmeccanica sold an option mirroring the earn out option held under the agreement signed with Cassa Depositi e Prestiti for the sale of its stake in STM at the end of 2009. As a result of this transaction, Finmeccanica received a total of around €mil. 8, for €mil. 1 gain in additional income over the fair value recognised at 31 December 2009, thereby almost completely neutralising any further change in value.

Moreover, in February 2010, Finmeccanica completed the transformation, begun in December 2009, of the remaining portion (€mil. 639) of the Senior Term Loan Facility (tranche C) into a revolving credit facility (same maturity June 2011), with a margin of 80 basis points over the Euribor for the period and a commitment fee of 32 basis points on the unused amount. The loan, originally entered into for the acquisition of

DRS, was entirely repaid in the first quarter of 2010. The transformation of the loan into a revolving credit facility usable and repayable based on the Group's financial needs for the entire duration of the loan, will give the Group greater flexibility in structuring its debt, and will negate the clause contained in the Senior Term Loan Facility requiring early repayment out of proceeds from the sale of assets.

In July, the Euro Medium Term Note (EMTN) programme was extended for a further 12 months. The maximum amount was set at €bil. 3.8 of which a total of around €mil. 3,050 was already used at 30 June 2010 with respect to existing euro and pound sterling bond issues. The programme allows Finmeccanica and Finmeccanica Finance, secured by Finmeccanica, to act as issuer on the European bond market.

Finally, also in July 2010, as described in the comments on the Group's financial debt, Finmeccanica made a proposal to a group of banks for extending the maturity of the current confirmed lines of credit (with maturities up through 2012) to 2015. This transaction would be carried out under current market terms and conditions for instruments of analogous maturities and credit ratings. It should be noted that these are revolving lines of credit and have been primarily used in connection with the seasonal pattern of the Group's collections.

Outlook

Performance in the first six months of 2010 was substantially the same as that during the corresponding period of the previous year, in line with forecasts made at that time.

The worldwide economic recession, triggered by the financial market difficulties of 2007 and the subsequent crisis of September 2008 affected, with the expected time lag, the capital-intensive sectors. This situation is further complicated in Europe given the recent local crises in a number of countries.

Therefore, a number of the Group companies could, even in the medium term, suffer the negative effects of the crisis as a result of fiscal policy choices made by the governments of many European countries that could result in reduced public investment and spending on infrastructures to compensate for funds spent to shore up the banking system and stimulate demand for consumer goods.

As a result, the Group has to contend with the uncertainty about when the demand for investment in domestic markets will recover, with the need to identify and approach new markets with higher rates of growth in investment, while being more competitive as well.

The continued search for greater efficiency while carrying out productive activities and executing contracts and the achievement of targeted performance levels are fundamental for ensuring that the Group’s hard-earned financial soundness can be maintained.

The volume of the order backlog stands at over €bil. 45 in the first half of 2010, ensuring that a high degree (over 90%) of expected production for the next six months of the year will be covered.

At present, therefore, there would appear to be no circumstances that would alter the forecasts made for the Group for 2010, although admittedly the situation was not an easy one and a cautious approach was taken. As a result, Group revenues are expected to be between €bil. 17.8 and €bil. 18.6 and adjusted EBITA between €mil. 1,520 and €mil.1,600.

Finally, we expect FOCF to generate a cash surplus of about €mil. 200, given the considerable investment in the development of products necessary to sustain growth that, as in 2009, will focus on the Helicopters, Aeronautics, and Defence and Security Electronics divisions in particular.

Condensed consolidated financial statements at 30 June 2010

Income Statement

(€ million)	Note	For the six months ended 30 June 2010	of which with related parties	For the six months ended 30 June 2009	of which with related parties
Revenue		8,654	*673*	8,523	*640*
Raw materials and consumables used and personnel costs	*24*	(7,758)	*(47)*	(7,621)	*(58)*
Amortisation, depreciation and impairment	*25*	(330)		(320)	
Other operating income (expenses)	*23*	(39)	-	(23)	-
		527		**559**	
Net finance income (costs)	*26*	(184)	*(3)*	(168)	-
Share of profit (loss) of equity accounted investments		(3)		12	
Profit before taxes and the effect of discontinued operations		**340**		**403**	
Income taxes	*27*	(146)		(161)	
(Loss) Profit from discontinued operations		-		-	
Net profit		**194**		**242**	
. equity holders of the Company		*170*		*218*	
. minority interests		*24*		*24*	
Earnings per Share	*29*				
Basic		*0.295*		*0.378*	
Diluted		*0.294*		*0.377*	

Statement of Comprehensive Income

€ million	*2010*		*2009*	
	For the six months ended 30 June			
Profit (loss) for the period		**194**		**242**
Reserves of income (expense) recognised in equity				
- Financial assets available for sale:		-		26
. sale of shares	-		-	
. fair value adjustment	-		*26*	
- Actuarial gains (losses) on defined-benefit plans:		(62)		(59)
. plan measurement	*(49)*		*(68)*	
. exchange gains (losses)	*(13)*		*9*	
- Changes in cash-flow hedges:		(184)		72
. fair value adjustment	*(202)*		*86*	
. transferred to income statement	*18*		*(13)*	
. exchange gains (losses)	-		*(1)*	
- Translation differences		593		151
Tax on expense (income) recognised in equity		63		2
. fair value adjustment/measurement	*50*		*7*	
. transferred to income statement	*9*		*(2)*	
. exchange gains (losses)	*4*		*(3)*	
Income (expense) recognised in equity		410		192
Total comprehensive income /(expense) for the period		**604**		**434**
Attributable to:				
- Equity holders of the Company		564		409
- Minority interests		40		25

Balance Sheet

(€ million)	*Note*	*30 June 2010*	*of which with related parties*	*31 Dec. 2009*	*of which with related parties*
Non-current assets					
Intangible assets	*9*	9,187		8,367	
Property, plant and equipment	*10*	3,281		3,125	
Financial assets at fair value					
Deferred tax assets		783		673	
Other assets	*12*	837	*10*	791	*12*
		14,088		**12,956**	
Current assets					
Inventories		4,833		4,662	
Trade receivables, including net contract work in progress	*13*	9,680	*500*	8,481	*523*
Financial receivables		794	*49*	797	*34*
Derivatives	*14*	279		193	
Other assets	*15*	850	*34*	759	*9*
Cash and cash equivalents		919		2,630	
		17,355		**17,522**	
Non-current assets held for sale		-		7	
Total assets		**31,443**		**30,485**	
Shareholders' equity					
Share capital	*16*	2,512		2,512	
Other reserves		4,177		3,839	
Capital and reserves attributable to equity holders of the Company		**6,689**		**6,351**	
Minority interests in equity		217		198	
Total shareholders' equity		**6,906**		**6,549**	
Non-current liabilities					
Borrowings	*17*	4,213		4,604	
Employee liabilities	*19*	1,206		1,136	
Provisions for risks and charges	*18*	395		364	
Deferred tax liabilities		508		488	
Other liabilities	*20*	661		651	
		6,983		**7,243**	
Current liabilities					
Trade payables, including net advances from customers	*21*	12,674	*94*	12,400	*99*
Borrowings	*17*	2,125	*704*	1,904	*679*
Income tax payables		163		126	
Provisions for risks and charges	*18*	618		595	
Derivatives	*14*	309		88	
Other liabilities	*20*	1,665	*12*	1,580	*13*
		17,554		**16,693**	
Liabilities directly correlated with assets held for sale					
Total liabilities		**24,537**		**23,936**	
Total liabilities and shareholders' equity		**31,443**		**30,485**	

Cash Flow Statement

(€ million)		*For the six months ended 30 June*			
	Note	***2010***	*of which with related parties*	***2009***	*of which with related parties*
Cash flow from operating activities:					
Gross cash flow from operating activities	*28*	1,008		1,019	
Changes in working capital	*28*	(1,059)	*17*	(1,024)	*70*
Changes in other operating assets and liabilities and provisions for risks and charges		(287)	*(27)*	(109)	*(39)*
Finance costs paid		(72)	*(78)*	(97)	
Income taxes paid		(134)		(35)	
Net cash used in operating activities		**(544)**		**(246)**	
Cash flow from investing activities:					
Acquisitions of subsidiaries, net of cash acquired	*11*	(93)		(11)	
Purchase of property, plant and equipment and intangible assets		(437)		(475)	
Proceeds from sale of property, plant and equipment and intangible assets		12		6	
Acquisition of equity investments		-		(149)	
Other investing activities		5		(5)	-
Net cash used in investing activities		**(513)**		**(634)**	
Cash flow from financing activities:					
Dividends paid to shareholders of the Company		(237)		(237)	
Dividends paid to minority interests		(20)		(17)	
Repayment of bonds		(51)		(868)	
Issue of bonds		-		696	
Net change in other borrowings		(387)	*3*	(275)	*20*
Net cash used in financing activities		**(695)**		**(701)**	
Net increase (decrease) in cash and cash equivalents		(1,752)		(1,581)	
Exchange gains/losses		41		2	
Cash and cash equivalents at 1 January		2,630		2,297	
Cash and cash equivalents at 30 June		**919**		**718**	

Statement of changes in shareholders' equity

	Share capital	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 gains (losses) posted to shareholders' equity	Translation reserve	Total capital and reserves attributable to equity holders of the Company	Minority interests in equity
1 January 2009	2,519	4,183	-	23	19	41	(811)	5,974	156
Dividends paid		(237)						(237)	(17)
Capital increases								-	4
Repurchase of treasury shares, less shares sold	(9)							(9)	-
Profit/Loss for the period		218						218	24
Other comprehensive income			26	56		(39)	148	191	1
Stock options/grant plans:									
- services rendered					15			15	1
Other changes	(2)	(4)					5	(1)	(1)
30 June 2009	2,508	4,160	26	79	34	2	(658)	6,151	168
1 January 2010	2,512	4,605	-	60	24	(81)	(769)	6,351	198
Dividends paid		(237)						(237)	(20)
Capital increases								-	-
Profit/Loss for the period		170						170	24
Other comprehensive income				(137)		(49)	580	394	16
Stock options/grant plans:									
- services rendered					20			20	1
Other changes		(7)		(2)				(9)	(2)
30 June 2010	2,512	4,531	-	(79)	44	(130)	(189)	6,689	217

1. GENERAL INFORMATION

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

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

2. FORM, CONTENT AND APPLICABLE ACCOUNTING STANDARDS

The half-year financial report of the Finmeccanica Group at 30 June 2010 was prepared in accordance with Article 154-ter, paragraph 2 of Legislative Decree 58/98 (Consolidated Law on Financial Intermediation), as subsequently amended. This half-year report was prepared in accordance with IAS 34 - *Interim financial reporting*, 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 they relate 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 2009 consolidated financial statements.

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

The accounting principles and basis of accounting that have been used in the preparation of this half-year financial report are the same as those used in the preparation of the consolidated financial statements at 31 December 2009 and the half-year report at 30 June 2009, except as indicated below (Note 4).

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

The condensed consolidated half-year financial statements, which were prepared in accordance with IAS 34 "Interim Financial Reporting" issued by IASB, were subject to a limited review by PricewaterhouseCoopers SpA.

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 characterised 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. EFFECT OF CHANGES IN ACCOUNTING POLICIES ADOPTED

As from 1 January 2010, the Group has adopted a series of new accounting policies and interpretations, including the following:

- the Revised IAS 27 - *Consolidated and separate financial statements*, which provides that transactions with minority shareholders shall not give rise to a gain recognised in the individual income statement nor shall it be recognised as additional goodwill;
- the Revised IFRS 3 - *Business combinations*, which provides that transaction costs shall be recognised in the income statement, no longer requires that the subsidiary's individual assets and liabilities be measured at fair value in step

acquisitions and requires that contingent liabilities be recognised on the acquisition date;

- the amendments to IAS 32 - *Financial instruments: presentation*, permit, *inter alia*, option rights issued as part of a capital increase to be treated as a component of shareholders' equity.

These, as well as other, changes to the accounting standards and interpretations applicable as from 1 January 2010 had no effect on this half-year financial report.

5. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

No significant non-recurring transactions were carried out during the period under review, while in the corresponding prior year period the following is noted:

- collection in June 2009 of the remaining €mil. 64 relating to the receivable arising from the settlement of the dispute with ENEA initiated in 1995 following the rescission of the contract for the construction of the nuclear power plant named PEC, signed in previous years between ENEA and Finmeccanica;
- in January 2009 the amounts due as of 31 December 2008 were repaid in line with the allocations made in the Group's financial statements. These repayments resulted from the decision made by the European Commission on 11 March 2008 in relation to the individual aid granted by the Italian government as financing under Law 808/1985.

