HALF - YEAR FINANCIAL REPORT
AT 30 JUNE 2011
FINMECCANICA

Disclaimer

This Half-Year Financial Report at 30 June 2011 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 2011 - 2013 term)
appointed by the Shareholders' Meeting on 04 May 2011

PIER FRANCESCO GUARGUAGLINI (1)
Chairman

GIUSEPPE ORSI (1)
Chief Executive Officer

CARLO BALDOCCI (1)
Director (*)

FRANCO BONFERRONI (2) (3)
Director

PAOLO CANTARELLA (1)
Director

GIOVANNI CATANZARO (2)
Director

DARIO GALLI (1) (3)
Director

MARCO IANSITI (1)
Director

SILVIA MERLO (2)
Director

FRANCESCO PARLATO (1) (3)
Director

CHRISTIAN STREIFF (3)
Director

GUIDO VENTURONI (2)
Director

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

(*) Director without voting rights appointed by Ministerial Decree on 27.04.2011, effective from the date of appointment of the Board of Directors by the Shareholders' Meeting pursuant to Art. 5.1 ter letter d) of the Article of Association.

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

BOARD OF DIRECTORS
(up to 04 May 2011)

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 rights, appointed by Ministerial Decree on 26 June 2008, pursuant to Decree Law No 332/94, converted with amendments into Act No 474/94.
(**) Member of the Remuneration Committee since 04 February 2009

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

Finmeccanica Group

Interim Report on operations at 30 June 2011

The results and financial position for the first six months

Highlights

€ million	June 2011	June 2010	Change	2010
New orders	**7,566**	**8,050**	**(6%)**	**22,453**
Order backlog (*)	**44,981**	**45,803**	**(2%)**	**48,668**
Revenues	**8,432**	**8,654**	**(3%)**	**18,695**
Adjusted EBITA	**440**	**586**	**(25%)**	**1,589**
Net profit	**456**	**194**	**135%**	**557**
Adjusted net profit	**13**	**194**	**(93%)**	**557**
ROS	***5.2%***	***6.8%***	***(1.6) p.p.***	***8.5%***
ROI	***12.6%***	***14.0%***	***(1.4) p.p.***	***16.0%***
ROE	***11.7%***	***10.1%***	***1.6***	***8.2%***
EVA	**(198)**	**(73)**	**(171%)**	**317**
Net capital invested (*)	**11,297**	**11,530**	**(2%)**	**10,230**
Net financial debt (*)	**4,189**	**4,624**	**(9%)**	**3,133**
FOCF	**(1,184)**	**(967)**	**(22%)**	**443**
Research & Development	**882**	**880**	**n.s.**	**2,030**
Workforce (no.) (*)	**71,933**	**76,527**	**(6%)**	**75,197**

(*) balance sheet figures reflect the partial sale of Ansaldo Energia

Refer to the following section for definitions of the indicators.

The Finmeccanica Group's financial results at 30 June 2011 show a deterioration as compared with the same period of 2010, except for the net profit for the period, which reflects the partial sale of Ansaldo Energia, a transaction described in detail further on. Careful management of working capital made it possible to improve the Free Operating Cash Flow beyond expectations.

The reason for the deterioration in the Group's profitability has many sources. The poor performance of the Western economies and the resulting intense pressures on the markets and financial systems spurred many countries to make harsh choices in the use of public finances, choices that also affected current and projected investments in defence systems and infrastructures. A number of international events and crises (the social and political tensions and changes in Libya being foremost, as well as in other North African and Middle Eastern countries and, as concerning energy policy decisions, the earthquake in Japan) inhibited our ability to obtain important orders expected for the period and to collect the revenues on existing contracts, which led to a deterioration in both absolute and relative margins.

Finally, while delays in certain programmes pushed back the start of deliveries, problems encountered in executing certain contracts led to the incurring of unexpected costs to ensure that progress could still be made on the programmes.

Before analysing the main indicators, it should be noted that, in comparing the periods, the US dollar depreciated against the euro by around 8.0% during the first half of 2011 (comparison of the prevailing exchange rates at 30 June 2011 and at 31 December 2010). This change had an effect on the balance-sheet items, but the fluctuation in the average exchange rates for the two periods compared had virtually no effect on the income statement and the statement of cash flows.

Moreover, on 13 June 2011, the Group signed an agreement with First Reserve Corporation, a leading international private equity investor specialising in the energy and natural resources sector, for the sale of 45% of Ansaldo Energia.

As will be described further herein, this resulted in an after-tax gain of €mil. 443 and had a positive net effect on the net financial debt in the amount of €mil. 344.

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

The primary changes that marked the Group’s performance compared with the first half of 2010 are described below. A deeper analysis can be found in the section covering the trends in each business segment. The following table shows the primary performance indicators by segment:

June 2011 (€million)	New orders	Order backlog	Revenues	Adj. EBITA	ROS %	R&D	Workforce (no.)
Helicopters	1,247	11,328	1,831	188	10.3%	203	13,419
Defence and Security Electronics	2,538	10,504	2,923	181	6.2%	332	28,279
Aeronautics	1,588	8,789	1,297	41	3.2%	156	12,263
Space	371	2,505	480	10	2.1%	31	4,095
Defence Systems	318	3,532	558	49	8.8%	124	4,087
Energy	798	1,935	562	42	7.5%	12	1,860
Transportation	844	7,168	953	9	0.9%	24	7,045
Other activities	230	289	131	(80)	n.a.	0	885
Eliminations	(368)	(1,069)	(303)				
	7,566	**44,981**	**8,432**	**440**	**5.2%**	**882**	**71,933**

June 2010 (€million)	New orders	Order backlog at 31 Dec. 2010	Revenues	Adj. EBITA	ROS %	R&D	Workforce (no.) at 31 Dec. 2010
Helicopters	2,491	12,162	1,743	181	10.4%	174	13,573
Defence and Security Electronics	3,045	11,747	3,255	289	8.9%	341	29,840
Aeronautics	806	8,638	1,262	54	4.3%	161	12,604
Space	497	2,568	412	5	1.2%	26	3,651
Defence Systems	414	3,797	537	37	6.9%	125	4,112
Energy	374	3,305	677	67	9.9%	16	3,418
Transportation	733	7,303	926	35	3.8%	36	7,093
Other activities	38	113	114	(82)	n.a.	1	906
Eliminations	(348)	(965)	(272)				
	8,050	**48,668**	**8,654**	**586**	**6.8%**	**880**	**75,197**

Change	New orders	Order backlog	Revenues	Adj. EBITA	ROS %	R&D	Workforce (no.)
	delta %	delta %	delta %	delta %	delta p.p.	delta %	delta %
Helicopters	(50%)	(7%)	5%	4%	(0.1) p.p.	17%	(1.1%)
Defence and Security Electronics	(17%)	(11%)	(10%)	(37%)	(2.7) p.p.	(3%)	(5.2%)
Aeronautics	97%	2%	3%	(24%)	(1.1) p.p.	(3%)	(2.7%)
Space	(25%)	(2%)	17%	100%	0.9 p.p.	19%	12.2%
Defence Systems	(23%)	(7%)	4%	32%	1.9 p.p.	(1%)	n.s.
Energy	113%	n.a.	(17%)	(37%)	(2.4) p.p.	(25%)	n.a.
Transportation	15%	(2%)	3%	(74%)	(2.8) p.p.	(33%)	n.s.
Other activities	505%	156%	15%	(2%)	n.a.	n.a.	(2.3%)
	(6%)	**(8%)**	**(3%)**	**(25%)**	**(1.6) p.p.**	**n.s.**	**(4.3%)**

From a commercial perspective, the Group reported a decrease in **new orders,** which amounted to €mil. 7,566 at the end of the first half of 2011 compared with €mil. 8,050 for the same period of 2010.

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

- *Helicopters*, due to the delay, until 2012, in certain important government contracts which had been expected in the first half of 2011, in addition to the fact the same period of the previous year also benefited from a significant order from the Indian Air Force (for 12 AW101 helicopters worth €mil. 560);
- *Defence and Security Electronics*, due to significant new orders for the third lot of the EFA programme received in the first half of 2010, as well as significant orders from the US Army by DRS.

These declines were partially offset by improvements in:

- *Energy*, due to the important new order from Turkey in the first quarter for an 800 MW combined-cycle plant (worth €mil. 638) and related scheduled maintenance contract;
- *Aeronautics*, due to more orders in the *civil* (ATR aircraft and the B787 programme) and *military* (M346 logistics support) segments*;*
- *Other Activities*, due mainly to the increase in new orders received by Fata.

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The **order backlog** at 30 June 2011 amounted to €mil. 44,981, a decrease of €mil. 3,687 from 31 December 2010 (€mil. 48,668).

The net change is mainly due to the effect of the change in the method of consolidating Ansaldo Energia’s order backlog and to the effect deriving from the translation of backlog expressed in foreign currencies as a result of the dollar/euro and pound sterling/euro exchange rates 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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Income statement		*For the six months ended 30 June*	
	Note	***2011***	***2010***
€ million			
Revenue		8,432	8,654
Raw materials and consumables used and personnel costs	*(*)*	(7,671)	(7,744)
Amortisation and depreciation	*25*	(294)	(275)
Other net operating income (expenses)	*(**)*	(27)	(49)
Adjusted EBITA		**440**	**586**
Non-recurring (income) costs		(51)	-
Restructuring costs		(27)	(16)
Amortisation of intangible assets acquired through a business combination	*25*	(41)	(43)
EBIT		**321**	**527**
Net finance income (costs)	*(***)*	251	(187)
Income taxes	*27*	(116)	(146)
NET PROFIT (LOSS) BEFORE DISCONTINUED OPERATIONS		**456**	**194**
Result of discontinued operations		-	-
NET PROFIT (LOSS)		**456**	**194**

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" and of "Non-recurring income/(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".

Revenues at 30 June 2011 came to €mil. 8,432, compared with €mil. 8,654 for the same period of 2010, a decrease of €mil. 222.

The deterioration in revenues is due to lower production volumes in the following sectors:

- *Defence and Security Electronics,* due to the projected decline in production volumes of DRS deriving from the completion of important programmes for the US military. The revenues for the period also began to reflect the loss of the contribution of important orders that were being carried out for or were in the process of being received from Libya.
- *Energy*, due to lower production volumes in the *plants and components* segment.

All the other sectors remained substantially stable compared with the same period of the previous year.

Adjusted EBITA at 30 June 2011 came to €mil. 440, compared with €mil. 586 for the same period of the previous year, for a decrease of €mil. 146.

The decline in adjusted EBITA is mainly attributable to the following sectors:

- *Aeronautics,* due to the different mix of progress made on the programmes (especially the slowdown in EFA production) and to lower industrial efficiency, once again affected by problems in certain production processes for which corrective actions have been taken to address the situation;
- *Defence and Security Electronics,* due to aforementioned decline in revenues of DRS associated with a less profitable mix of activities than in the past, and lower profits in certain business areas in the *information technology and security* segment;
- *Energy,* due to lower revenues and the impact of the industrial profitability of certain orders in the plant engineering segment, as a result of a different production mix as compared with the same period of the previous year;
- *Transportation,* in *vehicles* and *bus* segments, both still reporting negative adjusted EBITAs, reflecting the extra costs incurred for certain orders and expenses related to the settlement of disputes with certain customers.

The adjusted EBITA in the other divisions improved as compared with the same period of 2010, more specifically:

- *Helicopters,* due to a different revenue mix;
- *Space,* due to higher production volumes and the higher profitability of the *manufacturing* segment;
- *Defence Systems,* due to higher production volumes in the *land, sea and air weapons systems* segment and a more profitable production mix in *missile systems.*

It should be noted, before analysing the effective **tax rate** at 30 June 2011, that taxes on the gain of €mil. 458 from the partial sale of Ansaldo Energia amounted to €mil. 15. Therefore, the effective tax rate, excluding the impact of this transaction, was 88.6% (42.9% for the first half of 2010).

A breakdown of the taxes and the effective tax rate by type of tax shows:

- Regional tax on productive activities (IRAP) of €mil. 50, or 43.8% (at 30 June 2010 it was €mil. 52, or 15.2%); this is due to the use of a different taxable base than is used in calculating IRES, which has not been changed by the negative results;

- Corporate income tax (IRES) of €mil. 4, or 3.6% (at 30 June 2010 it was €mil. 52, or 15.3%); this is due to the lower pre-tax profit as a result of the factors described above;
- Other taxes (mainly relating to foreign companies) of €mil. 47, or 41.2% (at 30 June 2010 it amounted to €mil. 42, or 12.4%).

The Group's **net profit** for the first half of 2011 amounted to €mil. 456 (€mil. 194 for the same period of 2010) and the primary items contributing to this result are attributable to: the deterioration in EBIT (€mil. 206), partially offset by the decline in taxes (€mil. 45), the deterioration in net finance costs (€mil. 20) and the net gain on the partial sale of Ansaldo Energia (€mil. 443).

The deterioration in EBIT of €mil. 206 is partly a result of the decline in revenues for the period, higher restructuring costs in carrying out efficiency enhancement efforts begun in 2010 (€mil. 62), and to the different mix of profitability of productive activities, mainly in the *Defence and Security Electronics*, *Aeronautics*, *Energy and Transportation* divisions, although to different extents, as described above.

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Compared with the same period of the previous year, return on sales (ROS) came to 5.2% (6.8% at 30 June 2010), return on investment (ROI) stood at 12.6% (14.0%), EVA came to a negative €mil. 198 (negative €mil.73) and return on equity (ROE) amounted to 11.7% (10.1% at 30 June 2010).

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Balance Sheet	***Note***	***30 June 2011***	***31 Dec. 2010***
€ million			
Non-current assets		13,141	13,641
Non-current liabilities	*(*)*	(2,459)	(2,583)
		10,682	**11,058**
Inventories		4,465	4,426
Trade receivables	*(**) 13*	9,304	9,242
Trade payables	*(***) 21*	(12,078)	(12,996)
Working capital		**1,691**	**672**
Provisions for short-term risks and charges	*18*	(647)	(762)
Other net current assets (liabilities)	*(****)*	(429)	(738)
Net working capital		**615**	**(828)**
Net capital invested		**11,297**	**10,230**
Capital and reserves attributable to equity holders of the Company		6,830	6,814
Minority interests in equity		279	284
Shareholders' equity		**7,109**	**7,098**
Net financial debt (cash)	*17*	**4,189**	**3,133**
Net (assets) liabilities held for sale	*(*****)*	**(1)**	**(1)**

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 correlated with assets held for sale".

At 30 June 2011 the consolidated **net capital invested** came to €mil. 11,297, compared with €mil. 10,230 at 31 December 2010, for a net increase of €mil. 1,067.

More specifically, there was a €mil. 1,443 increase in **net working capital** (positive €mil. 615 at 30 June 2011, compared with negative €mil. 828 at 31 December 2010), mainly attributable to the use of cash during the period (Free Operating Cash Flow) as described below. As previously stated, the other balance sheet items were affected by the different consolidation method (proportional) used for Ansaldo Energia.

As to **capital assets**, there was a decrease of €mil. 376 (€mil. 10,683 at 30 June 2011, compared with €mil. 11,058 at 31 December 2010), mainly due to the impact of translating financial statements into euros as a result of the change in the dollar/euro exchange rate, reflected in the goodwill and intangible assets acquired through a business combination of foreign companies (€mil. 324).

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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 2011, FOCF was negative (use of cash) in the amount of about €mil. 1,184, compared with negative €mil. 967 at 30 June 2010, for a deterioration of €mil. 217.

In the first half of 2011, investing activity, needed for product development, was concentrated in Aeronautics (33%), Defence and Security Electronics (23%) and Helicopters (26%).

	For the six months ended 30 June			
	2011		***2010***	
Cash and cash equivalents at 1 January	**1,854**		**2,630**	
Gross cash flow from operating activities	802		1,008	
Changes in other operating assets and liabilities and provisions for risks and charges (*)	(619)		(493)	
Funds From Operations (FFO)		**183**		**515**
Changes in working capital	(996)		(1,059)	
Cash flow generated from (used in) operating activities	**(813)**		**(544)**	
Cash flow from ordinary investing activities	(371)		(423)	
Free Operating Cash Flow (FOCF)		**(1,184)**		**(967)**
Strategic operations	473		(93)	
Change in other investing activities (**)	21		3	
Cash flow generated from (used in) investing activities	**123**		**(513)**	
Dividends paid to shareholders	(258)		(257)	
Net change in borrowings	(127)		(438)	
Cash flow generated from (used in) financing activities	**(385)**		**(695)**	
Exchange gains/losses and other changes	(45)		41	
Cash and cash equivalents at 30 June	**734**		**919**	

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

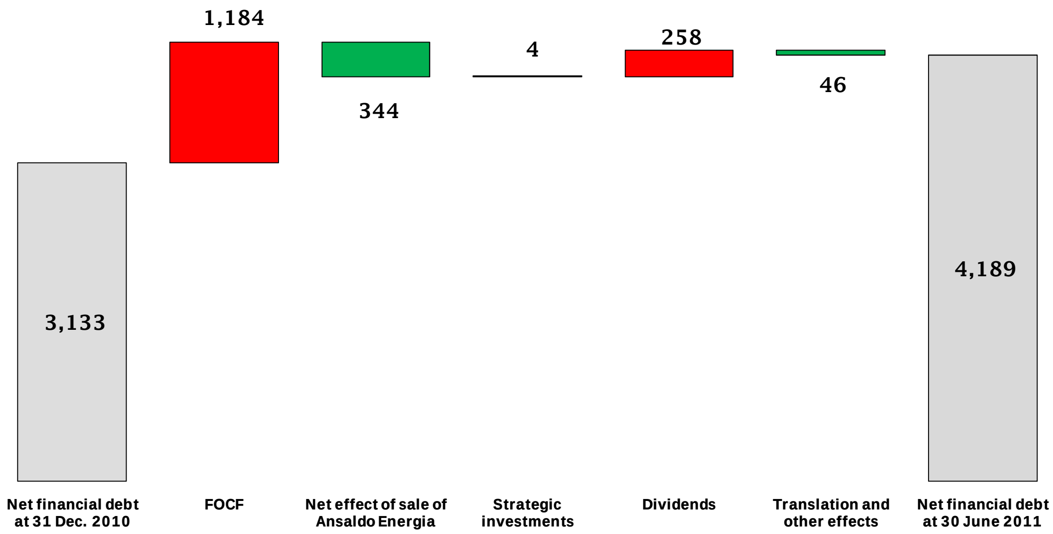
(**) Includes "Other investing activities", dividends received from subsidiaries and loss coverage for subsidiaries.