6. SCOPE OF CONSOLIDATION

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

Name	***Registered office***	***% Group ownership***		***% Group shareholding***
		Direct	***Indirect***	
3083683 NOVA SCOTIA LIMITED	Halifax, New Scotland (Canada)		100	100
ABS TECHNOLOGY SPA	Florence		60	60
AGUSTA AEROSPACE CORP. USA	Wilmington Delaware (USA)		100	100
AGUSTA AEROSPACE SERVICES A.AS SA	Grace Hollogne (Belgium)		100	100
AGUSTA HOLDING BV	Amsterdam (the Netherlands)		100	100
AGUSTA SPA	Cascina Costa (Varese)		100	100
AGUSTA US INC	Wilmington, Delaware (USA)		100	100
AGUSTAWESTLAND AMERICA LLC	Wilmington, Delaware (USA)		100	100
AGUSTAWESTLAND AUSTRALIA PTY LTD	Melbourne (Australia)		100	100
AGUSTAWESTLAND DO BRASIL LTDA	Sao Paulo (Brazil)		100	100
AGUSTAWESTLAND HOLDINGS LTD	Yeovil, Somerset (U.K.)		100	100
AGUSTAWESTLAND INC	Nex Castle,Wilmington, Delaware (USA)		100	100
AGUSTAWESTLAND INTERNATIONAL LTD	Yeovil, Somerset (U.K.)		100	100
AGUSTAWESTLAND MALAYSIA SDN BHD	Kuala Lumpur (Malesia)		100	100
AGUSTAWESTLAND NORTH AMERICA INC	Wilmington, Delaware (USA)		100	100
AGUSTAWESTLAND NV	Amsterdam (the Netherlands)	100		100
AGUSTAWESTLAND POLITECNICO ADVANCED ROTORCRAFT CENTER S.C.A R.L.	Milan		80	80
AGUSTAWESTLAND PORTUGAL SA	Lisbon (Portugal)		100	100
AGUSTAWESTLAND PROPERTIES LTD	Yeovil, Somerset (U.K.)		100	100
ALENIA AERMACCHI SPA	Venegono Superiore (Varese)		99.998	99.998
ALENIA AERONAUTICA SPA	Pomigliano D'Arco (Naples)	100		100
ALENIA IMPROVEMENT SPA	Pomigliano D'Arco (Naples)		98	98
ALENIA NORTH AMERICA INC	Nex Castle,Wilmington, Delaware (USA)		88.409	88.409
ALENIA SIA SPA	Turin		100	100
AMTEC SPA	Piancastagnaio (Siena)		100	100
ANSALDO ENERGIA SPA	Genoa	100		100
ANSALDO ESG AG	Wurenlingen (Switzerland)		100	100
ANSALDO FUEL CELLS SPA	Genoa		99.5405	99.5405
ANSALDO NUCLEARE SPA	Genoa		100	100
ANSALDO RAILWAY SYSTEM TRADING (BEIJING) LTD	Beijing (China)		100	40.0655
ANSALDO STS AUSTRALIA PTY LTD	Birsbane (Australia)		100	40.0655
ANSALDO STS BEIJING LTD	Beijing (China)		80	32.0524
ANSALDO STS CANADA INC.	Kingstone, Ontario (Canada)		100	40.0655
ANSALDO STS DEUTSCHLAND GMBH	Munich(Germany)		100	40.0655
ANSALDO STS ESPANA SAU	Madrid (Spain)		100	40.0655
ANSALDO STS FINLAND OY	Helsinki (Finland)		100	40.0655
ANSALDO STS FRANCE SAS	Les Ulis (France)		100	40.0655
ANSALDO STS HONG KONG LTD	Kowloon Bay (China)		100	40.0655
ANSALDO STS SOUTH AFRICA (PTY) LTD ex ANS. STS INFRADEV SOUTH AFRICA (PTY) LTD	Sandton (ZA - South Africa)		100	40.0655
ANSALDO STS IRELAND LTD	CO KERRY (Ireland)		100	40.0655
ANSALDO STS MALAYSIA SDN BHD	Kuala Lumpur (Malaysia)		100	40.0655
ANSALDO STS SOUTHERN AFRICA (PTY) LTD	Gaborone (Botswana - Africa)		100	40.0655
ANSALDO STS SWEDEN AB	Solna (Sweden)		100	40.0655
ANSALDO STS TRASP. SYST. INDIA PRIV. LTD	Bangalore (India)		100	40.0655
ANSALDO STS UK LTD	Barbican (U.K.)		100	40.0655
ANSALDO STS SPA	Genoa	40.0655		40.0655
ANSALDO STS USA INC	Wilmington, Delaware (USA)		100	40.0655
ANSALDO STS USA INTERNATIONAL CO	Wilmington, Delaware (USA)		100	40.0655
ANSALDO STS USA INTERNATIONAL PROJECT CO	Wilmington, Delaware (USA)		100	40.0655
ANSALDO THOMASSEN BV	Rheden (the Netherlands)		100	100
ANSALDO THOMASSEN GULF LLC	Abu Dhabi (United Arab Emirates)		48.667	100
ANSALDOBREDA ESPANA SLU	Madrid (Spain)		100	100
ANSALDOBREDA FRANCE SAS	Marseille (France)		100	100
ANSALDOBREDA INC	Pittsburg, California (USA)		100	100
ANSALDOBREDA SPA	Naples	100		100
ASIA POWER PROJECTS PRIVATE LTD	Bangalore (India)		100	100
AUTOMATISMES CONTROLES ET ETUDES ELECTRONIQUES ACELEC SAS	Les Ulis (France)		99.999	40.0651
BREDAMENARINIBUS SPA	Bologna	100		100
DAVIES INDUSTRIAL COMMUNICATIONS LTD (IN LIQ.)	Chelmsford, Essex (U.K.)		100	100
DRS C3 & AVIATION COMPANY	Wilmington, Delaware (USA)		100	100
DRS ENVIRONMENTAL SYSTEMS INC	Wilmington, Delaware (USA)		100	100
DRS HOMELAND SECURITY SOLUTIONS INC	Wilmington, Delaware (USA)		100	100

List of companies consolidated on a line-by-line basis (cont'd)

Company name	*Registered office*	*% Group ownership*		*% Group shareholding*
		Direct	*Indirect*	
DRS ICAS LLC	Wilmington, Delaware (USA)		100	100
DRS INTERNATIONAL INC	Wilmington, Delaware (USA)		100	100
DRS MOBILE ENVIRONMENTAL SYSTEMS CO	Cleveland, Ohio (USA)		100	100
DRS POWER & CONTROL TECHNOLOGIES INC	Wilmington, Delaware (USA)		100	100
DRS POWER TECHNOLOGY INC	Wilmington, Delaware (USA)		100	100
DRS RADAR SYSTEMS LLC	Wilmington, Delaware (USA)		100	100
DRS RSTA INC	Wilmington, Delaware (USA)		100	100
DRS SENSORS & TARGETING SYSTEMS INC	Wilmington, Delaware (USA)		100	100
DRS SIGNAL SOLUTIONS INC	Wilmington, Delaware (USA)		100	100
DRS SONAR SYSTEMS LLC	Wilmington, Delaware (USA)		51	51
DRS SONETICOM INC	Tallahassee, Florida (USA)		100	100
DRS SURVEILLANCE SUPPORT SYSTEMS INC	Wilmington, Delaware (USA)		100	100
DRS SUSTAINMENT SYSTEMS INC	Wilmington, Delaware (USA)		100	100
DRS SYSTEMS MANAGEMENT LLC	Wilmington, Delaware (USA)		100	100
DRS SYSTEMS INC	Wilmington, Delaware (USA)		100	100
DRS TACTICAL SYSTEMS GLOBAL SERVICES INC	Plantation, Florida (USA)		100	100
DRS TACTICAL SYSTEMS INC	Plantation, Florida (USA)		100	100
DRS TACTICAL SYSTEMS LIMITED	Farnham, Surrey (UK)		100	100
DRS TECHNICAL SERVICES GMBH & CO KG	Baden, Wurttemberg (Germany)		100	100
DRS TECHNICAL SERVICES INC	Baltimora, Maryland (USA)		100	100
DRS TECHNOLOGIES CANADA INC	Wilmington, Delaware (USA)		100	100
DRS TECHNOLOGIES CANADA LTD	Kanata, Ontario (Canada)		100	100
DRS TECHNOLOGIES UK LIMITED	Farnham, Surrey (UK)		100	100
DRS TECHNOLOGIES VERWALTUNGS GMBH	Baden, Wurttemberg (Germany)		100	100
DRS TECHNOLOGIES INC	Wilmington, Delaware (USA)		100	100
DRS TEST & ENERGY MANAGEMENT LLC	Wilmington, Delaware (USA)		100	100
DRS TRAINING & CONTROL SYSTEMS LLC	Plantation, Florida (USA)		100	100
DRS TSI INTERNATIONAL LLC	Wilmington, Delaware (USA)		100	100
DRS UNMANNED TECHNOLOGIES INC	Wilmington, Delaware (USA)		100	100
ED CONTACT SRL	Rome		100	100
ELECTRON ITALIA SRL	Rome		80	80
ELSACOM NV	Amsterdam (the Netherlands)	100		100
ELSACOM SPA	Rome		100	100
ELSAG DATAMAT SPA	Genoa	100		100
ELSAG NORTH AMERICA LLC	Madison, North Carolina (USA)		100	100
ENGINEERED COIL COMPANY	Clayton, Missouri (USA)		100	100
ENGINEERED ELECTRIC COMPANY	Clayton, Missouri (USA)		100	100
ENGINEERED SUPPORT SYSTEMS INC	Clayton, Missouri (USA)		100	100
E-SECURITY SRL	Montesilvano (Pescara)		79.688	79.688
ESSI RESOURCES LLC	Louisville, Kentucky (USA)		100	100
FATA ENGINEERING SPA	Pianezza (Turin)		100	100
FATA HUNTER INC	Riverside, California (USA)		100	100
FATA LOGISTIC SYSTEMS SPA	Pianezza (Turin)		100	100
FATA SPA	Pianezza (Turin)	100		100
FINMECCANICA FINANCE SA ex AEROMECCANICA SA	Luxembourg (Luxembourg)	100		100
FINMECCANICA GROUP REAL ESTATE SPA	Rome	100		100
FINMECCANICA GROUP SERVICES SPA	Rome	100		100
GLOBAL MILITARY AIRCRAFT SYSTEMS LLC	Wilmington, Delaware (USA)		51	45.089
ITALDATA INGEGNERIA DELL'IDEA SPA	Rome		51	51
LARIMART SPA	Rome		60	60
LASERTEL INC	Tucson, Arizona (USA)		100	100
LAUREL TECHNOLOGIES PARTNERSHIP	Wilmington, Delaware (USA)		80	80
MECCANICA HOLDINGS USA INC	Wilmington, Delaware (USA)	100		100
MECCANICA REINSURANCE SA	Luxembourg (Luxembourg)		100	100
MSSC COMPANY	Philadelphia, Pennsylvania (USA)		51	51
NET SERVICE SRL	Bologna		70	70
NIGHT VISION SYSTEMS LLC	Wilmington, Delaware (USA)		100	100
ORANGEE SRL	Rome		70	70
OTE MOBILE TECHNOLOGIES LIMITED (IN LIQ.)	Chelmsford, Essex (U.K.)		100	100
OTO MELARA IBERICA SA	Loriguilla, Valencia (Spain)		100	100
OTO MELARA NORTH AMERICA INC	Dover, Delaware (USA)		100	100
OTO MELARA SPA	La Spezia	100		100
PCA ELECTRONIC TEST LTD	Grantham, Lincolnshire (UK)		100	100

List of companies consolidated on a line-by-line basis (cont'd)