* * * * * * * *

Group **net financial debt** (payables higher than financial receivables and cash and cash equivalents) at 30 June 2011 came to €mil. 4,189 (€mil. 3,133 at 31 December 2010), for a net increase of €mil. 1,056. Once again for June 2011, consistent with the approach adopted in the presentation of the accounts in previous years, the net debt figure does not include the net fair value of derivatives at the date the accounts were closed (positive balance of €mil. 237).

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 2011 - (€ million)



The debt figure at the end of the first half incorporates the positive impact of €mil. 344 from the sale of 45% to the US investment fund First Reserve Corporation (described in more detail in the Industrial Transactions and Financial Transactions sections) and the resulting proportional consolidation of the Energy group companies. The figure also benefited from the depreciation in the dollar against the euro as at 30 June 2011, compared with at December 2010, particularly with respect to the translation into euros of debt denominated in dollars.

The net 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 2010;
- the payment of €mil. 21 relating to the minority interest portion of the ordinary dividends paid out by other Group companies (including €mil. 20 from Ansaldo STS) to its shareholders for 2010.

During the period, the Group made assignments of non-recourse receivables totalling around €mil. 246 (€mil. 518 at 30 June 2010).

The debt figure benefited from the offsetting effect of the consolidated taxation mechanism, with lower outlays for the period of about €mil. 121.

The net financial debt breaks down as follows:

€ million	***30 June 2011***	***31 Dec. 2010***
Short-term borrowings	368	456
Medium/long-term borrowings	4,520	4,437
Cash and cash equivalents	(734)	(1,854)
NET BANK DEBT AND BONDS	**4,154**	**3,039**
Securities	(37)	(1)
Financial receivables from related parties	(177)	(34)
Other financial receivables	(825)	(779)
FINANCIAL RECEIVABLES AND SECURITIES	**(1,039)**	**(814)**
Borrowings from related parties	890	714
Other short-term borrowings	93	88
Other medium/long-term borrowings	91	106
OTHER BORROWINGS	**1,074**	**908**
NET FINANCIAL DEBT (CASH)	**4,189**	**3,133**

As regards the composition of the net debt items, with particular regard to bank borrowings and bonds, which went from €mil. 3,039 at 31 December 2010 to €mil. 4,154 at 30 June 2011, the main changes were as follows:

- short-term borrowings fell from €mil. 456 at 31 December 2010 to €mil. 368 at 30 June 2011 due to the reduction in short-term bank borrowings and to the net effect of the recognition of the coupons on bond issues maturing over the next 12 months and payments made during the period;

- medium/long-term borrowings rose from €mil. 4,437 at 31 December 2010 to €mil. 4,520 at 30 June 2011, essentially due to the medium-term bank loan received as part of the sale of Ansaldo Energia, partially offset by the decrease due to the depreciation of the dollar against the euro and the transfer of coupons on bond issues maturing over the next 12 months to short-term borrowings;

- cash and cash equivalents went from €mil. 1,854 at 31 December 2010 to €mil. 734 at 30 June 2011. The change in cash and cash equivalents as compared with the end of 2010 is mainly due to the considerable use of cash by the Group companies in the first half, partly offset by the proceeds from the sale of a stake in Ansaldo Energia.

The item "financial receivables and securities" equal to €mil. 1,039 (€mil. 814 at 31 December 2010) includes, among other things, the amount of €mil. 723 (€mil. 742 at 31 December 2010) 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 also includes the financial receivables from the Ansaldo Energia joint venture in the amount of €mil. 122, equal to the amount not eliminated through proportional consolidation.

The item "borrowings from related parties" amounting to €mil. 890 (€mil. 714 at 31 December 2010) includes the debt of €mil. 692 (€mil. 673 at 31 December 2010) of Group companies in the MBDA and Thales Alenia Space joint ventures for the unconsolidated portion, and the debt of €mil. 85 (€mil. 27 at 31 December 2010) to the company Eurofighter, of which Alenia Aeronautica owns 21%. In regard to this, under the existing treasury agreements, surplus cash and cash equivalents at 30 June 2011 were distributed among the partners. The item also includes the debt of Group companies in the new Ansaldo Energia joint venture, amounting to €mil. 108 for the unconsolidated portion.

To meet the financing needs for ordinary Group activities, Finmeccanica obtained a revolving credit facility with a pool of banks, including leading Italian and foreign banks in September 2010 for €mil. 2,400, (final maturity in September 2015), which remained entirely unused at 30 June 2011.
Moreover, Finmeccanica had additional confirmed short-term credit lines for €mil. 50 and unconfirmed credit lines for around €mil. 682. The lines of credit were entirely unused at 30 June 2011. Finally, there are also unconfirmed guarantees of around €mil. 2,575.

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Research and development costs at 30 June 2011 came to €mil. 882, fairly stable as compared with the first half of the previous year (€mil. 880).

In the *Helicopters* division, R&D costs amounted to €mil. 203 (about 23% of the Group's total R&D costs) and were mainly concerned with maintaining existing products and development of:

- technologies, primarily for military use, for a new 6-7 tonne class helicopter named the AW149;
- multi-role versions of the BA609 convertiplane for national security;
- a new twin-engine helicopter of the 4-tonne class named the AW169.

In the *Defence and Security Electronics* division, research and development costs totalled €mil. 332 (about 38% of the Group's total), relating to:

- *avionics and electro-optical system* segment, for development for the EFA programme; new systems and sensors for Unmanned Aerial Vehicles (UAV); new electronic-scan radar systems for both surveillance and combat; improvements to avionics suites to satisfy the demands of the new fixed and rotary-wing platforms;
- *major integrated systems* and *command and control systems* segment, for the continuation of the activity on the 3D Kronos radar surveillance system and the activemulti-functional MFRA; upgrading of the current SATCAS products; the programme to develop capabilities and technologies for architectural design and

construction of major systems for the integrated management of operations by armed ground forces (Combined Warfare Proposal (CWP));

- *integrated communications networks* segment for the development of TETRA technology products and wideband data link and software defined radio products.

Finally, in the *Aeronautics* division, R&D costs for first half of 2011 totalled €mil. 156 (about 18% of the Group's total) and reflect the progress made in the main programmes under development (M346, C27J, B787 and UAV) and in activities relating to innovative aerostructures using composite materials and system integration. Furthermore, development activity continued on important military (EFA, Tornado and Neuron) and civil (C-series and the derivative B787-9) programmes commissioned by customers.

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The **workforce** at 30 June 2011 came to 71,933, a net decrease of 3,264 from 75,197 at 31 December 2010, essentially due to the above-mentioned change in the consolidation method used for Ansaldo Energia (1,522 employees) and staff reduction and efficiency efforts undertaken as part of the ongoing Group reorganisation and industrial restructuring process, especially in the *Defence and Security Electronics* and *Aeronautics* divisions.

The geographical distribution of the workforce at the end of the first half of 2011 was substantially stable compared with 31 December 2010, breaking down into 57% of the workforce in Italy and 43% in foreign countries, largely the United States (15%), the United Kingdom (13%) and France.

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Transactions with related parties

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.

Moreover, the application of the revised version of IAS 24 had an impact on disclosures made concerning related parties, leading to a change in the comparative data solely with respect to related parties shown in the income statement and balance sheet to take account of companies subject to the control or significant influence of the Ministry for the Economy and Finance (MEF).
The section “Condensed consolidated half-year financial statements at 30 June 2011” 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, on a 12-month basis, to calculate return on sales (ROS) and return on investment (ROI) (which is calculated as the ratio of adjusted EBITA to the average value of capital invested during the two periods being compared).

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

	For the six months ended 30 June		
€ millions	**2011**	**2010**	*Note*
EBIT	321	527	
Amortisation of intangible assets acquired through a business combination	41	43	*25*
Non-recurring revenues (costs)	51	-	
Restructuring costs	27	16	*23/24*
Adjusted EBITA	**440**	**586**	

More specifically, the non-recurring costs relate to the Group's exit from the business of transforming non-proprietary civil and military aircraft, in the Aeronautics division, which led to a writedown in development costs of €mil. 23 and of equipment of €mil. 3, as well as of inventories and contract work in progress totalling €mil. 24 and the recognition of a provision for risks and charges of €mil. 1.

- ***Adjusted net result:*** This is arrived at by eliminating from net results 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.
The adjusted net result for the two periods being compared is as follows:

	For the six months ended 30 June		
€ millions	**2011**	**2010**	*Note*
Net result	456	194	
Net gain on the sale of Ansaldo Energia	(458)	-	*5/26*
Adjusted result before taxes	**(2)**	**194**	
Tax effect of the adjustments	15	-	
Adjusted net result	**13**	**194**	

- ***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 2011	30 June 2010	31 Dec. 2010
New orders	1,247	2,491	5,982
Order backlog	11,328	10,935	12,162
Revenues	1,831	1,743	3,644
Adjusted EBITA	188	181	413
ROS	10.3%	10.4%	11.3%
R&D	203	174	409
Workforce (no.)	13,419	14,172	13,573

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

The total volume of **new orders** at 30 June 2011 came to €mil. 1,247, a 49.9% decrease from the same period of 2010 (€mil. 2,491). New orders break down into 63.3% for helicopters (new helicopters and upgrading) and 36.7% for product support (spare parts and inspections), engineering and manufacturing. The decline in total volumes is attributable to the delay, until 2012, in certain important government contracts which had been expected in the first half of 2011. The same period of the previous year also benefited from a significant order from the Indian Air Force for 12 AW101 helicopters worth €mil. 560.

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

- the order for two AW101 helicopters in VVIP configuration for a southern Mediterranean customer (Q1);
- the order for 10 AW139 helicopters from Italy (Q1);
- the contract for two AW139 helicopters for the Egyptian Air Force, received through the US Army Aviation and Missile Command (AMCOM) Contracting Center (Q2);
- the order for six AW139 helicopters from the Panama Defence Ministry for the National Aeronaval Service (Q2).

In the *civil-government* segment, new orders for 50 helicopters were received in the first half of 2011. Mention should be made of the strategically important contract with VTB Leasing, a Russian services company that received the first AW139 sold in Russia (Q1). The helicopter will be used for corporate and passenger transportation around Moscow. Other particularly important new orders include:

- the contract with Caverton Helicopters for three AW139 helicopters in the off-shore configuration to provide support for Nigeria's oil industry (Q2);
- the contract with Gulf Helicopters for five AW139 helicopters in the off-shore configuration to provide support for oil rigs in the Middle East (Q2).

The value of the **order backlog** at 30 June 2011 came to €mil. 11,328, down by 6.9% from 31 December 2010 (€mil. 12,162), and is sufficient to guarantee coverage of production for an equivalent of about 3 years.

Revenues at 30 June 2011 came to €mil. 1,831, up 5% from 30 June 2010 (€mil. 1,743). This increase in attributable to the different mix of revenues, with certain product lines in the helicopter segment posting significant growth (AW139, AW109 LUH). There was also good performance reported in product support (up 14.6%).

Adjusted EBITA came to €mil. 188 at 30 June 2011, up 3.9% compared with the €mil.181 reported at 30 June 2010. This improvement is correlated with the different revenue mix mentioned above. **ROS** has essentially remained in line with the same period of the previous year (10.3% compared with 10.4% at 30 June 2010).

Research and development costs for the first half of 2011 came to €mil. 203 (up 16.7% on the €mil.174 at 30 June 2010) and was concerned with maintaining existing products and development of:

- technologies, primarily for military use, for a new 6-7 tonne class helicopter named the AW149;
- multi-role versions of the BA609 convertiplane for national security;
- a new twin-engine helicopter of the 4-tonne class named the AW169.

The **workforce** at 30 June 2011 came to 13,419, a net decrease from 31 December 2010 (13,573 employees). This change is primarily due to the completion of the reorganisation of the Polish PZL-WIDNIK group acquired last year.

DEFENCE AND SECURITY ELECTRONICS

€ million	30 June 2011	30 June 2010	31 Dec. 2010
New orders	2,538	3,045	6,783
Order backlog	10,504	12,649	11,747
Revenues	2,923	3,255	7,137
Adjusted EBITA	181	289	735
ROS	6.2%	8.9%	10.3%
R&D	332	341	810
Workforce (no.)	28,279	30,204	29,840

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

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

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

New orders at 30 June 2011 totalled €mil. 2,538, down from the figure posted for the same period of the previous year (€mil. 3,045) during which orders for the third lot of the EFA programme were received, as well as significant orders from the US Army by DRS.

The main new orders received include the following:

- *avionics and electro-optical systems*: orders for the EFA programme, specifically avionics equipment and radar for the third lot, Praetorian Defensive Aids Sub Systems (DASS), as well as logistics (Q1-Q2); orders for countermeasure systems (1-Q2); orders for the NH90 helicopter programme (Q1-Q2); laser system orders for the US market (Q1); a contract for additional Grifo combat radar systems for Brazilian F-5 aircraft (Q2); initial orders under the partnership with King Abdulaziz City for Science and Technology (KACST) in Saudi Arabia for research and development in the radar field (Q2); orders for attitude sensors for the Iridium NEXT programme (Q1); customer support (Q1-Q2), including extension of the Integrated Merlin Operational Support (IMOS) contract with the UK Ministry of Defence for its fleet of AW101 Merlin helicopters;
- *major integrated defence and security systems*: the supplemental contract with the Italian Ministry of Defence for systems support services for the management and development of the System Management & System Security Operations Centre under the main Integrated Defence Network management programme (Q2);

- *command and control systems:* in the defence systems segment: the contract, through Orizzonte Sistemi Navali, to supply a complete combat system for an amphibious logistics support vessel from the Algerian Defence Ministry (Q2); the supplemental agreement to the SILEF (Eurofighter Logistics Information System) contract for integrated info-logistic support for the Eurofighter with NETMA (NATO Eurofighter and Tornado Management Agency) (Q1); in the civil systems segment: a contract with the Federal Aviation Administration for next-generation DME (Distance Measuring Equipment) systems for use in the US (Q2); orders from the Ukrainian Air Traffic Control Agency for technological upgrades at various airports (Q1); the order from the UK for a primary radar combined with an advanced multilateration solution for the Isle of Man and Jersey airport (Q1); the contracts to upgrade an airport in Estonia and to upgrade the air traffic control centre in Subang - Kuala Lumpur in Malaysia (Q1);
- *integrated communication networks and systems*: orders for communications systems for helicopter platforms (Q1-Q2); various orders under the EFA programme to supply a variety of communications equipment (Q1-Q2); the supplemental order for the Defense Fields Telephone System (DFTS) from British Telecom (Q1); TETRA network orders from Russia (Q1); the order from the Italian Ministry of Defence to upgrade the communications systems at various airports (Q1);
- *information technology and security*: the order for an automated postal sorting centre for the city of Rostov-On-Don in Russia (Q2); the order for five Compact Flat Sorter Machine (CFSM) for post offices in Dublin and other places in Ireland (Q2); the order from DHL Express Italy for a new package sorting system (Q2); orders for various security-related programmes and services for INPS (Q2); the order for a ticketing and access control system for the new Milan metro Line 4 (Q2); the order from Aeroporti di Roma for ordinary maintenance and management support for equipment installed at Leonardo da Vinci Airport in Fiumicino (Q1); the contract from the Chilean national police for APFIS (Automated Palmprints and Fingerprints Identification Systems) equipment (Q1); the order for video surveillance systems from Banca Nazionale del Lavoro (Q1);

- *DRS*: additional orders for Thermal Weapon Sight (TWS) system issued to soldiers (Q1); order to X-band satellite up-links and ground transport services for the US military deployed in Southwest Asia (Q2); orders for assembly parts critical for LRAS3 (Long Range Advanced Scout Surveillance System) infra-red systems (Q2); the contract with the US Air Force to service and adjust Tunner systems for loading and moving air cargo (Q1).

The **order backlog** came to €mil. 10,504 at 30 June 2011, compared with €mil. 11,747 at 31 December 2010; this decrease is largely due to the depreciation of the US dollar and the pound sterling against the euro. One-third of the order backlog related to the avionics and electro-optical systems segment, and about one-fifth each to major integrated systems and command and control systems and to the activities in the United States.

Revenues at 30 June 2011 amounted to €mil. 2,923, down €mil. 332 from the figure reported at 30 June 2010 (€mil. 3,255) due to the projected decline in production volumes of DRS deriving from the completion of important programmes for the US military. The revenues for the period also began to reflect the loss of the contribution of important orders that were being carried out for or were in the process of being received from Libya.

Revenues resulted mainly from the following segments, 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; countermeasure systems; equipment for the helicopter and space programmes; combat and surveillance radar for other fixed-wing platforms; customer support and logistics;
- *major integrated defence and security systems:* continuation of the Forza NEC programme and the contract with the Italian Department of Civil Protection for the emergency management system; progress on activities related to the Phase 2 Coastal Radar programme; continuation of work under the S.I.Co.Te. programme for the General Command of the Carabinieri Force; activities related to the Panama Maritime Security System programme;

- *command and control systems*: the continuation of activities relating to air traffic control programmes, in Italy and abroad; contracts for FREMM and upgrading; the Medium Extended Air Defence 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, to monitoring and physical security for domestic customers and ICT services for government agencies;
- *DRS*: additional orders for the TWS system issued to soldiers; additional deliveries for programmes to upgrade the target acquisition sub-systems for Bradley fighting vehicles; activity pertaining to the repair and provision of spare parts for the MMS system for helicopters; the continuation of deliveries of rugged computers and displays; deliveries of Tactical Quiet Generators (TQG); provision of services and products for the Rapid Response contract and satellite communications services.

Adjusted EBITA reached €mil. 181 at 30 June 2011, slightly down from the figure reported at 30 June 2010 (€mil. 289), essentially in line with expectations, as a result of the mentioned decline in revenues of DRS associated with a less profitable mix of activities than in the past, and lower profits in certain business areas in the *information technology and security* segment.
As a result, **ROS** came to 6.2%, (8.9% at 30 June 2010).