Company name	*Registered office*	*% Group ownership*		*% Group shareholding*
		Direct	*Indirect*	
PIVOTAL POWER INC	Halifax, New Scotland (Canada)		100	100
PRZEDSIEBIORSTWO USLUG TRANSPORTOWYCH "SWIDTRANS" SP.ZO.O.	Lotnikow Polskich 1 - AL, Swidnik (Poland)		100	93.8748
PZL INWEST SP.ZO.O.	Lotnikow Polskich 1 - AL, Swidnik (Poland)		100	93.8748
REGIONALNY PARK PRZEMYSLOWY SWIDNIK SP.ZO.O.	Mechaniczna 13 - U1, Swidnik (Poland)		72.0588	72.0588
SEICOS SPA	Rome	100		100
SELENIA MARINE CO LTD (IN LIQ.)	Chelmsford, Essex (U.K.)		100	100
SELENIA MOBILE SPA	Chieti Scalo (Chieti)		100	100
SELEX COMMUNICATIONS DO BRASIL LTDA	Rio de Janeiro (Brazil)		100	100
SELEX COMMUNICATIONS GMBH	Backnang (Germany)		100	100
SELEX COMMUNICATIONS HOLDINGS LTD	Chelmsford (U.K.)		100	100
SELEX COMMUNICATIONS INC	San Francisco, California (USA)		100	100
SELEX COMMUNICATIONS INTERNATIONAL LTD (IN LIQ.)	Chelmsford, Essex (U.K.)		100	100
SELEX COMMUNICATIONS LTD	Chelmsford, Essex (U.K.)		100	100
SELEX COMMUNICATIONS ROMANIA SRL	Bucarest (Romania)		99.976	99.976
SELEX COMMUNICATIONS SPA	Genoa	100		100
SELEX COMMUNICATIONS SECURE SYSTEMS LTD (IN LIQ.)	Chelmsford, Essex (U.K.)		100	100
SELEX GALILEO INC	Wilmington, Delaware (USA)		100	100
SELEX GALILEO LTD	Essex (U.K.)	100		100
SELEX GALILEO SPA	Campi Bisenzio (Florence)	100		100
SELEX KOMUNIKASYON AS	Golbasi (Turkey)		99.999	99.999
SELEX SERVICE MANAGEMENT SPA	Rome	100		100
SELEX SISTEMI INTEGRATI SPA	Rome	100		100
SELEX SYSTEMS INTEGRATION GMBH	Neuss (Germany)		100	100
SELEX SYSTEMS INTEGRATION INC	Delaware (USA)		100	100
SELEX SYSTEMS INTEGRATION LTD	Portsmouth, Hampshire (U.K.)		100	100
S.C. ELETTRA COMMUNICATIONS SA	Ploiesti (Romania)		50.5	50.4997
SIRIO PANEL SPA	Montevarchi (Arezzo)		93	93
SISTEMI E TELEMATICA SPA	Genoa		92.793	92.793
SO.GE.PA. SOC. GEN. DI PARTECIPAZIONI SPA	Genoa	100		100
SPACE SOFTWARE ITALIA SPA	Taranto		100	100
T - S HOLDING CORPORATION	Dallas, Texas (USA)		100	100
TECH-SYM LLC	Reno, Nevada (USA)		100	100
UNION SWITCH & SIGNAL INC	Wilmington, Delaware (USA)		100	40.0655
UNIVERSAL POWER SYSTEMS INC	Wilmington, Delaware (USA)		100	100
VEGA CONSULTING & TECHNOLOGY SL	Madrid (Spain)		100	100
VEGA CONSULTING SERVICES LTD	Hertfordshire (UK)		100	100
VEGA DEUTSCHLAND GMBH ex VEGA DEUTSCHLAND HOLDING GMBH	Cologne (Germany)		100	100
VEGA TECHNOLOGIES SAS	Ramonville Saint Agne (France)		100	100
WESTLAND HELICOPTERS INC	Wilmington, Delaware (USA)		100	100
WESTLAND HELICOPTERS LTD	Yeovil, Somerset(U.K.)		100	100
WESTLAND INDUSTRIES LTD	Yeovil, Somerset (U.K.)		100	100
WESTLAND SUPPORT SERVICES LTD	Yeovil, Somerset (U.K.)		100	100
WESTLAND TRANSMISSIONS LTD	Yeovil, Somerset (U.K.)		100	100
WHITEHEAD ALENIA SIST. SUBACQUEI SPA	Leghorn	100		100
WING NED BV	Rotterdam (the Netherlands)		100	100
WORLD'S WING SA	Geneva (Switzerland)		94.944	94.944
WYTWORNIA SPRZETU KOMUNIKACYJNEGO "PZL-SWIDNIK" SPOLKA AKCYJNA	Aleja Lotnikow, Swidnik (Poland)		93.8748	93.8748
ZAKLAD NARZEDZIOWY W SWIDNIKU SP.ZO.O.	Narzedziowa 16 - U1, Swidnik (Polonia)		51.65785	48.4863
ZAKLAD OBROBKI PLASTYCZNEJ SP.ZO.O.	Kuznicza 13 - U1, Swidnik (Poland)		100	93.8748
ZAKLAD REMONTOWY SP.ZO.O.	Mechaniczna 13 - U1, Swidnik (Poland)		100	93.8748
ZAKLAD UTRZYMANIA RUCHU SP.ZO.O.	Lotnikow Polskich 1 - AL, Swidnik (Poland)		100	93.8748

List of companies consolidated using the proportionate method

Company name	*Registered office*	*% Group ownership*		*% Group shareholding*
		Direct	*Indirect*	
THALES ALENIA SPACE SAS	Cannes La Bocca (France)	33		33
THALES ALENIA SPACE FRANCE SAS	Paris (France)		100	33
THALES ALENIA SPACE ITALIA SPA	Rome		100	33
THALES ALENIA SPACE ANTWERP SA	Hoboken (Belgium)		100	33
THALES ALENIA SPACE ESPANA SA	Madrid (Spain)		100	33
THALES ALENIA SPACE ETCA SA	Charleroi (Belgium)		100	33
THALES ALENIA SPACE NORTH AMERICA INC	Wilmington (USA)		100	33
FORMALEC SA	Paris (France)		100	33
TELESPAZIO HOLDING SRL	Rome	67		67
TELESPAZIO FRANCE SAS	Toulouse (France)		100	67
TELESPAZIO DEUTSCHLAND GMBH	Gilching, Munich (Germany)		100	67
TELESPAZIO SPA	Rome		100	67
E - GEOS SPA	Matera		80	53.6
EURIMAGE SPA	Rome		100	60.166
GAF AG	Munich (Germany)		100	53.6
EUROMAP SATELLITENDATEN-VERTRIEB MBH	Neustrelitz (Germany)		100	67
TELESPAZIO ARGENTINA SA	Buenos Aires (Argentina)		100	66.958
TELESPAZIO BRASIL SA	Rio de Janeiro (Brazil)		98.774	66.1786
TELESPAZIO NORTH AMERICA INC	Doover, Delaware (USA)		100	67
TELESPAZIO HUNGARY SAT. TELEC. LTD	Budapest (Hungary)		100	67
RARTEL SA	Bucarest (Romania)		61.061	40.911
FILEAS SA	Paris (France)		85	56.95
AURENSIS SL	Barcelona (Spain)		100	67
AMSH BV	Amsterdam (the Netherlands)	50		50
MBDA SAS	Paris (France)		50	25
MBDA TREASURE COMPANY LTD	Jersey (U.K.)		100	25
MBDA FRANCE SAS	Paris (France)		99.99	25
MBDA INCORPORATED	Wilmington, Delaware (USA)		99.9	25
MBDA ITALIA SPA	Rome		100	25
MBDA UK LTD	Stevenage (U.K.)		99.99	25
MBDA UAE LTD ex MARCONI UAE LTD	London (U.K.)		99.99	25
MATRA ELECTRONIQUE SA	Paris (France)		99.99	25
MBDA SERVICES SA	Paris (France)		99.68	24.92
LFK-LENKFLUGKORPERSYSTEME GMBH	UnterschleiBheim (Germany)		100	25
BAYERN-CHEMIE GMBH	Germany		100	25
TAURUS SYSTEMS GMBH	Germany		67	16.75
TDW GMBH	Germany		100	25
AVIATION TRAINING INTERNATIONAL LIMITED	Dorset (U.K.)		50	50
CONSORZIO ATR GIE e SPE	Toulouse (France)		50	50
SUPERJET INTERNATIONAL SPA	Tessera (Venice)		51	51
ROTORSIM SRL	Sesto Calende (Varese)		50	50
BALFOUR BEATTY ANSALDO SYSTEMS JV SDN BHD	Ampang (Malaysia)		40	16.0262

List of companies consolidated using the equity method

Company name	*Registered office*	*% Group ownership*		*% Group shareholding*
		Direct	*Indirect*	
ABRUZZO ENGINEERING SCP A	L'Aquila		30	30
ABU DHABI SYSTEMS INTEGRATION LLC	Abu Dhabi (United Arab Emirates)		43.043	43.043
ADVANCED AIR TRAFFIC SYSTEMS SDN BHD	Darul Ehsan (Malaysia)		30	30
ADVANCED LOGISTICS TECHNOLOGY ENGINEERING CENTER SP A	Turin		51	16.83
ALENIA HELLAS SA	Kolonaki, Atene (Greece)		100	100
ALENIA NORTH AMERICA-CANADA CO	Halifax, New Scotland (Canada)		100	88.409
ALIFANA DUE SCRL	Naples		53.34	21.371
ALIFANA SCRL	Naples		65.85	26.38
ANSALDO ARGENTINA SA	Buenos Aires (Argentina)		99.993	99.993
ANSALDO ELECTRIC DRIVES SP A	Genoa		100	100
ANSALDO – E.M.I.T. SCRL	Genoa		50	50
ANSALDO ENERGY INC	Wilmington, Delaware(USA)		100	100
ANSERV SRL	Bucarest (Romania)		100	100
AUTOMATION INTEGRATED SOLUTIONS SP A	Pianezza (Turin)		40	40
BELL AGUSTA AEROSPACE COMPANY LLC	Wilmington, Delaware (USA)		40	40
BRITISH HELICOPTERS LTD	Yeovil, Somerset (U.K.)		100	100
CANOPY TECHNOLOGIES LLC	Wilmington, Delaware (USA)		50	50
CARDPRIZE TWO LIMITED	Basildon, Essex (U.K.)		100	100
CISDEG SP A	Roma		91.41	87.5
COMLENIA SENDIRIAN BERHAD	Selangor Darul Ehsan (Malaysia)		30	30
CONSORZIO START SP A	Rome		40	40
CONTACT SRL	Naples		30	30
DIGINT SRL	Milan		49	49
DOGMATIX LEASING LIMITED	Mauritius Islands		100	50
DRS CONSOLIDATED CONTROLS INC	Wilmington, Delaware (USA)		100	100
DRS DEFENSE SOLUTIONS LLC	Wilmington, Delaware (USA)		100	100
ECOSEN CA	Caracas (Venezuela)		48	19.23
ELETTRONICA SP A	Rome	31.333		31.333
ELSACOM HUNGARIA KFT	Budapest (Hungary)		100	100
ELSACOM SLOVAKIA SRO	Bratislava (Slovakia)		100	100
ELSACOM-UKRAINE JOINT STOCK COMPANY	Kiev (Ukrain)		49	49
EURISS NV	Leiden (the Netherlands)		25	8.25
EUROFIGHTER AIRCRAFT MANAGEMENT GMBH	Hallbergmoos (Germany)		21	21
EUROFIGHTER INTERNATIONAL LTD	London(U.K.)		21	21
EUROFIGHTER JAGDFLUGZEUG GMBH	Hallbergmoos (Germany)		21	21
EUROFIGHTER SIMULATION SYSTEMS GMBH	Unterhaching (Germania)		24	24
EUROMIDS SAS	Paris (France)		25	25
EURO PATROL AIRCRAFT GMBH (IN LIQ.)	Munich (Germany)		50	50
EUROSATELLITE FRANCE SA	France		100	33
EUROSYSNAV SAS	Paris (France)	50		50
EUROTECH SP A	Amaro (Udine)	11.08		11.08
FATA HUNTER INDIA PVT LTD	New Dehli (India)		100	100
FINMECCANICA CONSULTING SRL	Rome	100		100
FINMECCANICA NORTH AMERICA INC	Dover, Delaware (USA)	100		100
FINMECCANICA UK LTD	London (U.K.)	100		100
GRUPO AURENSIS SA DE CV	Bosque de Duraznos (Mexico)		100	67
IAMCO SCRL	Mestre (Venice)		20	20
ICARUS SCP A	Turin		49	49
IMMOBILIARE CASCINA SRL	Gallarate (Varese)		100	100
IMMOBILIARE FONTEVERDE SRL (IN LIQ.)	Rome		60	48
INDRA ESPACIO SA	France		49	16.17
INTERNATIONAL LAND SYSTEMS INC	Wilmington, Delaware (USA)		28.365	15.204
INTERNATIONAL METRO SERVICE SRL	Milan		49	19.63
I.M. INTERMETRO SP A	Rome		33.332	23.343
IVECO - OTO MELARA SCRL ex IVECO FIAT - OTO MELARA SCRL	Rome		50	50
JIANGXI CHANGE AGUSTA HELICOPTER CO LTD	Zone Jiangxi Province (China)		40	40
JOINT STOCK COMPANY SUKHOI CIVIL AIRCRAFT	Moscow (Russian Federation)		25.0001	23.735

List of companies consolidated using the equity method (cont'd)

Company name	*Registered office*	*% Group ownership*		*% Group shareholding*
		Direct	*Indirect*	
KAZAKHASTAN TZ-ANSALDOSTS ITALY LLP	Astana (Kazakhstan)		49	19.632
LIBYAN ITALIAN ADVANCED TECHNOLOGY CO	Tripoli (Libya)	25	25	50.000
LMATTS LLC	Georgia (USA)		100	88.409
MACCHI HUREL DUBOIS SAS	Plaisir (Francia)		50	49.99
MEDESSAT SAS	Toulouse (France)		28.801	19.296
METRO 5 SPA	Milan		31.9	17.156
MUSINET ENGINEERING SPA	Turin		49	49
N2 IMAGING SYSTEMS LLC	Wilmington, Delaware (USA)		30	30
NAHUELSAT SA (IN LIQ.)	Buenos Aires (Argentina)	33.33		33.33
NGL PRIME SPA	Turin	30		30
N.H. INDUSTRIES SARL	Aix en Provence (France)		32	32
NICCO COMMUNICATIONS SAS	Colombes (France)		50	50
NNS – SOC. DE SERV. POUR REACTEUR RAPIDE SNC	Lyon (France)		40	40
NOVACOM SERVICES SA	Toulouse (France)		39.73	26.62
ORIZZONTE – SISTEMI NAVALI SPA	Genoa		49	49
PEGASO SCRL	Rome		46.87	18.778
POLARIS SRL	Genoa		49	49
QUADRICS LTD (IN LIQ.)	Bristol (U.K.)		100	100
ROXEL SAS	Le Plessis Robinson (France)		50	12.5
SAPHIRE INTERNAT. ATC ENGINEERING CO LTD	Beijing (China)		65	65
SATELLITE TERMINAL ACCESS SA (IN LIQ.)	France		21.19	6.993
SCUOLA ICT SRL (IN LIQ.)	L'Aquila	20		20
SELEX GALILEO ELECTRO OPTICS (OVERSEAS) LTD	Basildon, Essex (U.K.)		100	100
SELEX GALILEO INFRARED LTD	Basildon, Essex (U.K.)		100	100
SELEX GALILEO PROJECTS LTD	Basildon, Essex (U.K.)		100	100
SELEX GALILEO SAUDI ARABIA COMPANY LTD	Riyadh (Saudi Arabia)		100	100
SELEX PENSION SCHEME (TRUSTEE) LTD	Basildon, Essex (U.K.)		100	100
SELEX SISTEMI INTEGRATI DE VENEZUELA SA	Caracas (Venezuela)		100	100
SERVICIOS TECNICOS Y SPECIALIZADOS DE INFORM. SA DE CV	Bosque de Duraznos (Mexico)		100	67
SEVERNYJ AVTOBUZ Z.A.O.	St. Petersburg (Russia)		35	35
SISTEMI DINAMICI SPA	S. Piero a Grado (Pisa)		40	40
SOGELI – SOCIETA' DI GESTIONE DI LIQ. SPA	Rome		100	100
SPACEOPAL GMBH	Munich (Germany)		50	33.5
TELBIOS SPA	Milan		34.471	23.096
TELESPAZIO NETHERLAND BV	Enschede (the Netherlands)		100	67
THOMASSEN SERVICE AUSTRALIA PTY LTD	Canning Vale (Australia)		100	100
TRADE FATA BV	Rotterdam (the Netherlands)		100	100
TRIMPROBE SPA (IN LIQ.)	Rome	100		100
TURBOENERGY SRL	Cento (Ferrara)		25	25
WESTLAND INDUSTRIAL PRODUCTS LTD	Yeovil, Somerset (U.K.)		100	100
WIN BLUEWATER SERVICES PRIVATE LIMITED	New Delhi (India)		99.99	99.99
WITG L.P. INC	Kent, Dover, Delaware (USA)		24	21.218
WITG L.P. LTD	Kent, Dover, Delaware (USA)		20	17.682
XAIT SRL	Ariccia (Rome)		100	100
ZAO ARTETRA	Moscow (Russian Federation)		51	51

List of companies valued at fair value

Company name	*Registered office*	*% Group ownership*		*% Group shareholding*
		Direct	*Indirect*	
BCV INVESTMENTS SCA	Luxembourg (Luxembourg)		14.321	14.321
BCV MANAGEMENT SA	Luxembourg (Luxembourg)		14.999	14.999

List of subsidiaries and associates valued at cost

Company name	*Registered office*	*% Group ownership*		*% Group shareholding*
		Direct	*Indirect*	
A4ESSOR SAS	Neuilly Sur Seine (France)		21	21
ADVANCED MALE AIRCRAFT LLC	Al Ain, Muwaiji (United Arab Emirates)		49	49
ALENIA NORTH AMERICA DEFENSE LLC	Wilmington, Delaware (USA)		100	88.409
ANSALDO STS SISTEMAS DE TRANSORTE E SINALIZACAO LTDA	Rio De Janeiro (Brazil)		100	40.0655
COREAT S.C. A R.L.	Rieti		30	30
CCRT SISTEMI SPA (IN BANKRUPCTY)	Milan		30.34	30.34
DISTRETTO TECNOLOGICO AEROSPAZIALE S.C.A R.L.	Brindisi		24	24
EUROPEAN SATELLITE NAVIGATION INDUSTRIES GMBH	Ottobrunn (Germany)	18.939	18.94	25.189
FINMECCANICA DO BRASIL LTDA	Brasilia (Brazil)	99.999		99.999
FOSCAN SRL (IN BANKRUPCTY)	Anagni (Frosinone)		20	20
EUROPEAN SATELLITE NAVIGATION INDUSTRIES SA (IN LIQ.)	Bruxelles (Belgium)	18.939	18.94	25.189
IND. AER. E MECC. R. PIAGGIO SPA (AMM.STR.)	Genoa	30.982		30.982
SAITECH SPA (IN BANKRUPCTY)	Passignano sul Trasimeno (Perugia)		40	40
SELEX SISTEMI INTEGRATI DO BRASIL LTDA	Rio De Janeiro (Brazil)		99.9998	99.9998
SEL PROC SCRL	Rome		100	100
SESM - SOLUZIONI EVOLUTE PER LA SISTEMISTICA E I MODELLI - SCRL	Naples		100	100
U.V.T. SPA (IN BANKRUPCTY)	San Giorgio Jonico (Taranto)		50.614	50.614

For ease of understanding and comparability of the information reported, below are the main changes in the scope of consolidation that have occurred since July 2009;

- on 9 July 2009, Fata Group SpA (in liquidation) was merged with SO.GE.PA. SpA;
- on 5 August 2009, Rotorsim Srl was formed and is consolidated on a proportionate basis**;**
- on 31 August 2009, DRS Environmental Systems Inc was formed and is consolidated on a line-by-line basis;
- on 10 September 2009, DRS Soneticom Inc was acquired and is consolidated on a line-by-line basis;
- on 1 October 2009, Ansaldo Signal NV was merged with Ansaldo STS SpA;
- on 7 October 2009, Ansaldobreda France SAS was formed and is consolidated on a line-by-line basis;
- on 19 October 2009, Meccanica Reinsurance SA was formed and is consolidated on a line-by-line basis;
- on 21 December 2009, Global Aeronautica LLC was deconsolidated upon sale to third parties;
- on 28 December 2009, SELEX Sensors and Airborne Systems SpA was deconsolidated following its removal from the Company Register;
- starting from 1 January 2010 Quadrics Ltd (in liquidation), consolidated through the 2009 financial statements on an equity basis, was deconsolidated;
- on 1 January 2010, Alenia Composite SpA and Alenia Aeronavali SpA were merged with Alenia Aeronautica SpA;
- on 1 January 2010, DRS Intelligence & Avionic Solutions Inc and DRS Codem Systems Inc were merged with DRS Icas LLC;
- on 1 January 2010, DRS C3&A Intermediary LLC and DRS Data & Imaging Systems Inc were merged with DRS C3 & Aviation Company;
- on 1 January 2010, CISDEG was transformed from a consortium into a joint-stock company and is consolidated using the equity method;
- on 1 January 2010 AgustaWestland Politecnico Advanced Rotorcraft, consolidated until 31 December 2009 using the equity method, is consolidated on a line-by-line basis;

- on 29 January 2010, the Wytwornia Sprzetu Komunikacyjnego ”PZL - SWIDNIK” Spolka Akcyjna group (PZL - SWIDNIK) was acquired and is consolidated on a line-by-line basis;
- on 5 March 2010, Lasertel Inc was purchased and is consolidated on a line-by-line basis;
- on 11 March 2010 Ansaldo STS SpA took part in the formation of Kazakhastan TZ-AnsaldoSTS Italy LLP which enters the scope of consolidation and is valued using the equity method;
- on 15 March 2010, SELEX Galileo Saudi Arabia Company Ltd was formed and is consolidated using the equity method.
- on 1 April 2010 ISAF Srl was merged into Telespazio SpA;
- on 12 April 2010 Groupment Immobilier Aeronautique SA, consolidated until 31 December 2009 using the equity method, was deconsolidated upon sale to third parties;
- on 13 April 2010 the company Win Bluewater Services Private Limited was acquired and is consolidated at equity;
- on 8 June 2010 Mecfint (Jersey) SA was removed from the Company Register and deconsolidated accordingly;
- on 22 June 2010 Finmeccanica Finance SA was merged with Aeromeccanica SA.

The following companies were placed in liquidation during 2010:

- Ote Mobile Technologies Ltd;
- Davies Industrial Communications Ltd;
- SELEX Communications Secure Systems Ltd;
- SELEX Communications (International) Ltd.
- Scuola ICT Srl;
- Immobiliare Fonteverde Srl.

The following companies changed their names during 2010:

- SELEX Sistemi Integrati Inc became SELEX Systems Integration Inc;
- Galileo Avionica Spa became SELEX Galileo Spa;
- SELEX Sensors and Airborne Systems Ltd became SELEX Galileo Ltd;

- SELEX Sensors and Airborne Systems Infrared Ltd became SELEX Galileo Infrared Ltd;
- SELEX Sensors and Airborne Systems Electro Optics (Overseas) Ltd became SELEX Galileo Electro Optics (Overseas) Ltd;
- Selex Sensors and Airborne Systems (US) Inc. became Selex Galileo Inc.;
- SELEX Sensors and Airborne Systems (Projects) Ltd became SELEX Galileo (Projects) Ltd;
- Aeromeccanica SA became Finmeccanica Finance SA.

7. SIGNIFICANT CHANGES IN THE EXCHANGE RATES APPLIED

Again with reference to data comparability, the first six months of 2010 were again marked by changes in the euro against the main currencies of interest for the Group. Specifically, the currency exchange rates at 30 June 2010 and the average exchange rates for the period showed, for the main currencies, these changes from 2009: final exchange rates for the period (euro/US dollar -14.82% and euro/sterling pound -7.96%); average exchange rates for the period (euro/US dollar -0.28 % and euro/sterling pound -2.67%).

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

	At 30 June 2010		At 31 December 2009	At 30 June 2009	
	average exchange rate for the period	final exchange rate for the period	final exchange rate for the year	average exchange rate for the period	final exchange rate for the period
US dollar	1.32847	1.22710	1.44060	1.33217	1.4134
Pound sterling	0.87000	0.81745	0.88810	0.89391	0.8521

8. SEGMENT INFORMATION

In accordance with the compliance model followed, Management has adopted operating segments that correspond to the business sectors in which the Group operates: Helicopters, Defence and Security Electronics, Aeronautics, Space, Defence Systems, Energy, Transportation and Other Activities.
For a more detailed analysis of the main programmes, outlooks and operating indicators for each segment, see the interim report on operations.

The Group assesses the performance of its operating segments and the allocation of the financial resources based on revenues and adjusted EBITA (refer also to the "*Non-GAAP performance indicators*" section in the interim report on operations).