Research and development costs at 30 June 2011 totalled €mil. 332 (€mil. 341 at 30 June 2010), relating to:

- *avionics and electro-optical system* segment: development for the EFA programme; new electronic-scan radar systems for both surveillance and combat; new systems and sensors for Unmanned Aerial Vehicles (UAV); improvements to avionics suites to satisfy the demands of the new fixed and rotary-wing platforms;

- *major integrated systems* and *command and control systems* segment: the continuation of the activity on the 3D Kronos radar surveillance system and the active multi-functional MFRA; upgrading of the current SATCAS products; the programme to develop capabilities and technologies for architectural design and construction of major systems for the integrated management of operations by armed ground forces (Combined Warfare Proposal (CWP));
- *integrated communications networks* segment: the development of TETRA technology products and wideband data link and software defined radio products.

The **workforce** at 30 June 2011 came to 28,279 as compared with 29,840 at 31 December 2010, a net decrease of 1,561 attributable to the transfer of business to the Space division and to the ongoing reorganisation process in some segments.

AERONAUTICS

€ million	30 June 2011	30 June 2010	31 Dec. 2010
New orders	1,588	806	2,539
Order backlog	8,789	8,716	8,638
Revenues	1,297	1,262	2,809
Adjusted EBITA	41	54	205
ROS	3.2%	4.3%	7.3%
R&D	156	161	369
Workforce (no.)	12,263	12,905	12,604

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

The Aeronautics division includes Alenia Aeronautica SpA (production of military aircraft for combat, transport and special missions, as well as civil applications such as aerostructures and regional turboprop aircraft) and its subsidiaries, including: Alenia Aermacchi SpA (production of military training aircraft and engine nacelles for civil aeronautics), the GIE-ATR joint venture, in which a 50% equity stake is held (final assembly and marketing of ATR aircraft), Alenia North America Inc, operating in the US market through a joint venture, and Superjet International SpA, in which a 51% equity stake is held (sale and assistance for Superjet aircraft).

New orders at 30 June 2011 came to €mil. 1,588, up €mil. 782 from the €mil. 806 reported at 30 June 2010, due to more orders in the *civil* (ATR aircraft and the B787 programme) and *military* (M346 logistics support) segments.

The main orders received in the first half of 2011 included the following:

- in the *military* segment:

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

- in the *civil* segment:
  - for the ATR aircraft, GIE-ATR received new orders for 84 ATR aircraft (59 in the second quarter) from various airlines including: 18 from Indonesian carrier Lion Air (Q1 and Q2), 10 from Taiwan Uni Air (Q2), 15 from GE Capital Aviation Services – the aircraft leasing unit of General Electric – (Q2), 10 from Danish carrier Nordic Aviation Capital, 10 from Brazilian airline Azul (Q2) and eight from Australian airline Virgin Blue (Q1);
  - for aerostructures, orders for additional lots of the B787, B777, ATR, A380 and A321 programmes and for engine nacelles (Q1 and Q2);
  - for the Maritime Patrol version of the ATR 42MP aircraft, the order from the Italian Harbour Authority to convert the third aircraft (Q1).

The **order backlog** at 30 June 2011 came to €mil. 8,789 (€mil. 8,638 at 31 December 2010) and is expected to continue expanding over the medium/long term. The breakdown revealed a significant portion for the EFA (39%), B787 (18%), ATR (17%), M346 (6%) and C27J (5%) programmes.

Revenues in the first half of 2011 came to €mil. 1,297, an increase of €mil. 35 (2.8%) over the €mil. 1,262 reported at 30 June 2010, due mainly to an upturn in work on the M346 and JSF programmes, which offset reduced activity for the EFA programme.

In the first half of 2011, production in the *military segment* mainly regarded the following programmes:

- C27J: the production of C27J aircraft for the United States (two aircraft delivered to US partner L-3), Morocco (one aircraft delivered), Bulgaria (the third and final aircraft delivered), Romania and activities for the Italian Air Force;
- EFA: continuation of development and production relating to the second lot of the programme and logistics support (of which four aircraft were delivered to the Italian Air Force during the period and 24 left semi-wing units and 25 rear fuselages were readied);
- M346: the continuation of production and flight testing of aircraft for the Italian Air Force and the start of work on the aircraft ordered by the Singapore Air Force;
- JSF: the provision of certain wing parts for Lockheed Martin, as well as the construction, for the Italian Air Force at its Cameri base, of the factory for manufacturing the wings and assemble aircraft for Italy and the Netherlands;
- G222: upgrading of G222 aircraft commissioned by the US Air Force;
- Tornado: continuation of MLU for the Italian Air Force.

Furthermore, production continued on the ATR Maritime Patrol aircraft for the Italian Navy, as did logistics support activity.

Production in the *civil* segment in the first half of 2011 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 12 fuselage sections and 15 horizontal stabilisers were completed in the first half of 2011, and production of control surfaces for the B767 and B777 aircraft;
- Airbus: production of components for the central section of the fuselage for the A380 and of the fuselage section for the A321;

- GIE ATR: the production of the ATR 42 and ATR 72 turboprops for which 25 fuselages were completed;
- Dassault Aviation: the production of the fuselage section for the extended-range version of the Falcon 2000 and the engine nacelles for the Falcon 900EX;
- Bombardier: start-up of non-recurring work on the stabilisers (horizontal and vertical) of new regional C-Series aircraft.

Orders for other customers included work on the assembly of ATR craft by GIE-ATR, which delivered 17 new aircraft in first half of 2011.

Adjusted EBITA at 30 June 2011 came to €mil. 41, a €mil. 13 decrease compared with the €mil. 54 reported at 30 June 2010. This reduction is largely due to the different mix of progress made on the programmes (especially the slowdown in EFA production) and to lower industrial efficiency, once again affected by problems in certain production processes for which corrective actions have been taken to address the situation. As a consequence, **ROS** decreased to 3.2%, compared with 4.3% at 30 June 2010.

In addition to lower industrial efficiency, the reduced profitability of the Aeronautics division reflects the growing competitive pressure on the aerostructures business and export sales. Given this, the strenghtening and enhancement of the new reorganization plan, currently underway, will allow the Group to recover efficiencyand rationalise the “product portfolio” in a more effective manner:

- efficiency recovery actions mainly relating to: the rationalisation of current manufacturing sites, improvement of industrial processes, rationalisation of the supply chain and introduction of organisational changes in order to better integrate the division’s companies;
- rationalisation of the product portfolio mainly concerning: reinforcement of its leadership in proprietary products, extension and reinforcement of its role in joint programmes, abandoning or reducing the manufacture of products with lower technological content and little future opportunities.

Research and development costs for first half of 2011 totalled €mil. 156 (€mil. 161 at 30 June 2010) and reflect the progress made in the main programmes under development (M346, C27J, B787 and UAV) and in activities relating to innovative aerostructures using composite materials and system integration. Furthermore, development activity continued on important military (EFA, Tornado and Neuron) and civil (C-series and the derivative B787-9).

The **workforce** at 30 June 2011 numbered 12,263, a net decrease of 341 from the 12,604 at 31 December 2010, essentially due to staff reduction and efficiency efforts undertaken as part of the ongoing reorganisation and industrial restructuring process.

SPACE

€ million	30 June 2011	30 June 2010	31 Dec. 2010
New orders	371	497	1,912
Order backlog	2,505	1,713	2,568
Revenues	480	412	925
Adjusted EBITA	10	5	39
ROS	2.1%	1.2%	4.2%
R&D	31	26	68
Workforce (no.)	4,095	3,652	3,651

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

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

As a result of this acquisition and business reorganisation, Telespazio Holding Srl currently 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, telemetry services, command and control and Launch and Early Operation Phase (LEOP) services, operational management of infrastructures and systems for satellite communications and television broadcasting); satellite systems and applications (earth centre design, development and management, consulting and engineering services, development of navigation, training and meteorology applications) and geoinformation (data, thematic maps, operational services, monitoring services and territorial surveillance).
Thales Alenia Space 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 2011, the Group acquired **new orders** in the amount of €mil. 371, down €mil. 126 from the same period of 2010 (€mil. 497), mainly attributable to the *manufacturing* segment.

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

- in the *commercial telecommunications* segment*:* the order for payloads for the Express AM8 AT1 and AT2 Russian communications satellites (Q1-Q2); new orders for TV satellite capacity and services (Q1-Q2) and satellite telecommunications services (Q1- Q2);
- in the *military and government telecommunications* segment: additional lots of the orders from the Italian Space Agency (ASI) and the French Space Agency (CNES) for the Athena Fidus satellite (Q1) and orders for military satellite telecommunications services (Q1-Q2);
- in the *earth observation* segment: orders for Cosmo data and stations (Q1-Q2); the order for GeoEye data (Q1-Q2); the order for services related to the management and development of the National Agricultural Information System (SIAN) (Q2);
- in the *satellite navigation* segment*:* the order related to the Egnos programme (Q2); the order for the “Ground Mission Segment” and the “Space Segment” for the Full Operation Capability (FOC) phase under the Galileo Programme (Q1-Q2);

- in the *science programmes* segment*:* an additional lot for the Bepi-Colombo programme (Q1).

The **order backlog** at 30 June 2011 totalled €mil. 2,505, a decrease of €mil. 63 from the figure at 31 December 2010 (€mil. 2,568). The backlog at 30 June 2011 is composed of manufacturing activities (66%) and satellite services (34%).

Revenues in the first half of 2011 came to €mil. 480, up €mil. 68 from the same period of the previous year (€mil. 412), due largely to higher production in both the manufacturing and satellite services segments. Production mainly relates to the continuation of activities in the following segments:

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

Adjusted EBITA at 30 June 2011 came to €mil. 10, an increase of €mil. 5 over the figure reported at 30 June 2010 (€mil. 5), due to higher production volumes and the higher profitability of the manufacturing segment. As a result, **ROS** amounted to 2.1%, compared with 1.2% at 30 June 2010.

Research and development costs at 30 June 2011 came to €mil. 31, an increase of €mil. 5 from the figure posted for the first half of 2010 (€mil. 26).
Activities in this area largely included the continued development of systems, solutions and applications for security, emergency management, homeland security (GMES-Kopernikus programme) and for navigation/infomobility services (Galileo programme); aerial communications solutions (SESAR); solutions for optimising the satellite band; processing systems for earth observation SAR data; flexible payloads for military telecommunications applications; studies on landing systems for planetary exploration and on technologies for orbiting structures and life-support systems.

The **workforce** at 30 June 2011 came to 4,095, for an increase of 444 employees over the 3,651 reported at 31 December 2010, mainly as a result of the change in the scope of the *satellite services* segment due to the transfer of business activity from the Defence and Security Electronics division.

DEFENCE SYSTEMS

€ million	30 June 2011	30 June 2010	31 Dec. 2010
New orders	318	414	1,111
Order backlog	3,532	3,799	3,797
Revenues	558	537	1,210
Adjusted EBITA	49	37	107
ROS	8.8%	6.9%	8.8%
R&D	124	125	260
Workforce (no.)	4,087	4,075	4,112

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

New orders at 30 June 2011 came to €mil. 318, down compared with the €mil. 414 posted at 30 June 2010, due mainly to *missile systems*, where significant new orders from the UK Ministry of Defence were reported during the same period of the previous year, and to *land, sea and air weapons systems*, which received important new orders from foreign customers in the first half of 2010.

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

- in the *missile systems* segment: the contract to provide support for the Sea Viper surface-to-air missile system for the British Navy’s Type 45 class ships (Q2); the order for Exocet anti-ship missiles from a foreign customer (Q2); additional orders for customer support activities (Q1-Q2);

- in the *land, sea and air weapons systems* segment: the order for the Davide kit to upgrade the guns on two Italian Navy frigates (Q2); the order for one 76/62 SR gun and a 25 mm machine gun system as part of the order from Algeria placed with Selex Sistemi Integrati for a combat system for a naval vessel (Q2); an order for pintle mount systems for AgustaWestland helicopters for the Italian Air Force (Q2); the order for Hitfist turrets kits for Poland (Q1) and logistics orders from various customers;
- in *underwater systems:* the order for 25 A244 light torpedoes (Q2), for 27 upgrade kits for the A244 light torpedo and for C303 counter-measure systems (Q1) from a foreign customer, and various logistics orders.

The **order backlog** at 30 June 2011 came to €mil. 3,532 (€mil. 3,797 at 31 December 2010), of which about 60% related to *missile systems*.

Revenues at 30 June 2011 came to €mil. 558, up 4% from 30 June 2010 (€mil. 537), due mainly to the increases reported in the *land, sea and air weapons systems* segment.

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

Adjusted EBITA at 30 June 2011 totalled €mil. 49, up on the figure reported for 30 June 2010 (€mil. 37), mainly as a result of higher production volumes in the *land, sea* *and air weapons systems* segment and a more profitable production mix in *missile systems.* As a result, **ROS** amounted to 8.8% at 30 June 2011 (6.9% at 30 June 2010).

Research and development costs at 30 June 2011 totalled €mil. 124, compared with €mil. 125 at 30 June 2010. Some of the key activities included the achievement of important milestones in the MEADS programme, and those for the SCALP Naval cruise missile and the Marte MK2 anti-ship missile, and activities for the development programme for the UK Ministry of Defence, and the continuation of development of the Meteor air-to-air missile in the *missile systems* segment; activities for guided munitions programmes and for the development of the 127/64 LW gun in the *land, sea and air weapons systems* segment; and activities relating to the Black Shark heavy torpedo in the *underwater systems* segment.

The **workforce** at 30 June 2011 came to 4,087, essentially in line with the figure reported at 31 December 2010 (4,112).

ENERGY

€ million	30 June 2011	30 June 2010	31 Dec. 2010
New orders	798	374	1,403
Order backlog	1,935	3,030	3,305
Revenues	562	677	1,413
Adjusted EBITA	42	67	145
ROS	7.5%	9.9%	10.3%
R&D	12	16	38
Workforce (no.) (*)	1,860	3,443	3,418

As concerns the Energy division, it should be noted that on 13 June 2011 Finmeccanica sold 45% of the share capital of the Ansaldo Energia group to the US investment fund First Reserve Corporation.
As a result of this sale, Ansaldo Energia Holding and its subsidiaries have been consolidated on a proportional basisas of the transaction date.

Finmeccanica is active in the Energy division through Ansaldo Energia Holding SpA (joint venture in which a 55% interest is held) and its investees, Ansaldo Energia SpA, Ansaldo Nucleare SpA, Ansaldo Fuel Cells SpA, Asia Power Projects Private Ltd, Ansaldo ESG AG and the Ansaldo Thomassen group.
The Energy division specialises in providing *plants and components* for generating electricity (conventional thermal, combined-cycle and simple-cycle, cogeneration and geothermal power plants), *post-sale services* and *nuclear* activities (plant engineering, services, waste and decommissioning) and services related to power generation from *renewable energy* resources.
New orders in the first half of 2011 amounted to €mil. 798, up €mil. 424 from the same period of 2010 (€mil. 374) due to the important new order from Turkey in the first

quarter for an 800 MW combined-cycle plant and related long-term service agreement (LTSA) to be located in Gebze (worth €mil. 638). The other most significant new orders for the period include:

- in the *service* segment: new solution contracts (changing parts of the turbine) and spare parts contracts (Q1 and Q2);
- in the *nuclear* segment: as regards the *plant engineering* side, new contracts from Argentina (for the Embalse power station turbine) (Q1), orders from Westinghouse in the US (for development of the AP1000 reactor) (Q2); on the *service*-related side, the new Superphoenix reactor support contract for the Creys Malville power station in France (Q1 and Q2);
- in the *renewable energy* segment*:* orders for the construction of photovoltaic plants in Matera (Stigliano) (Q1) and Avellino (Bisaccia) (Q2);

The **order backlog** at 30 June 2011 came to €mil. 1,935, compared with €mil. 3,305 at 31 December 2010. The decline is attributable to the aforementioned change in consolidating all items on a line-by-line basis to a proportional basis for certain items.
The composition of the backlog is attributable for around 39.4% to *plants and components*, 55.5% to *service* activities (82% of which LTSA scheduled maintenance contracts), 2.4% to the *nuclear* segment, and the remaining 2.7% to *renewable energy*.

Revenues at 30 June 2011 amounted to €mil. 562, a decrease of €mil. 115 from the €mil. 677 reported for the first half of 2010, mainly attributable to lower production volumes in the *plants and components* segment.
This is a result of a decline in component sub-supply contracts for foreign "sites".

Revenues were mainly generated by the following activities:

- *plants and components:* orders from Italy (Aprilia, Turano, San Severo and Torino Nord), Tunisia (Sousse), Egypt (El Sabtia - Cairo), Turkey (Gebze) and France (Bayet);
- *services:* LTSAs for Italy (Sparanise and Rizziconi), maintenance for Enipower (various sites in Italy) and gas turbine spare parts order from India (Valuthur);

- *nuclear:* as to *plant engineering*, activities continued on the Sanmen project in China with Westinghouse and engineering on the Mochovce power station in Slovakia; as to *services*, activity involved the Embalse (Argentina) and Creys Malville (France) plants; and in *waste and decommissioning*, work involved resin treatment at Vercelli (Trino) and the treatment and storage of radioactive waste from submarines in Russia (Andreeva Bay);
- *renewable energy:* work on the Matera (Stigliano) and Syracuse (Francofonte) orders for photovoltaic plants and the order from Avellino (Bisaccia) for construction of a 66 MW wind farm and related maintenance.

Adjusted EBITA at 30 June 2011 came to €mil. 42, down €mil. 25 from the first half of 2010 (€mil. 67). This decline is mainly due to lower revenues and the impact of the profitability of certain orders in the plant engineering segment, as a result of a different production mix as compared with the same period of the previous year.

ROS at 30 June 2011 stood at 7.5%, compared with 9.9% for the first half of 2010

Research and development costs at 30 June 2011 totalled €mil. 12, down €mil. 4 from the same period of 2010 (€mil. 16). Activities primarily focused on the development of large-scale gas and steam turbines and continued work on the new air-cooled generator.

The **workforce** stood at 1,860 at 30 June 2011, compared with 3,418 at 31 December 2010. The decrease (1,522 employees) is largely due to the different consolidation method used as mentioned above.

TRANSPORTATION

€ million	30 June 2011	30 June 2010	31 Dec. 2010
New orders	844	733	3,228
Order backlog	7,168	5,864	7,303
Revenues	953	926	1,962
Adjusted EBITA	9	35	97
ROS	0.9%	3.8%	4.9%
R&D	24	36	69
Workforce (no.)	7,045	7,281	7,093

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

New orders at 30 June 2011 came to €mil. 844, up €mil. 111 from the same period of 2010 (€mil. 733), due mainly to increased new orders in the vehicles segment, particularly service and mass transit orders.

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

- in the *signalling and transportation solutions* segment:
  - in *signalling:* the order to upgrade the technology for the conventional lines on the Turin-Padua route (Q1); the order for the Red Line of the Stockholm metro (Q1); the contract for the maintenance of metro and tram signalling systems in Paris (Q1); various components orders and service and maintenance orders;
  - in *transportation solutions:* the order for the Milan metro Line 5 extension (Q1); contracts under the framework agreement with Rio Tinto Iron Ore, in Australia;

- in the *vehicles* segment: the order for trains for the Milan metro Line 5 extension (Q1) and service orders;
- in the *bus* segment: various orders for a total of 61 buses.

At 30 June 2011 the **order backlog** amounted to €mil. 7,168, down €mil. 135 from 31 December 2010 (€mil. 7,303). The order backlog breaks down as follows: 63.7% for signalling and transportation solutions, 35.8% for vehicles and 0.5% buses.

Revenues at 30 June 2011 were equal to €mil. 953, up 2.9% over the same period of 2010 (€mil. 926). The improved activity in the vehicles and bus segments, still below expectations, largely offset the slight decline in production volumes in the signalling and transportation solutions segment, mainly due to the completion of several Italian signalling orders.
Major orders include:

- in the *signalling and transportation solutions* segment:
  - in *signalling:* orders for automated train control systems (SCMT) for Italy; orders for the Bogazkopru-Ulukisla-Yenice and Mersin-Toprakkale lines and for the Ankara metro in Turkey; orders for Australian Rail Track Co. (ARTC) in Australia; the Cambrian Line in the UK; the Rhin-Rhone high-speed train line in France; the order for the Union Pacific Railroad project and for the interlocking system for the Lexington Avenue and Fifth Avenue stops in New York in the US; various orders for components;
  - in *transportation solutions:* the metro systems of Naples Line 6, Rome Line C, Copenhagen, Riyadh and Brescia;
- in the *vehicles* segment: trains for the Dutch and Belgian railways; trains for the Danish railways; trains for the Milan, Rome Line C, Riyadh and Brescia metros; various Sirio tram orders and service orders;
- in the *bus* segment: various orders for buses (88% of revenues for the segment) and for post-sales services.

Adjusted EBITA stood at €mil. 9 at 30 June 2011, a decrease of €mil. 26 compared with the first half of the previous year (€mil. 35). This decrease is mainly attributable to vehicles and bus segments, both still reporting negative adjusted EBITAs, reflecting the extra costs incurred for certain orders and expenses related to the settlement of disputes with certain customers. There was a decline in the signalling and transportation solutions segment, mainly reflecting the mentioned decrease in production volumes and higher R&D costs incurred during the period by the commercial department for initiatives under way. **ROS** for the division came to 0.9%, compared with 3.8% at 30 June 2010.

Specifically concerning the vehicles segment, there continued to be delays during the first half of the year in achieving the efficiency targets and, more generally, in implementing the programme introduced in recent years to gradually restore industrial performance. This is mainly coupled with the difficulties that have arisen in the resolution of the complexities related to certain products, particularly in railway products for foreign markets, and the resulting intricate handling of relationships with the customer, based on the failure to respect delivery schedules. Moreover, it should be noted that the delay in expected domestic vehicle orders, that, in addition to having an impact in terms of lower adequate profitability volumes, could also have an effect on the desired coverage of the production capacity. It appears unlikely that the foreign railway market will, in the short term, offset this potential imbalance. Finally, the crisis that has also stricken other domestic operators, some in temporary joint ventures with AnsaldoBreda, could have further negative repercussions.

Evaluations regarding the competitive reorganisation of the vehicle segment will lay the groundwork for actions aimed at developing an adequate industrial structure and strategic positioning of the segment.

Research and development costs at 30 June 2011 were equal to €mil. 24 (€mil. 36 at 30 June 2010) and mainly regarded projects in the signalling and transportation solutions segment.

The **workforce** stood at 7,045 at 30 June 2011, a 48 employee decrease from 7,093 reported at 31 December 2010.

<u>OTHER ACTIVITIES</u>

€ million	30 June 2011	30 June 2010	31 Dec. 2010
New orders	230	38	105
Order backlog	289	139	113
Revenues	131	114	243
Adjusted EBITA	(80)	(82)	(152)
ROS	n.s	n.s.	n.s.
R&D	0	1	7
Workforce (no.)	885	795	906

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

During the previous year, following a process begun in late 2009, action was undertaken to fully pursue the objective of leveraging and rationalising the Group’s real estate holdings by gradually concentrating them within FGRE. The purpose of this concentration is to ensure that the Group’s real estate holdings are managed in a coordinated, unified manner so as to make the activities and related costs more efficient and rational in order to achieve significant savings once fully implemented (please refer to the Industrial Transactions section).

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. 230 at 30 June 2011, up €mil. 192 compared with the first half of 2010 (€mil. 38).
Fata's **revenues** at 30 June 2011 came to €mil. 53, down €mil. 21 from the previous year (€mil. 74).

Fata's **workforce** at 30 June 2011 totalled 318 employees, compared with 300 employees at 31 December 2010.

This division's figures also include those of **Finmeccanica Spa,** which for some years underwent an extensive transformation process, altering its focus from a financial company to that of an industrial company. This process received a boost last 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

On 28 March 2011, the Board of Directors of Finmeccanica authorised the merger between **Elsag Datamat** and **SELEX Communications,** which was completed as from 1 June 2011 with the merger of Elsag Datamat into SELEX Communications, which changed its name to SELEX Elsag at that time. The equity holdings in Seicos, SELEX Service Management and Digint (the first two held by Finmeccanica and the last by Finmeccanica Group Services) were also transferred on that date.
The transaction - in line with Finmeccanica's plan, launched in 2010, to optimise its industrial assets in the Defence and Security Electronics division - sought to create a centre of expertise at the Group level in the Information and Communication Technology (ICT) and the Security and Automation sectors, to enable Finmeccanica to fulfil the rising demand for complete and integrated ICT solutions and secure network management services. The transaction is a fundamental step in this reorganisation, achieved by concentrating its activities into three centres of expertise (SELEX Sistemi Integrati for major defence and homeland security systems and surface radar systems, SELEX Galileo for avionics and electro-optical imaging, and SELEX Elsag for ICT, security and automation). This should enable the companies to better focus on their missions and successfully satisfy the demands of their customers while achieving cost optimisation.

In the wake of the process begun in 2009 and fully implemented in 2010 to rationalise and improve the Group's **real estate holdings** by gradually concentrating them in **Finmeccanica Group Real Estate** (FGRE) to ensure that they are managed in a coordinated and consistent manner, on 20 January 2011, Finmeccanica's Board of Directors approved the guidelines for transferring some of the Group's real estate holdings to a closed-end real estate fund, the majority of whose shares will be held by third parties. Further checks required for the transaction to potentially be finalised are now being made.

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

Financial transactions

In the first six months of 2011, the Finmeccanica Group did not engage in important new transactions to obtain funds in the bond market. In fact, during the period, it only redeemed (for a total of $mil. 17) the remaining bonds placed on the US market by DRS. The bonds had been largely redeemed in January 2009 following the purchase of the US company by Finmeccanica

Below is a list of bonds outstanding at 30 June 2011 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, as well as the new 10-year and 30-year bonds issued by Meccanica Holdings USA for the US market. 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.

Issuer		Year of issue	Maturity	Nominal Amount (€mil)	Annual coupon	Type of offer	IAS recog. amts €mil. (9)
Finmeccanica Finance SA	(1)	2003	2018	500	5.75%	European institutional	513
Finmeccanica Spa	(2)	2005	2025	500	4.875%	European institutional	502
Finmeccanica Finance SA	(3)	2008	2013	1,000	8.125%	European institutional	1,048
Finmeccanica Finance SA	(4)	2009	2022	600	5.25%	European institutional	607

Issuer		Year of issue	Maturity	Nominal Amount (GBPmil)	Annual coupon	Type of offer	IAS recog. amts €mil. (10)
Finmeccanica Finance SA	(5)	2009	2019	400	8.00%	European institutional	439

Issuer		Year of issue	Maturity	Nominal Amount (US$mil)	Annual coupon	Type of offer	IAS recog. amts €mil. (9)
Meccanica Holdings USA Inc	(6)	2009	2019	500	6.25%	American institutional Rule 144A/Reg. S	351
Meccanica Holdings USA Inc	(7)	2009	2039	300	7.375%	American institutional Rule 144A/Reg. S	209
Meccanica Holdings USA Inc	(8)	2009	2040	500	6.25%	American institutional Rule 144A/Reg. S	351

(1) 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 5.6%.

(2) 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.

(3) 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.

(4) 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, signed on the occasion of the acquisition of the DRS group.

(5) 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 partly repay the Senior Loan Facility. In the first quarter of 2011, GBPmil. 100 of this was converted into a floating-rate bond, completed during the second quarter for a profit of around €mil. 4.5. Analogous transactions were performed in 2010 on a total of GBPmil. 400, which generated revenues of around €mil. 37, for a profit of around €mil. 24. 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.

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

(7) 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 (6), were entirely used by Meccanica Holdings USA to finance the purchase of DRS, partially replacing Finmeccanica in the intercompany loan granted 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.

(8) 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 (7). No rate transactions on the issue were made.

(9) The difference between the face value of bonds and book value is due to the accrued interest being classified as to increase debt and to discounts being recognised to decrease debt.

All the bond issues of Finmeccanica Finance 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. It should be noted that, in December 2010, while Standard and Poor’s confirmed its BBB rating for Finmeccanica’s medium/long-term debt, it gave it a negative outlook. In June 2011, Moody’s decided to place the rating for Italy under review for a possible downgrade, which also had a negative effect on Finmeccanica’s rating. More specifically, at the date of this report, these credit ratings were: A3 rating on review for possible downgrade (Moody’s), BBB+ (Fitch) and BBB with negative outlook (Standard and Poor’s).

All the bonds above are governed by rules with standard legal clauses for these types of corporate transactions. 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 the share capital and represent 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.

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

The transaction was financed with equity of €mil. 500, of which €mil. 275 contributed by Finmeccanica and €mil. 225 by First Reserve Corporation, and with debt of €mil. 573. The debt is divided between a medium-term bank loan of €mil. 300 and a short-term vendor loan of €mil. 273, provided by Finmeccanica, that will be replaced in the medium-term by a revolving line of credit of up to €mil. 350.

Both the medium-term loan and the revolving line of credit will have a term of five years, guaranteeing that Ansaldo Energia will have stable financial resources. In addition, the revolving credit line will ensure that the company has flexibility in using these resources to respond in an optimal manner to its operational needs, considering the company's available liquidity. Ansaldo Energia was initially supplied with €mil. 300 in unsecured lines of credit to support commercial activities.

Banca Imi SpA, BNP Paribas and Unicredit SpA have provided financial support for the transaction, underwriting financing (loans and revolving lines of credit) for a total of €mil. 650 over a 5-year term. The transaction was then syndicated to a pool of leading Italian and international financial institutions, meeting with a favourable response from them and leading to a significant reduction in the shares originally allocated. At 30 June 2011, the €mil. 300 medium-term loan and the €mil. 273 vendor loan had been completely used.

Other events

In July, the €mil. 640 contract for the construction and maintenance of an 865 MW combined-cycle plant in Kocaeli-Gezbe, an industrial zone of Istanbul, took effect. In addition to its usual role of being the "turn-key" builder, Ansaldo Energia will also be an investor in the plant. The approximately €mil. 86 investment will be for a 40% stake in the company Yeni Elektrik Uretim AS and will be made by Ansaldo Energia in partnership with the majority shareholder, Unit Investment NV, a seasoned player in the Turkish electricity market. The plant is being financed by a pool of four Turkish banks with limited recourse against the shareholders and, in the case of Ansaldo Energia, also against its parent company, Finmeccanica, for the usual project financing risks, including the dynamics of the Turkish energy market which is in the process of being liberalised.

Outlook

As explained in the analysis of the Group’s performance for the period, the Finmeccanica Group’s financial results at 30 June 2011 show a contraction as compared with the same period of 2010, except for the net profit for the period, which reflects the partial sale of Ansaldo Energia. Careful management of working capital made it possible to improve FOCF beyond expectations.

As already described in the analysis of the performance of the divisions, the poorer performance seen as compared with the same period of 2010 was not the result solely of cyclical economic and exogenous factors, such as the performance of certain markets, political and social developments in North African countries (Libya in a critical manner), economic problems and financial crises in several European countries, and, not least of all, the weakness of the industrial recovery in the United States. Rather it appears that certain structural problems played a part, arising from internal factors related to the industrial performance of certain business sectors, such as Aeronautics and Transportation (particularly the vehicle segment). These have contributed to this misalignment through unsatisfactory new orders (mostly because of the aforementioned exogenous circumstances) and problems linked to the financial feasibility of certain contracts. A thorough analysis is currently under way to identify and launch actions for addressing and resolving these problems.

However, as a preliminary observation, we believe that these actions may have, vis-à-vis one another, complementary, but vastly different, natures.

In fact, transactions could be of a unique, non-recurring nature (extraordinary) such as: the reorganisation of “non-performing” business segments, shedding products that no longer have market outlets, further consolidating the product/activity portfolio and concluding operations that have already been announced.

Alongside this, continuing (ordinary) actions will be implemented to reinforce efficiency objectives already being pursued within the companies in an effort to recover industrial efficiency, which has not yet been fully achieved, and to take advantage of all the possible synergies within the Group. These activities will mainly focus on the costs of products, overheads and investments (these latter must be prioritised to foster product development).

The extraordinary and ordinary programmes identified, along with their costs and benefits, will be announced in the coming months and will form the basis for the 2012 – 2016 planning cycle. This is to ensure that the Group is structurally sound financially and that its prospective profit-generating capacity is restored, necessary for protecting future results from endogenous events and from possible new exogenous events.

Therefore, we expect revenue to be between €bil. 17.5 and €bil. 18, excluding about €mil.400 million for the deconsolidation of 45% of Ansaldo Energia in the second half of the year, whereas we do not offer any projections as to the Group's expected results for the current year. We will be able to get a clear picture of the results only once the processes outlined above have been completed and an assessment of the implications of external events has been done.

As to the Group's financial performance, we expect a positive FOCF for the year, given the investment in the development of products that, as in 2010, will focus on the Aeronautics, Helicopters and Defence and Security Electronics divisions in particular.

Finally, in relation to the net financial debt, it should be noted that the cash proceeds from the partial sale of Ansaldo Energia reduce the need to refinance borrowings, the first expiry of which is expected in 2013.

Condensed consolidated interim financial statements at 30 June 2011

Separate Income Statement

(€mil.)	*Note*	***For the six months ended 30 June*** ***2011***	*Of which with related parties*	***For the six months ended 30 June*** ***2010***	*Of which with related parties (Note 4)*
Revenue		8,432	*939*	8,654	*875*
Raw materials and consumables used and personnel costs	*24*	(7,712)	*(84)*	(7,758)	*(64)*
Amortisation, depreciation and impairment	*25*	(373)		(330)	
Other operating income (expenses)	*23*	(26)	*1*	(39)	-
		321		**527**	
Finance income (costs)	*26*	260	*(4)*	(184)	*(3)*
Share of profit (loss) of equity accounted investments		(9)		(3)	
Profit before taxes and the effect of discontinued operations		**572**		**340**	
Income taxes	*27*	(116)		(146)	
Profit (loss) from discontinued operations		-		-	
Net profit		**456**		**194**	
. equity holders of the Company		*433*		*170*	
. minority interests		*23*		*24*	
Earnings per Share	*29*				
Basic		*0.750*		*0.295*	
Diluted		*0.749*		*0.294*	

Statement of Comprehensive Income

€ millions		2011		2010
	For the six months ended 30 June			
Profit (loss) for the period		**456**		**194**
Reserves of income (expense) recognised in equity				-
- Actuarial gains (losses) on defined-benefit plans:		25		(62)
. plan measurement	*19*		*(49)*	
. exchange gains (losses)	*6*		*(13)*	
- Changes in cash flow hedges:		157		(184)
. fair value adjustment	*174*		*(202)*	
. transferred to separate income statement	*(17)*		*18*	
. exchange gains (losses)	-		-	
- Translation differences		(317)		593
Tax on expense (income) recognised in equity		(51)		63
. fair value adjustment/measurement	*(47)*		*50*	
. transferred to separate income statement	*(2)*		*9*	
. exchange gains (losses)	*(2)*		*4*	
Income (expense) recognised in equity		(186)		410
Total comprehensive income (expense) for the period		**270**		**604**
Attributable to:				
- Equity holders of the Company		256		564
- Minority interests		14		40

Balance Sheet

(€mil.)	Note	30.06.11	Of which with related parties	31.12.10	Of which with related parties (Note 4)
Non-current assets					
Intangible assets	9	8,580		8,931	
Property, plant and equipment	10	3,116		3,272	
Financial assets at fair value		-		-	
Deferred tax assets		626		656	
Other assets	12	819	10	782	10
		13,141		**13,641**	
Current assets					
Inventories		4,465		4,426	
Trade receivables, including net contract work in progress	13	9,304	798	9,242	798
Financial receivables		1,002	177	813	34
Derivatives	14	340		219	
Other assets	15	1,076	43	886	9
Cash and cash equivalents		734		1,854	
		16,921		**17,440**	
Non-current assets held for sale		1		1	
Total assets		**30,063**		**31,082**	
Shareholders' equity					
Share capital	16	2,517		2,517	
Other reserves		4,313		4,297	
Capital and reserves attributable to equity holders of the Company		**6,830**		**6,814**	
Minority interests in equity		279		284	
Total shareholders' equity		**7,109**		**7,098**	
Non-current liabilities					
Borrowings	17	4,603		4,543	
Employee liabilities	19	923		1,041	
Provisions for risks and charges	18	367		393	
Deferred tax liabilities		491		496	
Other liabilities	20	678		653	
		7,062		**7,126**	
Current liabilities					
Trade payables, including net advances from customers	21	12,078	121	12,996	128
Borrowings	17	1,359	890	1,258	714
Income tax payables		62		56	
Provisions for risks and charges	18	647		762	
Derivatives	14	103		131	
Other liabilities	20	1,643	40	1,655	25
		15,892		**16,858**	
Liabilities directly correlated with assets held for sale		-		-	
Total liabilities		**22,954**		**23,984**	
Total liabilities and shareholders' equity		**30,063**		**31,082**	

Statement of Cash Flows

(€mil.)		*For the six months ended 30 June*			
	Note	***2011***	*of which related parties*	***2010***	*of which related parties (Note 4)*
Cash flow from operating activities:					
Gross cash flow from operating activities	*28*	802		1.008	
Changes in working capital	*28*	(996)	*(265)*	(1.059)	*(28)*
Changes in other operating assets and liabilities, and provisions for risks and charges		(408)	*(31)*	(287)	*(27)*
Finance costs paid		(142)	*(78)*	(72)	*(78)*
Income taxes paid		(69)		(134)	
Net cash used in operating activities		**(813)**		**(544)**	
Cash flow from investing activities:					
Acquisitions of subsidiaries, net of cash acquired	*11*	(4)		(93)	
Sale of Ansaldo Energia		477			
Purchase of property, plant and equipment and intangible assets		(389)		(437)	
Proceeds from sale of property, plant and equipment and intangible assets		14		12	
Other investing activities		25		5	
Net cash used in investing activities		**123**		**(513)**	
Cash flow from financing activities:					
Repayment of DRS's convertible bond and bank payables		(12)		(51)	
Net change in other borrowings		(115)	*26*	(387)	*3*
Dividends paid to Company's shareholders		(237)		(237)	
Dividends paid to minority interests		(21)		(20)	
Net cash used in financing activities		**(385)**		**(695)**	
Net increase (decrease) in cash and cash equivalents		(1,075)		(1,752)	
Exchange-rate differences and other changes		(45)		41	
Cash and cash equivalents at 1 January		1,854		2,630	
Cash and cash equivalents at 30 June		**734**		**919**	

Statement of changes in shareholders' equity

	Share capital	Retained earnings and consolidation reserve	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 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 (expense)			(137)		(49)	580	394	16
Stock option/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 January 2011	2,517	4,870	16	43	(96)	(536)	6,814	284
Dividends paid		(237)					(237)	(21)
Capital increases								
Profit (loss) for the period		433					433	23
Other comprehensive income (expense)			114		18	(309)	(177)	(9)
Stock option/grant plans								
- services rendered				1			1	1
Other changes		(4)					(4)	1
30 June 2011	2,517	5,062	130	44	(78)	(845)	6,830	279

1. GENERAL INFORMATION

Finmeccanica is a company limited by shares based in Rome (Italy), at Piazza Monte Grappa 4, and is listed on the Italian Stock Exchange (FTSE MIB).