The results for each segment at 30 June 2010, as compared with those of the same period of the previous year, are as follows:

	Helico-pters	**Defence and Security Electro-nics**	**Aeronau tics**	**Space**	**Defence Systems**	**Energy**	**Tran-sporta-tion**	**Other activities**	**Elimi-nations**	**Total**
For the six months ended 30 June 2010										
Revenues	1,743	3,255	1,262	412	537	677	926	114	(272)	**8,654**
of which from other segments	*87*	*351*	*346*	*13*	*59*	-	*40*	*49*	*(272)*	***673***
Adjusted EBITA	181	289	54	5	37	67	35	(82)	-	**586**
Investments	66	108	148	22	17	17	21	6	-	**405**

	Helico-pters	**Defence and Security Electro-nics**	**Aeronau tics**	**Space**	**Defence Systems**	**Energy**	**Tran-sporta-tion**	**Other activities**	**Elimi-nations**	**Total**
For the six months ended 30 June 2009										
Revenues	1,646	3,075	1,208	435	514	820	895	198	(268)	**8,523**
of which from other segments	*16*	*319*	*353*	*13*	*83*	-	*61*	*63*	*(268)*	***640***
Adjusted EBITA	162	274	60	13	42	76	55	(77)	-	**605**
Investments	60	108	227	17	22	26	13	5	-	**478**

The portion of fixed assets referring to intangible assets, property, plant and equipment and investment properties attributable to the segments at 30 June 2010 and at 31 December 2009 is as follows:

	Helicopters	Defence and Security Electronics	Aeronautics	Space	Defence Systems	Energy	Transportation	Other Activities	Eliminations	Total
30 June 2010										
Fixed assets	2,373	6,143	2,079	504	593	195	308	273	-	**12,468**

	Helicopters	Defence and Security Electronics	Aeronautics	Space	Defence Systems	Energy	Transportation	Other Activities	Eliminations	Total
31 Dec. 2009										
Fixed assets	2,182	5,455	2,004	496	595	189	296	275	-	**11,492**

The reconciliation between adjusted EBITA and the result before taxes, finance income and costs and the effects of equity investments measured using the equity method ("EBIT") for the periods shown is as follows:

	Helicopters	Defence and Security Electronics	Aeronautics	Space	Defence Systems	Energy	Transportation	Other Activities	Total
For the six months ended 30 June 2010									
Adjusted EBITA	**181**	**289**	**54**	**5**	**37**	**67**	**35**	**(82)**	**586**
Impairment									
Amortisation of intangible assets acquired through a business combination	(4)	(38)			(1)				**(43)**
Restructuring costs	(8)	(5)	(1)		(1)		(1)		**(16)**
EBIT	**169**	**246**	**53**	**5**	**35**	**67**	**34**	**(82)**	**527**

	Helicopters	Defence and Security Electronics	Aeronautics	Space	Defence Systems	Energy	Transportation	Other Activities	Total
For the six months ended 30 June 2009									
Adjusted EBITA	**162**	**274**	**60**	**13**	**42**	**76**	**55**	**(77)**	**605**
Impairment									
Amortisation of intangible assets acquired through a business combination	(4)	(34)			(1)				**(39)**
Restructuring costs		(2)	(1)	(1)	(1)		(2)		**(7)**
EBIT	**158**	**238**	**59**	**12**	**40**	**76**	**53**	**(77)**	**559**

9. INTANGIBLE ASSETS

Below is a breakdown of intangible assets:

	30 June 2010	*31 Dec 2009*
Goodwill	6,451	5,821
Development costs	671	624
Non-recurring costs	592	545
Concession of licences and trademarks	116	119
Acquired through business combinations	1,045	975
Other	312	283
Total intangible assets	**9,187**	**8,367**

In particular, the most significant changes were as follows:

- net increase in goodwill (€mil. 630), mainly due to the business combinations in Note 11 and to the positive translation differences on goodwill arising on assets denominated in pounds sterling and US dollar;
- amortisation of €mil. 127 (€mil. 132 at 30 June 2009) (Note 25);
- investments in the overall amount of €mil. 176 (€mil. 225 at 30 June 2009), broken down as follows:

	For the six months ended 30 June	
	2010	***2009***
Development costs	76	103
Non-recurring costs	57	61
Concession of licences and trademarks	5	13
Other	38	48
Total intangible assets	**176**	**225**

Purchase commitments of intangible assets are recorded in the amount of €mil. 30 (€mil. 23 at 31 December 2009).

10. PROPERTY, PLANT AND EQUIPMENT

Below is a breakdown of property, plant and equipment:

	30 June 2010	*31 Dec 2009*
Land and buildings	1,202	1,174
Plant and machinery	710	666
Equipment	658	657
Other	711	628
Total property, plant and equipment	**3,281**	**3,125**

In particular, in addition to the positive difference attributable mainly to assets denominated in pound sterling and US dollars, the most significant changes were as follows:

- depreciation of €mil. 191 (€mil. 173 at 30 June 2009);
- the inclusion of the Polish group PZL - SWIDNIK within the scope of consolidation in the amount of €mil. 41;
- investments in the overall amount of €mil. 229 (€mil. 253 at 30 June 2009), broken down as follows:

	For the six months ended 30 June	
	2010	*2009*
Land and buildings	7	21
Plant and machinery	21	28
Equipment	39	38
Other	162	166
Total property, plant and equipment	**229**	**253**

Property, plant and equipment includes €mil. 56 (€mil. 58 at 31 December 2009) of assets held under contracts that can be qualified as finance leases, and “other assets” includes €mil. 87 (€mil. 98 at 31 December 2009) for aircraft owned by the GIE ATR group as well as for those that did not meet the requirements, in terms of the substantial transfer of the risks of ownership, to recognise the sale, despite the fact that sales

contracts have been concluded with external customers, and €mil. 40 (€mil. 25 at 31 December 2009) for aircraft owned by the AgustaWestland group.
Purchase commitments of property, plant and equipment are recorded in the amount of €mil. 92 (€mil. 130 at 31 December 2009).

11. BUSINESS COMBINATIONS

During the period, AgustaWestland formalised the purchase of the PZL - SWIDNIK group, now owned with an interest of 93.87% (the Group owned 6.2% at 31 December 2009), with a net cash outlay of €mil. 77 (in addition to the transaction costs charged to the separate income statement totalling €mil. 10) and the assumption of borrowings of €mil.38. SELEX Galileo Ltd also acquired 100% of the US company Lasertel Inc. The overall effect on the balance sheet and the cash flow statement was as follows:

€ millions	***Temporary fair values***		
	PZL - SWIDNIK	***Lasertel***	***Cash-flow***
Cash and cash equivalents	5		
Net working capital	(3)	3	
Property, plant and equipment and intangible assets	54	3	
Deferred tax assets, net	6		
Borrowings	(38)		
Minority interests	(2)		
Net assets acquired	*22*	*6*	
Group	21	6	
Price paid	82	6	88
Price paid for the share acquired in 2009	7		
Cash acquired			(5)
Transaction costs			10
Total cost of the acquisition	89	6	93
Goodwill deriving from acquisition	68	-	

To that end, it must be noted that the process for the identification of the fair values of the assets and liabilities acquired is not complete yet, as permitted under IFRS3;

therefore, the fair values of the individual assets and liabilities and the residual value now assigned to goodwill might be different at the end of the allocation process.

No acquisitions were completed during the corresponding period of the previous year (the cash outlay for the first half of 2009 relates to the payment of transaction costs for the acquisition of DRS).

The overall effects of the transactions in the two periods under comparison were as follows:

€ millions	***2010***		***2009***	
	Goodwill	Cash effect	Goodwill	Cash effect
Acquisition of PZL-SWIDNIK	68	87	-	-
Other acquisitions	-	6	-	11
Total	**68**	**93**	**-**	**11**

12. RECEIVABLES AND OTHER NON-CURRENT ASSETS

	30 June 2010	*31 Dec. 2009*
Third-party financing	58	69
Security deposits	24	26
Receivables for finance leases	6	3
Deferred receivables under Law 808/85	66	62
Net assets of defined-benefit retirement plans (Note 19)	25	11
Financial receivables from related parties (Note 22)	10	12
Other	31	29
Non-current receivables	**220**	**212**
Deferred expenses	13	4
Equity investments	344	343
Non-recurring costs awaiting interventions under Law 808/1985	260	232
Non-current assets	**617**	**579**
Total receivables and other non-current assets	**837**	**791**

Receivables for sales under a 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 financial income is recognised progressively over the term of the contract at the effective interest rate applicable to the lease contract.

The item “Deferred receivables under Law 808/85” includes the receivables from the Ministry for Economic Development relating to the current value of the interventions pursuant to Law 808/85 in national security and similar projects for which collections were deferred. The portion for which collection is expected within 12 months (€mil. 36, compared with €mil. 35 at 31 December 2009) is classified among other current assets (Note 15). Non-recurring expenses awaiting interventions under Law 808/1985 include the portion of non-recurring expenses paid on programmes that benefit from the provisions of Law 808/85, are classified as being functional to national security, and whose expenses have not been assessed yet by the issuer. After the legal requirements for the recognition of the receivable from the Ministry are fulfilled, the recognised amount is reclassified as a receivable (current or non-current, based on the expected payment schedule). The amount shown is calculated based on an estimate made by management that reflects the reasonable probability that funds are received and the effects of time value in the case of deferment over more than one year of the granting of funds.

Equity investments increased mainly due to the positive translation differences of the companies denominated in foreign currency (€mil. 22) and capital increases to be subscribed (€mil. 2), partially offset by the consolidation of PZL-Swidnik (€mil. 7), writedowns (€mil. 8) and dividends received (€mil. 10).

13. TRADE RECEIVABLES, INCLUDING NET CONTRACT WORK IN PROGRESS

	30 June 2010	*31 Dec. 2009*
Receivables	4,747	4,433
Impairment	(197)	(188)
Receivables from related parties (Note 22)	500	523
	5,050	4,768
Work in progress (gross)	9,287	8,499
Advances from customers	(4,657)	(4,786)
Work in progress (net)	4,630	3,713
Total trade receivables and net contract work in progress	**9,680**	**8,481**

Trade receivables from related parties refer specifically to the non-eliminated portion of receivables from joint ventures and associated companies, lead companies or consortiums of major programmes in which the Group participates. The most important of these relate to the Eurofighter (EFA programme) totalling €mil. 104 (€mil. 81 at 31 December 2009) for contracts for the production of wings and posterior fuselages and for the assembly of aircraft for the Italian Air Force; receivables from the Iveco/Oto Melara consortium amounting to €mil. 42 (€mil. 55 at 31 December 2009) for production and post-sales assistance on defence and security ground vehicles (production is currently under way on VBM Freccia and PZH2000 self-propelled vehicle for the Italian Army); receivables from Metro 5 amounting to €mil. 14 (€mil. 34 at 31 December 2009) for the designing, construction and operation of the new line 5 of the Milan metro; receivables from Orizzonte-Sistemi Navali amounting to €mil. 18 (€mil. 21 at 31 December 2009) relating to the FREMM programme and from NH Industries amounting to €mil. 52 (€mil. 18 at 31 December 2009) for transactions for the final sale of the NH90 helicopter and from Abruzzo Engineering amounting to €mil. 20 (€mil. 17 at 31 December 2009) relating to the project for the construction of regional infrastructures serving the resolution of the Digital Divide, commissioned by the Abruzzo region.

14. DERIVATIVES

The table below provides detail of the asset and liability positions related to derivative instruments:

	30 June 2010		*31 Dec. 2009*	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Forward forex instruments	120	225	86	64
Forex options	-	66	-	5
Embedded derivatives	40	-	58	-
Interest rate swaps	112	11	42	19
Options on STM	-	-	-	-
Other equity derivatives	7	7	7	-
	279	**309**	**193**	**88**

The change in the fair value of forward instruments is mainly due to the volatility of the US dollar against the euro: the exchange rate went from 1.4406 at 31 December 2009 to 1.2271 at 30 June 2010.

The interest rate swaps with a total notional value of €mil. 1,200 were placed into effect to hedge bonds issued for a total of €mil. 4,698. The change in the fair value was mainly affected by the current favourable spreads between long-term fixed rates and short-term floating rates.

The figure for embedded derivatives relates to commercial contracts denominated in currencies other than the currencies of the contractually involved parties and that generally used in the markets of reference. This component is separated from the commercial contract and valued at fair value through the income statement.

Under the STM sale contract (effective 22 December 2009), Finmeccanica benefits from an earn-out mechanism - on 29,768,850 shares - equal to 50% of the positive difference, if any, between the average price of the STM stock, calculated in the 66 days prior to 17 March 2011, and €7.00. This led to the recognition of a derivative whose fair value is positive in the amount of €mil. 7. In the first quarter of 2010, Finmeccanica sold a mirror option in the market to strengthen the amount valued in the previous period. This led to the recognition of a derivative offsetting the previous one.

15. OTHER CURRENT ASSETS

		30 June 2010		***31 Dec. 2009***
Income tax receivables		140		142
Assets available for sale		1		11
Other current assets:		709		606
Accrued income - current portion	*115*		*104*	
Receivables for contributions	*74*		*69*	
Receivables from employees and social security	*47*		*32*	
Indirect tax receivables	*242*		*198*	
Deferred receivables under Law 808/85	*36*		*35*	
Equity investments	*1*		*1*	
Other receivables from related parties (Note 22)	*34*		*9*	
Other assets	*160*		*158*	
Total other current assets		**850**		**759**

The item “deferred receivables under Law 808/85” includes the receivables from the Ministry for Economic Development relating to the interventions pursuant to Law 808/1985 in national security and similar projects for which collections are expected within 12 months. Portions for which collections are expected beyond 12 months are recognised as accounts receivable and other non-current assets (Note 12).

Other assets include, among others, insurance payment receivables of €mil. 3 (€mil. 20 at 31 December 2009) and sundry advances in the amount of €mil. 12 (€mil. 13 at 31 December 2009) and receivables for disputes for €mil. 6 (€mil. 6 at 31 December 2009).

16. SHAREHOLDERS' EQUITY

	Number of ordinary shares	Par value €mil.	Treasury shares €mil.	Costs incurred net of tax effect €mil.	Total €mil.
Outstanding shares	578,150,395	2,544	-	(19)	2,525
Treasury shares	(1,144,077)	-	(13)	-	(13)
31 December 2009	577,006,318	2,544	(13)	(19)	2,512
Repurchase of treasury shares, less shares sold	-		-		-
30 June 2010	577,006,318	2,544	(13)	(19)	2,512
broken down as follows:					
Outstanding shares	578,150,395	2,544	-	(19)	2,525
Treasury shares	(1,144,077)	-	(13)	-	(13)
	577,006,318	2,544	(13)	(19)	2,512

The Group Parent's share capital fully subscribed and paid-up is divided into ordinary shares with a par value of €4.40 each.

At 30 June 2010, the Ministry for Economy and Finance held 30.204%, Capital Research and Management Co. held 4.879% and BlackRock Investment Management (UK) Limited held 2.246% of the shares.

The statement of changes of other reserves and minority interests is provided in the accounting statements section.

The following is a breakdown of the tax effects on the gain and loss items recognised in shareholders' equity:

	Group			*Minority interests*		
	Amount before taxes	Tax effect	Amount net of tax effect	Amount before taxes	Tax effect	Amount net of tax effect
Available-for-sale financial assets	-	-	-	-	-	-
Actuarial gains (losses) on defined-benefit plans	(61)	12	(49)	(1)	-	(1)
Changes in cash-flow hedges	(191)	54	(137)	7	(3)	4
Exchange gains/losses	580	-	580	13	-	13
Total	**328**	**66**	**394**	**19**	**(3)**	**16**

17. BORROWINGS

	30 June 2010	*31 Dec. 2009*
Bonds	4,698	4,476
Bank borrowings	678	913
Finance leases	3	4
Borrowings from related parties (Note 22)	704	679
Other borrowings	255	436
Total borrowings	**6,338**	**6,508**
Of which:		
Current	2,125	1,904
Non-current	4,213	4,604

The increase in the value of bonds is essentially related to the net effect deriving from the worsening of the euro/US dollar exchange rate prevailing at the end of the period and the decrease in the value of bonds due to the repurchase on the financial market of €mil. 51 of exchangeable bonds in STM shares on the issue of €mil. 501 in August 2003 expiring in August 2010.

The decrease in bank borrowings essentially relates to the net effect of the repayment of the Revolving Credit Facility – a line of credit resulting from the transformation of the last tranche (tranche C) of the Senior Term Loan Facility originally acquired in connection with the acquisition of American company DRS (see the "Financial transactions" section for more information) - and the use of short-term lines of credit to finance Group activities.

The decrease in other borrowings is the result of the net effect of reimbursements in the period and the change in the scope of consolidation due to the inclusion of the Polish group PZL - SWIDNIK.

Borrowings from related parties of €mil. 704 (€mil. 679 at 31 December 2009) include the amount of €mil. 625 (€mil. 646 at 31 December 2009) of the Group companies from MBDA and Thales Alenia Space joint ventures, for the unconsolidated portion, and payables of €mil. 76 (€mil. 23 at 31 December 2009) to Eurofighter, held by Alenia Aeronautica (21%), which, due to the new cash pooling agreement, distributed the cash surplus available from time to time.

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

€ million	***30 June 2010***	***31 Dec. 2009***
Cash and cash equivalents	(919)	(2,630)
Securities held for trading	(1)	(11)
LIQUIDITY	**(920)**	**(2,641)**
CURRENT FINANCIAL RECEIVABLES	**(794)**	**(797)**
Current bank payables	561	200
Current portion of non-current borrowings	731	713
Other current borrowings	833	991
CURRENT NET FINANCIAL DEBT	**2,125**	**1,904**
CURRENT NET FINANCIAL DEBT (CASH)	**411**	**(1,534)**
Non-current bank payables	117	713
Bonds issued	3,967	3,763
Other non-current payables	129	128
NON-CURRENT NET FINANCIAL DEBT	**4,213**	**4,604**
NET FINANCIAL DEBT	**4,624**	**3,070**

18. PROVISIONS FOR RISKS AND CHARGES

	30 June 2010		*31 December 2009*	
	Non-current	**Current**	**Non-current**	**Current**
Guarantees given	24	34	24	34
Restructuring	11	15	12	15
Penalties	59	19	62	20
Product guarantees	120	136	106	117
Other	181	414	160	409
	395	**618**	**364**	**595**

Other provisions for risks and charges came to a total of €mil. 595 (€mil. 569 at 31 December 2009) and specifically include:

- the provision for risks on the business of GIE ATR in the amount of €mil. 68 (unchanged from 31 December 2009);

- the provision for risks and contractual charges in the amount of €mil. 83 (€mil. 84 at 31 December 2009) related, in particular, to business in the Defence and Security Electronics, Space, Defence Systems and Other Activities divisions;

- the provision for losses related to shares of €mil. 15 (unchanged from 31 December 2009) includes accruals to cover losses exceeding the carrying amounts of unconsolidated equity investments;

- the provision for taxes in the amount of €mil. 72 (€mil. 72 at 31 December 2009);

- the provision for litigation with employees and former employees in the amount of €mil. 30 (unchanged from 31 December 2009);

- the provision for pending litigation in the amount of €mil. 124 (€mil. 96 at 31 December 2009);

- the provisions for risk on contract-related losses in the amount of €mil. 26 (€mil. 36 at 31 December 2009);

- other provisions in the amount of €mil. 177 (€mil. 168 at 31 December 2009).

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

Of course, in application of related accounting standards, provisions have been made for obligations related to probable and quantifiable risks. Likewise, to the best of our knowledge, regarding other disputes against the Group, no specific allocation has been made since the Group reasonably believes that such disputes may be resolved satisfactorily and without any significant impact on the results.
The situations below, in which there have been changes since the preparation of the 2009 annual financial statements (which should be consulted for further information), are mentioned here for the purposes of full disclosure:

Of particular note:

- the dispute initiated by Telespazio SpA against the Agenzia delle Entrate, Rome District 4 challenging a tax assessment regarding direct income taxation (IIDD) for the year 2000, which contained a demand for a total of about €mil. 30 consisting of additional taxes, penalties and interest. The notice of assessment, served on 27 November 2006, relates to a tax audit completed in 2001 in which the Tax Authority challenged the deductibility of the loss regarding receivables from a foreign company taken by Telespazio SpA within the context of a non-recourse sale carried out following many fruitless attempts to recover these receivables. Specifically, the Tax Authority, deeming the actions undertaken by the Company to forcibly collect the receivables and therefore the evidence of the foreign debtor's solvency or lack thereof to be insufficient, found that the requirements of certainty and precision under the law were not met to allow the loss to be fully deducted, regardless of the fact that the loss was conclusively realised by Telespazio SpA within the context of the non-recourse sale of the receivables arguing that sale per se guarantees certainty only of the legal loss of the receivable but not the financial loss. The court of first instance upheld the company's appeal with ruling filed on 25 September 2008. The ruling was appealed by the Tax Authority, an appeal the regional Tax Commission denied on 30 March 2010. The deadline for appeal of the decision to the Supreme Court by the Tax Authority has not yet expired;

- with regard to work to build Line 6 of the Naples metro, in 1995 the Regional Prosecutor's Office attached to the State Auditors' Court brought an action against the directors of Azienda Tranvie Autofilovie Napoli (now Azienda Napoletana Mobilità) and the former Ansaldo Trasporti seeking compensation for damages amounting to €mil. 100 from all the defendants jointly and severally. In the first instance, the State Auditors' Court rejected the petition due to lack of jurisdiction. The Regional Prosecutor's Office attached to the State Auditors' Court challenged the decision, bringing Finmeccanica into the action as successor to Ansaldo Trasporti as a result of the merger in September 2001. The Company objected, arguing that it lacked capacity to be sued since, prior to the merger, the contract was transferred to Ansaldo Trasporti Sistemi Ferroviari (now Ansaldo STS), which would be the company to suffer any negative consequences. On 20 March 2007, the Appellate Section of the State Auditors' Court reversed the decision of the court of first instance and found the existence of accounting jurisdiction, even against the former directors of Ansaldo Trasporti. It referred the action to the court of first instance of the local Section for a decision on the merits. This finding was challenged before the Supreme Court, which affirmed, in its decision of 18 July 2008, that the State Auditor's Court had jurisdiction. The State Attorney's Office attached to the State Auditors' Court reinstated the action before the Jurisdictional Section of the State Auditors' Court of Campania for the decision on the merits. Following the hearing held on 22 July 2010, the court is considering the matter;

- in May 2007 Finmeccanica voluntarily intervened in a suit brought by Calyon SA (now Credit Agricole Corporate and Investment Bank) against the Agenzia delle Entrate before the Court of Rome seeking payment of a tax receivable of roughly €mil. 71, plus interest of €mil. 34, transferred by Finmeccanica in May 2004. The Agenzia delle Entrate challenged on the grounds that Calyon lacked standing since

Finmeccanica had, in the past, transferred the same tax receivable to Mediofactoring SpA (the sale was later rescinded due to breach and the receivable was returned to Finmeccanica) and that the action on the receivable was time-barred. Finmeccanica intervened on behalf of Calyon and to protect its own interests related to any resulting right to restitution of the credit by Calyon.

On 30 December 2009, the Tax Authorities repaid the credit to Calyon, partly in view of the successful action brought simultaneously by Calyon before the tax court. The action will be dismissed at the 30 September 2010 hearing;

- in January 2009, Pont Ventoux Scrl initiated an arbitration with the joint venture formed by Ansaldo Energia, as representative (31%), Alstom Power Italia SpA (17%) and Voith Siemens Hydro Power Generation SpA (52%) concerning a contract worth €mil. 15 to supply two electric generators as part of the project to build a hydroelectric plant in Val di Susa (Italy). The plaintiff is seeking payment for alleged damages, both direct and consequential, and harm to its image, totalling about €mil. 90. It asserts that the serious fault renders the clause that limits the liability of the joint venture to the contract amount inapplicable. Ansaldo Energia maintains that it supplied the products required and that it carried out its responsibilities as representative with the greatest diligence, underlining that it has nothing to do with the objections raised by Pont Ventoux regarding delays and non-performance of the contract. The court expert’s report was submitted at the most recent hearing held on 12 May 2010;

- in December 2007, EADS ATR initiated arbitration proceedings with the International Chamber of Commerce of Paris (Lausanne branch) to challenge an alleged breach by Alenia Aeronautica in relation with an agreement signed in May 2001 for the transfer to GIE ATR (in which EADS ATR and Alenia own a 50% stake) of ATR 42 and ATR 72 aircraft components made by Alenia Aeronautica and EADS ATR. The plaintiff claims that Alenia Aeronautica had withdrawn itself from the contractual obligation of renegotiating the prices established in that contract. These prices have not been valid since 2003 and the plaintiff demands that the company be sentenced to pay US$ mil. 32, plus interest as compensation for the damages resulting from that breach. EADS ATR also demands that the arbitration panel determine a new price for the transfer to GIE ATR of the components made by the parties based on their actual industrial costs. In its appeal, Alenia Aeronautica challenged the plaintiff's claim and filed counterclaims. On 29 September 2008, EADS ATR served on Alenia Aeronautica a brief increasing the amount of damages from US$mil. 32 to US$mil. 55. On 20 October 2009, the arbitration panel rendered its partial award rejecting EADS ATR's claims and partially upholding Alenia Aeronautica's claims (Alenia quantified its counterclaim in the amount of US$mil. 2). On 20 November 2009 the counterparty challenged this award before the Federal Court of Lausanne which, on 18 March 2010, denied EADS ATR's appeal. Having assessed the situation, the company decided to continue the arbitration solely as to the issue of legal costs.

Finally, on 10 March 2010, the Tax Investigation Unit of the Tax Police of Genoa conducted an audit of the former Datamat SpA (merged with the present ElsagDatamat SpA in 2007) for the years 2003 and 2004.
Specifically, investigators allege that invoices were issued for non-existent transactions, which could result in a finding that tax laws were violated.
These violations are alleged to have occurred prior to Finmeccanica's acquisition of Datamat in 2005. Therefore, Finmeccanica has initiated procedures aimed at protecting its financial position, based, among other things, on the purchase agreement signed, and is prepared to take any other actions to protect its interests.