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 2011 was prepared in accordance with Article 154-ter, paragraph 2 of Legislative Decree 58/98 (Consolidated Law on Financial Intermediation), as subsequently amended, and was prepared in accordance with IAS 34 - *Interim financial reporting*, issued by the International Accounting Standards 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 and earnings condition of the Group. Therefore, this report must be read in conjunction with the 2010 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 2010, with the exception of those specifically applicable to the interim reports and the half-year financial report at 30 June 2010. The new accounting principles applicable as from 1 January 2011, as indicated below (Note 4), had no significant effect on this half-year financial report.

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 2011, the Group has applied the following new accounting standards and interpretations: the amendments to IFRS 1, the amendments to IFRS 3, the amendment to IFRS 7, the amendment to IAS 1, the revised IAS 24, the amendment to IAS 27, the amendments to IAS 32, the amendment to IAS 34, the amendment to IFRIC 13, the amendments to IFRIC 14 and IFRIC 19. These changes had no significant effect on this half-year financial report. More specifically, the application of the revised version of IAS 24 only affected the disclosure requirements concerning related parties and led to a change in the comparative data shown in the accounting statements to take account, among related parties, of companies subject to the control or significant influence of the Ministry for the Economy and Finance (MEF).

5. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

Formation of the Ansaldo Energia joint venture was completed on 13 June 2011 through the sale of the entire share capital of Ansaldo Energia SpA for the price of €mil. 1,072 to Ansaldo Energia Holding (formerly Ansaldo Electric Drives), a company held 45% by First Reserve Corporation (First Reserve) and 55% by Finmeccanica. Finmeccanica signed a shareholders’ agreement with its US partner covering the corporate governance of the new company.

As a result of this transaction, the income statement items pertaining to the new Ansaldo Energia group are consolidated on a line-by-line basis and the balance sheet items on a proportional basis in Finemeccanica’s condensed half-year financial statements.

The transaction had the following major effects:

- a net receipt of €mil. 477 which, excluding the effects of the deconsolidation of 45% of the positive financial position of Ansaldo Energia at the date of the transaction, led to a €mil. 344 improvement in the net financial position;
- the recognition of a gain of €mil. 458 (€mil. 443 after taxes) taken to profit or loss only on the share sold to First Reserve.

No significant non-recurring transactions were carried out during the corresponding period of the previous year.

6. SCOPE OF CONSOLIDATION

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

Company name	*Registered office*	*% Group ownership*		*% Group shareholding*
		Direct	*Indirect*	
3083683 NOVA SCOTIA LIMITED	Halifax, Nova Scotia (Canada)		100	100
ADVANCED AOUSTIC CONCEPTS LLC formerly DRS SONAR SYSTEMS LLC	Wilmington, Delaware (USA)		51	51
AGUSTA AEROSPACE SERVICES A.A.S. SA	Grace Hollogne (Belgium)		100	100
AGUSTA HOLDING BV	Amsterdam (the Netherlands)		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 ESPANA SL	Madrid (Spain)		100	100
AGUSTAWESTLAND HOLDINGS LTD	Yeovil, Somerset (U.K.)		100	100
AGUSTAWESTLAND INC	New Castle, Wilmington, Delaware (USA)		100	100
AGUSTAWESTLAND INDIA PRIVATE LTD	New Delhi (India)		100	100
AGUSTAWESTLAND INTERNATIONAL LTD	Yeovil, Somerset (U.K.)		100	100
AGUSTAWESTLAND LTD formerly WESTLAND HELICOPTERS LTD	Yeovil, Somerset (UK)		100	100
AGUSTAWESTLAND MALAYSIA SDN BHD	Kuala Lumpur (Malaysia)		100	100
AGUSTAWESTLAND NORTH AMERICA INC	Wilmington, Delaware (USA)		100	100
AGUSTAWESTLAND NV	Amsterdam (the Netherlands)	100		100
AGUSTAWESTLAND PHILADELPHIA CO formerly AGUSTA AEROSPACE CORP. USA	Wilmington Delaware (USA)		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
AGUSTAWESTLAND SPA formerly AGUSTA SPA	Cascina Costa (Varese)		100	100
ALENIA AERMACCHI SPA	Venegono Superiore (Varese)		99.999	99.999
ALENIA AERONAUTICA SPA	Pomigliano D'Arco (Naples)	100		100
ALENIA NORTH AMERICA INC	New Castle, Wilmington, Delaware (USA)		100	100
ALENIA SIA SPA	Turin		100	100
AMTEC SPA	Piancastagnaio (Siena)		100	100
ANSALDO RAILWAY SYSTEM TRADING (BEIJING) LTD	Beijing (China)		100	40.0656
ANSALDO STS AUSTRALIA PTY LTD	Brisbane (Australia)		100	40.0656
ANSALDO STS BEIJING LTD	Beijing (China)		80	32.0525
ANSALDO STS CANADA INC.	Kingstone, Ontario (Canada)		100	40.0656
ANSALDO STS DEUTSCHLAND GMBH	Munich (Germany)		100	40.0656
ANSALDO STS ESPANA SAU	Madrid (Spain)		100	40.0656
ANSALDO STS FINLAND OY	Helsinki (Finland)		100	40.0656
ANSALDO STS FRANCE SAS	Les Ulis (France)		100	40.0656
ANSALDO STS HONG KONG LTD	Kowloon Bay (China)		100	40.0656
ANSALDO STS IRELAND LTD	CO KERRY (Ireland)		100	40.0656
ANSALDO STS MALAYSIA SDN BHD	Kuala Lumpur (Malaysia)		100	40.0656
ANSALDO STS SOUTH AFRICA (PTY) LTD	Sandton (ZA - South Africa)		100	40.0656
ANSALDO STS SOUTHERN AFRICA (PTY) LTD	Gaborone (Botswana - Africa)		100	40.0656
ANSALDO STS SWEDEN AB	Solna (Sweden)		100	40.0656
ANSALDO STS TRANSPORTATION SYSTEMS INDIA PRIVATE LTD	Bangalore (India)		100	40.0656
ANSALDO STS UK LTD	Barbican (U.K.)		100	40.0656
ANSALDO STS SPA	Genoa	40.0656		40.0656
ANSALDO STS USA INC	Wilmington, Delaware (USA)		100	40.0656
ANSALDO STS USA INTERNATIONAL CO	Wilmington, Delaware (USA)		100	40.0656
ANSALDO STS USA INTERNATIONAL PROJECT CO	Wilmington, Delaware (USA)		100	40.0656
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
AUTOMATISMES CONTROLES ET ETUDES ELECTRONIQUES ACELEC SAS	Les Ulis (France)		99.999	40.0651
BREDAMENARINIBUS SPA	Bologna	100		100
CISDEG SPA	Rome		87.5	87.5
DIGINT SRL	Milan		49	49
DRS C3 & AVIATION COMPANY	Wilmington, Delaware (USA)		100	100
DRS CENGEN LLC formerly DRS CONDOR HOLDCO LLC	Wilmington, Delaware (USA)		100	100
DRS CONSOLIDATED CONTROLS INC	Wilmington, Delaware (USA)		100	100
DRS DEFENSE SOLUTIONS LLC	Wilmington, Delaware (USA)		100	100
DRS ENVIRONMENTAL SYSTEMS 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 HOMELAND SECURITY SOLUTIONS INC	Wilmington, Delaware (USA)		100	100
DRS ICAS LLC	Wilmington, Delaware (USA)		100	100
DRS INTERNATIONAL INC	Wilmington, Delaware (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 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	Baltimore, 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
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	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	51
ITALDATA INGEGNERIA DELL'IDEA SPA	Rome		100	100
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		100	100
OTO MELARA IBERICA SAU	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
PIVOTAL POWER INC	Halifax, Nova Scotia (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	67.64505
SEICOS SPA	Rome		100	100

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

Company name	*Registered office*	*% Group ownership*		*% Group shareholding*
		Direct	*Indirect*	
SELEX COMMUNICATIONS DO BRASIL LTDA	Rio de Janeiro (Brazil)		100	100
SELEX COMMUNICATIONS GMBH	Backnang (Germany)		100	100
SELEX COMMUNICATIONS INC	San Francisco, California (USA)		100	100
SELEX COMMUNICATIONS ROMANIA SRL	Bucharest (Romania)		99.976	99.976
SELEX ELSAG HOLDINGS LTD formerly SELEX COMMUNICATIONS HOLDINGS LTD	Chelmsford (UK)		100	100
SELEX ELSAG LTD formerly SELEX COMMUNICATIONS LTD	Chelmsford, Essex (UK)		100	100
SELEX ELSAG SPA formerly SELEX COMMUNICATIONS SPA	Genoa	100		100
SELEX GALILEO INC	Wilmington, Delaware (USA)		100	100
SELEX GALILEO LTD	Essex (UK)	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 (UK)		100	100
S.C. ELETTRA COMMUNICATIONS SA	Ploiesti (Romania)		50.5	50.4997
SIRIO PANEL SPA	Montevarchi (Arezzo)		100	100
SISTEMI E TELEMATICA SPA	Genoa		100	100
SO.GE.PA. SOC. GEN. DI PARTECIPAZIONI SPA (IN LIQUIDATION)	Genoa	100		100
SISTEMI SOFTWARE INTEGRATI SPA formerly 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	40.0656
UNIVERSAL POWER SYSTEMS INC	Wilmington, Delaware (USA)		100	100
VEGA CONSULTING SERVICES LTD	Hertfordshire (UK)		100	100
VEGA DEUTSCHLAND GMBH	Cologne (Germany)		100	100
WESTLAND INDUSTRIES LTD	Yeovil, Somerset (UK)		100	100
WESTLAND SUPPORT SERVICES LTD	Yeovil, Somerset (UK)		100	100
WESTLAND TRANSMISSIONS LTD	Yeovil, Somerset (UK)		100	100
WHITEHEAD ALENIA SIST. SUBACQUEI SPA	Livorno	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 (Poland)		51.65785	48.4937
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 (Belgio)		100	33
THALES ALENIA SPACE ESPANA SA	Madrid (Spain)		100	33
THALES ALENIA SPACE ETCA SA	Charleroi (Belgio)		100	33
THALES ALENIA SPACE NORTH AMERICA INC	Wilmington (USA)		100	33
THALES ALENIA SPACE DEUTHCHLAND SAS	Germany		100	33
FORMALEC SA	Paris (France)		100	33
TELESPAZIO HOLDING SRL	Rome	67		67
SPACEOPAL GMBH	Munich (Germany)		50	33.5
VEGA SPACE GMBH	Darmstadt (Germany)		100	67
VEGA SPACE LTD	Welwyn Garden City, Herts (UK)		100	67
VEGA CONSULTING & TECHNOLOGY SL	Madrid (Spain)		100	67
VEGA TECHNOLOGIES SAS	Ramonville Saint Agne (Fancia)		100	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
GAF AG	Munich (Germany)		100	53.6
EUROMAP SATELLITENDATEN-VERTRIEB MBH	Neustrelitz (Germany)		100	53.6
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 SATELLITE TELECOMMUNICATIONS LTD	Budapest (Hungary)		100	67
RARTEL SA	Bucharest (Romania)		61.061	40.911
FILEAS SA	Paris (France)		100	67
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)		100	25
MBDA INTERNATIONAL LTD	UK		100	25
MBDA ITALIA SPA	Rome		100	25
MBDA UK LTD	Stevenage (U.K.)		99.99	25
MBDA UAE LTD	London (U.K.)		100	25
MATRA ELECTRONIQUE SA	Paris (France)		99.99	25
MBDA REINSURANCE LTD	(Dublin) Ireland		100	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
ROTORSIM SRL	Sesto Calende (Varese)		50	50
CONSORZIO ATR GIE e SPE	Toulouse (France)		50	50
SUPERJET INTERNATIONAL SPA	Tessera (Venice)		51	51
BALFOUR BEATTY ANSALDO SYSTEMS JV SDN BHD	Ampang (Malaysia)		40	16.0262
KAZAKHASTAN TZ-ANSALDOSTS ITALY LLP	Astana (Kazakhstan)		49	19.632
ANSALDO ENERGIA HOLDING SPA formerly ANSALDO ELECTRIC DRIVES SPA	Genoa	54.55		54.55
ANSALDO ENERGIA SPA	Genoa		100	54.55
ANSALDO ESG AG	Wurenlingen (Switzerland)		100	54.55
ANSALDO FUEL CELLS SPA	Genoa		100	54.55
ANSALDO NUCLEARE SPA	Genoa		100	54.55
ANSALDO THOMASSEN BV	Rheden (the Netherlands)		100	54.55
ANSALDO THOMASSEN GULF LLC	Abu Dhabi (United Arab Emirates)		48.667	26.548
ASIA POWER PROJECTS PRIVATE LTD	Bangalore (India)		100	54.55
YENIAEN INSAAT ANONIM SIRKETI	Istanbul (Turkey)		100	54.55

List of companies consolidated using the equity method

Company name	*Registered office*	*% Group ownership*		*% Group shareholding*
		Direct	*Indirect*	
A4ESSOR SAS	Neuilly Sur Seine (France)		21	21
ABRUZZO ENGINEERING SCPA (IN LIQUIDATION)	L'Aquila		30	30
ABU DHABI SYSTEMS INTEGRATION LLC	Abu Dhabi (United Arab Emirates)		43.043	43.043
ADVANCED AIR TRAFFIC SYSTEMS SDN BHD	Darul Ehsan (Malaysia)		30	30
ADVANCED LOGISTICS TECHNOLOGY ENGINEERING CENTER SPA	Turin		51	16.83
ALENIA HELLAS SA (IN LIQUIDATION)	Kolonaki, Athens (Greece)		100	100
ALENIA NORTH AMERICA-CANADA CO	Halifax, Nova Scotia (Canada)		100	100
ALIFANA DUE SCRL	Naples		53.34	21.371
ALIFANA SCRL	Naples		65.85	26.38
ANSALDO ARGENTINA SA	Buenos Aires (Argentina)		99.993	54.546
ANSALDO – E.M.IT. SCRL (IN LIQUIDATION)	Genoa		50	50
ANSALDO ENERGY INC	Wilmington, Delaware(USA)		100	54.55
ANSALDO STS SISTEMAS DE TRANSORTE E SINALIZACAO LTDA	Rio De Janeiro (Brazil)		100	40.0656
ANSERV SRL	Bucharest (Romania)		100	54.55
AUTOMATION INTEGRATED SOLUTIONS SPA	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
COMLENIA SENDIRIAN BERHAD	Selangor Darul Ehsan (Malaysia)		30	30
CONSORZIO START SPA	Rome		43.96	43.96
CONTACT SRL	Naples		30	30
DISTRETTO TECNOLOGICO AEROSPAZIALE S.C.A R.L.	Brindisi		24	24
DOGMATIX LEASING LIMITED	Mauritius Islands		100	50
ECOSEN CA	Caracas (Venezuela)		48	19.23
ELETTRONICA SPA	Rome	31.333		31.333
ELSACOM HUNGARIA KFT	Budapest (Hungary)		100	100
ELSACOM NV	Amsterdam (the Netherlands)	100		100
ELSACOM SLOVAKIA SRO (IN LIQUIDATION)	Bratislava (Slovakia)		100	100
ELSACOM SPA (IN LIQUIDATION)	Rome		100	100
ELSACOM-UKRAINE JOINT STOCK COMPANY	Kiev (Ukraine)		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 (Germany)		24	24
EUROMIDS SAS	Paris (France)		25	25
EURO PATROL AIRCRAFT GMBH (IN LIQUIDATION)	Munich (Germany)		50	50
EUROSATELLITE FRANCE SA	France		100	33
EUROSYSNAV SAS	Paris (France)	50		50
EUROTECH SPA	Amaro (Udine)	11.08		11.08
FATA GULF CO WLL	Doha (Qatar)		49	49
FATA HUNTER INDIA PVT LTD	New Dehli (India)		100	100
FINMECCANICA CONSULTING SRL	Rome	100		100
FINMECCANICA DO BRASIL LTDA	Brasilia (Brazil)	99.999		99.999
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 SCPA	Turin		49	49
IMMOBILIARE CASCINA SRL	Gallarate (Varese)		100	100
IMMOBILIARE FONTEVERDE SRL (IN LIQUIDATION)	Rome		60	48
INDRA ESPACIO SA	France		49	16.17
INTERNATIONAL METRO SERVICE SRL	Milan		49	19.63
I.M. INTERMETRO SPA (IN LIQUIDATION)	Rome		33.332	23.343
IVECO - 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	25.0001
LIBYAN ITALIAN ADVANCED TECHNOLOGY CO	Tripoli (Lybia)	25	25	50
LMATTS LLC	Georgia (USA)		100	100
MACCHI HUREL DUBOIS SAS	Plaisir (France)		50	49.99
METRO 5 SPA	Milan		31.9	17.16
MUSINET ENGINEERING SPA	Turin		49	49
N2 IMAGING SYSTEMS LLC	Wilmington, Delaware (USA)		30	30
NGL PRIME SPA	Turin	30		30
N.H. INDUSTRIES SARL	Aix en Provence (France)		32	32