19. EMPLOYEE LIABILITIES

	30 June 2010			*31 December 2009*		
	Liabilities	***Assets***	***Net***	***Liabilities***	***Assets***	***Net***
Severance obligations	646		646	640		640
Defined-benefit retirement plans	443	25	418	382	11	371
Share of MBDA joint-venture pension obligation	93		93	88		88
Other employee funds	24		24	26		26
	1,206	**25**	**1,181**	**1,136**	**11**	**1,125**

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

	30 June 2010	*31 Dec. 2009*	*31 Dec. 2008*	*31 Dec. 2007*	*31 Dec. 2006*
Present value of obligations	1,626	1,409	1,055	1,038	1,126
Fair value of plan assets	(1,208)	(1,038)	(846)	(886)	(796)
Plan excess (deficit)	(418)	(371)	(209)	(152)	(330)
of which related to:					
- net liabilities	(443)	(382)	(248)	(152)	(330)
- net assets	25	11	39	-	-

The total net deficit mainly relates to plans for which the Group is a sponsor in the United Kingdom (€mil. 207) and in the USA (€mil. 102).

The increase in the net deficit is essentially due to the effect of the exchange rate, attributable for €mil. 23 to the provision of Westland Helicopters Ltd, for €mil. 26 to the provision of DRS Technologies Inc, and for €mil. 7 to the provision of the PZL - SWIDNIK group, following its acquisition.

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

	For the six months ended 30 June	
	2010	***2009***
Costs of current services	27	25
Total “personnel costs”	27	25
Interest expense	52	53
Expected return on plan assets	(36)	(35)
Costs booked as “finance costs”	16	18
	43	**43**

20. OTHER LIABILITIES

	Non-current		Current	
	30 June 2010	*31 Dec 2009*	*30 June 2010*	*31 Dec 2009*
Employee obligations	55	59	545	468
Deferred income	33	25	101	82
Social security payable	5	5	291	302
Payable to MED Law 808/85	270	267	36	36
Payable to MED for monopoly rights Law 808/85	82	77	35	35
Other liabilities Law 808/85	116	113	-	-
Indirect tax payables	-	-	148	182
Other payables to related parties (Note 22)	-	-	12	13
Other payables	100	105	497	462
	661	**651**	**1,665**	**1,580**

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

The item Other liabilities Law 808/1985 includes the differential between the monopoly rights charged for the programmes of national security and the effective payable accrued based on the established reimbursement ratio.

Other payables include:

- the payable to Bell Helicopters of €mil. 74 included among non-current liabilities (€mil. 78 at 31 December 2009), of which €mil. 55 carried as a non-current liability (€mil. 64 at 31 December 2009), arising from the "BAAC reorganisation" which involved the acquisition of 100% of the construction and marketing rights for the helicopter AW139, previously owned by Bell Helicopters;

- the payable to EADS NV due from GIE ATR (50/50 consortium owned by Alenia Aeronautica SpA and EADS NV) in the amount of €mil. 30 (€mil. 6 at 31 December 2009);
- the payable for customer deposits in the amount of €mil. 33 (€mil. 28 at 31 December 2009);
- the payable for contractual penalties in the amount of €mil. 16 (€mil. 15 at 31 December 2009);
- the payable for the repurchase of a G222 aircraft in the amount of €mil. 7 (€mil. 8 at 31 December 2009);
- commissions due in the amount of €mil. 31 (€mil. 24 at 31 December 2009);
- royalties due in the amount of €mil. 22 (€mil. 28 at 31 December 2009);
- payables for insurance in the amount of €mil. 6 (€mil. 16 at 31 December 2009).

21. TRADE PAYABLES, INCLUDING NET ADVANCES FROM CUSTOMERS

	30 June 2010	*31 Dec 2009*
Trade payables	4,386	4,512
Trade payables to related parties (Note 22)	94	99
	4,480	4,611
Advances from customers (gross)	17,627	16,929
Work in progress	(9,433)	(9,140)
Advances from customers (net)	8,194	7,789
Total trade payables	**12,674**	**12,400**

Trade payables to related parties mainly refer to the non-eliminated portion of payables to joint ventures and to the Start Consortium for the supply of software for Defence and Security Systems.

22. 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 impact on the balance sheet and income statement. The impact of transactions with related parties on cash flows is reported directly in the statement of cash flows.

(millions of euros) *RECEIVABLES AT 30 JUNE 2010*	**Non-current financial receivables**	**Other non-current receivables**	**Current financial receivables**	**Trade receivables**	**Other current receivables**	**Total**
Subsidiaries						
Cisdeg S.p.A				9		9
Alifana Due Scarl				5		5
Other companies with unit amount lower than €mil. 5			9	2	1	12
Associates						
Eurofighter Jagdflugzeug GmbH				104		104
NH Industries Sarl				52		52
Iveco - Oto Melara Scarl				42		42
Abruzzo Engineering Scpa				20		20
Orizzonte - Sistemi Navali SpA				18		18
Metro 5 SpA				14		14
Eurosisnav SAS				10		10
Euromids SAS				7		7
Joint Stock Company Sukhoi Aircraft				6		6
Macchi Hurel Dubois SAS				5		5
Other companies with unit amount lower than €mil. 5	2			22		24
Joint ventures (*)						
MBDA SAS				86		86
Thales Alenia Space SAS	3		6	21		30
GIE ATR				12	30	42
Telespazio SpA			22	1	1	24
Rotorsim Srl			10	1		11
Aviation Training International Ltd.	5		1			6
Superjet International SpA				5		5
Other companies with unit amount lower than €mil. 5				3		3
Consortiums (**)						
Saturno				12	1	13
Ferroviario Vesuviano				13		13
Trevi - Treno Veloce Italiano				12		12
S3Log				5		5
Other consortiums with unit amount lower than €mil. 5			1	13	1	15
Total	**10**	**-**	**49**	**500**	**34**	**593**
% incidence on the total for the period	***13.6***		***6.2***	***9.9***	***0.2***	

(millions of euros) *PAYABLES AT 30 JUNE 2010*	**Non-current borrowings**	**Other non-current payables**	**Current borrowingss**	**Trade payables**	**Other current payables**	**Total**	**Guaran-tees**
Subsidiaries							
Other companies with unit amount lower than €mil. 5			1	21		22	
Associates							
Eurofighter Jagdflugzeug Gmbh			76	4		80	
Consorzio Start SpA				23		23	
Other companies with unit amount lower than €mil. 5			3	8	4	15	
Joint ventures (*)							
MBDA SAS			564	9	1	574	90
Thales Alenia Space SAS			60	11		71	1
Telespazio SpA				3	2	5	213
Other companies with unit amount lower than €mil. 5				6	5	11	
Consortiums (**)							
Other consortiums with unit amount lower than €mil. 5				9		9	
Total	**-**	**-**	**704**	**94**	**12**	**810**	**304**
% incidence on the total for the period			***33.1***	***2.1***	***0.8***		

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

(millions of euros) ***RECEIVABLES AT 31 DECEMBER 2009***	**Non-current financial receivables**	**Other non-current receivables**	**Current financial receivables**	**Trade receivables**	**Other current receivables**	**Total**
Subsidiaries						
Other companies with unit amount lower than €mil. 5			11	6	1	18
Associates						
Eurofighter Jagdflugzeug GmbH				81		81
Iveco - Oto Melara Scarl				55		55
Metro 5 SpA				34		34
Orizzonte - Sistemi Navali SpA				21		21
NH Industries Sarl				18		18
Abruzzo Engineering Scpa				17		17
Euromids SAS				7		7
Joint Stock Company Sukhoi Aircraft				6		6
Eurosysnav SAS				5		5
Other companies with unit amount lower than €mil. 5	2		1	24		27
Joint ventures (*)						
MBDA SAS				75		75
Thales Alenia Space SAS	5		5	32		42
GIE ATR				11	6	17
Rotorsim Srl			10	1		11
Aviation Training International Ltd	5					5
Other companies with unit amount lower than €mil. 5			6	8		14
Consortiums (**)						
Saturno				67	2	69
Ferroviario Vesuviano				14		14
Trevi - Treno Veloce Italiano				12		12
C.I.S. DEG				10		10
S3Log				5		5
Other consortiums with unit amount lower than €mil. 5			1	14		15
Total	**12**	**-**	**34**	**523**	**9**	**578**
% incidence on the total for the year	***14.3***		***4.3***	***11.0***	***0.1***	

(millions of euros) ***PAYABLES AT 31 DECEMBER 2009***	**Non-current borrowings**	**Other non-current payables**	**Current borrowingss**	**Trade payables**	**Other current payables**	**Total**	**Guaran-tees**
Subsidiaries							
Other companies with unit amount lower than €mil. 5			1	18		19	
Associates							
Eurofighter Jagdflugzeug Gmbh			23	3		26	
Consorzio Start SpA				22		22	
Eurosysnav SAS			6			6	
Other companies with unit amount lower than €mil. 5			1	12	5	18	
Joint ventures. (*)							
MBDA SAS			601	9	1	611	116
Thales Alenia Space SAS			45	16		61	1
Telespazio SpA				2	2	4	164
Other companies with unit amount lower than €mil. 5			2	5	5	12	
Consortiums *(**)*							
Other consortiums with unit amount lower than €mil. 5				12		12	
Total	**-**	**-**	**679**	**99**	**13**	**791**	**281**
% incidence on the total for the period	***-***	***-***	***35.6***	***2.1***	***0.9***		

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

For the six months ended 30 June 2010 *(millions of euros)*	**Revenue**	**Other operating income**	**Costs**	**Other operating expenses**	**Finance income**	**Finance costs**
Subsidiaries						
Alifana Due Scrl	5		6			
Other companies with unit amount lower than €mil. 5	1		15			
Associates						
Eurofighter Jagdflugzeug Gmbh	328					
NH Industries Sarl	90					
Orizzonte Sistemi Navali SpA	48		1			
Iveco - Oto Melara Scarl.	37			1		1
Eurofighter Simulation Sistems GmbH	7					
Macchi Hurel Dubois SAS	6					
Metro 5 SpA	8					
Consorzio Start SpA	1		10			
Other companies with unit amount lower than €mil. 5	14		4			
Joint ventures (*)						
GIE ATR	35					
MBDA SAS	44					2
Thales Alenia Space SAS	18		2			
Other companies with unit amount lower than €mil. 5	3	1	6			
Consortiums (**)						
Saturno	22		1			
Other consortiums with unit amount lower than €mil. 5	6		2			
Total	**673**	**1**	**47**	**1**	**-**	**3**
% incidence on the total for the period	***7.8***	***0.4***	***0.4***	***0.1***		***0.4***

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

For the six months ended 30 June 2009 ***(millions of euros)***	**Revenue**	**Other operating income**	**Costs**	**Other operating expenses**	**Finance income**	**Finance costs**
<u>Subsidiaries</u>						
Alifana Due Scrl	7		7			
Other companies with unit amount lower than €mil. 5	2		6			
<u>Associates</u>						
Eurofighter International Limited	285					
Iveco Fiat/Oro Melara Scarl	67					
Orizzonte Sistemi Navali SpA	29					
NH Industries Sarl	21					
International Metro Service Srl			17			
Eurofighter Simulation Sistems GmbH	13					
Macchi Hurel Dubois SAS	11					
Consorzio Start SpA			10			
Eurosysnav SAS	8					
Euromids SAS	7					
Metro 5 SpA	7					
Other companies with unit amount lower than €mil. 5	12		8		6	1
<u>Joint ventures/(*)</u>						
GIE ATR	57					
MBDA SAS	45					5
Thales Alenia Space SAS	15					
Other companies with unit amount lower than €mil. 5	2		8			
<u>Consortiums (**)</u>						
Saturno	41					
Other consortiums with unit amount lower than €mil. 5	11		2			
Total	**640**	**-**	**58**	**-**	**6**	**6**
% incidence on the total for the period	***7.5***		***1.1***		***0.9***	***0.7***

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

23. OTHER OPERATING INCOME (EXPENSES)

These regard:

	For the six months ended 30 June					
	2010			***2009***		
	Income	**Expense**	**Net**	**Income**	**Expense**	**Net**
Grants for research and development	38	-	38	23	-	23
Exchange rate difference on operating items	154	(150)	4	108	(116)	(8)
Indirect taxes	-	(26)	(26)	-	(23)	(23)
Gains/losses on sales of assets	-	-	-	1	-	1
Insurance reimbursements	14		14	22	-	22
Reversal of impairment of receivables	5		5	6	-	6
Gains/losses on operating receivables	-	-	-	-	-	-
Restructuring costs		(2)	(2)	-	(2)	(2)
Reversals of/Accruals to provisions	24	(70)	(46)	32	(61)	(29)
Other operating income (expenses)	35	(61)	(26)	46	(59)	(13)
Other operating income (expenses) attributable to related parties	1	(1)	-	-	-	-
Total	**271**	**(310)**	**(39)**	**238**	**(261)**	**(23)**

The most significant changes in "Reversals of/Accruals to provisions" compared with the same period of 2009 relate to the provision for product guarantees, the provision for risks and contractual charges and other provisions.