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

Company name	*Registered office*	*% Group ownership*		*% Group shareholding*
		Direct	*Indirect*	
NICCO COMMUNICATIONS SAS	Colombes (France)		50	50
NNS – SOC. DE SERV. POUR REACTEUR RAPIDE SNC	Lyon (France)		40	21.82
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	26.73
QUADRICS LTD (IN LIQUIDATION)	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 LIQUIDATION)	France		21.19	6.993
SELEX GALILEO ELECTRO OPTICS (OVERSEAS) LTD	Basildon, Essex (U.K.)		100	100
SELEX GALILEO INFRARED LTD	Basildon, Essex (U.K.)		100	100
SELEX GALILEO MUAS SPA	Rome		100	100
SELEX GALILEO PROJECTS LTD	Basildon, Essex (U.K.)		100	100
SELEX GALILEO SAUDI ARABIA COMPANY LTD	Riyadh (Saudia 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.	Saint Petersburg (Russia)		35	35
SISTEMI DINAMICI SPA	S. Piero a Grado (Pisa)		40	40
TELESPAZIO NETHERLAND BV	Enschede (the Netherlands)		100	67
TRADE FATA BV	Rotterdam (the Netherlands)		100	100
TRIMPROBE SPA (IN LIQUIDATION)	Rome	100		100
TURBOENERGY SRL	Cento (Ferrara)		25	13.638
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	24
WITG L.P. LTD	Kent, Dover, Delaware (USA)		20	20
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*	
ADVANCED MALE AIRCRAFT LLC	Al Ain, Muwaiji (United Arab Emirates)		49	49
ALENIA NORTH AMERICA DEFENSE LLC	Wilmington, Delaware (USA)		100	100
COREAT S.C. A R.L.	Rieti		30	30
CCRT SISTEMI SPA (IN BANKRUPTCY)	Milan		30.34	30.34
EUROPEAN SATELLITE NAVIGATION INDUSTRIES GMBH	Ottobrunn (Germany)	18.939	18.939	25.189
EUROPEAN SATELLITE NAVIGATION INDUSTRIES SA (IN LIQUIDATION)	Bruxelles (Belgium)	18.939	18.939	25.189
IND. AER. E MECC. R. PIAGGIO SPA (AMM.STR.)	Genoa	30.982		30.982
SAITECH SPA (IN BANKRUPTCY)	Passignano sul Trasimeno (Perugia)		40	40
SCUOLA ICT SRL (IN LIQUIDATION)	L'Aquila	20		20
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
SIRIO PANEL INC	Dover, Delaware (USA)		100	100
U.V.T. SPA (IN BANKRUPTCY)	San Giorgio Jonico (Taranto)		50.614	50.614
YENIELEKTRIK URETIM ANONIM SIRKETI	Istanbul (Turkey)		40	21.82

For ease of understanding and comparability, below are the main changes in the scope of consolidation since July 2010:

- on 13 July 2010, Selenia Marine Company Limited (in liquidation) was removed from the Company Register and deconsolidated accordingly;
- on 11 August 2010, Thomassen Service Australia PTY Ltd was removed from the Company Register and deconsolidated accordingly;
- on 27 September 2010, DRS Condor Holdco LLC was formed and is consolidated on a line-by-line basis;
- on 6 October 2010, the company Vega Space GmbH was acquired and is consolidated on a line-by-line basis;
- on 27 October 2010, Vega Space Ltd was acquired and is consolidated on a line-by-line basis;
- on 27 October 2010, Yeni Aen Insaat Anonim Sirketi was acquired and is consolidated using the equity method;
- on 23 November 2010, SELEX Communications Secure Systems Ltd (in liquidation), SELEX Communications International Ltd (in liquidation), Davies Industrial Communications Ltd (in liquidation) and Ote Mobile Technologies Ltd (in liquidation) were removed from the Company Register and deconsolidated accordingly;
- on 30 December 2010, Advanced Acoustic Concepts Inc was acquired and was consolidated on a line-by-line basis. On 3 January 2011, the company was merged into DRS Sonar Systems LLC;
- on 31 December 2010, DRS Mobile Environmental Systems Co was merged into DRS Environmental Systems Inc;
- on 31 December 2010, Selenia Mobile SpA was merged into SELEX Communications SpA;
- starting from 1 January 2011, Elsacom NV and Elsacom SpA (in liquidation) are consolidated using the equity method;
- on 1 January 2011, Alenia Improvement SpA was merged into Alenia Aeronautica SpA;
- on 1 January 2011, Eurimage SpA was merged into E-Geos SpA;

- on 1 January 2011, Vega Deutschland GmbH was sold by SELEX Systems Integration Ltd to SELEX ELSAG SpA;
- on 3 January 2011, following the reorganisation of the Defence and Security Electronics division, Vega Space Ltd, Vega Consulting & Technology SL, Vega Technologies SAS and Vega Space GmbH were transferred from SELEX Systems Integration Ltd to Telespazio SpA and are consolidated on a proportional basis from that date;
- on 1 January 2011, Nahuelsat SA (in liquidation) was removed from the Company Register and deconsolidated accordingly;
- on 1 January 2011, Westland Helicopters Inc. was removed from the Company Register and deconsolidated accordingly;
- on 21 February 2011, SELEX Galileo MUAS SpA was formed and is consolidated using the equity method;
- on 2 April 2011, Fata Gulf Co. WLL was formed and is consolidated using the equity method;
- starting from 1 January 2011, Yeni Anonim Insaat Sirketi is consolidated on a line-by-line basis;
- on 31 May 2011, ABS Technology SpA was sold and deconsolidated accordingly;
- on 1 June 2011, Elsag Datamat SpA was merged into SELEX Communications SpA, which changed its name to SELEX ELSAG SpA;
- on 1 June 2011, SELEX Service Management SpA, SEICOS SpA and DIGINT Srl were acquired by SELEX ELSAG SpA;
- in February 2011, Finmeccanica Spa sold 45% of Ansaldo Energia Holding SpA (formerly Ansaldo Electric Drives SpA) to a third party. On 13 June 2011, Finmeccanica Spa sold 100% of Ansaldo Energia SpA and its subsidiaries to Ansaldo Energia Holding SpA. As a result of this transaction, Ansaldo Energia Holding SpA and its subsidiaries are consolidated on a proportional basis as from that date;
- on 9 June 2011, AgustaWestland India Private Ltd was formed and is consolidated on a line-by-line basis.

During the first six months of 2011, the following companies changed their names:

- DRS Sonar Systems LLC to Advanced Acoustic Concepts LLC;
- DRS Condor Holdco LLC to DRS CENGEN LLC;
- Space Software Italia SpA to Sistemi Software Integrati SpA;
- Agusta SpA to AgustaWestland SpA;
- Westland Helicopters Ltd to AgustaWestland Ltd;
- Agusta Aerospace Corporation to AgustaWestland Philadelphia Co;
- SELEX Communications Holdings Ltd to SELEX ELSAG Holdings Ltd;
- SELEX Communications Ltd to SELEX ELSAG Ltd.

7. SIGNIFICANT CHANGES IN THE EXCHANGE RATES APPLIED

Again with reference to data comparability, the first six months of 2011 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 2011 and the average exchange rates for the period showed, for the main currencies, these changes from 2010: final exchange rates for the period (euro/US dollar +8.16% and euro/sterling pound +4.86%); average exchange rates for the period (euro/US dollar +5.62% and euro/sterling pound -0.23%).

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

	At 30 June 2011		At 31 December 2010	At 30 June 2010	
	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	1.40311	1.44530	1.33620	1.32847	1.22710
Pound sterling	0.86804	0.90255	0.86075	0.87000	0.81745

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).

For the purposes of data comparability, it should be noted that following the formation of the Ansaldo Energia joint venture through the sale of the entire share capital of Ansaldo Energia SpA to Ansaldo Energia Holding (please refer to other sections of this report for more information), the new group in the Energy segment is consolidated according to the proportional method as from the date of finalisation of the sale on the basis of the interest held.

The results for each segment at 30 June 2011, as compared with those of the same period of the previous year, are as follows:

	Helicopters	**Defence and Security Electronics**	**Aeronautics**	**Space**	**Defence Systems**	**Energy**	**Transportation**	**Other activities**	**Eliminations**	**Total**
For the six months ended 30 June 2011										
Revenues	1,831	2,923	1,297	480	558	562	953	131	(303)	**8,432**
of which from related parties	*89*	*435*	*356*	*22*	*96*	*2*	*152*	*90*	*(303)*	***939***
Adjusted EBITA	188	181	41	10	49	42	9	(80)	-	**440**
Investments	90	90	112	14	15	13	9	6	-	**349**

	Helico-pters	Defence and Security Electronics	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 related parties	*87*	*412*	*346*	*22*	*60*	*8*	*163*	*49*	*(272)*	***875***
Adjusted EBITA	181	289	54	5	37	67	35	(82)	-	**586**
Investments	66	108	148	22	17	17	21	6	-	**405**

The portion of fixed assets referring to intangible assets, property, plant and equipment and investment properties attributable to the segments at 30 June 2011 and at 31 December 2010 is as follows:

	Helico pters	Defence and Security Electronics	Aero-nautics	Space	Defence Systems	Energy	Transpor-tation	Other Activities	Elimin ations	Total
30 June 2011										
Fixed assets	2,340	5,353	1,744	528	570	98	251	812	-	**11,696**

	Helicop ters	Defence and Security Electronics	Aero-nautics	Space	Defence Systems	Energy	Transpor-tation	Other Activities	Elimin ations	Total
31 Dec. 2010										
Fixed assets	2,361	5,746	1,743	508	574	177	254	840	-	**12,203**

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:

	Helicop-ters	Defence and Security Electro-nics	Aeronau-tics	Space	Defence Systems	Energy	Transpor-tation	Other Activities	Total
For the six months ended 30 June 2011									
Adjusted EBITA	**188**	**181**	**41**	**10**	**49**	**42**	**9**	**(80)**	**440**
Impairment									
Amortisation of intangible assets acquired through a business combination	(4)	(36)	-	-	(1)	-	-	-	**(41)**
Restructuring costs	-	(10)	(13)	-	(1)	-	(3)	-	**(27)**
Non-recurring (income) costs	-	-	(51)	-	-	-	-	-	**(51)**
EBIT	**184**	**135**	**(23)**	**10**	**47**	**42**	**6**	**(80)**	**321**

	Helicop-ters	Defence and Security Electro-nics	Aeronau-tics	Space	Defence Systems	Energy	Transpor-tation	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)**
Non-recurring (income) costs	-	-	-	-	-	-	-	-	-
EBIT	**169**	**246**	**53**	**5**	**35**	**67**	**34**	**(82)**	**527**

9. INTANGIBLE ASSETS

Below is a breakdown of intangible assets:

	30 Jun 2011	*31 Dec 2010*
Goodwill	5,883	6,177
Development costs	656	673
Non-recurring costs	772	710
Concession of licences and trademarks	115	113
Acquired through business combinations	865	942
Other	289	316
Total intangible assets	**8,580**	**8,931**

In particular, the most significant changes were as follows:

- net decrease in goodwill (€mil. 294), mainly due to the negative translation differences on goodwill arising on assets denominated in pounds sterling and US dollar.

  With reference to the value of goodwill, the capitalisation of the Finmeccanica stock is presently lower than the Group shareholders' equity. However, this was not considered as a specific impairment indicator, because the stock listing is affected by the generally depressed and highly volatile conditions of financial markets, and is significantly distant from an evaluation based on the business fundamentals, in terms of value of use. Even considering the complex economic scenario, prudent in estimating the cash flows and discounting and growth rates used for the impairment test, these tests should concern the ability to generate financial flows during the period of use, rather than stock values, which reflect all the present difficulties and provide short-term expectations;

- amortisation of €mil. 143 (€mil. 127 at 30 June 2010) (Note 25) and impairment of €mil. 23 (€mil. - at 30 June 2010) especially due to the writedown of development costs in the Aeronautics division;
- investments in the overall amount of €mil. 173 (€mil. 176 at 30 June 2010), broken down as follows:

	For the six months ended 30 June	
	2011	*2010*
Development costs	37	76
Non-recurring costs	89	57
Concession of licences and trademarks	5	5
Other	42	38
Total intangible assets	**173**	**176**

Purchase commitments of intangible assets are recorded in the amount of €mil. 24 (€mil. 23 at 31 December 2010).

10. PROPERTY, PLANT AND EQUIPMENT

Below is a breakdown of property, plant and equipment:

	30 Jun 2011	*31 Dec 2010*
Land and buildings	1,195	1,257
Plant and machinery	603	668
Equipment	682	688
Other	636	659
Total property, plant and equipment	**3,116**	**3,272**

The most significant changes related to the negative translation differences arising on assets denominated in pounds sterling and US dollar (€mil. 46); in particular:

- depreciation of €mil. 192 (€mil. 191 at 30 June 2010);
- investments in the overall amount of €mil. 176 (€mil. 229 at 30 June 2010), broken down as follows:

	For the six months ended 30 June	
	2011	***2010***
Land and buildings	6	7
Plant and machinery	21	21
Equipment	35	39
Other	114	162
Total property, plant and equipment	**176**	**229**

Property, plant and equipment includes €mil. 63 (€mil. 64 at 31 December 2010) of assets held under contracts that can be qualified as finance leases, and "other assets" includes €mil. 47 (€mil. 64 at 31 December 2010) 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. 29 (€mil. 24 at 31 December 2010) of aircraft owned by the AgustaWestland group.

Purchase commitments of property, plant and equipment are recorded in the amount of €mil. 60 (€mil. 78 at 31 December 2010).

11. BUSINESS COMBINATIONS

During the period, the Thales Alenia Space joint venture (consolidated proportionally at 33%) completed the purchase of Thales Deutschland GmbH with a net cash outlay of €mil. 1.

In the corresponding period of the previous year, the Group purchased the Polish PZL group, operating in the helicopter industry, from the US company Lasertel, Inc.

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

€ millions	*2011*		*2010*	
	Goodwill	Cash effect	Goodwill	Cash effect
Acquisitions	2	1	68	87
Payments relating to acquisitions made in previous years	-	3	-	6
Total	**2**	**4**	**68**	**93**

12. RECEIVABLES AND OTHER NON-CURRENT ASSETS

	30 June 2011	*31 December 2010*
Third-party financing	57	64
Security deposits	23	22
Receivables for finance leases	3	5
Deferred receivables under Law 808/85	95	58
Net asset defined-benefit retirement plans (Note 19)	42	32
Financial receivables from related parties (Note 22)	8	9
Other	35	32
Non-current receivables	**263**	**222**
Deferred expenses	21	19
Equity investments	295	316
Non-recurring costs awaiting interventions under Law 808/1985	238	224
Other receivables from related parties (Note 22)	2	1
Non-current assets	**556**	**560**
Total other non-current assets	**819**	**782**

Receivables for finance lease sales 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 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. 13 (€mil. 14 at 31 December 2010), is classified among other current assets (Note 15). Non-recurring expenses awaiting interventions under Law 808/85 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.

Non-controlling equity investments mainly fell due to the writedown of joint stock company Sukhoi Aircraft (€mil 13), the revaluation of Elettronica Spa (€mil. 3), the negative translation differences for companies denominated in foreign currencies (€mil. 12), the collection of dividends (€mil. 7), and the capital increase for Metro 5 SpA (€mil. 8).

13. TRADE RECEIVABLES, INCLUDING NET CONTRACT WORK IN PROGRESS

	30 Jun 2011	*31 Dec 2010*
Receivables	4,310	4,630
Impairment	(213)	(216)
Receivables from related parties (Note 22)	798	798
	4,895	5,212
Work in progress (gross)	8,273	7,794
Advances from customers	(3,864)	(3,764)
Work in progress (net)	4,409	4,030
Total trade receivables and net contract work in progress	**9,304**	**9,242**

Regarding Receivables from related parties, reference should be made to Note 22 for a breakdown and an overview of the most significant activities.

14. DERIVATIVES

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

	30 June 2011		*31 Dec. 2010*	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Forward forex instruments	222	99	105	111
Embedded derivatives	41	-	41	-
Interest rate swaps	77	4	60	7
Other equity derivatives	-	-	13	13
	340	**103**	**219**	**131**

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 1.3362 at 31 December 2010 to 1.4453 at 30 June 2011.

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

Options classified as "other equity derivatives", relating to the earn-out mechanism under the agreement for the sale of STM shares in 2009, expired during the six-month period.

15. OTHER CURRENT ASSETS

		30 June 2011		***31 Dec. 2010***
Income tax receivables		182		221
Assets available for sale		37		1
Other current assets:		857		664
Accrued income - current portion	*107*		*124*	
Equity investments	*1*		*1*	
Receivables for contributions	*80*		*68*	
Receivables from employees and social security	*50*		*44*	
Indirect tax receivables	*321*		*213*	
Deferred receivables under Law 808/85	*13*		*14*	
Other receivables from related parties (Note 22)	*43*		*9*	
Other assets	*242*		*191*	
Total other current assets		**1,076**		**886**

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, receivables from Bombardier Transportation for €mil 26 (€mil. 26 at 31 December 2010), sundry advances in the amount of €mil. 23

(€mil. 9 at 31 December 2010) and receivables for disputes for €mil. 2 (€mil. 5 at 31 December 2010).

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	(712,515)	-	(8)	-	(8)
31 December 2010	577,437,880	2,544	(8)	(19)	2,517
Repurchase of treasury shares, less shares sold	-	-	-	-	-
30 June 2011	577,437,880	2,544	(8)	(19)	2,517
broken down as follows:					
Outstanding shares	578,150,395	2,544	-	(19)	2,525
Treasury shares	(712,515)	-	(8)	-	(8)
	577,437,880	2,544	(8)	(19)	2,517

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 2011, the Ministry for the Economy and Finance held 30.204% of the shares, BlackRock Inc. held 2.240% of the shares, Tradewinds Global Investors, LLC held 2.026% of the shares and the Libyan Investment Authority held 2.010% 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
Actuarial gains (losses) on defined-benefit plans	24	(6)	18	1	-	1
Changes in cash-flow hedges	160	(46)	114	(4)	1	(3)
Exchange gains/losses	(309)	-	(309)	(7)		(7)
Total	**(125)**	**(52)**	**(177)**	**(10)**	**1**	**(9)**

17. BORROWINGS

	30 Jun 2011	***31 Dec 2010***
Bonds	4,020	4,110
Bank borrowings	868	783
Finance leases	3	4
Borrowings from related parties (Note 22)	890	714
Other borrowings	181	190
Total borrowings	**5,962**	**5,801**
Of which:		
Current	1,359	1,258
Non-current	4,603	4,543

The decrease in bonds is essentially related to the net effect deriving from the recognition of coupons maturing during the period, payments made and the depreciation of the US dollar against the euro at period-end.

The increase in bank borrowings is mainly due to medium-term borrowing made as part of the sale of Ansaldo Energia.

Borrowings from related parties are commented on in Note 22.

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

€ millions	***30 Jun 2011***	***31 Dec 2010***
Cash and cash equivalents	(734)	(1,854)
Securities held for trading	(37)	(1)
LIQUIDITY	**(771)**	**(1,855)**
CURRENT FINANCIAL RECEIVABLES	**(1,002)**	**(813)**
Current bank payables	116	182
Current portion of non-current borrowings	260	274
Other current borrowings	983	802
CURRENT NET FINANCIAL DEBT	**1,359**	**1,258**
CURRENT NET FINANCIAL DEBT (CASH)	**(414)**	**(1,410)**
Non-current bank payables	752	601
Bonds issued	3,760	3,836
Other non-current payables	91	106
NON-CURRENT NET FINANCIAL DEBT	**4,603**	**4,543**
NET FINANCIAL DEBT	**4,189**	**3,133**

18. PROVISIONS FOR RISKS AND CHARGES AND CONTINGENT LIABILITIES

	30 June 2011		***31 December 2010***	
	Non-current	**Current**	**Non-current**	**Current**
Guarantees given	16	31	36	34
Restructuring	7	56	9	58
Penalties	75	21	62	21
Product guarantees	102	127	95	136
Other	167	412	191	513
	367	**647**	**393**	**762**

Other provisions for risks and charges came to a total of €mil. 579 (€mil. 704 at 31 December 2010) and specifically include:

- the provision for risks on the business of GIE ATR in the amount of €mil. 68 (unchanged from 31 December 2010);

- the provision for risks and contractual charges in the amount of €mil. 121 (€mil. 110 at 31 December 2010) related, in particular, to business in the Defence and Security Electronics, Space, Defence Systems and Other Activities segments;

- the provision for losses related to shares of €mil. 17 (€mil. 21 at 31 December 2010) includes accruals to cover losses exceeding the carrying amounts of unconsolidated investees valued at equity. The decrease is due to the use of the provision for Nahuelsat SA;

- the provision for taxes in the amount of €mil. 90 (€mil. 94 at 31 December 2010);

- the provision for disputes with employees and former employees in the amount of €mil. 31 (€mil. 30 at 31 December 2010);

- the provision for pending litigation in the amount of €mil. 93 (€mil. 104 at 31 December 2010);

- the provisions for risk on contract-related losses in the amount of €mil. 24 (€mil. 25 at 31 December 2010);

- other provisions in the amount of €mil. 135 (€mil. 252 at 31 December 2010).

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

The situations below, in which there have been changes since the preparation of the 2010 annual financial statements (which should be consulted for further information), are mentioned here for the purposes of full disclosure:

Of particular note:

- the dispute in which Finmeccanica has been asked to cover the contractual commitments assumed upon the sale of the former subsidiary Finmilano SpA to Banca di Roma (now Unicredit Group) originated from the assessment ordered by the Rome Office of Direct Taxes of Finmilano SpA regarding the disallowance of the tax deduction of the capital loss originating in 1987 on the sale of a non-recourse "deferred" receivable at a price below its nominal value. In essence, the Italian Tax Authority felt that this sale was actually a financing transaction and that the loss, in the same manner as a finance cost, should not have been deducted in its entirety in 1987, but should have been recognised over subsequent years as implicit interest in the transaction.

  After the Court of Cassation (the supreme court of appeal) - in allowing the appeal filed by the Tax Authority – referred the parties back to the court of first instance, the latter once again upheld the Company's complaint. This ruling was once again appealed to the Court of Cassation, which in 2009 quashed the ruling and referred the parties to the court of second instance for the second time. The Rome Regional Tax Commission recently upheld the arguments of the Tax Authority and the Company is now considering whether to appeal to Court of Cassation.

  It should be noted that substantial charges to be paid by Finmeccanica are not currently foreseeable;

- the dispute initiated by Telespazio SpA against the Agenzia delle Entrate, Rome District 4 challenging a tax assessment regarding direct income taxation 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 a 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. In the meantime, the Tax Authority has filed an appeal with the Court of Cassation;

- 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. On 6 June 2011, the court expert's report was submitted and a hearing has been scheduled for 18 October 2011;

- In April 2010 the company OS Italia Srl brought an action against Trimprobe SpA in liquidation before the Court of Milan to have the latter be held liable in contract and in tort in relation to a contract for the distribution of medical equipment called TRIMprob. The plaintiff claims that Trimprobe hid a product defect thereby causing total damages of around €mil. 19. In appearing before the court, Trimprobe fully objected the plaintiff’s claims and filed a counterclaim of €mil. 2. The hearing on the admissibility of the motions has been set for 11 January 2012;

- on 10 March 2010, the Tax Investigation Unit of the Tax Police of Genoa completed the audit of the former Datamat SpA (merged with Elsag Datamat, now SELEX Elsag, in 2007) and investigators alleged that invoices were issued for non-existent transactions in the years 2003 and 2004, i.e. prior to Finmeccanica’s acquisition of the company in October 2005. In October 2010, Finmeccanica initiated procedures before the Court of Rome against the sellers and former directors of Datamat to protect its financial rights. The hearing on the admissibility of preliminary measures has been scheduled for 15 November 2011;

- In February 2011, G.M.R. SpA., as the sole shareholder of Firema Trasporti, brought an action against Finmeccanica and Ansaldobreda before the Court of Santa Maria Capua Vetere asking that the court find the companies liable, through their actions, for the insolvency of Firema Trasporti and that they be ordered to pay damages. The plaintiff asserts that, during the time when Finmeccanica was a shareholder of Firema Trasporti (from 1993 to 2005), that company was subject to the direction and coordination of Finmeccanica to its detriment and was managed in the sole interests of the Finmeccanica Group and that, even after Finmeccanica sold its stake in the company, Firema Trasporti, under various contracts in place with Ansaldobreda, was in fact financially dependent upon the Group, which behaved in an abusive manner. Finmeccanica and Ansaldobreda appeared before the court, requesting that the plaintiff’s action be denied as wholly lacking foundation.

There are no significant changes to report with respect to the investigations of Group companies being carried out by judicial authorities, as described in Paragraph 12 of the “Corporate Governance Report and Shareholder Structure” included in the Financial Statements at 31 December 2010.

Since the publication of the Financial Statements at 31 December 2010 (18 March 2011), Finmeccanica has learned of other investigations being made of the activities of certain of its subsidiaries and that involve certain Group executives. Finmeccanica has cooperated fully with investigators in order that they may conclude their work as quickly as possible.

Following is a summary of the investigations being conducted of which Finmeccanica is aware, specifying the actions undertaken by the internal audit bodies.

SELEX Service Management SpA ("SEMA") received a search and seizure order as part of the investigation by judicial authorities of the awarding of the contract for the development and management of the SISTRI (waste tracking system) infrastructure. Along with this order, the Chief Executive Officer of SEMA received a notice of investigation for crimes pursuant to Arts. 416, 110, 640(2), 323(2) of the Penal Code and Arts. 2 and 8 of Legislative Decree 74/2000.

In response to this, the Internal Audit Committee, along with the Board of Auditors, met with SEMA's upper management, and the Board of Auditors also met with SEMA's board of auditors. No particular problems were uncovered during these meetings in relation to the operation of the internal control system. The Internal Audit Committee and the Board of Auditors also examined the results of the audits performed by Finmeccanica Spa's Internal Audit Committee of the suppliers that SEMA used in performing the SISTRI contract and did not discover any problems there either.

Electron Italia Srl ("Electron"), a company in which SELEX Elsag SpA holds 80%, received a search and seizure order in relation to a consultancy agreement signed in 2009 with a non-Group company. The order also served as a notice of investigation for the Chairman of Electron for crimes pursuant to Art. 8 of Legislative Decree 74/2000 and Art. 110 of the Penal Code. It should be noted that Electron only paid that company the € 10,000 amount contractually provided as a lump-sum reimbursement payment.

The Board of Auditors therefore met with Electron's board of auditors and no problems were uncovered during the meeting in relation to the operation of the internal control system.

Alenia Aeronautica SpA received a search and seizure order for documentation concerning transactions related to the sale, under the EFA programme, of Eurofighter aircraft to the Austrian government by the consortium of which Alenia Aeronautica is a partner.

With regard to this matter no critical issues have arisen from the verifications performed.

AnsaldoBreda SpA received a search and seizure order for documentation concerning a conference held in Voghera on 20 April 2011, organised by AnsaldoBreda, along with others, and for the contract for trains for the Fortaleza (Brazil) metro performed by AnsaldoBreda.

In response to this, the Internal Audit Committee, along with the Board of Auditors, met with AnsaldoBreda's upper management, and the Board of Auditors also met with AnsaldoBreda's board of auditors. No particular problems were uncovered during these meetings in relation to the operation of the internal control system. Finally, it should be noted that, on 19 July 2011, the Chairman of Finmeccanica Spa was notified of the request made by the public prosecutor to the Rome pre-trial investigating judge to extend its preliminary investigations and indicating that he is under investigation by the Rome Public Prosecutor's Office for crimes allegedly committed pursuant to Art. 2 of Legislative Decree 74/2000. It should be clarified that this order does not set out information from which we can discern the events around which the investigation revolves.

With regard to the events above, the Board of Directors believes, based on the information we currently have and the analyses made, that Finmeccanica's financial position, present and prospective, is not at risk.

19. EMPLOYEE LIABILITIES

	30 June 2011			*31 Dec. 2010*		
	Liabilities	***Assets***	***Net***	***Liabilities***	***Assets***	***Net***
Severance obligations	554	-	554	610	-	610
Defined-benefit plans	291	42	249	341	32	309
Share of MBDA joint venture pension obligation	58	-	58	64	-	64
Defined-contribution plans	20	-	20	26	-	26
	923	**42**	**881**	**1,041**	**32**	**1,009**

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

	30 June. 2011	***31 Dec. 2010***	***31 Dec. 2009***	***31 Dec. 2008***	***31 Dec. 2007***
Present value of obligations	1,527	1,567	1,409	1,055	1,038
Fair value of plan assets	(1,278)	(1,258)	(1,038)	(846)	(886)
Plan excess (deficit)	**(249)**	**(309)**	**(371)**	**(209)**	**(152)**
of which related to:					
- net liabilities	(291)	(341)	(382)	(248)	(152)
- net assets	42	32	11	39	-

The decrease in the total net deficit is essentially attributable to the AgustaWestland plan for €mil. 44.

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

	For the six months ended 30 June	
	2011	***2010***
Costs of current services	10	27
Total “personnel costs”	10	27
Interest expense	60	52
Expected return on plan assets	(49)	(36)
Costs booked as “finance costs”	11	16
	21	**43**

20. OTHER LIABILITIES

	Non-current		**Current**	
	30 June 2011	***31 Dec. 2010***	***30 June 2011***	***31 Dec. 2010***
Employee obligations	53	55	519	474
Deferred income	66	28	97	89
Social security payable	6	6	276	295
Payable to MED Law 808/85	271	268	64	64
Payable to MED for monopoly rights Law 808/85	102	96	35	35
Other liabilities Law 808/85	115	109	-	-
Indirect tax payables	-	-	179	202
Other payables to related parties (Note 22)	-	-	40	24
Other payables	65	91	433	472
	678	**653**	**1,643**	**1,655**

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.

Other liabilities Law 808/85 includes the difference 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. 49 (€mil. 70 at 31 December 2010), of which €mil. 29 carried as a non-current liability (€mil. 52 at 31 December 2010), 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 joint venture between Alenia Aeronautica SpA and EADS NV) in the amount of €mil. 26 (€mil. 4 at 31 December 2010);
- the payable for customer deposits in the amount of €mil. 52 (€mil. 44 at 31 December 2010);
- the payable for contractual penalties in the amount of €mil. 27 (€mil. 37 at 31 December 2010);
- royalties due in the amount of €mil. 28 (€mil. 21 at 31 December 2010);
- the payable for contractual penalties in the amount of €mil. 14 (€mil. 16 at 31 December 2010);
- the payable for the repurchase of a G222 aircraft in the amount of €mil. 5 (€mil. 7 at 31 December 2010);
- payables for insurance in the amount of €mil. 4 (€mil. 7 at 31 December 2010).

21. TRADE PAYABLES, INCLUDING NET ADVANCES FROM CUSTOMERS

	30 June 2011	*31 Dec. 2010*
Trade payables	4,163	4,614
Trade payables to related parties (Note 22)	121	116
	4,284	4,730
Advances from customers (gross)		
Work in progress	16,007	18,008
Advances from customers (net)	(8,213)	(9,742)
	7,794	8,266
Total trade payables	**12,078**	**12,996**

In respect of payables to related parties, reference is made to Note 22 providing a breakdwon of this item and summarising the most significant liabilities.

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 2011*	**Non-current financial receivables**	**Other non-current receivables**	**Current financial receivables**	**Trade receivables**	**Other current receivables**	**Total**
Subsidiaries						
Elsacom NV					8	8
Other companies with unit amount lower than €mil. 5			10	6	1	17
Associates						
Eurofighter Jagdflugzeug GmbH				197		197
NH Industries Sarl				52		52
Iveco - Oto Melara Scarl				27		27
Orizzonte - Sistemi Navali SpA				23		23
Abruzzo Engineering Scpa (in liq.)				22		22
Joint Stock Company Sukhoi Aircraft				13		13
Metro 5 SpA		1		7		8
Macchi Hurel Dubois SAS				6		6
Eurosysnav SAS				6		6
Other companies with unit amount lower than €mil. 5		1		22	1	24
Joint ventures (*)						
Ansaldo Energia			122	10		132
MBDA				69		69
Telespazio	4		25	1		30
Thales Alenia Space			5	17		22
GIE ATR			4	14	29	47
Superjet International SpA			8	6		14
Other companies with unit amount lower than €mil. 5	4		2	3	1	10
Consortiums (**)						
Saturno				15	1	16
Ferroviario Vesuviano				14		14
Trevi - Treno Veloce Italiano				5		5
Other consortiums with unit amount lower than €mil. 5			1	20	1	22
Subsidiaries/under significant influence by MEF						
Ferrovie dello Stato Italiane				139		139
Other				104	1	105
Total	**8**	**2**	**177**	**798**	**43**	**1,028**
% incidence on the total for the period	*11.7*	*5.5*	*17.7*	*16.3*	*0.3*	

(millions of euros) ***PAYABLES AT 30 JUNE 2011***	**Non-current borrowings**	**Other non-current payables**	**Current borrowingss**	**Trade payables**	**Other current payables**	**Total**	**Guaran-tees**
<u>Subsidiaries</u>							
Other companies with unit amount lower than €mil. 5			1	17	5	23	
<u>Associates</u>							
Eurofighter Jagdflugzeug Gmbh			85	9		94	
Consorzio Start SpA				36		36	
Iveco Oto Melara Scarl					7	7	
Other companies with unit amount lower than €mil. 5			3	11		14	
<u>Joint ventures</u> (*)							
MBDA			580	9	1	590	94
Thales Alenia Space			112	10		122	2
Ansaldo Energia			108		16	124	3,851
Telespazio							207
Other companies with unit amount lower than €mil. 5				10	3	13	
<u>Consortiums</u> (**)							
Other consortiums with unit amount lower than €mil. 5			1	7		8	
<u>Subsidiaries/under significant influence by MEF</u>							
Other				12	8	20	
Total	**-**	**-**	**890**	**121**	**40**	**1,051**	**4,154**
% incidence on the total for the period	***-***	***-***	***65.9***	***2.8***	***2.5***		

(*) 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) *RECEIVABLES AT 31 DECEMBER 2010*	**Non-current financial receivables**	**Other non-current receivables**	**Current financial receivables**	**Trade receivables**	**Other current receivables**	**Total**
Subsidiaries						
Alifana Due Scrl				5		5
Other companies with unit amount lower than €mil. 5			9	2		11
Associates						
Eurofighter Jagdflugzeug GmbH				172		172
Iveco - Oto Melara Scarl				41		41
Metro 5 SpA		1		41		42
NH Industries Sarl				34		34
Abruzzo Engineering Scpa				22		22
Joint Stock Company Sukhoi Aircraft				11		11
Orizzonte - Sistemi Navali SpA				8		8
Macchi Hurel Dubois SAS				7		7
Euromids SAS				5		5
Eurosysnav SAS				5		5
Other companies with unit amount lower than €mil. 5	2			19	1	22
Joint ventures (*)						
MBDA				66		66
Thales Alenia Space	3		7	15		25
GIE ATR				13	4	17
Telespazio			17	2	1	20
Superject International SpA				5		5
Other companies with unit amount lower than €mil. 5	4		1	1	1	7
Consortiums (**)						
Saturno				23	1	24
Ferroviario Vesuviano				14		14
Trevi - Treno Veloce Italiano				9		9
S3Log				6		6
Other consortiums with unit amount lower than €mil. 5				13	1	14
Subsidiaries/under significant influence by MEF						
Ferrovie dello Stato Italiane				146		146
Other				113		113
Total	**9**	**1**	**34**	**798**	**9**	**851**
% incidence on the total for the period	***11.7***	***3.0***	***4.2***	***14.6***	***0.1***	