24. RAW MATERIALS AND CONSUMABLES USED AND PERSONNEL COSTS

In particular, these include:

	For the six months ended 30 June			
	2010		***2009***	
Raw materials and consumables used		2,890		3,091
Purchase of services		2,647		2,667
Costs to related parties (Note 22)		47		58
Personnel costs		2,417		2,359
Wages, salaries and contributions	*2,215*		*2,176*	
Cost of stock grant plans	*24*		*18*	
Costs related to defined-benefit plans	*29*		*25*	
Costs related to defined-contribution plans	*74*		*70*	
Restructuring costs	*14*		*5*	
Other personnel costs	*61*		*65*	
Changes in inventories of work in progress, finished and semi-finished products		9		(226)
Work performed by the Group and capitalised		(252)		(328)
Total raw materials and consumables used and personnel costs		**7,758**		**7,621**

Regarding personnel, average workforce went from 72,600 in the first six months of 2009 to 75,608 in the same period of the current period, with a very significant net increase in the foreign component of the Group, essentially due to the acquisition of the Polish group PZL-SWISNIK in January 2010.

Workforce at 30 June 2010 came to 76,527 from 73,056 at 31 December 2009, resulting from a positive net change in the scope of consolidation, offset by a general slight decrease by segments due to turnover, in particular in the Aeronautics, Helicopters and Defence and Security Electronics divisions.

Personnel costs of €mil. 2,417 in the first six months of 2010 as compared with €mil. 2,359 in the same period of 2009, with a change of €mil. 58, essentially reflects the increase in average workforce.

Cost of stock grant plans relates to the third tranche of the stock-grant plan 2008-2010.
Restructuring costs include the costs of company reorganisations which affected in particular in the Helicopters, Aeronautics and Defence and Security Electronics divisions.

Purchase of services include, among other things, costs for acquisition of satellite capacity of the Telespazio joint venture, which are more than offset by revenue from sales (€mil. 34 from €mil. 32 at 30 June 2009), costs for airplane leases of GIE ATR (€mil. 3 from €mil. 5 at 30 June 2009) and costs of rents, operating leases and hires (€mil. 110 from €mil. 104 at 30 June 2009).

25. AMORTISATION, DEPRECIATION AND IMPAIRMENT

	For the six months ended 30 June			
	2010		***2009***	
Depreciation and amortisation:				
• Amortisation of intangible assets (Note 9)		127		132
Development costs	*31*		*36*	
Non-recurring costs	*11*		*16*	
Acquired through a business combination	*43*		*39*	
Other	*42*		*41*	
• Depreciation of property, plant and equipment		191		173
Impairment:				
• non-current assets and investment properties		4		3
• goodwill		-		1
• operating receivables		8		11
Total amortisation, depreciation and impairment		**339**		**320**

26. FINANCE INCOME AND COSTS

Below is a breakdown of finance income and costs:

	For the six months ended 30 June					
	2010			***2009***		
	Income	**Costs**	**Net**	**Income**	**Costs**	**Net**
Dividends	2	-	2	5	-	5
Gains on investments and securities	-	-	-	4	-	4
Discounting of receivables, payables and provisions	2	(4)	(2)	4	(11)	(7)
Interest	44	(199)	(155)	28	(213)	(185)
Commissions (including commissions on non-recourse items)	1	(22)	(21)	1	(28)	(27)
Fair value adjustments through profit or loss	118	(115)	3	138	(53)	85
Premiums paid/received on forwards	4	(4)	-	9	(6)	3
Exchange-rate differences	383	(384)	(1)	430	(456)	(26)
Adjustments of equity investments	-	(2)	(2)	-	(1)	(1)
Interest cost on defined-benefit plans (less expected returns on plan assets - Note 19)	-	(16)	(16)	-	(18)	(18)
Finance income (costs) - related parties (Note 22)	-	(3)	(3)	6	(6)	-
Other finance income and (costs)	11	-	11	3	(4)	(1)
	565	**(749)**	**(184)**	**628**	**(796)**	**(168)**

During the period the Group reported an increase in net finance costs as compared with the first six months of 2009, mainly due to the costs for the existing bonds.

This is broken down as follows:

- net interest costs of €mil. 155 (€mil. 185 at 30 June 2009) inclusive of the premiums collected/paid on the hedging of interest-rate risk (interest-rate swaps) for a net costs of €mil. 1 (net cost of €mil. 38 in the same period of 2009). In particular, the H1 2010 figure includes €mil. 146 (€mil. 88 at 30 June 2009) of interest on bonds. The improvement is essentially due to the combined effect of the low floating rates to which some of the bond issues were converted and the closing of floating rate IRSs on the pound sterling bond issue, resulting in income of around €mil. 24.

- net income arising from the application of fair value to the income statement of €mil. 3 (€mil. 85 of net income in the same period of 2009), as detailed below:

	For the six months ended 30 June					
	2010			***2009***		
	Income	**Costs**	**Net**	**Income**	**Costs**	**Net**
Exchange rate swaps	33	(21)	12	40	(11)	29
Forex options	-	(61)	(61)	25	-	25
Interest rate swaps	82	-	82	55	(22)	33
Options on STM	-	-	-	-	(3)	(3)
Ineffective component of hedging on swaps	3	(8)	(5)	18	(7)	11
Option embedded in the exchangeable bond	-	(18)	(18)	-	(10)	(10)
Exchange rate swaps	-	(7)	(7)	-	-	-
	118	**(115)**	**3**	**138**	**(53)**	**85**

- net income on swaps and forex options include the effects of trading derivative instruments or instruments which, although they meet the objective of limiting the fluctuations of the underlying position within a specific range, do not meet the conditions of IAS 39, either because of the nature of the instruments themselves or the inability to mathematically demonstrate their effectiveness;
- expense on options on exchange rates relating to options obtained to hedge underlying instruments in foreign currencies which, although they meet the objective of limiting the fluctuations of the underlying position within a specific range, do not meet the conditions of IAS 39, either because of the nature of the instruments themselves or the inability to mathematically demonstrate their effectiveness;
- net income from interest-rate swaps reflects the significant reduction of interest rates (6-month Euribor went from 1.3130% at 30 June 2009 to 1.0410% at 30 June 2010) of which the Group could benefit thanks to the increase of the portion of bond issues transformed into variable-rate instruments via the use of derivatives (Note 14);

- the embedded derivatives are related to commercial contracts denominated in currencies other than the currencies of the contractually involved parties and that generally used in the markets of reference. This component is separated from the commercial contract and valued at fair value through the income statement;
- in the first quarter, Finmeccanica sold an option mirroring the earn out option held under the agreement signed with Cassa Depositi e Prestiti for the sale of its stake in STM at the end of 2009. As a result of this transaction, Finmeccanica received a total of around €mil. 8 - with the recognition of an expense over the fair value of €mil. 7, correlated with income of €mil. 8 reported among other financial income - thereby almost completely neutralising any further change in value.

27. INCOME TAXES

Income taxes amounted to €mil. 146 (€mil. 161 for the corresponding period of 2009). The algebraic sum breaks down as follows:

	For the six months ended 30 June	
	2010	***2009***
Corporate income tax (IRES)	78	135
Regional tax on productive activities (IRAP)	52	56
Benefit under consolidated tax mechanism	(26)	(42)
Other income taxes	80	37
Tax related to previous periods	(15)	4
Provisions for tax disputes	1	4
Deferred tax liabilities (assets) - net	(24)	(33)
	146	**161**

The decrease in the item was mainly due to the decline in IRES in absolute terms resulting from the deterioration in the tax base. The decrease in the consolidated tax mechanism benefit was instead caused by fewer losses generated during the period and by the exhaustion of available tax losses carried forward.

28. CASH FLOW FROM OPERATING ACTIVITIES

Cash flow from operating activities	*For the six months ended 30 June*	
	2010	*2009*
Net result	194	242
Depreciation, amortisation and impairment	330	320
Share of profit (loss) of equity accounted investments	3	(12)
Income taxes	146	161
Costs of pension and stock grant plans	55	44
Net finance costs (income)	184	168
Other non-monetary items	96	96
	1,008	**1,019**

Costs of pension and stock grant plans include the portion of costs relating to defined benefit pension plans that is recognised as a personnel cost (the portion of costs relating to interest is carried among net finance costs). They also include the cash outlays relating to the stock grant plan classified among "cost of services".

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 six months ended 30 June	
	2010	*2009*
Inventories	(24)	(530)
Contract work in progress and advances received	(609)	(605)
Trade receivables and payables	(426)	111
Changes in working capital	**(1,059)**	**(1,024)**

29. EARNINGS PER SHARE

Earnings per share (EPS) are calculated as follows:

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

Basic EPS	***For the six months ended 30 June***	
	2010	***2009***
Average number of shares for the period (in thousands)	577,006	577,362
Net result (not including minority interests) (€mil.)	170	218
Result of continuing operations (not including minority interests) (€mil.)	170	218
Basic EPS	0.295	0.378
Basic EPS from continuing operations	0.295	0.378

Diluted EPS	***For the six months ended 30 June***	
	2010	***2009***
Average number of shares for the period (in thousands)	577,665	578,020
Adjusted result (not including minority interests) (€mil.)	170	218
Adjusted result of continuing operations (not including minority interests) (€mil.)	170	218
Diluted EPS	0.294	0.377
Diluted EPS from continuing operations	0.294	0.377

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

Certification of the condensed consolidated interim financial statements pursuant to art. 81-ter of Consob Regulation no. 11971 of 14 May 1999, as amended

1. The undersigned, Pier Francesco Guarguaglini, Chairman and Chief Executive Officer, and Alessandro Pansa, the manager in charge of the preparation of the company accounting documents of Finmeccanica S.p.A., certify, in accordance with Art. 154-*bis*, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998:
   - the appropriateness of the financial report with regard to the nature of the business; and
   - the effective application

     of administrative and accounting procedures in preparing the condensed consolidated interim financial statements at 30 June 2010.

2. Nothing significant to report.

3. It is also certified that:

   3.1 the condensed consolidated interim financial statements:

   a. were prepared in accordance with the international accounting standards endorsed by the European Community pursuant to Regulation (EC) no. 1606/2002 of 19 July 2002 of the European Parliament and Council;

   b. correspond to the entries in the books and accounting records;

   c. provide a true and fair representation of the performance and financial position of the issuer and all the companies included in the scope of consolidation.

   3.2 the interim report on operations contains a reliable analysis of the reference to important events that occurred during the first six months of the year and their impact on the condensed consolidated interim financial statements, along with a description of the primary risks and uncertainties for the remaining six months of the year. The interim report on operations also includes a reliable analysis of the information on significant transactions with related parties.

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

Rome, 28 July 2010

Chairman and Chief Executive Officer
Pier Francesco Guarguaglini

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

PRICEWATERHOUSECOOPERS

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

FINMECCANICA SPA

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2010

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers SpA

AUDITORS' REPORT ON THE REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

To the Shareholders of
Finmeccanica SpA

1 We have reviewed the condensed consolidated interim financial statements of Finmeccanica SpA and subsidiaries (Finmeccanica Group) as at 30 June 2010, comprising the balance sheet, income statement, statement of comprehensive income, statement of changes in shareholders' equity, cash flow statement and related explanatory notes. Finmeccanica SpA's Directors are responsible for the preparation of the condensed consolidated interim financial statements in accordance with the international accounting standard IAS 34, applicable to interim financial reporting, as adopted by the European Union. Our responsibility is to issue this report based on our review.

2 Our work was conducted in accordance with the criteria for a review recommended by the National Commission for Companies and the Stock Exchange (CONSOB) with Resolution no. 10867 of 31 July 1997. The review consisted principally of inquiries of company personnel about the information reported in the condensed consolidated interim financial statements and about the consistency of the accounting principles utilised therein as well as the application of analytical review procedures on the data contained in the above mentioned consolidated financial statements. The review excluded certain auditing procedures such as compliance testing and verification and validation tests of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, unlike an audit on the annual consolidated financial statements, we do not express a professional audit opinion on the condensed consolidated interim financial statements.

Regarding the amounts of the consolidated financial statements of the prior year and the condensed consolidated interim financial statements of the prior year presented for comparative purposes, reference should be made to our reports dated 13 April 2010 and 5 August 2009, respectively.

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3 Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements of the Finmeccanica Group as at 30 June 2010 have not been prepared, in all material respects, in accordance with the international accounting standard IAS 34, applicable to interim financial reporting, as adopted by the European Union.

Rome, 5 August 2010

PricewaterhouseCoopers SpA

Signed by

Pier Luigi Vitelli
(Partner)

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