(€ millions) ***PAYABLES AT 31 DECEMBER 2010***	**Non-current borrowings**	**Other non-current payables**	**Current borro-wings**	**Trade payables**	**Other current payables**	**Total**	**Guaran-tees**
Subsidiaries							
Alifana Due Scrl				6		6	
Other companies with unit amount lower than €mil. 5				13	1	14	
Associates							
Eurofighter Jagdflugzeug Gmbh			27	9		36	
Consorzio Start SpA				34		34	
Iveco - Oto Melara Scarl					6	6	
Contact Srl				6		6	
Orizzonte-Sistemi Navali SpA							
Other companies with unit amount lower than €mil. 5			3	9		12	
Joint ventures (*)							
MBDA			588	12	6	606	90
Thales Alenia Space			85	8		93	1
Telespazio			10	2	1	13	207
Superject International SpA				1	5	6	
Other companies with unit amount lower than €mil. 5			1	9		10	
Consortiums *(**)*							
Trevi (in liq.) - Treno Veloce Italiano					5	5	
Other consortiums with unit amount lower than €mil. 5				7		7	
Subsidiaries/under significant influence by MEF							
Other				12	1	13	
Total	**-**	**-**	**714**	**128**	**25**	**867**	**298**
% incidence on the total for the period	***-***	***-***	***56.7***	***2.7***	***1.5***		

(*) 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 2011 *(millions of euros)*	**Revenue**	**Other operating income**	**Costs**	**Other operating expenses**	**Finance income**	**Finance costs**
Subsidiaries						
Finmeccanica North America Inc.			6			
Finmeccanica UK Ltd			5			
Other companies with unit amount lower than €mil. 5	2	1	8			
Associates						
Eurofighter Jagdflugzeug Gmbh	342					
NH Industries Sarl	90					
Orizzonte Sistemi Navali SpA	59		1			
Iveco - Oto Melara Scarl.	53		1	1		2
Macchi Hurel Dubois SAS	8					
Eurofighter Simulation Sistem GmbH	6					
Metro 5 SpA	5					
A4ESSOR SAS	5					
Consorzio Start SpA	1		18			
Other companies with unit amount lower than €mil. 5	16		8			
Joint ventures (*)						
GIE ATR	47					
MBDA	56					3
Thales Alenia Space	15		5			
Other companies with unit amount lower than €mil. 5	5	1	8		1	
Consortiums (**)						
Saturno	5		2			
Other consortiums with unit amount lower than €mil. 5	7		1			
Subsidiaries/under significant influence by MEF						
Ferrovie dello Stato Italiane	132		3			
Other	85		18			
Total	**939**	**2**	**84**	**1**	**1**	**5**
% incidence on the total for the period	***11.1***	***0.9***	***1.6***	***0.4***	***0.1***	***1.0***

(*) 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
Metro 5 SpA	8					
Eurofighter Simulation Sistems GmbH	7					
Macchi Hurel Dubois SAS	6					
Consorzio Start SpA	1		10			
Other companies with unit amount lower than €mil. 5	14		4			
Joint ventures (*)						
GIE ATR	35					
MBDA	44					2
Thales Alenia Space	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			
Subsidiaries/under significant influence by MEF						
Ferrovie dello Stato Italiane	124		1			
Other	78		16			
Total	**875**	**1**	**64**	**1**	**-**	**3**
% incidence on the total for the period	***9.9***	***0.4***	***1.2***	***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

The main transactions originating receivables and payables and costs and revenues in the period were:

- "trade receivables": the most significant amounts relate to the non-eliminated portion of receivables from joint ventures, and to: Eurofighter (EFA programme) totalling €mil. 197 (€mil. 172 at 31 December 2010) 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. 27 (€mil. 41 at 31 December 2010) for production and post-sales assistance on defence and security ground vehicles (production is currently under way on VBM Freccia, Siccona and PZH2000 self-propelled vehicle for the Italian Army); receivables from Metro 5 amounting to €mil. 7 (€mil. 41 at 31 December 2010) for the designing, construction and operation of the new line 5 of the Milan metro; receivables from NH Industries amounting to €mil. 52 (€mil. 34 at 31 December 2010) for transactions for the final sale of the NH90 helicopter; receivables from Abruzzo Engineering amounting to €mil. 22 (€mil. 22 at 31 December 2010) for a project for the construction of the regional infrastructures functional to the resolution of the Digital Divide, ordered by the Abruzzi Region, and receivables from the Saturno consortium amounting to €mil. 15 (€mil. 23 at 31 December 2010) for work on high-speed train lines; receivables from Orizzonte-Sistemi Navali amounting to €mil. 23 (€mil. 8 at 31 December 2010) relating to the FREMM programme and the Ferrovie dello Stato Italiane group amounting to €mil. 139 (€mil. 146 at 31 December 2010) for the supply of engines for long-distance trains, high-speed trains and train control systems, as well as service and maintenance activities;
- "trade payables": the most significant amounts relate to the non-eliminated portion of payables from joint ventures, and relate to the Start Consortium amounting to €mil. 36 (€mil. 34 at 31 December 2010) associated with the supply of software for defence and security systems;

- "financial receivables": these mainly relate to the non-eliminated portion of payables from joint ventures;

- "borrowings": these amounted to €mil. 890 (€mil. 714 at 31 December 2010) and include payables amounting to €mil. 692 (€mil. 673 at 31 December 2010) due by Group companies to the JV MBDA and Thales Alenia Space, for the unconsolidated portion, payables amounting to €mil. 85 (€mil. 27 at 31 December 2010) to Eurofighter, held by Alenia Aeronautica (21%), which uses the cash surplus at 30 June 2011 with its shareholders, based on agreements previously made. The item also includes borrowings of Group companies from the joint venture Ansaldo Energia, for the unconsolidated portion, amounting to €mil. 108.

- "revenue": the most significant amounts relate to the non-eliminated portion of receivables from joint ventures, and to: Eurofighter (EFA programme) totalling €mil. 342 (€mil. 328 at 30 June 2010) 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. 53 (€mil. 37 at 30 June 2010) for production and post-sales assistance on defence and security ground vehicles; receivables from NH Industries amounting to €mil. 90 (€mil. 90 at 30 June 2010) for transactions for the final sale of the NH90 helicopter; receivables from Orizzonte - Sistemi Navali amounting to €mil. 59 (€mil. 48 at 30 June 2010) relating to the FREMM programme and the Ferrovie dello Stato Italiane group amounting to €mil. 132 (€mil. 124 at 30 June 2010) for the supply of high-speed trains and local transport, train control systems, as well as service, maintenance and revamping activities.

23. OTHER OPERATING INCOME (EXPENSES)

These regard:

	For the six months ended 30 June					
	20011			***2010***		
	Income	**Expense**	**Net**	**Income**	**Expense**	**Net**
Grants for research and development	29	-	29	38	-	38
Exchange rate difference on operating items	89	(94)	(5)	154	(150)	4
Indirect taxes	-	(23)	(23)	-	(26)	(26)
Gains/losses on sales of assets	1	(1)	-	-	-	-
Insurance reimbursements	17	-	17	14	-	14
Reversal of impairment of receivables	2	-	2	5	-	5
Gains/losses on operating receivables	-	-	-	-	-	-
Restructuring costs	-	(3)	(3)	-	(2)	(2)
Reversals of/Accruals to provisions	49	(74)	(25)	24	(70)	(46)
Other operating income (expenses)	28	(47)	(19)	35	(61)	(26)
Other operating income (expenses) attributable to related parties (Note 22)	2	(1)	1	1	(1)	-
Total	**217**	**(243)**	**(26)**	**271**	**(310)**	**(39)**

The most significant changes in “Reversals of/Accruals to provisions” compared with the same period of 2010 relate to the provision for product guarantees, the provision for risks and contractual charges, the provision for restructuring and other provisions.

24. RAW MATERIALS AND CONSUMABLES USED AND PERSONNEL COSTS

In particular, these include:

	For the six months ended 30 June			
	2011		*2010*	
Raw materials and consumables used		2,750		2,889
Purchase of services		2,865		2,631
Costs to related parties (Note 22)		84		64
Personnel costs		2,447		2,417
Wages, salaries and contributions	*2,238*		*2,215*	
Cost of stock grant plans	*2*		*24*	
Cost of cash plan performance	*11*		*-*	
Costs related to defined-benefit plans	*10*		*29*	
Costs related to defined-contribution plans	*73*		*74*	
Restructuring costs	*24*		*14*	
Other personnel costs	*89*		*61*	
Changes in inventories of work in progress, finished and semi-finished products		(207)		9
Work performed by the Group and capitalised		(227)		(252)
Total raw materials and consumables used and personnel costs		**7,712**		**7,758**

Regarding personnel, the average workforce went from 75,608 in the first six months of 2010 to 73,108 in the same period of the current year, for a net decrease of 2,500 due mainly to the company reorganisation and restructuring process begun last year, particularly in the Aeronautics, Helicopters, Defence and Security Electronics and Transportation divisions. The decrease in the average workforce was also due to the change in the scope of consolidation, in particular for the transfer of some business units in companies held as joint ventures, using the proportional consolidation method accordingly.

The workforce at 30 June 2011 came to 71,933, down a net of 3,264 employees from the 75,197 reported at 31 December 2010. The decrease of 1,522 is a consequence of the change in the scope of consolidation due to the partial sale of Ansaldo Energia.

Personnel costs came to €mil. 2,447 in the first six months of 2011 as compared with €mil. 2,417 in the same period of 2010, for a net increase of €mil. 30, which essentially reflects the rise in restructuring costs and other early-retirement incentives. Medium and long-term stock award plans accounted for different amounts in the periods at issue; to that end, it should be reminded that a new stock award plan (Performance Cash Plan) was issued, with different awards over the three-year period as compared with the previous plan, indicated in the previous year as a cost of stock grant plan.

Costs related to defined-benefit plans are significantly lower due to changes in the indexation of British pension schemes, in particular for the AgustaWestland group.

The cost of stock grant plans relates to the portion attributable to Ansaldo STS group's plan. The costs recognised in the first half of 2010 related to the third tranche of the Finmeccanica Group's 2008-2010 stock grant plan.

Restructuring costs include the costs of company reorganisations affecting in particular the Aeronautics and the Defence and Security Electronics divisions.

Purchase of services include, among other things, costs for acquisition of satellite capacity of the Telespazio joint venture, which were more than offset by revenue from sales (€mil. 31 from €mil. 34 at 30 June 2010), costs of rents, operating leases and hires (€mil. 109 from €mil. 110 at 30 June 2010).

25. AMORTISATION, DEPRECIATION AND IMPAIRMENT

	For the six months ended 30 June			
	2011		***2010***	
Depreciation and amortisation:				
• Amortisation of intangible assets (Note 9)		143		127
Development costs	*42*		*31*	
Non-recurring costs	*16*		*11*	
Acquired through a business combination	*41*		*43*	
Other	*44*		*42*	
• Depreciation of property, plant and equipment		192		191
Impairment:				
• non-current assets and investment properties		30		4
• goodwill		-		-
• operating receivables		8		8
Total amortisation, depreciation and impairment		**373**		**330**

26. FINANCE INCOME AND COSTS

Below is a breakdown of finance income and costs:

	For the six months ended 30 June					
	2011			*2010*		
	Income	**Costs**	**Net**	**Income**	**Costs**	**Net**
Gain on sale of Ansaldo Energia	458	-	458	-	-	-
Dividends	4	-	4	2	-	2
Discounting of receivables, payables and provisions	5	(2)	3	2	(4)	(2)
Interest	10	(150)	(140)	12	(166)	(154)
Premiums paid/received on IRS	12	(28)	(16)	32	(33)	(1)
Commissions (including commissions on non-recourse items)	1	(22)	(21)	1	(22)	(21)
Fair value adjustments through profit or loss	45	(69)	(24)	118	(115)	3
Premiums paid/received on forwards	3	(3)	-	4	(4)	-
Exchange-rate differences	213	(206)	7	383	(384)	(1)
Value adjustments to equity investments	2	(1)	1	-	(2)	(2)
Interest cost on defined-benefit plans (less expected returns on plan assets) (Note 19)	-	(11)	(11)	-	(16)	(16)
Finance income (costs) - related parties (Note 22)	1	(5)	(4)	-	(3)	(3)
Other finance income and (costs)	25	(22)	3	11	-	11
	779	**(519)**	**260**	**565**	**(749)**	**(184)**

During the period the Group benefited from the recognition of the gain on the sale of 45% of Ansaldo Energia.

This is broken down as follows:

- net interest costs of €mil. 140 (a negative €mil. 154 at 30 June 2010). Specifically, the figure reported for the first half of 2011 includes €mil. 132 (€mil. 146 at 30 June 2010) of interest on bonds;
- net costs arising from the application of fair value to the income statement of €mil. 24 (€mil. 3 of net income in the same period of 2010), as detailed below:

	For the six months ended 30 June					
	2011			***2010***		
	Income	**Costs**	**Net**	**Income**	**Costs**	**Net**
Foreign-currency swaps	7	(39)	(32)	33	(21)	12
Forex options	-	-	-	-	(61)	(61)
Interest rate swaps	24	(7)	17	82	-	82
Ineffective component of hedging on swaps	1	(10)	(9)	3	(8)	(5)
Embedded derivatives				-	(18)	(18)
Other equity derivatives	13	(13)	-	-	(7)	(7)
	45	**(69)**	**(24)**	**118**	**(115)**	**3**

- net costs on foreign-currency swaps, deriving from the fair value measurement of the hedges on payables and receivables in foreign currencies, were offset by income (amounting to €mil. 22) from the realignment of the exchange rates for such hedged payables and receivables at period-end, classified under "Exchange-rate differences";
- fair value income on interest rate swaps of €mil. 17. The first half 2010 earned income of €mil. 82 from the significant reduction in interest rates which had marked that period;

- other net finance income, amounting to €mil. 3 (€mil. 11 of net income for the same period of 2010), mainly includes the positive and negative effects of the commissions received and paid on the earn-out mechanism and the option mirroring the earn-out mechanism related to the sale of STM.

27. INCOME TAXES

Income tax expense can be broken down as follows:

	For the six months ended 30 June	
	2011	***2010***
Corporate income tax (IRES)	75	78
Regional tax on productive activities (IRAP)	50	52
Benefit under consolidated tax mechanism	(56)	(26)
Other income taxes	50	80
Tax related to previous periods	4	(15)
Provisions for tax disputes	14	1
Deferred tax liabilities (assets) - net	(21)	(24)
	116	**146**

The decrease in income taxes is mainly due to the decrease in foreign income taxes (under other income taxes) following the decrease in the taxable base.

The increase in the benefit under consolidated tax mechanism results from greater losses in the period.

28. CASH FLOW FROM OPERATING ACTIVITIES

	For the six months ended 30 June	
	2011	***2010***
Net profit	456	194
Depreciation, amortisation and impairment	373	330
Share of profit (loss) of equity accounted investments	9	3
Income taxes	116	146
Costs of pension and stock grant plans	12	55
Net finance costs (income)	(260)	184
Other non-monetary items	96	96
	802	**1.008**

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). 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	
	2011	***2010***
Inventories	(293)	(24)
Contract work in progress and advances received	(603)	(609)
Trade receivables and payables	(100)	(426)
Changes in working capital	**(996)**	**(1,059)**

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.

	For the six months ended 30 June	
Basic EPS	***2011***	***2010***
Average number of shares for the period (in thousands)	577,438	577,006
Net result (not including minority interests) (€mil.)	433	170
Result of continuing operations (not including minority interests) (€mil.)	433	170
Basic EPS	0.750	0.295
Basic EPS from continuing operations	0.750	0.295

	For the six months ended 30 June	
Diluted EPS	***2011***	***2010***
Average number of shares for the period (in thousands)	578,097	577,665
Adjusted result (not including minority interests) (€mil.)	433	170
Adjusted result of continuing operations (not including minority interests) (€mil.)	433	170
Diluted EPS	0.749	0.294
Diluted EPS from continuing operations	0.749	0.294

For the Board of Directors
the Chairman
(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, Giuseppe Orsi, Chief Executive Officer, and Alessandro Pansa, the Manager in charge of the preparation of the company accounting documents of Finmeccanica Spa, certify, in accordance with Art. 154-*bis*, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998:
   - the appropriateness of the financial 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 2011.

2. In this regard it is noted that:
   a. the process and procedure integration, following the merger of Elsag Datamat SpA into SELEX Communications SpA - now SELEX Elsag SpA - completed on 1 June 2011, is well under way. Therefore, the information reported in the condensed consolidated interim financial statements at 30 June 2011 was obtained using their respective data processing procedures;
   b. noting significant is to be reported.

3. It is also certified that:
   3.1 the condensed consolidated interim financial statements:
   - 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;
   - correspond to the entries in the books and accounting records;
   - being prepared in accordance with Art. 154-*ter* of the aforementioned Legislative Decree no. 58/98 as subsequently amended, 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, 27 July 2011

Chief Executive Officer Giuseppe Orsi	Manager in charge of the preparation of company accounting documents Alessandro Pansa

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

FINMECCANICA SPA

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2011

AUDITORS' REPORT ON THE REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

To the Shareholders of
Finmeccanica SpA

1 We have reviewed the condensed consolidated interim financial statements of Finmeccanica SpA and its subsidiaries ("Finmeccanica Group") as at 30 June 2011, comprising the balance sheet, separate income statement, statement of comprehensive income, statement of changes in shareholders' equity, statement of cash flows and specific explanatory notes. The Directors of Finmeccanica SpA 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 Italian Commission for Listed 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 18 March 2011 and 5 August 2010, respectively.

3 Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements of the Finmeccanica Group as at 30 June 2011 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.

4 We draw attention that in the notes to the condensed consolidated interim financial statements at 30 June 2011, the directors refer to the ongoing investigation involving certain companies and some directors and executives of the Finmeccanica Group. Our report is not qualified in respect of this matter.

Rome, 3 August 2011

PricewaterhouseCoopers SpA

Signed by

Pier Luigi Vitelli
(Partner)

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